

ANNUAL REPORT 2003

Year ended March 31, 2003

POWER TO CHANGE

Turnaround – Moving Ahead



MITSUBISHI MOTORS

COLT

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Forward-Looking Statements

This annual report contains forward-looking statements about Mitsubishi Motors Corporation's plans, strategies, beliefs and performance that are not historical facts. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industries in which Mitsubishi Motors Corporation operates, management's beliefs and assumptions made by management.

As the expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, they may cause actual results to differ materially from those projected. Mitsubishi Motors Corporation, therefore, wishes to caution readers not to place undue reliance on forward-looking statements. Furthermore, Mitsubishi Motors Corporation undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments.

FINANCIAL HIGHLIGHTS

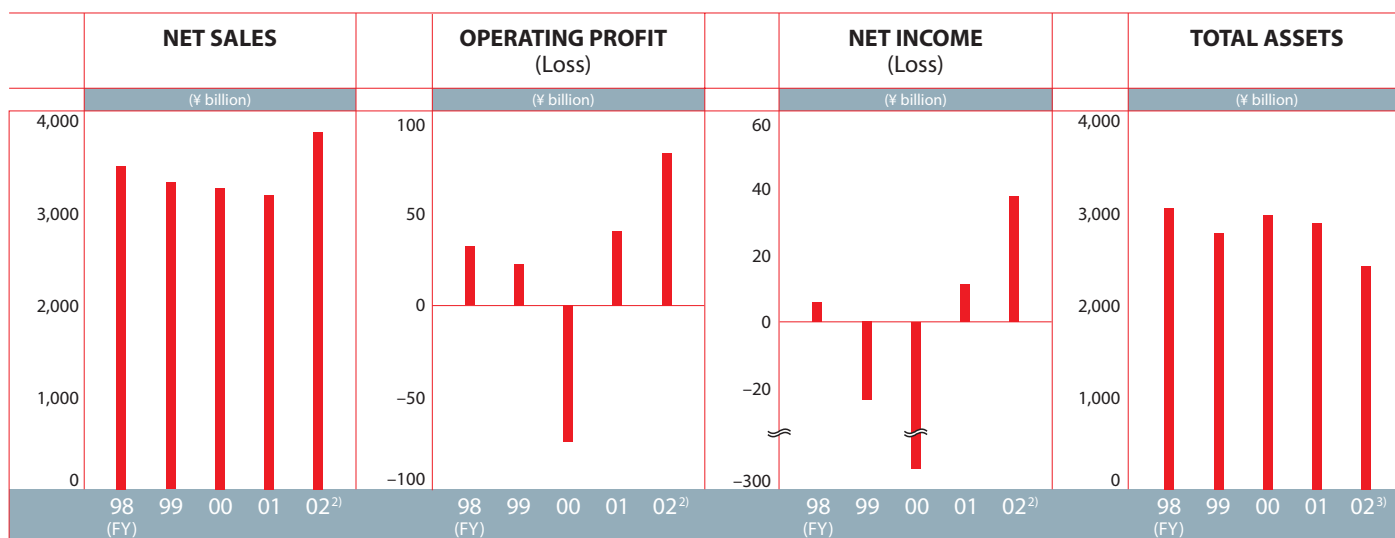
Mitsubishi Motors Corporation and Consolidated Subsidiaries

	In millions of yen			In thousands of U.S. dollars
	FY2002	FY2001	FY2000	FY2002
For the year:				
Net sales	¥3,884,874	¥3,200,699	¥3,276,716	\$32,320,083
Operating profit (loss)	82,761	40,227	(73,865)	688,527
Income (loss) before income taxes and minority interests	42,206	(31,875)	(407,289)	351,131
Net income (loss)	37,361	11,256	(278,139)	310,824
At year-end:				
Total assets	¥2,425,352	¥2,894,560	¥2,981,668	\$20,177,637
Total stockholders' equity	280,294	270,663	256,068	2,331,897
Per share data (yen and U.S. dollars):				
Net income (loss):				
Basic	¥ 25.35	¥ 7.66	¥ (232.77)	\$ 0.21
Diluted	23.43	7.42	—	0.19
Cash dividends	—	—	—	—

Note: 1. The U.S. dollar amounts in this annual report are translated from yen, for convenience only, at ¥120.20 = U.S.\$1.00, the exchange rate prevailing on March 31, 2003.

2. Due to a change of balance date at consolidated overseas subsidiaries, from December 31 to March 31, 15-month figures for overseas subsidiaries have been incorporated.

3. The assets and liabilities of truck and bus operations are not reflected each account as these operations were spun off and subsequently became an equity-method affiliate of MMC on March 14, 2003.



TO OUR SHAREHOLDERS

Fiscal 2002 was a banner year for MMC. Our bottom line was the highest it has ever been, while sales grew for the first time in five years. Our new passenger cars delivered stellar sales. As our Turnaround continues, it is gratifying to see the progress we are making both quantitatively and qualitatively.



Rolf Eckrodt, President & CEO

In fiscal 2002, ended March 31, 2003, we successfully completed the second year of our Turnaround. We accelerated our cost-reduction and efficiency-improvement measures, deriving benefits that far exceeded our initial expectations. In fact, we have already achieved all cost-reduction targets set for the Turnaround's three-year period. The result was a substantial increase in our operating profit and an all-time high net income. More importantly, Mitsubishi Motors Corporation (MMC) delivered top-line growth for the first time since 1997. And we are again producing exciting and attractive cars for our customers as exemplified by the new COLT launched in November 2002.

RESULTS FOR YEAR ENDED MARCH 2003

Consolidated net sales totaled ¥3,884.9 billion (\$32.3 billion). Excluding the effect of a change in the accounting period of overseas subsidiaries, this result represented an increase of 8% over the previous year, and marked the first year-on-year sales growth in five years. Operating profit doubled, reaching ¥82.8 billion (\$689 million) while ordinary income nearly quadrupled to ¥54.3 billion (\$452 million). Net income tripled to ¥37.4 billion (\$311 million), our best result ever.

In Japan, our passenger car retail sales volume fell to 354,000 units in fiscal 2002. Nevertheless, buoyed by the successful introduction of the COLT, sales in Japan were 17% higher in the second half of fiscal 2002 than in the first half. In Europe, we overcame market contraction to maintain our market share of 1.1%, with sales volumes remaining largely stable. In North America, we posted our fourth consecutive year of higher sales, with volume rising to 360,000 units. Our unit sales in Asia and the rest of the world climbed 7% to 646,000 units. This constituted another record figure for us in this dynamic growth region. Our total overseas passenger car sales topped 1.2 million units in fiscal 2002 for the first time in our history.

Total unit sales of truck and buses in fiscal year 2002 amounted to 153,000, representing an increase of 8% over the preceding year. Of this, 65,000 trucks and buses were sold in Japan, while overseas sales stood at 88,000 units. In Japan, Mitsubishi Fuso remained the market leader for the 10th consecutive year with a market share of 30.5% for trucks and 36.0% for busses. During the same period, net

sales increased by 6% from fiscal year 2001 to ¥724.3 billion (\$6.0 billion). Operating profit in fiscal year 2002 stood at ¥8.6 billion (\$72 million), compared with ¥9.5 billion a year ago.

CHANGE, FOCUS AND GROWTH

In fiscal 2002, we achieved approximately ¥300 billion in Turnaround savings, including a 15% reduction in material costs. We will accelerate cost-reduction initiatives in fiscal 2003, sticking to our successful approach of closely cooperating with suppliers. We also achieved our targets for reducing domestic production capacity and headcount one year ahead of schedule. A huge overall increase in productivity allowed us to trim our workforce more than we had originally planned, achieving a reduction of 16% at the end of March 2003. The capacity utilization ratio at our domestic plants was also improved from 67% in fiscal 2000 to 80% in fiscal 2002.

These are impressive figures, but the Turnaround is not merely about numbers. MMC is also undergoing far-reaching changes in many less-visible areas described in more detail later in this annual report. We have done away with age-based wage structures entirely, replacing them with a new company-wide personnel and remuneration system that is purely based on qualification and performance. This makes MMC a pioneer in the Japanese auto industry. Together with Chairman Takashi Sonobe, I am delighted to be working alongside our Japanese colleagues as part of a strong international team, within a fresh corporate culture that has earned the approval of all who work at MMC. Indeed, one of the most satisfying aspects of our progress is that our employees have embraced the change taking place at MMC to achieve our objectives.

Focus is another keyword at today's MMC. In January 2003, we spun off our commercial vehicle operations to form Mitsubishi FUSO Truck and Bus Corporation (MFTBC). This enables MFTBC to directly tie up with the world's leading truck manufacturer DaimlerChrysler (DC) and thus increases its global competitiveness. For our part, the spin-off gives us greater financial flexibility, allowing us to invest in future product development. Now focused solely on passenger car operations, MMC is better placed to respond even faster to changing market situations and to more clearly position the MMC brand.

Even before this move, we were taking other actions to grow our passenger car operations. In September 2002, we launched our first cars in Canada. And our entry into Mexico, supported

by the DC distribution network, allows us to expand into another important market. China is another important growth area for MMC. In fiscal 2002, we sold 92,000 vehicles together with our various local partners, and commenced local production at the DC affiliate Beijing Jeep Corporation (BJC) in March 2003. The *OUTLANDER* will soon roll off the local production line to become our second Mitsubishi-badged car produced in China, close on the heels of the *PAJERO SPORT*, which was launched in March 2003. The alliance with DC will also help us to develop an efficient country-wide distribution network in China. With 50 alliance dealers as of March 2003, we are already well-positioned for further growth in what is one of the most dynamic automotive markets in the world.

POSITIONED FOR GROWTH AS A PURE CAR COMPANY

Our Turnaround is on course and proceeding well. Although we have no doubt that business conditions will remain harsh in some regions in the coming year, we know what we need to do and how to move forward. The challenge of the Turnaround is one that extends over time, but we remain keen to take it on. Now that our operations are purely focused on passenger cars, we are well-positioned to take on the competition. The medium-term strategic growth implications of our alliance with DC are steadily coming into view. Joint platform developments are ongoing with DC, offering the potential to reap benefits from economies of scale. While we plan to reduce the number of global platforms from 15 to 10 over the next five years, we will double the number of units per platform. In addition, the benefits of major volume-bundling, joint distribution and cooperation in other areas, from research to the recycling business, will steadily manifest themselves. These alliance synergies, paired with our model offensive over the next five years, will keep us on the growth trajectory we attained in fiscal 2002. Hence we have set ourselves a mid-term sales target of two million units for 2007. We are highly confident that we will achieve it.

July 2003



Rolf Eckrodt
President & CEO

PRODUCT DEVELOPMENT

The MMC design philosophy aims to create a unified image for Mitsubishi cars, so that consumers can recognize this brand at a glance. The new COLT represents the closely coordinated development efforts of the design team with other departments. This took the form of a special cross-functional project team for the COLT development. This project team was responsible for dealing with all major issues involved in the creation of the vehicle, from design and development to related aspects such as production, cost management, brand strategy and sales. The key differences in this approach in terms of the speed of development achieved and the strong emphasis on team spirit illustrate the major changes that have happened at MMC in product development.

WHAT DID YOU PARTICULARLY SET OUT TO ACHIEVE WITH THE DEVELOPMENT OF THE COLT?

First, we wanted to respect the wishes of the designers as much as possible. The designers were all closely involved with the development process. Although there were a few occasional clashes of opinion, both the interior and the exterior of the car closely reflect what the designers wanted. All the technical team, including the design engineers, worked incredibly hard, focusing all their energies on the project, which I think resulted in a first-class small car. For instance, the quality finish of the interior separates the COLT from other cars of its class. During design development, besides canvassing opinions from inside the company, we also assembled consumer focus groups to provide design feedback. This was another high-value aspect of the process.

Another objective that we set out to achieve was to create a car that represented real value for consumers, by raising the bar in terms of power and performance, internal comfort and safety. At MMC, we had always tried to lead both Japan and the rest of the world in terms of certain technologies. I think in some respects we tried too hard to do that in the past. Above all, a car is an entire package that must evoke balance. So what we needed to do as developers was to improve the quality of all the core elements of this package. If you compare the COLT with small cars from other manufacturers, I think we have achieved that.

Our third main objective was to incorporate the thoughts and needs of young people into the car's features. Besides the members of the project team, we were also able to talk to many other younger employees about the types of things that should go into the COLT. We formed special car assessment teams of women at the Okazaki plant and at

Ryugo Nakao, Strategic Project Leader of COLT





The COLT development team was a special cross-functional project team of younger employees.

our head office, and we sought their opinions on the product extensively during development. As a result, the interior boasts a number of interesting features that strongly appeal to female consumers. In the past, the only people inside the company whose opinions were sought were top managers. So the COLT is a real departure from that approach because many young people gave their input. The power of youth is taking us in a good direction at MMC, and I think the progress we have made in new product development needs to be a pointer to the way that the whole company develops from now on.

WHAT EXACTLY WAS THE COLT PROJECT TEAM, AND HOW DID THE DEVELOPMENT PROCESS DIFFER?

The COLT project team was a cross-functional team composed of younger employees. The team members came from many different functions: development personnel from areas such as design and engineering, marketing personnel responsible for brands, and people from product planning, production and sales. The team worked together continuously on the project for about 30 months. We were determined not to make any compromises in our quest to make a better car for customers. We worked hard to break down any barriers between departments, and we remained flexible but tenacious as we participated in the creation of a new car. Some things that were different from the old development process were that we had brands and sales people from head office involved all the way from initial concept creation, and that we asked the production department to make the prototype. All these people were involved in the extensive discussions on the quality that we were targeting with the COLT. These processes arose from a desire for us to ensure that all parts of MMC would be equally convinced that, first, the COLT was a good product, and second, that the important thing was to get back to basics so that we ended up creating a great small car. There were occasions during development when somebody had a great idea about how to improve the quality of the product and, having agreed that it was worth doing, we actually backtracked the whole process to implement that idea.

A final aspect of the COLT that is a first for Japan is CFC, or Customer Free Choice. This means that each customer can choose the precise car that he or she wants, so that it feels like something of their own from the outset. This is truly an example of creating a car from the perspective of maximizing the benefit to the customer. I believe that the culture of MMC has really changed, and the development of the COLT is proof of this. In this new corporate culture, young people are encouraged to express their opinions, and they can work together in a team to develop great new products without compromise.

Feature

QUALITY

The development of new models at MMC, from planning and development through to production and beyond, is now managed using the Quality Gate System. The Quality Gate System has been applied to all new passenger cars since the eK-WAGON. This has resulted in a huge reduction in the number of post-launch complaints and instances of quality problems with basic vehicle functions. It is planned to improve this process further for new models to be launched in the future, with the aim of achieving additional gains in quality. MMC is also developing a world-wide Quality Gate System to supervise the development process for all minor model changes and the new global engine program.

Akira Kosugi, Manager of Quality Control Department



We used the opportunity of the development of the COLT to mend the faults inherent in this situation. Now we refer to our thinking as "In-Stage Quality Creation (ISQC)." This means that everybody working in the production process is responsible individually for guaranteeing product quality.

WHAT PROGRESS HAS MMC MADE IN GAINING ISO QUALITY CERTIFICATIONS?

We aim to finish the certification process across the entire company for the 2000 version of ISO 9001 by the end of 2003. This will help to upgrade and standardize our quality control systems and procedures throughout MMC. All of our manufacturing plants are already certified for the 1994 version of ISO 9002.

ISO represents an internationally accepted and standardized set of rules, not just in quality control but many other fields. For manufacturers such as MMC, the 2000 version of ISO 9001 stresses continuous improvement in quality control systems. ISO certification provides us with an independent, objective confirmation of the efforts being made to enhance customer satisfaction. We are therefore focusing closely on gaining the relevant ISO certifications across MMC in all areas, from design and development to manufacturing and customer service.

WHAT IS MMC DOING ABOUT QUALITY CONTROL AT THE PLANT LEVEL?

The old MMC mentality involved strict segregation of roles between each function. Manufacturing produced the vehicles and Quality Control (QC) inspected them. Each focused on its specific task, and there was no linkage between the two.

One problem that we had was that our production systems were not well enough configured to allow each worker to check the quality of their work. So, to make ISQC a reality, we first reconfigured one of the production lines at our Nagoya plant. We undertook a large, cooperative study to analyze all the factors that could result in a defect. We studied what types of operations were performed within each part of the process, what kinds of defects were associated with this, and what could be done to prevent each type of defect from occurring. Using data collected for thousands of cases, we worked out what methods we could apply to allow individual workers to guarantee the quality of their work.

Alongside this, we developed and introduced a new system called MICOS, which stands for Mitsubishi Inspection Data Control System. This system allows each quality check to be recorded and stored. The huge amounts of data generated can all be managed and accessed through handheld terminals that connect to MICOS through a wireless LAN system. Each data entry records the person who performs each individual quality check, as well as when and how. Combined with the new ethos in which each person has a clear responsibility for quality, this system is generating good results. Naturally, we have also applied it to the *GRANDIS* minivan.

In addition, QC now plays an active role in our vehicle testing as well. QC function in the production area is involved in the evaluation of vehicle testing at our technical centers from the earliest stages to ensure that the quality of all aspects of the vehicle's operation during development are reflected in the final production model.

The new thinking at MMC is that product quality is something everybody must work to create and preserve. This atmosphere now pervades the entire process of development and production. We feel as if we must work as a team to achieve this quality goal, and this feeling spans everybody from those working on the shop floor to the rest of the organization. The results can be seen in the success of the new *COLT* and *GRANDIS* models.



Everybody working in the production process at MMC is individually responsible for guaranteeing product quality.

Feature

MANUFACTURING

MMC is now working towards the creation of a unified production system for all of its manufacturing plants worldwide. Although each of our plants in Japan and elsewhere differs in terms of location, facilities, personnel and workforce expertise, MMC has now established common production processes and Quality-Control Systems (QCS), as well as standardized production set-ups (together referred to as MiPS, or the Mitsubishi Production System). This approach ensures to take maximum advantage of the particular qualities of each plant. MMC is proceeding the extensive sharing of expertise and information between plants by applying the standardized key performance indices (KPI) for measuring levels of productivity, product quality and cost. This shift to a globalized production system is expected to yield substantial benefits in terms of quality improvement and cost minimization. At the same time, the greater line flexibility inherent in the new system will promote increased mutual model production complementarity between different plants. To accelerate the smooth transition to the new system, global manufacturing conferences take place and are attended by representatives of each plant regularly.

WHAT LEVEL OF MANUFACTURING PRODUCTIVITY IS CURRENTLY BEING ACHIEVED? AND HOW IS THE SHIFT TO A GLOBALIZED PRODUCTION APPROACH GOING TO MAKE A POSITIVE IMPACT?

MMC plants, both in Japan and abroad, are achieving extremely high levels of productivity. The World Markets Research Center, which is based in the UK, rated our Mizushima plant in Japan as the world's leading vehicle manufacturing plant in terms of productivity. Our flexible-line approach, which allows a single line to make various models, is ahead of many other car manufacturers in respect of flexibility and efficiency that it confers. In Japan, we have three vehicle manufacturing plants, Mizushima, Okazaki, and Pajero Manufacturing Co., Ltd. (PMC) and our powertrain plant in the Kyoto area. Overseas, we have vehicle manufacturing plants in the United States, the Netherlands, Australia and Thailand. In addition, we are affiliated with many automakers around the world. In China, where we have just started local production of the *PAJERO SPORT* at Beijing Jeep Corporation, we have four such partnerships. In engines, we have entered a global alliance with DaimlerChrysler and Hyundai Motor Company, which will produce at least 1.5 million gasoline engines annually at plants located in the United States, South Korea and Japan. In addition, we are building a new plant for smaller gasoline engines together with DaimlerChrysler in Germany.

Koichi Kaku, General Manager of Production
Engineering Control Department



Feature

DOMESTIC OPERATIONS

Over the past two years, MMC has been optimizing its sales network in Japan to enhance customer satisfaction based on the belief that there are five critical elements involved in the success of the Mitsubishi brand: customers, products, marketing message, sales network, and business style. The goal of this optimization is to achieve the top level of Sales Satisfaction Index (SSI) within the Japanese car industry, which measures how pleased customers are with the quality of the overall service provided. This achievement will translate into increased customer loyalty and make the Mitsubishi brand more powerful.

WHAT PROGRESS HAS BEEN MADE WITH SALES NETWORK RECONSTRUCTION IN JAPAN?

In January 2003, we implemented a major change to the structure of our domestic sales network. We integrated the two separate sales channels (previously divided into Galant and Car Plaza dealerships) into a unified network under the Mitsubishi Motors name. The integration of the two streams is creating a uniform corporate appearance in the marketplace. In an ongoing program we will renovate all of our dealer showrooms along similar lines. At the same time, we have formulated a series of "dealer standards" designed to boost MMC to the top position in the SSI rankings. Representing an assertive effort to assume greater responsibility for the way our products are sold to customers, these standards function in our internal quality system as a Quality Gate within the sales area.

Fujio Cho, President of Kinki Mitsubishi Motor Sales Co., Ltd. (left)
Eiji Iwakuni, Executive Vice President,
Domestic Sales & Marketing Headquarters (right)



They establish specific quality standards for the performance of our dealerships in a wide range of areas, including the quality of service provided by our people and the style in which business is conducted. By April 2004, we plan to conclude new contracts with all our sales companies based on these new quality standards. We have also made substantial progress in reducing the overall size of our sales network by optimizing regional coverage across Japan. Compared with October 2002, when our network contained 1,042 outlets managed by 225 sales companies, in April 2003 we had 65 fewer outlets (977), managed by 39 fewer sales companies (186). In addition, we have taken steps to rationalize our wholesale network by officially registering around 2,100 of the 22,000 subdealers with whom we have had commercial dealings in the past as satellite shops. We have also designated certain dealerships as MMC-registered sales outlets. These dealerships had to satisfy a number of selection criteria. Besides providing high regional coverage in their specific area and maintaining sales volumes in excess of a

minimum threshold value, they also had to be able to help raise the overall quality of sales service and demonstrate an ability to build customer trust over the long term. Our plan is that these dealerships will provide complementary support to the official sales network.



WHAT MEASURES ARE YOU PLANNING TO IMPLEMENT TO IMPROVE THE DOMESTIC SALES NETWORK FURTHER?

In the pipeline, we still have planned investments in the domestic sales network totaling ¥35 billion up to the end of March 2006. The core aim remains to raise the degree of customer satisfaction provided by our sales network throughout Japan. We have encapsulated this idea in a completely new customer-oriented philosophy. This states that everyone who buys an MMC product should enjoy choosing it, should feel satisfied enough with the sales pitch to purchase with conviction, and should subsequently receive the same degree of high-quality after-sales service anytime, anywhere in Japan.

With the introduction of the *COLT* in Japan, we have also launched a new system called Customer Free Choice. This system caters to customer needs more precisely by allowing consumers to order a car to their own, original specification. This initiative raises the concept of tailor-made cars to an entirely new level. The program not only provides greater choice, but also delivers the end product to customers faster. In addition, we have prepared recommended packages that include all the most popular features. Alongside the introduction of the CFC system, we have made various improvements to shorten the process between order and delivery, which will help to eliminate extended delivery lead times. Our efforts do not stop with the sale of the car. In October, our Customer Call Center will start to operate seven days a week to provide the highest possible level of customer support even on weekends.

MMC is creating a positive image and sense of sophistication at showrooms with a uniform and chic corporate appearance.



NORTH AMERICAN OPERATIONS

Brand awareness levels in the United States for MMC were languishing at around 44% in December 1998. By the end of 2002, awareness had reached 62% contributing to the strong sales growth over the last four years. MMC is currently executing a new phase of growth based on introducing new passenger car models in segments where it has not competed before. These models will broaden the brand appeal to a wider demographic, bringing new customers into the brand and giving existing customers more reasons to stay with Mitsubishi. By the end of 2003, the Mitsubishi brand in North America will include 11 distinct models. MMC is also making progress with its project to develop and produce locally most cars that it sells in the region. The first entirely localized model of this type, the ENDEAVOR, went on sale in March 2003. Projections for calendar 2003 specify the target local manufacturing ratio for North America at 60%.

HOW HAS THE MMC PASSENGER CAR ORGANIZATION IN NORTH AMERICA BEEN STRENGTHENED?

In January 2003, we established a new company, Mitsubishi Motors North America, Inc. (MMNA), to coordinate all sales, production, financing and R&D activities associated with passenger cars in North America (the United States, Canada, Mexico and Puerto Rico). Previously, the organization had been separated along functional lines. This move should help us boost our consumer brand awareness in the region. Besides this marketing benefit, we perceive four major specific advantages of the new structure:

1. A stronger, more developed base for determining long-term regional strategy and securing higher earnings.
2. An integrated strategy across development, design, production, logistics and marketing, which will help us develop and launch in a timely fashion products that are optimally tailored to local consumer needs.
3. Elimination of duplicated supplier arrangements and operations between affiliates, which will help to reduce personnel costs and boost efficiency.
4. An integration of business processes, which will enable a more strategic, long-term focus twinned with enhanced planning capabilities.

HOW IS THE DC ALLIANCE WORKING?

The primary benefit of the DC alliance for MMC is in cost reduction. Shared platforms are helping to achieve better economies of scale. Another way for cost reduction is through our global engine alliance with the Chrysler Group and Hyundai Motor Company. MMC formed a joint venture in May 2002 that will manufacture aluminum engines for all three partners in Japan, South Korea and North America. Annual production is estimated at about 1.5 million units. The global engine alliance will begin producing engines for

Pierre Gagnon, Co-Chairman & CEO, MMNA



Hyundai in early 2004, for Chrysler in 2005 and for MMC in late 2006.

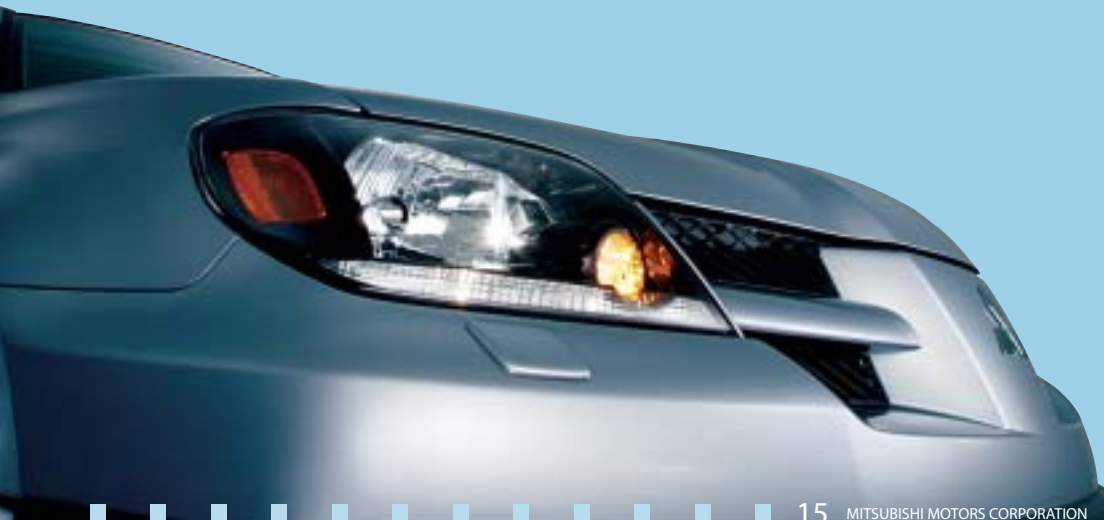
The second major benefit of the DC alliance is the access that it gives us to sales networks. We used the local DC distribution network when we entered the Mexican market in January 2003. We had a cooperative relationship while pursuing the best dealers in each market when we entered Canada in September 2002. This has helped us considerably in strengthening our local presence within the NAFTA region.

WHAT IS THE STATUS OF MMC'S SALES FINANCING ACTIVITIES IN THE REGION?

A combination of explosive growth in outstanding sales finance receivables, a delayed reorganization of credit collection operations in North America and the economic slowdown have created some problems for us. Our response has been to take a number of measures aimed at tightening our credit policies while maintaining sales growth in volume terms. One of our first moves was to appoint a top management of sales financing operations, who has since started to implement solutions to the various issues involved.

First, we have outsourced the collection of outstanding receivables from customers with lower credit scores to loan-collection specialists. Second, as a risk-reduction policy, we have lowered the number of credit offers we make in certain types of sales finance products such as "balloon" deals. Third, we have tightened our credit extension criteria. To do this, we have conducted internal studies within Mitsubishi Motors Credit of America, Inc. (MMCA) and issued guidance to our dealers in North America on the new credit policies as they pertain to the way we do business. In the sub-prime category, our new policy is to extend fresh sales credit through a contracted specialist lender only, although we have configured our systems and procedures to ensure that all sales can be conducted and flowed through by our own dealers and staff in conjunction with the subcontracted lender.

At the same time, we have strengthened risk-management controls both at MMCA and MMC. Top management at the head office in Japan established a cross-functional committee to give direct approval for credit strategy and sales policies. This new system of monitoring oversight, which involves the CFO and all division heads, will help to balance our sales and financial controls within MMC in a more effective manner.



Feature

EUROPEAN OPERATIONS

On the eve of its 30th anniversary in Europe (October 1974 — London Motor Show), MMC is reinventing itself in the European market through the Turnaround of its European affiliate, Mitsubishi Motors Europe (MME) and its entire European operations.

Based in Amsterdam, MME handles sales, marketing and distribution of Mitsubishi passenger cars, parts and accessories in over 30 countries in Europe, as well as all local production of cars through Netherlands Car B.V. (NedCar), and Industrie Pininfarina S.p.A. (IPF). It is also MMC's representative in the new joint engine plant with DaimlerChrysler (MDC Power GmbH), currently under construction in Thuringia (Germany).

In 2002, MME sold 203,000 vehicles to its European customers. The wholly-owned MMC subsidiary, NedCar produces locally the CARISMA and SPACE STAR. Meanwhile, IPF in Italy produces the PAJERO iO (PAJERO PININ in Europe). MME also imports the PAJERO, CHALLENGER (PAJERO SPORT in Europe), MIRAGE (COLT in Europe), CHARIOT GRANDIS (SPACE WAGON in Europe), and GALANT models from Japan. From Thailand, MME sources the STRADA (L200 in Europe) pickup truck.

Stefan Jacoby, President & CEO of MME (left)
Gunter Butschek, President & CEO of NedCar (right)



HOW IS THE TURNAROUND PROGRESSING IN EUROPE?

Europe is a very demanding market with fierce competition from established national manufacturers and a high level of expectation from customers.

Initiated in November 2001, MME's Turnaround is aimed at building a profitable and efficient organization, creating value for its distributors and customers while building an inspiring and high profile brand, where MMC's Japanese roots, rich heritage, precision engineering, sharp design and enviable motor sports achievements will play a vital role.

To this end, MME has pared material costs and reduced other manufacturing costs. At the same time, we have reorganized our local subsidiaries to increase operational efficiency. We have also implemented other comprehensive measures aimed at lowering our cost base, notably in the area of distribution. Together, these cost-reduction initiatives are projected to result in a return to operating profitability in 2003.

Separately, we are also making progress in the development of our sales network in Europe in close cooperation with distributors and using the dynamics of the new regular framework on automotive

distribution in Europe ("BER," block exemption regulations) to our advantage. In April 2002, we established a wholly-owned sales subsidiary in Germany and implemented reforms of our sales structures in France. During the same year, we also initiated reforms in the Netherlands and reorganized operations in Sweden and Denmark. In 2003, we plan to restructure our sales operations in Belgium and continue our ambitious strategy in Eastern Europe, where MMC became the top imported brand in 2002 in Russia. We expect revised sales policies and a consistent level of service quality across Europe to contribute to improved sales growth going forward.

WHAT ARE MMC'S PLANS FOR LAUNCHING NEW MODELS IN EUROPE?

MME will launch 14 new cars between 2003 and 2007, all showcasing Mitsubishi Motors' new distinctive brand identity. *OUTLANDER* started this process early in 2003, and is to be followed by the *LANCER SEDAN* and *LANCER STATION WAGON*. In 2004, we will continue with the *LANCER EVOLUTION VIII* and our new full-size MPV, the *GRANDIS*. Still in 2004, we plan to launch our New Compact Car (NCC), using the same platform as the *COLT*, which was launched in Japan in November 2002.

NCC is also characterized as the first model among the alliance with DC, which shares the same platform with DC's new five-door model, "smart-ForFour," produced at NedCar. NedCar is facing one of the biggest challenges in its 35 years of existence as it prepares and upgrades its facilities for the production of these very important new cars. However, we are confident that it will be ready as all preparations are running smoothly and are exactly on schedule.

Gasoline engines for both cars will be sourced from the 50/50 MMC/DaimlerChrysler joint venture (MDC Power GmbH), a brand-new plant in Thuringia, Germany. Diesel engines will come from DaimlerChrysler, another example of the close relationship we have with our alliance partner DC in Europe.



CHINESE OPERATIONS

MMC first began exporting finished vehicles for sale on the Chinese mainland back in 1970s. Initially, trucks and other commercial vehicles comprised the majority of these exports. Over the years, however, the Mitsubishi brand name has become increasingly associated in China with passenger cars following the introduction of various models, and the launch of the PAJERO. Today, MMC has production agreements with many of China's leading car manufacturers, including Beijing Jeep Corporation (BJC), South East (Fujian) Motor Corporation Ltd. (SEM), Hunan Changfeng Motor Co., Ltd. (CFA), and Harbin Hafei Motor Co., Ltd. (HHMC). Local production based on MMC technology now encompasses a range of models, including the PAJERO SPORT (CHALLENGER), the DELICA, the FREECA, the PAJERO, and the MIRAGE DINGO.

In addition, MMC joint ventures based in the cities of Shenyang and Harbin produce engines and transmissions, which are supplied not only to MMC affiliated plants but also to third-party manufacturers. In Taiwan, MMC has a close and very successful manufacturing and sales relationship with a local carmaker, China Motor Corp. (CMC). This enabled Mitsubishi to be the top-selling local passenger car brand in Taiwan for five years in a row from 1997.

Hideyasu Tagaya, Executive Officer (left)
Kenichi Miki, Executive General Manager, Asia, Latin America,
Middle East & Africa Office (right)



WHAT IS THE STRATEGY FOR MMC BRAND DEVELOPMENT IN CHINA?

OEM supply through other brands forms the core part of our business development strategy for the Chinese mainland. At one point, we were only putting the Mitsubishi logo on finished vehicles exported to China, but since we entered the alliance with DC we have also been applying our own branding to models manufactured at BJC. The *PAJERO SPORT*, which entered local production in March 2003, is the first Mitsubishi-branded passenger car model to be made locally in China. In 2004, BJC will introduce another new model, the *OUTLANDER (AIRTREK)*. This model will also be manufactured and sold under the Mitsubishi brand. The *PAJERO SPORT* and the *OUTLANDER* are both SUVs. It goes without saying that their premium market positioning and image within the Chinese market will be built on the reputation already developed by *PAJERO* finished-vehicle imports. As well as establishing Mitsubishi as the leading brand in the SUV market segment, we plan to launch MMC-branded models for the fast-growing local small family car market, and in the minivan segment. Together, we aim to achieve annual sales of Mitsubishi-derived cars in China of

300,000 units by 2007, including both locally manufactured models and finished-vehicle imports. Finally, as well as continuing to strengthen our alliance with DC, we are also looking at deepening our strategic cooperation with the Taiwanese manufacturer CMC, which is doing an excellent job of building the Mitsubishi brand locally. We aim to forge an even closer relationship with CMC, a cooperative venture on the Chinese mainland is just one of the many options we are jointly exploring.

WHAT IS THE STRATEGY FOR BUILDING A SALES AND DISTRIBUTION NETWORK?

Construction of a sales and distribution network is an urgent priority for us. We are in the midst of creating a sales network for Mitsubishi-derived vehicles through the DC alliance, in addition to a local dealership network. By the end of March 2003, we had already established 50 such sales outlets in China in addition to the more than 100 dealerships of our main local partners.



NEW PRODUCTS

MMC'S NEW PASSENGER CARS EMBODY THE DESIGN PHILOSOPHY OF CREATING A STYLISH IMAGE THAT IS BOTH UNIQUE AND UNIFORM. PLACING A PREMIUM ON SPEED AND TEAM-WORK, MMC IS TAKING UP THE CHALLENGE OF CREATING NEW VEHICLES THAT EVOKE A STRONG SENSE OF BALANCE.

Outlander

Specifications for the U.S.
2WD/4WD
Length: 4550mm
Width: 1750mm
Height: 1605mm
2.4L SOHC16-Valve
Max.Power: 140HP/5000rpm



Colt

Specifications for Japan
2WD/4WD
Length: 3870mm
Width: 1680mm
Height: 1550mm
MIVEC 1.3L, MIVEC 1.5L
Max.Power: 66kW/5600rpm



Lancer Evolution VIII

Specifications for Japan
Full-time 4WD
Length: 4490mm
Width: 1770mm
Height: 1450mm
2.0L DOHC 16V I/C T/C
Max.Power: 206kW/6500rpm



Specifications for the U.S.
2WD/4WD
Length: 4830mm
Width: 1870mm
Height: 1770mm
V6 3.8L ECI-MULTI
Max.Power: 215HP/3750rpm

Endeavor



ENVIRONMENT

In 2002, MMC formulated the Environmental Sustainability Plan, a 5-year internal action plan that contains a variety of measures aimed at promoting environmental conservation. The plan sets specific performance objectives in four main categories: environmental management, recycling, prevention of global warming, and prevention of environmental pollution. Performance is being monitored internally in all these areas, which are outlined below.



All new MMC passenger car models (COLT, LANCER CARGO, and GRANDIS) introduced in Japan since 2002 have been designated as ULEVs.

ENVIRONMENTAL MANAGEMENT

DfE (Design for Environment)

The DfE system ensures that reduced environmental impact is built into new products at the earliest concept stages. This includes efforts to increase recyclability and reduce weight. The aim is to minimize the environmental impact of products over the entire life cycle so that the MMC development process generates eco-conscious vehicles.

Supplier cooperation: green purchasing

MMC initiated green purchasing initiatives in November 2000 to ensure that procurement is eco-conscious. MMC requires that all its materials and parts suppliers obtain ISO 14001 certification for their environmental management systems by March 2005.

Subsidiaries and affiliates

MMC is promoting the establishment and operation of environmental management systems at dealers and domestic and overseas production affiliates.

RECYCLING

Promotion of vehicle recycling in Japan and overseas countries

The End-of-Life Vehicle Recycling Law was passed in Japan in July 2002, and will come fully into force in January 2005. MMC is working proactively to comply with these regulations as they pertain to car manufacturers as detailed below.

- Collection and recycling of fluorocarbons, airbags, and

shredder dust residue

- Determination and publication of recycling fees
- Design and manufacture of vehicles that give due consideration to recycling and the environment
- Provision of information on the construction, parts and materials of vehicles

In Europe, MMC concluded an agreement with DC in December 2002 concerning the construction of an effective system for end-of-life automobile collection in conformity with European recycling legislation. MMC is now working with DC to conduct a preliminary investigation of the details and costs of collection and recycling methods for end-of-life vehicles in Europe.

Reduction of waste emissions and improved resource conservation at the production stage

Waste generated during the production stage is reduced, reused, and recycled wherever possible. As a result, MMC had eliminated the disposal of any waste to landfill at all its domestic plants at the end of March 2002, and continues to maintain this zero-emission status.

PREVENTION OF GLOBAL WARMING

Improvement of vehicle fuel efficiency

MMC is increasing production of gasoline vehicles that comply with 2010 domestic fuel efficiency standards, such as the COLT, LANCER CARGO, and GRANDIS, in order to meet these standards by 2005.

Measures in production and logistics

To restrict emissions of carbon dioxide (CO₂) generated from the consumption of energy, MMC makes energy use more efficient through various means, such as introduction of co-generation systems (generating electricity with gas turbines and through other means, and reusing the waste heat as a heating source for air conditioning and water heating facilities) in production, and promotion of modal shift (optimized transportation by combining several means of transportation, such as trucks, ships and trains) in transportation.

PREVENTION OF ENVIRONMENTAL POLLUTION

<Development and promotion of low-emission vehicles (LEVs)>

Reduced exhaust emissions with gasoline-engine models

Japan introduced tighter regulations on exhaust emissions in 2000. The Japanese government has also introduced an LEV certification scheme that aims to promote the use of automobiles with emissions that are lower than the revised standards. MMC began submitting models for certification in fiscal 2000. All new passenger car models (*COLT*, *LANCER CARGO*, and *GRANDIS*) introduced in Japan in 2002-2003 are designated as ULEVs. About 80% of all the gasoline-engine vehicles that MMC sold in Japan in fiscal 2002 were LEVs.

Fuel-cell vehicles (FCVs)

MMC is working on FCV commercial development with the

cooperation of DC. MMC has obtained ministerial approval in Japan for an FCV designed on the same platform as the *GRANDIS* launched in Japan in May 2003 and fitted with a DC-made fuel-cell system. MMC plans to use this vehicle to participate during fiscal 2003 in the Japan Hydrogen & Fuel Cell Demonstration Project (JHFC) sponsored by the Ministry of Economy, Trade and Industry.

Electric vehicles (EVs)

MMC has continued to undertake R&D into EVs that can meet the needs of modern consumers. MMC displayed an *ECLIPSE EV* prototype fitted with a high-performance motor and battery pack at an "EV Week" exhibition held in Shikoku in August 2002. Testing of this vehicle continues to develop various aspects of its practical use.

<Reduced environmental impact from manufacturing processes>

Use of lead-free paint for electrodeposition coating

MMC has expanded the use of lead-free electrodeposition paints at the undercoating stage, and in fiscal 2002 completed the elimination of lead from electrodeposition coating lines at passenger car production plants in Japan.

Reduction of VOC emissions

To reduce emissions of VOCs (volatile organic compounds such as toluene and xylene) in the body and component painting process, MMC is promoting the introduction of low-solvent technologies, such as waterborne paints and powder paints.



MMC works to increase recyclability, reduce weight and make other enhancements at the earliest concept stages in the development of new models.

DAKAR RALLY VICTORY

Mitsubishi Motors Results							
1997	1 Kenjiro Shinozuka	2 Jean-Pierre Fontenay	3 Bruno Saby	4 Hiroshi Masuoka	7 Jean-Pierre Strugo	10 Carlos Sousa	
1998	1 Jean-Pierre Fontenay	2 Kenjiro Shinozuka	3 Bruno Saby	4 Hiroshi Masuoka	9 Miguel Prieto	10 Bon Ten Harkel	
1999	2 Miguel Prieto	3 Jutta Kleinschmidt	4 Kenjiro Shinozuka	6 Hiroshi Masuoka	9 Jean-Pierre Fontenay		
2000	1 Jean-Pierre Fontenay	5 Jutta Kleinschmidt	6 Hiroshi Masuoka				
2001	1 Jutta Kleinschmidt	2 Hiroshi Masuoka	5 Carlos Sousa	6 Jean-Pierre Fontenay			
2002	1 Hiroshi Masuoka	2 Jutta Kleinschmidt	3 Kenjiro Shinozuka	4 Jean-Pierre Fontenay	5 Carlos Sousa	6 Saeed Al Hajri	7 Luc Alford
	8 Klever Kolberg	9 Nicolas Misslin					
2003	1 Hiroshi Masuoka	2 Jean-Pierre Fontenay	3 Stephane Peterhansel	4 Carlos Sousa	10 Jose-Luis Monterde		



DAKAR RALLY

On January 19, 2003, 42-year-old Hiroshi Masuoka, driving a *MITSUBISHI PAJERO EVOLUTION*, clinched victory in the Dakar Rally 2003 for the second straight year after finishing the 17 grueling stages of the race. Jean-Pierre Fontenay from France (*MITSUBISHI PAJERO*), Stephane Peterhansel also from France (*MITSUBISHI PAJERO EVOLUTION*) and Portugal's Carlos Sousa (*MITSUBISHI STRADA*) rounded out the top four. With his win, Hiroshi Masuoka became only the fourth driver, and the first Japanese, in the 25-year history of this famous race to record two or more victories, following in the footsteps of Ari Vatanen, Pierre Lartigue and Jean-Louis Schlesser. Mitsubishi Motors collected its eighth overall victory since first entering the event in 1983. Hiroshi Masuoka tells us in his own words about the wonders of the Dakar Rally, his car and his goals for next year's race.

"The thrill of it is in taking on the great outdoors. Nothing is artificially created, so the difference between winning and losing is in how you read the terrain. Also, because the course changes every year, you are always faced with new challenges. And you can't get any preview either! But this means that you can relish the challenge of not knowing whether you will be able to read each situation and deal with wherever you have landed up. Since it is such a long rally, the important thing is to set your strategy in advance, making allowances for what is ahead. Once the strategy is set, all you have to do is carry it out.

What I feel is superior about the *PAJERO EVOLUTION* is that I can push the car to higher limits. The level of grip is significantly different. For example, a corner that you could not go round in another car above 70 km/h, you would be able to go round smoothly at 80 km/h in the *PAJERO EVOLUTION*. Also, the center of gravity is lower. You don't notice the difference with other cars so much at 50 km/h or 60 km/h, but the quicker you get, the more you feel the difference. The entire vehicle is just that much more stable and balanced. The real strength of the car is that it combines this with excellent ground clearance.

Going for three titles in a row is definitely in my mind. You need three diamonds for it to make a Mitsubishi, right? My *PAJERO* is such a dependable and attractive partner that I have no choice but to go for the third title to complete the set of three diamonds. And then, after that, well I guess we'll challenge for the fourth and fifth successive titles, too!"

SPIN-OFF OF TRUCK & BUS OPERATIONS

In January 2003, MMC spun off its truck and bus operations to form an independent company, Mitsubishi Fuso Truck and Bus Corporation (MFTBC). In March 2003, MMC sold 58% of its shares in MFTBC to DC and 10 Mitsubishi group companies. MMC now owns a 42% share in MFTBC following this transaction. DC owns 43%, and companies within the Mitsubishi group own the remaining 15%. These moves deepened the alliance with DC while laying more secure foundations for the future success of both MMC and MFTBC.



WHAT MUTUAL BENEFITS DOES THE SPIN-OFF BRING FOR MFTBC AND MMC?

For MFTBC, the spin-off not only makes it an independent, specialized manufacturer of trucks and buses, but also immensely strengthens its ties with DC, the world's leading truck manufacturer. Direct collaboration with DC on many fronts, combined with other aspects of the MMC/DC alliance, adds up to a far more competitive position for the company. MFTBC will be able to reduce its cost base substantially through the sharing of parts and components and the joint development of advanced technologies. In addition, with direct access to DC's extensive sales networks across Europe and North America, MFTBC is well-positioned to strengthen its presence in these areas. The

Takashi Usami, Chairman of MFTBC (left)
Wilfried Porth, President & CEO of MFTBC (right)



spin-off also brings significant benefits for MMC's passenger car operations. The participation of DC and the Mitsubishi group companies has provided MMC with greater financial flexibility. This also provides extra traction for the ongoing Turnaround in passenger car operations by boosting the ability to invest in new model development. To sum up, the spin-off allows all those working at MMC to focus on passenger cars, while MFTBC can concentrate on truck and bus operations. This increased specialization at both companies will allow both to respond more rapidly and flexibly to changes in their respective markets, and also means that the separate efforts to promote each brand can be far more effective. In a single move, it enables both companies to shift their strategies for growth up a gear. The result will be increased sales and profits on both sides, sooner than previously planned.

WHAT IS THE GLOBAL POSITION OF MFTBC? WHAT STEPS ARE YOU CONSIDERING TO BUILD ON THE RECENTLY ENHANCED RELATIONSHIP WITH DC?

The Japanese market for trucks and buses remains in a long-term slump. Total demand is now little more than half what it was in 1990 in volume terms. Mitsubishi FUSO trucks have succeeded in maintaining their global competitiveness throughout this huge decline. The Asian market outside Japan has been a major success story for us.

This market now accounts for roughly half of global demand, and MFTBC is the market leader, with a share of 24%. If we are to maintain our market leadership in Japan and the rest of Asia, I believe that we need to leverage the commercial benefits of our relationship with DC in a variety of areas. This means reducing material costs through joint procurement programs; radically reducing the time and costs absorbed in development by pooling our resources; and focusing development on creating the products that will boost our long-term competitiveness. In terms of the practical commercial benefits that we are currently studying with DC, we are looking at standardization of engines and components for medium- and heavy-duty trucks. We are also cooperating extensively on the development of technologies designed to comply with the various exhaust gas and other environmental regulations being introduced in Europe and Japan.



Mitsubishi FUSO trucks are well-positioned to maintain their competitiveness in Japan and global markets.

MMC plans to continue to operate the NedCar European production facility with Volvo Car until the existing contract expires in 2004, after which time manufacturing activities at the facility will be conducted jointly with DC. Production of the New Compact Car being developed jointly with DC is slated to commence at the NedCar facility from 2004.

Construction of a new engine plant in the German state of Thuringia, to be operated by MDC Power GmbH, a 50/50 MMC-DC joint venture, is slated to finish in December 2003. This plant will manufacture gasoline engines for MMC's small compact cars sold in Europe, as well as for DC smart.

ASIA AND OCEANIA

CHINA

Total market sales in China soared 38% year-on-year in 2002 to 3.28 million units. MMC recorded local sales of 92,000 units, an increase of 109% relative to the previous year. Beijing Jeep Corporation (BJC), a local manufacturer in which DC owns an equity stake, began production of the *PAJERO SPORT* in March 2003. This became the first MMC model to be produced locally in China and sold under the Mitsubishi badge. MMC's presence in the Chinese market will be further enhanced through this kind of operational synergy with DC's local partner with the commencement of production of the *OUTLANDER* in early 2004. MMC's strategy is to develop a strong lineup of local products through similar arrangements.

TAIWAN

Total auto sales increased 15% in 2002 to 380,000 units, representing the top market share. MMC's sales in Taiwan through local sales affiliates, China Motor Corp. (CMC), rose 26% year-on-year to 91,000 units.

THAILAND

Total auto sales rose 38% in 2002 to 399,000 units. MMC's sales in Thailand through local sales subsidiary, MMC Sittipol Co., Ltd. (MSC), rose 35% to 32,000 units. Due mainly to a volume increase in pickup trucks, exports from Thailand rose 14% to 90,000 units.

PHILIPPINES

Total auto sales increased 12% in 2002 to 84,000 units. However, in a fierce competitive environment, MMC's sales in the Philippines through local sales subsidiary, Mitsubishi Motors Philippines Corporation (MMPC), fell 4% to 16,000 units.





INTERNATIONAL OPERATIONS

Total exports of Mitsubishi's FUSO-branded commercial vehicles in fiscal 2002 jumped 31% year-on-year to 37,000 units.

NORTH AMERICA

Because of the economic slowdown in the U.S., MMC's truck sales dropped 13% to 4,000 units.

EUROPE

Due to the stagnant economy in Portugal, which is one of the company's major markets in Europe, MMC's truck sales fell 22% to 7,000 units.

AUSTRALIA

MMC's truck sales were on a par with fiscal 2001 at 2,000 units.

INDONESIA

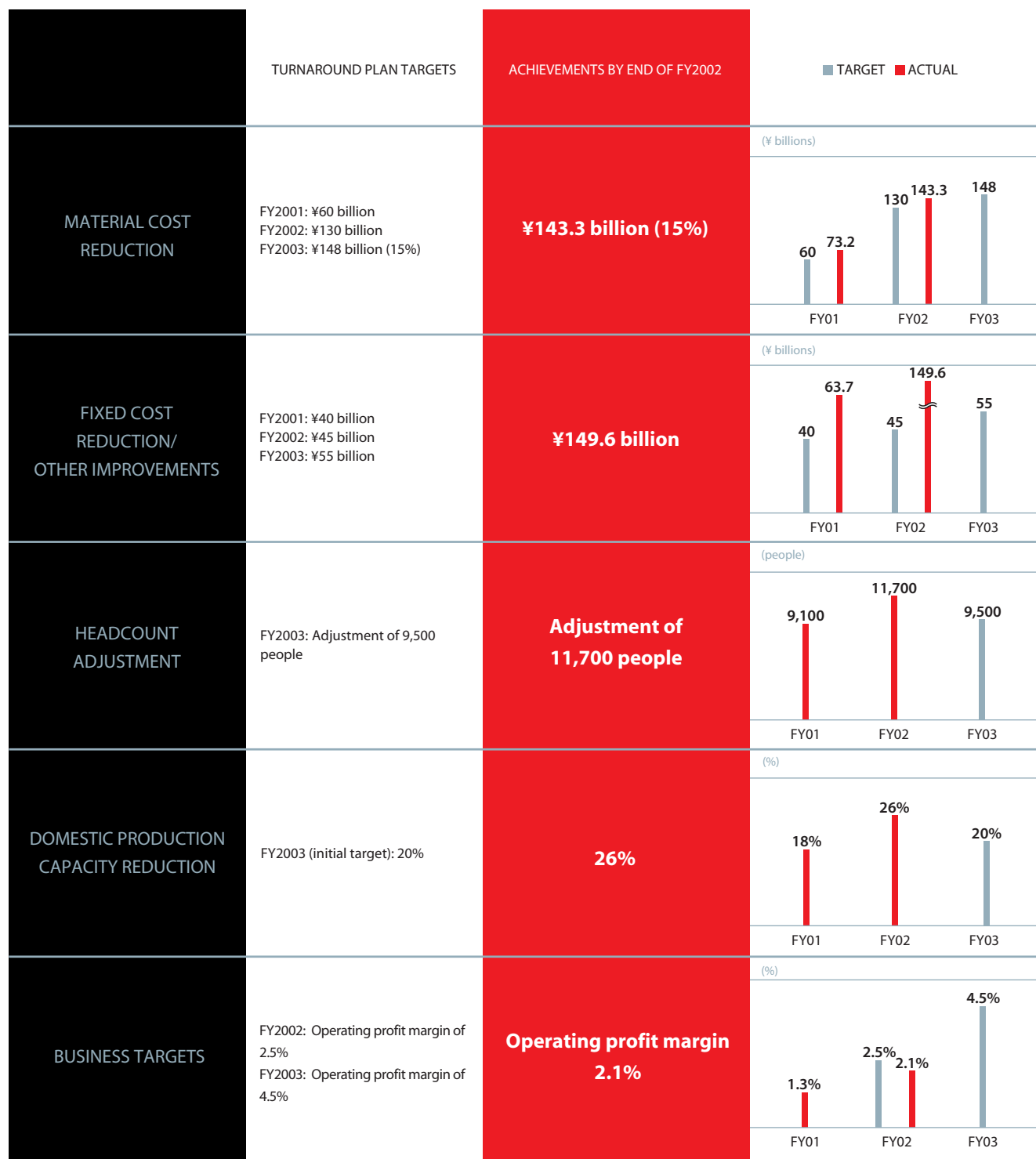
MMC's truck sales rose 6% to 34,000 units.

TAIWAN

Compared to fiscal 2001, when the economy slowed due to the change of government and other factors, MMC's truck sales soared 30% to 10,000 units in fiscal 2002, thanks to economic recovery as well as the company's efforts to spur sales.



KEY POINTS OF THE TURNAROUND PLAN



BOARD OF DIRECTORS



From left to right: KEIICHIRO HASHIMOTO ULRICH W. WALKER TAKASHI SONOBE ROLF ECKRODT STEVEN A. TOROK EIJI IWAKUNI

MEMBERS OF THE BOARD

TAKASHI SONOBE

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Chief Business Ethics
Officer

ROLF ECKRODT

President
Chief Executive Officer

STEVEN A. TOROK

Executive Vice President
International Sales &
Marketing Group
Headquarters

ULRICH W. WALKER

Executive Vice President
Car Product Operations
Group Headquarters

EIJI IWAKUNI

Executive Vice President
Domestic Sales &
Marketing Headquarters

KEIICHIRO HASHIMOTO

Executive Vice President
Chief Financial Officer

MANFRED BISCHOFF *

(Serving concurrently as
Management
Board Member of
DaimlerChrysler)

RÜEDIGER GRUBE *

(Serving concurrently as
Management
Board Member of
DaimlerChrysler)

TAKASHI NISHIOKA *

(Serving concurrently as
President of Mitsubishi
Heavy Industries, Ltd.)

MIKIO SASAKI *

(Serving concurrently as
President of Mitsubishi
Corporation)

* External director

FINANCIAL SECTION

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FIVE-YEAR SUMMARY

Mitsubishi Motors Corporation and Consolidated Subsidiaries

	In millions of yen					In thousands of U.S. dollars	
	FY1998	FY1999	FY2000	FY2001	FY2002	FY2002	
Net sales	¥3,512,606	¥3,334,974	¥3,276,716	¥3,200,699	¥3,884,874	\$32,320,083	
Operating profit (loss)	32,147	22,473	(73,865)	40,227	82,761	688,527	
Income (loss) before income taxes and minority interests	11,783	(12,651)	(407,289)	(31,875)	42,206	351,131	
Net income (loss)	5,668	(23,331)	(278,139)	11,256	37,361	310,824	

	In yen					In U.S. dollars	
Per share data (yen and U.S. dollars):							
Net income (loss):							
Basic	¥ 6.15	¥ (24.87)	¥ (232.77)	¥ 7.66	¥ 25.35	\$ 0.21	
Diluted	5.93	–	–	7.42	23.43	0.19	
Cash dividends	–	–	–	–	–	–	

	In millions of yen					In thousands of U.S. dollars	
Total assets	¥3,060,385	¥2,784,119	¥2,981,668	¥2,894,560	¥2,425,352	\$20,177,637	
Total stockholders' equity	353,613	347,363	256,068	270,663	280,294	2,331,897	

Note: 1. The U.S. dollar amounts in the accompanying consolidated financial statements are included, solely for convenience, at ¥120.20 = U.S.\$1.00, the exchange rate prevailing on March 31, 2003.

2. Due to a change of balance date at consolidated overseas subsidiaries, from December 31 to March 31, 15-month figures for overseas subsidiaries have been incorporated.

3. The assets and liabilities of truck and bus operations are not reflected in each account because these operations were spun off and subsequently became an equity-method affiliate of MMC on March 14, 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHANGES IN SCOPE OF CONSOLIDATION AND SUBSIDIARY ACCOUNTING PERIODS

The consolidated financial statements for fiscal 2002, the year ended March 31, 2003, are compiled from the accounts of MMC and a total of 124 consolidated subsidiaries and 25 equity-method affiliates. MMC's truck and bus operations, which were previously an operating division of the company, were spun off on January 6, 2003 as a separate company, Mitsubishi Fuso Truck and Bus Corporation (MFTBC). On March 14, 2003, MMC sold 58% of its shares in MFTBC, as a result of which the latter company became an equity-method affiliate of MMC. The Consolidated Statements of Operations contain the full-year results for the truck and bus operations, but the Consolidated Balance Sheets reflect the status of MFTBC as an equity-method affiliate as of March 31, 2003, in line with which related assets and liabilities are not booked. The value of MMC's stake in these truck and bus operations as of the fiscal 2002 year-end is included within investment in unconsolidated subsidiaries and affiliates.

Of the 124 consolidated subsidiaries, 62 are based overseas. To improve the transparency and quality of the consolidated financial information disclosed, MMC moved the fiscal year-end of all 62 consolidated overseas subsidiaries from December 31 to March 31, effective from the fiscal year ended March 31, 2003. This move to unify accounting periods means that results for these 62 consolidated overseas subsidiaries for the fiscal period ended March 31, 2003 reflect 15 months' results.

In the following analysis, in cases where it is deemed important that a year-on-year comparison of real performance is provided, the relevant calculations exclude the effects of this change of accounting period on the results of consolidated overseas subsidiaries.

OPERATIONAL OVERVIEW

Total vehicle sales in the Japanese automotive industry in fiscal 2002 amounted to 5.86 million vehicles, roughly on a par with the previous year. Exports surged, partly as a result of higher demand in Asian markets, rising 13% year-on-year to 4.8 million units.

MMC's consolidated passenger car sales declined in Japan during fiscal 2002, although exports increased, principally to Asia. Overseas, sales of passenger cars climbed in North America. Consolidated net sales grew by 21.4% to ¥3,884.9 billion. Steady progress was achieved in the second year of the Turnaround in reducing costs, as a result of which the company was able to post an operating profit of ¥82.8 billion and net income of ¥37.4 billion. This represented the successful achievement of the operating profit target for the year and a return to sustainable profitability.

In sales terms, the inclusion of the extra three-month "bridge" period stemming from the change in accounting period at consolidated overseas subsidiaries had the effect of increasing consolidated net sales by ¥433.4 billion. In profit terms, poor market conditions in North America during the bridge period resulted in its inclusion reducing consolidated operating profit by ¥10.0 billion. The corresponding negative impact on net income was ¥6.5 billion. Excluding these bridge-period effects, consolidated net sales amounted to ¥3,451.5 billion, representing real year-on-year growth of 7.8%. On the same basis, the operating profit increased by 2.3 times to ¥92.8 billion, and net income increased by 3.9 times to ¥43.9 billion.

RESULTS OF OPERATION

Net Sales and Operating Profit

Net sales

Consolidated net sales increased 21.4% to ¥3,884.9 billion. This marked the first increase in sales since the fiscal year ended March 1998. Although passenger car sales in Japan declined by 50,000 units to 354,000 units, increases in sales across North America, Europe, Asia and the rest of the world contributed to overall growth in sales in the Passenger Car Division of 25.4%, to ¥3,160.6 billion. Sales of commercial vehicles increased 3.2% in Japan. Combined with brisk export sales, this resulted in total sales in the Truck & Bus Division of ¥724.3 billion, an increase of 6.4% relative to the previous year.

The change in accounting period at consolidated overseas subsidiaries had the effect of increasing consolidated net sales by ¥433.4 billion. Excluding the bridge period, consolidated net sales rose 7.8% to ¥3,451.5 billion, sales in the Passenger Car Division climbed 8.6% to ¥2,736.2 billion, and sales in the Truck & Bus Division advanced 5.1% to ¥715.3 billion.

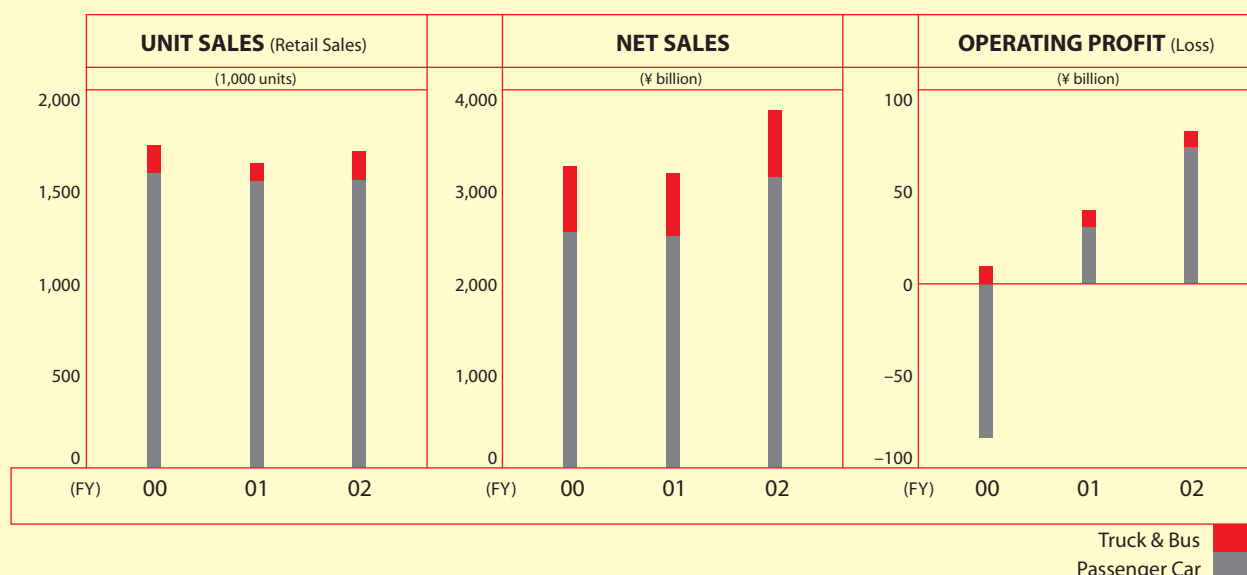
Operating profit

Consolidated operating profit increased by 2.1 times to ¥82.8 billion. The main factors responsible for this substantial improvement were lower costs in the Passenger Car Division due to progress made with the Turnaround and sales increases posted in North America, Asia and the rest of the world.

Substantial reductions in material costs, which were equivalent to savings of ¥70.1 billion in fiscal 2002 alone, accounted for a large proportion of the improved cost profile. The real reduction in materials costs achieved by the end of fiscal 2002 within the Turnaround amounted to 15%, against an original target of 10%. The planned headcount adjustment is also on track, having been reduced by 16% earlier than planned from the level in April 2000. This is higher than the original target of 14% for the year ending March 2004. This resulted in labor cost savings of ¥17.6 billion.

In terms of the impact on operating profit by changes in sales, the year-on-year decline in passenger car sales in Japan had a negative impact of ¥27.0 billion. This was more than offset by the positive impact of higher passenger car sales units in overseas markets (¥71.1 billion), resulting in a net positive impact of ¥44.1 billion. As a result, the overall operating profit margin improved to 2.1%, compared with a figure of 1.3% recorded in fiscal 2001.

Excluding the bridge period, consolidated operating profit increased by 2.3 times to ¥92.8 billion (equivalent to an operating profit margin of 2.7%), largely as a result of exceptionally poor conditions in North America during this three-month period that generated a corresponding operating loss of ¥10.0 billion.



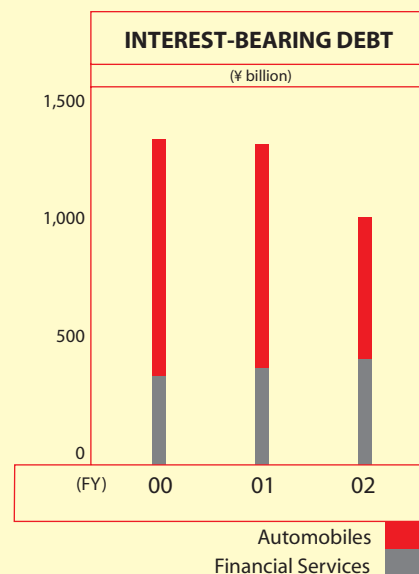
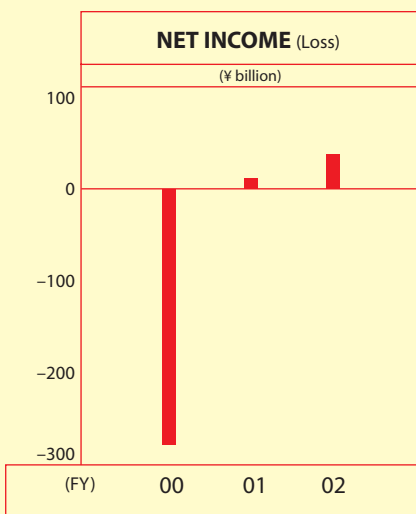
Other Income and Expenses / Pre-Tax Income

Net financial expenses totaled ¥26.6 billion, an increase of ¥4.7 billion relative to the previous year, principally due to interest expenses incurred by consolidated overseas subsidiaries within the bridge period. Equity in income of affiliates almost halved, to ¥2.4 billion, principally as a result of the conversion of Automobile Facility Partners (USA), Mizushima Industries Co., Ltd. and Suiryo Plastics Co., Ltd. into fully consolidated subsidiaries during the year.

Among other non-operating income and expense items, MMC posted a gain on the sale of investment securities in Hyundai Motor Company and others of ¥14.0 billion, and a gain on the sale of shares in subsidiaries of ¥6.6 billion (principally attributable to the sale of shares in MFTBC after the spin-off of truck and bus operations). Set against these gains, MMC posted a valuation loss on shares of Mitsubishi Tokyo Financial Group, Inc. and other investment securities of ¥10.4 billion, an extraordinary loss of ¥11.2 billion associated with changes in accounting procedure for lease transactions between a subsidiary and a financial services subsidiary in North America, and a loss on disposal of property, plant and equipment of ¥6.9 billion. As a result, net non-operating losses totaled ¥14.0 billion. Income before income taxes and minority interests amounted to ¥42.2 billion, an increase of ¥74.1 billion relative to the previous year.

Net Income

After the deduction of income taxes totaling ¥3.0 billion (comprised of corporation, resident's and enterprise taxes) and minority interests totaling ¥1.8 billion, net income increased by 3.3 times to ¥37.4 billion. Net income per share amounted to ¥25.35, an increase of ¥17.69 relative to the previous year. On a fully diluted basis, the corresponding figures were net income per share of ¥23.43 and a year-on-year increase of ¥16.01.



SEGMENTAL ANALYSIS

Business Segment Information

MMC and its consolidated subsidiaries divide operations into two business segments: Automobiles, which includes passenger cars, truck and bus, and Financial Services.

Automobiles

Although passenger car sales in Japan declined by 50,000 units to 354,000 units, overseas unit sales increased as export volumes grew, particularly to North America and Asia. Total sales in the Passenger Car Division increased by 6,000 units to 1,563,000 units in volume terms, and in value terms by 27.2% to ¥3,085.5 billion. Operating profit in this division increased by 2.9 times to ¥115.8 billion. Sales in Japan of trucks and buses were on a par with the previous year at 65,000 units. Overseas sales increased by 13.5% to 88,000 units. Although overall sales in the Truck & Bus Division advanced 6.4% to ¥724.3 billion, operating profit declined 9.5% to ¥8.6 billion, mainly as a result of start-up costs associated with the launch of the new *CANTER* truck. Excluding the bridge period, Passenger Car Division sales rose 10.2% to ¥2,672.0 billion, while operating profit amounted to ¥109.6 billion. On the same basis, Truck & Bus Division sales rose 5.1% to ¥715.3 billion, generating operating profit of ¥8.8 billion.

Financial services

Primarily due to the write-off of sales finance receivables, revenues from financial services fell 21.3% to ¥78.1 billion. This segment recorded an operating loss of ¥40.1 billion, a deterioration of ¥35.1 billion compared with the previous year.

Geographical Segment Information

The geographical segmental analysis given here is derived from results posted by specific regions, and the treatment differs from the geographic segment presentation provided in the Notes to Consolidated Financial Statements.

In Japan, total MMC passenger car sales dropped by 50,000 units to 354,000 units, amid a broader decline in the market. Sales in Japan declined by ¥74.1 billion to ¥547.7 billion, while operating profit declined by ¥6.3 billion to record a loss of ¥66.8 billion. MMC aims to post an operating profit on passenger car sales in Japan by the end of fiscal 2005 (the year ending March 2006).

In North America, vehicle sales surged 6.6% in volume terms to 360,000 units. Sales in North America rose 37.0% to ¥1,191.0 billion, which generated operating profit of ¥90.2 billion, a slight year-on-year decline. Excluding the bridge period, sales in North America increased 13.6% to ¥987.6 billion, and operating profit rose 7.3% to ¥101.6 billion.

In Europe, vehicle sales decreased by 4.6% to 203,000 units. Sales in Europe rose 39.2% to ¥730.8 billion. This generated an operating loss of ¥22.2 billion, although this still represented a significant improvement of ¥10.0 billion relative to the previous year. Excluding the bridge period, sales in Europe increased 11.2% to ¥584.0 billion, producing an operating loss of ¥20.4 billion, a year-on-year improvement of ¥11.8 billion.

Sales volumes rose in Asia and the rest of the world, with Asia providing much of the growth. Sales in this segment recorded a year-on-year gain of 37.2%, to ¥691.1 billion. This resulted in an increase in operating profit of 2.5 times to ¥73.0 billion. Excluding the bridge period, sales in this segment increased 22.4% to ¥616.9 billion, and operating profit rose 2.4 times to ¥69.6 billion.

CONSOLIDATED BALANCE SHEETS

Mitsubishi Motors Corporation and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

Assets	(In millions of yen)		(In thousands of U.S. dollars) (Note 4)
	2003	2002	2003
Current assets:			
Cash and cash equivalents	¥ 84,544	¥ 95,189	\$ 703,361
Trade notes and accounts receivable (Notes 5 and 9)	208,150	347,852	1,731,697
Finance receivables (Notes 5 and 9)	34,257	21,165	285,000
Inventories (Notes 6 and 9)	272,682	304,418	2,268,569
Short-term loans	6,708	4,861	55,807
Deferred tax assets (Note 13)	54,955	71,692	457,196
Prepaid expenses and other current assets (Note 20)	317,834	266,565	2,644,210
Allowance for doubtful accounts	(18,416)	(12,754)	(153,211)
Total current assets	960,717	1,098,991	7,992,654
Property, plant and equipment, net (Notes 7 and 9)	832,371	1,219,469	6,924,884
Intangible assets	42,409	69,530	352,820
Investments and other assets:			
Investments (Notes 8 and 9)	219,074	167,828	1,822,579
Long-term finance receivables (Notes 5 and 9)	87,385	59,637	726,997
Long-term loans	1,258	21,322	10,466
Deferred tax assets (Note 13)	77,644	91,913	645,957
Long-term prepaid expenses and other	250,681	183,940	2,085,532
Allowance for doubtful accounts	(46,190)	(18,072)	(384,276)
Investments and other assets, net	589,854	506,569	4,907,271
Total assets	¥2,425,352	¥2,894,560	\$20,177,637

See accompanying notes to consolidated financial statements.

Liabilities, minority interests and stockholders' equity	(In millions of yen)		(In thousands of U.S. dollars) (Note 4)
	2003	2002	2003
Current liabilities:			
Trade notes and accounts payable	¥ 411,018	¥ 497,524	\$ 3,419,451
Short-term borrowings (Note 9)	632,434	758,791	5,261,514
Current portion of long-term debt (Note 9)	107,170	256,279	891,597
Current portion of non-interest bearing long-term debt (Note 9)	14,433	14,803	120,075
Accrued expenses and other payables	202,641	258,121	1,685,865
Accrued income taxes	3,042	5,287	25,308
Other current liabilities (Note 13)	274,930	265,835	2,287,271
Total current liabilities	1,645,671	2,056,643	13,691,106
Long-term debt (Note 9)	268,744	289,522	2,235,807
Non-interest bearing long-term debt (Note 9)	24,736	40,709	205,790
Deferred tax liabilities (Note 13)	10,532	17,184	87,621
Accrued retirement benefits (Note 18)	118,387	173,950	984,917
Other non-current liabilities	59,610	29,748	495,923
Total liabilities	2,127,681	2,607,759	17,701,173
Minority interests	17,376	16,138	144,559
Stockholders' equity (Note 10 and 15):			
Common stock:			
Authorized: 3,220,000,000 shares			
Issued: 1,470,163,624 shares in 2002			
Issued: 1,483,438,934 shares in 2003	252,201	252,201	2,098,178
Capital surplus	224,481	220,816	1,867,562
Accumulated deficit	(155,847)	(188,756)	(1,296,564)
Unrealized holding gain on securities	33,854	34,830	281,647
Translation adjustments	(74,394)	(48,428)	(618,918)
Treasury stock – 361 shares at March 31, 2002			
4,745 shares at March 31, 2003	(1)	(0)	(8)
Total stockholders' equity	280,294	270,663	2,331,897
Contingent liabilities (Note 11)			
Total liabilities, minority interests and stockholders' equity	¥2,425,352	¥2,894,560	\$20,177,637

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Mitsubishi Motors Corporation and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	(In millions of yen)		(In thousands of U.S. dollars) (Note 4)
	2003	2002	2003
Common stock:			
Balance at beginning of year	¥ 252,201	¥ 252,201	\$ 2,098,178
Issuance of common stock	–	–	–
Balance at end of year	252,201	252,201	2,098,178
Capital surplus:			
Balance at beginning of year	220,816	220,816	1,837,072
Issuance of common stock	3,664	–	30,483
Balance at end of year	224,481	220,816	1,867,562
Accumulated deficit:			
Balance at beginning of year	(188,756)	(200,304)	(1,570,349)
Net income	37,361	11,256	310,824
Change due to inclusion of subsidiaries and affiliates in consolidation or equity method of accounting	38	292	316
Decrease due to adjustment of balance recognized under equity method at beginning of year	(4,490)	–	(37,354)
Balance at end of year	(155,847)	(188,756)	(1,296,564)
Unrealized holding gain on securities:			
Balance at beginning of year	34,830	36,400	289,767
Net change	(975)	(1,570)	(8,111)
Balance at end of year	33,854	34,830	281,647
Translation adjustments:			
Balance at beginning of year	(48,428)	(53,045)	(402,895)
Net change	(25,966)	4,617	(216,023)
Balance at end of year	(74,394)	(48,428)	(618,918)
Treasury stock:			
Balance at beginning of year	(0)	(0)	(0)
Net change	(1)	(0)	(8)
Balance at end of year	(1)	(0)	(8)
Total stockholders' equity	¥ 280,294	¥ 270,663	\$ 2,331,897

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitsubishi Motors Corporation and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	(In millions of yen)		(In thousands of U.S. dollars) (Note 4)
	2003	2002	2003
Operating activities:			
Net income	¥ 37,361	¥ 11,256	\$ 310,824
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	192,387	174,919	1,600,557
Allowance for doubtful receivables, net of reversal	50,709	(5,184)	421,872
Accrued retirement benefits, net of reversal	8,321	(24,888)	69,226
Gain on sales of investment in securities, net	(20,624)	(3,998)	(171,581)
Loss on devaluation of investment in securities	10,401	1,377	86,531
Gain on exchange of stocks	(1,399)	–	(11,639)
Gain (loss) on sales and disposal of property, plant and equipment, net	3,358	(187)	27,937
Income from affiliated companies	(2,373)	(4,352)	(19,742)
Deferred income taxes	(19,121)	(52,547)	(159,077)
Minority interests	1,798	(477)	14,958
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	(23,725)	107,132	(197,379)
Inventories	(44,595)	65,361	(371,007)
Finance receivables	(114,009)	–	(948,494)
Retained interests in transferred receivables	(89,891)	(10,615)	(747,845)
Other assets	(38,014)	(19,036)	(316,256)
Trade notes and accounts payable	59,563	(162,793)	495,532
Other liabilities	(21,141)	13,283	(175,882)
Other	28,591	2,734	237,862
Net cash provided by operating activities	17,596	91,982	146,389
Investing activities:			
Decrease in short-term investments	(189)	(184)	(1,572)
Purchase of property, plant and equipment	(188,935)	(155,840)	(1,571,839)
Proceeds from sales of property, plant and equipment	123,013	124,899	1,023,403
Decrease in investment in securities	18,156	7,798	151,048
Proceed from sales of stock due to spin off of truck and bus business	59,257	–	492,987
Loans made	(2,876)	(795,174)	(23,927)
Collection of loans receivable	3,877	821,927	32,255
Purchase of minority interests	(1,993)	–	(16,581)
Other	7,236	(8,309)	60,200
Net cash provided by (used in) investing activities	17,546	(4,882)	145,973
Financing activities:			
Increase in short-term borrowings	89,601	137,871	745,433
Proceeds from issuance of long-term debt	193,255	226,500	1,607,779
Repayment or redemption of long-term debt	(312,497)	(476,770)	(2,599,809)
Dividend paid to minority	(2,358)	–	(19,617)
Other	(43)	(245)	(358)
Net cash used in financing activities	(32,042)	(112,643)	(266,572)
Effect of exchange rate changes on cash and cash equivalents	(14,263)	4,870	(118,661)
Net decrease in cash and cash equivalents	(11,162)	(20,673)	(92,862)
Cash and cash equivalents at beginning of year	95,189	115,863	791,922
Adjustments to beginning balance for inclusion of subsidiaries in consolidation	517	–	4,301
Cash and cash equivalents at end of year	¥ 84,544	¥ 95,189	\$ 703,361

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Mitsubishi Motors Corporation and Consolidated Subsidiaries
March 31, 2003

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

Mitsubishi Motors Corporation ("MMC") and its domestic consolidated subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan and have been compiled from the consolidated financial statements filed with the Financial Services Agency as required by the Securities and Exchange Law of Japan.

The accompanying consolidated financial statements have been prepared from the accounts maintained by MMC and its consolidated subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

As permitted, amounts of less than one million Yen have been omitted. Consequently, the totals shown in the accompanying financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

(b) Principles of consolidation

All significant companies for which MMC has effective control are consolidated. Significant companies over which MMC has the ability to exercise significant influence have been accounted for by the equity method.

All significant intercompany transactions have been eliminated in consolidation.

The difference at the date of acquisition between the acquisition cost and the fair value of the net assets acquired are expensed when incurred or amortized over periods that do not exceed 10 years.

(c) Cash and cash equivalents

All highly liquid and low-risk investments with maturities of three months or less when purchased are considered cash equivalents.

(d) Inventories

Inventories of MMC and its domestic consolidated subsidiaries are principally stated at cost determined by the first-in first-out or specific identification method. Inventories of the foreign consolidated subsidiaries are principally stated at the lower of cost or market value. Cost is determined by the specific-identification method.

(e) Investments in securities

Investments in securities that are expected to be held-to-maturity are stated at their amortized costs.

Other securities with a readily determinable market value are stated at fair value. The difference between the acquisition cost and the carrying value of other securities, including unrealized gain and loss, is recognized in "Unrealized holding gain on securities." The cost of other securities sold is computed based on the moving average method.

Other securities without a readily determinable market value are stated at cost determined by the moving average method.

(f) Depreciation

Depreciation of property, plant and equipment at MMC and its consolidated subsidiaries is principally calculated by the declining-balance method or the straight-line method over the estimated useful lives of the respective assets.

(n) Appropriations (dispositions) of retained earnings (accumulated deficit)

Cash dividends, bonuses to directors and corporate auditors and other appropriations or dispositions of retained earnings (accumulated deficit) are recorded in the financial year in which the appropriations (dispositions) are approved at a general meeting of the stockholders.

(o) Leases

Noncancelable lease transactions at MMC and its domestic consolidated subsidiaries are accounted for as operating leases regardless of whether such leases are classified as operating or capital leases, except that lease agreements which stipulate the transfer of ownership of the leased property to the lessee are accounted for as capital leases.

Noncancelable lease transactions at the foreign subsidiaries except for operating leases are capitalized.

(p) Derivative financial instruments

MMC and its consolidated subsidiaries are exposed to risks arising from fluctuations in foreign currency exchange rates and interest rates. In order to manage those risks, MMC and its consolidated subsidiaries enter into various derivative agreements including forward foreign exchange contracts and interest rate swaps. Forward foreign exchange contracts are utilized to manage risks arising from forecasted export of finished goods and related foreign currency receivables. Interest rate swaps are utilized to manage interest rate risk for debts. MMC and its consolidated subsidiaries do not utilize derivatives for trading purposes.

Forward foreign exchange contracts related to forecasted export of finished goods are accounted for using deferral hedge accounting. Deferral hedge accounting requires unrealized gains or losses to be deferred as liabilities or assets.

MMC and its consolidated subsidiaries have also developed a hedging policy to control various aspects of the derivative transactions including authorization levels and transaction volumes. Based on this policy, MMC and its consolidated subsidiaries hedge, within certain limits, the risks arising from changes in foreign currency exchange rates and interest rates. Forward foreign exchange contracts are designated to hedge the exposure to variability in expected future cash flows completely.

Hedge effectiveness on interest rate swaps are evaluated by reviewing the gross changes in cash flows of hedging instruments and hedged items for the hedged period. Interest rate swaps which meet the criteria for special hedge accounting are evaluated by reviewing whether the conditions are met for applying the special hedge accounting instead of evaluating effectiveness, as permitted by the accounting standard.

2. CHANGE IN ACCOUNTING POLICY

(a) Synchronization of fiscal year-end of overseas consolidated subsidiaries

To improve transparency and quality of disclosure, the fiscal year-end of overseas consolidated subsidiaries, which historically had been December 31, was changed to synchronize with the fiscal year-end of MMC, March 31. In the year ended March, 2003, as part of this change, Mitsubishi Motors Australia Ltd. and 11 other overseas subsidiaries formally changed their local fiscal year-end to March 31. Mitsubishi Motors North America Inc., and 49 other overseas subsidiaries prepared their financial statements for consolidation purposes for a period ended on March 31, 2003. Accordingly, operating results for the year ended March 31, 2003 included 15 months of operations for these 62 subsidiaries, whereas the operating results for the year ended March 31, 2002 consisted of 12 months.

The effect of this change was to increase net sales by ¥433,364 million (\$3,605,358 thousand), decrease operating profit, gain before income taxes and minority interests and net income by ¥10,030 million (\$83,444 thousand), ¥24,920 million (\$207,321 thousand) and ¥6,486 million (\$53,960 thousand) in the year ended March 31, 2003. Further, net cash provided by operating activities increased by ¥39,495 million (\$328,577 thousand), net cash provided by investing activities and net cash used in financing activities decreased by ¥19,171 million (\$159,493 thousand) and ¥23,151 million (\$192,604 thousand), respectively. The effect of this change on segment information is given in Note 14.

4. U.S. DOLLAR AMOUNTS

The U.S. dollar amounts in the accompanying consolidated financial statements are included, solely for convenience, at ¥120.20 = U.S.\$1.00, the exchange rate prevailing on March 31, 2003. The translation should not be construed as a representation that the yen amounts represent or have been, or could be, converted into U.S. dollars at that or any other rate.

5. ACCOUNTS AND FINANCE RECEIVABLE SOLD TO OTHERS

The outstanding balances of trade notes and accounts receivable sold to others without recourse which have been deducted from the respective accounts amounted to ¥31,839 million (\$264,884 thousand) and ¥95,985 million as of March 31, 2003 and 2002, respectively. Such amounts deducted from finance receivables were ¥935,660 million (\$7,784,193 thousand) and ¥838,353 million as of March 31, 2003 and 2002, respectively.

6. INVENTORIES

Inventories at March 31, 2003 and 2002 consisted of the following:

March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Finished products	¥189,374	¥188,456	\$1,575,491
Raw materials	19,745	39,010	164,268
Work in process	63,563	76,950	528,810
	¥272,682	¥304,418	\$2,268,569

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at March 31, 2003 and 2002 consisted of the following:

March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Land	¥ 186,411	¥ 370,097	\$ 1,550,840
Buildings and structures	340,287	542,760	2,831,007
Machinery and equipment	1,537,859	1,879,292	12,794,168
Construction in progress	48,642	38,802	404,676
	2,113,199	2,830,952	17,580,691
Accumulated depreciation	(1,280,828)	(1,611,483)	(10,655,807)
Property, plant and equipment, net	¥ 832,371	¥ 1,219,469	\$ 6,924,884

8. INVESTMENTS

Held-to-maturity securities and other securities at March 31, 2003 and 2002 were as follows:

	(In millions of yen)					
	2003			2002		
March 31,	Carrying amount	Estimated fair value	Net unrealized gain	Carrying amount	Estimated fair value	Net unrealized gain
Held-to-maturity securities:						
Securities with market value	-	-	-	¥ 336	¥ 337	¥0
Securities without market value	2,284	2,284	-	5,851	5,851	-
Total held-to-maturity securities	¥2,284	¥2,284	-	¥6,187	¥6,188	¥0

	(In thousands of U.S. dollars)		
	2003		
March 31,	Carrying amount	Estimated fair value	Net unrealized gain
Held-to-maturity securities:			
Securities with market value	-	-	-
Securities without market value	19,001	19,001	-
Total held-to-maturity securities	\$19,001	\$19,001	-

	(In millions of yen)					
	2003			2002		
March 31,	Acquisition cost	Carrying amount	Net unrealized gain	Acquisition cost	Carrying amount	Net unrealized gain
Other securities:						
Securities with market value	¥29,850	¥ 84,163	¥54,312	¥56,483	¥116,423	¥59,940
Securities without market value	21,522	21,522	-	8,317	8,317	-
Total other securities	¥51,372	¥105,685	¥54,312	¥64,800	¥124,740	¥59,940

	(In thousands of U.S. dollars)		
	2003		
March 31,	Acquisition cost	Carrying amount	Net unrealized gain
Other securities:			
Securities with market value	\$248,336	\$700,191	\$451,847
Securities without market value	179,052	179,052	-
Total other securities	\$427,388	\$879,243	\$451,847

Proceeds from sales of marketable securities classified as other securities during the year ended March 31, 2003 and 2002 were as follows:

March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Proceeds	¥20,288	¥9,206	\$ 168,785
Gross gain	13,821	2,845	114,983
Gross loss	3	2	24

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 impaired amount, a new book acquisition cost is established. Losses on devaluation of the marketable securities classified as other securities as a result of the permanent decline totaled ¥10,401 million (\$86,531 thousand), ¥535 million for the year ended March 31, 2003 and 2002, respectively.

Investment in unconsolidated subsidiaries and affiliated companies, and investment in securities at March 31, 2003 and 2002 were as follows:

March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Investment in unconsolidated subsidiaries and affiliated companies	¥114,841	¥ 43,085	\$ 955,416
Investment in securities	104,232	124,742	867,155
	¥219,074	¥167,828	\$1,822,579

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2003 and 2002 consisted of the following:

March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Loans, principally from banks	¥556,100	¥678,852	\$4,626,456
Commercial paper	76,333	79,939	635,050
	¥632,434	¥758,791	\$5,261,514

Long-term debt at March 31, 2003 and 2002 consisted of the following:

March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Loans, principally from banks and insurance companies, due through 2022 at rates averaged 2.8 % in 2003 and 2.8% in 2002:			
Secured	¥ 51,316	¥ 111,946	\$ 426,922
Unsecured	122,428	145,440	1,018,536
2.25% bonds due 2002	–	20,000	–
2.4% bonds due 2003	29,500	29,500	245,424
2.7% bonds due 2004	20,000	20,000	166,389
3.1% bonds due 2007	8,700	8,700	72,379
3.3% bonds due 2009	25,800	26,400	214,642
0.4% convertible bonds due 2003	–	80,094	–
1.7% convertible bonds due 2003	19,200	19,200	159,734
Secured non-recourse notes payable due through 2006 at average rates ranging from 1.5% to 2.2%	78,595	–	653,869
Euro medium-term notes due through 2005 at rates ranging from 2.2 % to 4.8 % in 2003 and from 0.5 % to 5.1% in 2002	20,374	84,521	169,501
	375,915	545,801	3,127,413
Less current portion	(107,170)	(256,279)	(891,597)
	¥ 268,744	¥ 289,522	\$ 2,235,807

The 0.4% unsecured convertible bonds due 2003 are convertible through March 28, 2003 into shares of common stock of MMC at ¥887 (\$7.38) per share. At March 31, 2002, if all the outstanding convertible bonds had been converted at the current conversion price, 90,297 thousand new shares would have been issuable. The conversion price is subject to adjustment in certain cases including stock splits.

The 1.7% unsecured convertible bonds due 2003 are convertible through April 28, 2003 into shares of common stock of MMC at ¥405 (\$3.37) per share. At March 31, 2003, if all the outstanding convertible bonds had been converted at the current conversion price, 47,407 thousand new shares would have been issuable. The conversion price is subject to adjustment in certain cases including stock splits.

The maturities of long-term debt were as follows:

Year ending March 31,	(In millions of yen)	(In thousands of U.S. dollars)
2004	¥107,170	\$ 891,597
2005	91,414	760,516
2006	76,980	640,433
2007	21,265	176,913
2008	18,656	155,208
Thereafter	60,428	502,729
Total	¥375,915	\$ 3,127,413

Non-interest bearing long-term debt is mainly due to Dutch State and Volvo Car Corporation. The maturities of non-interest bearing long-term debt were as follows:

Year ending March 31,	(In millions of yen)	(In thousands of U.S. dollars)
2004	¥14,433	\$120,075
2005	24,736	205,790
Total	¥39,169	\$325,865

Assets pledged as collateral for short-term borrowings, long-term debt and guarantees at March 31, 2003 and 2002 were as follows:

March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Trade notes receivable	¥ 1,640	¥ 33,363	\$ 13,644
Finance receivables	98,083	57,196	815,998
Investments	23,396	38,051	194,642
Property, plant and equipment, net	145,759	261,142	1,212,637
Other	2,069	2,043	17,213
	¥270,948	¥391,797	\$2,254,143

The obligations secured by such collateral were as follows:

March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Short-term borrowings and long-term debt	¥159,638	¥275,047	\$1,328,103
Guarantees	620	1,007	5,158

In addition, the following groups of assets were pledged as collateral for unused credit limits of ¥2 million (\$17 thousand) under a collateral agreement with The Bank of Tokyo-Mitsubishi at March 31, 2003.

	(In millions of yen)	(In thousands of U.S. dollars)
Buildings and structures	¥11,197	\$ 93,153
Machinery and equipment	8,263	68,743
Land	985	8,194
	¥20,446	\$170,100

The following groups of assets were pledged as collateral for the debt from The Japan Bank for International Cooperation to EQUUS Leasing B.V., a counterparty of the consolidated subsidiary, Netherland Car B.V., at March 31, 2003 and 2002. The debt amount was ¥15,600 million (\$129,784 thousand) and nil at March 31, 2003 and 2002, respectively.

March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Buildings and structures	¥ 4,949	¥ 5,045	\$ 41,173
Machinery and equipment	26,460	28,321	220,133
Land	2,018	2,018	16,788
	¥33,428	¥35,385	\$278,103

The following groups of assets were pledged as collateral for the debt from The Development Bank of Japan and others to Pajero Manufacturing Corporation, a consolidated subsidiary, at March 31, 2003. The debt amount was ¥4,072 million (\$33,877 thousand) at March 31, 2003.

	(In millions of yen)	(In thousands of U.S. dollars)
Buildings and structures	¥3,201	\$26,631
Machinery and equipment	3,307	27,512
Land	1,542	12,828
	¥8,051	\$66,980

The following groups of assets were pledged as collateral for the debt from The Hyakujushi Bank, Ltd. and others to Suiryu Plastics Co., Ltd., a consolidated subsidiary, at March 31, 2003. The debt amount was ¥1,894 million (\$15,757 thousand) at March 31, 2003.

	(In millions of yen)	(In thousands of U.S. dollars)
Buildings and structures	¥1,288	\$10,715
Machinery and equipment	1,100	9,151
Land	194	1,613
	¥2,583	\$21,489

MMC had unused lines of credit of ¥156,500 million (\$1,301,997 thousand) and ¥170,000 million at March 31, 2003 and 2002, respectively.

10. STOCKHOLDERS' EQUITY

The Commercial Code of Japan (the "Code") provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings should be appropriated to the legal reserve until the sum of the legal reserve and capital surplus equals at least 25% of the common stock account. The Code also stipulates that, to the extent that the sum of capital surplus account and the legal reserve exceed 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the stockholders. MMC and its domestic subsidiaries have provided these amounts in accordance with the Code. The legal reserve, which is included in accumulated deficit amounted to ¥9,029 million (\$75,116 thousand) at March 31, 2003 and ¥9,029 million at March 31, 2002, respectively.

Unrealized holding gain on securities and derivative financial instruments is not available for dividends.

11. CONTINGENT LIABILITIES

Trade notes endorsed in the ordinary course of business amounted to ¥112 million (\$932 thousand) at March 31, 2003.

Loans guaranteed given in the ordinary course of business amounted to ¥9,691 million (\$80,624 thousand) at March 31, 2003. Agreements similar to guarantees given in the ordinary course of business amounted to ¥5,171 million (\$43,020 thousand) at March 31, 2003.

12. OTHER INCOME AND EXPENSES

Other income and expenses for the years ended March 31, 2003 and 2002 consisted of the following:

Year ended March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Gain on sales of investments in securities	¥ 13,980	¥ 3,977	\$ 116,306
Gain on sales of stocks of subsidiaries	6,569	–	54,651
Gain (loss) on sales and disposal of property, plant and equipment and intangible assets	(3,358)	266	(27,937)
Cumulative effect of a change in accounting for deferred lease subvention income	(11,152)	–	(92,779)
Loss on impairment of investment securities	(10,401)	–	(86,531)
Income from affiliated companies	2,373	4,352	19,742
Foreign exchange gain (loss)	292	(11,174)	2,429
(Provision) / Reversal of accrual for restructuring expense	(1,170)	1,644	(9,734)
Cost of extraordinary measures	(5,099)	–	(42,421)
Severance payments for early retirement	(1,361)	(14,926)	(11,323)
Amortization of consolidation goodwill	833	(27,285)	6,930
Other	(5,507)	(7,116)	(45,815)
	¥(14,000)	¥(50,262)	\$(116,473)

13. INCOME TAXES

MMC and its domestic consolidated subsidiaries are subject to corporation, resident's and enterprise taxes based on taxable income, which, in the aggregate, resulted in a statutory tax rate of approximately 41% for the years ended March 31, 2003 and 2002. Income taxes of the foreign consolidated subsidiaries are calculated based generally on the tax rates applicable in their countries of incorporation.

A system for the preparation and filing of consolidated tax returns was introduced in Japan in fiscal 2002. MMC and its domestic subsidiaries elected to adopt this system in fiscal 2002.

Due to a change in the Japanese enterprise tax law, the aggregate statutory tax rate for MMC and its domestic subsidiaries will decrease effective April 1, 2004. Consequently the effective tax rate reflected in the calculation of deferred taxes was 41.7% for temporary differences for which reversals are scheduled in the years to March 31, 2004, and was 40.4% for temporary differences for which reversals are scheduled thereafter. As a result, net deferred tax assets and liabilities, and provisions for income taxes of MMC and its consolidated subsidiaries for the year ended March 31, 2003 decreased by ¥997 million (\$8,294 thousand) and increased by ¥1,697 million (\$14,118 thousand), respectively.

The effective tax rates reflected in the consolidated statements of operations for the years ended March 31, 2003 and 2002 differ from the statutory tax rate for the following reasons:

Year ended March 31,	2003	2002
Statutory income tax rate for MMC	41.7 %	41.7 %
Income (loss) at subsidiaries	(151.7)	9.4
Increase (decrease) in valuation allowance	109.8	(12.4)
Income from affiliated companies	(2.3)	4.5
Amortization of consolidation goodwill	(0.8)	(39.8)
Increase by tax effect of subsidiaries in North America	-	130.1
Expenses not deductible for income taxes purposes	5.3	3.4
Other	5.2	(3.1)
Income taxes as a percentage of gain (loss) before income taxes and minority interests	7.2	133.8

The significant components of deferred tax assets and liabilities as of March 31, 2003 and 2002 were as follows:

March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Deferred tax assets:			
Net operating loss carry forward	¥ 120,460	¥ 134,409	\$ 1,002,163
Accrued retirement benefits	39,370	50,337	342,537
Other	177,549	160,652	1,477,113
Less valuation allowance	(125,202)	(120,596)	(1,041,614)
Total deferred tax assets	212,179	224,803	1,765,216
Deferred tax liabilities:			
Reserves under the Special Taxation Measures Law	(1,773)	(16,822)	(14,750)
Differences between cost of investments and underlying net equity at fair value	(8,021)	(17,858)	(66,730)
Accelerated depreciation	(50,378)	(13,710)	(419,118)
Other	(30,265)	(30,023)	(251,789)
Total deferred tax liabilities	(90,438)	(78,415)	(752,396)
Net deferred tax assets	¥ 121,741	¥ 146,387	\$ 1,012,820

Deferred tax assets and liabilities at March 31, 2003 and 2002 are included in the consolidated balance sheets as follows:

Year ended March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Current assets	¥ 54,955	¥ 71,692	\$ 457,196
Investments and other assets	77,644	91,913	645,957
Other current liabilities	(327)	(33)	(2,720)
Other non-current liabilities	(10,532)	(17,184)	(87,621)
Net deferred tax assets	¥121,741	¥146,387	\$1,012,820

14. SEGMENT INFORMATION

(a) Business segments

The business segment information for MMC and its consolidated subsidiaries for the years ended March 31, 2003 and 2002 are summarized as follows:

Year ended March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Net sales:			
Automobiles	¥3,809,762	¥3,106,403	\$31,695,191
Financial services	78,146	99,326	650,133
Total	3,887,909	3,205,730	32,345,333
Intersegment	(3,035)	(5,030)	(25,250)
Consolidated	¥3,884,874	¥3,200,699	\$32,320,083
Operating profit (loss):			
Automobiles	¥ 124,363	¥ 49,877	\$ 1,034,634
Financial services	(40,137)	(5,008)	(333,918)
Total	84,225	44,869	700,707
Intersegment	(1,463)	(4,641)	(12,171)
Consolidated	¥ 82,761	¥ 40,227	\$ 688,527
Total assets:			
Automobiles	¥2,048,982	¥2,504,608	\$17,046,439
Financial services	530,598	513,670	4,412,629
Total	2,579,380	3,018,278	21,459,068
Corporate and eliminations	(154,027)	(123,717)	(1,281,423)
Consolidated	¥2,425,352	¥2,894,560	\$20,177,637
Depreciation:			
Automobiles	¥ 139,744	¥ 100,500	\$ 1,162,596
Financial services	53,521	46,036	445,266
Consolidated	¥ 193,265	¥ 146,537	\$ 1,607,862
Capital expenditures:			
Automobiles	¥ 128,676	¥ 64,842	\$ 1,070,516
Financial services	72,860	93,657	606,156
Consolidated	¥ 201,537	¥ 158,500	\$ 1,676,681

As a result of the synchronization of fiscal year-end of overseas consolidated subsidiaries, as explained in Note 2, net sales in "Automobiles" segment and "Financial Services" segment increased by ¥422,431 million (\$3,514,400 thousand) and ¥10,932 million (\$90,948 thousand), respectively. Operating profit in "Automobiles" segment, "Financial Services" segment and "Intersegment" increased by ¥6,001 million (\$49,925 thousand), decreased by ¥16,451 million (\$136,863 thousand), increased by ¥419 million (\$3,485 thousand), respectively.

As a result of the change in the method of accounting for lease subvention income and expenses related to the North American subsidiaries as explained in Note 2, operating profit decreased by ¥237 million (\$1,972 thousand) between segments in the year ended March 31, 2003. Corporate assets also increased by ¥4,195 million (\$34,900 thousand) at March 31, 2003.

As a result of the change in accounting for sales in foreign currencies and related forward exchange contracts qualified as hedges as explained in Note 2, operating profit increased by ¥12,299 million in "Automobiles" segment in the year ended March 31, 2002.

As a result of the adoption of the new accounting standard for sales incentives as explained in Note 3, net sales decreased by ¥49,751 million with no effect on operating profit in "Automobiles" segment in the year ended March 31, 2002.

(b) Geographical segments

The geographical segment information for MMC and its consolidated subsidiaries for the years ended March 31, 2003 and 2002 are summarized as follows:

Year ended March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Net sales:			
Japan	¥2,354,208	¥2,198,819	\$19,585,757
North America	1,205,049	896,668	10,025,366
Europe	761,760	543,107	6,337,438
Asia	238,731	157,693	1,986,115
Other areas	297,393	228,385	2,474,151
Total	4,857,144	4,024,673	40,408,852
Interarea	(972,270)	(823,974)	(8,088,769)
Consolidated	¥3,884,874	¥3,200,699	\$32,320,083
Operating profit (loss):			
Japan	¥ 46,255	¥ 22,795	\$ 384,817
North America	33,775	45,538	280,990
Europe	(10,547)	(17,971)	(87,745)
Asia	11,968	492	99,567
Other areas	6,073	(2,298)	50,524
Total	87,525	48,557	728,161
Interarea	(4,763)	(8,329)	(39,626)
Consolidated	¥ 82,761	¥ 40,227	\$ 688,527
Total assets:			
Japan	¥1,424,496	¥2,175,866	\$11,851,048
North America	970,459	843,977	8,073,702
Europe	297,037	222,648	2,471,190
Asia	87,934	100,146	731,564
Other areas	104,624	109,460	870,416
Total	2,884,552	3,452,099	23,997,937
Interarea	(459,199)	(557,538)	(3,820,291)
Consolidated	¥2,425,352	¥2,894,560	\$20,177,637

As a result of the synchronization of fiscal year-end of overseas consolidated subsidiaries as explained in Note 2, net sales increased by ¥207,982 million (\$1,730,300 thousand) in "North America" segment, ¥149,625 million (\$1,244,800 thousand) in "Europe" segment, ¥21,081 million (\$175,382 thousand) in "Asia" segment and ¥54,675 million (\$454,866 thousand) in the "Other areas" segment in the year ended March 31, 2003. Operating profit decreased by ¥8,989 million (\$74,784 thousand) in "North America" segment, ¥3,700 million (\$30,782 thousand) in "Europe" segment, and increased by ¥2,803 million (\$23,319 thousand) in "Asia" segment and ¥799 million (\$6,647 thousand) in "Other areas" segment and decreased by ¥942 million (\$7,837 thousand) in "Interarea" segments in the year ended March 31, 2003.

As a result of a change in the method of accounting for lease subvention income and expenses related to the North American subsidiaries as explained in Note 2, operating profit decreased by ¥237 million (\$1,972 thousand) in "North America" segment in the year ended March 31, 2003. Total assets also increased by ¥4,195 million (\$34,900 thousand) in "North America" segment at March 31, 2003.

As a result of the change in accounting for sales in foreign currencies and related forward foreign exchange contracts qualified as hedges as explained in Note 2, operating profit increased by ¥12,299 million in "Japan" segment in the year ended March 31, 2002.

As a result of the adoption of the new accounting standard for sales incentives as explained in Note 3, net sales decreased by ¥49,751 million with no effect on operating profit in "North America" segment in the year ended March 31, 2002.

(c) Overseas sales

Overseas sales, which include export sales of MMC and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries for the years ended March 31, 2003 and 2002 are summarized as follows:

Year ended March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Overseas sales:			
North America	¥1,217,176	¥ 891,696	\$10,126,256
Europe	752,462	540,690	6,260,083
Asia	355,508	261,359	2,957,637
Other areas	450,810	330,441	3,750,499
Total	¥2,775,958	¥2,024,187	\$23,094,493
Consolidated sales	¥3,884,874	¥3,200,699	\$32,320,083
Overseas sales as a percentage of consolidated sales:			
North America	31.3%	27.8%	
Europe	19.4	16.9	
Asia	9.2	8.2	
Other areas	11.6	10.3	
Total	71.5	63.2	

15. EARNINGS AND EQUITY PER SHARE

Net income and equity per share for the years ended March 31, 2003 and 2002 are summarized as follows:

March 31,	(In yen)		(In U.S. dollars)
	2003	2002	2003
Net income per share			
Basic	¥ 25.35	¥ 7.66	\$0.21
Diluted	23.43	7.42	0.19
Stockholders' equity per share	¥188.95	¥184.10	1.57

The computation of net income per share for the year ended March 31, 2003 is as follows:

March 31, 2003	(In millions of yen)	(In thousands of U.S. dollars)
Numerator for basic net income per share:		
Net income	¥ 37,361	\$ 310,824
Income not available to common stockholders	—	—
Income available to common stockholders	¥ 37,361	\$ 310,824
Denominator for net income per share:		
Weighted average number of shares (in thousands)	1,473,719	1,473,719
Adjustments to numerator for diluted earnings per share:		
Interest expense, net of tax	¥ 377	\$ 3,136
Administrative fees	11	91
Adjustments to net income	¥ 388	\$ 3,227
Adjustments to denominator for diluted earnings per share (in thousands):		
Conversion of convertible bond	137,457	137,457
Additional shares issued	137,457	137,457

16. DERIVATIVE FINANCIAL INSTRUMENTS

MMC and its consolidated subsidiaries utilize derivative financial instruments for the purpose of hedging their exposure to adverse fluctuations in foreign currency exchange rates and interest rates such as forward foreign exchange contracts, currency options and interest rate swaps in the normal course of business, but they do not enter into such transactions for speculative or trading purposes.

MMC and its consolidated subsidiaries are exposed to the risk of credit loss in the event of nonperformance by the counterparties to the derivatives, but any such loss would not be expected to be material because MMC enters into derivative transactions only with financial institutions with high credit ratings. The notional amounts of the derivative financial instruments do not necessarily represent the amounts exchanged by the parties and, therefore, are not a direct measure of MMC's risk exposure in connection with derivatives.

All the transactions related to derivative financial instruments are for the purpose of hedging, however, interest rate swaps of which receive-fixed and pay-floating are exposed to risk of interest rate changes. MMC and its consolidated subsidiaries do not enter into derivative contracts in which significant volatility may have serious influence on the operations.

MMC and its consolidated subsidiaries enter into derivative contracts neither for trading purpose, nor for anticipation of gain from short-term market movements. Derivative transactions are appropriately approved by Chief Financial Officer, and MMC approves those derivative transactions of consolidated subsidiaries, which are conducted in accordance with each subsidiary's policy with appropriate approval of board meeting and Chief Financial Officer of each consolidated subsidiary.

Summarized below are the notional amounts and the estimated fair values of the derivative positions, except for those accounted for as hedges, outstanding at March 31, 2003 and 2002:

March 31,	(In millions of yen)					
	2003			2002		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Sell:						
US \$	¥ 6,024	¥ 6,072	¥ (47)	¥ 72,701	¥ 74,137	¥(1,435)
Euro	18,728	20,049	(1,321)	112,754	118,833	(6,079)
£ stg	154	155	0	1,250	1,254	(4)
Canadian Dollar	1,976	2,117	(141)	-	-	-
Buy:						
US \$	-	-	-	46,115	46,416	300
Euro	-	-	-	3,471	3,483	11
Total			¥(1,509)			¥(7,207)

March 31,	(In thousands of U.S. dollars)		
	2003		
	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell:			
US \$	\$ 50,116	\$ 50,516	\$ (391)
Euro	155,807	166,797	(10,990)
£ stg	1,281	1,290	0
Canadian Dollar	16,439	17,612	(1,173)
Buy:			
US \$	-	-	-
Euro	-	-	-
Total			\$(12,554)

(In millions of yen)

March 31,	2003			2002		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Currency options:						
Sell						
US \$ call	¥ 8,791					
	(172)	32	139	-	-	-
Euro call	46,992					
	(746)	1,311	(564)	-	-	-
Buy:						
US \$ put	9,550					
	(212)	166	(45)	-	-	-
Euro put	50,587					
	(894)	376	(518)	-	-	-
Total			¥(988)	-	-	-

(In thousands of U.S. dollars)

March 31,	2003		
	Notional amount	Fair value	Unrealized gain (loss)
Currency options:			
Sell			
US \$ call	\$ 73,136		
	(1,431)	266	(1,156)
Euro call	390,948		
	(6,206)	10,907	(4,692)
Buy:			
US \$ put	79,451		
	(1,764)	1,381	(374)
Euro put	420,857		
	(7,438)	3,128	(4,309)
Total			\$(8,219)

March 31,	(In millions of yen)					
	2003			2002		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Interest rate swaps:						
Pay-fixed, receive-floating	82,938	(2,463)	(2,463)	78,694	(4,571)	(4,571)
Total	¥82,938	¥(2,463)	¥(2,463)	¥78,694	¥(4,571)	¥(4,571)

March 31,	(In thousands of U.S. dollars)		
	2003		
	Notional amount	Fair value	Unrealized gain (loss)
Interest rate swaps:			
Pay-fixed, receive-floating	\$690,000	\$(20,491)	\$(20,491)
Total			\$(20,491)

17. LEASES

As lessee

MMC and its consolidated subsidiaries lease certain property, plant and equipment. For the years ended March 31, 2003 and 2002, finance leases, except for agreements which stipulate the transfer of title of the assets to the lessee, were as follows:

March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Finance lease obligations:			
Due within 1 year	¥11,967	¥20,233	\$ 99,559
Due after 1 year	20,911	37,882	173,968
Total	¥32,879	¥58,116	\$273,536

At March 31, 2003 and 2002, the equivalent of the acquisition cost of finance lease transactions, except for agreements which stipulate the transfer of title of the assets to the lessee, amounted to ¥49,183 million (\$409,176 thousand) and ¥77,636 million for tools and equipment respectively, and ¥10,469 million (\$87,097 thousand) and ¥31,818 million for others, respectively. At March 31, 2003 and 2002, the total equivalent of the related net book value was ¥25,975 million (\$216,098 thousand) and ¥41,122 million, respectively, that was calculated with deductions of the related accumulated depreciation of ¥33,677 million (\$280,175 thousand) and ¥68,332 million, respectively.

For the years ended March 31, 2003 and 2002, lease payments for finance lease transactions, except for agreements which stipulate the transfer of title of the assets to the lessee, amounted to ¥18,839 million (\$156,730 thousand) and ¥24,546 million, respectively. The equivalent of the related depreciation for the years ended March 31, 2003 and 2002 amounted to ¥16,020 million (\$133,278 thousand) and ¥20,489 million, respectively. The equivalent of the related interest expense for the years ended March 31, 2003 and 2002 amounted to ¥1,371 million (\$11,406 thousand) and ¥2,158 million, respectively.

Operating lease transactions entered into as lessee by MMC and its consolidated subsidiaries at March 31, 2003 and 2002 were as follows:

March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Future minimum lease payments on operating leases:			
Due within 1 year	¥ 5,508	¥11,839	\$ 45,824
Due after 1 year	11,991	74,653	99,759
Total	¥17,500	¥86,493	\$145,591

As lessor

Operating lease transactions entered into as lessor by MMC and its consolidated subsidiaries at March 31, 2003 and 2002 were as follows:

March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Future minimum lease revenues from operating leases:			
Due within 1 year	¥42,194	¥ 56,879	\$351,032
Due after 1 year	47,841	71,754	398,012
Total	¥90,036	¥128,634	\$749,052

18. RETIREMENT BENEFITS

MMC and its consolidated subsidiaries have several pension plans covering substantially all their employees. The contributory plan includes a portion of the government sponsored welfare pension benefits which would otherwise be provided by the Japanese government in accordance with the Welfare Pension Insurance Law of Japan. These contributory and noncontributory plans are funded in accordance with the funding requirements set forth in the applicable government regulations.

Additional early retirement benefit is paid in certain cases upon employees' retirement. In addition, certain foreign consolidated subsidiaries have defined contribution benefit plan.

The discount rate used to determine the retirement benefit obligation was 2.5% for MMC and its domestic consolidated subsidiaries, 6.8%~7.0% for its foreign consolidated subsidiaries, and 2.5% for MMC and its domestic consolidated subsidiaries, 7.3%~7.5% for its foreign consolidated subsidiaries at March 31, 2003 and 2002, respectively. The rate of return on plan assets assumed was 4.0% for MMC and its domestic consolidated subsidiaries, 8.3%~8.5% for its foreign consolidated subsidiaries, and 4.0% for MMC and its domestic consolidated subsidiaries, 8.3%~8.5% for its foreign consolidated subsidiaries for the year ended March 31, 2003 and 2002, respectively.

The retirement benefit obligation for MMC's and its consolidated subsidiaries' employees' defined benefit plans at March 31, 2003 and 2002 are summarized as follows:

March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Retirement benefit obligation	¥(181,264)	¥(270,776)	\$(1,508,020)
Pension plan assets at fair value	43,714	67,517	363,677
Unfunded status	(137,549)	(203,259)	(1,144,334)
Unrecognized actuarial loss	23,839	32,589	198,328
Unrecognized prior service cost	(1,323)	(1,957)	(11,007)
Net recognized retirement benefit obligation	(115,033)	(172,627)	(957,013)
Prepaid pension cost	3,354	1,322	27,903
Accrued retirement benefits	¥(118,387)	¥(173,950)	\$ (984,917)

Plan assets relating to multi-employer pension plans are not included in the above pension plan assets, as the amount of such assets representing the consolidated subsidiaries' share can not be reasonably established. The amount of such assets calculated mainly on the basis of contribution ratio was ¥3,681 million (\$30,624 thousand) at March 31, 2003.

Pension expenses for MMC's and its consolidated subsidiaries' employees' retirement defined benefit plans for the years ended March 31, 2003 and 2002 are as follows:

Year ended March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Service cost	¥17,232	¥15,546	\$143,361
Interest cost	8,351	8,213	69,476
Expected return on plan assets	(3,177)	(2,829)	(26,431)
Amortization of actuarial loss	3,019	608	25,116
Amortization of prior service cost	(12)	(35)	(100)
Pension expenses	¥25,413	¥21,502	\$211,423

In addition to the above pension expenses, additional early retirement benefits of ¥1,340 million (\$11,148 thousand) and ¥14,926 million were paid in the year ended March 31, 2003 and 2002, respectively.

19. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash and cash equivalents at March 31, 2003 and 2002 consisted of the following:

Year ended March 31,	(In millions of yen)		(In thousands of U.S. dollars)
	2003	2002	2003
Cash and bank deposits	¥81,728	¥90,269	\$679,933
Time deposits with maturities of three months or more	(916)	(930)	(7,621)
Short-term investments maturing within three months from the acquisition dates	3,732	5,851	31,048
Cash and cash equivalents	¥84,544	¥95,189	\$703,361

Additions and collection of finance receivables were classified in “loans made” and “collection of loans receivable” respectively, within investing activities in the consolidated statements of cash flows in the year ended March 31, 2002. However, the management of these overseas subsidiaries consider finance receivables as operational assets and consequently, in the year ended March 31, 2003, additions and collections of finance receivables have been classified as “changes in operating assets and liabilities – finance receivables.” The effect of this change was to decrease net cash provided by operating activities by ¥114,009 million (\$948,494 thousand) and to increase net cash provided by investing activities by ¥114,009 million (\$948,494 thousand) in the year ended March 31, 2003. No restatement of the March 31, 2002 amounts has been made.

Net interest paid for the years ended March 31, 2003 and 2002 amounted to ¥27,858 million (\$231,763 thousand) and ¥22,435 million, respectively. Income taxes paid for the years ended March 31, 2003 and 2002 amounted to ¥7,668 million (\$63,794 thousand) and ¥11,726 million, respectively.

20. RELATED PARTY TRANSACTION

MMC entered into a Share Sale and Purchase Agreement and sold its shares in MFTBC to DaimlerChrysler AG, holder of 37% of MMC’s shares (including indirect investments), during the year ended March 31, 2003. The sale proceeds and gain on sale of shares, which were included in the year ended March 31, 2003, were ¥99,110 million (\$824,542 thousand) and ¥4,515 million (\$37,562 thousand), respectively, and the amount included in other current assets at March 31, 2003 was ¥12,713 million (\$105,765 thousand).

21. SUBSEQUENT EVENTS

At the stockholders’ meeting held on June 25, 2003, the disposition of the non-consolidated accumulated deficit of MMC of ¥197,179 million (\$1,640,424 thousand) by offset against capital surplus was approved, as permitted by the Code. As a result, the capital surplus will decrease by ¥197,179 million (\$1,640,424 thousand).

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Mitsubishi Motors Corporation

We have audited the consolidated balance sheets of Mitsubishi Motors Corporation and its consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Motors Corporation and its consolidated subsidiaries at March 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

As described in Note 2 to the consolidated financial statements, the fiscal year-end of overseas consolidated subsidiaries were synchronized from December 31 to March 31, in the year ended March 31, 2003. In the same year, the method of accounting for lease subvention income and expenses related to the North American subsidiaries was changed. In the year ended March 31, 2002, the method of accounting for forward foreign exchange contracts was changed.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 are presented solely for convenience of the reader. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4 to the consolidated financial statements.

Shin Nihon & Co.

Tokyo, Japan
June 25, 2003

See Note 1(a) which explains the basis of preparation of the consolidated financial statements of Mitsubishi Motors Corporation and consolidated subsidiaries under Japanese accounting principles and practices.

CORPORATE SECTION

OFFICES AND WORKS

- Head office** 2-16-4, Konan, Minato-ku, Tokyo, 108-8410, Japan
Telephone: +81-3-6719-2111 Fax: +81-3-6719-0014
- Engineering centers**
- *Car Research & Development Center*
1, Nakashinkiri, Hashime-cho, Okazaki, Aichi 444-8501, Japan
Telephone: +81-564-31-3100
 - *Tokachi Proving Ground*
22-1, Osarushi, Otofuke-cho, Kato-gun, Hokkaido 080-0271, Japan
Telephone: +81-155-32-7111
- Works**
- *Nagoya Plant—Okazaki (Assembly)*
1, Nakashinkiri, Hashime-cho, Okazaki, Aichi 444-8501, Japan
Telephone: +81-564-31-3100
 - *Mizushima Plant (Assembly)*
1-1, Mizushima Kaigandori, Kurashiki, Okayama 712-8501, Japan
Telephone: +81-86-444-4114
 - *Kyoto Plant—Kyoto (Engines & Transmissions)*
1, Uzumasa Tatsumi-cho, Ukyo-ku, Kyoto 616-8501, Japan
Telephone: +81-75-864-8000
 - *Kyoto Plant—Shiga (Engines)*
2-1, Kosunacho, Kosei-cho, Koga-gun, Shiga 520-3212, Japan
Telephone: +81-748-75-3131

MMC GROUP OF COMPANIES

Japan

Mitsubishi Motors Training Center Co., Ltd. (MTC)
Pajero Manufacturing Co., Ltd. (PMC)
Mitsubishi Automotive Techno-Service Co., Ltd. (MATS)
Mitsubishi Automotive Engineering Co., Ltd. (MAE)
Mitsubishi Automotive Logistics Co., Ltd. (MALS)
Mitsubishi Auto Credit-Lease Corporation (MCL)
Ralliart Inc.
Tokyo Mitsubishi Motor Sales Co. Ltd.
Kinki Mitsubishi Motor Sales Co. Ltd.
Others

Overseas

Mitsubishi Motors North America, Inc. (MMNA)
Mitsubishi Motors Credit of America, Inc. (MMCA)
Mitsubishi Motors R&D of America, Inc. (MRDA)
Mitsubishi Motors Sales of Caribbean, Inc. (MMSC)
Netherlands Car B.V. (NedCar)
MMC International Finance (Netherlands) B.V. (MMCIF)
Mitsubishi Motors Europe B.V. (MME)
Mitsubishi Motor R&D of Europe GmbH (MRDE)
MMC Sittipol Co., Ltd. (MSC)
Mitsubishi Motors Philippines Corporation (MMPC)
Mitsubishi Motors Australia Limited (MMAL)
Others

CORPORATE INFORMATION

(As at March 31, 2003. Board members were newly appointed on June 25, 2003)

DATE OF ESTABLISHMENT

April 22, 1970

PAID IN CAPITAL

¥252,201,223,000

COMMON STOCK

Issued and outstanding: 1,483,438,934 shares

NUMBER OF SHAREHOLDERS

45,316

NUMBER OF EMPLOYEES

45,275 (Consolidated Basis)

SECURITIES TRADED

All stock exchanges in Japan: Tokyo, Osaka, Nagoya, Fukuoka and Sapporo

TRANSFER AGENT AND REGISTER

The Mitsubishi Trust & Banking Corporation
Nagatacho 2-11-1, Sanno Park Tower, Chiyoda-ku,
Tokyo 100-8212, Japan

ACCOUNTING AUDITOR

Shin Nihon & Co.

MAJOR SHAREHOLDERS	% of total
DaimlerChrysler AG	33.70
Mitsubishi Heavy Industries, Ltd.	14.82
Mitsubishi Corporation	5.21
Capital Guardian Trust Company	4.42
The Mitsubishi Trust & Banking Corporation	3.28
DaimlerChrysler MMC Beteiligungsgesellschaft mbH	3.27
The Bank of Tokyo-Mitsubishi, Ltd.	2.90
Japan Trustee Service Bank, Ltd. (Trust Account)	2.16
The Master Trust Bank of Japan, Ltd. (Trust account)	1.86
Meiji Life Insurance Company	1.28

BOARD OF DIRECTORS AND SENIOR OFFICERS

Members of the Board

Takashi Sonobe
Rolf Eckrodt
Steven A. Torok
Ulrich W. Walker
Eiji Iwakuni
Keiichiro Hashimoto
Manfred Bischoff
Rüediger Grube
Takashi Nishioka
Mikio Sasaki

Statutory Auditors

Mitsugu Nakabayashi
Hirao Iijima
Motoo Makita
Nobuo Kuroyanagi

Senior Executive Officers

Tadashi Ohmiya
Joachim Coers
Yoichi Yokozawa
Christian Cahn v. Seelen
Atsushi Ueba
Makoto Ariga
Olivier Boulay
Kai-Uwe Seidenfuss
Akira Kijima
Stefan Buchner
Seihachi Futase

POWER TO CHANGE

mitsubishi
MITSUBISHI MOTORS

ANNUAL REPORT 2003



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