

## (TRANSLATION OF ORIGINAL JAPANESE)

## FY2004 Half Year Results: Non-consolidated Statements

8 Nov. 2004

(1 April 2004 through 30 September 2004)

## Mitsubishi Motors Corporation

Code No.: 7211

Listed on: Tokyo and Osaka stock exchanges

Head office: Tokyo

URL: <http://www.mitsubishi-motors.com/>

Representative: Yoichiro Okazaki; Chairman &amp; CEO

Contact: Yoshikazu Nakamura; Head of PR &amp; IR Department Tel: 03-6719-4206

Meeting of Board of Directors for FY2004 half year results: 8 November 2004

Half year dividend system adopted: Adopted

Date of payment of half-year dividend: -

Unit stock system adopted: Yes (1 block = 1,000 shares)

## 1. Financial highlights (1 April 2004 through 30 September 2004)

## (1) Non-consolidated results

	Sales		Operating profit		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
FY2004 half year	565,036	- 15.9	- 40,053	-	- 57,022	-
FY2003 half year	671,796	- 29.3	- 1,883	-	- 10,517	-
FY2003 full year	1,421,047		29,689		21,165	

	Net income		Net income per share -basic
	Million yen	%	Yen
FY2004 half year	- 85,402	-	- 45.70
FY2003 half year	- 6,103	-	- 4.11
FY2003 full year	- 213,097		- 143.65

Note 1: Average number of shares issued and outstanding during term:

	FY2004 half year	FY2003 half year	FY2003 full year
Common stock	1,868,896,389	1,483,431,916	1,483,429,792
Preferred stock	203,125	-	-

Note 2: No accounting policy changes have been implemented during the term.

Note 3: Sales, operating profit and ordinary income percentages indicate changes over the same half-year period in previous fiscal year.

## (2) Cash dividends

	Cash dividend per share	
	Half year	Year-end
	Yen	Yen
FY2004 half year	0.00	-
FY2003 half year	0.00	-
FY2003 full year	-	0.00

## (3) Non-consolidated financial position

	Total assets	Stockholders' equity	Ratio of stockholders' equity	Stockholders' equity per share
	Million yen	Million yen	%	Yen
FY2004 half year	1,235,893	487,617	39.5	36.53
FY2003 half year	1,393,044	300,055	21.5	202.27
FY2003 full year	1,115,110	85,882	7.7	57.89

Note 1: Average number of shares issued and outstanding at term end:

	FY2004 half year	FY2003 half year	FY2003 full year
Common stock	2,647,548,892	1,483,429,570	1,483,427,216
Preferred stock	390,900	-	-

Note 2: Treasury stock at term end:

	29,244	9,364	11,718
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## 2. FY2004 full year non-consolidated results forecast (1 April 2004 through 31 March 2005)

	Sales	Ordinary income	Net income	Dividend per share	
	Million yen	Million yen	Million yen	Year-end	Yen
FY2004 full year	1,160,000	- 105,000	- 150,000	0.00	0.00

Note: Forecast net income per share for full year: ¥-56.66

These forecasts are based on judgments and estimates that have been made on the basis of currently available information and are subject to a number of risks, uncertainties and assumptions. Changes in the company's business environment, in market trends and in exchange rates may cause actual results to differ materially from these forecasts.

# 1.Sales figures

## (1) Sales volume

Units

	1 April 2004 - 30 September 2004			1 April 2003 - 30 September 2003			Change in total
	Domestic	Export	Total	Domestic	Export	Total	
Passenger cars (regular & small-size)	24,718	203,417	228,135	62,675	190,999	253,674	- 25,539
Mini vehicles	65,415	-	65,415	112,822	-	112,822	- 47,407
Total	90,133	203,417	293,550	175,497	190,999	366,496	- 72,946

## (1) Sales amount

Million yen

	1 April 2004 - 30 September 2004			1 April 2003 - 30 September 2003			Change in total
	Domestic	Export	Total	Domestic	Export	Total	
Vehicle sales	89,546	279,392	368,938	191,627	262,693	454,320	- 85,382
Parts for overseas production	-	87,646	87,646	-	103,140	103,140	- 15,494
Parts, accessories & others	44,385	64,067	108,452	37,439	76,897	114,336	- 5,884
Total	133,931	431,105	565,036	229,066	442,730	671,796	- 106,760

## 2. Profit and loss statements (1 April 2004 - 30 September 2004)

Million yen

	FY2004 half year (4/1/04 - 9/30/04)	FY2003 half year (4/1/03 - 9/30/03)	Change
Sales	565,036	671,796	- 106,760
Cost of sales	514,974	581,876	- 66,902
<b>Gross profit</b>	50,062	89,920	- 39,858
Selling, general and administrative expenses	90,115	91,804	- 1,689
<b>Operating profit</b>	- 40,053	- 1,883	- 38,170
Non-operating income	(5,322)	(6,147)	(- 825)
Interest income	1,487	805	682
Dividends	3,786	5,274	- 1,488
Other income	48	67	- 19
Non-operating expenses	(22,291)	(14,780)	(7,511)
Interest expenses	4,616	4,748	- 132
Loss on foreign exchange	2,442	5,843	- 3,401
Legal expenses relating to litigation	-	1,803	- 1,803
Stock issue costs	11,961	-	11,961
Other expenses	3,269	2,384	885
<b>Ordinary income</b>	- 57,022	- 10,517	- 46,505
Extraordinary gains	(11,508)	(21,764)	(- 10,256)
Gain on sale of securities	671	14,702	- 14,031
Gain on reversal of provision for losses on restructuring	-	2,193	- 2,193
Gain on sale of investments in affiliated companies	632	-	632
Gain on reversal of guarantee liability reserve	10,178	4,868	5,310
Other gains	26	-	26
Extraordinary losses	(40,639)	(15,699)	(24,940)
Loss on disposal of fixed assets	3,087	2,455	632
Loss on appraisal of investments in subsidiaries	2,142	13,101	- 10,959
Extraordinary measure expenses	19,888	-	19,888
Provision for losses on restructuring	14,161	-	14,161
Other losses	1,359	142	1,217
<b>Income before income taxes</b>	- 86,153	- 4,451	- 81,702
Income tax, current	- 751	1,652	- 2,403
<b>Net income for period</b>	- 85,402	- 6,103	- 79,299
Retained earnings brought forward from previous period	- 213,097	-	- 213,097
<b>Unappropriated retained earnings at end of period</b>	- 298,499	- 6,103	- 292,396

### 3. Balance sheets (Assets)

Million yen

	At 9/30/2004	At 3/31/2004	Change
<b>Assets</b>			
<b>Current assets</b>	558,674	503,275	55,399
Cash on hand and in bank	96,261	128,857	- 32,596
Notes receivable	1,155	918	237
Accounts receivable	108,501	153,248	- 44,747
Inventories	176,633	161,918	14,715
Short-term loans receivable	137,542	-	137,542
Accounts receivable-other	42,071	54,870	- 12,799
Other current assets	34,993	35,343	- 350
Allowance for doubtful receivables	- 38,485	- 31,881	- 6,604
<b>Fixed assets</b>	677,218	611,834	65,384
<b>Tangible fixed assets</b>	268,003	261,873	6,130
Buildings	49,236	49,146	90
Machinery and equipment	64,132	61,135	2,997
Land	116,536	117,017	- 481
Other tangible fixed assets	38,098	34,573	3,525
<b>Intangible fixed assets</b>	12,991	11,793	1,198
<b>Investments</b>	396,224	338,168	58,056
Investment securities	45,649	68,221	- 22,572
Investments in subsidiaries and affiliated companies	298,992	223,532	75,460
Other investments	55,383	50,167	5,216
Allowance for doubtful receivables	- 3,801	- 3,753	- 48
<b>Total assets</b>	1,235,893	1,115,110	120,783

#### 4. Balance sheets (Liabilities & stockholders' equity)

Million yen

	At 9/30/2004	At 3/31/2004	Change
<b>Liabilities</b>			
<b>Current liabilities</b>	456,597	704,692	- 248,095
Notes payable	9,646	10,555	- 909
Accounts payable	198,497	235,598	- 37,101
Short-term loans payable	105,520	194,504	- 88,984
Bonds (redeemable in one year or less)	5,700	25,900	- 20,200
Commercial paper	-	105,100	- 105,100
Other accounts payable	60,453	57,555	2,898
Corporation taxes payable	475	126	349
Warranty claims allowance	25,103	27,142	- 2,039
Other current liabilities	51,199	48,209	2,990
<b>Non-current liabilities</b>	291,678	324,536	- 32,858
Bonds	37,300	38,300	- 1,000
Long-term loans payable	145,798	146,961	- 1,163
Retirement benefit reserve	80,101	91,314	- 11,213
Retirement benefit reserve for directors	835	719	116
Guarantee liability reserve	9,880	20,058	- 10,178
Deferred tax liabilities	7,686	13,667	- 5,981
Other non-current liabilities	10,077	13,515	- 3,438
<b>Total liabilities</b>	748,275	1,029,228	- 280,953
<b>Stockholders' equity</b>			
<b>Common stock</b>	500,201	252,201	248,000
<b>Capital surplus</b>	276,048	28,048	248,000
Capital reserve	276,048	28,048	248,000
<b>Retained earnings</b>	- 298,499	- 213,097	- 85,402
Unappropriated retained earnings at end of half year period	- 298,499	- 213,097	- 85,402
<b>Unrealized gain on securities</b>	9,872	18,732	- 8,860
<b>Treasury shares</b>	- 5	- 3	- 2
<b>Total stockholders' equity</b>	487,617	85,882	401,735
<b>Total liabilities &amp; stockholders' equity</b>	1,235,893	1,115,110	120,783

## Notes on accounting policies

### Premise of Going Concern

MMC had posted in the previous fiscal year a net loss of JPY213,097M.

In the first-half of fiscal year 2004 also, MMC has posted a net loss of JPY85,402M.

As a result of these recurring losses, significant doubt arises as to the company's ability to continue as a going concern.

To solve this situation and to strengthen its operating base, MMC formulated a "Business Revitalization Plan" in May 2004 and added additional measures in June 2004 that centered on "All-out cost cutting measures", "Restoring customer trust" and "Across-the-board compliance".

The MMC group is now working as one to achieve its "Business Revitalization Plan" and the "Additional Measures".

As a result, these financial statements have been prepared based on the premise of going concern, and do not reflect the effect of any significant doubt as to going concern.

### Significant accounting policies

(1) Marketable securities: basis and method of valuation

Shares in subsidiaries and affiliates

At cost using the moving-average method

Other marketable securities

With market value

At market, based on market value on date of book-closing.

(Net unrealized gain/loss booked directly to stockholders' equity. Selling cost is computed by the moving-average method.)

Without market value

At cost using the moving-average method

(2) Derivative instruments

Valued at market (excluding swaps meeting the special provisions of the accounting standard.)

(3) Inventories: basis and method of valuation

Finished products

At cost on the first-in first-out basis.

Raw materials

At cost using the overall average method

Work in process

At cost on the first-in first-out basis.

Supplies

At cost on the last invoice method.

(4) Depreciation of fixed assets

Tangible fixed assets

Declining balance method. Buildings (excluding related fixtures and facilities) acquired after 1 April 1998 are computed using the straight-line method.

Intangible fixed assets

Straight line method. Software is depreciated using the straight line method over the estimated useful life of 5 years.

Low value fixed assets

Assets with an acquisition cost of over JPY 100,000 but less than JPY 200,000 are amortized using the straight-line method over a 3-year period .

Deferred charges

Straight line method within the charge period.

(5) Allowances

Doubtful accounts

To provide against possible losses arising from accounts and loans receivable, a doubtful account allowance is included in the Balance Sheet calculated on the basis of historical data for general receivables, and on the basis of individual estimates of specific receivables thought to be uncollectible.

Warranty claims

To provide against future after-sales service costs and expenses, a warranty claims allowance is included in the Balance sheet calculated on the basis of past experience in line with warranty terms.

Retirement benefit reserve

Accrued retirement benefits for employees at September 30 2004 have been provided at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets estimated at year end.

The full amount of the transition difference arising from the adoption of the new accounting standard for retirement benefits was charged to expenses in the first year the new accounting standard was adopted. Prior service cost is being amortized by the straight-line method over a 10-year period that is within the estimated average remaining service years of the employees.

Actuarial gains and losses that arise are amortized the following fiscal year using the straight-line method over a 10-year period that is within the estimated average remaining service years of the employees.

Retirement benefit reserve for directors

Directors and auditor severance benefits are provided at the amount estimated necessary at book-closing based on the internal regulations of the Company.

Guarantee liabilities

To provide against losses arising on the execution of guarantees, a guarantee liability allowance calculated on a rational estimate basis is included in the Balance Sheet.

(6) Foreign currency transactions

Foreign currency assets and liabilities are translated into yen at the exchange rate prevailing on the last day of the period. Differences are booked in the profit and loss statement.

(7) Lease transactions

Finance leases, excluding leases in which ownership is recognized to have transferred to the lessee, are booked as ordinary rental transactions.

(8) Hedge accounting

Hedge accounting basis

Booked using deferral accounting or in accordance with the special provisions of the Accounting Standard for Financial Instruments.

Means of hedging and coverage

<u>Means for hedging</u>	<u>Coverage</u>
Forward exchange contracts.....	Foreign currency accounts receivable for merchandise exports. (Scheduled transactions)
Interest swaps.....	Interest on loans from banks.

Hedging policy

Hedge transactions are carried out in order to avoid the fluctuation risk of foreign exchange rates and interest rates on borrowings arising on ordinary operations.

Estimation method of hedging effectiveness

Forward-exchange contract is necessary to fix the cash flow.

Hedging effectiveness of interest rate swaps is estimated through the comparison of change cash flows from the hedging instrument and the hedge item during the period.

Effectiveness of interest rate swaps using the special provisions is monitored in the same way as described above.

(9) Consumption tax

Consumption tax and regional consumption taxes are excluded from the income and expenses figures.

(10) Consolidated tax system

The consolidated tax system is applied.

(11) Deferred assets

The full amount of stock issue costs are charged to expenses at the time of payments.

### **Additional information**

(1) Tax expenses at the half year closing had previously been calculated by the simple method.

From this period, the principle method is adopted to achieve a more reasonable calculation.

This change has no effect on the financial statements.

## Notes to the financial statements

### Balance Sheet

	At 9/30/2004	At 9/30/2003	At 3/31/2004
	(million)	(million)	(million)
(1) Accumulated depreciation of tangible fixed assets	659,353	663,623	661,296
(2) Assets pledged as collateral			
Investment securities	-	22,245	-
Plants, subject to floating charges	95,320	51,482	55,395
Buildings	6,622	-	-
Structures	5,463	-	-
Machinery and equipment	6	-	-
Land	26,667	-	-
Other receivables	639	-	702
Total	<u>134,720</u>	<u>73,727</u>	<u>56,097</u>
Collateral securing obligations			
Guarantee liabilities	13,820	26,874	16,594
Long-term loans payable	121,049	-	-
Short-term loans payable	39,119	-	-
(3) Consumption tax			
After offsetting receivable and payable consumption tax, the balance is recorded in accounts receivable-other as accrued consumption tax.			
(4) Capital deficit	-298,504	-6,106	-213,100
(5) Guarantee liabilities			
Guarantee liabilities	291,054	410,701	415,135
Guarantee liability equivalents	17,053	49,970	37,302
(6) Outstanding balance of securitized accounts receivables	10,084	40,952	30,091
(7) The amount of unused balances of revolving credit facility agreements			
Total commitment line	-	105,900	105,900
Balance of loans payable	-	-	-
Unused commitment line	<u>-</u>	<u>105,900</u>	<u>105,900</u>

## Profit and loss statements

	<u>FY2004 half year</u> (million)	<u>FY2003 half year</u> (million)	<u>FY2003 full year</u> (million)
(1) Depreciation charged			
Tangible fixed assets	15,276	9,791	20,498
Intangible fixed assets	1,338	1,164	2,375
Total	<u>16,614</u>	<u>10,955</u>	<u>22,873</u>

(2) The breakdown of extraordinary measure expenses is the free inspection expenses of the automobiles manufactured by our company (MMC).

(3) The provision for losses on restructuring was caused by the cancellation of the development of a new car model and the integration of production in the Nagoya area.

## Lease transactions

This note is omitted because it will be disclosed on "EDINET".

## Marketable securities

MMC had no shares in subsidiaries or affiliates with a market value for either the previous year, the current half year or the previous half year.

## Earnings per share

	<u>FY2004 half year</u> (yen)	<u>FY2003 half year</u> (yen)	<u>FY2003 full year</u> (yen)
Book value per share	36.53	202.27	57.89
Net income per share - basic	- 45.70	- 4.11	- 143.65
Net income per share - diluted	-	-	-

(Note) Calculation basis of net income per share - basic and net income per share - diluted

Net income per share - basic			
Net income (million)	- 85,402	- 6,103	- 213,097
Net income for common stock (million)	- 85,402	- 6,103	- 213,097
Average number of shares issued and outstanding during term (1000)	1,868,896	1,483,431	1,483,430