

FY2004 First Quarter Results: Consolidated Financial Statements

August 4, 2004

Mitsubishi Motors Corporation

(Code: 7211 Tokyo and Osaka stock exchange)

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

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1. Basis for preparation of quarterly consolidated financial statements

- 1) Adoption of simplified accounting policies : Applicable
 Partly adopt simplified accounting policy in calculation of income tax.
 2) Change in accounting policies : Not applicable
 3) Change in scope of consolidation and equity method : Applicable
- | | | | | | |
|---------------|---------|---|---------------|---------|---|
| Consolidation | Include | 1 | Equity Method | Include | 5 |
| | Exclude | 4 | | | |

2. Financial highlights (1 April 2004 through 30 June 2004)

(1) Consolidated financial results

	Sales		Operating loss		Ordinary loss		Net loss	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2004 1Q	557,603	-8.1	-31,714	-	-39,019	-	-54,686	-
FY2003 1Q	607,075	-	-42,301	-	-52,064	-	-51,136	-
(Ref.) FY2003	2,519,449		-96,852		-110,295		-215,424	

	Net income per share-basis	Net income per share-diluted
	Yen	Yen
FY2004 1Q	-36.86	-
FY2003 1Q	-34.47	-
(Ref.) FY2003	-145.22	-

Note: The percentage of sales, operating profit, ordinary income and net income indicates the rate of change on same period in the previous fiscal year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Ratio of shareholders equity
	Million yen	Million yen	%
FY2004 1Q	1,900,505	263,366	13.9
FY2003 1Q	-	-	-
(Ref.) FY2003	2,029,035	29,972	1.5

[Qualitative information on business performance]

MMC's consolidated net sales for the first quarter declined by 49.4 billion yen to 557.6 billion yen (Q1FY03: 607 billion yen). By region, net sales in Europe grew 19.3 billion yen compared to the same period last year on the back of new products such as the European Colt and brisk sales in Eastern Europe. Net sales in Japan, however, declined 51.8 billion yen on year as the company faced sluggish sales due to recent quality issues in its home market. North American net sales were also down on year, declining by 12.6 billion yen as the company significantly reduced fleet sales and eliminated risky consumer financing programs. In the Asia/Rest of the World region, although MMC saw an increase in retail unit sales, a large proportion was for parts used in overseas production, which carry a low sales value per unit, and net sales declined 4.3 billion yen on year.

Total unit sales in Japan for the quarter decreased by 30,000 units to 49,000 as both registrations and minicars saw declines compared to the same period last year. North American unit sales slipped by 23,000 units on year to 53,000. European units sales, meanwhile, increased by 5,000 units to 58,000 thanks to increased sales in Eastern Europe, while robust sales in China, South America, the Middle East and Africa more than offset a decline in sales in Australia to boost unit sales in Asia/Rest of the World by 4,000 units to 178,000.

Operating results for the quarter improved by 10.6 billion yen compared to the same period last year for an operating loss 31.7 billion yen as the 24.1 billion yen loss booked last year for loan defaults in North America was eliminated. Ordinary income came to minus 39 billion yen, an improvement of 13.1 billion yen on year. The company's net loss, however, expanded by 3.6 billion yen to 54.7 billion yen due to restructuring costs in its Australian operations and the cancellation of development of a new model.

[Qualitative Information on Changes in Consolidated Financial Position]

MMC's financial standing improved greatly during the first quarter thanks to the issuance of preferred shares. As of June 30, the company's shareholders' equity was 263.4 billion yen (compared to 30 billion yen on March 31) and the equity ratio stood at 14 percent, up from 1 percent on March 31. MMC also slashed interest-bearing debt by 328.9 billion yen during the first quarter. Interest-bearing debt now stands at 733.7 billion yen (automotive: 564.4 billion; finance: 169.3 billion), down from 1062.6 billion yen (automotive: 869.3 billion; finance: 193.3 billion) at the end of March.

To shore up its financial base, MMC embarked on a capital enhancement program which saw the company issue 295 billion yen worth of No. 1 and No. 2 Class A preferred shares and No. 1 Class G preferred shares in June.

Breakdown of share issuance:

No. 1 Class A preferred shares: 130 billion yen

(Mitsubishi Heavy Industries, Mitsubishi Corporation, Bank of Tokyo-Mitsubishi, Mitsubishi Trust & Banking Corporation)

No. 2 Class A preferred shares: 35 billion yen

(China Motor Corporation, Tokio Marine and Fire Insurance Company, Meiji Yasuda Life Insurance Company, Mitsubishi Electric Corporation, Nippon Yusen K.K, Mitsubishi Materials Corporation, Mitsubishi Chemical Corporation, Mitsubishi Logistics Corporation)

No. 1 Class G preferred shares: 130 billion yen (Bank of Tokyo-Mitsubishi, Mitsubishi Trust & Banking Corporation)

[Reference]

In July the company issued common stock, No. 1 – No. 3 Class B preferred shares and No. 3 Class A preferred shares for an additional 201 billion yen.

Breakdown of share issuance:

No. 3 Class A preferred shares: 1 billion yen (Nippon Oil Corporation)

No.1 – No.3 Class B preferred shares: 126 billion yen (JP Morgan)

Common stock: 74 billion yen (Phoenix Capital)

In total, the company raised 496 billion yen worth of funds in June and July, or 46 billion yen more than the originally planned target of 450 billion yen.

Appendix

Quarterly consolidated balance sheet, Quarterly consolidated income/loss statement

FY2004 financial results forecast (1 April 2004 through 31 March 2005)

[Reference]

[Qualitative Information on Results Forecast]

Although Japanese and North American sales for the year may be slightly weaker than the forecast outlined in the business revitalization plan, MMC will cover this with added sales in other regions and is considering implementing further measures.

The company has no plans at the moment to revise its first-half or full-year forecasts.

CAUTION: These forecasts are based on judgements and estimates that have been made on the basis of currently available 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.

3. Consolidated financial statements

1. Consolidated balance sheets

in millions of yen

Assets	At 6/30/ 2004	At 3/31/ 2004	Change
Current assets	(749,871)	(869,393)	(-119,521)
Cash on hand and in banks	102,451	173,514	-71,063
Trade notes and accounts receivable	145,371	187,093	-41,721
Finance receivables	43,405	44,451	-1,046
Marketable securities	5,467	10,558	-5,090
Inventories	289,423	275,460	13,962
Short-term loans receivable	2,635	4,719	-2,084
Residual interest on sold receivables	225	3,540	-3,315
Deferred tax assets	4,009	4,979	-969
Other current assets	166,745	169,343	-2,597
Allowance for doubtful accounts	-9,863	-4,268	-5,595
Fixed assets	(1,150,633)	(1,159,641)	(-9,008)
Tangible fixed assets	707,773	707,717	55
Intangible fixed assets	31,742	29,719	2,023
Long-term finance receivables	112,183	105,612	6,571
Investments	120,336	140,252	-19,915
Long-term loans receivable	9,431	9,944	-513
Residual interest on sold receivables	158,459	155,264	3,194
Deferred tax assets	18,876	19,721	-845
Other non-current assets	88,248	85,156	3,092
Allowance for doubtful accounts	-96,417	-93,746	-2,671
Total assets	1,900,505	2,029,035	-128,530
Liabilities, minority interests & shareholders' equity			
Current liabilities	(1,291,513)	(1,567,096)	(-275,583)
Trade notes and accounts payable	302,516	345,212	-42,696
Short-term loans payable	567,134	716,950	-149,816
Non-interest bearing short-term loans payable	24,970	24,555	415
Commercial papers	2,562	106,813	-104,251
Accrued expenses and other payables	160,552	156,350	4,201
Accrued income taxes	2,237	1,771	466
Allowance for warranty claims	37,672	38,403	-730
Other current liabilities	193,866	177,038	16,827
Non-current liabilities	(329,536)	(416,194)	(-86,657)
Bonds	41,304	42,237	-933
Long-term loans payable	122,703	196,624	-73,921
Deferred tax liabilities	19,343	24,751	-5,407
Accrued retirement benefits	106,410	112,520	-6,109
Other non-current liabilities	39,774	40,060	-285
Total liabilities	1,621,050	1,983,291	-362,240
Minority interests	16,088	15,771	316
Shareholders' equity			
Common stock	399,701	252,201	147,500
Capital surplus	175,013	27,513	147,500
Retained earnings	-238,088	-183,410	-54,678
Unrealized gain on securities	12,597	19,917	-7,320
Translation adjustment	-85,853	-86,245	392
Treasury stock	-3	-3	0
Total shareholders' equity	263,366	29,972	233,393
Total liabilities, minority interests & shareholders' equity	1,900,505	2,029,035	-128,530

2. Consolidated statements of income / loss

in millions of yen

	4/1'04-6/30'04	4/1'03-6/30'03	Change	Rate	Reference 4/1'03-3/31'04
Sales	557,603	607,075	-49,471	8.1	2,519,449
Cost of sales	476,571	529,433	-52,862	10.0	2,160,612
Gross profit before provision for unrealized profit on installment sales	81,031	77,641	3,390	4.4	358,837
Provision for unrealized profit on installment sales	2	16	-13		50
Gross profit	81,034	77,658	3,376		358,887
Selling, general and administrative expenses	112,749	119,959	-7,210		455,739
Operating profit / loss	-31,714	-42,301	10,587	-	-96,852
Non-operating income	3,985	5,577	-1,591		25,120
(Interest and dividend income)	(1,758)	(2,318)	(-560)		(13,021)
(Other income)	(2,227)	(3,259)	(-1,031)		(12,099)
Non-operating expenses	11,290	15,340	-4,049		38,563
(Interest expense)	(6,856)	(7,544)	(-688)		(29,335)
(Other expenses)	(4,434)	(7,795)	(-3,361)		(9,228)
Ordinary income / loss	-39,019	-52,064	13,045	-	-110,295
Extraordinary gains	428	59	368		46,537
Extraordinary losses	14,418	714	13,704		13,416
Net income / loss before taxes	-53,009	-52,718	-290	-	-77,173
Income taxes	1,672	-1,610	3,283		137,846
Minority interests	4	28	-24		403
Net income / loss	-54,686	-51,136	-3,549		-215,424

3. Consolidated surplus statements

	4/1'04-6/30'04	4/1'03-3/31'04
Capital surplus		
Capital surplus at beginning of term	27,513	224,481
Increase in capital surplus	147,500	210
(Issuance of common stock)	(147,500)	(-)
(Increase due to de-consolidation)	(-)	(210)
Decrease in capital surplus	-	197,179
(Transfer to retained earnings)	(-)	(197,179)
Capital surplus at end of term	175,013	27,513
Retained earnings		
Retained earnings at beginning of term	-183,410	-155,847
Increase in retained earnings	8	197,307
(Increase due to new consolidation)	(8)	(-)
(Merger of non-consolidated subsidiaries with consolidated subsidiaries)	(-)	(127)
(Transfer from capital surplus)	(-)	(197,179)
Decrease in retained earnings	54,686	224,870
(Net loss for term)	(54,686)	(215,424)
(Decrease due to new consolidation)	(-)	(3,396)
(Decrease due to de-consolidation)	(-)	(6,049)
Retained earnings at end of term	-238,088	-183,410

4. Segment information

(1) Business segment

(in millions of yen)

FY2004 1Q	Automotive	Financial service	Total	Elimination or corporate	Consolidated
Sales and operating profit					
Sales					
(1)External customers	542,229	15,374	557,603	-	557,603
(2)Intersegment & transfers	145	952	807	807	-
Total	542,084	16,327	558,411	807	557,603
Operating expenses	572,554	16,764	589,318	-	589,318
Operating profit or loss	30,469	436	30,906	807	31,714

- Note: 1. Operations are divided by sector and by market
 2. Major products by operation
 (1) Automotive..... Passenger cars
 (2) Financing..... Sales financing

【Reference】

(in millions of yen)

FY2003	Automotive	Financial service	Total	Elimination or corporate	Consolidated
Sales and 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	96,852
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 1Q	Japan	North America	Europe	Asia	Other	Total	Elimination or corporate	Consolidated
Sales & operating profit								
Sales								
(1) External customers	199,397	124,264	176,620	19,632	37,689	557,603	-	557,603
(2) Intersegment & transfers	110,918	1,004	415	25,891	2,097	140,326	140,326	-
Total	310,315	125,269	177,035	45,523	39,786	697,930	140,326	557,603
Operating expense	335,523	144,568	173,721	39,577	41,617	735,007	145,689	589,318
Operating profit or loss	25,207	19,299	3,314	5,946	1,830	37,076	5,362	31,714

- 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

Reference】

(in millions of yen)

FY2003	Japan	North America	Europe	Asia	Other	Total	Elimination 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 expense	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 1Q	North America	Europe	Asia	Other	Total
1. Overseas sales	126,980	173,117	78,705	78,572	457,375
2. Consolidated sales					557,603
3. Overseas sales as a percentage of total sales	22.8%	31.0%	14.1%	14.1%	82.0%

- 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.

【Reference】

(in millions of yen)

FY2003	North America	Europe	Asia	Other	Total
1. Overseas sales	600,770	661,967	304,429	330,974	1,898,141
2. Consolidated sales					2,519,449
3. 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.

5-1. Balance sheets (Assets) (Non-consolidated)

(in millions of yen)

	At 6/30/2004	At 3/31/2004	Change
Assets	1,089,345	1,115,110	- 25,765
Current assets	484,925	503,275	- 18,350
Cash on hand and in bank	50,087	128,857	- 78,770
Notes receivable	1,132	918	214
Accounts receivable	108,463	153,248	- 44,785
Inventories	174,035	161,918	12,117
Short-term loans receivable	106,356	-	106,356
Accounts receivable-other	46,812	54,870	- 8,058
Other current assets	34,508	35,343	- 835
Allowance for doubtful receivables	- 36,472	- 31,881	- 4,591
Fixed assets	604,420	611,834	- 7,414
Tangible fixed assets	(269,450)	(261,873)	(7,577)
Buildings	49,570	49,146	424
Machinery and equipment	60,105	61,135	- 1,030
Land	117,017	117,017	-
Other tangible fixed assets	42,756	34,573	8,183
Intangible fixed assets	(12,352)	(11,793)	(559)
Intangible fixed assets	12,352	11,793	559
Investments	(322,618)	(338,168)	(- 15,550)
Investment securities	48,387	68,221	- 19,834
Investments in subsidiaries	225,668	223,532	2,136
Other investments	52,319	50,167	2,152
Allowance for doubtful receivables	- 3,757	- 3,753	- 4
Total assets	1,089,345	1,115,110	- 25,765

5-2. Balance sheets (Liabilities & stockholders' equity) (Non-consolidated)

(in millions of yen)

	At 6/30/2004	At 3/31/2004	Change
Liabilities	746,199	1,029,228	- 283,029
Current liabilities	503,984	704,692	- 200,708
Notes payable	10,522	10,555	- 33
Accounts payable	211,554	235,598	- 24,044
Short-term loan payable	133,460	194,504	- 61,044
Commercial paper	-	105,100	- 105,100
Other accounts payable	65,353	57,555	7,798
Corporation taxes payable	299	126	173
Warranty claims allowance	26,248	27,142	- 894
Other current liabilities	56,546	74,109	- 17,563
Fixed liabilities	242,215	324,536	- 82,321
Bonds	37,300	38,300	- 1,000
Long-term loans payable	78,863	146,961	- 68,098
Retirement benefit reserve	85,406	91,314	- 5,908
Retirement benefit reserve for directors	769	719	50
Guarantee liability reserve	20,058	20,058	0
Deferred tax liabilities	8,721	13,667	- 4,946
Other accounts payable	11,095	13,515	- 2,420
Stockholders' equity	343,145	85,882	257,263
Common stock	399,701	252,201	147,500
Capital surplus	175,548	28,048	147,500
Capital surplus	175,548	28,048	147,500
Earned surplus	- 243,506	- 213,097	- 30,409
Unappropriated retained earnings at end of half year period	- 243,506	- 213,097	- 30,409
Profit on securities	11,405	18,732	- 7,327
Treasury shares	- 3	- 3	- 0
Total liabilities & stockholders' equity	1,089,345	1,115,110	- 25,765

6. Profit and loss statements (Non-consolidated)

(in millions of yen)

	FY2004 1st quarter (4/1/04 - 6/30/04)	FY2003 1st quarter (4/1/03 - 6/30/03)	Change
Sales	289,492	336,285	- 46,793
Cost of sales	260,994	285,842	- 24,848
<i>Gross profit</i>	28,497	50,442	- 21,945
Selling, general and administrative expenses	47,736	48,559	- 823
<i>Operating profit</i>	- 19,238	1,883	- 21,121
Non-operating income	2,018	2,234	- 216
Interest income	242	411	- 169
Dividends	1,752	1,789	- 37
Other income	23	33	- 10
Non-operating expenses	6,131	9,721	- 3,590
Interest expenses	2,396	2,663	- 267
Loss on foreign exchange	-	6,593	- 6,593
Other expenses	3,734	464	3,270
<i>Ordinary income</i>	- 23,351	- 5,603	- 17,748
Extraordinary gain	944	229	715
Gain on sale of securities	944	-	944
Gain on reversal of allowance for doubtful receivables	-	229	- 229
Extraordinary loss	8,416	377	8,039
Loss on disposal of fixed assets	348	275	73
Loss on sale of fixed assets	-	84	- 84
Loss on stop to the development for the new car	7,943	-	7,943
Other losses	124	17	107
<i>Income before income taxes</i>	- 30,823	- 5,751	- 25,072
Income tax	- 414	- 2,299	1,885
<i>Net income for term</i>	- 30,409	- 3,452	- 26,957
Retained earnings brought forward from previous period	- 213,097	-	- 213,097
<i>Unappropriated retained earnings at end of period</i>	- 243,506	- 3,452	- 240,054

【単独】2004年度第1四半期売上台数 (国内販売・輸出出荷・海外生産用部品出荷)

【Non-consolidated】Unit Sales in 1st Quarter 2004 (Domestic Sales/ Export/ PPC)

(単位 :千台)
(in '000 Units)

			04年度第1四半期 1st Quarter 2004	03年度第1四半期 1st Quarter 2003	増減 Change
車両 Vehicles	国内 Domestic Sales	普通・小型乗用車 Passenger Cars	15	32	17
		軽自動車 Minicars	43	51	8
		計 Total	58	83	25
	輸出 Export	北米 North America	11	20	9
		欧州 Europe	31	22	9
		大洋州 Oceania	8	12	4
		アジア・アセアン Asia/ ASEAN	20	15	5
		中東・アフリカ Middle East/ Africa	18	9	9
		中南米 他 Central and South Africa	6	5	1
		計 Total	94	83	11
		合計 (1) Total (1)	152	166	14
海外生産用部品 PPC	輸出 Export	北米 North America	28	41	13
		オランダ Netherlands	7	17	10
		イタリア Italy	1	2	1
		オーストラリア Australia	6	9	3
		タイ Thailand	30	25	5
		インドネシア Indonesia	11	10	1
		フィリピン Philippines	3	1	2
		マレーシア Malaysia	46	44	2
		中国 China	6	10	4
		台湾 Taiwan	57	54	3
		その他 Others	8	7	1
		合計 (2) Total (2)	203	220	17
	総合計 (1)+(2) Grand Total (1)+(2)	355	386	31	

* PPC: Production Parts & Components