

"Summary"  
**Business Results**  
for  
**the year Ended March 2005**  
(consolidated)

(in billion yen)

|                                  | 2003FY<br>ACTUAL<br>Apr.2003 to Mar.2004<br>(A)  | 2004FY<br>ACTUAL<br>Apr.2004 to Mar.2005<br>(B) Forecast (Jan. '05)  | 2005FY<br>FORECAST<br>Apr.2005 to Mar.2006<br>(C)   |
|----------------------------------|--|--|---|
| Net Sales                        | 2,519.4  | 2,122.6 <span style="border: 1px solid black; padding: 2px;">2,035.0</span>  | 2,220.0   |
| Operating Profit                 | -96.9  | -128.5 <span style="border: 1px solid black; padding: 2px;">-132.0</span>  | -14.0   |
| [operating profit margin]        | < -3.8% >  | < -6.1% >  | < -0.6% >   |
| Causes of Change                 | /  | (Positive causes)  | (Positive causes)   |
|                                  |  | Selling expenses 53.4<br>MMCA asset related 31.3<br>Cost reduction & others 34.3<br>(Adverse causes)<br>Volume change -129.0<br>Warranty expenses -18.4<br>Foreign exchange -3.2<br>Total change (B-A) -31.6 | Volume change 30.0<br>Warranty 32.0<br>FY04 Asset Impairment (US/Aus.) 16.0<br>MMCA asset related 10.0<br>Cost reduction & others 30.5<br>(Adverse causes)<br>Foreign exchange -4.0<br>Total change (C-A) 114.5 |
| Ordinary Income                  | -110.3   | -179.2 <span style="border: 1px solid black; padding: 2px;">-197.0</span>  | -40.0   |
| [ordinary income margin]         | < -4.4% >  | < -8.4% >  | < -1.8% >   |
| Net Income                       | -215.4   | -474.8 <span style="border: 1px solid black; padding: 2px;">-472.0</span>  | -64.0   |
| [net income margin]              | < -8.5% >  | < -22.4% >   | < -2.9% >   |
| Capital Expenditure              | 109.3  | 128.6  | 110.0   |
| Depreciation                     | 94.4   | 79.6   | 70.0  |
| Balance of interest bearing debt | 1,062.6  | 476.0  | /   |
| Total assets                     | 2,029.0  | 1,589.3  | /   |
| Comments                         | Decrease in revenue,<br>decrease in income<br><br>Operating profit - turn into negative side after an interval of three years<br>Ordinary income - turn into negative side after an interval of three years<br>Net income - turn into negative side after an interval of three years | Decrease in revenue,<br>decrease in income   | Increase in revenue,<br>Increase in income  |
| (in '000 units)                  |  |  |   |
| Sales Volume                     | 1,509  | 1,322  | 1,343   |
| Domestic                         | 358  | 226  | 253   |
| Overseas                         | 1,151  | 1,096  | 1,090   |

"Summary"  
**FY2004 Results**  
 (April 1.2004 through March 31.2005)  
 (non-consolidated)

(in billion yen)

|   | 2003FY<br>ACTUAL<br>April 2003 — March 2004<br>(A) | 2004FY<br>ACTUAL<br>April 2004 — March 2005<br>(B)   | 2005FY<br>FORECAST<br>April 2005 — Mar 2006<br>(C)   |                         |                  |
|---|--|--|--|-------------------------|------------------|
| Net Sales                                     | 1,421.0  | 1,163.5  | 1,200.0  |                         |                  |
| Domestic                                      | 478.8  | 320.4  | 410.0  |                         |                  |
| Export  | 942.2  | 843.1  | 790.0  |                         |                  |
| Operating Profit<br>〈Operating profit margin〉 | 29.7<br>〈2.1%〉                                     | ▲62.2<br>〈▲5.3%〉   | ▲35.0<br>〈▲2.9%〉   |                         |                  |
| Cause of Change                               | /  | (Positive causes)  | (Positive causes)  |                         |                  |
|   |  | Cost reduction & others  | 17.4   | Cost reduction & others | 9.0              |
|   |  | Sales expenses   | 12.0   | Sales expenses          | 2.0              |
|   |  | R&D expenses   | 5.0  | R&D expenses            | 1.0              |
|   |  | (Negative causes)  |  | (Negative causes)       |                  |
|   |  | Volume change  | ▲ 92.5   | Other expenses          | 26.2             |
|   |  | Foreign exchange   | ▲ 7.0  | Foreign exchange        | ▲ 3.5            |
|   |  | Other expenses   | ▲ 26.8   | Sales expenses          | ▲ 7.5            |
|   |  | Total change (B-A)   | ▲ 91.9   | Total change (B-A)      | 27.2             |
|   |  | Ordinary Profit<br>〈Ordinary Profit margin〉  | 21.2<br>〈1.5%〉   | ▲85.2<br>〈▲7.3%〉        | ▲48.0<br>〈▲4.0%〉 |
| Net Income<br>〈Net income margin〉             | ▲213.1<br>〈▲15.0%〉                                 | ▲526.2<br>〈▲45.2%〉   | ▲90.0<br>〈▲7.5%〉   |                         |                  |
| Exchange (Sales) Rate                         | 114 ¥/US\$<br>133 ¥/EUR                            | 107 ¥/US\$<br>135 ¥/EUR  | 105 ¥/US\$<br>135 ¥/EUR  |                         |                  |
| Exchange (Transaction)<br>Rate                | 115 ¥/US\$<br>130 ¥/EUR                            | 108 ¥/US\$<br>132 ¥/EUR  | 105 ¥/US\$<br>135 ¥/EUR  |                         |                  |
| Capital Expenditure<br>(Accrual Base)         | 32.7   | 50.6   | 50.0   |                         |                  |
| Depreciation                                  | 30.1   | 36.5   | 36.0   |                         |                  |
| R&D Expenses<br>〈per sales ratio〉             | 69.0<br>〈4.9%〉                                     | 64.0<br>〈5.5%〉   | 63.0<br>〈5.3%〉   |                         |                  |
| Balance of interest bearing debt              | 510.8  | 247.4  |  |                         |                  |
| Comments                                      |  | <ul style="list-style-type: none"> <li>- Decrease in Operating profit &amp; Ordinary profit</li> <li>- Loss in Net income</li> </ul> | <ul style="list-style-type: none"> <li>- Decrease in Operating loss &amp; Ordinary loss</li> <li>- Loss in Net income</li> </ul> |                         |                  |
| (in '000 units)                               |  |  |  |                         |                  |
| Production Volume                             | 1,537  | 1,366  | 1,300  |                         |                  |
| Domestic                                      | 752  | 599  | 655  |                         |                  |
| Overseas                                      | 785  | 767  | 645  |                         |                  |
| Sales Volume                                  | 767  | 625  | 640  |                         |                  |
| Domestic                                      | 359  | 227  | 253  |                         |                  |
| Overseas                                      | 408  | 398  | 387  |                         |                  |

## FY2004 Full Year Results: Consolidated Financial Statements

23 May 2005

(1 April 2004 through 31 March 2005)

## Mitsubishi Motors Corporation

Code No.: 7211

Listed on: Tokyo, Osaka stock exchanges

Head office: Tokyo

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

Representative: Takashi Nishioka; Chairman of the Board

Contact: Yoshikazu Nakamura; Executive Officer, CGM of CSR Promotion Office and GM of PR &amp; IR Dept.

Meeting of Board of Directors for FY2004 results: 23 May 2005

Tel: 03 - 6719 - 4206

Parent company name: — Code No.: — Parent company holding: — %

United States accounting standards applied: No

## 1. Financial highlights (1 April 2004 through 31 March 2005)

## (1) Consolidated financial results

|        | Sales       |       | Operating profit |   | Ordinary income |   |
|--------|-------------|-------|------------------|---|-----------------|---|
|        | Million yen | %     | Million yen      | % | Million yen     | % |
| FY2004 | 2,122,626   | -15.8 | -128,544         | - | -179,172        | - |
| FY2003 | 2,519,449   | -35.1 | -96,852          | - | -110,295        | - |

|        | Net income  |   | Net income per share - basic | Net income per share - diluted | Return on Shareholders' equity | Ratio of ordinary income to total assets | Ratio of ordinary income to sales |
|--------|-------------|---|------------------------------|--------------------------------|--------------------------------|--|-----------------------------------|
|        | Million yen | % | Yen                          | Yen                            | %                              | %  | %                                 |
| FY2004 | -474,785    | - | -194.36                      | -                              | -267.7                         | -9.9                                     | -8.4                              |
| FY2003 | -215,424    | - | -145.22                      | -                              | -138.9                         | -5.0                                     | -4.4                              |

Note 1: Equity income from affiliates: FY2004 ¥-13,002 Million FY2003 ¥9,573 Million

Note 2: Average number of shares issued and outstanding during term(consolidated):  

|                 |               |               |
|-----------------|---------------|---------------|
|                 | FY2004        | FY2003        |
| Common stock    | 2,442,864,522 | 1,483,429,792 |
| Preferred stock | 298,064       | -             |

Note 3: Accounting policy changes: No

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

## (2) Consolidated financial position

|        | Total assets | Shareholders' equity | Ratio of shareholders' equity | Shareholders' equity per share |
|--------|--------------|----------------------|-------------------------------|--------------------------------|
|        | Million yen  | Million yen          | %                             | Yen                            |
| FY2004 | 1,589,286    | 324,782              | 20.4                          | -47.34                         |
| FY2003 | 2,029,035    | 29,972               | 1.5                           | 20.2                           |

Note: Number of shares issued and outstanding at term end (consolidated):  

|                 |               |               |
|-----------------|---------------|---------------|
|                 | FY2004        | FY2003        |
| Common stock    | 4,253,940,962 | 1,483,427,216 |
| Preferred stock | 526,193       | -             |

## (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 | 13,654                               | -34,206                              | 133,556                              | 294,903                                |
| FY2003 | -1,449                               | 46,828                               | 56,674                               | 181,911                                |

## (4) Scope of consolidation and equity method

Consolidated subsidiaries: 112 Equity method subsidiaries: 14 Equity method affiliates: 27

## (5) Changes in scope of consolidation and equity method

|                |         |    |                |         |    |
|----------------|---------|----|----------------|---------|----|
| Consolidation: | Include | 5  | Equity method: | Include | 12 |
|                | Exclude | 11 |                | Exclude | 2  |

## 2. FY2005 financial results forecast (1 April 2004 through 31 March 2005)

|                  | Sales       | Ordinary profit | Net income  |
|------------------|-------------|-----------------|-------------|
|                  | Million yen | Million yen     | Million yen |
| FY2005 half year | 980,000     | -51,000         | -73,000     |
| FY2005 full year | 2,220,000   | -40,000         | -64,000     |

Note: Forecast net income per share for full term: ¥-15.04

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.

## I The Mitsubishi Motors Corporation Group of Companies

Mitsubishi Motors Corporation and its group of forward companies (referred to herein as “MMC”, or the “Company”) is comprised of MMC and 112 consolidated subsidiaries, 14 equity method non-consolidated subsidiaries and 27 equity method affiliates (as of March 31, 2005).

The MMC Group is engaged in the development, production and selling of cars, as well as automotive components. MMC is responsible for most of the development work.

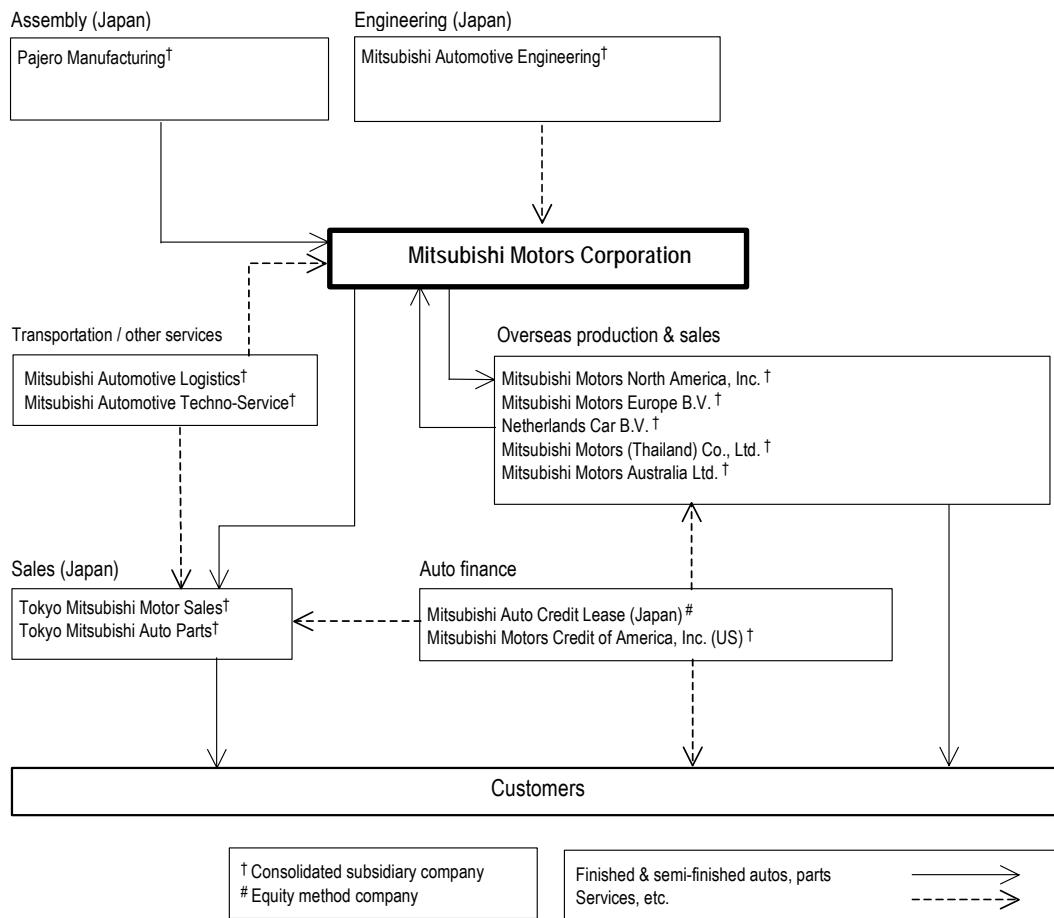
In Japan, Mitsubishi sedans, compacts and minicars are produced by MMC, with some sport utility models (including the Pajero) also being produced by Pajero Manufacturing Co., Ltd. Tokyo Mitsubishi Motor Sales Co. and other Mitsubishi Motors sales companies sell these automobiles in Japan. Mitsubishi Automotive Engineering Co., Ltd. undertakes some of the development of MMC automotive products, which are distributed by Mitsubishi Automotive Logistics Co., Ltd. throughout Japan, and Mitsubishi Automotive Techno-Service Co., Ltd. is responsible for the inspection and servicing of certain new Mitsubishi vehicles.

Replacement parts and accessories for the Japanese market are manufactured by MMC and are sold not only by the previously mentioned sales companies, but also by Tokyo Mitsubishi Automotive Parts Sales Co., Ltd. and other parts companies.

Overseas, in the United States, Mitsubishi vehicles are produced and sold by Mitsubishi Motors North America, Inc. In Europe, Mitsubishi vehicles are produced by Netherlands Car B.V. and sold by Mitsubishi Motors Europe B.V. Mitsubishi Motors Australia Ltd. and Mitsubishi Motors (Thailand) Company Ltd. are two more of the many facilities that produce and sell Mitsubishi vehicles in local markets in other regions around the world.

Auto leasing and financing services are provided by Mitsubishi Auto Credit-Lease Corporation in Japan and by Mitsubishi Motors Credit of America, Inc. in the United States.

The MMC group structure and constituent company products and services outlined above are shown in the diagram on the following page.



## II Management Policies

### (1) Basic management policy

Concerning the cause of the improper handling of past recall affairs which has led to the present situation, the Company completed a market measures report in September 2004 and on the basis of the facts as identified by the investigation into the recall problems, in March 2005 the Company announced a plan to prevent reoccurrence and decided to take disciplinary actions against former executives involved.

Under the Company's new corporate philosophy, "We are committed to providing the utmost driving pleasure and safety for our valued customers and our community. On these commitments we will never compromise. This is the Mitsubishi Motors way," we will exert all of our energies to implement the Mitsubishi Motors Revitalization plan and see that it succeeds.

- Put compliance into practice, pursue safety and treat our customers with great care.
- Raise the level of transparency by proactively disclosing all information to all stakeholders.
- Clearly define the responsibility of management and to achieve the business plan.

### (2) Policy on dividends

MMC considers the returning of profits to our shareholders as one of the most important goals of management. However, we need to secure sufficient cash flow and sustainable earnings to prepare the ground for our future financial development needs. This is because fierce competition in the global automotive industry is becoming even more intense and the auto industry today is placing unprecedented demands on investment and necessitating stronger sales competitiveness in the global market as well as the development of environmentally friendly technologies.

The Company will make the greatest effort to achieve its revitalization targets it set in the Mitsubishi Motors Revitalization Plan, strengthen its financial position and return to profitability.

### (3) Medium- and Long-Term Management Strategy

The Company drew up the "Mitsubishi Motors Revitalization Plan" and announced it officially on January 28th in 2005 as its new business plan.

The background leading to this plan is as follows:

The announcement of the Business Revitalization Plan on May 21, 2004 was designed to regain customer and public trust and self-recovery by responding to various outstanding issues including the recall problem stemming from the now independent Mitsubishi Fuso Truck and Bus Company and the collapse of the Company's financial services arm in the United States. Although the execution of several policies aimed at achieving the plan were executed and being advanced in sequence, including a capital injection from outside and initiatives aimed at restoring trust, additional recall problems related to Mitsubishi Motors' past surfaced after the Business Revitalization Plan announcement in May. This in turn caused sales both domestically and abroad to fall below previously projected forecasts.

In addition, concerns deepened about delays in the recovery of operations and about the financial health of the Company. As a result, funds designated for the revitalization were instead used for the repayment of interest-bearing debt.

To break out of this situation and successfully revitalize itself, the Company, while continuing its efforts to restore trust, found itself in a situation that required additional measures to improve profitability.

Given these circumstances, the Company came up with a new plan that runs through until the end of fiscal 2007 and officially announced it as the "Mitsubishi Motors Revitalization Plan" on January 28, 2005.

The following is a general outline of the plan.

#### Corporate culture reform initiatives

Recovering customer and public trust and reforming corporate culture are items of absolute priority in the Company's bid to revitalize itself. The CSR Promotion Office has played a lead role in the implementation of a wide range of measures designed to enhance compliance. The Business Ethics Committee, made up of specialists and leaders in their fields from outside the Company, has also given valuable advice and guidance from an external perspective in this regard. An internal seminar program has enabled each employee to acquire a deeper understanding of business ethics principles. Employees have now submitted written pledges to fully observe and practice compliance.

The Company will also be implementing a number of initiatives and measures designed to reform the corporate culture. These include "Problem solving through cross-functional activities", "Training and promoting talented personnel to important positions", "Personnel evaluation reflecting a 'Customer First' practice", and "Promotion of personnel exchanges with sales companies and department rotations".

Furthermore, based on the facts as identified by an investigation into the past recall problems, the Company announced measures it would take to prevent the recurrence of such improprieties and has decided to take disciplinary measures or other actions against those involved.

#### Key points in the Mitsubishi Motors Revitalization Plan

##### ◆ Reinforcement of capital and funding

- Strengthening of financial standing and securing capital for revitalization

New capital totaling 284.2 billion yen was injected by three Mitsubishi group companies (Mitsubishi Heavy Industries, Ltd., Mitsubishi Corporation, Ltd. and the Bank of Tokyo Mitsubishi). This capital enhancement will be used for R&D and capital investments necessary for revitalization.

##### ◆ Boosting management's effectiveness

- Lead from the top with a new management team
- Set up a thorough follow-up system

In April 2005, an organization change was put into effect in order to unify lines of reporting and clarify accountability. A Revitalization Promotion Department was established to follow-up on issues with a new position of Vice President created to lead this initiative. To monitor the progress of the revitalization plan, a Business Revitalization Monitoring Committee was also established in April 2005 as an advisory body to the Board.

##### ◆ Business strategy

- Sales plans reflect downside risks
- Promotion of operational tie-ups with other auto makers
- Rationalization of production capacity and size of sales networks (U.S., Australia, Japan)

This business strategy sets a sales plan which reflects targets that can be definitely achieved going forward. Regarding business tie-ups, the Company aims to improve productivity at its production facilities and increase profitability by tying up with Nissan and the Peugeot Citroen Group. Furthermore, initiatives are being taken to bring excess capital equipment and sales systems to within optimal range by applying asset impairment accounting to production facilities and by restructuring sales networks.

(Revised)

◆ Commitments

- Return to profitability in fiscal 2006 (net income of 8 billion yen)
- Establish sustainable profitability in fiscal 2007 (net income of 41 billion yen)

The Company presently has not incorporated such management benchmarks for ROE, ROA, etc. as a goal, but instead is determined to achieve those goals set out in the Mitsubishi Motors Revitalization Plan. Management will continuously endeavor to strengthen the financial standing of the Company and achieve sustainable profits.

(4) Basic policy on Corporate Governance and Status of Policy Implementation

The following is a list of main concepts and specific efforts related to the Company's corporate governance.

Fundamental Policy

The Company has taken a new standpoint that places special emphasis on social responsibility and is determined to establish a corporate culture that places top priority on compliance, customers, and safety.

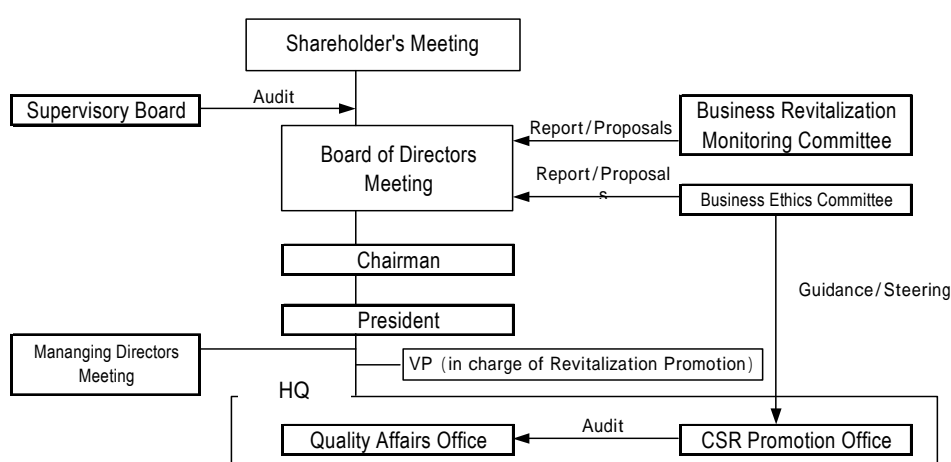
Specific Measures

- The Company adopts an auditor system, and in addition to this regulatory requirement, the Company has further improved and strengthened its corporate governance structure by electing outside board members, and also by introducing both an executive officer system and an advisory committee.
- Presently consisting of eight board members (including three outside board members), the Board of Directors Meeting oversees important decisions and supervises the business execution by management. The Company has also introduced an Executive Officer system to define the function and responsibility of board members and executives. The Supervisory Board consists of four statutory auditors (including two external statutory auditors). A Managing Directors Meeting which consists of 15 people acts as a decision making body in the Company and is held every other week in order to speedup the decision making process.
- The Company has also established a Business Ethics Committee, led by experts from outside the Company, which was established in June 2004 as an advisory committee to the Company's Board of Directors to provide external guidance and advice.
- To ensure business revitalization is being achieved, the Company established a new "Business Revitalization Monitoring Committee" in April 2005 to act as an Advisory Committee to monitor the progress of the Mitsubishi Motors Revitalization Plan.
- From the viewpoint of recognizing anew Corporate Social Responsibility, the Company is putting into place an internal monitoring system with the aim of improving quality that will allow quality related matters and customer suggestions and complaints to go directly to top management. In regard to quality, the operating of the Quality Affairs Office is monitored by the Quality Audit Department of the CSR Promotion Office. Results are reported to top management. In regard to customer input, information gathered by the Customer Relations Department, also of the CSR Promotion Office, is reported to top management.
- Turning to compliance, under the Chief Business Ethics Officer, the Compliance Department plays a central role. This department has been implementing its initiatives by appointing a

Compliance Officer to each respective office within the Company in order to assure the permeation of "Mitsubishi Motors Business Ethics" throughout the entire company. Attempting to establish compliance one employee at a time, initiatives are being continuously carried out such as employee training and by making adjustments to regulations. Furthermore, as for internal control, the Internal Audit Department, under the CSR Promotion Office, carries out systematic audits and submits these results to top management.

- The Company endeavors to swiftly recover the trust of everyone by raising the bar for such things as transparency, safety and by setting up a reporting system that reflects the voice of stakeholders.

Governance of the Company's business performance is outlined as follows:



Compensation paid to directors and auditors is as follows:

Outline for compensation for directors and auditors (Annual basis from April 1, 2004 to March 31, 2005)

| Title             | Fixed Compensation             |                                  |
|-------------------|--------------------------------|----------------------------------|
|                   | Number of Persons <sup>1</sup> | Total Compensation (million/yen) |
| Board Member      | 12                             | 179                              |
| Statutory Auditor | 4                              | 42                               |
| Total             | 16                             | 221                              |

Note) Based on the highest number of persons at the end of each month for the year.  
No provisions for retirement bonuses were made this year.

Total compensation for auditing services

|  |  |                          |
|--|--|--------------------------|
|  | Total paid by Mitsubishi Motors Corporation and its group of forward companies for independent auditing services.  | (millions of yen)<br>144 |
|  | From the amount listed in , total amount of fees to be paid by Mitsubishi Motors Corporation and its group to independent auditors according to article 2 clause 1 of the Certified Public Accountant Law. | 142                      |
|  | Amount of audit fees to be paid by the Company for professional services included in .   | 84                       |

Note ) The audit agreement between MMC and the independent auditors does not make a distinction between the amount of audit fees for audits based on special measures of the Certified Public Accountant Law and audits based on the Securities Exchange Law. Therefore, the total listed in is comprised of the fees for audits based on both laws.

### III Management results and financial position

#### (1) Management results

##### Overview of consolidated results in fiscal 2004

Consolidated net sales for the fiscal year totaled 2,122.6 billion yen (15.8 percent decrease year over year). Looking at revenue by region, the introduction of the new European *Colt* combined with overall brisk sales in countries including Britain, Russia and the Ukraine boosted sales in Europe by 5.8 billion yen (0.8 percent), when compared to the previous fiscal year, for a total of 667.8 billion yen.

In contrast, sales of registered vehicles in Japan for the fiscal year were 412.9 billion yen, which is a 208.3 billion yen, or 33.5 percent, decrease from the same period last year.

Furthermore, the reduction of fleet sales in the US for one has led to sales declining by 159.4 billion yen, or 26.5 percent, for a net sales total of 441.4 billion yen.

In Asia and other areas, sales were for the most part steady, but since a large portion of sales were comprised of lower revenue-yielding parts for overseas production, sales declined by 34.9 billion yen, or 5.5 percent, for a total of 600.5 billion yen.

The Company posted an operating loss of 128.5 billion yen, or 31.6 billion yen lower compared to the same period last year.

Negative trends affecting profit included the fall in sales volume and product mix influence of 129.0 billion yen, an increase of warranty claims of 18.6 billion yen and the worsening of exchange rate losses of 3.2 billion yen.

Positive effects on overall operating performance included the reduction of sales promotion expenses by 53.4 billion yen including decreases in domestic marketing promotions and US sales expenses. Furthermore, in relation to the Company's financial services business in the US, and improvement of 31.3 billion yen was achieved.

Ordinary loss was 179.2 billion yen for a year-on-year decline of 68.9 billion yen. The drop can be attributed to non-operating expenses including stock issue costs of 12.9 billion yen associated with new share issues during the fiscal year, and a loss attributed to equity method affiliates of 13 billion yen.

The Net loss for the fiscal year was 474.8 billion yen. This stems from extraordinary losses including asset impairment charges of 112.4 billion yen, a compensation payment of 74.7 billion yen related to the sale of MFTBC stock in a previous transaction, a provision of 29.5 billion yen for losses on restructuring, free vehicle inspection service in Japan totaling 25.2 billion yen and losses on the sale and disposal of fixed assets for 16.2 billion yen.

##### Segment Information

(Business Segment Information)

Fiscal year revenues for the Company's automotive business were 2,086.1 billion yen, a decrease of 14.6 percent over the same period last year producing an operating loss of 104.3 billion yen, or a decrease of 53.4 billion yen over fiscal 2003.

Revenues from the Company's financial services business were 40.2 billion yen, a decrease of 44.7

(Revised)

percent over fiscal 2003, producing an operating loss of 21.1 billion yen, or an improvement of 28.8 billion yen over the same period last year. This improvement can be attributed to the non-recurrence of a one-time charge for credit losses.

MMC regrets to announce that it intends to withhold the payment of dividends for the fiscal year. The Company apologizes sincerely to its shareholders and asks for their continuing understanding and patience.

## (2) Financial situation

The cash flow from operating activities during the fiscal year showed an inflow of 13.6 billion yen, which is 15.1 billion yen greater when compared to the previous year. This can be attributed to the sale of financial services assets.

Cash flows from investing activities were that expenditures on tangible fixed assets outweighed the sales of assets resulting in an outflow of 34.2 billion yen (an increase in outflow of 81 billion yen compared to last year).

Cash flow from financing activities showed a cash inflow of 133.6 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 commercial paper and both short- and long-term debt. Year-over-year, this was an increase of 76.8 billion yen. The balance of cash and cash equivalents stood at 294.9 billion yen, or 113 billion greater than at the beginning of the period.

### Trends in cash flow indices

|   | Year-end<br>FY2002 | 1H<br>FY2003 | Year-end<br>FY2003 | 1H<br>FY2004 | Year-end<br>FY2004 |
|---|--------------------|--------------|--------------------|--------------|--------------------|
| Ratio of shareholders' equity (%)                 | 11.6               | 7.8          | 1.5                | 19.5         | 20.4               |
| Ratio of shareholders' equity at market value (%) | 16.7               | 16.8         | 19.2               | 15.9         | 37.7               |
| Debt redemption term (years)                      | 57.3<br>* 7.7      | -            | -                  | -            | -                  |
| Interest coverage ratio                           | 0.5<br>* 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.

### Fiscal 2005 Earnings Outlook

(Revised)

The prevailing outlook for fiscal 2005 is as follows:

|                 | <u>Consolidated results</u> | <u>Non-consolidated results</u> |
|-----------------|-----------------------------|---------------------------------|
| Sales           | 2,220 billion yen           | 1,200 billion yen               |
| Ordinary profit | - 40 billion yen            | - 48 billion yen                |
| Current profit  | - 64 billion yen            | - 90 billion yen                |

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.

### (3) Business-related risks

Risks related to the Company's operations are listed as follows:

#### Support for Mitsubishi Motors Revitalization Plan from Mitsubishi Group Companies

Mitsubishi Group companies, especially Mitsubishi Heavy Industries, Mitsubishi Corporation, and Bank of Tokyo Mitsubishi, substantially support the Company's financial affairs, back the management and play an important role in regards to the Mitsubishi Motors Revitalization Plan. If this support were to be removed, the Company would find it difficult to achieve the items set out within the Mitsubishi Motors Revitalization Plan.

#### Relationship with Daimler Chrysler AG

In March of 2000, MMC and DaimlerChrysler AG signed a broad-based agreement for a strategic business alliance, which resulted in DaimlerChrysler acquiring 37 percent of the Company's general stock including that of a subsidiary. However, on April 23, 2004, DaimlerChrysler announced that they would not provide additional capital support to the Company. Recent additional investments by Mitsubishi Group companies and other investors have since reduced DaimlerChrysler's holdings to 12.89 percent.

Going forward, DaimlerChrysler is restricted from selling their stake in MMC to an industry competitor without prior consent from the Company's Board of Directors. Otherwise, there are no restrictions preventing the sale of our common stock. DaimlerChrysler's position as an important business partner remains unchanged.

MMC has cooperated with DaimlerChrysler in many joint-development projects including the development of a compact car, platform sharing and a mid-size pickup truck. Following April 23, 2004, the Company analyzed these projects with its revitalization plan targets in mind and negotiations between both parties up until September 2004 settled which projects to continue and which to suspend. The Company wishes to maintain good working relations and from now on contracts will be based on third-party transactions.

(Revised)

### Quality Problems

Owing to problems related to the quality of the Company's products in the past, necessary recall measures have produced large-scale cost expenditures. In addition, there has been considerable damage to MMC's brand image resulting from the criminal prosecution of both MMC and its former employees and executives. Hereafter, it is possible that adverse effects could be exerted on future sales and have a bearing on profits. It is also possible that it will be necessary to incur costs to quickly regain the trust of the customer.

The following is a summary of the quality problems in relation to the Company

In July of 2000, MMC admitted to concealing information from the Japanese Ministry of Land, Infrastructure and Transport regarding defective cars and the use of a double management system that avoided recalls by issuing repair-directives to the field instructing that cars be repaired from around 1977 to 2000. As a result, the Ministry imposed a fine based on the Road Trucking Vehicle Law against the Company and former executives and employees of the Company. This also led to a substantial increase in the number of recalled vehicles in 2000. The total, in fiscal 2000, including domestic and overseas markets, consisted of 18 market measures (16 cases of recalls, 2 improvement measures) that were executed. Total units recalled reached more than 1.1 million units, which amounted to significant recall costs.

On June 2, 2004, the Company officially announced that an investigation, going back to December 1993, had uncovered a further 92 repair directives that had been issued. Investigated repairs included 91 cases of repair directives that fall under service campaigns and 1 case from May 1993 that was pointed out by a media report. Under guidance from the Ministry, 35 of these cases (33 recalls, 2 improvement measures) were judged to require post-market measures. Notification to all affected parties was completed on July 29th.

Running parallel to the above investigation, dealership records of past repairs totaling 13.4 thousand cases were scrutinized and after consulting with the Ministry, a further six cases were announced. Notification for these cases was issued on September 28.

On December 22, 2004, the Company submitted a report to the MILT based on its findings following exhaustive technical investigations with a view to assuring the proper implementation of vehicle safety measures and to revising recall procedures.

On March 30, 2005, the Company submitted its final report to MILT that added new improvement measures to those contained in its initial report. The final report was based on the findings of an investigation by a team of external lawyers that delved into the facts behind the past recall problem and into its root causes. Furthermore, on the basis of the facts as identified by the investigation into the recall problems, the Company decided to take disciplinary measures and other action against those involved.

Mitsubishi Motors and Mitsubishi Fuso Truck and Bus Corporation have been receiving guidance regarding the implementation of recall measures and vehicle safety measures. The Company has been filing a report every week to the Ministry of Land, Infrastructure and Transport regarding the circumstances of its recall and implementation procedures. These investigations and procedures have had a significant influence on the Brand, social acceptance and sales figures of both our Company and Mitsubishi Fuso. Both central and some local governments have temporarily decided to suspend the purchase of vehicles made by our Company and Mitsubishi Fuso.

In March 2005, the Company issued its final report in response to the written warning issued by the Ministry of Land Infrastructure & Transport and announced a plan to prevent reoccurrence and decided to take disciplinary actions against former executives involved.

The Company transferred MFTBC stock to DaimlerChrysler AG and others in March 2003 and March 2004. In March 2005, based on the stock transfer contracts from these two transactions, the Company reached agreement with DaimlerChrysler AG and others regarding compensation for MFTBC losses stemming from quality problems. All remaining MFTBC stock held by the Company were transferred to DaimlerChrysler AG as part of the agreement between both companies.

### Legal Proceedings

#### Product Liability and other matters

MMC is amongst those included in a Tokyo air pollution suit (1<sup>st</sup> - 5<sup>th</sup> proceedings) that targets the Japanese National Government, the Tokyo Metropolitan Government, the Metropolitan Expressway Public Corporation, and seven diesel automobile manufacturers. Residents and commuters of the Metropolitan Tokyo area (23 wards) who are afflicted with bronchial asthma as well as bereaved family members (the total number of plaintiffs is more than 500 up to the 5<sup>th</sup> proceedings) have launched this suit. The plaintiffs contend that the emission of NO<sub>2</sub> and SPM (Suspended Particulate Matter) exceeded fixed standards and that the plaintiffs have the right to demand damages. The total financial exposure up until the 5<sup>th</sup> proceeding amounts to approximately 13 billion yen. The suit claims that automobile exhaust emissions are the source of the air pollution.

For the first case, the Tokyo District Court ruled in October 2002 that the automakers were not liable, but nevertheless awarded compensation of approximately 80 million yen to seven plaintiffs which was to be paid by the Japanese National Government, the Tokyo Metropolitan Government, and the Metropolitan Expressway Public Corporation collectively. The injunction charge was rejected by the court. This case is currently being tried in the Tokyo Appeal Court and the second to fifth proceedings are currently being tried at the Tokyo District Court. Bearing the court's decision and with the possibility that further suits against manufacturers may follow, it is difficult to predict the outcome and there is a possibility that our financial situation in the future will be affected.

In January 2002, a front wheel of a truck that was manufactured by the Company's Truck and Bus Division (now Mitsubishi Fuso Truck and Bus Corporation) detached while the truck was in motion, resulting in a fatal accident. Two legal proceedings have followed in relation to this accident. The first legal action was filed in September 2002 by relatives of the deceased against the driver of the vehicle and their employer. The suit was seeking damages of 70 million yen from those concerned, and a settlement was made in September of 2003. However, the settlement was made under the condition that if it was determined that the vehicle was the cause, the right to claim for damages would be filed against the government and the Company demanding repayment and that the driver and employer would cooperate for fact finding of this case and so on.

In addition, the counsel representing the driver and employer served notice that they intend to seek compensation for the amount of the previous settlement that was paid to the husband and children of the deceased and also compensation for the loss of income incurred due to absence from work. Attorneys representing the Company have responded and are currently involved in negotiating a resolution. The second suit was filed in March 2003 by the mother of the deceased. The suit seeks product liability damages amounting to 165.5 million yen from the Company, the Japanese National Government and the driver and employer. This case is currently on trial.

In December 2002, Morkens Car Division, who distributed Mitsubishi vehicles in Belgium, filed legal action against MMC and Mitsubishi Motors Europe claiming that the unilateral cancellation of Morkens' distributorship agreement with Mitsubishi Motors Europe infringed on Belgian law. They are seeking 153 million Euros in compensation.

Moreover, six companies affiliated with Morkens and four independent companies are seeking compensation from the Company and Mitsubishi Motors Europe B.V. for 52 million Euros and 1.8 million Euros, respectively.

#### *Influence of asset-impairment accounting*

The Company possesses many manufacturing-related assets as well as sales-related assets of which many are not being utilized as originally planned. Furthermore, we also plan to reduce manufacturing capacity as stated in our revitalization plan. Therefore, under this new asset-impairment requirement, it is possible that a write-down of assets could occur.

#### *Leasing, financial services and sales incentives*

The Company's financing subsidiary in the U.S., Mitsubishi Motors Credit of America (MMCA), utilized asset-backed securities as an important means to generate funds for its lease and sales finance business. However, as a result of unexpectedly high credit defaults by customers, followed by the downgrading of outstanding asset-backed securities, MMCA currently has difficulty accessing the general asset-backed securities market and is mainly dependent on secured loans to provide funding for the underwriting of new lease and finance loans. Compared to using the ABS market, this method of financing generally involves much higher costs. It is still uncertain whether our financing subsidiary will be able to re-enter the ABS market in the near future

Overcapacity in the auto industry has resulted in fierce competition, especially in the US, where sales incentives have become an essential part of sales promotions. In recent years, the Company developed such sales incentives as balloon and deferred loans, and also offered financing at little or no interest with a small or even no down payment. Product schemes such as these and others resulted in losses much higher than predicted. As a result, significant charges were made against the outstanding portfolio in 2002 and 2003. The Company has a younger customer base than our competitors and these younger buyers generally have more difficulty paying back loans during downturns in the economy. However, even after tightening our credit policy in the US, the economy remained stagnant and further loan defaults have resulted in losses that may induce additional costs.

The Company uses sales incentives to reduce the selling price of new vehicles. It is possible that the use of incentives will lower residual values, which will affect both used car residual values and leased car assessments. If used car residual values decrease, this could have a negative impact on our future business performance. The decline in residual values could also put downward pressure on car and lease assets held.

#### *Possibility of our stock being de-listed*

The Company's policy is to maintain its stock exchange listing, however conversion of preferred shares to common shares could possibly increase the number of shares held by a "select few". If this figure exceeds 75 percent, it would not meet stock distribution standards set by the Tokyo and Osaka stock exchanges and be subject to de-listing.

#### *Issuance of common and preferred shares and effect on share price*

In June and July of last year and March of this year, the Company issued new common shares and several classes of preferred shares as part of its revitalization plan. There is a possibility that conversion of the preferred shares to common shares will dilute the value of common stock and have influence on the market price of the Company's common shares.

Effect of foreign exchange rate fluctuation

Overseas sales accounted for 80.5 percent of the consolidated sales of the Company for this fiscal year. The Company endeavors to minimize the risk involved in foreign currency receivables and payables through forward exchange contracts, etc. However, in the case of foreign exchange rate fluctuations, there will be an impact on the results of the Company.

Effect of socioeconomic situations

The breakdown of the above ratio of the overseas sales is 20.8 percent for North America, 31.4 percent for Europe, and 28.3 percent for Asia and other regions. There is a possibility that a change in the socioeconomic situation in any of these regions will impact the results of the Group.

Effect of fluctuations of interest rates on borrowings

The balance of consolidated interest-bearing liabilities of the Company stood at 476 billion yen at the end of March 2005. There is a possibility that fluctuations in interest rates on borrowings resulting from a change in the financial situation in the future will impact the results of the Company.

(Revised)

## Consolidated financial statements

### (1) Consolidated statements of income / loss

in millions of yen

|  | 4/1/ '04 -3/31/ '05 | 4/1/ '03 -3/31/ '04 | Change          |
|--|---------------------|---------------------|-----------------|
| <b>Sales</b> .....   | <b>2,122,626</b>    | <b>2,519,449</b>    | <b>-396,823</b> |
| <b>Cost of sales</b> .....   | <b>1,808,110</b>    | <b>2,160,612</b>    | <b>-352,502</b> |
| Gross profit before provision for unrealized profit on installment sales ..... | 314,516             | 358,837             | -44,321         |
| Provision for unrealized profit on installment sales .....                     | 16                  | 50                  | -34             |
| <b>Gross profit</b> .....  | <b>314,532</b>      | <b>358,887</b>      | <b>-44,355</b>  |
| Selling, general and administrative expenses .....                             | 443,076             | 455,739             | -12,663         |
| <b>Operating profit / loss</b> .....   | <b>-128,544</b>     | <b>-96,852</b>      | <b>-31,692</b>  |
| Non-operating income .....   | 12,106              | 25,120              | -13,014         |
| ( Interest and dividend income ) .....   | ( 7,920 )           | ( 13,021 )          | ( -5,101 )      |
| ( Other income ) .....   | ( 4,186 )           | ( 12,099 )          | ( -7,913 )      |
| Non-operating expenses .....   | 62,735              | 38,563              | 24,172          |
| ( Interest expense ) .....   | ( 25,601 )          | ( 29,335 )          | ( -3,734 )      |
| ( Other expenses ) .....   | ( 37,133 )          | ( 9,228 )           | ( 27,905 )      |
| <b>Ordinary income / loss</b> .....  | <b>-179,172</b>     | <b>-110,295</b>     | <b>-68,877</b>  |
| Extraordinary gains .....  | 8,111               | 46,537              | -38,426         |
| Extraordinary losses .....   | 289,845             | 13,416              | 276,429         |
| <b>Income / loss before income taxes</b> .....                                 | <b>-460,906</b>     | <b>-77,173</b>      | <b>-383,733</b> |
| Income taxes .....   | 19,761              | 137,846             | -118,085        |
| Minority interests .....   | 5,882               | -403                | 6,285           |
| <b>Net income / loss</b> .....   | <b>-474,785</b>     | <b>-215,424</b>     | <b>-259,361</b> |

### (2) Consolidated surplus statements

in millions of yen

|  | 4/1/ '04 -3/31/ '05 | 4/1/ '03 -3/31/ '04 | Change          |
|--|---------------------|---------------------|-----------------|
| <b>Capital surplus</b>   |                     |                     |                 |
| <b>Capital surplus at beginning of term</b> .....                                | <b>27,513</b>       | <b>224,481</b>      | <b>-196,968</b> |
| <b>Increase in capital surplus</b> .....   | <b>390,099</b>      | <b>210</b>          | <b>389,889</b>  |
| ( Issuance of common stock ) .....   | ( 390,099 )         | ( - )               | ( 390,099 )     |
| ( Increase due to de-consolidation ) .....                                       | ( - )               | ( 210 )             | ( -210 )        |
| <b>Decrease in capital surplus</b> .....   | <b>-</b>            | <b>197,179</b>      | <b>-197,179</b> |
| ( Transfer to retained earnings ) .....  | ( - )               | ( 197,179 )         | ( -197,179 )    |
| <b>Capital surplus at end of term</b> .....                                      | <b>417,612</b>      | <b>27,513</b>       | <b>390,099</b>  |
| <b>Retained earnings</b>   |                     |                     |                 |
| <b>Retained earnings at beginning of term</b> .....                              | <b>-183,410</b>     | <b>-155,847</b>     | <b>-27,563</b>  |
| <b>Increase in retained earnings</b> .....                                       | <b>2,127</b>        | <b>197,307</b>      | <b>-195,180</b> |
| ( 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 )    |
| <b>Decrease in retained earnings</b> .....                                       | <b>474,785</b>      | <b>224,870</b>      | <b>249,915</b>  |
| ( Net loss for term ) .....  | ( 474,785 )         | ( 215,424 )         | ( 259,361 )     |
| ( Decrease due to new consolidation ) .....                                      | ( - )               | ( 3,396 )           | ( -3,396 )      |
| ( Decrease due to de-consolidation ) .....                                       | ( - )               | ( 6,049 )           | ( -6,049 )      |
| <b>Retained earnings at end of term</b> .....                                    | <b>-656,068</b>     | <b>-183,410</b>     | <b>-472,658</b> |

## (3) Consolidated balance sheets

in millions of yen

| <b>Assets</b>   | At 3/31/ 2005     | At 3/31/ 2004       | Change             |
|---|-------------------|---------------------|--------------------|
| <b>Current assets</b>   | <b>( 821,937)</b> | <b>( 869,393)</b>   | <b>( -47,456)</b>  |
| Cash on hand and in banks .....   | 307,474           | 173,514             | 133,960            |
| Trade notes and accounts receivable .....                               | 150,951           | 187,093             | -36,142            |
| Finance receivables .....   | 24,476            | 44,451              | -19,975            |
| Marketable securities .....   | 4,220             | 10,558              | -6,338             |
| Inventories .....   | 233,353           | 275,460             | -42,107            |
| Short-term loans receivable .....                                       | 2,386             | 4,719               | -2,333             |
| Residual interest on sold receivables .....                             | -                 | 3,540               | -3,540             |
| Deferred tax assets .....   | 1,799             | 4,979               | -3,180             |
| Other current assets .....  | 111,452           | 169,343             | -57,891            |
| Allowance for doubtful accounts .....                                   | -14,176           | -4,268              | -9,908             |
| <b>Fixed assets</b>   | <b>( 767,348)</b> | <b>( 1,159,641)</b> | <b>( -392,293)</b> |
| Tangible fixed assets .....   | 530,903           | 707,717             | -176,814           |
| Intangible fixed assets .....   | 32,107            | 29,719              | 2,388              |
| Long-term finance receivables .....                                     | 2,072             | 105,612             | -103,540           |
| Investments .....   | 71,867            | 140,252             | -68,385            |
| Long-term loans receivable .....  | 11,747            | 9,944               | 1,803              |
| Residual interest on sold receivables .....                             | 111,709           | 155,264             | -43,555            |
| Deferred tax assets .....   | 6,730             | 19,721              | -12,991            |
| Other non-current assets .....  | 75,154            | 85,156              | -10,002            |
| Allowance for doubtful accounts .....                                   | -74,943           | -93,746             | 18,803             |
| <b>Total assets</b>   | <b>1,589,286</b>  | <b>2,029,035</b>    | <b>-439,749</b>    |
| <b>Liabilities, minority interests &amp; shareholders' equity</b>       |                   |                     |                    |
| <b>Current liabilities</b>  | <b>( 857,338)</b> | <b>( 1,567,096)</b> | <b>( -709,758)</b> |
| Trade notes and accounts payable .....                                  | 293,853           | 345,212             | -51,359            |
| Short-term loans payable .....  | 277,952           | 716,950             | -438,998           |
| Non-interest bearing short-term loans payable .....                     | -                 | 24,555              | -24,555            |
| Commercial papers .....   | -                 | 106,813             | -106,813           |
| Accrued expenses and other payables .....                               | 181,250           | 156,350             | 24,900             |
| Accrued income taxes .....  | 3,157             | 1,771               | 1,386              |
| Allowance for warranty claims .....                                     | 49,859            | 38,403              | 11,456             |
| Other current liabilities .....   | 51,264            | 177,038             | -125,774           |
| <b>Non-current liabilities</b>  | <b>( 396,935)</b> | <b>( 416,194)</b>   | <b>( -19,259)</b>  |
| Bonds .....   | 40,941            | 42,237              | -1,296             |
| Long-term loans payable .....   | 157,078           | 196,624             | -39,546            |
| Deferred tax liabilities .....  | 17,357            | 24,751              | -7,394             |
| Accrued retirement benefits .....                                       | 99,295            | 112,520             | -13,225            |
| Accrued severance payments to directors .....                           | 1,614             | -                   | 1,614              |
| Other non-current liabilities .....                                     | 80,647            | 40,060              | 40,587             |
| <b>Total liabilities</b>  | <b>1,254,274</b>  | <b>1,983,291</b>    | <b>-729,017</b>    |
| <b>Minority interests</b>   | <b>10,229</b>     | <b>15,771</b>       | <b>-5,542</b>      |
| <b>Shareholders' equity</b>   |                   |                     |                    |
| Common stock .....  | 642,300           | 252,201             | 390,099            |
| Capital surplus .....   | 417,612           | 27,513              | 390,099            |
| Retained earnings .....   | -656,068          | -183,410            | -472,658           |
| Unrealized gain on securities .....                                     | 9,208             | 19,917              | -10,709            |
| Translation adjustment .....  | -88,262           | -86,245             | -2,017             |
| Treasury stock .....  | -8                | -3                  | -5                 |
| <b>Total shareholders' equity</b>                                       | <b>324,782</b>    | <b>29,972</b>       | <b>294,810</b>     |
| <b>Total liabilities, minority interests &amp; shareholders' equity</b> | <b>1,589,286</b>  | <b>2,029,035</b>    | <b>-439,749</b>    |

## (4) Consolidated statements of cash flows

in millions of yen

|   | 4/1/'04 - 3/31/'05 | 4/1/'03 - 3/31/'04 | Change         |
|---|--------------------|--------------------|----------------|
| <b>Cash flows from operating activities</b>                                       |                    |                    |                |
| Net income / loss before taxes  | -460,906           | -77,173            | -383,733       |
| Depreciation  | 97,484             | 139,471            | -41,987        |
| Impairment loss   | 84,376             | -                  | 84,376         |
| Amortization of goodwill  | -1,441             | -1,560             | 119            |
| Change in allowance for doubtful accounts   | -9,125             | 34,043             | -43,168        |
| Change in accrued retirement benefits   | -11,722            | -6,878             | -4,844         |
| Interest and dividend income  | -7,920             | -13,021            | 5,101          |
| Interest expense  | 25,601             | 29,335             | -3,734         |
| Foreign exchange gain / loss  | 2,007              | 1,995              | 12             |
| Equity income / loss of affiliates  | 13,002             | -9,573             | 22,575         |
| Gain / loss on sale and disposal of tangible assets                               | 16,189             | 4,022              | 12,167         |
| Gain / loss on sale of investments  | -1,331             | -40,010            | 38,679         |
| Loss on devaluation of investments  | 446                | 527                | -81            |
| Loss compensation based on stock transfer contract                                | 74,736             | -                  | 74,736         |
| Change in trade notes and accounts receivable                                     | 39,597             | 19,162             | 20,435         |
| Change in inventories   | 53,402             | 3,330              | 50,072         |
| Change in finance receivables   | 126,116            | -46,164            | 172,280        |
| Change in residual interest on sold receivables                                   | 49,660             | 33,529             | 16,131         |
| Change in trade notes and accounts payable  | -57,396            | -61,669            | 4,273          |
| Others  | 12,177             | 9,679              | 2,498          |
| <i>Sub total</i>  | <b>44,956</b>      | <b>19,043</b>      | <b>25,913</b>  |
| Interest and dividends received   | 12,578             | 11,914             | 664            |
| Compensation based on stock transfer contract paid                                | -28,505            | -27,146            | -1,359         |
| Interest paid   | -10,700            | -                  | -10,700        |
| Income tax paid   | -4,675             | -5,260             | 585            |
| <i>Cash flows from operating activities</i>                                       | <b>13,654</b>      | <b>-1,449</b>      | <b>15,103</b>  |
| <b>Cash flows from investing activities</b>                                       |                    |                    |                |
| Change in term deposits   | -18,920            | -1,248             | -17,672        |
| Change in marketable securities   | -                  | 4                  | -4             |
| Acquisition of tangible fixed assets  | -140,760           | -134,785           | -5,975         |
| Proceeds from sales of tangible fixed assets                                      | 111,788            | 83,080             | 28,708         |
| Acquisition of investments  | -2,176             | -8,630             | 6,454          |
| Proceeds from sales of investments  | 9,477              | 110,689            | -101,212       |
| Acquisition of subsidiaries accompanying change in scope of consolidation         | -                  | -2,106             | 2,106          |
| Proceeds from sales of subsidiaries accompanying change in scope of consolidation | -                  | 483                | -483           |
| Loans made  | -444               | -6,674             | 6,230          |
| Collection of loans receivable  | 1,616              | 7,106              | -5,490         |
| Others  | 5,212              | -1,091             | 6,303          |
| <i>Cash flows from investing activities</i>                                       | <b>-34,206</b>     | <b>46,828</b>      | <b>-81,034</b> |
| <b>Cash flows from financing activities</b>                                       |                    |                    |                |
| Change in short-term loans payable and commercial papers                          | -425,649           | 55,151             | -480,800       |
| Proceeds from long-term loans payable   | 116,277            | 168,384            | -52,107        |
| Repayment of long-term loans payable  | -278,919           | -126,378           | -152,541       |
| Issuance of bonds   | 3,697              | 106,105            | -102,408       |
| Redemption of bonds   | -49,147            | -146,456           | 97,309         |
| Issuance of new share   | 767,344            | -                  | 767,344        |
| Dividends paid to minority shareholders   | -40                | -130               | 90             |
| Others  | -5                 | -1                 | -4             |
| <i>Cash flows from financing activities</i>                                       | <b>133,556</b>     | <b>56,674</b>      | <b>76,882</b>  |
| Effect of exchange rate changes on cash and cash equivalents                      | -12                | -2,242             | 2,230          |
| Net change in cash and cash equivalents   | 112,991            | 99,809             | 13,182         |
| 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          |
| <b>Cash and cash equivalents at end of term</b>                                   | <b>294,903</b>     | <b>181,911</b>     | <b>112,992</b> |

## **Basis of preparation of consolidated financial statements**

### **Premise of Going Concern**

In the previous fiscal year, MMC group had posted a net loss of 215,424 million yen. In the current fiscal year, MMC group has also posted a net loss of 474,785 million yen.

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

To address this situation as well as strengthen our operating base, MMC group formulated the "Business Revitalization Plan"(from FY2004 to FY2006) in May 2004.

In June 2004, MMC group outlined additional measures to its Business Revitalization Plan announced on May 21, 2004 that focuses on three areas: all-out cost cutting, restoring customer trust, and across-the-board compliance. The new measures are in response to a potential marked slump in domestic sales that has surfaced following the recall problems at Mitsubishi Motors Corporation ("MMC") and Mitsubishi Fuso Truck & Bus Corporation.

After announcing its Business Revitalization Plan in May 2004, MMC group has devoted itself to implement the measures set out in the plan, designed to regain customer and public trust and improve profitability. Since the announcement of the plan, MMC has conducted extensive investigations into past recall problems. The findings of these investigations have allowed MMC to complete filings of post-market measures with the Ministry of Land, Infrastructure and Transport in September 2004, as well as to make substantial progress in its efforts to reform corporate culture.

Despite these achievements, MMC's inability to respond adequately to past recall problems has delayed the hoped-for restoration of consumer and public trust and has seriously impacted sales. This, in turn, has highlighted the problem of over-capacity that has lurked beneath the surface over recent years. In addition, the concerns have deepened about delays in the recovery of operations and about the financial health of MMC group. As a result of being forced to use funds allocated for the revitalization program in the repayment of interest-bearing debt, MMC group now finds itself short of funds.

To break out of this situation and successfully revitalize itself, MMC group, while continuing its efforts to regain customer and public trust, finds itself in a situation that requires additional measures to improve profitability. Given these circumstances, MMC group has put together the new Mitsubishi Motors Revitalization Plan in January 2005.

### **1. Corporate culture reform initiatives**

Recovering customer and public trust and reforming corporate culture are absolute priority in MMC group's bid to revitalize itself. The CSR Promotion Office has played a lead role in the implementation of a wide range of measures designed to enhance compliance. The Business Ethics Committee, made up of specialists and leaders in their fields from outside the company, has also given valuable advice and guidance from an external perspective in this regard. An internal seminar program has enabled each employee to acquire a deeper understanding of business ethics principles. Employees have now submitted written pledges to fully observe and practice compliance.

MMC group will also be implementing a number of initiatives and measures designed to reform the corporate culture. These include "Problem solving through cross-functional activities", "Training and promoting talented personnel to important positions", "Personnel evaluation reflecting a 'Customer First' practice", and "Promotion of personnel exchanges with sales companies and department rotations".

The current investigation by a panel of external lawyers into past recall problems had been completed by the end of the fiscal year of 2004. MMC group had determined disciplinary action and measures to prevent any recurrence on the basis of the panel's findings.

### **2. Key points in the Mitsubishi Motors Revitalization Plan**

#### **· Putting customers first/Recovering trust**

The new plan puts customers first in all areas, from marketing through after-sales services.

The new plan provides measures for achieving no-compromise improvements in product quality.

#### **· Business strategy**

Sales plans reflect downside risks;

Promotion of operational tie-ups with other auto makers;

Rationalization of production capacity and size of sales networks (U.S., Australia, Japan).

#### **· Reinforcement of capital and funding**

Strengthening of financial standing and securing capital for revitalization

#### **· Boosting management's effectiveness**

Lead from the top with a new management team;

Set up a thorough follow-up system.

### 3. Commitments

- Return to profitability in fiscal 2006 (net income of 8 billion yen)
- Establish sustainable profitability in fiscal 2007 (net income of 41 billion yen)

### 4. Business strategy

#### (1) Sales volume plans

Sales plans in the Mitsubishi Motors Revitalization Plan have been drawn up for each region based on current market trends to set realistic and achievable targets and eliminate all foreseeable downward risks. As a result, fiscal year volume targets in the new plan are lower than those in the Business Revitalization Plan but are set to recover to the fiscal 2003 level of 1,500,000 vehicles in fiscal 2007.

#### (2) Product strategy

##### a. Motorsport

MMC group places motorsport at the very heart of its car design and development activities. The technology and know-how built up through taking part in grueling and competitive events such as the Dakar rally and the World Rally Championship is being fed back and injected into production cars as the "Sporty DNA" and "SUV DNA" that defines the MMC brand. That same technology and know-how enables MMC group to increase safety and durability as well as on and off-road driving performance, thereby raising product value in a lineup that fully embodies these qualities.

##### b. Improving efficiencies in model mix

The new plan incorporates measures under which MMC group will trim back the number of low-volume models produced for individual markets and concentrate managerial resources on highly competitive global market models. This will raise development and production efficiencies.

##### c. New model launches

The new plan calls for a major increase in the number of new model launches compared with the last four years. MMC group will expand earning opportunities by aggressively introducing new models in all regions.

#### (3) Business tie-up strategy

To further promote a policy of selection and concentration, MMC group will actively pursue strategic tie-up opportunities with other automakers. One example is the announcement made in January 2005 relating to the expansion of the supply of minicars on an OEM basis to Nissan Motor (36,000 units annually). In February 2005 MMC and Peugeot-Citroen Group ("PSA") reached to the agreement where MMC group supply passenger cars to PSA on an OEM basis. (MMC is expected to sign the final contract in the first half of fiscal 2005.) MMC group is looking at other tie-ups such as an expanded range of models supplying on an OEM basis, component supply partnering, joint distribution arrangements and joint procurement.

#### (4) Regional strategy

##### a. Japan

Driving towards a group structure that returns stable profits, MMC and its sales companies will continue to work hand in hand to regain the trust of customers with additional measures that follow on from the free inspection campaign covering 3.4 million owners. MMC group will also restructure its sales network and will drive to maximize after-sales services.

##### b. North America

North America remains a vital core market for MMC group. To put its operations in that market on a profitable basis, MMC group will rebuild its brand through the introduction of a new management structure, with new model launches and by cutting back on its dependence on fleet sales. It is also going to raise capacity utilization by expanding exports of locally built cars. Further it had adopted an asset impairment accounting principles to measure the excess plant capacity in fiscal 2004.

MMC group is currently addressing the U.S. captive financing unit that sparked the problems in MMC group's North American operations. It is currently reducing its exposure to loan default risks by selling off a portion of its financing asset holding to Merrill Lynch. MMC group also plans to establish a new joint venture company with Merrill Lynch for the purpose of creating competitive and attractive consumer financing programs.

##### c. Europe

To move its European operations forward from the stage of achieving profitability to the growth stage, MMC group will work to promote sales around a stronger model lineup and will push forward its efforts to strengthen its management and sales structures.

d. China

Positioning China as a core market, MMC group is aggressively exploiting the Mitsubishi brand, which is currently strong and healthy in China, and expanding its operating base. In addition to expanding the range of Mitsubishi brand models available by boosting capital tie-ups with local companies, MMC group is also pushing forward with efforts to establish and to expand its sales network. MMC group is looking at using its engine joint ventures in the country to make China a major engine production hub in Asia, and is going to establish R&D facilities in the country to meet local market needs in its products on a timely basis.

e. Other markets

MMC group is taking steps to strengthen its operational footing in ASEAN markets. These include strengthening sales in Thailand, establishing sales structures in Malaysia and reorganizing its operations in Indonesia. MMC group is also strengthening its production base by boosting capacity in Thailand, which serves as an export hub to global markets.

As for Australia, MMC group is on track to close its engine plant and downsize its assembly plant. MMC group has also adopted an asset impairment accounting principles in order to address surplus plant capacity.

(5) Cost reduction

a. Manpower

As the result of changes to the organization, increased work process efficiencies, rationalization of work processes and natural attrition in personnel, MMC group's headcount trimming program is on track and is forecast to achieve the original targets. MMC group is also moving forward with further improvements in work process efficiencies.

b. Material costs

In view of the deterioration in the procurement market brought about by falling sales volumes and sharp rises in raw material costs, the new plan aims to reduce material costs by 90 billion yen on a cumulative basis by fiscal 2006 over fiscal 2003 levels. While this is a downward revision of the original target in the Business Revitalization Plan, this figure maintains the 15% reduction called for in the Business Revitalization Plan.

## 5. Corporate ideals and direction

Through a process of exhaustive analysis and discussion between cross-functional teams composed mainly of younger employees and the departments concerned, the Corporate Revitalization Committee has looked in depth at a number of issues that MMC group faces. This has allowed MMC group to formulate a new course of action; one that clarifies to its stakeholders the ideals that underpin MMC group's management as it drives forward in fulfilling its responsibilities as a corporate citizen. These ideals are crystallized in the new corporate maxim: "Mitsubishi Motors is dedicated to responsibly providing customers and society with driving pleasure and assured security."

## 6. Profit and loss targets

To reflect all the measures described above, the numerical targets set out in the Business Revitalization Plan and covering the period up to fiscal 2006-consolidated net sales, operating profit, ordinary profit, net income for the term-are revised downwardly in the Mitsubishi Motors Revitalization Plan. The new plan forecasts notes that although it will be difficult for MMC group to return to profitability before the end of fiscal 2005, it will do so in fiscal 2006 and in fiscal 2007 will achieve a record net income for the term of 41 billion yen.

## 7. Support systems: Capital and funding reinforcements

(1) Capital reinforcement

With the full-support of three Mitsubishi group companies, during the fiscal year of 2004 MMC group made a capital enhancement of 284.2 billion yen through the issue of new common and preferred shares [Mitsubishi Heavy Industries ("MHI"), 50 billion yen; Mitsubishi Corporation, 70 billion yen; The Bank of Tokyo-Mitsubishi, 154 billion yen (of which 54 billion yen in a debt-for-equity swap); The Mitsubishi Trust and Banking Corporation, 10.2 billion yen (all yen in a debt-for-equity swap)].

As stated above, in the fiscal year of 2004 MMC group has adopted asset impairment accounting principles.

While this will lead to an impairment of capital, the capital enhancement will enable possible the restoration of shareholders' equity to an appropriate level and assist MMC group in establishing a healthy financial status.

The capital increase brought the combined holding of MHI, Mitsubishi Corporation, The Bank of Tokyo-Mitsubishi and The Mitsubishi Trust and Banking Corporation in MMC to 34% as of March 10, 2005. Because this will also bring MHI's holding up to 15%, MMC expects to become an equity method affiliate of MHI in fiscal 2005.

(2) Borrowing

MMC group is planning to raise a total of 270 billion yen in funding, mostly through new borrowing of 240 billion yen. (30 billion yen had been already done in the fiscal 2004.) The remaining 30 billion yen will be raised either from the purchase of MMC group business assets or through a further capital increase by Mitsubishi Corporation.

(3) Capital expenditure for Revitalization

The capital enhancement and funding measures will give MMC group access to 490 billion yen (excluding a 64.2 billion yen debt-for-equity swap). MMC will allocate this funding with maximum effect to R&D and capital investment which will provide the platform vital to the successful achievement of the targets and goals set out in the Mitsubishi Motors Revitalization Plan.

MMC group had been to set up a new Business Revitalization Monitoring Committee, an external body that will monitor the progress made in the implementation of the Mitsubishi Motors Revitalization Plan.

For the last year, MMC group had been shaken by a number of problems, however it has made a system that is able to change the profits structure more strongly and is sure to achieve its profit target. Now there is hope for funds. MMC group will start the new Mitsubishi Motors Revitalization Plan based on these measures. MMC group will devote itself to implementing the new measures from a different base from which the Revitalization Plan in May 2004 was formulated.

MMC group intends to materialize the new Mitsubishi Motors Revitalization Plan at any cost with the full-support of three Mitsubishi group companies.

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.

### 1. Scope of consolidation

**Consolidated subsidiaries..... 112 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..... 59 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 others.

**Deconsolidated..... 11 companies**

Fuso Engineering Co., Ltd. and others.

### 2. Application of equity method

**Non consolidated subsidiaries..... 14 companies**

MMCE Retail S.A. and others

**Affiliates..... 27 companies**

Mitsubishi Auto Credit-Lease Co., Ltd., Vina Star Motors Co., Ltd. and others.

**New application of equity method for affiliates..... 12 companies**

MDC Power GmbH. and others

**Excluded for this closing ..... 2 companies**

Mitsubishi Fuso Truck and Bus Corporation, MS Trai Sittipol Sales Co., Ltd.

### 3. Accounting Policies

#### (1) Accounting policy for valuation of major assets

##### ① Other marketable securities

With market value..... At market value, based on market value at year end. (Net unrealized gain/loss booked directly to Shareholders' equity. Selling cost is computed by the moving-average method.).

Without market value..... At cost using moving-average method.

② Derivative financial instruments..... At market value (excluding swaps meeting the special provisions of the accounting standard).

##### ③ Inventories

MMC and consolidated subsidiaries in Japan

..... Primarily at cost on the first-in first-out basis and the specific identification cost method.

Overseas consolidated subsidiaries..... Lower of cost, using the specific identification cost method, or market value.

#### (2) Depreciation of fixed assets

##### ① Tangible fixed assets

MMC and consolidated subsidiaries in Japan

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

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

##### ② Intangible fixed assets

MMC and consolidated subsidiaries in Japan

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

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

### **(3) Accounting policy for allowances**

#### **① Doubtful accounts**

To provide against possible losses arising from accounts and loans receivable, an allowance for doubtful accounts 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 considered to be uncollectible.

#### **② Warranty claims**

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

#### **③ Accrued retirement benefits**

Accrued retirement benefits for employees have been provided based on the amount estimated from the retirement benefit obligation and the fair value of the pension plan assets at March 31 2005.

The transition difference arising from the adoption of the new accounting standard for retirement benefits was charged to expenses in the first year when the new accounting standard was adopted.

Prior service cost is being amortized using the straight-line method over the period that is within the estimated average remaining service years of the employees.

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

#### **④ Accrued severance payments to directors**

Directors and statutory auditors retirement benefits are provided at the amount estimated necessary at year end based on the internal regulations of MMC group.

### **(4) Significant foreign currency transactions**

Foreign currency cash claims and obligations are translated into JP yen at the exchange rate at year end and translation differences are included in the consolidated statements of income/loss. Foreign currency assets and liabilities of overseas consolidated subsidiaries are translated into JP yen at the exchange rate at year end, and the foreign currency revenues and expenses of these companies are translated into yen at the average exchange rate for the period. Differences arising from consolidation of overseas subsidiaries are booked as "Translation adjustment" in the "Shareholder's equity and Minority interests" section of consolidated balance sheet.

### **(5) Lease transactions**

The company and consolidated subsidiaries in Japan, finance leases, excluding leases in which ownership is recognized to have transferred to the lessee, are accounted for as ordinary rental transactions.

For overseas consolidated subsidiaries, finance leases are accounted for as ordinary purchase transactions.

### **(6) Hedge accounting**

① **Forward exchange contracts..** Scheduled transactions are booked using deferral hedge accounting.

② **Interest swaps.....** Recognize using deferral hedge accounting or in accordance with the special provisions of the accounting standard.

### **(7) Other significant accounting policies**

① **Consumption tax.....** Transactions are recorded net of consumption tax and regional consumption taxes.

② **Deferred assets.....** Bond issuance cost and stock issuance costs are expensed as paid.

③ **Installment sales profit....** A number of consolidated subsidiaries apply the installment receivables method.

④ **Consolidated tax return...** MMC group has adopted the consolidated tax return procedure.

## **4. Assets included in consolidated statements of cash flows**

The cash and cash equivalents included in the consolidated statements of cash flows include cash in hand, deposits repayable on demand, and short-term investments that are easily convertible into cash, that are exposed to low price fluctuation risks and that have original maturities of three months or less when purchased.

## **5. Changing of indication**

Consolidated balance sheets

Accrued for severance payment to directors was indicated accrued retirement bonus on non-current liabilities, for the year ended March 31, 2004. At this year ending it was represented separately.

Accrued for severance payment to directors for MMC's and its subsidiaries for the year ended March 31, 2004 was 1,399 million yen.

**Notes to consolidated financial statements**

| FY2004<br>At 3/31/2005  | FY2003<br>At 3/31/2004  |
|---|---|
| 1. Consolidated balance sheet   | 1. Consolidated balance sheet   |
| in millions of yen  | in millions of yen  |
| Accumulated depreciation of tangible fixed assets   | Accumulated depreciation of tangible fixed assets   |
| 1,314,608   | 1,270,636   |
| Assets pledged as collateral (excluding asset groups pledged subject to floating charge)              | Assets pledged as collateral (excluding asset groups pledged subject to floating charge)              |
| Trade notes and accounts receivable   | Trade notes and accounts receivable   |
| 15,711  | 1,618   |
| Short-term & long-term finance receivables  | Short-term & long-term finance receivables  |
| 21,018  | 85,586  |
| Inventories   | Inventories   |
| 52,712  | 14,465  |
| Tangible fixed assets   | Tangible fixed assets   |
| 211,908   | 174,591   |
| Long-term residual interest on sold receivables   | Other   |
| 49,791  | 976   |
| Other   |   |
| 30,549  |   |
| Asset groups pledged subject to floating charge   | Asset groups pledged subject to floating charge   |
| Tangible fixed assets   | Tangible fixed assets   |
| 104,468   | 65,039  |
| Secured liabilities   | Secured liabilities   |
| Short-term & long-term loans payable  | Short-term & long-term loans payable  |
| 383,281   | 231,613   |
| Non-consolidated subsidiaries and affiliates included in "Investments" and "other non-current assets" | Non-consolidated subsidiaries and affiliates included in "Investments" and "other non-current assets" |
| Investments   | Investments   |
| 27,286  | 71,097  |
| Other non-current assets  | Other non-current assets  |
| 8,248   | 5,913   |
| Guarantee liabilities   | Guarantee liabilities   |
| Guarantee liabilities   | Guarantee liabilities   |
| 6,008   | 6,721   |
| Liabilities similar to guarantee liabilities  | Liabilities similar to guarantee liabilities  |
| 3,449   | 4,518   |
| Outstanding balance of securitized assets   | Outstanding balance of securitized assets   |
| Trade notes and accounts receivable   | Trade notes and accounts receivable   |
| 7,913   | 30,091  |
| Finance receivables   | Finance receivables   |
| 240,317   | 464,253   |
|   | Commitment lines  |
|   | Commitment lines  |
|   | 105,900   |
|   | Used lines of credit  |
|   | 0   |
|   | Unused lines of credit  |
|   | 105,900   |
| Negative goodwill included in other non-current liabilities   | Negative goodwill included in other non-current liabilities   |
| 714   | 2,164   |

| FY2004<br>At 3/31/2005   | FY2003<br>At 3/31/2004  |
|--|---|
| <p>2. Consolidated statement of income / loss<br/>in millions of yen</p> <p>Extraordinary gains</p> <p>Gain on sale/disposal of fixed assets 5,148</p> <p>Gain on sales of investments 1,609</p> <p>Other gain 1,352</p><br><p>Extraordinary losses</p> <p>Impairment loss 84,376</p> <p>Loss compensation based on stock transfer contract 74,736</p> <p>Extraordinary measure expenses 29,530</p> <p>Inventory appraisal loss 28,043</p> <p>Provision for losses on restructuring 25,247</p> <p>Loss on sale/disposal of fixed assets 21,338</p> <p>Early retirement expense 16,283</p> <p>Other loss 10,288</p><br><p>R&amp;D expenditure included in selling, general and administration expenses 68,775</p> | <p>2. Consolidated statement of income / loss<br/>in millions of yen</p> <p>Extraordinary gains</p> <p>Gain on sales of investments in securities 40,064</p> <p>Reversal of restructuring costs 3,534</p> <p>Other gain 2,938</p><br><p>Extraordinary losses</p> <p>Loss on sale/disposal of fixed assets 6,657</p> <p>Early retirement expense 3,190</p> <p>Other loss 3,568</p><br><p>R&amp;D expenditure included in selling, general and administration expenses 68,874</p> |
| <p>3. Consolidated statement of cash flows</p> <p>The reconciliation between cash and cash equivalents and the amounts reported in the consolidated balance sheet is as follows:</p><br><p>Cash on hand and in banks 307,474</p> <p>Term deposits of three months or longer 16,791</p> <p>Securities with original maturities of three months or less 4,220</p> <p>Cash and cash equivalents 294,903</p>   | <p>3. Consolidated statement of cash flows</p> <p>The reconciliation between cash and cash equivalents and the amounts reported in the consolidated balance sheet is as follows:</p><br><p>Cash on hand and in banks 173,514</p> <p>Term deposits of three months or longer 2,161</p> <p>Securities with original maturities of three months or less 10,558</p> <p>Cash and cash equivalents 181,911</p>  |

#### Lease transactions

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

## Marketable securities

### 1.Held-to-maturity securities with market value

Not applicable

### 2.Other securities with market value

in millions of yen

|  | FY2004<br>At 3/31/2005 |                    |                          | FY2003<br>At 3/31/2004 |                    |                          |
|--|------------------------|--------------------|--------------------------|------------------------|--------------------|--------------------------|
|  | Acquisition<br>cost    | Carrying<br>amount | Valuation<br>gain / loss | Acquisition<br>cost    | Carrying<br>amount | Valuation<br>gain / loss |
| Securities with carrying amount<br>which exceeds acquisition cost: |                        |                    |                          |                        |                    |                          |
| Shares   | 9,699                  | 25,461             | 15,760                   | 14,135                 | 46,490             | 32,354                   |
| Subtotal   | 9,699                  | 25,461             | 15,760                   | 14,135                 | 46,490             | 32,354                   |
| Securities with carrying amount<br>which exceeds acquisition cost: |                        |                    |                          |                        |                    |                          |
| Shares   | 187                    | 160                | -27                      | 3,609                  | 3,499              | -109                     |
| Subtotal   | 187                    | 160                | -27                      | 3,609                  | 3,499              | -109                     |
| Total  | 9,886                  | 25,621             | 15,733                   | 17,744                 | 49,989             | 32,245                   |

Note: Significant declines in market value of marketable securities are recognized as impairment losses if the decline is not considered to be recoverable.

After the write-down of the impairment, a new book acquisition cost is established.

Losses on devaluation of the marketable securities classified as other securities as a result of permanent decline totaled ¥2million and ¥36 million for the year ended March 31, 2005 and 2004, respectively.

### 3.Marketable securities sold in FY 2004 and FY 2003

in millions of yen

| FY2004<br>4/1/ '04 -3/31/ '05 |       |      | FY2003<br>4/1/ '03 -3/31/ '04 |        |      |
|-------------------------------|-------|------|-------------------------------|--------|------|
| Proceeds                      | Gain  | Loss | Proceeds                      | Gain   | Loss |
| 9,477                         | 1,609 | 277  | 58,655                        | 39,488 | 56   |

### 4.Other securities without market value (non-marketable securities)

in millions of yen

|                           | FY2004<br>At 3/31/2005 | FY2003<br>At 3/31/2004 |
|---------------------------|------------------------|------------------------|
| Other securities          |                        |                        |
| Non-marketable securities | 18,949                 | 18,636                 |
| Other                     | 4,220                  | 11,085                 |

Note: Significant declines in net book value of non-marketable securities are recognized as impairment losses.

Losses on devaluation of the non-marketable securities classified as other securities as a result of the decline in net book value totaled ¥38 million and ¥65 million for the year ended March 31, 2005 and 2004, respectively.

## Derivative financial instruments

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

## Retirement Benefits

| FY2004<br>4/1/ '04 -3/31/ '05   | FY2003<br>4/1/ '03 -3/31/ '04   |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
|---|---|--------------------|-------------------------------|----------|-----------------------------------|--------|-------|--|-----------------------|----------|---|---|-----------------------------|--------|---------------------------------|--------|-------|--|--|---------|----------------------|-------|-------|--|-------------------------------------|---------|--|--|--------------------|-------------------------------|----------|-----------------------------------|--------|-------|--|-----------------------|----------|---|---|-----------------------------|--------|---------------------------------|-------|-------|--|--|----------|----------------------|-------|-------|--|-------------------------------------|----------|
| <p><b>1.Summary of Pension Plans</b></p> <p>MMC and certain of its consolidated subsidiaries have defined benefit pension plans for their employees.</p> <p>The plans include contributory plans in accordance with the Welfare Pension Insurance Law of Japan, tax-qualified contributory plans and non-contributory severance plans. Additional early retirement benefit is paid in certain cases upon employees' retirement. In addition, certain foreign consolidated subsidiaries have defined contribution pension plans.</p> <p>At March 31, 2005, MMC and its consolidated subsidiaries have 4 funds for contributory plans in accordance with the Welfare Pension Insurance Law, and 46 funds for tax-qualified plans. In addition, MMC and 43 of its consolidated subsidiaries have non-contributory severance plans.</p>   | <p><b>1.Summary of Pension Plans</b></p> <p>MMC and certain of its consolidated subsidiaries have defined benefit pension plans for their employees.</p> <p>The plans include contributory plans in accordance with the Welfare Pension Insurance Law of Japan, tax-qualified contributory plans and non-contributory severance plans. Additional early retirement benefit is paid in certain cases upon employees' retirement. In addition, certain foreign consolidated subsidiaries have defined contribution pension plans.</p> <p>At March 31, 2005, MMC and its consolidated subsidiaries have 4 funds for contributory plans in accordance with the Welfare Pension Insurance Law, and 46 funds for tax-qualified plans. In addition, MMC and 43 of its consolidated subsidiaries have non-contributory severance plans.</p> |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| <p><b>2.Retirement benefit obligation</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; width: 20%;">In millions of yen</th> </tr> </thead> <tbody> <tr> <td>Retirement benefit obligation</td> <td style="text-align: right;">-173,805</td> </tr> <tr> <td>Pension plan assets at fair value</td> <td style="text-align: right;">45,628</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Unfunded status ( + )</td> <td style="text-align: right;">-128,177</td> </tr> <tr> <td>Unrecognized net obligation at date of initial application of new accounting standard</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Unrecognized actuarial loss</td> <td style="text-align: right;">20,362</td> </tr> <tr> <td>Unrecognized prior service cost</td> <td style="text-align: right;">11,449</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Net recognized retirement benefit obligation ( + + + )</td> <td style="text-align: right;">-96,365</td> </tr> <tr> <td>Prepaid pension cost</td> <td style="text-align: right;">2,929</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Accrued retirement obligation ( - )</td> <td style="text-align: right;">-99,295</td> </tr> </tbody> </table> |   | In millions of yen | Retirement benefit obligation | -173,805 | Pension plan assets at fair value | 45,628 | <hr/> |  | Unfunded status ( + ) | -128,177 | Unrecognized net obligation at date of initial application of new accounting standard | - | Unrecognized actuarial loss | 20,362 | Unrecognized prior service cost | 11,449 | <hr/> |  | Net recognized retirement benefit obligation ( + + + ) | -96,365 | Prepaid pension cost | 2,929 | <hr/> |  | Accrued retirement obligation ( - ) | -99,295 | <p><b>2.Retirement benefit obligation</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; width: 20%;">In millions of yen</th> </tr> </thead> <tbody> <tr> <td>Retirement benefit obligation</td> <td style="text-align: right;">-186,990</td> </tr> <tr> <td>Pension plan assets at fair value</td> <td style="text-align: right;">54,460</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Unfunded status ( + )</td> <td style="text-align: right;">-132,529</td> </tr> <tr> <td>Unrecognized net obligation at date of initial application of new accounting standard</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Unrecognized actuarial loss</td> <td style="text-align: right;">19,668</td> </tr> <tr> <td>Unrecognized prior service cost</td> <td style="text-align: right;">6,605</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Net recognized retirement benefit obligation ( + + + )</td> <td style="text-align: right;">-106,255</td> </tr> <tr> <td>Prepaid pension cost</td> <td style="text-align: right;">4,866</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Accrued retirement obligation ( - )</td> <td style="text-align: right;">-111,121</td> </tr> </tbody> </table> |  | In millions of yen | Retirement benefit obligation | -186,990 | Pension plan assets at fair value | 54,460 | <hr/> |  | Unfunded status ( + ) | -132,529 | Unrecognized net obligation at date of initial application of new accounting standard | - | Unrecognized actuarial loss | 19,668 | Unrecognized prior service cost | 6,605 | <hr/> |  | Net recognized retirement benefit obligation ( + + + ) | -106,255 | Prepaid pension cost | 4,866 | <hr/> |  | Accrued retirement obligation ( - ) | -111,121 |
|   | In millions of yen  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Retirement benefit obligation   | -173,805  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Pension plan assets at fair value   | 45,628  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| <hr/>   |   |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Unfunded status ( + )   | -128,177  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Unrecognized net obligation at date of initial application of new accounting standard   | -   |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Unrecognized actuarial loss   | 20,362  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Unrecognized prior service cost   | 11,449  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| <hr/>   |   |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Net recognized retirement benefit obligation ( + + + )  | -96,365   |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Prepaid pension cost  | 2,929   |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| <hr/>   |   |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Accrued retirement obligation ( - )   | -99,295   |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
|   | In millions of yen  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Retirement benefit obligation   | -186,990  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Pension plan assets at fair value   | 54,460  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| <hr/>   |   |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Unfunded status ( + )   | -132,529  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Unrecognized net obligation at date of initial application of new accounting standard   | -   |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Unrecognized actuarial loss   | 19,668  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Unrecognized prior service cost   | 6,605   |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| <hr/>   |   |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Net recognized retirement benefit obligation ( + + + )  | -106,255  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Prepaid pension cost  | 4,866   |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| <hr/>   |   |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| Accrued retirement obligation ( - )   | -111,121  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |
| <p>Note: 1 .The subsidiaries have multiple employer pension plans. The aggregate values of the appropriated pension assets calculated in proportion to the Group's contribution to the plans, which are not included in the pension assets above, amount to 3,708 million yen.</p> <p>2 .Some subsidiaries use simplified method to calculate retirement benefit obligation.</p>  | <p>Note: 1 The subsidiaries have multiple employer pension plans. The aggregate values of the appropriated pension assets calculated in proportion to the Group's contribution to the plans, which are not included in the pension assets above, amount to 3,627 million yen.</p> <p>2 Some subsidiaries use simplified method to calculate retirement benefit obligation.</p>  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |        |       |  |  |         |                      |       |       |  |                                     |         |  |  |                    |                               |          |                                   |        |       |  |                       |          |   |   |                             |        |                                 |       |       |  |  |          |                      |       |       |  |                                     |          |

| FY2004<br>4/1/ '04 -3/31/ '05  |                                 | FY2003<br>4/1/ '03 -3/31/ '04   |                                 |
|--|---------------------------------|---|---------------------------------|
| <b>3.Retirement benefit costs</b>  |                                 | <b>3.Retirement benefit costs</b>   |                                 |
|  | In millions of yen              |   | In millions of yen              |
| Service cost   | 9,086                           | Service cost  | 11,718                          |
| Interest cost  | 4,803                           | Interest cost   | 5,175                           |
| Expected return on plan assets   | -2,158                          | Expected return on plan assets  | -2,549                          |
| Amortization of unrecognized net obligation at date of initial application of new accounting standard  | -                               | Amortization of unrecognized net obligation at date of initial application of new accounting standard   | -                               |
| Amortization of actuarial loss   | 781                             | Amortization of actuarial loss  | 2,673                           |
| Amortization of prior service cost   | 708                             | Amortization of prior service cost  | 347                             |
| Other  | 428                             | Other   | 5,363                           |
| <b>Pension Expenses ( + + + + + )</b>  | <b>13,650</b>                   | <b>Pension Expenses ( + + + + + )</b>   | <b>22,729</b>                   |
| <p><i>Note:</i> 1 .In addition to above pension expenses, early retirement costs, 16,283 million yen, are included in extraordinary loss.</p> <p>2 .Retirement benefit costs for subsidiaries which used simplified method are included in service cost.</p> |                                 | <p><i>Note:</i> 1 .In addition to above pension expenses, early retirement costs, 3,190 million yen, are included in extraordinary loss.</p> <p>2 .Retirement benefit costs for subsidiaries which used simplified method are included in service cost.</p> |                                 |
| <b>4.Basis for calculation of retirement benefit obligation</b>  |                                 | <b>4.Basis for calculation of retirement benefit obligation</b>   |                                 |
| Allocation method of future pension benefit obligation   | Benefit/years-of-service method | Allocation method of future pension benefit obligation  | Benefit/years-of-service method |
| Discount rate  | Domestic 1.5% ~ 2.5%            | Discount rate   | Domestic 2.0% ~ 2.5%            |
|  | Overseas 6.0%                   |   | Overseas 6.25% ~ 7.0%           |
| The rate of return on plan assets assumed  | Domestic 0.8% ~ 4.0%            | The rate of return on plan assets assumed   | Domestic 1.5% ~ 4.0%            |
|  | Overseas 8.0%                   |   | Overseas 8.0% ~ 8.5%            |
| Terms of amortization of prior service costs   | 10 ~ 21 years                   | Terms of amortization of prior service costs  | 10 ~ 17 years                   |
| Terms of amortization of actuarial gain/loss   | 10 ~ 21 years                   | Terms of amortization of actuarial gain/loss  | 10 ~ 21 years                   |
| Terms of amortization of unrecognized net obligation due to change of accounting standard  | 1 year                          | Terms of amortization of unrecognized net obligation due to change of accounting standard   | 1 year                          |

## Deferred taxation

### (1) Deferred tax assets and liabilities

in millions of yen

|  | FY2004<br>4/1/ '04 -3/31/ '05 | FY2003<br>4/1/ '03 -3/31/ '04 |
|--|-------------------------------|-------------------------------|
| Deferred tax assets  |                               |                               |
| Net operating loss carry forward   | 308,079                       | 162,820                       |
| Accrued retirement benefits  | 41,411                        | 41,663                        |
| Allowance for doubtful accounts  | 31,270                        | 32,635                        |
| Accrued expenses   | 13,779                        | 11,849                        |
| Accounts payable   | 19,468                        | 15,279                        |
| Allowance for warranty claims  | 13,339                        | 17,865                        |
| Other  | 103,206                       | 83,402                        |
| Deferred tax assets sub-total  | 530,554                       | 365,516                       |
| Less valuation allowance   | -483,085                      | -285,943                      |
| Deferred tax assets total  | 47,468                        | 79,573                        |
| Deferred tax liabilities   |                               |                               |
| Unrealized gain on investment securities   | -6,145                        | -12,693                       |
| Differences between cost of investments<br>and underlying net equity at fair value | -5,921                        | -6,338                        |
| Reserves under the special taxation<br>measures law                                | -1,486                        | -3,291                        |
| Tax depreciation in excess of book value of<br>tangible fixed assets               | -30,448                       | -42,029                       |
| Other  | -12,393                       | -15,543                       |
| Total deferred tax liabilities   | -56,396                       | -79,896                       |
| Net deferred tax assets and liabilities;   | -8,927                        | -323                          |

Note: Deferred tax assets and liabilities at March 31, 2005 and 2004 are included in the consolidated balance sheets as follows:

|  | FY2004<br>4/1/ '04 -3/31/ '05 | FY2003<br>4/1/ '03 -3/31/ '04 |
|--|-------------------------------|-------------------------------|
| Current assets..... Deferred tax assets            | 1,799                         | 4,979                         |
| Fixed assets..... Deferred tax assets              | 6,730                         | 19,721                        |
| Current liabilities..... Other current liabilities | -100                          | -273                          |
| Fixed liabilities..... Deferred tax liabilities    | -17,357                       | -24,751                       |

(2) The effective tax rates reflected in the consolidated statements of income/loss for the years ended March 31, 2005, and 2004 differ from the statutory tax rate for the following reasons:

|   | FY2004<br>At 3/31/2005<br>( % ) | FY2003<br>At 3/31/2004<br>( % ) |
|---|---------------------------------|---------------------------------|
| Statutory income tax rate for MMC   | 40.3                            | 41.6                            |
| Income (loss) at subsidiaries<br>and increase (decrease) in valuation allowance           | -42.4                           | -211.3                          |
| Income from affiliated companies  | 1.1                             | 8.9                             |
| Amortization of goodwill  | -0.1                            | 0.8                             |
| Applicable tax rate differences<br>of overseas subsidiaries                               | 1.1                             | -8.3                            |
| Expense not deductible for income taxes purposes  | -0.1                            | -2.1                            |
| Effects on sale of subsidiaries' and affiliates' shares                                   | 0.1                             | -2.1                            |
| Others  | 4.3                             | -6.1                            |
| Income taxes as a percentage of gain (loss)<br>before income taxes and minority interests | 4.3                             | -178.6                          |

## Segment information

### 1. Business segment

in millions of yen

| FY2004                                       | Automotive | Financial services | Total     | Eliminations or Corporate | Consolidated |
|--|------------|--------------------|-----------|---------------------------|--------------|
| . Sales & operating profit                   |            |                    |           |                           |              |
| Sales  |            |                    |           |                           |              |
| (1) External customers                       | 2,086,907  | 35,718             | 2,122,626 | -                         | 2,122,626    |
| (2) Intersegment & transfers                 | -854       | 4,474              | 3,619     | -3,619                    | -            |
| Total  | 2,086,053  | 40,193             | 2,126,246 | -3,619                    | 2,122,626    |
| Operating expenses                           | 2,190,358  | 61,259             | 2,251,618 | -447                      | 2,251,170    |
| Operating profit or loss                     | -104,305   | -21,066            | -125,371  | -3,172                    | -128,544     |
| . Assets, depreciation & capital expenditure |            |                    |           |                           |              |
| Assets                                       | 1,601,183  | 273,412            | 1,874,595 | -285,309                  | 1,589,286    |
| Depreciation                                 | 75,258     | 22,226             | 97,484    |                           | 97,484       |
| Capital expenditure                          | 128,592    | 16,061             | 144,653   |                           | 144,653      |

Note: 1. Operations are divided by sector and by market

2. Major products by operation

(1) Automotive.. Passenger cars

(2) Financing.... Sales financing

in millions of yen

| FY2003                                       | Automotive | Financial services | Total     | Eliminations or Corporate | Consolidated |
|--|------------|--------------------|-----------|---------------------------|--------------|
| . Sales & operating profit                   |            |                    |           |                           |              |
| Sales  |            |                    |           |                           |              |
| (1) External customers                       | 2,447,907  | 71,541             | 2,519,449 | -                         | 2,519,449    |
| (2) Intersegment & transfers                 | -4,565     | 1,084              | -3,481    | 3,481                     | -            |
| Total  | 2,443,342  | 72,626             | 2,515,968 | 3,481                     | 2,519,449    |
| Operating expenses                           | 2,494,206  | 122,507            | 2,616,714 | -411                      | 2,616,302    |
| Operating profit or loss                     | -50,864    | -49,880            | -100,745  | 3,892                     | -96,853      |
| . Assets, depreciation & capital expenditure |            |                    |           |                           |              |
| Assets                                       | 1,784,453  | 485,540            | 2,269,994 | -240,958                  | 2,029,035    |
| Depreciation                                 | 108,051    | 31,419             | 139,471   |                           | 139,471      |
| Capital expenditure                          | 113,907    | 37,015             | 150,923   |                           | 150,923      |

Note: 1. Operations are divided by sector and by market

2. Major products by operation

(1) Automotive.. Passenger cars

(2) Financing.... Sales financing

### 2. Geographical segment

in millions of yen

| FY2004                       | Japan     | North America | Europe  | Asia    | Other   | Total     | Eliminations or Corporate | Consolidated |
|------------------------------|-----------|---------------|---------|---------|---------|-----------|---------------------------|--------------|
| . Sales & operating profit   |           |               |         |         |         |           |                           |              |
| Sales                        |           |               |         |         |         |           |                           |              |
| (1) External customers       | 791,620   | 422,294       | 664,546 | 89,079  | 155,085 | 2,122,626 | -                         | 2,122,626    |
| (2) Intersegment & transfers | 466,655   | 13,017        | 5,672   | 109,474 | 5,591   | 600,411   | -600,411                  | -            |
| Total                        | 1,258,275 | 435,311       | 670,218 | 198,554 | 160,677 | 2,723,037 | -600,411                  | 2,122,626    |
| Operating expenses           | 1,331,837 | 509,568       | 670,411 | 176,952 | 172,126 | 2,860,894 | -609,724                  | 2,251,170    |
| Operating profit or loss     | -73,561   | -74,256       | -192    | 21,602  | -11,448 | -137,857  | 9,313                     | -128,544     |
| . Assets                     | 1,188,913 | 309,933       | 194,170 | 101,681 | 74,898  | 1,869,598 | -280,312                  | 1,589,286    |

Note: 1. National and regional groupings are by geographical proximity.

2. Main countries and regions outside Japan are grouped as follows:

(1) North America.. United States of America, Puerto Rico

(2) Europe..... The Netherlands

(3) Asia..... Thailand, Philippines

(4) Other..... Australia, New Zealand, U.A.E.

in millions of yen

| FY2003                       | Japan     | North America | Europe  | Asia    | Other   | Total     | Eliminations or Corporate | Consolidated |
|------------------------------|-----------|---------------|---------|---------|---------|-----------|---------------------------|--------------|
| . Sales & operating profit   |           |               |         |         |         |           |                           |              |
| Sales                        |           |               |         |         |         |           |                           |              |
| (1) External customers       | 1,014,935 | 592,661       | 656,241 | 89,171  | 166,439 | 2,519,449 | -                         | 2,519,449    |
| (2) Intersegment & transfers | 549,924   | 7,014         | -       | 94,596  | 15,518  | 667,054   | -667,054                  | -            |
| Total                        | 1,564,860 | 599,675       | 656,241 | 183,767 | 181,958 | 3,186,503 | -667,054                  | 2,519,449    |
| Operating expenses           | 1,544,926 | 725,646       | 642,136 | 171,351 | 198,690 | 3,282,752 | -666,449                  | 2,616,302    |
| Operating profit or loss     | 19,933    | -125,970      | 14,105  | 12,415  | -16,732 | -96,248   | -604                      | -96,852      |
| . Assets                     | 1,197,472 | 676,349       | 257,556 | 86,514  | 82,830  | 2,300,723 | -271,687                  | 2,029,035    |

Note: 1. National and regional groupings are by geographical proximity.

2. Main countries and regions outside Japan are grouped as follows:

(1) North America.. United States of America, Puerto Rico

(2) Europe..... The Netherlands

(3) Asia..... Thailand, Philippines

(4) Other..... Australia, New Zealand, U.A.E.

### 3. Overseas sales

in millions of yen

| FY2004  | North America | Europe  | Asia    | Other   | Total     |
|---|---------------|---------|---------|---------|-----------|
| . Overseas sales                                | 441,441       | 667,778 | 258,331 | 342,184 | 1,709,736 |
| . Consolidated sales                            |               |         |         |         | 2,122,626 |
| . Overseas sales as a percentage of total sales | 20.8%         | 31.4%   | 12.2%   | 16.1%   | 80.5%     |

Note: 1. National and regional groupings are by geographical proximity.

2. Main countries and regions outside Japan are grouped as follows:

(1) North America.. United States of America, Puerto Rico

(2) Europe..... The Netherlands, Italy, Germany

(3) Asia..... Thailand, Malaysia, Taiwan

(4) Other..... Australia, New Zealand

3. Overseas sales include export sales of MMC and its consolidated subsidiaries and sales (other than export to Japan) of its foreign consolidated subsidiaries.

in millions of yen

| FY2003  | North America | Europe  | Asia    | Other   | Total     |
|---|---------------|---------|---------|---------|-----------|
| . Overseas sales                                | 600,770       | 661,967 | 304,429 | 330,974 | 1,898,141 |
| . Consolidated sales                            |               |         |         |         | 2,519,449 |
| . Overseas sales as a percentage of total sales | 23.8%         | 26.3%   | 12.1%   | 13.1%   | 75.3%     |

Note: 1. National and regional groupings are by geographical proximity.

2. Main countries and regions outside Japan are grouped as follows:

(1) North America.. United states of America, Puerto Rico

(2) Europe..... The Netherlands, Italy, Germany

(3) Asia..... Thailand, Malaysia, Taiwan

(4) Other..... Australia, New Zealand

3. Overseas sales include export sales of MMC and its consolidated subsidiaries and sales (other than export to Japan) of its foreign consolidated subsidiaries.

## Related party transactions

FY2004 4/1/ '04 -3/31/ '05

### 1.Main stockholder and other related company

|  |   |
|--|---|
| Party type                             | Main stockholder  |
| Party name                             | DaimlerChrysler AG  |
| Address                                | Germany, Stuttgart  |
| Capital                                | 2,633 million euro  |
| Business line                          | Manufacturing and sales of passenger cars and other transportation equipment                        |
| % of voting stock held                 | Direct 12.8   |
| Concurrent board appointment           | 1 person  |
| Business relation                      | International alliances for research, development, production, sales and similar for passenger cars |
| Nature of relation                     |   |
| Detail of transaction                  | Loss supplementation based on Mitsubishi Fuso stock transfer contract                               |
| Transaction amount(in millions of yen) | 64,212  |
| Account title                          | Accounts payable and accrued expense  |
| Ending balance(in millions of yen)     | 21,824  |

Policy for deciding transaction conditions

The conditions for the above transaction were decided by negotiation based on Mitsubishi Fuso subject to the transaction's net assets.

FY2003 4/1/ '03 -3/31/ '04

### 1.Main stockholder and other related company

|  |   |
|--|---|
| Party type                                 | Other related company   |
| Party name                                 | DaimlerChrysler AG  |
| Address                                    | Germany, Stuttgart  |
| Capital                                    | 2,633 million euro  |
| Business line                              | Manufacturing and sales of passenger cars and other transportation equipment                        |
| % of voting stock held                     | Direct 33.7<br>Indirect 3.2   |
| Concurrent board appointment               | 1 person  |
| Business relation                          | International alliances for research, development, production, sales and similar for passenger cars |
| Nature of relation                         |   |
| Detail of transaction                      | Sale of a group company's shares  |
| Transaction amount<br>(in millions of yen) | Sale amount 52,360<br>Gain on sale 499  |
| Account title                              | -   |
| Ending balance(in millions of yen)         | -   |

Policy for deciding transaction conditions

The conditions for the above transaction were decided by negotiation based on the company subject to the transaction's net assets.

### 2.Major affiliate

|  |  |
|--|--|
| Party type                                 | Affiliates company   |
| Party name                                 | Mitsubishi Fuso Truck & Bus Corporation  |
| Address                                    | Tokyo, JAPAN   |
| Capital                                    | 20,000 million yen   |
| Business line                              | Development, design, manufacture, assembly and sales of trucks, buses and related components |
| % of voting stock held                     | Direct 20.0  |
| Concurrent board appointment               | 1 person   |
| Business relation                          | Parts(engine,transmission) sales.  |
| Nature of relation                         |  |
| Detail of transaction                      | Deposit transaction  |
| Transaction amount<br>(in millions of yen) | Deposit transaction 275,000<br>Interest paid in related to deposit transaction 125           |
| Account title                              | Other current liabilities  |
| Ending balance(in millions of yen)         | -  |

For the current year, the maximum deposit balance was 60,000 million yen.

## (TRANSLATION OF ORIGINAL JAPANESE)

## FY2004 Full Year Results: Non-consolidated Statements

23 May 2005

(1 April 2004 through 31 March 2005)

## Mitsubishi Motors Corporation

Code No: 7211

Listed on: Tokyo, Osaka stock exchanges

Head office: Tokyo

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

Representative: Takashi Nishioka; Chairman of the Board

Contact: Yoshikazu Nakamura; Executive Officer, CGM of CSR Promotion Office and GM of PR &amp; IR Dept.

Tel: 03-6719-4206

Meeting of Board of Directors for FY2004 financial results: 23 May 2005

Provision for half year dividend: Provision exists

Ordinary general shareholders meeting: 23 June 2005

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

## 1. Highlights (1 April 2004 through 31 March 2005)

## (1) Non-consolidated results

|        | Sales       |        | Operating profit |        | Ordinary income |        |
|--------|-------------|--------|------------------|--------|-----------------|--------|
|        | Million yen | %      | Million yen      | %      | Million yen     | %      |
| FY2004 | 1,163,498   | - 18.1 | - 62,246         | -      | - 85,152        | -      |
| FY2003 | 1,421,047   | - 24.3 | 29,689           | - 40.8 | 21,165          | - 55.7 |

|        | Net income  |   | Net income per share - basic | Net income per share - diluted | Return on shareholders' equity | Ratio of ordinary income to total assets | Ratio of ordinary income to sales |
|--------|-------------|---|------------------------------|--------------------------------|--------------------------------|--|-----------------------------------|
|        | Million yen | % | Yen                          | Yen                            | %                              | %  | %                                 |
| FY2004 | - 526,225   | - | - 215.41                     | -                              | - 253.0                        | - 7.6                                    | - 7.3                             |
| FY2003 | - 213,097   | - | - 143.65                     | -                              | - 107.0                        | 1.7                                      | 1.5                               |

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

|                 | FY2004 full year | FY2003 full year |
|-----------------|------------------|------------------|
| Common stock    | 2,442,864,522    | 1,483,429,792    |
| Preferred stock | 298,064          | -                |

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

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

## (2) Cash dividends

|        | Cash dividend per share |          |      | Annual cash dividends total | Dividend payout ratio | Dividends total to shareholders' equity ratio |
|--------|-------------------------|----------|------|-----------------------------|-----------------------|---|
|        | Interim                 | Year-end |      |                             |                       |   |
| FY2004 | 0.00                    | 0.00     | 0.00 | 0                           | -                     | -   |
| FY2003 | 0.00                    | 0.00     | 0.00 | 0                           | -                     | -   |

## (3) Non-consolidated financial position

|        | Total assets | Shareholders' equity | Ratio of shareholders' equity | Shareholders' equity per share |
|--------|--------------|----------------------|-------------------------------|--------------------------------|
|        | Million yen  | Million yen          | %                             | Yen                            |
| FY2004 | 1,123,435    | 330,130              | 29.4                          | - 46.09                        |
| FY2003 | 1,115,110    | 85,882               | 7.7                           | 57.89                          |

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

|                 | FY2004 full year | FY2003 full year |
|-----------------|------------------|------------------|
| Common stock    | 4,253,940,962    | 1,483,427,216    |
| Preferred stock | 526,193          | -                |

Note 2: Treasury stock at term end: 54,250 11,718

## 2. FY2005 full year non-consolidated results forecast (1 April 2005 through 31 March 2006)

|           | Sales     | Ordinary income | Net income | Dividend per share |          |
|-----------|-----------|-----------------|------------|--------------------|----------|
|           |           |                 |            | Interim            | Year-end |
| Half year | 550,000   | - 40,000        | - 80,000   | 0.00               | -        |
| Full year | 1,200,000 | - 48,000        | - 90,000   | -                  | 0.00     |

Note: Forecast net income per share for full year: ¥-21.16

CAUTIONARY STATEMENT: 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 - 31 March 2005 |         |         | 1 April 2003 - 31 March 2004 |         |         | Change in total |
|---------------------------------------|------------------------------|---------|---------|------------------------------|---------|---------|-----------------|
|                                       | Domestic                     | Export  | Total   | Domestic                     | Export  | Total   |                 |
| Passenger cars (regular & small-size) | 72,058                       | 398,176 | 470,234 | 128,060                      | 408,176 | 536,236 | - 66,002        |
| Mini vehicles                         | 154,832                      | -       | 154,832 | 230,785                      | -       | 230,785 | - 75,953        |
| Total                                 | 226,890                      | 398,176 | 625,066 | 358,845                      | 408,176 | 767,021 | - 141,955       |

## (1) Sales amount

Million yen

|                               | 1 April 2004 - 31 March 2005 |         |           | 1 April 2003 - 31 March 2004 |         |           | Change in total |
|-------------------------------|------------------------------|---------|-----------|------------------------------|---------|-----------|-----------------|
|                               | Domestic                     | Export  | Total     | Domestic                     | Export  | Total     |                 |
| Vehicle sales                 | 230,972                      | 543,785 | 774,757   | 387,792                      | 583,220 | 971,012   | - 196,255       |
| Parts for overseas production | -                            | 161,136 | 161,136   | -                            | 200,036 | 200,036   | - 38,900        |
| Parts, accessories & others   | 89,397                       | 138,208 | 227,605   | 91,043                       | 158,956 | 249,999   | - 22,394        |
| Total                         | 320,369                      | 843,129 | 1,163,498 | 478,835                      | 942,212 | 1,421,047 | - 257,549       |

## 2. Profit and loss statements

Million yen

|  | FY2004 full year<br>(4/1/04 - 9/31/05) | FY2003 full year<br>(4/1/03 - 3/31/04) | Change    |
|--|--|--|-----------|
| Sales  | 1,163,498                              | 1,421,047                              | - 257,549 |
| Cost of sales  | 1,048,651                              | 1,208,459                              | - 159,808 |
| <i>Gross profit</i>                                      | 114,847                                | 212,588                                | - 97,741  |
| Selling, general and administrative expenses             | 177,093                                | 182,899                                | - 5,806   |
| <i>Operating profit</i>                                  | - 62,246                               | 29,689                                 | - 91,935  |
| Non-operating income                                     | 11,631                                 | 14,061                                 | - 2,430   |
| Interest income  | 5,565                                  | 1,337                                  | 4,228     |
| Dividends  | 5,964                                  | 12,545                                 | - 6,581   |
| Other income   | 100                                    | 178                                    | - 78      |
| Non-operating expenses                                   | 34,537                                 | 22,584                                 | 11,953    |
| Interest expenses  | 10,336                                 | 8,193                                  | 2,143     |
| Interest on corporation bonds                            | -                                      | 2,289                                  | - 2,289   |
| Stock issue costs  | 12,854                                 | -                                      | 12,854    |
| Loss on foreign exchange                                 | 4,462                                  | 3,914                                  | 548       |
| Regal expenses relating to litigation                    | -                                      | 3,601                                  | - 3,601   |
| Other expenses   | 6,883                                  | 4,586                                  | 2,297     |
| <i>Ordinary income</i>                                   | - 85,152                               | 21,165                                 | - 106,317 |
| Extraordinary gain                                       | 5,864                                  | 61,044                                 | - 55,180  |
| Gain on sale of fixed assets                             | 3,280                                  | -                                      | 3,280     |
| Gain on sale of securities                               | 1,371                                  | 39,428                                 | - 38,057  |
| Gain on sale of Investments in affiliated companies      | 632                                    | 4,890                                  | - 4,258   |
| Gain on reversal of guarantee liability reserve          | -                                      | 12,988                                 | - 12,988  |
| Gain on reversal of allowance for doubtful receivables   | -                                      | 202                                    | - 202     |
| Other gains  | 579                                    | 3,534                                  | - 2,955   |
| Extraordinary loss                                       | 448,460                                | 216,542                                | 231,918   |
| Loss on appraisal of investments in affiliated companies | 207,198                                | 212,668                                | - 5,470   |
| Loss compensation based on stock transfer contract       | 85,774                                 | -                                      | 85,774    |
| Inventory appraisal loss                                 | 55,904                                 | -                                      | 55,904    |
| Provision for guarantees liability                       | 29,361                                 | -                                      | 29,361    |
| Extraordinary measure expenses                           | 25,247                                 | -                                      | 25,247    |
| Provision for losses on restructuring                    | 18,155                                 | -                                      | 18,155    |
| Loss on sales of land                                    | 13,862                                 | -                                      | 13,862    |
| Loss on disposal of fixed assets                         | -                                      | 3,439                                  | - 3,439   |
| Loss on sale of fixed assets                             | -                                      | 147                                    | - 147     |
| Other losses   | 12,956                                 | 287                                    | 12,669    |
| <i>Income before income taxes</i>                        | - 527,748                              | - 134,332                              | - 393,416 |
| Income tax, current                                      | - 1,522                                | - 2,923                                | 1,401     |
| Income tax, deferred ( - indicates reduction)            | -                                      | 81,687                                 | - 81,687  |
| <i>Net income for term</i>                               | - 526,225                              | - 213,097                              | - 313,128 |
| Retained earnings brought forward from previous period   | - 213,097                              | -                                      | - 213,097 |
| <i>Unappropriated retained earnings at end of period</i> | - 739,322                              | - 213,097                              | - 526,225 |

## 3. Proposed disposition of losses

Million yen

|   | FY2004<br>(At 6/23/2005) | FY2003<br>(At 6/29/2004) | Change    |
|---|--------------------------|--------------------------|-----------|
| Accumulated loss at end of period                     | 739,322                  | 213,097                  | 526,225   |
| Accumulated loss to be carried forward to next period | 739,322                  | 213,097                  | - 739,322 |

## 4. Balance sheets (Assets)

Million yen

|   | At 3/31/2005 | At 3/31/2004 | Change    |
|---|--------------|--------------|-----------|
| <b>Assets</b>   |              |              |           |
| <b>Current assets</b>                                     |              |              |           |
| Cash on hand and in banks                                 | 244,043      | 128,857      | 115,186   |
| Notes receivable  | 594          | 918          | - 324     |
| Accounts receivable                                       | 127,596      | 153,248      | - 25,652  |
| Finished products   | 32,381       | 31,738       | 643       |
| Raw materials   | 7,822        | 7,889        | - 67      |
| Work in process   | 84,660       | 118,598      | - 33,938  |
| Supplies  | 3,779        | 3,691        | 88        |
| Advance payments  | 1,333        | 380          | 953       |
| Prepaid expenses  | 5,005        | 6,410        | - 1,405   |
| Accounts receivable-other                                 | 40,640       | 54,870       | - 14,230  |
| Short-term loans receivable to affiliated companies       | 106,273      | -            | 106,273   |
| Suspense payments   | 24,316       | 21,366       | 2,950     |
| Others  | 5,112        | 7,186        | - 2,074   |
| Allowance for doubtful accounts                           | - 38,333     | - 31,881     | - 6,452   |
| <i>Current assets total</i>                               | 645,226      | 503,275      | 141,951   |
| <b>Fixed assets</b>                                       |              |              |           |
| Tangible fixed assets                                     |              |              |           |
| Buildings   | 46,023       | 49,146       | - 3,123   |
| Structures  | 10,538       | 11,601       | - 1,063   |
| Machinery and equipment                                   | 67,012       | 61,135       | 5,877     |
| Transportation equipment                                  | 3,246        | 3,353        | - 107     |
| Tools, furnitures and fixtures                            | 12,189       | 11,847       | 342       |
| Land  | 65,790       | 117,017      | - 51,227  |
| construction in progress                                  | 9,673        | 7,771        | 1,902     |
| <i>Tangible fixed assets total</i>                        | 214,475      | 261,873      | - 47,398  |
| Intangible fixed assets                                   |              |              |           |
| Patents   | 2,968        | 2,490        | 478       |
| Leaseholds  | 873          | 873          | -         |
| Trademarks  | 11           | 25           | - 14      |
| Design rights   | 122          | 145          | - 23      |
| Softwares   | 6,716        | 5,951        | 765       |
| Others  | 4,999        | 2,306        | 2,693     |
| <i>Intangible fixed assets total</i>                      | 15,691       | 11,793       | 3,898     |
| Investments and others                                    |              |              |           |
| Investment securities                                     | 43,763       | 68,221       | - 24,458  |
| Investments in affiliated companies                       | 155,192      | 223,532      | - 68,340  |
| Money invested  | 9,214        | 3,608        | 5,606     |
| Money invested in affiliated companies                    | 3,371        | 3,768        | - 397     |
| Long-term loans receivable                                | 207          | 129          | 78        |
| Long-term loans receivable to affiliated companies        | 1,090        | 1,428        | - 338     |
| Bankruptcies, reorganizations, rehabilitations and others | 3,349        | 6,793        | - 3,444   |
| Deferred charges  | 8,799        | 6,776        | 2,023     |
| Guarantee deposit   | 22,593       | 27,662       | - 5,069   |
| Others  | 4,220        | -            | 4,220     |
| Allowance for doubtful accounts                           | - 3,761      | - 3,753      | - 8       |
| <i>Investments and others total</i>                       | 248,041      | 338,168      | - 90,127  |
| <b>Fixed assets total</b>                                 | 478,208      | 611,834      | - 133,626 |
| <b>Total assets</b>                                       | 1,123,435    | 1,115,110    | 8,325     |

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

Million yen

|   | At 3/31/2005 | At 3/31/2004 | Change    |
|---|--------------|--------------|-----------|
| <b>Liabilities</b>  |              |              |           |
| <b>Current liabilities</b>                                  |              |              |           |
| Notes payable   | 13,139       | 10,555       | 2,584     |
| Accounts payable  | 208,709      | 235,598      | - 26,889  |
| Short-term loans payable                                    | 45,240       | 113,035      | - 67,795  |
| Long-term loans payable (one year or less)                  | 29,309       | 81,469       | - 52,160  |
| Commercial paper  | -            | 105,100      | - 105,100 |
| Bonds (redeemable in a year or less)                        | -            | 25,900       | - 25,900  |
| Other accounts payable                                      | 71,420       | 57,555       | 13,865    |
| Accrued expenses  | 7,894        | 6,493        | 1,401     |
| Corporation taxes payable                                   | 971          | 126          | 845       |
| Advances received   | 3,336        | 8,475        | - 5,139   |
| Deposits received   | 27,878       | 21,358       | 6,520     |
| Deferred credits  | 79           | 36           | 43        |
| Allowance for warranty claims                               | 25,103       | 27,142       | - 2,039   |
| Employees' deposits   | -            | 8,727        | - 8,727   |
| Notes payable for equipment                                 | -            | 811          | - 811     |
| Others  | 12,629       | 2,306        | 10,323    |
| <i>Current liabilities total</i>                            | 445,712      | 704,692      | - 258,980 |
| <b>Fixed liabilities</b>                                    |              |              |           |
| Bonds   | 37,300       | 38,300       | - 1,000   |
| Long-term loans payable                                     | 134,507      | 146,961      | - 12,454  |
| Accrued retirement benefits                                 | 79,709       | 91,314       | - 11,605  |
| Accrued severance payments to directors                     | 1,013        | 719          | 294       |
| Guarantee liability reserve                                 | 48,916       | 20,058       | 28,858    |
| Deferred tax liabilities                                    | 7,105        | 13,667       | - 6,562   |
| Long-term other accounts payable                            | 33,233       | -            | 33,233    |
| Others  | 5,806        | 13,515       | - 7,709   |
| <i>Fixed liabilities total</i>                              | 347,592      | 324,536      | 23,056    |
| <i>Total liabilities</i>                                    | 793,305      | 1,029,228    | - 235,923 |
| <b>Stockholders' equity</b>                                 |              |              |           |
| <b>Common stock</b>   | 642,300      | 252,201      | 390,099   |
| <b>Capital surplus</b>                                      |              |              |           |
| Capital surplus   | 418,148      | 28,048       | 390,100   |
| <i>Capital surplus total</i>                                | 418,148      | 28,048       | 390,100   |
| <b>Earned surplus</b>                                       |              |              |           |
| Unappropriated retained earnings at end of half year period | - 739,322    | - 213,097    | - 526,225 |
| <i>Earned surplus total</i>                                 | - 739,322    | - 213,097    | - 526,225 |
| <b>Profit on securities</b>                                 | 9,012        | 18,732       | - 9,720   |
| <b>Treasury shares</b>                                      | - 8          | - 3          | - 5       |
| <i>Total stockholders' equity</i>                           | 330,130      | 85,882       | 244,248   |
| <i>Total liabilities &amp; stockholders' equity</i>         | 1,123,435    | 1,115,110    | 8,325     |

## Notes on accounting policies

### Premise of Going Concern

In the previous fiscal year, Mitsubishi Motors Corporation ("MMC") had posted a net loss of JPY213,097M. In the current fiscal year, MMC has also posted a net loss of 526,225 million yen.

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

To address this situation as well as strengthen our operating base, MMC formulated the "Business Revitalization Plan"(from FY2004 to FY2006) in May 2004.

In June 2004, MMC outlined additional measures to its Business Revitalization Plan announced on May 21, 2004 that focuses on three areas: all-out cost cutting, restoring customer trust, and across-the-board compliance. The new measures are in response to a potential marked slump in domestic sales that has surfaced following the recall problems at MMC and Mitsubishi Fuso Track & Bus Corporation.

After announcing its Business Revitalization Plan in May 2004, MMC has devoted itself to implement the measures set out in the plan, designed to regain customer and public trust and improve profitability. Since the announcement of the plan, MMC has conducted extensive investigations into past recall problems. The findings of these investigations have allowed MMC to complete filings of post-market measures with the Ministry of Land, Infrastructure and Transport in September 2004, as well as to make substantial progress in its efforts to reform corporate culture.

Despite these achievements, MMC's inability to respond adequately to past recall problems has delayed the hoped-for restoration of consumer and public trust and has seriously impacted sales. This, in turn, has highlighted the problem of over-capacity that has lurked beneath the surface over recent years. In addition, the concerns have deepened about delays in the recovery of operations and about the financial health of MMC. As a result of being forced to use funds allocated for the revitalization program in the repayment of interest-bearing debt, MMC now finds itself short of funds.

To break out of this situation and successfully revitalize itself, MMC, while continuing its efforts to regain customer and public trust, finds itself in a situation that requires additional measures to improve profitability. Given these circumstances, MMC has put together the new Mitsubishi Motors Revitalization Plan in January 2005.

#### 1. Corporate culture reform initiatives

Recovering customer and public trust and reforming corporate culture are absolute priority in MMC's bid to revitalize itself. The CSR Promotion Office has played a lead role in the implementation of a wide range of measures designed to enhance compliance. The Business Ethics Committee, made up of specialists and leaders in their fields from outside the company, has also given valuable advice and guidance from an external perspective in this regard. An internal seminar program has enabled each employee to acquire a deeper understanding of business ethics principles. Employees have now submitted written pledges to fully observe and practice compliance.

MMC will also be implementing a number of initiatives and measures designed to reform the corporate culture. These include "Problem solving through cross-functional activities", "Training and promoting talented personnel to important positions", "Personnel evaluation reflecting a 'Customer First' practice", and "Promotion of personnel exchanges with sales companies and department rotations".

The current investigation by a panel of external lawyers into past recall problems had been completed by the end of the fiscal year of 2004. MMC had determined disciplinary action and measures to prevent any recurrence on the basis of the panel's findings.

#### 2. Key points in the Mitsubishi Motors Revitalization Plan

##### · Putting customers first / Recovering trust

The new plan puts customers first in all areas, from marketing through after-sales services.

The new plan provides measures for achieving no-compromise improvements in product quality.

- Business strategy
  - Sales plans reflect downside risks;
  - Promotion of operational tie-ups with other auto makers;
  - Rationalization of production capacity and size of sales networks (U.S., Australia, Japan).
- Reinforcement of capital and funding
  - Strengthening of financial standing and securing capital for revitalization.
- Boosting management's effectiveness
  - Lead from the top with a new management team;
  - Set up a thorough follow-up system.

### 3. Commitments

- Return to profitability in fiscal 2006 (net income of 8 billion yen)
- Establish sustainable profitability in fiscal 2007 (net income of 41 billion yen)

### 4. Business strategy

#### (1) Sales volume plans

Sales plans in the Mitsubishi Motors Revitalization Plan have been drawn up for each region based on current market trends to set realistic and achievable targets and eliminate all foreseeable downward risks. As a result, fiscal year volume targets in the new plan are lower than those in the Business Revitalization Plan but are set to recover to the fiscal 2003 level of 1,500,000 vehicles in fiscal 2007.

#### (2) Product strategy

##### a. Motorsport

MMC places motorsport at the very heart of its car design and development activities. The technology and know-how built up through taking part in grueling and competitive events such as the Dakar rally and the World Rally Championship is being fed back and injected into production cars as the "Sporty DNA" and "SUV DNA" that defines the MMC brand. That same technology and know-how enables MMC to increase safety and durability as well as on and off-road driving performance, thereby raising product value in a lineup that fully embodies these qualities.

##### b. Improving efficiencies in model mix

The new plan incorporates measures under which MMC will trim back the number of low-volume models produced for individual markets and concentrate managerial resources on highly competitive global market models. This will raise development and production efficiencies.

##### c. New model launches

The new plan calls for a major increase in the number of new model launches compared with the last four years. MMC will expand earning opportunities by aggressively introducing new models in all regions.

#### (3) Business tie-up strategy

To further promote a policy of selection and concentration, MMC will actively pursue strategic tie-up opportunities with other automakers. One example is the announcement made in January 2005 relating to the expansion of the supply of minicars on an OEM basis to Nissan Motor (36,000 units annually). In February 2005 MMC and Peugeot-Citroen Group ("PSA") reached to the agreement where MMC supply passenger cars to PSA on an OEM basis. (MMC is expected to sign the final contract in the 1st half of fiscal 2005.)

MMC is looking at other tie-ups such as an expanded range of models supplying on an OEM basis, components supply partnering, joint distribution arrangements and joint procurement.

#### (4) Regional strategy

##### a. Japan

Driving towards a group structure that returns stable profits, MMC and its sales companies will continue to work hand in hand to regain the trust of customers with additional measures that follow on from the free inspection campaign covering 3.4 million owners. MMC will also restructure its sales network and will drive to maximize after-sales services.

b. North America

North America remains a vital core market for MMC. To put its operations in that market on a profitable basis, MMC will rebuild its brand through the introduction of a new management structure, with new model launches and by cutting back on its dependence on fleet sales. It is also going to raise capacity utilization by expanding exports of locally built cars. Further it had adopted an asset impairment accounting principles to measure the excess plant capacity in fiscal 2004.

MMC is currently addressing the U.S. captive financing unit that sparked the problems in MMC's North American operations. It is currently reducing its exposure to loan default risks by selling off a portion of its financing asset holding to Merrill Lynch. MMC also plans to establish a new joint venture company with Merrill Lynch for the purpose of creating competitive and attractive consumer financing programs.

c. Europe

To move its European operations forward from the stage of achieving profitability to the growth stage, MMC will work to promote sales around a stronger model lineup and will push forward its efforts to strengthen its management and sales structures.

d. China

Positioning China as a core market, MMC is aggressively exploiting the Mitsubishi brand, which is currently strong and healthy in China, and expanding its operating base. In addition to expanding the range of Mitsubishi brand models available by boosting capital tie-ups with local companies, MMC is also pushing forward with efforts to establish and to expand its sales network. MMC is looking at using its engine joint ventures in the country to make China a major engine production hub in Asia, and is going to establish R&D facilities in the country to meet local market needs in its products on a timely basis.

e. Other markets

MMC is taking steps to strengthen its operational footing in ASEAN markets. These include strengthening sales in Thailand, establishing sales structures in Malaysia and reorganizing its operations in Indonesia. MMC is also strengthening its production base by boosting capacity in Thailand, which serves as an export hub to global markets.

As for Australia, MMC is on track to close its engine plant and downsize its assembly plant. MMC has also adopted an asset impairment accounting principles in order to address surplus plant capacity.

(5) Cost reduction

a. Manpower

As the result of changes to the organization, increased work process efficiencies, rationalization of work processes and natural attrition in personnel, MMC's headcount trimming program is on track and is forecast to achieve the original targets. MMC is also moving forward with further improvements in work process efficiencies.

b. Material costs

In view of the deterioration in the procurement market brought about by falling sales volumes and sharp rises in raw material costs, the new plan aims to reduce material costs by 90 billion yen on a cumulative basis by fiscal 2006 over fiscal 2003 levels. While this is a downward revision of the original target in the Business Revitalization Plan, this figure maintains the 15% reduction called for in the Business Revitalization Plan.

5. Corporate ideals and direction

Through a process of exhaustive analysis and discussion between cross-functional teams composed mainly of younger employees and the departments concerned, the Corporate Revitalization Committee has looked in depth at a number of issues that MMC faces. This has allowed MMC to formulate a new course of action; one that clarifies to its stakeholders the ideals that underpin MMC's management as it drives forward in fulfilling its responsibilities as a corporate citizen. These ideals are crystallized in the new corporate maxim: "Mitsubishi Motors is dedicated to responsibly providing customers and society with driving pleasure and assured security."

## 6. Profit and loss targets

To reflect all the measures described above, the numerical targets set out in the Business Revitalization Plan and covering the period up to fiscal 2006-consolidated net sales, operating profit, ordinary profit, net income for the term-are downwardly revised in the Mitsubishi Motors Revitalization Plan. The new plan forecasts notes that although it will be difficult for MMC to return to profitability before the end of fiscal 2005, it will do so in fiscal 2006 and in fiscal 2007 will achieve a record net income for the term of 41 billion yen.

## 7. Support systems: Capital and funding reinforcements

### (1) Capital reinforcement

With the full-support of three Mitsubishi group companies, during the fiscal year of 2004 MMC made a capital enhancement of 284.2 billion yen through the issue of new common and preferred shares [Mitsubishi Heavy Industries ("MHI"), 50 billion yen; Mitsubishi Corporation, 70 billion yen; The Bank of Tokyo-Mitsubishi, 154 billion yen (of which 54 billion yen in a debt-for-equity swap); The Mitsubishi Trust and Banking Corporation, 10.2 billion yen (all yen in a debt-for-equity swap)].

As stated above, in the fiscal year of 2004 MMC has adopted asset impairment accounting principles. While this will lead to an impairment of capital, the capital enhancement will enable possible the restoration of shareholders' equity to an appropriate level and assist MMC in establishing a healthy financial status. The capital increase brought the combined holding of Mitsubishi Heavy Industries, Mitsubishi Corporation, The Bank of Tokyo-Mitsubishi and The Mitsubishi Trust and Banking Corporation in MMC to 34% as of March 10, 2005. Because this will also bring MHI's holding up to 15%, MMC expects to become an equity method affiliate of MHI in fiscal 2005.

### (2) Borrowing

MMC is planning to raise a total of 270 billion yen in funding, mostly through new borrowing of 240 billion yen. (30 billion yen had been already done in the fiscal 2004.) The remaining 30 billion yen will be raised either from the purchase of MMC business assets or through a further capital increase by Mitsubishi Corporation.

### (3) Capital expenditure for Revitalization

The capital enhancement and funding measures will give MMC access to 490 billion yen (excluding a 64.2 billion yen debt-for-equity swap). MMC will allocate this funding with maximum effect to R&D and capital investment which will provide the platform vital to the successful achievement of the targets and goals set out in the Mitsubishi Motors Revitalization Plan.

MMC had been to set up a new Business Revitalization Monitoring Committee, an external body that will monitor the progress made in the implementation of the Mitsubishi Motors Revitalization Plan.

For the last year, MMC had been shaken by a number of problems, however it has made a system that is able to change the profits structure more strongly and is sure to achieve its profit target. Now there is hope for funds. MMC will start the new Mitsubishi Motors Revitalization Plan based on these measures. MMC will devote itself to implementing the new measures from a different base from which the Revitalization Plan in May 2004 was formulated.

MMC intends to materialize the new Mitsubishi Motors Revitalization Plan at any cost with the full-support of three Mitsubishi group companies.

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 at year end.
      - (Net unrealized gain/loss booked directly to Shareholders' equity. Selling cost is computed by the moving-average method.)
    - Without market value
      - At cost using 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
    - First-in first-out basis.
  - Raw materials
    - At cost using the overall average method.
  - Work in process
    - First-in first-out basis.
  - Supplies
    - 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 an estimated useful life of 5 years.
  - Small 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 a period.
- (5) Allowances: accounting policy
  - Doubtful accounts
    - Providing against possible losses arising from accounts and loans receivable, an allowance for doubtful account is included in the Balance Sheet calculated on the basis of historical data for general claims, and on the basis of individual estimates of specific claims thought to be uncollectible.
  - Warranty claims
    - Providing against future after-sales service costs and expenses, an allowance for warranty claims is included in the Balance sheet calculated on the basis of past experience in line with warranty terms.

Accrued retirement benefits

Accrued retirement benefits for employees have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at March 31 2005.

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 9-year period that is within the estimated average remaining service years of the employees.

Actuarial gain and loss 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.

Accrued severance payments to 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

Providing against losses arising from execution of guarantee, an allowance for guarantee liability 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 of the last day of the term. Differences are booked in the statement of profit/loss.

(7) Lease transactions

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

(8) Hedge accounting

Hedge accounting basis

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

Means of hedging and coverage

| <u>Means for hedging</u>        | <u>Coverage</u>   |
|---------------------------------|---|
| Forward exchange contracts..... | Foreign currency accounts receivable by merchandise export.<br>(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.

Estimation method of hedging effectiveness

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

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

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

(9) Other significant accounting policies

Consumption tax

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

Consolidated tax system

Consolidated tax system is applied.

Deferred assets

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

# Notes to financial statements

## Balance Sheet

| At 3/31/2005   |                      | At 3/31/2004   |                      |
|--|----------------------|--|----------------------|
|  | (Million)            |  | (Million)            |
| 1. Accumulated depreciation of tangible fixed assets   | 632,770              | 1. Accumulated depreciation of tangible fixed assets   | 661,296              |
| 2. Asset pledged as collateral   |                      | 2. Asset pledged as collateral   |                      |
| Plants, subject to floating charges  | 96,648               | Plants, subject to floating charges  | 55,395               |
| Buildings  | 5,698                | Buildings  | -                    |
| Structures   | 5,164                | Structures   | -                    |
| Machinery and equipment  | 13                   | Machinery and equipment  | -                    |
| Land   | 26,671               | Land   | -                    |
| Other receivables  | 644                  | Other receivables  | 702                  |
| Total  | 132,849              | Total  | 56,097               |
| Collateral securing obligations  |                      | Collateral securing obligations  |                      |
| Guarantee liabilities  | 5,031                | Guarantee liabilities  | 16,594               |
| Long-term loans payable  | 119,750              | Long-term loans payable  | -                    |
| Short-term loans payable   | 21,997               | Short-term loans payable   | -                    |
| 3. Suspended fixed assets  |                      | 3. Suspended fixed assets  |                      |
| Land   | 1,415                | Land   | 20,498               |
| Buildings, structures and others   | -                    | Buildings, structures and others   | 1,190                |
| 4. After offsetting receivable and payable consumption tax, the balance amount is recorded in accounts 'receivable-other as accrued consumption tax. |                      | 4. After offsetting receivable and payable consumption tax, the balance amount is recorded in accounts 'receivable-other as accrued consumption tax. |                      |
| 5. Authorized number of shares   |                      | 5. Authorized number of shares   |                      |
| Common stock   | 9,958,285,000 shares | Common stock   | 3,220,000,000 shares |
| Preferred stock  | 3,425,600 shares     | Preferred stock  | - shares             |
| Issued number of shares  |                      | Issued number of shares  |                      |
| Common stock   | 4,253,995,212 shares | Common stock   | 1,483,438,934 shares |
| Preferred stock  | 526,193 shares       | Preferred stock  | - shares             |
| 6. Number of treasury shares   |                      | 6. Number of treasury shares   |                      |
| Common stock   | 54,250 shares        | Common stock   | 11,718 shares        |
| 7. Capital deficit   | 739,331              | 7. Capital deficit   | 213,100              |
| 8. Assets and liabilities of affiliated companies  |                      | 8. Assets and liabilities of affiliated companies  |                      |
| Notes receivable and Accounts receivable   | 69,580               | Notes receivable and Accounts receivable   | 92,987               |
| Notes payable and Accounts payable   | 34,706               | Notes payable and Accounts payable   | 30,658               |
| Long-term loans payable (one year or less)   | -                    | Long-term loans payable (one year or less)   | 34,926               |
| Other accounts payable   | 9,798                | Other accounts payable   | 12,120               |
| Deposits received  | 20,437               | Deposits received  | 15,881               |
| 9. Outstanding balance of securitized accounts receivables   | 7,913                | 9. Outstanding balance of securitized accounts receivables   | 30,091               |
| 10. Contingent liabilities for loan guarantees   |                      | 10. Contingent liabilities for loan guarantees   |                      |
| Guarantee liabilities  | 157,699              | Guarantee liabilities  | 415,135              |
| Guarantee liability equivalents  | 3,449                | Guarantee liability equivalents  | 37,302               |
| 11. Dividend restriction   |                      | 11. Dividend restriction   |                      |
| Net assets after addition of market valuation gains  | 8,640                | Net assets after addition of market valuation gains  | 18,868               |
| (In accordance with article 290-(1)-6 of the Commercial Code)  |                      | (In accordance with article 290-(1)-6 of the Commercial Code)  |                      |
|  |                      | 12. The amount of unused balances of revolving credit facility agreements  |                      |
|  |                      | Total commitment line  | 105,900              |
|  |                      | Balance of loan payable  | -                    |
|  |                      | Unused commitment line   | 105,900              |

## Statements of income

| FY2004 full year  |           | FY2003 full year  |           |
|---|-----------|---|-----------|
|   | (Million) |   | (Million) |
| 1. Depreciation charged   |           | 1. Depreciation charged   |           |
| Tangible fixed assets   | 27,668    | Tangible fixed assets   | 20,498    |
| Intangible fixed assets   | 2,744     | Intangible fixed assets   | 2,375     |
| Total   | 30,412    | Total   | 22,873    |
| 2. Transactions with affiliated companies   |           | 2. Transactions with affiliated companies                                   |           |
| Sales   | 609,059   | Sales   | 789,652   |
| dividends earned  | 2,001     | dividends earned  | 7,334     |
| 3. Main item of selling, general and administrative expenses  |           | 3. Main item of selling, general and administrative expenses                |           |
| Sales promotion and advertising expenses  | 63,237    | Sales promotion and advertising expenses                                    | 75,293    |
| Transportation and delivery costs   | 12,599    | Transportation and delivery costs   | 14,760    |
| Allowance for doubtful accounts   | 5,968     | Allowance for doubtful accounts   | -         |
| Wages and benefits of directors and employees   | 18,005    | Wages and benefits of directors and employees                               | 17,544    |
| Accrued retirement benefit  | 2,829     | Accrued retirement benefit  | 2,663     |
| Accrued severance payments to directors   | 308       | Accrued severance payments to directors                                     | 249       |
| Depreciation  | 6,314     | Depreciation  | 4,785     |
| R&D expenditure   | 43,149    | R&D expenditure   | 38,947    |
| Reward and commission   | 8,470     | Reward and commission   | 9,894     |
| Rental  | 18,002    | Rental  | 16,592    |
| Others  | 1,792     | Others  | 2,168     |
| Total   | 177,093   | Total   | 182,899   |
| _____   |           | 4. Item of loss on disposal of fixed assets                                 |           |
|   |           | Buildings   | 1,460     |
|   |           | Machinery and equipment   | 1,537     |
|   |           | Tools, furnitures and fixtures  | 279       |
|   |           | Transportation equipment, etc.  | 162       |
|   |           | Total   | 3,439     |
| _____   |           | 5. Item of loss on sale of fixed assets                                     |           |
|   |           | Buildings and others  | 147       |
| 4. R&D expenditure included in selling, general and administrative expenses   | 43,149    | 6. R&D expenditure included in selling, general and administrative expenses | 38,947    |
| 5. The breakdown of extraordinary measure expenses is the free inspection expenses of the automobiles manufactured by our company (MMC).                                |           | _____   |           |
| 6. 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 has no shares in subsidiaries or affiliates with a market for either the previous or current fiscal years.

## Tax effect accounting

### 1. Breakdown of deferred tax assets and deferred tax liabilities

|  | At 3/31/2005 | At 3/31/2004 |
|--|--------------|--------------|
| Deferred tax assets                                      | (Million)    | (Million)    |
| Net operating loss carried forward                       | 98,117       | 9,194        |
| Guarantee liability reserve                              | 19,020       | -            |
| Allowance for doubtful accounts                          | 5,476        | 11,806       |
| Accrued retirement benefit                               | 29,262       | 32,161       |
| Loss on appraisal of investments in affiliated companies | 252,079      | 166,868      |
| Warranty claims  | 19,468       | 15,279       |
| Allowance for warranty claims                            | 10,117       | 10,938       |
| Unrealized profits on stocks                             | -            | 8,381        |
| Others   | 33,380       | 6,781        |
| Deferred tax assets subtotal                             | 466,919      | 261,408      |
| Valuation allowance                                      | 466,919      | 261,408      |
| Deferred tax assets total                                | -            | -            |
| Deferred tax liabilities                                 |              |              |
| Unrealized profit marketable securities                  | 6,083        | 12,645       |
| Others   | 1,022        | 1,022        |
| Deferred tax liabilities total                           | 7,105        | 13,667       |
| Net deferred tax assets and liabilities                  | 7,105        | 13,667       |

### 2. Differences between effective tax rates and statutory tax rates

|   | At 3/31/2005 | At 3/31/2004 |
|---|--------------|--------------|
| Statutory tax rate  | 40.3 (%)     | 41.6 (%)     |
| (Adjustments)   |              |              |
| Non-inclusion of losses (Entertainment cost, etc.)              | -            | 1.2          |
| Non-inclusion of gains (Dividends received, etc.)               | 0.2          | 1.7          |
| Valuation allowance   | 38.9         | 98.8         |
| Others  | 1.3          | 1.9          |
| Corporate tax burden after application of tax effect accounting | 0.3          | 58.6         |

## Earnings per share

| FY2004 full year               |        | FY2003 full year               |        |
|--------------------------------|--------|--------------------------------|--------|
|                                | (yen)  |                                | (yen)  |
| Book value per share           | 46.09  | Book value per share           | 57.89  |
| Net income per share - basic   | 215.41 | Net income per share - basic   | 143.65 |
| Net income per share - diluted | -      | Net income per share - diluted | -      |

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

|  | FY2004 full year | FY2003 full year |
|--|------------------|------------------|
| Net income per share - basic                                       |                  |                  |
| Net income (million)   | 526,225          | 213,097          |
| Net income not belong to common stock (million)                    | -                | -                |
| Net income of common stock (million)                               | 526,225          | 213,097          |
| Average number of shares issued and outstanding during term (1000) | 2,442,865        | 1,483,430        |

## 6.Changes of the Board

### 1.To be newly elected of the Board

|                  |  |
|------------------|--|
| Heki Kasugai     | [Senior Executive Officer, Vice President, In Charge of Revitalization Promotion, In Charge of Corporate Planning, Corporate Affairs & Quality Affairs Group Headquarters] |
| Makoto Maeda     | [Senior Executive Officer, In Charge of Production Group Headquarters]   |
| Norio Aoki       | [Senior Executive Officer, In Charge of Global Procurement Group Headquarters, Corporate General Manager of Global Procurement Office]                                     |
| Hiroshi Harunari | [Senior Executive Officer, In Charge of Overseas Operations Group Headquarters]  |
| Tetsuro Aikawa   | [Senior Executive Officer, In Charge of Product Development Group Headquarters]  |
| Hidetoshi Yajima | [Chairman of the Board - Shimadzu Corporation]   |

\*Mr. Yajima is a candidate for the "non-executive director" (Shagai-Torishimariyaku) stipulated in Article 188-2-7-2 of the Commercial Code.

### 2.Member of the Board scheduled to retire

Akira Kijima  
Yasushi Ando

### 3.To be newly elected of Statutory Auditor

|                |   |
|----------------|---|
| Norihide Ujita | [Executive Officer, Assistant to Vice President, In Charge of assigned themes about Revitalization Promotion]           |
| Kenji Egawa    | [Vice Corporate General Manager of Corporate Affairs Office and Vice Corporate General Manager of CSR Promotion Office] |
| Hiroshi Kan    | [Managing Director, MITSUBISHI HEAVY INDUSTRIES, LTD.]  |

\* Mr. Kan is a candidate for the "outside statutory auditor" (Shagai-Kansayaku) stipulated in Article 18-1 of the "Law for Special Measures under the Commercial Code with respect to Auditing, etc. of Corporations".

### 4.Statutory Auditor scheduled to retire

Mitsugu Nakabayashi  
Hirao Iijima  
Motoo Makita

### 5.Selection of expected nominees as Representative Director and Member of the Board with Title and ranking order of Members of the Board 5.and Statutory Auditors

|                  |  |                             |
|------------------|--|-----------------------------|
| Takashi Nishioka | Chairman of the Board and Member of the Board    | [Representative Director]   |
| Osamu Masuko     | President and Member of the Board                | [Representative Director]   |
| Heki Kasugai     | Executive Vice President and Member of the Board | [Representative Director]   |
| Hiizu Ichikawa   | Managing Director and Member of the Board        | [Representative Director]   |
| Fujio Cho        | Managing Director and Member of the Board        |                             |
| Makoto Maeda     | Managing Director and Member of the Board        |                             |
| Norio Aoki       | Managing Director and Member of the Board        |                             |
| Hiroshi Harunari | Managing Director and Member of the Board        |                             |
| Tetsuro Aikawa   | Managing Director and Member of the Board        |                             |
| Rudiger Grube    | Member of the Board                              | [Non-Executive Director]    |
| Mikio Sasaki     | Member of the Board                              | [Non-Executive Director]    |
| Hidetoshi Yajima | Member of the Board                              | [Non-Executive Director]    |
| Norihide Ujita   | Statutory Auditor                                | (Full-time)                 |
| Kenji Egawa      | Statutory Auditor                                | (Full-time)                 |
| Shigemitsu Miki  | Statutory Auditor                                | [Outside Statutory Auditor] |
| Hiroshi Kan      | Statutory Auditor                                | [Outside Statutory Auditor] |

(ご参考)

May 23, 2005  
Mitsubishi Motors Corp.  
Public Relations and IR Dept.

**【単独】2005年度 売上台数計画 総括表(国内販売・輸出出荷・海外生産用部品出荷計画)**

[Non-consolidated] Volume Projection for Fiscal Year 2005 (Domestic Sales/Export/PPC<sup>1</sup>)

(単位:千台)  
(in '000 Units)

|                                   |                    |                                 | 2004年度(実績)<br>FY 2004 Results |          |                      | 2005年度(計画)<br>FY 2005 Projection                  |      |  |       |  |      |
|-----------------------------------|--------------------|---------------------------------|-------------------------------|----------|----------------------|---|------|--|-------|--|------|
|                                   |                    |                                 | 上期<br>1H                      | 下期<br>2H | 年度<br>Fiscal<br>Year | 上期(計画)<br>1st Half Results<br>増減/Var <sup>2</sup> |      | 下期(計画)<br>2nd Half Projection<br>増減/Var <sup>2</sup> |       | 年度(計画)<br>Fiscal Year<br>Projection<br>増減/Var <sup>2</sup> |      |
| 車両<br>Vehicles                    | 国内<br>Domestic     | 普通・小型乗用車<br>Passenger Cars      | 25                            | 47       | 72                   | 38  | 152% | 62   | 132%  | 100  | 139% |
|                                   |                    | 軽自動車<br>Minicars                | 65                            | 90       | 155                  | 61  | 94%  | 92   | 102%  | 153  | 99%  |
|                                   |                    | 計<br>Total                      | 90                            | 137      | 227                  | 99  | 110% | 154  | 112%  | 253  | 111% |
|                                   | 輸出<br>Export       | 北米<br>North America             | 30                            | 38       | 68                   | 33  | 110% | 42   | 111%  | 75   | 110% |
|                                   |                    | 欧州<br>Europe                    | 62                            | 49       | 111                  | 60  | 97%  | 60   | 122%  | 120  | 108% |
|                                   |                    | 大洋州<br>Oceania                  | 20                            | 21       | 41                   | 19  | 95%  | 21   | 100%  | 40   | 98%  |
|                                   |                    | アジア・アセアン<br>Asia/ASEAN          | 35                            | 20       | 55                   | 18  | 51%  | 26   | 130%  | 44   | 80%  |
|                                   |                    | 中東・アフリカ<br>Middle East/Africa   | 39                            | 48       | 87                   | 33  | 85%  | 41   | 85%   | 74   | 85%  |
|                                   |                    | 中南米 他<br>Latin America & Others | 17                            | 19       | 36                   | 18  | 106% | 16   | 84%   | 34   | 94%  |
|                                   | 合計(1)<br>Total (1) |                                 | 203                           | 195      | 398                  | 181   | 89%  | 206  | 106%  | 387  | 97%  |
| 合計(1)<br>Total (1)                |                    | 293                             | 332                           | 625      | 280                  | 96%   | 360  | 108%   | 640   | 102%   |      |
| 海外生産用部品<br>PPC <sup>1</sup>       | 輸出<br>Export       | 北米<br>North America             | 51                            | 37       | 88                   | 46  | 90%  | 59   | 159%  | 105  | 119% |
|                                   |                    | オランダ<br>Netherlands             | 16                            | 2        | 18                   | -   | -    | -  | -     | -  | -    |
|                                   |                    | イタリア<br>Italy                   | 4                             | 2        | 6                    | -   | -    | -  | -     | -  | -    |
|                                   |                    | オーストラリア<br>Australia            | 10                            | 6        | 16                   | 8   | 80%  | 15   | 250%  | 23   | 144% |
|                                   |                    | タイ<br>Thailand                  | 60                            | 66       | 126                  | 55  | 92%  | 78   | 118%  | 133  | 106% |
|                                   |                    | インドネシア<br>Indonesia             | 24                            | 26       | 50                   | 23  | 96%  | 22   | 85%   | 45   | 90%  |
|                                   |                    | フィリピン<br>Philippines            | 5                             | 5        | 10                   | 4   | 80%  | 3  | 60%   | 7  | 70%  |
|                                   |                    | マレーシア<br>Malaysia               | 88                            | 71       | 159                  | 59  | 67%  | 42   | 59%   | 101  | 64%  |
|                                   |                    | 中国<br>China                     | 13                            | 9        | 22                   | 9   | 69%  | 19   | 211%  | 28   | 127% |
|                                   |                    | 台湾<br>Taiwan                    | 95                            | 50       | 145                  | 75  | 79%  | 92   | 184%  | 167  | 115% |
|                                   |                    | その他<br>Others                   | 17                            | 15       | 32                   | 16  | 94%  | 20   | 133%  | 36   | 113% |
| 合計(2)<br>Total (2)                |                    | 383                             | 289                           | 672      | 295                  | 77%   | 350  | 121%   | 645   | 96%  |      |
| 総合計(1)+(2)<br>Grand Total (1)+(2) |                    | 676                             | 621                           | 1,297    | 575                  | 85%   | 710  | 114%   | 1,285 | 99%  |      |

(Note 1) PPC: Production Parts & Components

(Note 2) 増減は前年比 / Comparison with previous year