

FY2004 Half Year Results: Consolidated Financial Statements

08 Nov. 2004

(1 April 2004 through 30 September 2004)

Mitsubishi Motors Corporation

Code No.: 7211 Listed on: Tokyo, Osaka stock exchanges
 Head office: Tokyo URL <http://www.mitsubishi-motors.com/>
 Representative: Yoichiro Okazaki; Chairman & CEO
 Contact: Yoshikazu Nakamura; Head of PR & IR Department Tel: 03 - 6719 - 4206
 Meeting of Board of Directors for FY2004 half year results: 08 Nov. 2004
 Parent company name: Code No.: Parent company holding: — %
 United States accounting standards applied: No

1. Financial highlights (1 April 2004 through 30 September 2004)**(1) Consolidated financial results**

	Sales		Operating Profit		Ordinary Income	
	Million yen	%	Million yen	%	Million yen	%
FY2004 half year	1,070,812	-11.3	-76,413	-	-110,645	-
FY2003 half year	1,206,832	-25.5	-76,350	-	-85,789	-
FY2003 full year	2,519,449		-96,852		-110,295	

	Net income		Net income per share - basic		Net income per share - diluted	
	Million yen	%	Yen		Yen	
FY2004 half year	-178,791	-	-95.67		-	
FY2003 half year	-80,215	-	-54.07		-	
FY2003 full year	-215,424		-145.22		-	

Note 1: Income from equity company: FY2004 half year ¥13,622 Million FY2003 half year ¥2,956 Million FY2003 full year ¥9,573 Million

Note 2: Average number of shares issued and outstanding during term (consolidated):
 Common stock FY2004 half year 1,868,896,389 FY2003 half year 1,483,431,916 FY2003 full year 1,483,429,792
 Preferred stock 203,125 — —

Note 3: Accounting policy changes: No

Note 4: Sales, operating profit, ordinary income and net income percentages indicate changes over same half-year period in previous fiscal year.

(2) Consolidated financial position

	Total assets	Stockholders' equity	Ratio of stockholders' equity	Stockholders' equity per share
	Million yen	Million yen	%	Yen
FY2004 half year	1,884,708	340,712	18.1	-18.96
FY2003 half year	2,310,358	180,948	7.8	121.98
FY2003 full year	2,029,035	29,972	1.5	20.20

Note: Number of shares issued and outstanding at term end (consolidated):
 Common stock FY2004 half year 2,647,548,892 FY2003 half year 1,483,429,570 FY2003 full year 1,483,427,216
 Preferred stock 390,900 — —

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash & cash equivalents at end of term
	Million yen	Million yen	Million yen	Million yen
FY2004 half year	-118,817	-34,775	112,772	142,484
FY2003 half year	-8,843	-5,285	95,594	162,487
FY2003 full year	-1,449	46,828	56,674	181,911

(4) Scope of consolidation and equity method

Consolidated subsidiaries: 113 Equity method subsidiaries: 13 Equity method affiliates: 29

(5) Changes in scope of consolidation and equity method

Consolidation: Include 5 Equity method: Include 12
 Exclude 10 Exclude 1

2. FY2004 full year consolidated forecast (1 April 2004 through 31 March 2005)

	Sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
FY2004 full year	2,100,000	-180,000	-240,000

Note: Forecast net income per share for full term: ¥-90.65

CAUTION: 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.

III Management results and financial position

(1) Management results

Overview of consolidated results in fiscal 2003

Consolidated net sales for the first half were 1,070.8 billion yen (11.3 percent decrease year over year). Looking at revenue by region, the introduction of the new Colt combined with overall brisk sales in countries including Britain, Russia and the Ukraine have boosted sales in Europe by 29.2 billion yen (9.2 percent), when compared to the first half last year, for a total of 348 billion yen.

In contrast, first-half sales of registered vehicles in Japan were 182.8 billion yen, which is a 109.7 billion yen, or 37.5 percent decrease when compared to the same period last year.

Furthermore, the reduction of fleet sales in the US for one has led to sales declining by 43.9 billion yen, or 15.6 percent, for a net sales total of 237.3 billion yen.

In Asia and other areas, a large portion of sales were comprised of lower revenue-yielding parts for overseas production which caused sales to decline by 11.6 billion yen, or 3.7 percent, for a total of 302.7 billion yen.

The Company posted an operating loss of 76.4 billion yen, which was a 100 million yen decrease over the same period last year.

Negative trends affecting profit included sales volume decrease and product mix influence of 58.7 billion yen, revision of unit selling price in countries such as Thailand to the effect of 4.1 billion yen, exchange rate losses of 4.5 million yen, and costs from the investigation into and repair costs of domestic market recalls including 6.5 billion yen of warranty claims for a total of 14.8 billion yen.

Positive effects on overall operating performance included the non-recurrence of a one-time charge of 41.7 billion yen stemming from credit losses at the Company's US financial services business last year, the reduction of sales promotion expenses by 33.4 billion yen including domestic sales promotion and US marketing expense decreases. Additionally, material costs were reduced by 9.7 billion yen.

Ordinary loss was 110.6 billion yen for a year-on-year decline of 24.9 billion yen. The decline can be attributed to non-operating expenses including a fee for the issuance of new shares to raise capital in June and July of 12 billion, and a loss attributed to equity method affiliates of 13.6 billion yen.

The Current loss for the first half was 178.8 billion yen. This was the result of several extraordinary losses including 19.9 billion yen for measures to restore trust in the market which included free vehicle inspection services in Japan, an asset impairment loss of 19.7 billion yen for a US subsidiary, 6.1 billion yen resulting from restructuring costs related to our facilities in Australia, 6.3 billion yen stemming from costs incurred by the integration of production facilities in the Nagoya area, and a write-off of 7.9 billion yen

for the cancellation of the development of a new car.

Segment Information

Business Segment Information

First half revenues for the Company's automotive business were 1,405 billion yen, a decrease of 10.6 percent over the same period last year producing an operating loss of 13.4 billion yen, or a decrease of 31.5 billion yen over the same period in fiscal 2003.

Revenues from the Company's financial services business were 32 billion yen, a decrease of 20.7 percent over the same period in fiscal 2003, producing an operating loss of 0.5 billion yen, or an improvement of 44.4 billion yen over the same period in fiscal 2003. This improvement can be attributed to the non-recurrence of a one-time charge for credit losses.

MMC regrets to announce that it intends once again to defer payment of the half-year dividend. The Company apologizes sincerely to its shareholders and asks for their continuing understanding and patience.

(2) Financial situation

The cash flow from operating activities of the first half showed an outflow of 118.8 billion yen, which is an increase of 110 billion yen compared to the previous year. This is attributable to the current loss before adjustments for taxes and minority interests and a decline in sales revenues.

Cash flows from investing activities were that expenditures on tangible fixed assets outweighed the sales of assets resulting in an outflow of 34.8 billion yen (an increase of 29.5 billion yen compared to last year).

Cash flow from financing activities showed a cash inflow of 112.8 billion yen due largely in part to the issuance of new shares necessary to shore up capital for business revitalization and of which a portion was allocated to the repayment of both short- and long-term debt. Year-over-year, this was an increase of 17.2 billion yen. The balance of cash and cash equivalents stood at 142.5 billion yen, or 20 billion less than at the beginning of the period.

Trends in cash flow indices

	Year-end FY 2002	Half-year FY2003	Year-end FY2003	Half-year FY2004
Ratio of shareholders' equity (%)	11.6	7.8	1.5	18.1
Ratio of shareholders' equity at market value (%)	16.7	16.8	19.2	16.2
Debt redemption term (years)	57.3 * 7.7	-	-	-
Interest coverage ratio	0.5 * 3.8	-	-	-

* (NOTE)

An increase or decrease in financial credits related to sales in North America is reflected in cash flow from operating activities beginning fiscal 2002. Therefore, indices that were calculated based on the past categories are shown.

Definitions:

Net worth ratio: shareholders' equity / total assets

Net worth ratio on market value basis: total market value of shares / total assets

Number of years for repayment of debts: interest bearing liabilities / cash flow from operating activities

Interest coverage ratio: cash flow from operating activities / amount of interest payments

Notes

All indexes are calculated based on the figures of consolidated financial statements.

The total market value of shares was calculated by multiplying the closing share price at the end of fiscal year by the number of outstanding shares (excluding treasury shares) at the end of fiscal year.

Cash flow from operating activities shown in the consolidated financial statements is used for the above cash flow from operating activities. Interest bearing liabilities indicate all liabilities shown on the balance sheet for which interest is paid. The amount of interest payments shown in the consolidated cash flow statement is used for the above amount of interest payments.

(4) Fiscal 2004 Earnings Estimates

The prevailing outlook for fiscal 2004 results is as follows:

	Consolidated results	Non-consolidated results
Sales	2,100 billion yen	1,160 billion yen
Ordinary profit	- 180 billion yen	- 105 billion yen
Current profit	- 240 billion yen	<u>- 216 billion yen</u>

The above figures are calculated based on judgments and forecasts which rely on currently available information, and include risks and uncertainties. There is a possibility that actual results will differ markedly from the currently forecast figures because of changes in the business climate surrounding the business of the Company in the future, market movements, and foreign exchange rate fluctuations, among other factors.

IV Consolidated financial statements

(1) Consolidated statements of income / loss

in millions of yen

	4/1/04 -9/30/04	4/1/03 -9/30/03	Change
Sales	1,070,812	1,206,832	-136,020
Cost of sales	926,136	1,061,190	-135,054
Gross profit before provision for unrealized profit on installment sales	144,676	145,641	-965
Provision for unrealized profit on installment sales	10	28	-18
Gross profit	144,687	145,670	-983
Selling, general and administrative expenses	221,101	222,021	-920
Operating profit / loss	-76,413	-76,350	-63
Non-operating income	7,946	12,751	-4,805
(Interest and dividend income)	(4,558)	(5,942)	-1,384
(Other income)	(3,387)	(6,809)	-3,422
Non-operating expenses	42,178	22,190	19,988
(Interest expense)	(12,549)	(14,356)	-1,807
(Other expenses)	(29,628)	(7,833)	21,795
Ordinary income / loss	-110,645	-85,789	-24,856
Extraordinary gains	2,189	17,728	-15,539
Extraordinary losses	67,067	3,415	63,652
Net income / loss before taxes	-175,523	-71,476	-104,047
Income taxes	3,005	8,646	-5,641
Minority interests	263	92	171
Net income / loss	-178,791	-80,215	-98,576

(2) Consolidated surplus statements

in millions of yen

	4/1/04 -9/30/04	4/1/03 -9/30/03	Change
Capital surplus			
Capital surplus at beginning of term	27,513	224,481	-196,968
Increase in capital surplus	248,000	210	247,790
(Issuance of new shares)	(248,000)	(-)	248,000
(Increase due to change in scope of consolidation)	(-)	(210)	-210
Decrease in capital surplus	-	197,179	-197,179
(Transfer to retained earnings)	(-)	(197,179)	-197,179
Capital surplus at end of term	275,513	27,513	248,000
Retained earnings			
Retained earnings at beginning of term	-183,410	-155,847	-27,563
Increase in retained earnings	2,127	197,307	-195,180
(New equity method affiliates)	(2,127)	(-)	2,127
(Merger of non-consolidated subsidiaries with consolidated subsidiaries)	(-)	(127)	-127
(Transfer from capital surplus)	(-)	(197,179)	-197,179
Decrease in retained earnings	178,791	86,277	92,514
(Net loss for term)	(178,791)	(80,215)	98,576
(Inclusion of new consolidated subsidiaries)	(-)	(12)	-12
(Decrease due to change in scope of consolidation)	(-)	(6,049)	-6,049
Retained earnings at end of term	-360,074	-44,817	-315,257

(3) Consolidated balance sheets

in millions of yen

Assets	At 9/30/04	At 3/31/04	Change
Current assets	(944,230)	(869,393)	(74,837)
Cash on hand and in banks	155,883	173,514	-17,631
Trade notes and accounts receivable	135,852	187,093	-51,241
Finance receivables	172,426	44,451	127,975
Marketable securities	1,844	10,558	-8,714
Inventories	306,264	275,460	30,804
Short-term loans receivable	4,181	4,719	-538
Residual interest in sold receivables	31,871	3,540	28,331
Deferred tax assets	3,629	4,979	-1,350
Other current assets	153,231	169,343	-16,112
Allowance for doubtful accounts	-20,954	-4,268	-16,686
Fixed assets	(940,477)	(1,159,641)	(-219,164)
Tangible fixed assets	677,763	707,717	-29,954
Intangible fixed assets	32,190	29,719	2,471
Long-term finance receivables	12,461	105,612	-93,151
Investments	104,421	140,252	-35,831
Long-term loans receivable	11,939	9,944	1,995
Residual interest in sold receivables	93,159	155,264	-62,105
Deferred tax assets	19,293	19,721	-428
Other non-current assets	72,727	85,156	-12,429
Allowance for doubtful accounts	-83,480	-93,746	10,266
Total assets	1,884,708	2,029,035	-144,327
Liabilities, minority interests & stockholders' equity			
Current liabilities	(1,140,918)	(1,567,096)	(-426,178)
Trade notes and accounts payable	292,234	345,212	-52,978
Short-term loans payable	492,659	716,950	-224,291
Non-interest bearing short-term loans payable	8,706	24,555	-15,849
Commercial papers	1,702	106,813	-105,111
Accrued expenses and other payables	147,179	156,350	-9,171
Accrued income taxes	2,955	1,771	1,184
Deferred income	70,186	110,390	-40,204
Allowance for warranty claims	37,004	38,403	-1,399
Other current liabilities	88,290	66,648	21,642
Non-current liabilities	(386,401)	(416,194)	(-29,793)
Bonds	40,893	42,237	-1,344
Long-term loans payable	182,601	196,624	-14,023
Non-interest bearing long-term loans payable	-	-	-
Deferred tax liabilities	17,992	24,751	-6,759
Accrued retirement benefits	99,447	112,520	-13,073
Other non-current liabilities	45,465	40,060	5,405
Total liabilities	1,527,320	1,983,291	-455,971
Minority interests	16,675	15,771	904
Stockholders' equity			
Common stock	500,201	252,201	248,000
Capital surplus	275,513	27,513	248,000
Retained earnings	-360,074	-183,410	-176,664
Unrealized gain on securities	10,892	19,917	-9,025
Translation adjustment	-85,815	-86,245	430
Treasury stock	-5	-3	-2
Total stockholders' equity	340,712	29,972	310,740
Total liabilities, minority interests & stockholders' equity	1,884,708	2,029,035	-144,327

(4) Consolidated statements of cash flows

in millions of yen

	4/1/04 -9/30/04	4/1/03 -9/30/03	Change
Cash flows from operating activities			
Net income / loss before income taxes	-175,523	-71,476	-104,047
Depreciation	57,406	69,529	-12,123
Asset Impairment	19,676		19,676
Amortization of goodwill	-716	-723	7
Change in allowance for doubtful accounts	2,242	52,107	-49,865
Change in accrued retirement benefits	-12,622	-1,598	-11,024
Interest and dividend income	-4,558	-5,942	1,384
Interest expenses	12,549	14,356	-1,807
Foreign exchange gain / loss	-1,635	257	-1,892
Equity income / loss of affiliates	13,622	-2,956	16,578
Gain / loss on sale and disposal of tangible assets	3,359	2,701	658
Gain / loss on sale of investments	-1,071	-14,679	13,608
Loss on devaluation of investments	678	25	653
Change in trade notes and accounts receivable	55,946	46,152	9,794
Change in inventories	-23,291	-741	-22,550
Change in finance receivables	-26,907	-62,677	-35,770
Change in residual interest in sold receivables	41,218	43,373	-2,155
Change in trade notes and accounts payable	-60,015	-53,333	-6,682
Others	-11,412	-13,206	1,794
Sub total	-111,055	1,168	-112,223
Interest and dividend received	6,134	5,975	159
Interest paid	-13,770	-12,673	-1,097
Income tax paid	-125	-3,314	3,189
Cash flows from operating activities	-118,817	-8,843	-109,974
Cash flows from investing activities			
Change in term deposits	-12,949	199	-13,148
Change in short-term investments	-	-15	15
Acquisition of tangible fixed assets	-66,594	-60,217	-6,377
Proceeds from sales of tangible fixed assets	37,295	42,938	-5,643
Acquisition of investments	-2,173	-718	-1,455
Proceeds from sales of investments	9,033	15,536	-6,503
Acquisition of subsidiaries accompanying change in scope of consolidation	-	-65	65
Proceeds from sales of subsidiaries accompanying change in scope of consolidation	-704	-	-704
Loans made	-2,112	-3,540	1,428
Collection of loans receivable	3,429	670	2,759
Others	-	-72	72
Cash flows from investing activities	-34,775	-5,285	-29,490
Cash flows from financing activities			
Change in short-term borrowings and commercial papers	-288,809	16,967	-305,776
Proceeds from long-term loans payable	94,094	146,320	-52,226
Repayment of long-term loans payable	-140,245	-75,765	-64,480
Issuance of bonds	3,701	61,774	-58,073
Redemption of bonds	-41,639	-53,638	11,999
Issuance of new share	484,038	-	484,038
Others	1,633	-64	1,697
Cash flows from financing activities	112,772	95,594	17,178
Effect of exchange rate changes on cash and cash equivalents	1,393	-1,079	2,472
Net change in cash and cash equivalents	-39,426	80,386	-119,812
Cash and cash equivalents at beginning of term	181,911	84,544	97,367
Change in cash and cash equivalents due to changes in scope of consolidation	-	-2,443	2,443
Cash and cash equivalents at end of term	142,484	162,487	-20,003

Basis of preparation of consolidated financial statements

Premise of Going Concern

MMC group had posted in the previous fiscal year a large net income loss of JPY215,424M.

In the first-half of fiscal year 2004 also, MMC has posted a net income loss of JPY178,791M.

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 Group 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.

Scope of consolidation

Consolidated subsidiaries..... 113 companies

Consolidated subsidiaries in Japan..... 53 companies

Tokyo Mitsubishi Motor Sales Co., Ltd., Tokyo Mitsubishi Motor Parts Sales Co., Ltd., Pajero Manufacturing Co., Ltd. and others.

Consolidated subsidiaries outside Japan..... 60 companies

Mitsubishi Motors North America, Inc., Mitsubishi Motors Europe B.V., Mitsubishi Motors Australia Ltd., and others.

Newly consolidated..... 5 companies

Fuso Engineering Co., Ltd. and 4 other companies

Deconsolidated..... 10 companies

Fuso Engineering Co., Ltd. and 9 other companies

Application of equity method

Non-consolidated subsidiaries..... 13 companies

MMCE Retail S.A. and others

Affiliates..... 29 companies

Mitsubishi Fuso Truck and Bus Corporation, Mitsubishi Auto Credit-Lease Corporation, P.T. Mitsubishi Krama Yudha Motors and Manufacturing and others.

New application of equity method 12 companies

MDC Power GmbH. and 11 other companies

Excluded for this closing 1 company

MS Transportation Co., Ltd.

Accounting Policies

(1) Accounting standard for valuation of major assets

Marketable securities

Held-to-maturity bonds..... 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.

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

Inventories: basis and method of valuation

MMC and consolidated subsidiaries in Japan.

..... Primarily at cost on the first-in first-out basis, or at cost using the specific identification cost method.

Overseas consolidated subsidiaries..... Cost or market, whichever is lower, using the specific identification cost method.

(2) Depreciation of fixed assets

Tangible fixed assets

MMC and consolidated subsidiaries in Japan

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

Overseas consolidated subsidiaries..... Primarily Straight-line method.

Intangible fixed assets..... Straight-line method.

(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

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Head office: Tokyo

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

Representative: Yoichiro Okazaki; Chairman & CEO

Contact: Yoshikazu Nakamura; Head of PR & 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	- 151,787	—	81.22
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
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	1,169,507	421,232	36.0	11.46
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	
				Year-end	
	Million yen	Million yen	Million yen	Yen	Yen
FY2004 full year	1,160,000	- 105,000	- 216,000	0.00	0.00

Note: Forecast net income per share for full year: ¥81.58

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.

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
Gross profit	50,062	89,920	- 39,858
Selling, general and administrative expenses	90,115	91,804	- 1,689
Operating profit	- 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
Ordinary income	- 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	(107,024)	(15,699)	(91,325)
Loss on disposal of fixed assets	3,087	2,455	632
Loss on appraisal of investments in subsidiaries	68,528	13,101	55,427
Extraordinary measure expenses	19,888	—	19,888
Provision for losses on restructuring	14,161	—	14,161
Other losses	1,359	142	1,217
Income before income taxes	- 152,539	- 4,451	- 148,088
Income tax, current	- 751	1,652	- 2,403
Net income for period	- 151,787	- 6,103	- 145,684
Retained earnings brought forward from previous period	- 213,097	—	- 213,097
Unappropriated retained earnings at end of period	- 364,884	- 6,103	- 358,781

3. Balance sheets (Assets)

Million yen

	At 9/30/2004	At 3/31/2004	Change
Assets			
Current assets	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
Fixed assets	610,833	611,834	- 1,001
Tangible fixed assets	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
Intangible fixed assets	12,991	11,793	1,198
Investments	329,839	338,168	- 8,329
Investment securities	45,649	68,221	- 22,572
Investments in subsidiaries and affiliated companies	232,606	223,532	9,074
Other investments	55,383	50,167	5,216
Allowance for doubtful receivables	- 3,801	- 3,753	- 48
Total assets	1,169,507	1,115,110	54,397

4. Balance sheets (Liabilities & stockholders' equity)

Million yen

	At 9/30/2004	At 3/31/2004	Change
Liabilities			
Current liabilities	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
Non-current liabilities	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
Total liabilities	748,275	1,029,228	- 280,953
Stockholders' equity			
Common stock	500,201	252,201	248,000
Capital surplus	276,048	28,048	248,000
Capital reserve	276,048	28,048	248,000
Retained earnings	- 364,884	- 213,097	- 151,787
Unappropriated retained earnings at end of half year period	- 364,884	- 213,097	- 151,787
Unrealized gain on securities	9,872	18,732	- 8,860
Treasury shares	- 5	- 3	- 2
Total stockholders' equity	421,232	85,882	335,350
Total liabilities & stockholders' equity	1,169,507	1,115,110	54,397

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 JPY151,787M.

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.

Notes to the financial statements

Balance Sheet

	At 9/30/2004	At 9/30/2003	At 3/31/2004
	<u>(million)</u>	<u>(million)</u>	<u>(million)</u>
(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	<u>-364,889</u>	-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	<u>1,338</u>	<u>1,164</u>	<u>2,375</u>
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	<u>11.46</u>	202.27	57.89
Net income per share - basic	<u>- 81.22</u>	- 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)	<u>- 151,787</u>	- 6,103	- 213,097
Net income for common stock (million)	<u>- 151,787</u>	- 6,103	- 213,097
Average number of shares issued and outstanding during term (1000)	1,868,896	1,483,431	1,483,430