

# Consolidated financial results for FY2002

26 May 2003

Mitsubishi Motors Corporation

Listed on: Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo stock exchanges

Code No: 7211

Head office: Tokyo

URL <http://www.mitsubishi-motors.co.jp>

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

United States accounting standards applied: No

## 1. Financial highlights (1 April 2002 through 31 March 2003)

### (1) Consolidated financial results

	Sales		Operating Income		Ordinary Income	
	Million yen	%	Million yen	%	Million yen	%
FY2002	3,884,874	21.4	82,761	105.7	54,344	358.1
FY2001	3,200,699	-2.3	40,227	—	11,863	—

	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	%	%	%
FY2002	37,361	231.9	25.35	23.43	13.6	2.0	1.4
FY2001	11,256	—	7.66	7.42	4.3	0.4	0.4

Note 1: Gain in equity investment in affiliates accounted for by equity method:

FY2002 ¥2,373 million

FY2001 ¥4,352 million

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

FY2002 1,473,719,843

FY2001 1,470,163,352

Note 3: There have been changes in accounting policy since the last closing.

Note 4: Sales, operating income and ordinary income percentages indicate changes over previous fiscal year.

### (2) Consolidated financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	Million yen	Million yen	%	Yen
FY2002	2,425,352	280,294	11.6	188.95
FY2001	2,894,560	270,663	9.4	184.10

Note 1: Number of shares issued and outstanding at year-end (consolidated)

FY2002 1,483,434,189

FY2001 1,470,163,263

### (3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Ending cash & cash equivalents
	Million Yen	Million Yen	Million Yen	Million Yen
FY2002	17,596	17,546	-32,042	84,544
FY2001	91,982	-4,882	-112,643	95,189

### (4) Scope of consolidation and equity method

Consolidated subsidiaries: 124 Equity method subsidiaries: — Equity method affiliates: 25

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

Consolidation: Included 10 Excluded 68 Equity method: Included 1 Excluded 8

## 2. FY2003 financial results forecast

	Sales	Ordinary income	Net income
	Million Yen	Million Yen	Million Yen
Half year	1,420,000	15,000	10,000
Full term	2,900,000	65,000	40,000

FYI: Forecast net income per share for full term: ¥26.96

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 MMC group of companies

The Mitsubishi Motors Corporation group of companies comprises 124 subsidiaries, 25 affiliates and two other associates (as at 31 March 2003).

MMC spun-off its truck and bus operations and formed the Mitsubishi Fuso Truck and Bus Corporation, a fully-owned subsidiary, on 1 January 2003. Mitsubishi Fuso Truck and Bus Corporation became an equity method company of the MMC group on 14 March 2003 when MMC sold 58% of its shareholding.

The MMC group is engaged in the development, production and sales of cars and parts for those cars. MMC is responsible for most of the development work.

In Japan, Mitsubishi regular and small passenger cars and minicars are produced by MMC, with some recreation vehicle models (the Pajero, among others) also being produced by the Pajero Manufacturing Co., Ltd. These automobiles are sold in Japan by Tokyo Mitsubishi Motor Sales Co. and other Mitsubishi Motors sales companies.

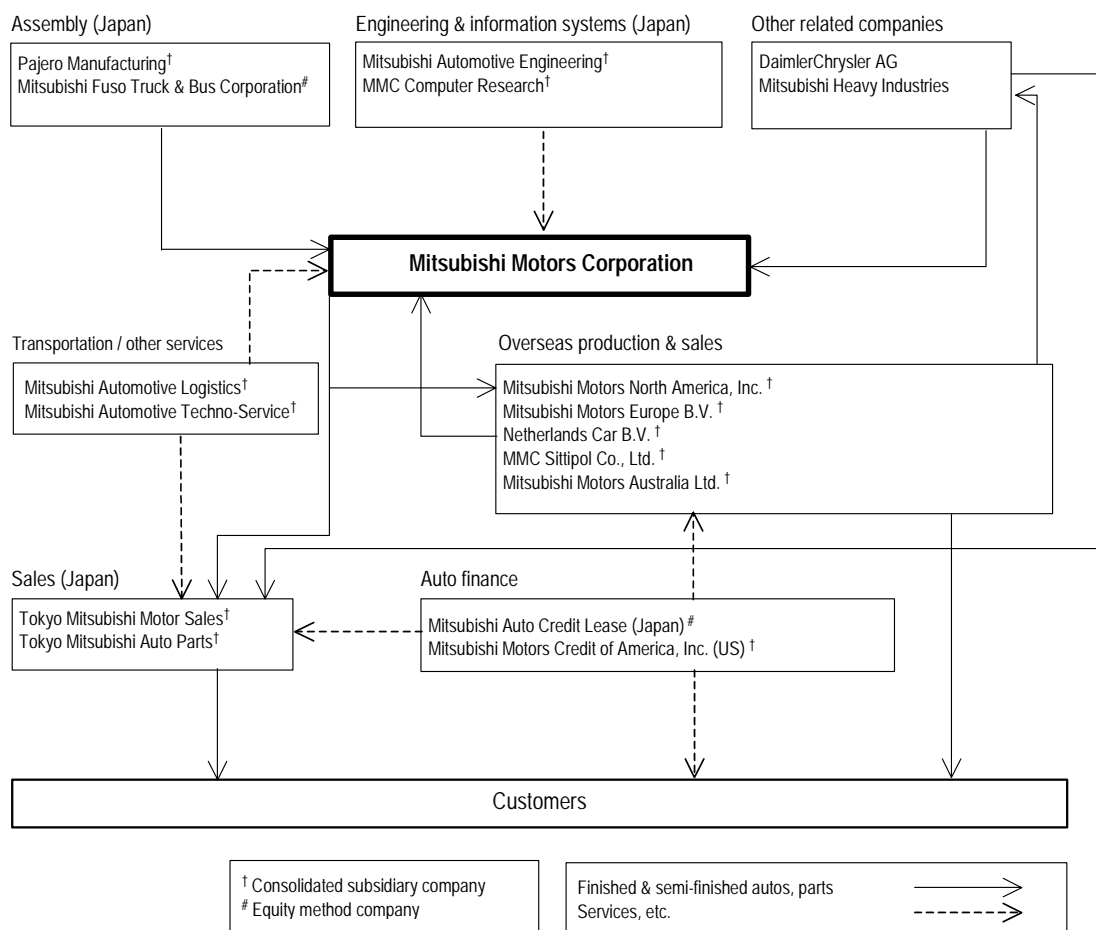
Mitsubishi Automotive Engineering Co., Ltd. undertakes some of the development of MMC automotive products, Mitsubishi Automotive Logistics Co., Ltd. undertakes the transport of Mitsubishi auto products in Japan, and Mitsubishi Automotive Techno-Service Co., Ltd. is responsible for inspection and servicing of certain new Mitsubishi vehicles.

Replacement and accessory parts for the Japanese market are manufactured by MMC and are sold by the abovementioned sales companies, by Tokyo Mitsubishi Automotive Parts Sales Co., Ltd. and other parts sales 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 MMC Sittipol Co., Ltd. (Thailand) are two of the many facilities that produce and sell Mitsubishi vehicles in local markets in other regions around the world.

Auto lease 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 following diagram:



### Significant changes in group of affiliated companies by spin-off Truck and Bus operations

Addition (Equity method Company) : (newly established) Mitsubishi Fuso Truck and Bus Corporation

Reductions (Consolidated subsidiary company) : (exclusion) 41 companies, including Mitsubishi Automotive Bus Manufacturing, PABCO, Mitsubishi Automotive Techno-Metal, and Tokyo Mitsubishi Fuso Sales, ..

Note: Sales income for Mitsubishi Fuso Truck and Bus Corporation and the other companies listed above is fully consolidated in the statements of income March 2003 .

## II Management policy

### 1. Basic management policy

MMC newly creates our Company Vision as follows:

"We anticipate the automotive lifestyle of a new generation, based on:

- Concept leadership & driving fun
- Japanese craftsmanship, engineering & design
- Environment technologies."

Under this vision, MMC promises to carry out following missions for the benefits of customers, society, investors and employees.

- Deliver exciting vehicles and heartfelt services to delight our customers based on future trends
- Feature highly profitable business systems with presence in key markets
- Establish a globally distinctive "Mitsubishi Motors" brand
- Achieve highest quality across whole value chain
- Support social & environmental progress by good corporate citizenship

### 2. Our policy on dividends

Our company considers that providing appropriate dividend payment to our shareholders is an important management objective.

Our company set maintaining stable dividend payments to shareholders as our first principle, however, we need to secure sufficient retained earnings for preparing future financial needs for our development. This is because demand for cash is supposed to be greater than before in current auto industry where requires stronger sales competitiveness in global market and the developments of environmentally friendly technologies.

### 3. Stock options

Our company started stock options system in 2002 with the aim of implementing the Turnaround Plan and further enhancing the morale of directors, executive officers and employees of MMC and its subsidiaries, and their desire to improve MMC's consolidated results and also further accelerating the management with emphasis on shareholders.

### 4. Mid-and long-term management strategy

Our company is currently on the way of implementation of the Turnaround Plan. Our company is a strategic alliance partner with DaimlerChrysler(DC) group and the synergy effects by this alliance are expected to help more drastic business turnaround of our company.

DC and our company will collaborate each other especially in the area where mutual benefits are expected. The Alliance relationship will help to focus our resources on our core business and technology developments that are vital for our company's further development.

## 5. Issues to be addressed

Our company has achieved our profit target in FY 2002 as the second year of our Turnaround Plan. We will work harder to accomplish goals of Turnaround Plan. The followings are our major issues to be solved.

### a. Products

- To introduce high standard products for our customers at appropriate timing
- Maintenance to produce high-quality vehicles by new quality management system; Quality Gate System.
- To reduce our current platforms and to promote co-sharing platforms with DC
- To improve MMC product qualities in terms of environmental friendliness; fuel efficiency, lower emission and recycling.
- Ensuring the success of the new model "Grandis" launched in May.

### b. Sales organization

- To realize the highest quality of customer service leveraged by re-construction of sales organization in Japan and Europe, and by dealer companies which more closely tied with our company.

### c. Management efficiencies

- Bringing forward to fiscal 2002 the achievement of the following targets originally planned for 2003: 15% reduction in material costs; 14% reduction in headcount (9,500 persons); and a greater than 20% streamlining of production capacity.
- To clarify business focus on our core business by utilizing outsourced business forces in non-core operations.
- To enhance efficient business operations, information sharing about customer and management, internal communication, and supply chain management (CSM) by establishing IT infrastructure.
- To launch our business in new market; Canada, Mexico, and other counties, utilizing DC alliance.

## 6. Basic concept about corporate governance

- a Our basic concept of corporate governance is to ensure constant improvement of management system for translating our corporate philosophy into reality, such as pursuit for sound profitability, substantial management audit, increased speed of decision making, pursuit for our own originality, and development of employees with strong characteristics.
- b We intend to determine whether to change our company system to the one with committees or not, after careful evaluation of existing system. Currently, three among ten Board Members are "outside"( non- executive ) Board Members, and two among four Statutory Auditors are "outside" Auditors. In order for us to make the decision on changing our management system/structure, thorough discussion among us and with "outside" Board Members will be necessary.

Besides, led by our Internal Audit Team established in June 2002, we have been engaged in compliance and efficiency improvement.

- c Dr. Manfred Bischoff, our "outside" Board Member, is a Management Board Member of DaimlerChrysler AG, MMC's major shareholder.

Mr. Takashi Nishioka, our "outside" Board Member, is President of Mitsubishi Heavy Industries, Ltd.(MHI), MMC's major shareholder as well as a major business partner.

Mr. Motoo Makita, our "outside" Statutory Auditor, is Managing Director of MHI.

Mr. Mikio Sasaki, our "outside" Board Member, is President & CEO of Mitsubishi Corporation, a major business partner of MMC.

Mr. Shigemitsu Miki, our "outside" Statutory Auditor, is President & CEO of Mitsubishi Tokyo Financial Group, and concurrently is President of Bank of Tokyo-Mitsubishi, MMC's major financial bank.

Transactions with each of the above companies are routine business, in which our "outside" Board Members and Statutory Auditors do not have any direct interest.

### III Consolidated results and financial position

#### 1. Consolidated results

##### Overview of consolidated results in fiscal 2002

Fiscal 2002 saw a further slow down in the United States economy and there was much concern about the wide-ranging impact the heightened tensions in the international situation would have on the global economy.

The Japanese economy, meanwhile, continued to struggle against a deflationary keynote, with stock prices pegged down at depressed levels and the problem of the burden on financial institutions of non-performing loans. This was compounded by depressed levels of personal spending following the increasing number of companies going bankrupt.

The Japanese automotive industry in fiscal 2002 saw total vehicle sales of 5,860,000 units, an increase of 1% over fiscal 2001. Sales of domestically produced vehicles were 5,580,000 units, 1% up on fiscal 2001. Sales of imported vehicles were 280,000 units, 3% up. Japan's auto makers shipped 4,800,000 vehicles in fiscal 2002, 13% up on the previous year and due mainly to increased sales in Asian markets.

MMC completed Year 2 of its Turnaround Plan in this market environment. Over the course of Turnaround, the company has worked: to strengthen the MMC brand; to bolster the product lineup; to reduce costs; to focus its resources more effectively on its core business by, among others, spinning off its truck and bus operations; and, to optimize all work processes. MMC is taking preparatory steps to further consolidate its operating base and make significant advances in the near future.

Starting this fiscal year, MMC's consolidated overseas subsidiaries changed their book closing date from December 31 to March 31 to synchronize with the parent company's fiscal year. As a result, MMC's consolidated financial statements for FY2002 reflect the last 15 months of figures for its overseas consolidated subsidiaries. This accounting change brings a one-time increase in overall net sales of approximately JPY 433.4 billion. The difficult market environment in North America over the first quarter of calendar 2003 (January to March) has, however, impacted profits: Operating profit by JPY 10 billion, ordinary income by JPY 13.1 billion and net income by JPY 6.5 billion.

For fiscal 2002, the Company reports consolidated sales of JPY 3,884.9 billion, an increase of 8% over fiscal 2001 after subtracting the JPY 433.4 billion increase due to the abovementioned change in consolidated reporting.

MMC met its operating profit target for fiscal 2002. The company earned an operating profit of JPY 82.8 billion, ordinary income of JPY 54.3 billion and net income of JPY 37.4 billion. These greatly improved figures are the result of far-reaching reforms implemented under the Mitsubishi Motors Turnaround Plan for the purpose of returning the company to sustainable profitability.

## Segment information

### By business

Sales from the automotive business for fiscal 2002 were JPY 3,809.8 billion, producing an operating profit of JPY 124.4 billion.

Revenues from financial services business were JPY 78.1 billion, producing an operating loss of JPY 40.1 billion.

### By geographical region

Sales in Japan were JPY2,354.2 billion, a increase of JPY 155.4 billion over fiscal 2001 and the result of increased export sales. Operating profit was JPY 46.3 billion, an improvement of JPY 23.5 billion.

Sales in North America were JPY 1,205 billion, an increase of JPY 308.4 billion over fiscal 2001 and the result of increased sales volume. Operating profit stood at JPY 33.8 billion, a decrease of JPY11.8 billion.

Sales in Europe were JPY 761.8 billion, an increase of JPY 218.7 billion over fiscal 2001 and the result of a favorable turn in exchange rates. Operating loss was JPY 10.5 billion, an improvement of JPY 7.4 billion.

Sales in Asia were JPY 238.7 billion, an increase of JPY 81 billion over fiscal 2001. Operating profit was JPY 12.0 billion, an increase of JPY 11.5 billion.

Sales in other regions were JPY 297.4 billion, an increase of JPY 69 billion over fiscal 2001. Operating profit was JPY 6.1 billion, an increase of JPY 8.4 billion.

### Dividend payment

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

## 2. Financial position

Net cash provided by operating activities in fiscal 2002 was JPY17.6 billion. This results from an increase in pre-tax net income and depreciation expenses, and is despite an increase in sales financing receivables, which from fiscal 2002, have been switched from investment activities to be included in operating activities.

Net cash used on the acquisition and disposal of tangible fixed assets in investment activities was JPY17.5 billion. The sale of investment securities and the transfer of business accompanying the spin off of truck and bus operations offset expenditure on the acquisition of tangible fixed assets.

Net cash used in financing activities was JPY32.0 billion as a result of outlays for repayment of loans and redemption of bonds. The year-end balance of cash and cash equivalents was JPY84.5 billion, a decrease of JPY10.6 billion on fiscal 2001.

### 3. Trends in cash flow indices

	Year-end fiscal 1999	Year-end fiscal 2000	Year-end fiscal 2001	Year-end fiscal 2002
Ratio of shareholders' equity(%)	12.5	8.6	9.4	11.6
Ratio of shareholders' equity at market value(%)	13.6	17.1	16.8	16.7
Debt redemption term (years)	6.8	10.4	14.2	57.3 *7.7
Interest coverage ratio	4.7	3.6	2.8	0.5 *3.8

*Note: Starting in fiscal 2002, changes in sales finance receivables for North America are now included in the Operating cash flow. The indices above are calculated according to classifications used before fiscal 2002.*

#### Definitions:

Ratio of shareholders' equity:	Shareholders' equity divided by total assets
Ratio of shareholders' equity at market value	Market value of stock divided by total assets
Debt redemption term (years):	Interest-bearing liabilities divided by operating cash flow
Interest coverage ratio:	Operating cash flow divided by interest payments

#### Notes

1. The indices are computed from data in the consolidated statements.
2. The total market value of stock is computed by multiplying the stock closing price at book closing by the number of issued shares (treasury stock excluded).
3. Operating cash flow refers to the Cash flow by operating activities in the Consolidated Statements of Cash Flows. Interest-bearing liabilities, refers to all liabilities stated in the Consolidated Balance Sheet on which interest is paid. Interest payments refers to the sum of interest payments as recorded in the Consolidated Statement of Cash Flows.

#### 4. Consolidated forecast FY2003

Prospects for the global economy remain obscure in view of concerns about the U.S. economy. In Japan, personal consumption is expected to remain sluggish, making a further intensification in market competition unavoidable. Accordingly, MMC expects the business environment in which its operates to become increasingly severe.

While these and other factors make accurate forecasting difficult, the Company offers the following forecast for its consolidated operations in fiscal 2002, based on data and information currently available.

millions of yen

	2003FY Consolidated	2003FY Non-consolidated
Sales	2,900,000	1,570,000
Ordinary income	65,000	30,000
Net income	40,000	10,000

## Consolidated financial statements

### 1. Consolidated statements of income (1 April 2002 – 31 March 2003)

Millions of Yen

	4/1/02 -3/31/03	4/1/01 -3/31/02	change
Sales .....	3,884,874	3,200,699	684,175
Cost of sales .....	3,162,011	2,639,181	522,830
Gross profit before provision for unrealized profit on installment sales .....	722,862	561,517	161,345
Provision for unrealized profit on installment sales .....	167	233	- 66
<b>Gross profit</b> .....	723,029	561,751	161,278
Selling, general and administrative expenses .....	640,268	521,523	118,745
<b>Operating income</b> .....	82,761	40,227	42,534
Non-operating income .....	19,193	20,518	- 1,325
(Interest and dividends income) .....	(10,155)	(10,767)	(- 612)
(Other income) .....	(9,037)	(9,750)	(- 713)
Non-operating expenses .....	47,611	48,882	- 1,271
(Interest expenses) .....	(36,710)	(32,609)	(4,101)
(Other expenses) .....	(10,900)	(16,273)	(- 5,373)
<b>Ordinary income</b> .....	54,344	11,863	42,481
Extraordinary gain .....	29,653	9,577	20,076
Extraordinary loss .....	41,791	53,316	-11,525
<b>Income before taxes</b> .....	42,206	- 31,875	74,081
Income taxes .....	3,045	- 42,654	45,699
Minority interests .....	* * 1,798	* 477	- 2,275
<b>Net income</b> .....	37,361	11,256	26,105

Note: \* indicates an addition; \* \* indicates a subtraction

### 2. Consolidated statements of retained earnings

Millions of Yen

	4/1/02 -3/31/03	4/1/01 -3/31/02	Change
Capital surplus at start of year .....	220,816	220,816	—
Increase in capital surplus .....	3,664	—	3,664
(Due to issue of new shares following share exchange) .....	(3,664)	(—)	(3,664)
Capital surplus at end of year .....	224,481	220,816	3,665
Retained earnings at start of year .....	- 188,756	- 200,304	11,548
Increase in retained earnings .....	37,400	11,548	25,852
(Net income for year) .....	(37,361)	(11,256)	(26,105)
(Exclusion of equity method affiliate income) .....	(—)	(292)	(-292)
(Loss due to inclusion of new consolidated subsidiary) .....	(38)	(—)	(38)
Due to increase in subsidiaries .....	4,490	—	4,490
(Decrease due to revision of past equity method surplus) .....	(4,490)	(—)	(4,490)
Retained earnings at end of year .....	- 155,847	- 188,756	32,909

## 3. Consolidated balance sheet

Millions of Yen

Assets	At 3/31/03	At3/31/02	Change
<b>Current Assets</b> .....	(960 717)	(1 098 991)	(-138 274)
Cash on hand and in banks .....	81,728	90,269	- 8,541
Notes and accounts receivable .....	208,150	347,852	- 139,702
Sales finance receivables .....	34,257	—	34,257
Marketable securities .....	3,737	6,187	- 2,450
Inventories .....	272,682	304,418	- 31,736
Short-term loans receivable .....	6,708	26,026	- 19,318
Deferred tax assets .....	54,955	71,692	- 16,737
Other current assets .....	316,913	265,299	51,614
Allowance for doubtful accounts .....	- 18,416	- 12,754	- 5,662
<b>Fixed Assets</b> .....	(1,464,635)	(1,795,569)	(- 330,934)
Tangible fixed assets .....	832,371	1,219,469	- 387,098
Intangible fixed assets .....	42,409	11,506	30,903
Long-term sales finance receivables .....	87,385	—	87,385
Investment securities .....	208,242	150,241	58,001
Long-term loans receivable .....	1,258	80,959	- 79,701
Deferred tax assets .....	77,644	91,913	- 14,269
Investments and other non-current assets .....	261,513	259,551	1,962
Allowance for doubtful accounts .....	- 46,190	- 18,072	- 28,118
<i>Total assets</i>	2,425,352	2,894,560	- 469,208
<b>Liabilities &amp; shareholders' equity</b>			
<b>Current liabilities</b> .....	(1,645,671)	(2,056,643)	(- 410,972)
Notes and accounts payable .....	411,018	497,524	- 86,506
Short-term loans payable .....	739,712	1,015,070	- 275,358
Interest-free short-term loans payable .....	14,433	14,803	- 370
Other accounts payable and accrued expenses .....	165,057	230,176	- 65,119
Income taxes payable .....	3,042	5,287	- 2,245
Warranty claims allowance .....	37,476	27,945	9,531
Other current liabilities .....	274,930	265,836	9,094
<b>Fixed liabilities</b> .....	(482,010)	(551,115)	(- 69,105)
Bonds .....	98,690	112,699	- 14,009
Long-term loans payable .....	170,217	176,822	- 6,605
Interest free loans .....	24,736	40,709	- 15,973
Accrued severance benefit reserve .....	119,778	176,558	- 56,780
Deferred tax liabilities .....	10,532	17,184	- 6,652
Other fixed liabilities .....	58,055	27,140	30,915
<i>Total liabilities</i>	2,127,681	2,607,759	- 480,078
<b>Minority interests</b> .....	17,376	16,138	1,238
<b>Shareholders' equity</b>			
Common stock .....	252,201	252,201	—
Capital surplus .....	224,481	220,816	3,665
Retained earnings .....	- 155,847	- 188,756	32,909
Unrealized gain on securities .....	33,854	34,830	- 976
Translation adjustment .....	- 74,394	- 48,428	- 25,966
Treasury stock .....	- 1	- 0	- 1
<i>Total shareholders' equity</i>	280,294	270,663	9,631
<i>Total liabilities, minority interests &amp; shareholders' equity</i>	2,425,352	2,894,560	- 469,208

## 4. Consolidated statements of cash flows

Millions of Yen

	4/1/02-3/31/03	4/1/01-3/31/02	Change
<b>Cash flows from operating activities</b>			
Net loss before income taxes .....	42,206	- 31,875	74,081
Depreciation .....	193,265	146,537	46,728
Amortization of goodwill .....	- 878	28,381	- 29,259
Change in allowance for doubtful accounts .....	50,709	- 5,184	55,893
Change in reserve for retirement benefits .....	8,321	- 24,888	33,209
Interest and dividends income .....	- 10,155	- 10,767	612
Interest expenses .....	36,710	32,609	4,101
Foreign exchange gain .....	241	1,404	- 1,163
Equity in earnings of affiliates .....	- 2,373	- 4,352	1,979
Loss on sale and disposal of tangible assets .....	3,358	- 187	3,545
Loss on sale of investment securities .....	- 20,624	- 3,998	- 16,626
Appraisal loss on investment in securities .....	10,401	1,377	9,024
Loss on exchange of shares .....	- 1,399	—	- 1,399
Change in trade receivables .....	- 23,725	107,132	- 130,857
Change in inventory assets .....	- 44,595	65,361	- 109,956
Change in sales finance receivables .....	- 114,009	—	- 114,009
Change in sale of receivables reserve .....	- 89,891	—	- 89,891
Change in trade payable .....	59,563	- 162,793	222,356
Other .....	- 44,000	- 12,611	- 31,389
<i>Sub Total</i>	<i>53,123</i>	<i>126,144</i>	<i>- 73,021</i>
Interest and dividends received .....	6,430	10,381	- 3,951
Interest paid .....	- 34,289	- 32,816	- 1,473
Income tax paid .....	- 7,668	- 11,726	4,058
<i>Cash flows from operating activities</i>	<i>17,596</i>	<i>91,982</i>	<i>- 74,386</i>
<b>Cash flows from investing activities</b>			
Change in term deposits .....	14	633	- 619
Change in marketable securities .....	- 189	—	- 189
Acquisition of securities .....	—	- 259	259
Sale of securities .....	—	75	- 75
Acquisition of tangible fixed assets .....	- 188,935	- 155,840	- 33,095
Disposition of tangible fixed assets .....	123,013	124,899	- 1,886
Acquisition of investment securities .....	- 2,546	- 2,640	94
Sale of investment securities .....	20,703	10,439	10,264
Acquisition of subsidiaries accompanying changes in scope of consolidation .....	—	- 3,558	3,558
Share transfer on spin off of truck and bus operations .....	59,257	—	59,257
Loans made .....	- 2,876	- 795,174	792,298
Loans recovered .....	3,877	821,927	- 818,050
Purchase of minority interest equity .....	- 1,993	—	- 1,993
Others .....	7,221	- 5,384	12,605
<i>Cash flows from investing activities</i>	<i>17,546</i>	<i>- 4,882</i>	<i>22,428</i>
<b>Cash flows from financing activities</b>			
Change in short-term borrowings and commercial paper .....	89,601	137,871	- 48,270
Long-term loans made .....	95,599	44,076	51,523
Repayment of long-term borrowings .....	- 124,626	- 113,190	- 11,436
Issuance of bonds .....	97,656	182,423	- 84,767
Redemption of bonds .....	- 187,870	- 363,579	175,709
Others .....	- 2,402	- 245	- 2,157
<i>Cash flows from financing activities</i>	<i>- 32,042</i>	<i>- 112,643</i>	<i>80,601</i>
Effect of exchange rate changes on cash and cash equivalents .....	- 14,263	4,870	- 19,133
Net decrease in cash and cash equivalents .....	- 11,162	- 20,673	9,511
Cash and cash equivalents at beginning of year .....	95,189	115,863	- 20,674
Change in cash and cash equivalents due to changes in scope of consolidation .....	517	—	517
Cash and cash equivalents at end of year .....	84,544	95,189	- 10,645

## Significant matters in the compilation of consolidated financial statements

### Scope of consolidation

The consolidated financial statements include the accounts of Mitsubishi Motors Corporation and 124 of its subsidiaries, of which 66 are located in Japan and 58 outside Japan.

Consolidated subsidiaries: 124 companies

Subsidiaries located in Japan: 66 companies

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

Subsidiaries located outside Japan: 58 companies

- Mitsubishi Motors North America, Inc. ( )
  - Mitsubishi Motors Europe B.V.
  - Mitsubishi Motors Australia Ltd. and others.
- ( ) Formed in early 2003, Mitsubishi Motors North America, Inc. merges together MMC's former sales, manufacturing, finance, and research and development operations in North America into a new single organization.

Included for this closing: 10 companies

(Newly established)

- MMCA Automotive Receivables Trust II and other 6 companies

(Transferred from equity method applied)

- Mizushima Industries Co.,Ltd. and other 2 companies

Excluded for this closing: 68 companies

(Merger)

- Mitsubishi Motor Manufacturing of America Inc. and other 24 companies

(Sales of stock)

- Hokushin Mitsubishi Motors Sales Co., Ltd.

(Spin-off Truck and Bus operation)

- Tokyo Mitsubishi Fuso Motors Sales Co., Ltd. and other 36 companies

(Liquidated)

- Mitsubishi Motors Used Car Sales Co.,Ltd. and other 4 companies

### Application of equity method

Affiliated: 25 companies

- Mitsubishi Auto Credit-Lease Corporation
- P.T. Mitsubishi Krama Yudha Motors and Manufacturing and others

Included for this closing: 1 company

(Newly established)

- Mitsubishi Fuso Truck and Bus Corporation

Excluded for this closing: 8 companies, including:

(Sales of stock)

- Namba Press Works Co., Ltd.

(Spin-off Truck and Bus operation)

- Hakodate Mitsubishi Fuso Motors Sales Co., Ltd. and other 3 companies

(Transferred to consolidated companies)

- Mizushima Industries Co.,Ltd. and other 2 companies

### Significant accounting policies

1. Accounting standard for valuation of major assets

- (1) Marketable securities
  - Held-to-maturity bonds..... At cost using the moving-average method
  - Other marketable securities
    - With market value..... At market, based on market value on date of book-closing. (Net unrealized gain/loss booked directly to Shareholders' equity. Selling cost is computed by the moving-average method.)
    - Without market value..... At cost by the moving-average method
- (2) Derivative instruments ..... Valued at market (specially booked Interest Swaps excluded)
- (3) Inventories: basis and method of valuation
  - For companies presenting consolidated financial statements and consolidated subsidiaries in Japan ..... Primarily on first-in first-out basis.
  - Overseas consolidated subsidiaries ..... Cost or market, whichever is lower, using identified cost method
2. Depreciation of fixed assets
  - (1) Tangible fixed assets
    - For companies presenting consolidated financial statements and consolidated subsidiaries in Japan ..... Declining balance method. Buildings (excluding fixtures and attached facilities) acquired after 1 April 1998 are computed by the straight-line method.
    - Overseas consolidated subsidiaries ..... Straight line method
    - Overseas consolidated subsidiaries .....
  - (2) Intangible fixed assets
    - For companies presenting consolidated financial statements and consolidated subsidiaries in Japan..... Straight line method
    - Overseas consolidated subsidiaries..... Straight line method
3. Allowances: accounting standards
  - (1) Doubtful accounts
    - Providing against possible losses arising from accounts and loans receivable, a doubtful account allowance is included in the Balance Sheet calculated on the basis of historical data for general claims, and on the basis of individual estimates of specific claims thought to be uncollectible.
  - (2) Warranty claims
    - Providing against future after-sales service costs and expenses, a warranty claims allowance is included in the Balance sheet calculated on the basis of past experience in line with warranty terms.
  - (3) Accrued severance indemnities
    - Accrued retirement benefits for employees at March 31 2003 have been provided mainly at an amount calculated from the retirement benefit obligation and the fair value of the pension plan assets. The full amount of the transition difference arising from the adoption of the new accounting standard for retirement benefits was charged to expenses in the first year the new accounting standard was adopted.
    - Prior service cost is being amortized by the straight-line method over a 10-year period that is within the estimated average remaining service years of the employees.
    - Actuarial 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.
    - Directors and auditor severance benefits are provided at the amount estimated necessary at book-closing based on the internal regulations of the Company.
4. Accounting standard for foreign currency transactions

Foreign currency cash claims and obligations are translated into yen at the exchange rate on the day of book-closing; translation differences are stated as gains or losses. Foreign currency assets and liabilities of overseas consolidated subsidiaries are translated into yen at the exchange rate on the day of book-closing, and the foreign currency revenues and expenses of these companies are translated into yen at the average exchange rate for the period. Differences are booked as Translation Adjustments in the "Stockholders' equity and Minority interests" section of Balance Sheet.

5. Lease transactions

For companies presenting consolidated financial statements and consolidated subsidiaries in Japan, finance leases, excluding leases in which ownership is recognized to have transferred to the lessee, are booked in accordance with normal lease accounting procedures. For overseas consolidated subsidiaries, finance leases are booked in accordance with normal lease accounting procedures.

6. Major hedge accounting basis

(1) Forward exchange contracts

Scheduled transactions are booked using deferral accounting.

(2) Interest swaps

Booked using deferral accounting or specially booked as provided for in the Accounting Standard for Financial Products.

7. Other significant accounting standards

(1) Consumption tax

Consumption tax and regional consumption taxes are booked using the tax-exclusion method.

(2) Installment sales profit

A number of consolidated subsidiaries employ the installment receivables standard

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.

Changes in accounting policy

Accounting procedure for lease transactions between North American subsidiaries

In the past, the Company used to offset by elimination subsidy of expenses supporting unearned income booked by the receiving company in lease subsidy transactions between certain of its North American subsidiaries. From January 1 2003, the Company ceased the offset by elimination of such unearned income. The Company made this change in order to value Balance Sheet lease assets more strictly. This change in procedure has produced a decrease of JPY 237 million in operating profit and ordinary income, and a decrease of JPY11,389 million in pre-tax adjusted net profit for the year. Assets and liabilities have decreased by JPY 11,041 million and JPY 4,195 million respectively.

Synchronization of fiscal year closing date at overseas consolidated subsidiaries

In the past, for consolidated subsidiaries with a book closing date other than the MMC consolidated closing of 31 March, MMC has prepared its consolidated financial statements using the financial statements for the business year of those companies, all of which used a 31 December closing date, because the difference in closing dates did not exceed three months, making the necessary adjustment in cases where a significant issue arose in the time between the respective closing dates. From fiscal 2002, in order to increase transparency and improve the quality of the information disclosed in its consolidated financial statements, the Company has changed the final day of the accounting year of the subsidiaries concerned to 31 March to and brought them in line with the parent company's accounting year.

With the introduction of this change, 12 consolidated subsidiaries including Mitsubishi Motors Australia, Ltd. have changed their closing date to 31 March, while another 50 consolidated subsidiaries including Mitsubishi Motors North America Inc., have made a provisional closing on 31 March and their results have been

included in the consolidated financial statements.

This change in the closing date means that the results reported in the consolidated financial statements for 62 overseas subsidiaries cover the 15-month period from 1 January 2002 to 31 March 2003. The change has increased reported consolidated sales by JPY 433,364 million, and reduced reported operating profit, ordinary income, pre-tax adjusted net income and net income by JPY 10,030 million, JPY 13,123 million, JPY 24,920 million and JPY 6,486 million respectively.

## Changes in presentation of consolidated financial statements

### Consolidated balance sheet

#### Sales finance receivables

The Company has decided to present the Sales finance receivables included in Short-term loans and Long-term loans stated in the consolidated balance sheet for fiscal 2001 as separate items because of their growing relative importance. The Short-term sales finance receivables and Long-term sales finance receivables included in Short-term loans and Long-term loans in fiscal 2001 were JPY 21,165 million and JPY 59,637 million respectively.

### Consolidated statements of cash flows

#### Change in reserve for sale of receivables

The Change in reserve for sale of receivables were included under Other in the fiscal 2001 Operating activities cash flow statement. The Company has decided to state Change in reserve for sales of receivables as a separate item in the Consolidated statements of cash flows from fiscal 2002.

## Supplementary information

### (1) Consolidated statements of cash flows

#### Change in sales finance receivables

In the past, the execution and recovery of loans made in connection with sales finance have been included under Expenditure on loans and Income from loan recovery reported in the Investment activities cash flows. Because the subsidiary in question has changed the use of these loans from investment to sales purposes, these items are now included in Operating activities cash flow. For this reason, Change in sales finance receivables is included under Operating activities in the Consolidated statements of cash flows for fiscal 2002 .

As a result of this change, Operating activities cash flow has decreased by JPY 114,009 million and Investing activities cash flow has increased by JPY 15,208 million when compared on the same basis with fiscal 2001.

### (2) Following a revision of the Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements for consolidated statements, the Stockholders' equity in the Balance Sheet for the period have been prepared in accordance with the revised regulations.

The presentation of figures for Last Interim Period and Last FY has also been changed in accordance with the revised regulations.

## Notes to financial statements

(JPY million)

### 1. Consolidated balance sheet

(1)	Accumulated depreciation of tangible fixed assets .....		1,280,828
(2)	Secured assets		
	Notes receivable .....		99,723
	Investment securities .....		23,396
	Machinery and equipment .....		116,888
	Land .....		18,090
	Other .....		33,297
	Secured liabilities		
	Short-term receivables .....		99,224
	Long-term receivables .....		29,022
(3)	Guarantee liabilities		
	Guarantee liabilities .....		9,691
	Guarantee liabilities .....		5,171
(4)	Discounted notes .....		112
(5)	Balance after liquidization of liabilities		
	Notes and accounts receivable .....		31,839
	Lending to subsidiaries .....		935,660
(6)	FY2002 Interim book-closing balance for "Other fixed liabilities" includes a ¥2,293 adjustment owing to the fact that these investments do not match the capital provision for this item.		

### 2. Consolidated statements of income

(1)	Extraordinary gains		
	Gain on sale of fixed assets .....		3,526
	Gain on exchange of investment securities .....		14,366
	Gain on sale of subsidiary shares .....		6,569
	Reversal of loss for structural reforms .....		2,575
	Other gains .....		2,615
(2)	Extraordinary losses		
	Losses on disposal of fixed assets .....		6,885
	Valuation loss on investment securities .....		10,401
	Accumulative impact of change in accounting procedure on deferred lease subsidies .....		11,152
	Special measure loss .....		5,099
	Other losses .....		8,254
(3)	R&D expenditure included in sales and general administration costs .....		77,956

### 3. Consolidated statements of cash flows

The relationship between book-closing balance of cash and cash equivalents and the amounts reported in the consolidated balance sheet is as follows:

Cash deposits .....	81,728
Trading securities with original maturities of three months or less .....	3,732
Term deposits of three months or more .....	- 916
Cash and cash equivalents .....	84,544

## Segment information

### (1) Business segment

Millions of Yen

2002FY	Automotive	Financial services	Total	Eliminations or Corporate	Consolidated
1. Sales & operating income					
Sales					
(1) External customers	3,809,474	75,399	3,884,874	—	3,884,874
(2) Intersegment & transfers	288	2,746	3,035	- 3,035	—
Total	3,809,762	78,146	3,887,909	- 3,035	3,884,874
Operating expenses	3,685,399	118,284	3,803,684	- 1,571	3,802,112
Operating income	124,363	- 40,137	84,225	- 1,463	82,761
2. Assets, depreciation & capital expenditure					
Assets	2,048,982	530,398	2,579,380	- 154,027	2,425,352
Depreciation	139,744	53,521	193,265		193,265
Capital expenditure	128,676	72,860	201,537		201,537

2001FY	Automotive	Financial services	Total	Eliminations or Corporate	Consolidated
1. Sales & operating income					
Sales					
(1) External customers	3,104,045	96,653	3,200,699	—	3,200,699
(2) Intersegment & transfers	2,358	2,672	5,030	- 5,030	—
Total	3,106,403	99,326	3,205,730	- 5,030	3,200,699
Operating expenses	3,056,526	104,334	3,160,860	- 389	3,160,471
Operating income	49,877	- 5,008	44,869	- 4,641	40,227
2. Assets, depreciation & capital expenditure					
Assets	2,504,608	513,670	3,018,278	- 123,717	2,894,560
Depreciation	100,500	46,036	146,537		146,537
Capital expenditure	64,842	93,657	158,500		158,500

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

2. Major products by operation

(1) Automotive: Passenger cars, trucks and buses

(2) Financing: Sales financing

## (2) Geographical segment

Millions of Yen

2002FY	Japan	North America	Europe	Asia	Others	Total	Eliminations or Corporate	Consolidated
1. Sales & operating income								
Sales								
(1) External customers parties	1,582,978	1,196,050	758,111	107,343	240,390	3,884,874	—	3,884,874
(2) Intersegment	771,230	8,999	3,649	131,387	57,002	972,270	- 972,270	—
Total	2,354,208	1,205,049	761,760	238,731	297,393	4,857,144	- 972,270	3,884,874
Operating expenses	2,307,953	1,171,274	772,308	226,763	291,319	4,769,618	- 967,506	3,802,112
Operating income	46,255	33,775	- 10,547	11,968	6,073	87,525	- 4,763	82,761
2. Assets	1,424,496	970,459	297,037	87,934	104,624	2,884,552	- 459,199	2,425,352

2001FY	Japan	North America	Europe	Asia	Others	Total	Eliminations or Corporate	Consolidated
1. Sales & operating income								
Sales								
(1) External customers parties	1,518,742	889,555	539,433	67,563	185,405	3,200,699	—	3,200,699
(2) Intersegment	680,077	7,112	3,673	90,130	42,980	823,974	- 823,974	—
Total	2,198,819	896,668	543,107	157,693	228,385	4,024,673	- 823,974	3,200,699
Operating expenses	2,176,023	851,130	561,078	157,200	230,684	3,976,116	- 815,644	3,160,471
Operating income	22,795	45,538	- 17,971	492	- 2,298	48,557	- 8,329	40,227
2. Assets	2,175,866	843,977	222,648	100,146	109,460	3,452,099	- 557,538	2,894,560

- 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  
(2) Europe: The Netherlands  
(3) Asia: Thailand, Philippines  
(4) Other: Australia, New Zealand, Puerto Rico, U.A.E.

## (3) Overseas sales

Millions of Yen

2002FY	North America	Europe	Asia	Other	Total
Overseas sales	1,217,176	752,462	355,508	450,810	2,775,958
Consolidated sales					3,884,874
Percentage in total sales	31.3%	19.4%	9.2%	11.6%	71.5%

2001FY	North America	Europe	Asia	Other	Total
Overseas sales	891,696	540,690	261,359	330,441	2,024,187
Consolidated sales					3,200,699
Percentage in total sales	27.8%	16.9%	8.2%	10.3%	63.2%

- 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  
(2) Europe: The Netherlands, Italy, Germany  
(3) Asia: Thailand, Malaysia, Taiwan  
(4) Other: Australia, New Zealand, Puerto Rico,  
3. Overseas sales include export sales of MMC and its consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries

## Marketable securities

### (1) Held-to-maturity securities with market value

(JPY million)

	At 3/31/2003			At 3/31/2002		
	Balance sheet valuation	Market value	Valuation gain / loss	Balance sheet valuation	Market value	Valuation gain / loss
Securities the market value of which exceeds that booked in Consolidated Balance Sheet						
National and local government bonds	—	—	—	336	337	0
Sub-total	—	—	—	336	337	0
Total	—	—	—	336	337	0

### (2) Other securities with market value

(JPY million)

	At 3/31/2003			At 3/31/2002		
	Balance sheet valuation	Market value	Valuation gain / loss	Balance sheet valuation	Market value	Valuation gain / loss
Securities the Consolidated Balance Sheet value of which exceeds acquisition cost :						
Shares	14,441	69,582	55,141	30,599	93,186	62,587
Sub-total	14,441	69,582	55,141	30,599	93,186	62,587
Securities the Consolidated Balance Sheet value of which do not exceed acquisition cost :						
Shares	15,409	14,580	- 828	25,884	23,237	- 2,647
Sub-total	15,409	14,580	- 828	25,884	23,237	- 2,647
Total	29,850	84,163	54,312	56,483	116,423	59,940

### (3) Marketable securities sold in fiscal 2001 and fiscal 2002

(JPY million)

FY2002 (1 April 2002 – 31 March 2003)			FY2001 (1 April 2001 – 31 March 2002)		
Proceeds	Gain	Loss	Proceeds	Gain	Loss
20,288	13,821	3	9,206	2,845	2

Derivative financial instruments

Notional amounts, market value and valuation gain / loss

(1) Currency exchange contracts

(JPY million)

Ex-market transactions	At 3/31/2003			At 3/31/2002		
	Notional amount	Market value	Valuation gain / loss	Notional amount	Market value	Valuation gain / loss
Forward exchange contracts						
Buying						
US dollar	6,024	6,072	- 47	72,701	74,137	- 1,435
Euro	18,728	20,049	- 1,321	112,754	118,833	- 6,079
GB Pound	154	155	0	1,250	1,254	- 4
Canadian dollar	1,976	2,117	- 141	—	-	—
Selling						
US dollar	—	—	—	46,115	46,416	300
Euro	—	—	—	3,471	3,483	11
Currency options						
Buying						
US dollar						
call	8,791					
	(172)	32	139	(—)	—	—
Euro						
call	46,992					
	(746)	1,311	- 564	(—)	—	—
Selling						
US dollar						
put	9,550					
	(212)	166	-45	(—)	—	—
Euro						
put	50,587					
	(894)	376	- 518	(—)	—	—
Total	—	—	- 2,500	—	—	- 7,207

(2) Interest rate swaps

(JPY million)

Ex-market transactions	At 3/31/2003			At 3/31/2002		
	Notional amount	Market value	Valuation gain / loss	Notional amount	Market value	Valuation gain / loss
Receive -fixed Pay-floating	82,938	- 2,463	- 2,463	78,694	- 4,571	- 4,571
Total		—	- 2,463		—	- 4,571

*Note: Derivative transactions covered by hedge accounting are excluded from above.*