



## Mitsubishi Motors reports consolidated results for half year ending 30 September 2000

Tokyo, November 13 — Mitsubishi Motors Corporation today announced its consolidated business results for the half year ending 30 September 2000 (1 April 2000 – 30 September 2000).

- Sales for the half year ended 30 September 2000 were ¥1,542,513 million, a decrease of 1.5% on the ¥1,565,505 million for the same period last year.
- Ordinary loss was ¥29,471 million.
- Net loss was ¥75,629 million.

For the full 2000 fiscal year (1 April 2000 – 31 March 2001), Mitsubishi Motors forecasts an ordinary loss of ¥45 billion and net loss of ¥140 billion on sales of ¥3,400,000 million

### Consolidated financial highlights

(1 April – 30 September 2000)

	Millions of Yen		
	2000FY (4/00 – 9/00)	1999FY (4/99 – 9/99)	% change
Sales .....	1,542,513	1,565,505	– 1.5
Operating income .....	– 23,222	– 1,583	—
Ordinary income .....	– 29,471	– 27,241	—
Net income .....	– 75,629	– 38,534	—
Earnings per share, basic.....	– ¥77.94	– ¥41.80	—
Shareholders' equity.....	258,844	315,038	
Total assets .....	2,914,368	2,938,469	
Shareholders' equity ratio.....	8.9%	10.7%	
Shareholders' equity per share.....	¥266.77	¥341.77	

# I Management policy

## 1. Basic management policy

Mitsubishi Motors Corporation's management policy stands on the following three principles:

- (1) To adopt the customer's viewpoint and win and retain long-running customer loyalty through excellence in product and service;
- (2) To be innovative with a global perspective;
- (3) To act with integrity as an open and clean corporation

In view of the situation the Company finds itself in today, certain fundamental changes must be made. To ensure that we supply vehicles and services that inspire full confidence in our customers, and to show that Mitsubishi Motors really has changed for the better, the following three principles will be driven home throughout the whole organization:

- To provide customers with products and service of the highest quality, allowing no room for compromise;
- To ensure that all corporate investments result in higher levels of customer satisfaction, and generate a profit;
- To conduct our business in a fair and rational manner, and always in obedience with laws and regulations.

## 2. Policy on appropriation of surplus

MMC considers returning profits to shareholders to be a management objective of the first order. The Company makes the maintenance of a stable dividend its first principle, giving due consideration to the need to achieve a balance between this and to securing sufficient funds for the future development of its business. Such monies are required for the development of new products, of environmental technologies and for funding other avenues through which the Company may fortify its operational base, and thereby enable it to maintain and boost its fighting strength in the intensely competitive automotive industry. Company policy is to apportion the fruits of its operations to its shareholders, taking into account developments in the consolidated results.

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

Through its strategic alliances with DaimlerChrysler and AB Volvo, MMC is working to revolutionize its management and to accelerate its transformation into a profitable organization. The aim is to establish a business foundation that will enable both its passenger car and its commercial vehicle operations to stand alone and to offer, in a timely manner, competitive products that are eagerly sought on global markets.

MMC is firmly committed to increasing corporate value and is doing so by seeking to return profits on a consistent basis, by driving home its Selection and Concentration philosophy through the entire organization, and through the optimal allocation of management resources.

MMC has formed global and strategic alliances with AB Volvo in the commercial vehicle sector and with DaimlerBenz in the passenger car sector. These alliances will enable the company to deal better with the substantial changes seen in the automotive industry today, and including environmental issues, globalization of management and advances in information technology, as well as with global changes in the paradigms governing development, procurement and production.

On the basis of the corporate philosophy and strategies outlined above, the Company will reassess its new Heart-Beat 21 mid-term management plan and will complete a detailed action plan by the spring of 2001. Every company in the MMC group will devote its full energies to achieving the goals to be set out in the new action plan: (1) to move into the black in FY2001 and, (2) to re-engineer the group so that it produces consistent profits from FY2003 onwards.

## 4. Management structure

MMC has implemented major changes to its management structure recently. These include the smooth introduction of the internal-company system with the setting up of the Truck & Bus Company on 1 April this year, with a view to spinning it off as a separate company by July 2001; and the formation of alliances with DaimlerChrysler and AB Volvo. In order to speed up the management process further and to make

the alliances effective and meaningful, the Company has implemented a radical reorganization of the Board of Directors.

In a step designed to revitalize the board, the number of directors on the board have been reduced, with more seats occupied by outside directors. The Company has also introduced a system of Executive Officers.

The member of the Board will retain responsibility for formulation of management strategy, for key management decisions, and for supervision of execution of operations. Executive officers will be responsible for the execution of business. This will help clarify responsibilities and authority in individual areas of operation.

These reforms to the management structure will speed up the decision-making process and bring greater clarity to issues of accountability, and realize a structure that is better able to focus on delivering results faster.

Mr Rolf Eckrodt of DaimlerChrysler is due to assume the Member of the Board at an extraordinary shareholders meeting due to be convened on 19 January 2001.

## 5. Issues to be addressed

Mitsubishi Motors was disciplined by the relevant authorities over a series of problems relating to its processing of customer claims. The Company deeply regrets that it has betrayed the trust of its customers and of the general public and will implement far-reaching remedial measures to prevent any recurrence and to raise quality levels in all areas, including development, production, and vehicle servicing.

In addition, all members of the Mitsubishi Motors group of companies will devote their combined energies to supplying products and providing services that win genuine customer satisfaction, by taking the customer's standpoint and re-examining the whole vehicle building process giving top priority to quality.

MMC signed a Master Alliance Agreement with DaimlerChrysler in July, and in October made a new issue of 499,856,000 shares to give DaimlerChrysler a 34% equity holding in the Company. This now opens the way for the Company to roll out a number of collaborative projects. These include the Z-car global strategy model to be jointly developed by the two companies, as well as projects involving collaboration in the areas of development, production, sales and purchasing operations in various parts of the world. Ensuring the success of these projects is the second issue to be addressed.

In its alliance with AB Volvo, the challenge for MMC is to spin off its commercial vehicle operations at an early date, and to start benefiting from the various synergies that will stem from the joint development of a medium truck, as well as from collaboration in worldwide production and sales activities.

In this rapidly changing business environment, MMC is purposefully applying its resources to swiftly establish a corporate brand-oriented management, to internal reforms, and to the globalization of its management.

## II Consolidated results

### 1. First half fiscal 2000 results: overview

During the first half of fiscal 2000, the economies of the United States and of the countries of Europe continued to expand, while those of the countries of Southeast Asia showed that they were firmly on the road to recovery.

In Japan, the economy displayed a gentle improvement fueled by increased capital investment in the private sector and by higher exports, to Asia in particular. Record levels of unemployment, however, mean that the overall situation remains difficult.

In the Japanese automotive industry, the launch of a number of new models saw total vehicle sales for the first half grow to 2,820,000 units, an increase of 1% over the same period in fiscal 1999. Sales of domestically produced vehicles were 2,680,000 units, 1% up, while sales of imports were 140,000 units, the same level as in 1999. Buoyant shipments to North America and Asia saw exports grow to 2,260,000 units, a 7% increase over the same period in 1999.

In its consolidated operations for the first half of fiscal 2000, MMC reports total sales volume of 675,000 units, virtually the same figure as for the same period last year. Consolidated sales was ¥1,542.5 billion, a decrease over the same period in 1999 and due principally to the strong Japanese yen.

Looking at profits, group-wide efforts were made to reduce costs and to otherwise improve the financial standing of MMC companies. However, the cost reductions achieved were more than countered by a deterioration in profitability caused by the strong Yen and sluggish sales on the domestic market, and by a one-time charge of pension liabilities. As a result, MMC reports an operating loss of ¥23.2 billion and an ordinary loss of ¥29.5 billion. Net loss for the interim period was ¥75.6 billion, a larger loss than that reported for the same period in fiscal 1999..

Looking at the cash flows for the first half of fiscal 2000: cash flows from operating activities were ¥94.2 billion, while cash flows relating to acquisition or disposal of tangible fixed assets and other investing activities were ¥176.4 billion. After subtracting the repayment of loans and other such disbursements, and issuance of bonds, cash flows relating to financial activities were ¥120.3 billion. The balance of cash and cash equivalents at the end of the first half of fiscal 2000 was ¥129.6 billion, a ¥40 billion increase over the position at the end of fiscal 1999.

### 2. Segment information

#### (1) By business

Sales from the automotive business for the interim period were ¥1,502.1 billion, producing an operating loss of ¥20.4 billion.

Revenues from the financial services business were ¥46.1 billion, producing an operating loss of ¥500 million.

#### (2) By geographical region

Sales in Japan were ¥1,205.2 billion, an increase of ¥51.9 billion, and operating loss was ¥19.3 billion, an improvement of ¥1.5 billion over the same period in fiscal 1999.

Sales in North America were ¥412.2 billion, an increase of ¥76.0 billion, and operating income stood at ¥21.0 billion, an increase of ¥6.3 billion over the same period in fiscal 1999. *(Note: In reality, however, there was a ¥15.6 billion increase in operating income taking into account the ¥9.3 billion decrease in operating profit due to change in classification of expenses at the Company's financial services subsidiary.)*

Sales in Europe were ¥178.4 billion, a decrease of ¥71.0 billion, and operating loss was ¥13.3 billion, a deterioration of ¥16.0 billion over the same period in fiscal 1999.

Sales in Asia were ¥64.3 billion, an increase of ¥4.6 billion, and operating loss was ¥4.8 billion, an deterioration of ¥5.2 billion over the same period in fiscal 1999.

Sales in other regions were ¥102.4 billion, a decrease of ¥21.5 billion, and operating loss was ¥5.6 billion, a deterioration of ¥5.1 billion over the same period in fiscal 1999.

### 3. Dividend payment

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

### 4. Consolidated forecast for full year in fiscal 2000

Looking ahead to the rest of fiscal 2000, in terms of the global economy there is some concern that the growth in the United States economy will slow. Any recovery in the Japanese economy, meanwhile, is expected to remain mild, as slower exports impact the general tone of recovery fueled mainly by demand in the private sector. In the automotive industry, the Company expects to find itself operating in an increasingly difficult business environment as the launch of new models brings a further intensification in sales competition, and as the nature of issues that need to be addressed by management — the environment and globalization of management included — undergo substantial changes.

While fluctuations in the major currencies, price reductions required by intensifying market competition, the degree to which domestic consumption in Japan will recover and other factors make accurate forecasting difficult, the Company offers the following forecast for its consolidated operations in fiscal 2000.

<b>Consolidated forecast fiscal 2000</b>			<b>Change from previous year</b>
Sales	¥3,400.0	billions of Yen	1.9%
Ordinary income	- ¥45.0	billions of Yen	
Net income	- ¥140.0	billions of Yen	

**Cautionary statement:**

The fiscal 2000 forecasts are based on management assumptions and predictions made in the light of the information currently available. Undue reliance should not be placed on these forecasts. A number of factors, including, but not limited to, changes in the business environment surrounding MMC operations, market trends and currency fluctuations could cause actual results to differ materially from those discussed in the forecasts.

## Consolidated statements of operations

(1 April 2000 – 30 September 2000)

	Millions of yen		
	4/1/00 - 9/30/00	4/1/99 - 9/30/99	% Change
Sales .....	1,542,513	1,565,505	- 1.5
Cost of sales .....	1,282,218	1,286,051	- 0.3
Gross profit before provision for unrealized profit on installment sales .....	260,295	279,454	- 6.9
Provision for unrealized profit on installment .....	296	560	
Gross profit .....	260,591	280,014	
Selling, general and administrative expenses.....	283,813	281,598	
Operating income.....	- 23,222	- 1,583	—
Non-operating income.....	20,910	17,974	
Interest and dividends income .....	(7,884)	(8,963)	
Other income.....	(13,025)	(9,010)	
Non-operating expenses.....	27,160	43,632	
Interest expenses.....	(19,185)	(33,657)	
Other expenses.....	(7,975)	(9,975)	
Ordinary income.....	- 29,471	- 27,241	—
Extraordinary gain.....	1,019	2,178	
Extraordinary loss .....	83,501	8,774	
Income before taxes .....	- 111,953	- 33,837	—
Income taxes.....	- 29,977	6,939	
Minority interests.....	* 6,347	* 2,243	
Net income.....	- 75,629	- 38,534	—

Note: \* indicates an addition

## Consolidated statements of retained earnings

	Millions of Yen		
	4/1/00 - 9/30/00	4/1/99 - 9/30/99	Change
Retained earnings at start of year .....	76,786	112,049	- 35,263
Retained earnings at start of year.....	(76,786)	(112,049)	(- 35,263)
Increase in retained earnings .....	—	—	—
Decrease in retained earnings .....	117	40	77
Due to increase in subsidiaries .....	(117)	(40)	(77)
Net income .....	- 75,629	- 38,534	- 37,095
Retained earnings at end of year .....	1,040	73,474	- 72,434

## Consolidated balance sheets

	Millions of Yen		
<b>Assets</b>	At 9/30/00	At 3/31/00	Change
<b>Current Assets</b> .....	(1,121,236)	(1,177,781)	(– 56,545)
Cash on hand and in banks .....	107,795	88,762	19,033
Notes and accounts receivable .....	414,863	516,638	– 101,775
Marketable securities .....	24,839	55,123	– 30,284
Inventories .....	344,239	341,443	2,796
Short-term loans receivable .....	38,003	27,713	10,290
Deferred tax assets .....	34,129	19,637	14,492
Other current assets .....	166,246	139,981	26,265
Allowance for doubtful accounts .....	– 8,879	– 11,517	2,638
<b>Fixed Assets</b> .....	(1,793,132)	(1,542,538)	(250,594)
Tangible fixed assets .....	1,216,856	1,219,286	– 2,430
Intangible fixed assets .....	23,325	26,560	– 3,235
Investment securities .....	178,348	61,051	117,297
Long-term loans receivable .....	228,035	90,668	137,367
Investments and other non-current assets .....	167,314	160,136	7,178
Allowance for doubtful accounts .....	– 20,748	– 15,165	– 5,583
Translation adjustments .....	—	63,798	– 63,798
<b>TOTAL ASSETS</b>	<b>2,914,368</b>	<b>2,784,119</b>	<b>130,249</b>
<b>Liabilities &amp; shareholders' equity</b>			
<b>Current liabilities</b> .....	(1,892,730)	(1,680,749)	(211,981)
Notes and accounts payable .....	494,358	483,444	10,914
Short-term loans payable .....	1,046,543	872,402	174,141
Other accounts payable and accrued expenses .....	197,992	169,800	28,192
Income taxes payable .....	3,829	3,728	101
Warranty claims allowance .....	24,904	24,966	– 62
Other current liabilities .....	125,102	126,407	– 1,305
<b>Fixed liabilities</b> .....	(759,765)	(737,392)	(22,373)
Bonds .....	312,954	309,902	3,052
Long-term loans payable .....	239,875	290,976	– 51,101
Accrued severance indemnities .....	—	89,814	– 89,814
Accrued severance benefit reserve .....	149,174	—	149,174
Deferred tax liabilities .....	34,610	24,651	9,959
Other fixed liabilities .....	23,150	22,046	1,104
<b>TOTAL LIABILITIES</b>	<b>2,652,495</b>	<b>2,418,142</b>	<b>234,353</b>
<b>Minority interests</b> .....	3,028	18,613	– 15,585
<b>Shareholders' equity</b>			
Common stock .....	150,730	150,730	—
Capital surplus .....	119,846	119,846	—
Retained earnings .....	1,040	76,786	– 75,746
Unrealized gain on securities .....	40,221	—	40,221
Translation adjustment .....	– 52,993	—	– 52,993
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>258,844</b>	<b>347,363</b>	<b>– 88,519</b>
<b>TOTAL LIABILITIES, MINORITY INTERESTS &amp; SHAREHOLDERS' EQUITY</b>	<b>2,914,368</b>	<b>2,784,119</b>	<b>130,249</b>

## Consolidated statements of cash flows

Millions of yen

4/1/00 – 9/30/00

<b>Cash flows from operating activities</b>	
Net loss before income taxes .....	– 111,953
Depreciation.....	66,423
Amortization of goodwill .....	3,907
Change in allowance for doubtful accounts .....	2,873
Change in reserve for retirement benefits.....	59,063
Interest and dividends income .....	– 7,884
Interest expenses.....	19,185
Foreign exchange gain .....	– 1,139
Equity in earnings of affiliates .....	– 3,100
Loss on sale and disposal of tangible assets.....	1,905
Loss on sale of securities.....	– 6,239
Appraisal loss on investment in securities .....	1,258
Change in trade receivables .....	93,257
Change in inventory .....	– 1,914
Change in trade payable.....	8,417
Other .....	– 15,054
Sub Total	109,005
Interest and dividends received .....	7,437
Interest paid .....	– 18,490
Income tax paid.....	– 3,728
Cash flows from operating activities	94,224
<b>Cash flows from investing activities</b>	
Change in term deposits .....	734
Acquisition of securities .....	– 633
Sale of securities.....	612
Acquisition of tangible fixed assets .....	– 91,854
Disposition of tangible fixed assets.....	47,470
Acquisition of investment securities .....	– 739
Sale of investment securities .....	10,650
Acquisition of subsidiaries accompanying changes in scope of consolidation.....	268
Loans made .....	– 287,007
Loans recovered .....	146,360
Others .....	– 2,257
Cash flows from investing activities	– 176,395
<b>Cash flows from financing activities</b>	
Change in short-term borrowings and commercial paper .....	108,542
Long-term loans made .....	10,413
Repayment of long-term borrowings .....	– 38,888
Issuance of bonds.....	56,918
Redemption of bonds.....	– 16,573
Others .....	– 78
Cash flows from financing activities	120,333
Effect of exchange rate changes on cash and cash equivalents .....	750
Net decrease in cash and cash equivalents .....	38,912
Cash and cash equivalents at beginning of year .....	89,590
Change in cash and cash equivalents due to changes in scope of consolidation .....	1,111
Cash and cash equivalents at end of year .....	129,613

## Notes to consolidated financial statements

### 1. Scope of consolidation

The consolidated financial statements include the accounts of Mitsubishi Motors Corporation and 184 of its subsidiaries, of which 129 are located in Japan and 55 outside Japan.

Subsidiaries located in Japan include:

- Tokyo Mitsubishi Motor Sales Co., Ltd.
- Tokyo Mitsubishi FUSO Motor Sales Co., Ltd.
- Tokyo Mitsubishi Motor Parts Sales Co., Ltd.
- Pajero Manufacturing Co., Ltd.

Subsidiaries located outside Japan include:

- Mitsubishi Motor Sales of America, Inc.
- Mitsubishi Motor Manufacturing of America, Inc.
- Mitsubishi Motors Australia Ltd.

Included for this closing: 5 companies, including:

- Okayama Mitsubishi Motor Sales Co., Ltd.

Excluded for this closing: 10 companies, including:

- Toyama Mitsubishi FUSO Motor Sales Co., Ltd.

### 2. Application of equity method

The consolidated financial statements include the accounts of 36 companies to which the equity method applies. They include:

- Mitsubishi Auto Credit & Lease Co., Ltd.
- Netherlands Car B.V.

Excluded for this closing: 2 companies, including:

- Okayama Mitsubishi Motor Sales Co., Ltd.

### 3. Segment information

#### (1) Business segment

Millions of yen

Interim 2000FY	Automotive	Financial services	Total	Eliminations or Corporate	Consolidated
I Sales & operating income					
Sales					
(1) External customers	1,501,060	41,453	1,542,513	—	1,542,513
(2) Intersegment & transfers	1,004	4,641	5,646	- 5,646	—
Total sales	1,502,064	46,095	1,548,159	- 5,646	1,542,513
Operating expenses	1,522,464	46,623	1,569,087	- 3,352	1,565,735
Operating income	- 20,399	- 528	- 20,928	- 2,293	- 23,222

1999FY	Automotive	Financial services	Total	Eliminations or Corporate	Consolidated
I Sales & operating income					
Sales					
(1) External customers	3,260,450	74,524	3,334,974	—	3,334,974
(2) Intersegment & transfers	1,953	10,420	12,373	- 12,373	—
Total sales	3,262,403	84,944	3,347,348	- 12,373	3,334,974
Operating expenses	3,239,044	84,468	3,323,512	- 11,011	3,312,501
Operating income	23,359	476	23,835	- 1,362	22,473

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

2. Major products by operation

- (1) Automotive: Passenger cars, trucks and buses

(2) Financing: Sales financing

## (2) Geographical segment

Millions of Yen

Interim 2000FY	Japan	North America	Europe	Asia	Others	Total	Eliminations or Corporate	Consolidated
Sales & operating income								
Sales								
(1) External customers	833,162	407,985	177,616	29,311	94,438	1,542,513	—	1,542,513
(2) Intersegment	372,041	4,193	822	35,017	7,948	420,023	- 420,023	—
Total sales	1,205,204	412,179	178,438	64,328	102,386	1,962,537	- 420,023	1,542,513
Operating expenses	1,224,495	391,191	191,770	69,097	108,034	1,984,589	- 418,853	1,565,735
Operating income	- 19,290	20,987	- 13,331	- 4,769	- 5,648	- 22,052	- 1,169	- 23,222

Interim 1999FY	Japan	North America	Europe	Asia	Others	Total	Eliminations or Corporate	Consolidated
Sales & operating income								
Sales								
(1) External customers	844,035	330,581	249,381	25,558	115,949	1,565,505	—	1,565,505
(2) Intersegment	309,263	5,597	42	34,210	7,891	357,005	- 357,005	—
Total sales	1,153,299	336,178	249,423	59,769	123,840	1,922,510	- 357,005	1,565,505
Operating expenses	1,174,121	321,477	246,767	59,368	124,421	1,926,156	- 359,067	1,567,089
Operating income	- 20,822	14,700	2,656	400	- 580	- 3,645	2,062	- 1,583

1999FY	Japan	North America	Europe	Asia	Others	Total	Eliminations or Corporate	Consolidated
Sales & operating income								
Sales								
(1) External customers	1,816,456	727,230	502,217	64,790	224,280	3,334,974	—	3,334,974
(2) Intersegment	642,907	8,905	1,851	74,914	21,297	749,875	- 749,875	—
Total sales	2,459,363	736,136	504,068	139,704	245,577	4,084,850	- 749,875	3,334,974
Operating expenses	2,456,602	718,625	505,832	135,907	250,519	4,067,488	- 754,986	3,312,501
Operating income	2,760	17,510	- 1,763	3,796	- 4,941	17,361	5,111	22,473

- Note: 1. National and regional groupings are by geographical proximity  
2. Main countries and regions outside Japan are grouped as follows:  
(3) North America: United States of America  
(4) Europe: Holland  
(5) Asia: Thailand, Philippines  
(6) Other: Australia, New Zealand, Puerto Rico, U.A.E.

## (3) Overseas sales

Millions of Yen

Interim 2000FY	North America	Europe	Asia	Other	Total
Overseas sales	413,017	192,711	150,290	158,420	914,440
Consolidated sales					1,542,513
Percentage in total sales	26.8%	12.5%	9.7%	10.3%	59.3%

Interim 1999FY	North America	Europe	Asia	Other	Total
Overseas sales	351,005	264,463	108,483	181,196	905,148
Consolidated sales					1,565,505
Percentage in total sales	22.4%	16.9%	6.9%	11.6%	57.8%

1999FY	North America	Europe	Asia	Other	Total
Overseas sales	765,327	518,306	238,975	371,322	1,893,931
Consolidated sales					3,334,974
Percentage in total sales	22.9%	15.5%	7.2%	11.1%	56.8%

- Note: 1. National and regional groupings are by geographical proximity  
2. Main countries and regions outside Japan grouped as follows:  
(1) North America: United States of America  
(2) Europe: Holland, Italy, Spain  
(3) Asia: Thailand, Malaysia, Taiwan  
(4) Other: Australia, New Zealand, Puerto Rico,  
3. Overseas sales include export sales of MMC and its consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries