



# Financial Results for FY2004

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Mitsubishi Motors Corporation

May 23, 2005

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# FY2004 Business Results and FY2005 Forecast

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Hiizu Ichikawa

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Managing Director  
(CFO)

# FY2004: Summary of Financial Results




(JPY: 100M)  
(‘000 units)

	<b>FY03</b> Actual	<b>FY04</b> Actual	<b>Variance</b>
<b>Unit Sales (retail)</b>	<b>1,527</b>	<b>1,313</b>	<b>-214</b>
<b>Net Sales</b>	<b>25,194</b>	<b>21,226</b>	<b>-3,968</b>
<b>Operating Profit</b>	<b>-969</b>	<b>-1,285</b>	<b>-316</b>
<b>Ordinary Profit</b>	<b>-1,103</b>	<b>-1,792</b>	<b>-689</b>
<b>Net Income</b>	<b>-2,154</b>	<b>-4,748</b>	<b>-2,594</b>

# FY2004: Summary of Financial Results (Plan vs. Actual)

	<b>FY04 1/28</b>	<b>FY04 Actual</b>	<b>Variance</b>
<b>Unit Sales (retail)</b>	<b>1,314</b>	<b>1,313</b>	<b>-1</b>
<b>Net Sales</b>	<b>20,350</b>	<b>21,226</b>	<b>+876</b>
<b>Operating Profit</b>	<b>-1,320</b>	<b>-1,285</b>	<b>+35</b>
<b>Ordinary Profit</b>	<b>-1,970</b>	<b>-1,792</b>	<b>+178</b>
<b>Net Income</b>	<b>-4,720</b>	<b>-4,748</b>	<b>-28</b>

# FY2004: Non-operating, Extraordinary and Tax Related Items

(JPY:100M)	FY04 Actual			FY04 1/28	variance
<b>Operating Profit</b>	<b>-1,285</b>			<b>-1,320</b>	<b>+35</b>
<b>Non-operating loss</b>	<b>-507</b>		Stock issue cost -129 Equity method holdings loss -130	<b>-650</b>	<b>+143</b>
<b>Ordinary Profit</b>	<b>-1,792</b>			<b>-1,970</b>	<b>+178</b>
<b>Extraordinary Gains/Losses</b>	<b>-2,817</b>		Asset Impairment -1,124 Provision for losses on restructuring -295 Loss on Disposal/Sale of fixed assets -162 Free Vehicle Inspection Service -252 Restructuring costs -163 MFTBC Compensation -747	<b>-2,549</b>	<b>-268</b>
<b>Minority interests &amp; taxes, etc.</b>	<b>-139</b>		Reversal of deferred tax assets of European Subsidiary -143	<b>-201</b>	<b>+62</b>
<b>Net Income</b>	<b>-4,748</b>			<b>-4,720</b>	<b>-28</b>

# FY2004: Regional Operating Performance

	<b>FY03</b> Actual(1)	<b>FY04</b> Actual(2)	<b>Variance</b> (2) - (1)	<b>FY04</b> 1/28 (3)	<b>Variance</b> (2) - (3)
<b>Net Sales</b>	<b>25,194</b>	<b>21,226</b>	<b>-3,968</b>	<b>20,350</b>	<b>+876</b>
- Japan	6,212	4,129	-2,083	4,200	-71
- N.A.	6,008	4,414	-1,594	4,300	+114
- Europe	6,620	6,678	+58	5,850	+828
- Asia & RoW	6,354	6,005	-349	6,000	+5
<b>Operating Profit</b>	<b>-969</b>	<b>-1,285</b>	<b>-316</b>	<b>-1,320</b>	<b>+35</b>
- Japan	-353	-970	-617	-960	-10
- N.A.	-1,474	-1,038	+436	-1,110	+72
- Europe	+235	+72	-163	+20	+52
- Asia & RoW	+623	+651	+28	+730	-79

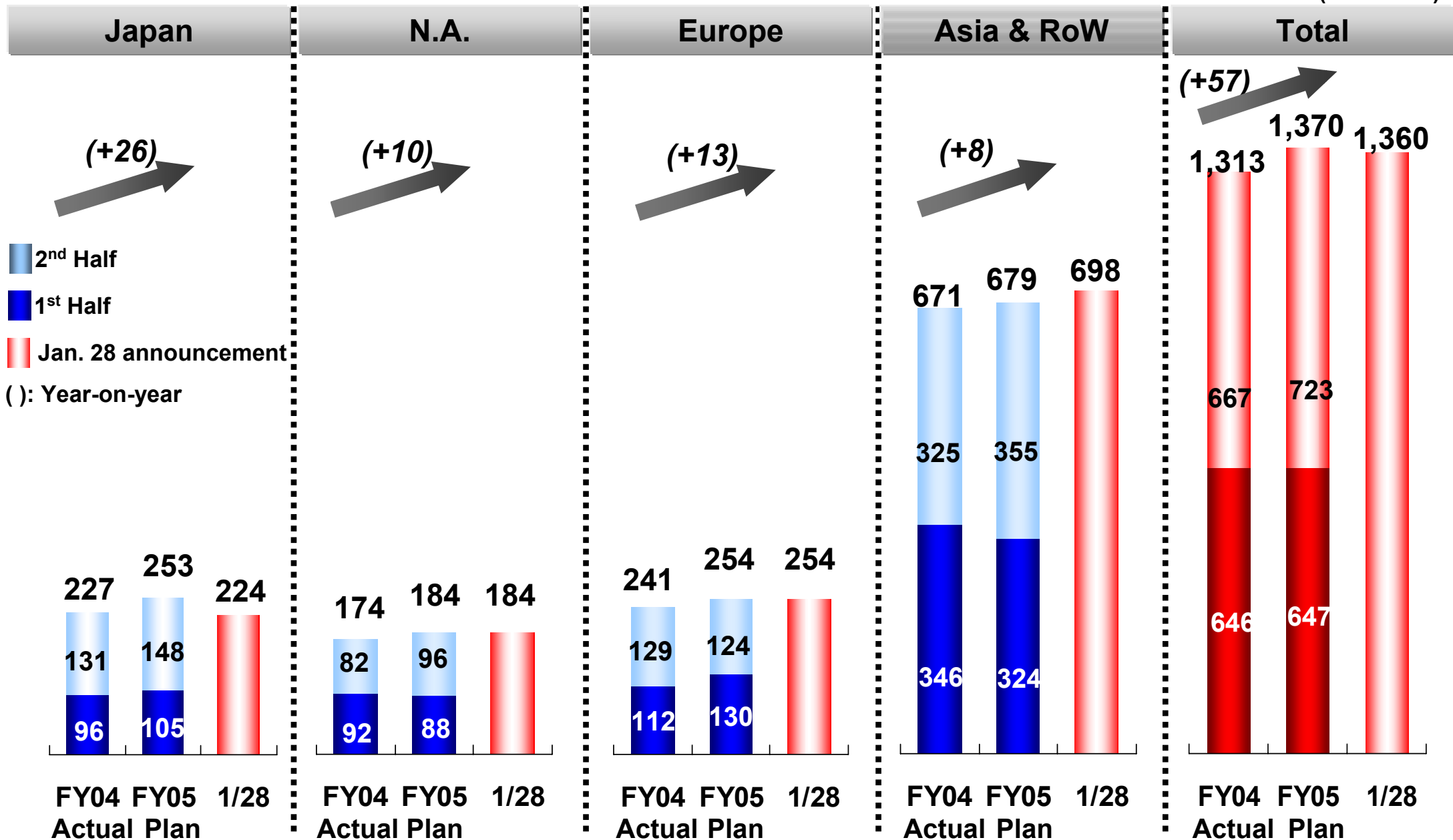
Note – 1/28 – Forecast from the Mitsubishi Motors Revitalization Plan announced on January 28, 2005

# FY2004: Balance Sheet

(JPY: 100M)

	<b>FY03</b> (End of Mar. 04)	<b>FY04</b> (End of Mar. 05)	<b>Variance</b>	<b>FY04</b> 1/28
<b>Total Assets</b>	<b>20,290</b>	<b>15,893</b>	<b>-4,397</b>	<b>16,430</b>
<b>Interest-bearing Debt</b>	<b>10,626</b>	<b>4,760</b>	<b>-5,866</b>	<b>4,790</b>
<b>Shareholder's Equity</b>	<b>300</b>	<b>3,248</b>	<b>+2,948</b>	<b>3,170</b>

# FY2005 Forecast: Unit Sales Volume by Region (retail)



Note – 1/28 – Forecast from the Mitsubishi Motors Revitalization Plan announced on January 28, 2005

# FY2005 Forecast: Summary of Financial Results

	<b>FY04</b> Actual	<b>FY05</b> Forecast	variance
<b>Net Sales</b>	<b>21,226</b>	<b>22,200</b>	<b>+974</b>
<b>Operating Profit</b>	<b>-1,285</b>	<b>-140</b>	<b>+1,145</b>
<b>Ordinary Profit</b>	<b>-1,792</b>	<b>-400</b>	<b>+1,392</b>
<b>Net Income</b>	<b>-4,748</b>	<b>-640</b>	<b>+4,108</b>

	FY05 1/28	FY05 Forecast	variance
<b>Net Sales</b>	<b>20,300</b>	<b>22,200</b>	<b>+1,900</b>
<b>Operating Profit</b>	<b>-140</b>	<b>-140</b>	<b>±0</b>
<b>Ordinary Profit</b>	<b>-400</b>	<b>-400</b>	<b>±0</b>
<b>Net Income</b>	<b>-640</b>	<b>-640</b>	<b>±0</b>

# FY2005 Business Plan

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Osamu Masuko

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President

## Mitsubishi Motors Revitalization Plan

- **Authorization of changes to the revitalization plan under the Law on Special Measures for Industrial Revitalization**

## Recover Trust

- **Announcement regarding the submission of the final response to a written warning issued by MLIT and internal actions**
  - ✓ Clean break from the past
- **Agreement with DC regarding MFTBC compensation**
  - ✓ Clean sweep of negative legacy

## Strengthen Financial Structure

- **Third party allocation capital injection received (284.2 billion yen in total)**
  - ✓ Secured funds needed to execute revitalization plan
- **Secured 30b yen loan from the Development Bank of Japan**
  - ✓ Assessment on the effectiveness of the Company's ability to recover

## Measures to Strengthen Management's Effectiveness and Achieve FY2005's Targets

### ● **New Management Structure、New Organizational Framework**

- ✓ Standardize reporting lines
- ✓ Clarify accountability
- ✓ Establish a follow-up system and strengthen corporate strategy functions to ensure the Revitalization Plan is carried out.

### ● **Set Annual Plan and Implement Targets**

- ✓ Commitment on targets by each respective headquarters

### ● **Business Revitalization Monitoring Committee**

- ✓ External watch to follow the progress of the revitalization plan

### ● **Postpone plans to stop production at the Okazaki plant**

- ✓ Ensure the full integrity of quality control and production systems

# Continuous Initiatives Taken to Recover Trust

2004							2005												2006
6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	→

**Corporate Compliance**

- Instruction & advice to the CSR Promotion Office by the Business Ethics Committee
- Thorough investigation of recall problems
- Establishment of preventative measures and internal disciplinary actions
- Submission of written pledge - all employees
- Promote Business Ethics Promotion Program from FY2005

**Corporate Culture**

- Problem solving through cross-functional activities
- Training and promoting talented personnel to higher positions
- Personnel exchanges with dealers and dept. rotations

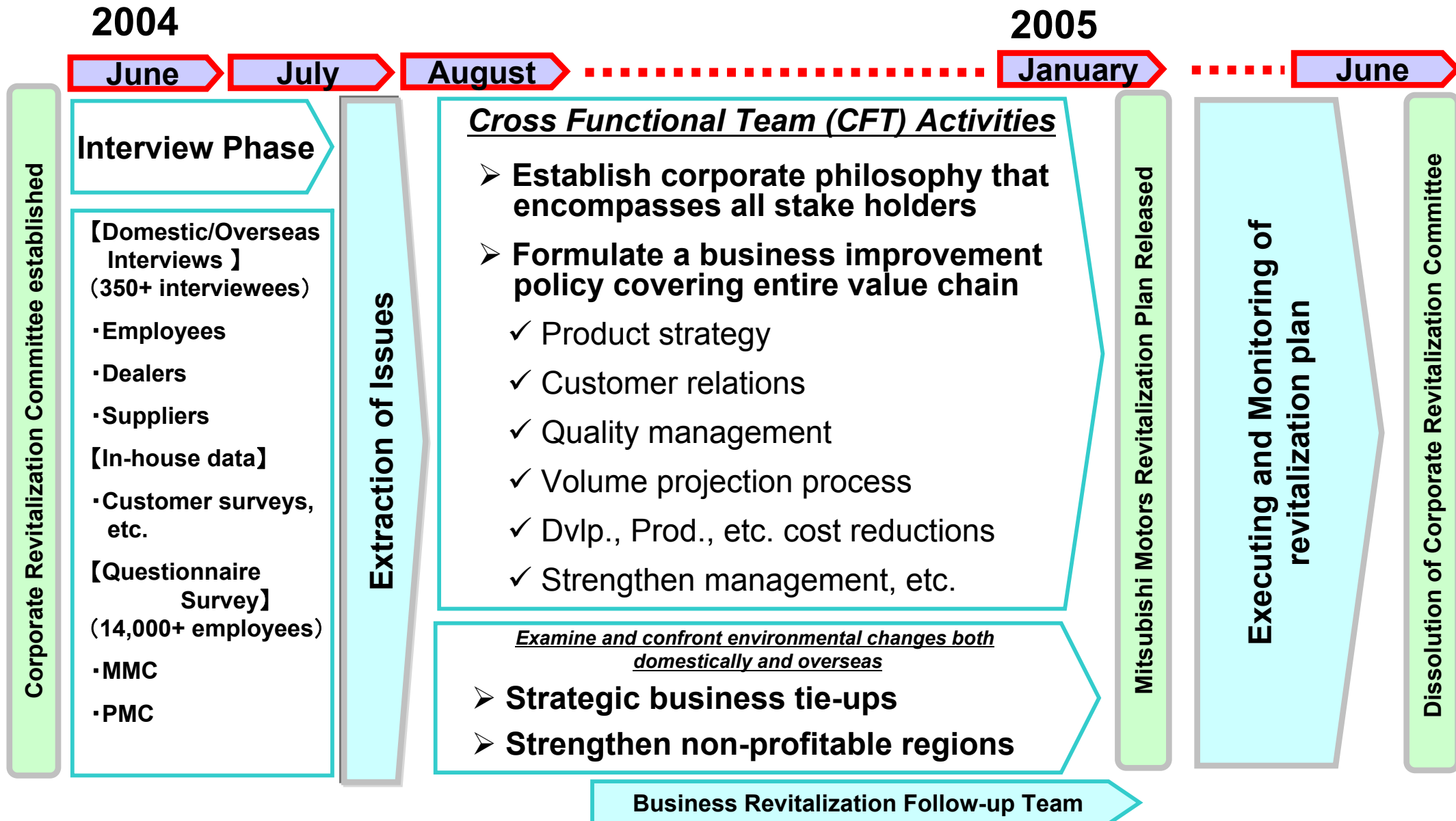
**Customer**

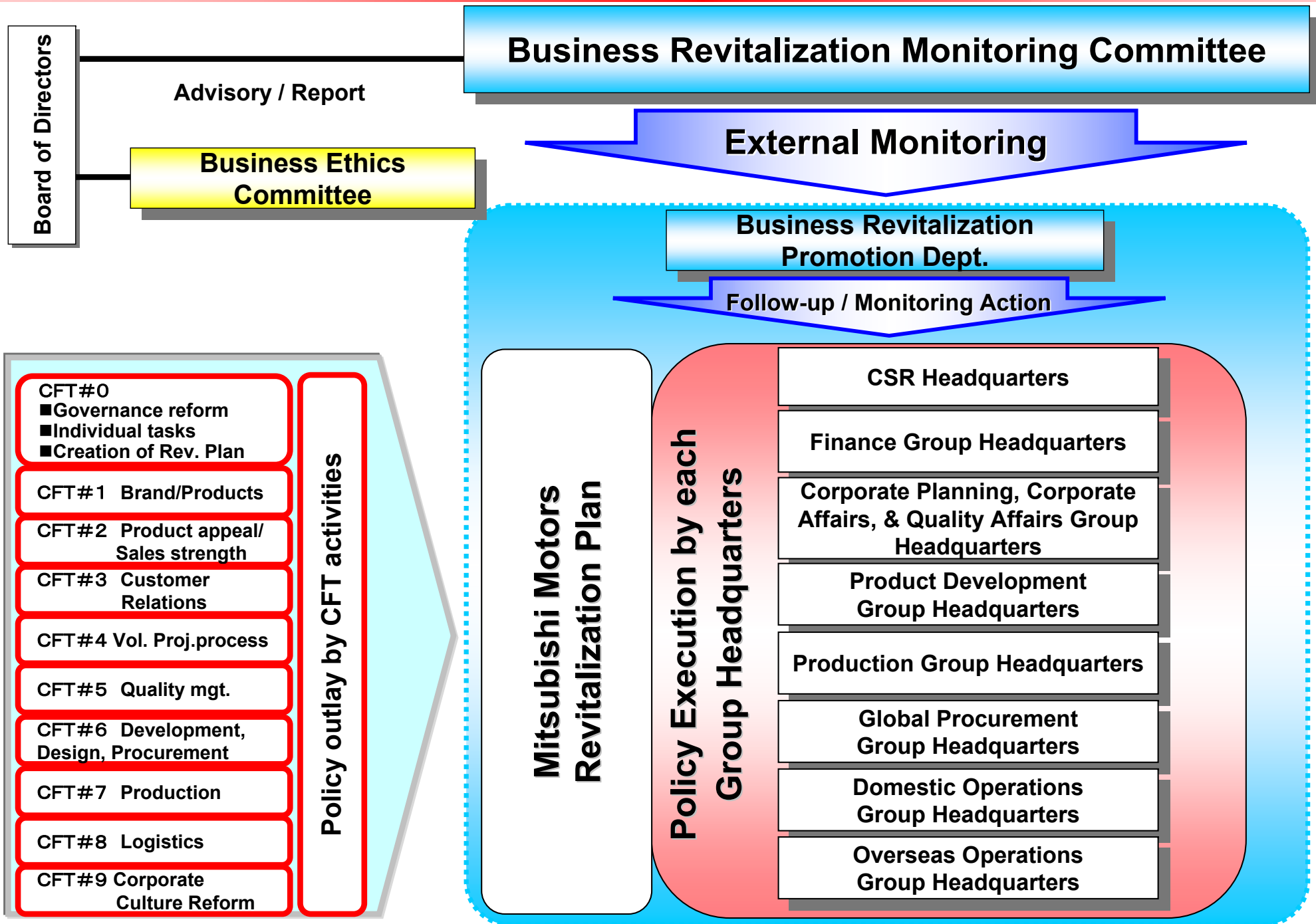
- Improve Quality - Base product development on MMDS\* (Quality Gate System)
- 3-year full-support program
- Free car inspection service
- Certified used car 2-year warranty program
- Reassurance Assistance <Assist 24 & Hearty Plus maintenance>
- Extended warranty
- Certified Used Car
- Reassurance Assistance - Assist 24
- Customer Relations (Car school, and various other events)

MMDS - Mitsubishi Motors Development System

## Path to revitalization revealed – Dissolution of CRC in June as planned

Superceded by new follow-up / monitoring framework





Board of Directors

Advisory / Report

**Business Revitalization Monitoring Committee**

**Business Ethics Committee**

**External Monitoring**

**Business Revitalization Promotion Dept.**

**Follow-up / Monitoring Action**

- CFT#0
- Governance reform
- Individual tasks
- Creation of Rev. Plan

CFT#1 Brand/Products

CFT#2 Product appeal/  
Sales strength

CFT#3 Customer  
Relations

CFT#4 Vol. Proj.process

CFT#5 Quality mgt.

CFT#6 Development,  
Design, Procurement

CFT#7 Production

CFT#8 Logistics

CFT#9 Corporate  
Culture Reform

Policy outlay by CFT activities

**Mitsubishi Motors  
Revitalization Plan**

**Policy Execution by each  
Group Headquarters**

**CSR Headquarters**

**Finance Group Headquarters**

**Corporate Planning, Corporate  
Affairs, & Quality Affairs Group  
Headquarters**

**Product Development  
Group Headquarters**

**Production Group Headquarters**

**Global Procurement  
Group Headquarters**

**Domestic Operations  
Group Headquarters**

**Overseas Operations  
Group Headquarters**

## Aim

### Small group movement across the entire organization

- ◇ Individual participation for revitalization plan
- ◇ Definite achievement of revitalization plan based on this

## Activity Schedule

- Start Preparations: April 26
- Company-wide rollout: mid-May
- Completion of Activities: March 31, 2006  
*appropriate mid-term follow-up*

《 Internal Poster 》

## “ Triple 5 ”

To all employees,

Every employee is responsible for our revitalization.

Successfully achieving the revitalization plan is everyone's opportunity.

Rallying the sentiments of all employees is necessary for business revival.

— Performance Objectives —

- ◆ Unit Sales: **5%** Improvement
- ◆ Accrued Expenses: **5%** Improvement
- ◆ Reliability: **5%** Improvement

- Let's get **everyone involved** to ensure the Triple 5 strategy succeeds.

- All employees **for a brighter tomorrow!**

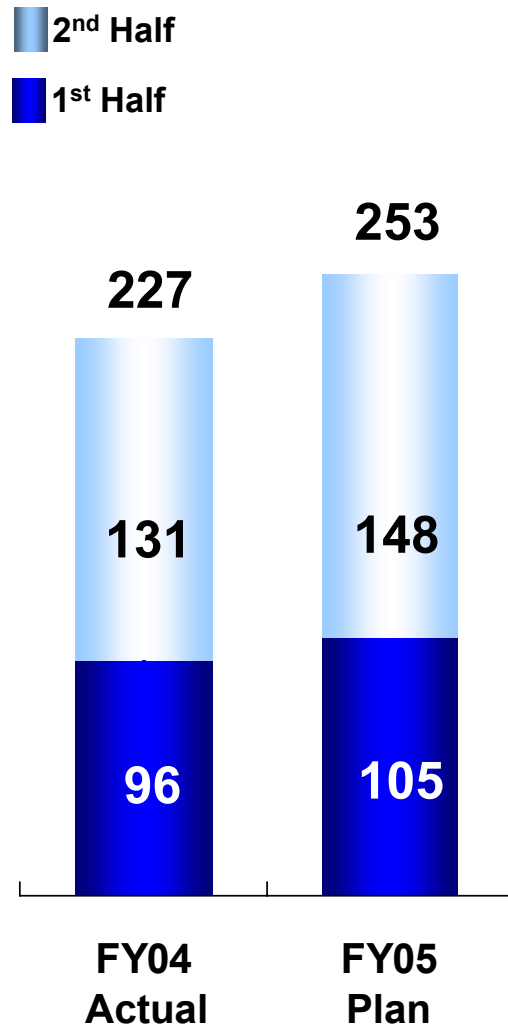
Osamu Masuko, President

OO Corporate General Manager  
declaration:

The strategy of Triple 5 is to constructively summarize the CFT cost reduction and labor union (to get ideas) activities up to now and to add a theme of continually improving credibility and to have Triple 5 **evolve throughout the entire organization.**

## Introduce Two New Vehicles and Establish Profitable Foundation

('000 units)



### ■ Introduce new and special edition models

✧ 1<sup>st</sup> Half: Release of a new model and trim level for *Grandis* / *Colt* special edition, etc.

✧ 2<sup>nd</sup> Half: New SUV, New Concept *Kei* Minicar

### ■ Continue to expand efforts with sales companies in regaining customer trust

✧ Continuously implement reassurance programs

( Reassurance support, reassurance assistance, certified used car program )

✧ Customer relations measures (Car school, etc.)

### ■ Increase profitability of after-sales business

✧ Introduce new services (extended warranty, etc.)

✧ Put in motion oil change campaign to get current customers into dealerships

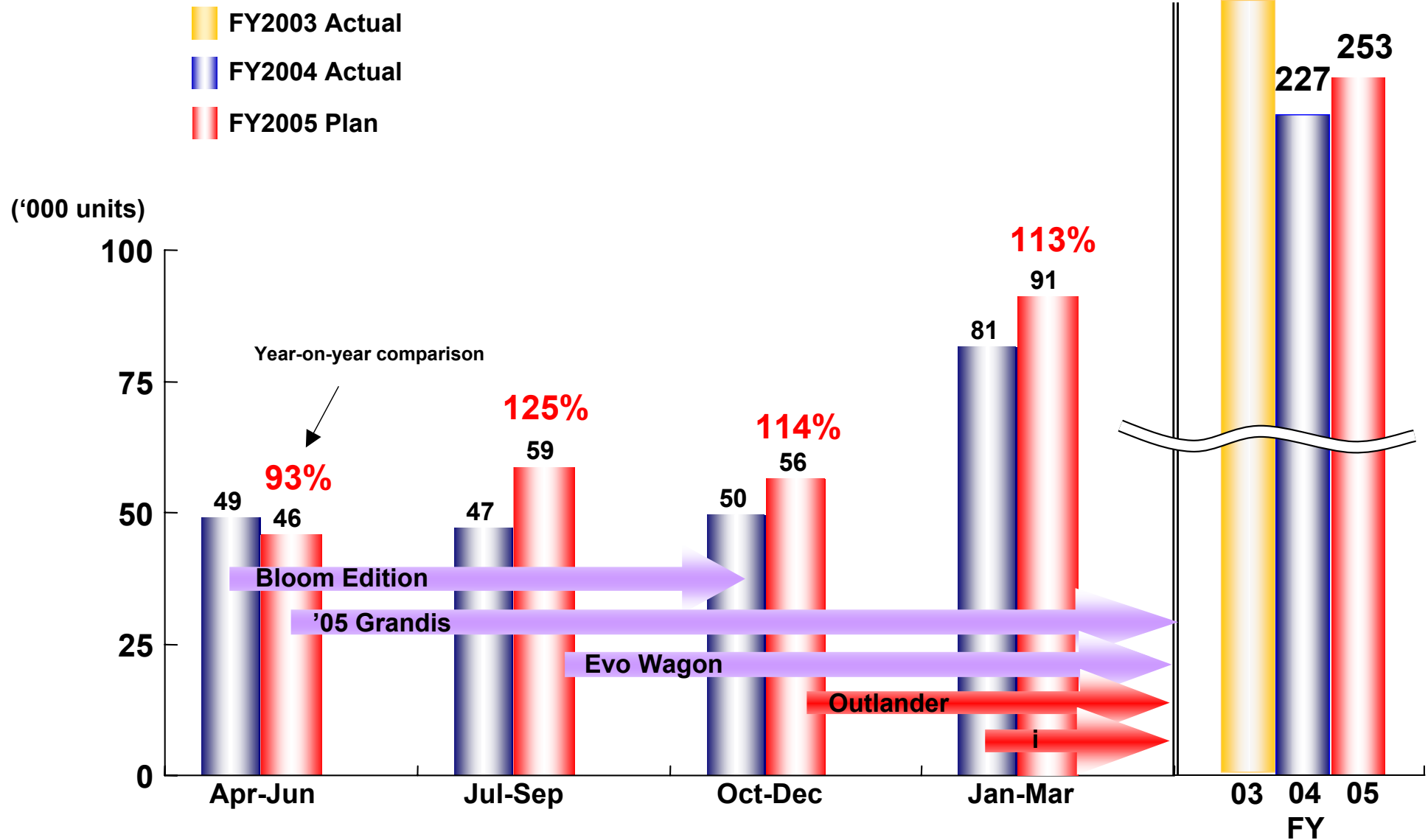
### ■ Reorganize sales network

✧ Expand dealership renewal

✧ Widening of consolidated sales companies and auto parts sales companies

## Domestic Sales Plan (2004 vs. 2005 Plan)

### Retail Sales by Quarter



# OUTLANDER



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## Two New Models to Drive Revitalization

### ■ Introduce new models

✧ *Eclipse* – May (brought forward from June)

✧ *Raider* – October

### ■ Completed structure for introducing new vehicles

✧ Rebuild brand by normalizing sales

➤ Improve residual values by decreasing fleet sales

➤ Reduced inventories leading to lower incentives

✧ Adjustment to US factory production capacity already completed

➤ Move to one shift / Asset-impairment accounting - both completed

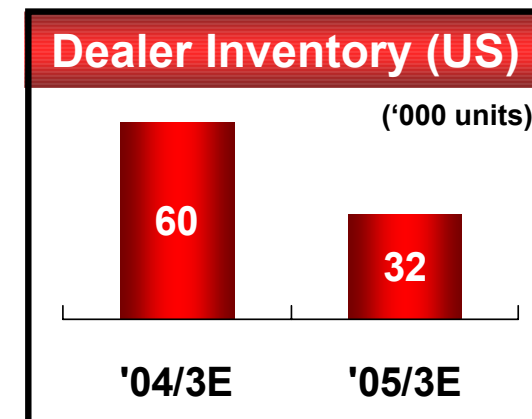
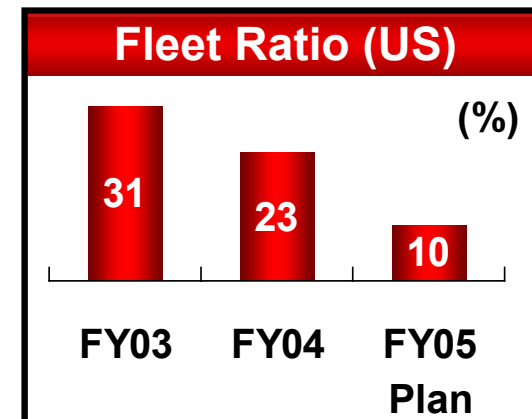
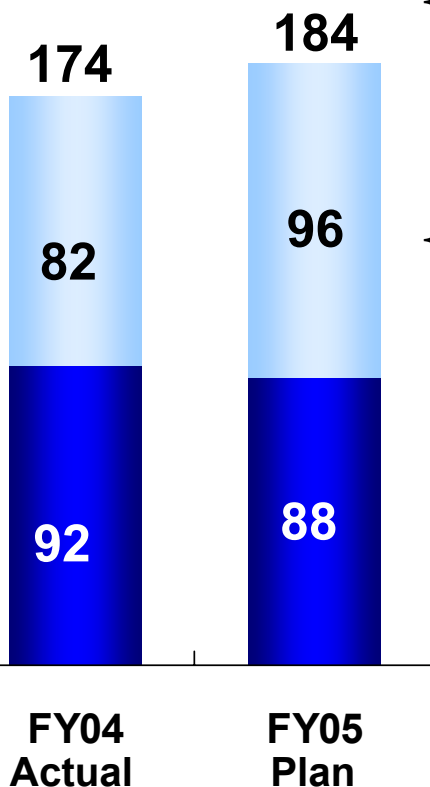
➤ Export vehicles produced at US factory

✓ Begin exporting to Middle East & Russia (from 2006)

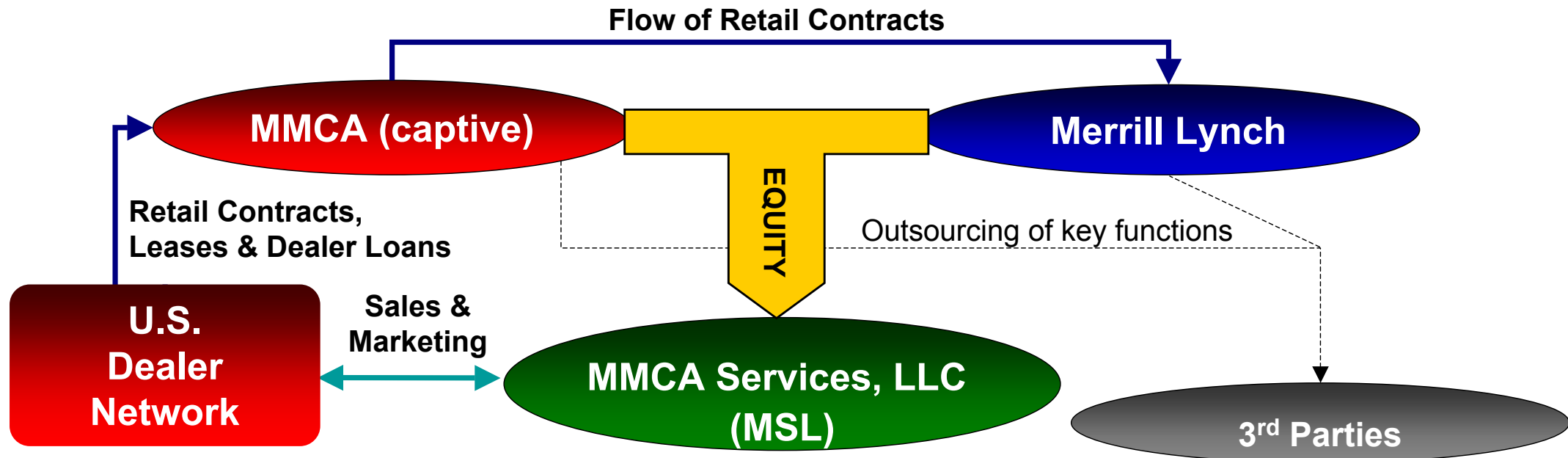
('000 units)

■ 2<sup>nd</sup> Half

■ 1<sup>st</sup> Half



- **Formation of JV (MSL) with Merrill Lynch in March 2005**
  - ✧ MSL provides Sales and Marketing activities on behalf of MMCA and ML
  - ✧ MMCA originates retail installment contracts, leases and dealer loans
  - ✧ MMCA flows retail installment contracts to ML
  - ✧ MMCA owns leases and dealer loans
- **Outsourcing of key functions to the third parties**
- **Target of implementation of restructuring: July 2005**



# Eclipse



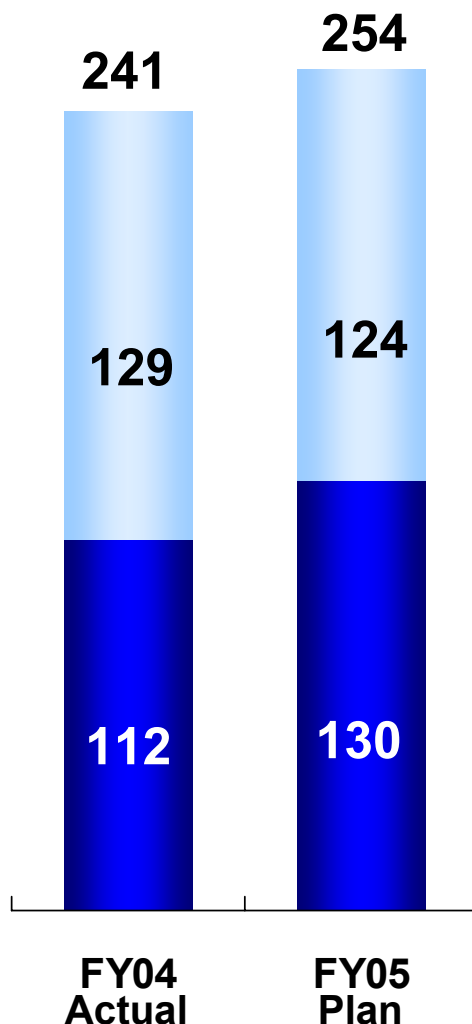
# Raider



## Expand Sales with Progressive Introduction of New Products

('000 units)

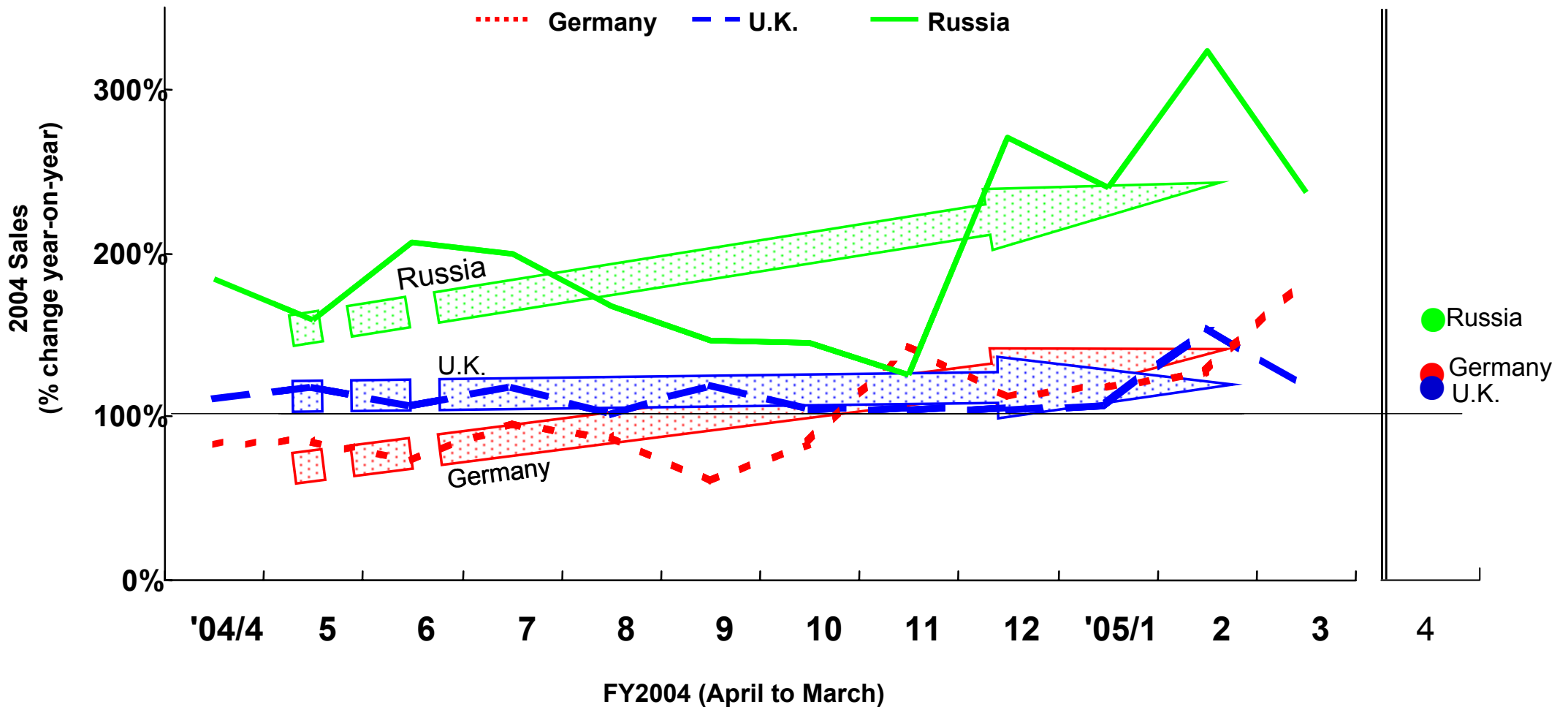
■ 2<sup>nd</sup> Half  
■ 1<sup>st</sup> Half



- Expand sales by progressively introducing new products
  - ✧ 3-door Colt (Production began in Jan. 2005)
  - ✧ Diesel Grandis (Production to begin in Jul. 2005)
  - ✧ Lancer Evolution IX (Prod. to begin in Sept. 2005)
  - ✧ New 1-tonne pick-up truck (Prod. to begin Dec. 2005)
  - ✧ Colt coupe-cabriolet (Prod. To begin Mar. 2006)
- Leverage highly esteemed products to promote sales
  - ✧ Colt: German Golden Steering Wheel Award; Plus Car-of-the-year awards in four other countries
  - ✧ Lancer: 2005 Car of the year in Russia
- Maintain sales momentum in Germany and England
- Expand sales in growth markets (Russia and the Ukraine, etc.)
- Bolster sales strength in Southern Europe (i.e. France/Spain)

## Continuous Sales Expansion in Both Large and Growth Markets

### Retail sales results for Germany, U.K. and Russia



## Colt 3-door

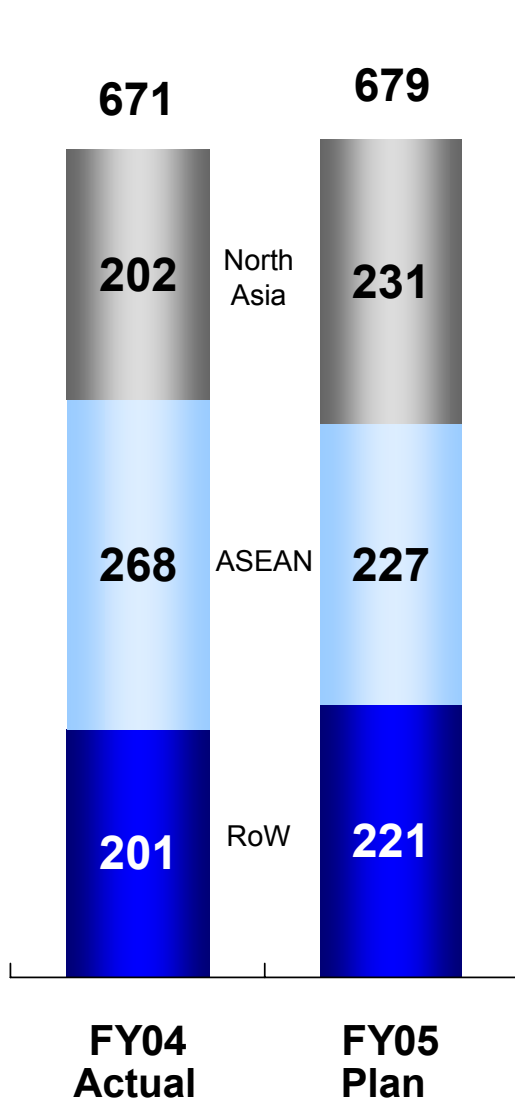


## Colt coupe-cabriolet



('000 units)

## Strengthen current base in Asia and ASEAN Regions



### China

- ✧ Direct investment in Southeast Motors (up to 25%)  
- Strengthen sales
- ✧ Examine establishing new company for local SUV production with Hunan Changfeng Motors
- ✧ Consolidation & expansion of Mitsubishi sales network with vision to establish unified sales company
- ✧ Establish R&D facilities

### Thailand

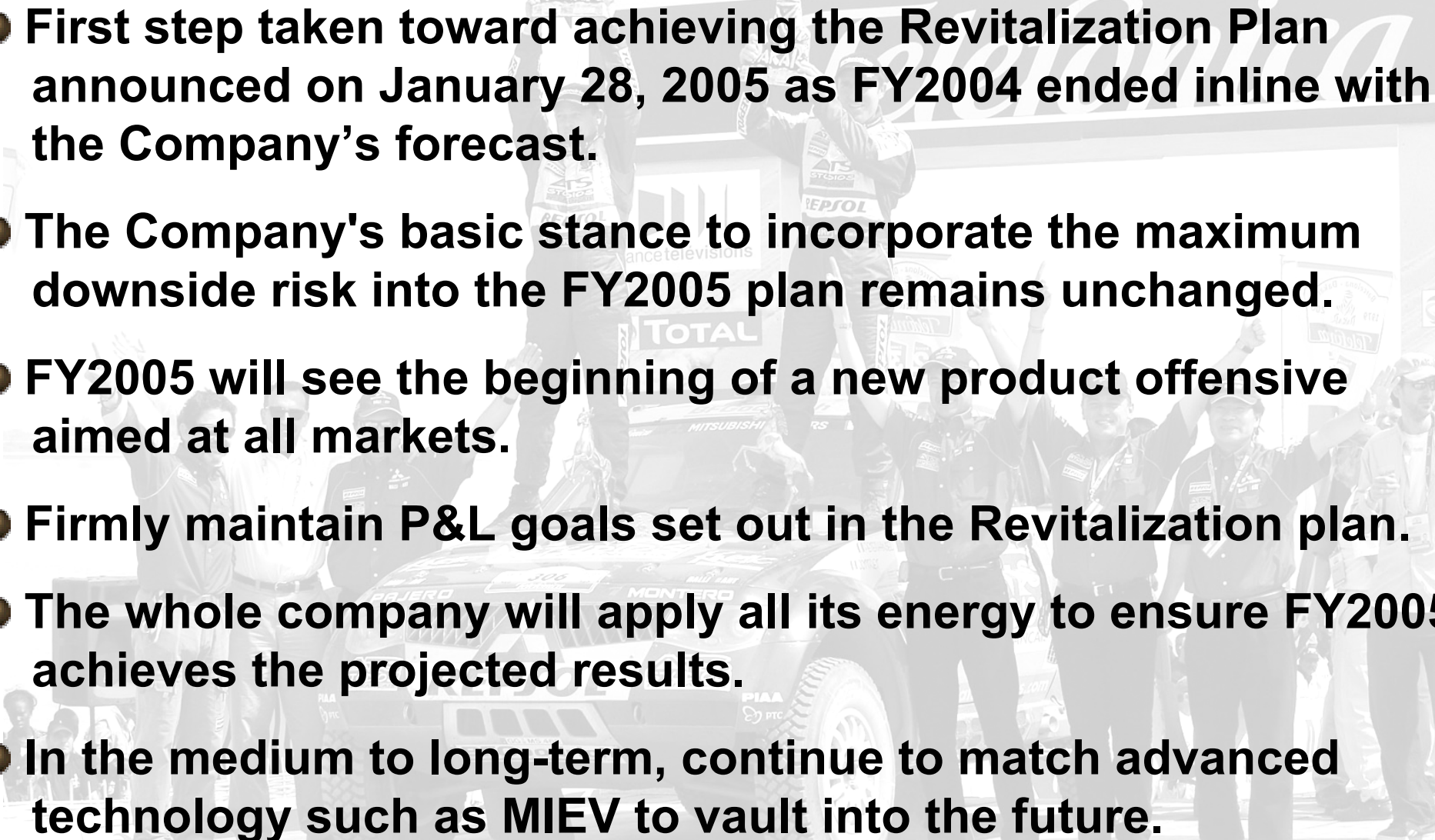
- ✧ Consolidate as core production center
- ✧ Introduce new 1-tonne pick-up truck

### Malaysia

- ✧ New sales company to begin business: June 2006

### Australia

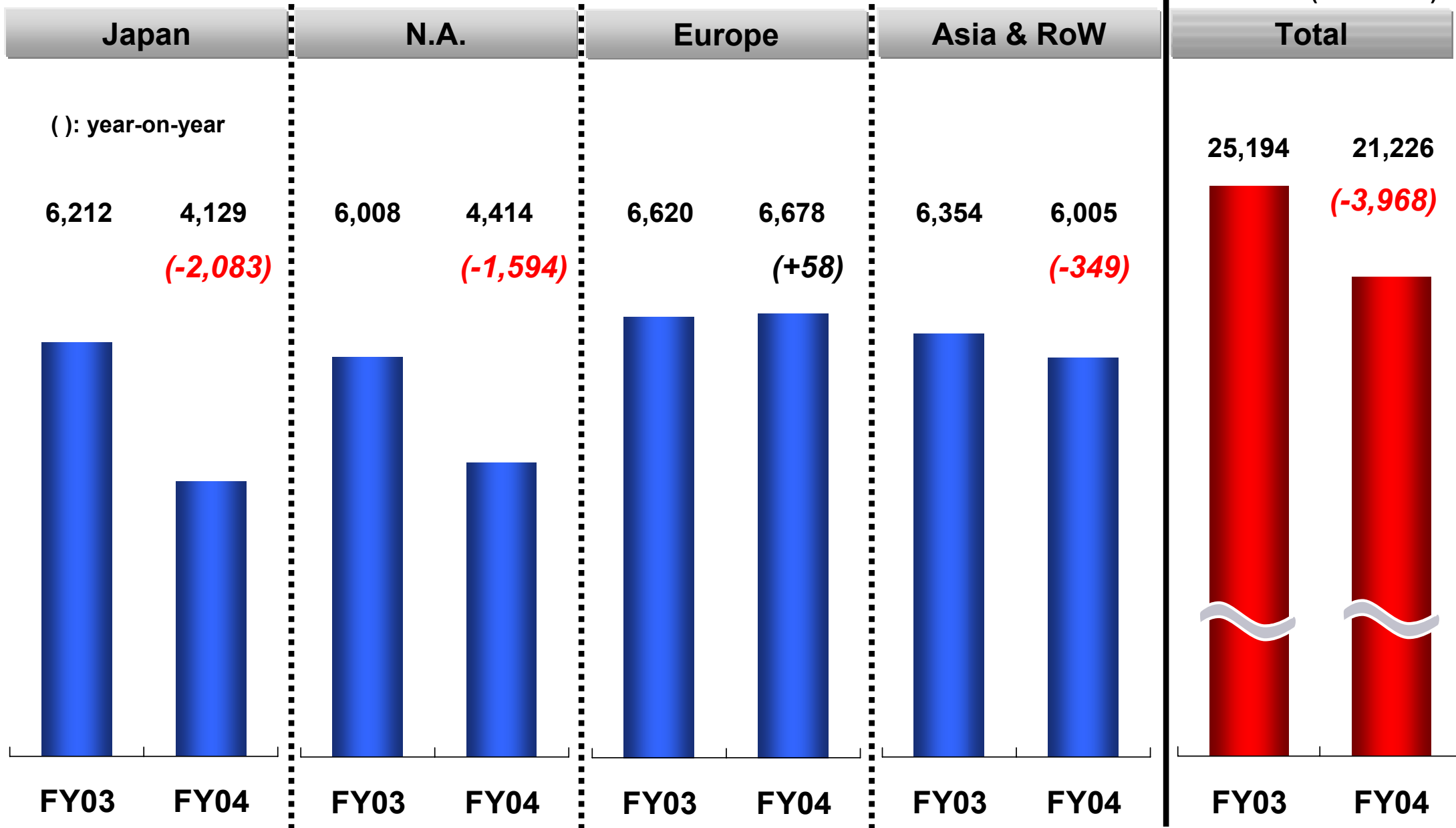
- ✧ Launch of a new locally produced vehicle

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- **First step taken toward achieving the Revitalization Plan announced on January 28, 2005 as FY2004 ended inline with the Company's forecast.**
  - **The Company's basic stance to incorporate the maximum downside risk into the FY2005 plan remains unchanged.**
  - **FY2005 will see the beginning of a new product offensive aimed at all markets.**
  - **Firmly maintain P&L goals set out in the Revitalization plan.**
  - **The whole company will apply all its energy to ensure FY2005 achieves the projected results.**
  - **In the medium to long-term, continue to match advanced technology such as MIEV to vault into the future.**

# Appendix

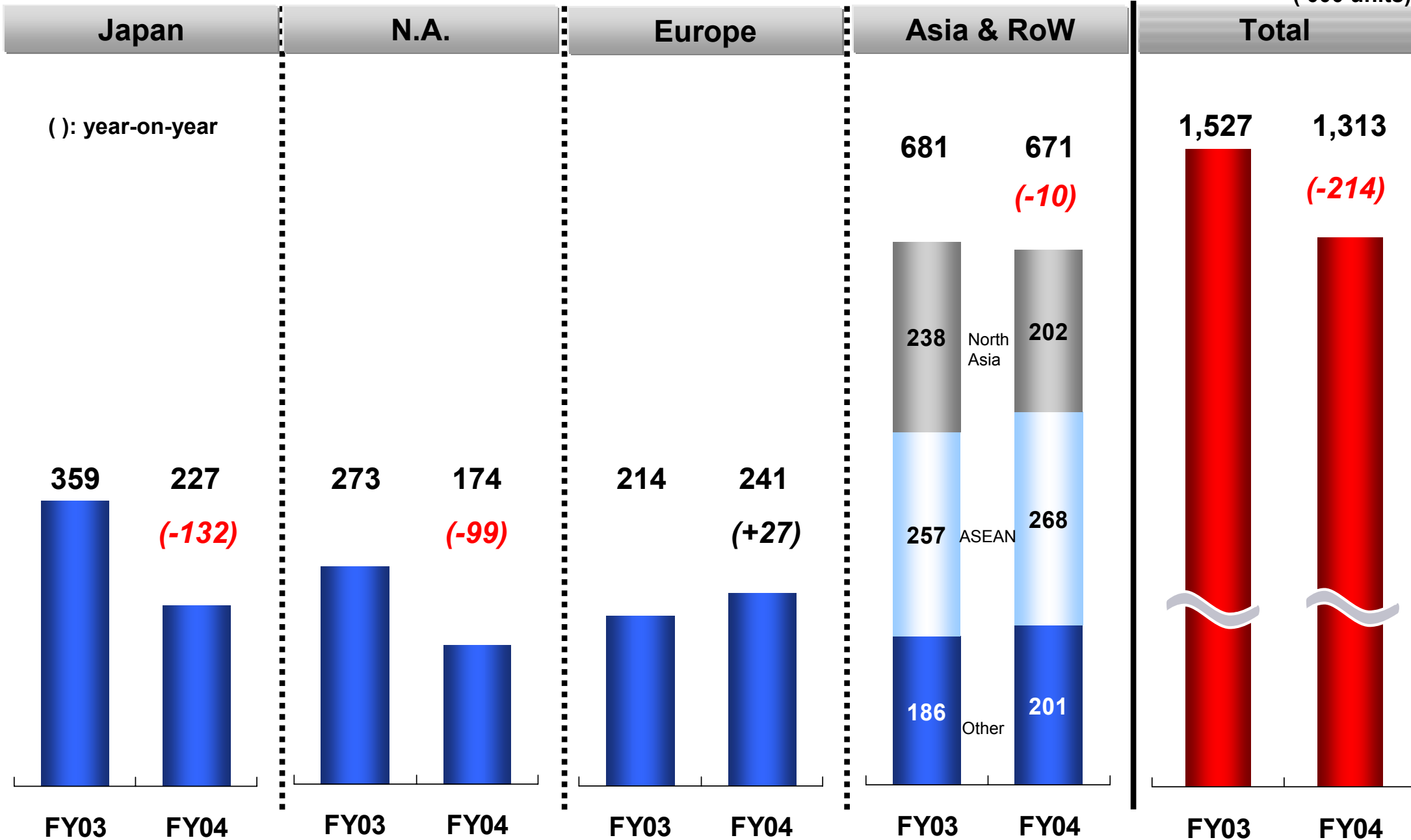
# FY2004: Net Sales by Region

(JPY: 100M)

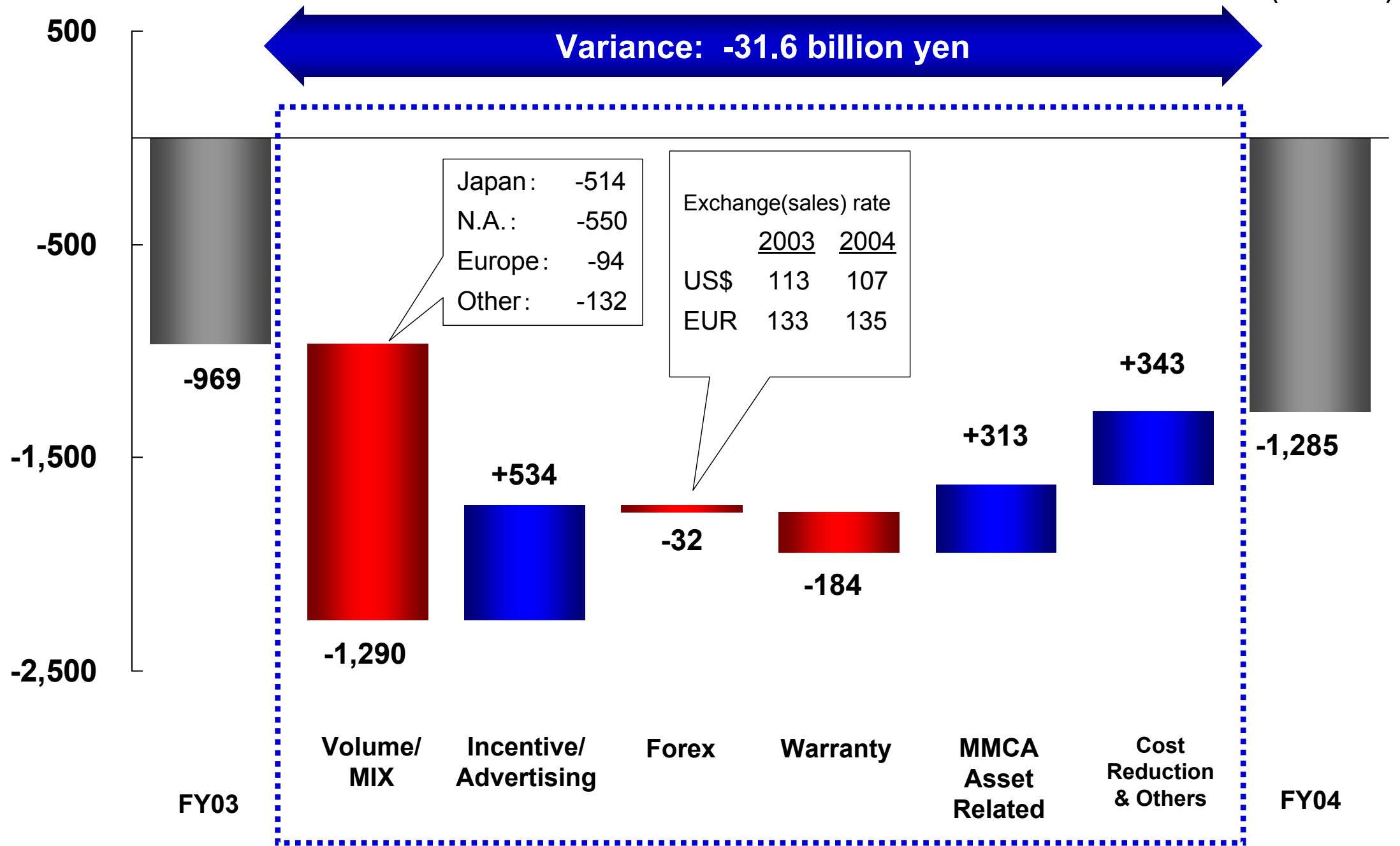


# FY2004: Unit Sales by Region (retail)

('000 units)



# FY2004: Operating Profit Deviation Analysis



# FY2004 Regional Operating Performance

(JPY:100M)

	<b>FY04</b> Actual(1)	<b>FY05</b> Forecast (2)	<b>Variance</b> (2) - (1)	<b>FY05</b> 1/28 (3)	<b>Variance</b> (2) - (3)
<b>Net Sales</b>	<b>21,226</b>	<b>22,200</b>	<b>+974</b>	<b>20,300</b>	<b>+1,900</b>
- Japan	4,129	5,300	+1,171	4,700	+600
- N.A.	4,414	4,500	+86	4,500	±0
- Europe	6,678	6,200	-478	4,800	+1,400
- Asia & RoW	6,005	6,200	+195	6,300	-100
<b>Operating Profit</b>	<b>-1,285</b>	<b>-140</b>	<b>+1,145</b>	<b>-140</b>	<b>±0</b>
- Japan	-970	-650	+320	-680	+30
- N.A.	-1,038	-210	+828	-210	±0
- Europe	+72	+60	-12	+30	+30
- Asia & RoW	+651	+660	+9	+720	-60

Note – 1/28\* – Forecast from the Mitsubishi Motors Revitalization Plan announced on January 28, 2005

All statements herein, other than historical facts, contain forward-looking statements and are based on our forecasts, expectations, target, assumptions, plans and evaluation as of the date hereof. Any expected number is calculated or obtained based on certain assumption. Forward-looking statements involve inherent risks and uncertainties. A number of significant factors could therefore cause actual results to differ from those contained in any forward-looking statement. Such significant factors include, but not limited to:

- feasibility of each target and initiatives as contemplated by the Business Revitalization Plan;
- any material adverse effects by any product quality problems in the past and future of our group and of Mitsubishi Fuso Truck & Bus Co., Ltd. (“MFTBC”) that was spun off from us and by any civil proceedings, recalls, administrative or criminal sanctions that may be brought or executed relating thereto;
- possible fluctuations in interest rates, exchange rates and oil prices;
- possible changes in laws, regulations and government policies; and
- general economic conditions in Japan and overseas

It should be noted that potential risks and uncertainties are not limited to the above and that we undertake no obligation to update the information in these statements to reflect any development or event in the future.