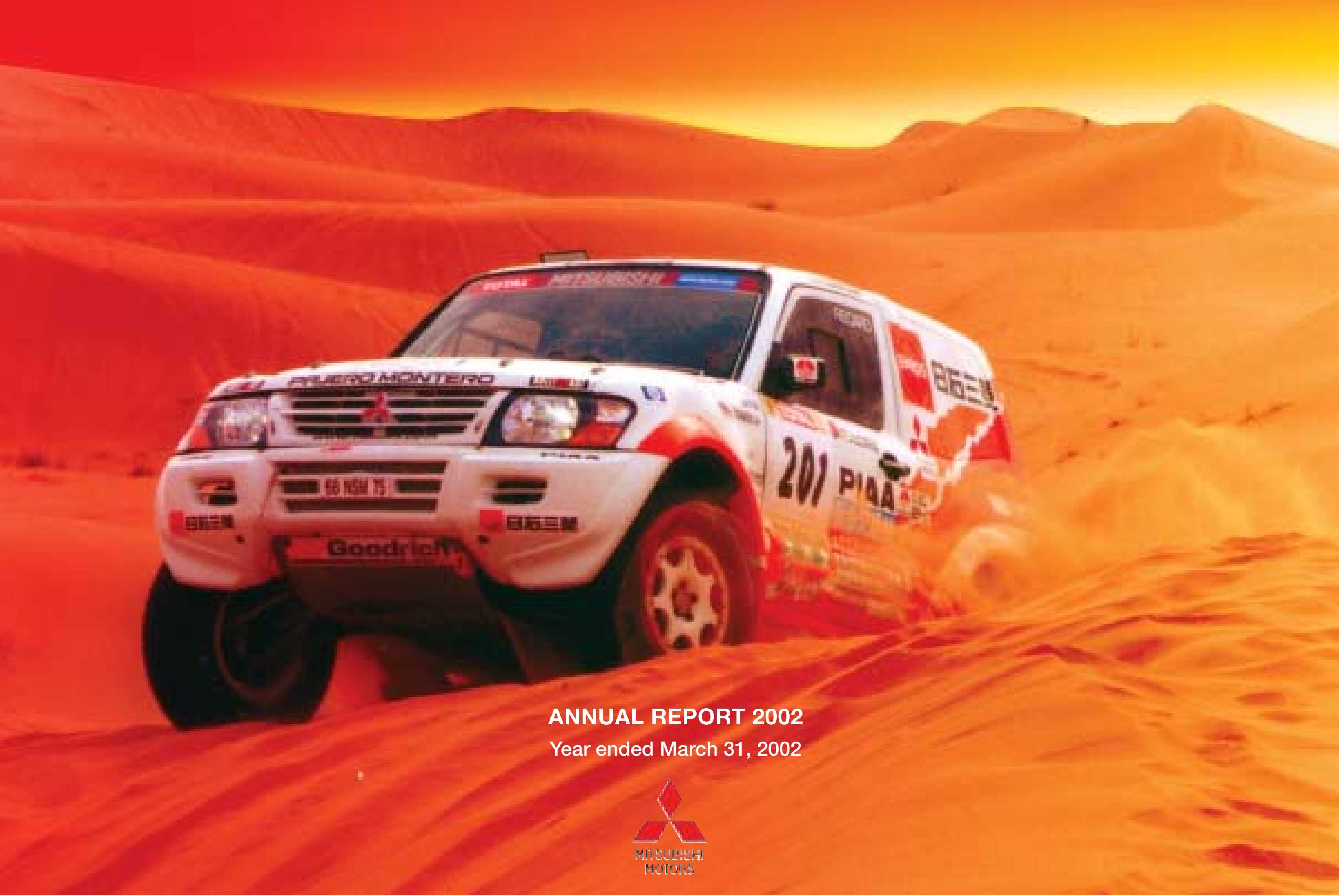
POWER TO CHANGE

— The Second Year of the Turnaround —



ANNUAL REPORT 2002

Year ended March 31, 2002

MITSUBISHI MOTORS

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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.

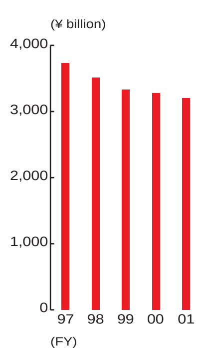
FINANCIAL HIGHLIGHTS

Mitsubishi Motors Corporation and Consolidated Subsidiaries

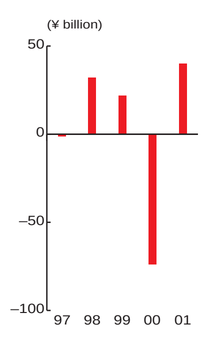
	In millions of yen		In thousands of U.S. dollars
	FY2001	FY2000	**FY2001**
For the year:			
Net sales	**¥3,200,699**	¥3,276,716	**$24,020,255**
Operating profit (loss)	**40,227**	(73,865)	**301,891**
Loss before income taxes and minority interests	**(31,875)**	(407,289)	**(239,212)**
Net income (loss)	**11,256**	(278,139)	**84,473**
At year–end:			
Total assets	**¥2,894,560**	¥2,981,668	**$21,722,777**
Total stockholders' equity	**270,663**	256,068	**2,031,242**
Per share data (yen and U.S. dollars):			
Net income (loss):			
Basic	**¥ 7.66**	$ (232.77)	**$ 0.06**
Diluted	**7.42**	–	**0.06**
Cash dividends	**–**	–	**–**

Note: U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥133.25=U.S.$1, the exchange rate prevailing on March 29, 2002.

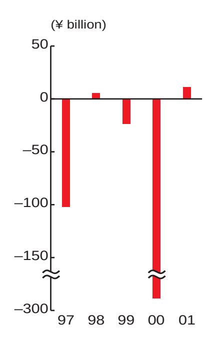
NET SALES



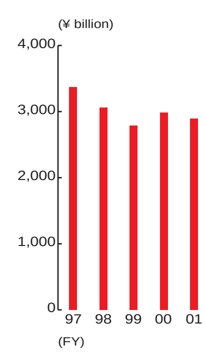
OPERATING PROFIT (LOSS)



NET INCOME (LOSS)



TOTAL ASSETS



In fiscal 2001, ended March 31, 2002, we completed our break with the past. We implemented the first stage of the Turnaround, achieved all our interim objectives and delivered net income for the first time since fiscal 1998. Acting with urgency, we have managed to stabilize the core of the business model. Our cost-reduction and efficiency initiatives are well underway, and we have already exceeded many of the cost-reduction targets. Most important, the company is repositioning for growth across products and markets at full steam. Having made a commitment toward change and renewal, I can state honestly that we have taken great strides down that path.

Rolf Eckrodt *President & CEO*

Results for year ended March 2002

Mitsubishi Motors Corporation (MMC) is profitable again in spite of severe challenges. Consumer spending remained sluggish amid rising unemployment. The Japanese car market shrank 3% in value. Our domestic sales volume dropped 10%, and we saw our market share in Japan slip by 0.6 of a point. This was offset by a strong performance in the U.S., where we notched up higher sales for the third year running—aggregate volume growth over 1998-2001 totaled nearly 70%. The depreciation of the yen against the dollar gave a further boost to this success story.

Our consolidated net sales declined 2.3% to ¥3,200.7 billion ($24,020 million). But the success of our various Turnaround initiatives made a huge difference to our operating profitability. Following the operating loss of ¥73.9 billion ($555 million) last year, in fiscal 2001 we posted operating income of ¥40.2 billion ($302 million). Both passenger car and commercial vehicle operations were profitable at the operating level in all overseas markets—with the exception of Europe, where our restructuring efforts are now progressing at high speed. We posted net income of ¥11.3 billion ($84 million), compared with a net loss in fiscal 2000 of ¥278.1 billion ($2,087 million).

Turnaround on track

We thus delivered on our central commitment to break even or better at the consolidated level in fiscal 2001. This return to profitability resulted from considerable progress on each aspect of the Turnaround.

In the short term, the Turnaround entails reduction of material and other costs, together with streamlining of production capacity. The targets for fiscal 2001 were reductions of ¥60 billion ($450 million) in material costs and ¥40 billion ($300 million) in fixed costs. Against such targets, we achieved total savings of ¥137 billion ($1,028 million), 37% above the initial target.

We are making more progress than initially expected in adjusting our production capacity in Japan (original target; reduction of 20% by the end of fiscal 2003). Our closure of the Oye Plant effected an 18% reduction. The closure of one of four production lines at the Mizushima Plant achieved a total reduction of 28% by July 2002.

On headcount adjustment that comes as a result of efficiency improvements in various areas, MMC is also well ahead of target. In fiscal 2001, early-retirement programs and other measures led to the adjustment of approximately 9,100 people, compared with an initial target of about 5,100.

Other major restructuring commitments included a stronger focus on core business activities. We took various steps to outsource non-core operations. For example, we spun off our transmission development and production operations into a new joint venture with JATCO Ltd., an affiliate of Nissan Motor.

Openness, realism, growth

The Turnaround is not merely about achieving numbers on paper. As commented last year by my colleague, Takashi Sonobe (now Chairman), we were acutely aware that MMC needed to undergo fundamental change. Such change has transformed all parts of the company and is now delivering solid, tangible results.

It all adds up to a multi-faceted renewal of the company, which our people are enthusiastically embracing. We are changing the culture of the company in an open, positive, and exciting manner. In one sense, we have evolved from the previous engineering- and production-oriented focus to become a more customer- and market-driven enterprise. Even that description fails to capture entirely the major shift that is happening: in the win-win relationships we are developing with suppliers; in the creativity that is flourishing in product design and development; and in the new culture of openness and responsibility that all result in a sharper focus on our customers'needs.

In fiscal 2002, we are on course to achieve the next stage of the Turnaround. Our commitment remains firm, and the targets are realistic. This year we will launch several new cars in Japan that will reflect the new Mitsubishi identity and image"Spirited Cars for Spirited People." This will help drive sales forward in our core markets. The runaway success of our *EK-WAGON* in Japan in the mini car segment suggests we are on the right track.

Our aim for fiscal 2002 is to stabilize sales of passenger cars in Japan and Europe, leading to growth the year after. We aim to double our operating profit margin, to 2.5%. We will enter new markets such as Mexico and Canada in 2002 and start local production of MMC brand vehicles in China for the first time, as early as March 2003. These initiatives are supported by our alliance with DaimlerChrysler (DC), which has already started to generate significant benefits beyond the areas of shared platforms and components.

Forthright initiatives were taken to stabilize passenger car operations, and as a result it returned to profitability in fiscal 2000 and continued to improve its performance into fiscal 2001. Market conditions for trucks and buses remain challenging. Under such an environment, an even better performance hinges on persistent strengthening of our competitive position. Our alliance with DC continues to grow. One example is the distribution of *CANTER* light-duty trucks via the DC sales network in Europe since December 2001. It is vital that we take a deep look into the alliance to further intensify the process of driving growth and consolidation synergies to expand the penetration of our products and maximize their cost/benefit profile for the benefit of our customers globally.

Saying that the Turnaround is on track is an understatement. It is a full transformation. Spirited cars require spirited people to design and build them. Together, we are creating a future that will never again be an unexciting reflection of the past. I am fully committed and honored to be leading the MMC team into this new era. I hope that you are as excited as I am. I look forward to your continued support.

July 2002

Rolf Eckrodt
President & CEO

Interview

Rolf Eckrodt President & CEO

QUESTION

What is the nature of the various changes that have happened internally at MMC during the initial phase of the Turnaround ?

ANSWER

The main change has been in the culture. The keywords are transparency, accountability, and performance. These words govern not only internal relations, but also our relationships outside the company. We are establishing an open and honest dialogue. We have been upfront about our past failures and the things we are doing to make sure we never have problems with quality-related issues again. Now, we take responsibility for making things right. We are determined to respond, clarify, and take full responsibility for all results, serving as a model for other companies.

MMC today is developing a more open atmosphere. In the past, the company tended to behave more as a closed shop. I think I have helped to open it up, which is of benefit to everybody—employees, customers and shareholders alike. In the past, our culture allowed people to make excuses and sometimes compromises, and in the end this created bad results. Now we have a clear turnaround process and open communication. We analyze past data and then define a performance goal. We fulfill our responsibility to achieve that goal. Everything is about commitment. I am not willing to make compromises when it comes to performance. We have formulated a clear plan with realistic targets, and it is achievable.

We used to be reactive, but now we are proactive. The problem was that this reactivity led to MMC simply trying to follow the market, which in turn induced a discount mentality that negatively impacted the brand image. Now we have escaped from this vicious circle. Now we have a market-driven approach that preserves all the positive points of our top-class engineering expertise without compromising on quality. This is a real change for our company, a change of spirit and a change of attitude.

QUESTION

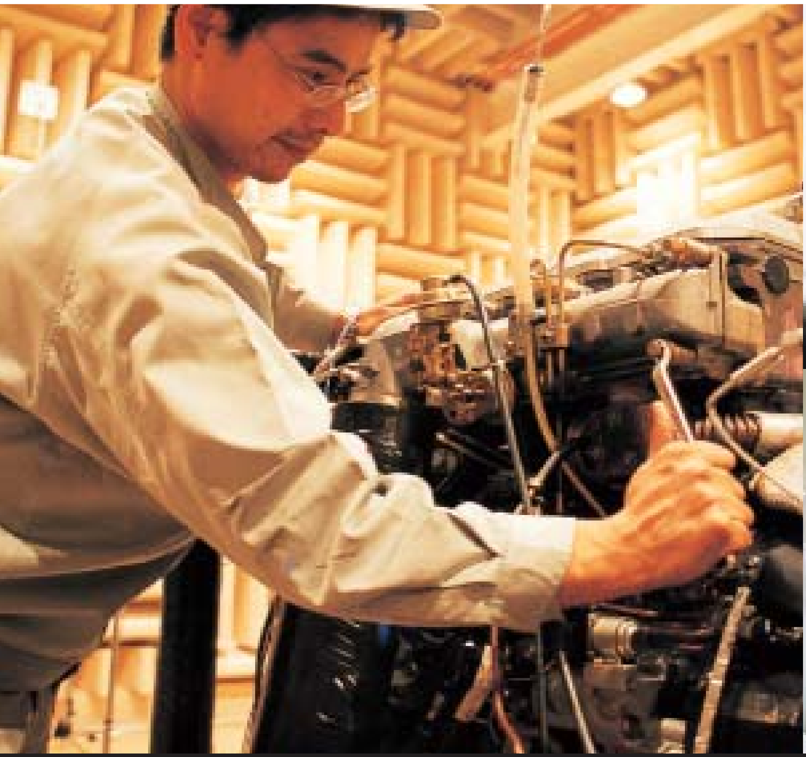
What is the new appeal that you are bringing to customers? How do you want the MMC brand to be perceived?

ANSWER

The main change is captured in our new phrase, "Spirited Cars for Spirited People." First, this says that we must make cars designed more for the needs of the people who drive them—and not the other way around, as MMC was sometimes doing in the past. Second, it captures the energy, flair and sporty feel that we are putting into our new cars. And third, it expresses the renewal of our company and our way of thinking.

In terms of brand identity, we want to build cars that have a broad-based appeal across customer segments, but which also have a strong Japanese feel. This will help differentiate our brand and expand sales. We are already seeing the early effects of this stance in the success of our *EK-WAGON* mini car in Japan, which was launched after the October 2001 Tokyo Motor Show and sold over 100,000 units by May 2002, much more than we had projected. The same approach is also reaping rewards in the U.S. market, where we have the brand with the broadest appeal, particularly among younger customers and different ethnic groups. Actually, we have the youngest customer base in the U.S. This spells huge growth potential. I think this combination of accessible design with Japanese flair will be appreciated around the world. I think our customers will really start to notice the difference over the next year as we launch new products.

We have to continue our restructuring, but this is only a repair of the past. The real business comes from products and markets, and this is why we need to become a strongly market-driven enterprise. We really have to look hard at customers and their needs. We also have to take a long look at our competitors in the marketplace so that we can be faster and more innovative.



QUESTION

How are all these changes affecting people at MMC?

ANSWER

As I remarked last year, at the end of the day it’s our people that count. We have to excite our people first before we excite our customers. The challenge for senior management is to speak a clear language and guarantee openness to all employees through providing proper information. We need a direct dialogue, and we need to eliminate hierarchical restrictions, to get rid of many of the old rules and regulations that were stifling the organization. I invite people to have alternative opinions and be really creative—even if this goes against the old rules—because this helps to create opportunities and brings forth new ideas.

Another important factor in the motivation of our people is our insistence that we promote by results and ability. We have introduced performance-based pay to back up this message. Our aim is to take the most qualified people, irrespective of their age or seniority, to have a system that encourages the best from them, and to support our people to be successful. It’s all about helping, supporting and developing people.

I think this is best accomplished by using the target-setting process, which establishes concrete goals within a clear framework of overall aims. Vertical dialogue and exchange of information throughout the company are vitally important, so that our people can combine the bottom-up ideas with the top-down targets. And of course this demands a special attitude, a team spirit.

Today, we have a fighting team spirit at MMC. We are not fighting aggressively for survival anymore. Now, working as a team, we are fighting against global competition. The only aim is to serve and satisfy the customer better. We have a clear process of setting and achieving targets, supported by excellent team spirit.

Question

What is your vision for the next few years?

Answer

I see us growing as a global player and as a strong partner within the DC-MMC alliance. Cross-functional alliance teams are now working together on a global level. We also have a new global engine alliance with DC and Hyundai. Volume bundling has begun, bringing significant cost benefits. We are developing common platforms and components across four different vehicle segments—for example, we will share a single common platform for mini cars with the *smart* of DC.

So we have really opened the focus to the alliance perspective. With all these global cooperative ventures, I think we are creating a strong bond with the DC family, but we are keeping a very clear and distinctive MMC identity. I believe this is another strong argument for insisting that our future is bright. The DC-MMC alliance gives us many advantages, such as access to the latest technologies. For example, in emission and engine technology, the alliance is producing benefits for us in our commercial vehicle operations.

In all regions, we now have strong, motivated local management, supported by Japanese specialist teams. We are an international player, and so we have international people in charge who know their local markets better.

One leading overseas market focus is NAFTA. From our strong U.S. base, we are now entering the Canadian and Mexican markets. Our U.S. operations provide a good example of clear brand positioning and strong independent dealers, with high local manufacturing productivity. We will continue this U.S. success story, as well as the one we have in Asian markets, such as Taiwan, Malaysia and China. And we will repair our business in Europe and Japan, where we are restructuring our distribution channels and promoting our new brand image. The Turnaround is firmly on track.

DESIGN

QUESTION

What kind of brand identity do you think can be created?

ANSWER

The basic concept we have introduced is that we make cars for people, not people for cars. In the past, MMC suffered because its models were not sufficiently user-focused in this way. This new philosophy recognizes that we must target consumers with our cars, and I think that the design function is helping to lead the way by defining the new vision in solid, visual and emotional terms.

Our three target segments are passenger cars (both compacts and sedans), minivans, and SUVs. The core idea is that we produce emotional designs to create a stylish, yet sporty, Japanese image—one that grabs the customer. We are avoiding pseudo-American designs or pseudo-European styling. Each car will have a distinctly Japanese look and identity, because that is MMC's nature. Our front-end designs are based on respect of the triangular logo architecture as a strong, identifiable badge to help anybody recognize a Mitsubishi car's "face" instantly. I think it is one of the nicest badges in the industry.

Japanese taste has many appealing aspects to people all over the world. Our goal is to combine traditional Japanese taste and Japanese "high tech" the best way we can. Future Mitsubishi cars will reflect this new design philosophy as well as the technical and high-performance orientation coming from MMC's strong motor-sports tradition and excellent engineering heritage.

So the brand identity we are creating is modern, Japanese, and sporty. Over the next few years we will lay the foundations to make MMC a premium brand. In late 2002, we will release the first product stemming from the new design ethos, a compact car. In 2003, we will roll out more new models to fill out the lineup. We have a very talented design team from Japan and many other countries, and I feel confident we are making rapid progress. Our design studios in Japan, Europe, the U.S., and Australia are more and more interlinked with each other. We have built up one great international team, and I am very proud of the results our designers are achieving these days.

Olivier Boulay Executive Officer

One of Olivier Boulay's first designs at MMC, the CZ3 TARMAC concept car (pictured) made its public debut at The 35th Tokyo Motor Show 2001. It instantly attracted interest from both within Japan and overseas to MMC's new design ethos. Featuring the same full-time 4WD system as MMC's WRC (World Rally Championship) car, the LANCER EVOLUTION VII, as well as a profile that exudes a feeling of speed and passion, the CZ3 TARMAC inherits the look, performance and cockpit feel of a rally car while retaining the sophisticated styling of a practical sedan.

QUESTION

What progress is being made through alliances in the car business?

ANSWER

The overall purpose of our alliance with DC is to make us one of the world's leading automotive groups, ensuring that we continue to prosper within the industry. Based on the fundamental rules that we maintain an "open-book" policy between the partners, and that we strive to make alliance projects win-win in nature, we are pursuing a number of opportunities with DC.

Another key point is that, although we are striving to boost the degree of commonality in the cars we develop together, there is no question of merging brands. The agreed policy is to keep the MMC brand fully independent. Our objective is to differentiate models for the needs of local business units in different markets so that we avoid any sales cannibalization.

In terms of benefits at this stage, they break down simply into three areas. First, through joint development, we can both get more from our capital investment budgets. Second, platform sharing and the use of common components and modules can generate huge cost savings. Third, we gain access to the latest technology and production techniques. This will allow us to introduce them ahead of the competition.

We have several alliance projects underway. We divide the various joint development projects by vehicle segment. In the B segment, which includes compact sedans, we are jointly developing a number of models to be manufactured by ourselves and by NedCar in the Netherlands. The Japanese version of this car, to be named "*COLT,* " will appear in late-2002, and the European version is due for launch in 2004. The engines will be made at a plant in Germany.

CAR ALLIANCES

Hideyasu Tagaya Executive Officer

In larger cars, we are working together on two major development projects. In the C segment, where our key product is the *LANCER*, we are jointly developing a common platform. We will use this in the *LANCER* and other models worldwide, while DC plans to launch such vehicles mainly in the United States. The schedule calls for the first models to be launched in Japan in 2005. Finally, in the D segment of *GALANT*-class cars, we are also developing a common platform, primarily for passenger cars to be sold in North America. We plan to introduce new models based on this platform as early as 2003.

One final area of collaboration is the global engine alliance, which also includes Hyundai Motor of South Korea. This will design, develop and produce advanced, in-line four-cylinder engines based on an aluminum block, with displacements of 1.8, 2.0, 2.2, and 2.4 liters. Total annual production for the three companies is expected to exceed 1.5 million units, generating major economies of scale and giving us the scope to develop world-class competitive technology.

We derive three main benefits from our alliance with DC: we get more from our capital investment budgets; we can generate huge cost savings from platform sharing and the use of common components; and we gain access to the latest technology and production techniques.

NORTH AMERICA

Yukio Komeda General Manager

QUESTION

What factors have helped to engineer the success that MMC is now enjoying in North America?

ANSWER

I think it is the result of a comprehensive transformation over the past several years. In a way, these changes show the way forward for the Turnaround of the whole company. North America proves that the Turnaround really works.

There are several elements. First, we completely rethought our passenger car marketing in the United States. Starting in 1998, we adopted a new brand image based on three key appeal drivers: high quality, high value, and the emotional appeal of 'Spirited Cars.' We aimed to promise consumers the Mitsubishi brand meant vehicles that are distinctive, sporty and fun to drive.

We forged an integrated marketing communications strategy based on this new positioning. Advertising campaigns helped raise brand awareness from around 36% in 1997 to roughly 60%—the largest jump among all Japanese car brands in the U.S. over that period. We are now the leading Japanese brand among buyers under 35, and have a diverse customer base in terms of ethnicity. This suggests strong potential to build from our current market share of 1.9%.

Our distribution and vehicle financing systems also changed to reinforce the new brand image. Besides expanding the number of distributors, we upgraded our U.S. dealer network to provide higher service quality. All our dealers in the U.S. are now independent. We changed the sales ethos from a push to a pull mentality, seeking to supply customers with the car they want. We introduced the first web-based dealer-ordering system in the U.S. auto industry. We adopted a balanced portfolio of financial consumer offerings and at the same time, we reduced the scale of incentives to fit with the enhanced brand image. The results have been increasing sales, lower inventories, higher earnings, more profitable dealers, better service, and more satisfied customers.

The other half of this particular success equation has been another series of sweeping changes on the production side. Our policy is to raise our proportion of locally manufactured vehicles in North America. In part, this is to minimize the effects of currency fluctuations. But there are other considerations, such as image enhancement from being an American-made brand. We also believe it is best to make cars in the U.S. to better cater to American tastes. In our new setup, sales operations provide customer feedback to design and production teams to improve product development.

Better training and internal communication have driven this part of the transformation. Training has helped deliver substantial improvements in local manufacturing productivity—our plant posted productivity of under 22.0 hours per vehicle in 2001, compared with 37.0 hours per vehicle three years ago. Similarly, better communication between production, sales and distribution has helped cut lead times and trim inventories, generating cost savings even as sales have risen.

As we prepare to open new distribution channels in Mexico and Canada, and as we develop a series of new models specifically for the North American market, I believe we are well placed to continue our current solid growth trajectory.

The Mitsubishi brand has a strong presence in North America, especially among younger drivers. Carrying the seeds of this success to Japan, Asia and Europe is important to spurring growth within the Group.

QUESTION

What elements are especially critical to restructure and revitalize passenger car sales operations in Japan?

ANSWER

Two elements of our restructuring plan for the domestic passenger car sales network are particularly important. First is the recognition that sales company profitability is essential for growth. Second is that deep-rooted reform is required to achieve this strategic target. The deadline for the achievement of the Turnaround goals is the year ending March 2004, so it is vital we develop a strong sales system by that time. Since the supply of new products within that time frame is limited, the crux of the Turnaround revolves around boosting profitability by a change of focus toward quality of service and sales, and through optimization of the sales network structure.

Our primary task is to revise the earnings structure of our sales companies, which have been overly dependent on new car sales. We plan to shift the balance toward the steadier income streams provided by comprehensive service provision, including second-hand vehicles, customer service, parts, insurance and credit finance. This means a major change in focus toward more of a customer relationship management concept. Essentially, we need to look at the first point of customer contact through a new car sale as the starting point of a longer relationship of multiple dimensions. Over the average period of eight years that Mitsubishi car owners keep their vehicles, they need a range of services, including inspections, maintenance, repairs, parts and insurance.

In practical terms, we have split each of our 4 domestic sales divisions into a total of 14 sales areas to allow

DOMESTIC SALES NETWORK

Hideki Murata Executive General Manager

more precise regional sales management. We have also increased the number of field sales consultants who support dealers to strengthen management control. We have systematized the methods for increasing profits by taking all the best practices we have gleaned from the various sales companies and pilot schemes from around Japan, analyzing the results to identify and codify profit improvement tools and related expertise. We have incorporated all these methods into a manual. Regional managers and field sales consultants are all being trained using this manual and have now begun introducing elements of the new plan in each of the 14 areas.

We are confident that our plan to make every sales company in every area profitable by March 2004 will work. In those areas that are not yet making money, we are also progressing with reconstruction of the sales network in new organizations that transcend the traditional sales company structure. Work is well underway to create a system that will ensure profitable operations in each area while delivering complete customer satisfaction.

The main drivers of this reform effort are the sales companies themselves. We are harnessing the power of these 230 firms across Japan to implement speedy change within the domestic MMC group. I believe they are highly motivated to succeed and that we will see results forthcoming.

Our main aim in rebuilding domestic passenger car operations is raising profitability by better managing sales companies. To this end, we are implementing various reforms such as the introduction of an area manager system.

TRUCK & BUS

Michio Hori Executive Officer

QUESTION

What are the most important issues in improving profitability in this division?

ANSWER

The first point is that we have successfully completed the first stage of the Turnaround within our truck and bus operations. The result is that we now have a more robust earnings structure. In the year ended March 2002, commercial vehicles returned to profit even though sales declined. Our next challenge is to boost profitability further by carrying out the second stage of the FUSO* Turnaround. Started this year, this plan aims to make the division more responsive to changes in market conditions.

Our alliance with DC offers the scope for several avenues of progress. First, we are now using DC sales channels in Europe, where they replaced the role previously played by Volvo, and in South Africa~~in~~ both cases for the sale of *CANTER* trucks. Second, we have upgraded the quality of our commercial vehicle development programs through the application of the DC Quality Gate system. Third, we are studying the use of standardized engines, transmissions and other components in conjunction with DC, as we take the first steps toward modularization. Our alliance strategy will therefore help to reduce costs and expand our presence in markets outside Japan, which will lead to sustainable profitability.

The aim of this common development process differs by product category. In heavy-duty vehicles, since models vary greatly by region and application, the main goal is to reduce costs through sharing components and systems. In small trucks, however, our strategy is to standardize specifications as much as possible across all regions and applications.

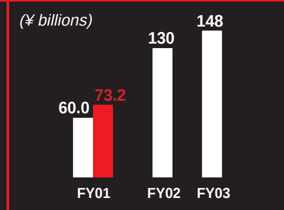
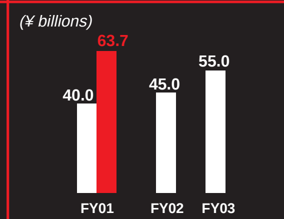
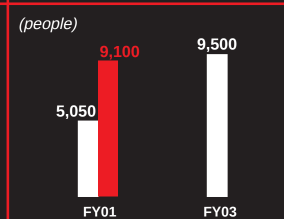
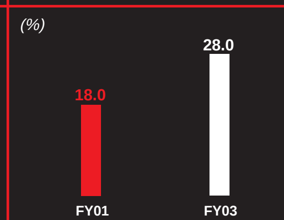
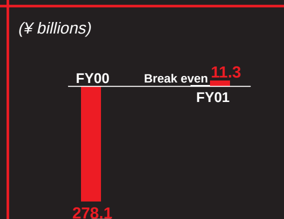
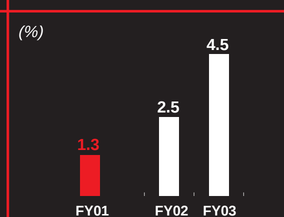
*FUSO: MMC truck and bus brand

Joint development work related to environmental technology marks another area where we are moving forward in cooperation with DC. For example, we are pooling our knowledge and expertise in different technical areas to derive mutual benefits~~in~~ Japan, we are more advanced with Cooled EGR (Exhaust Gas Re-circulation) technology, whereas in Europe, DC has made more progress with SCR (Selective Catalytic Reduction) technologies.

The restructuring of our FUSO domestic sales network is another key issue. We have already made considerable progress in merging and consolidating sales companies. The main challenge now is to merge back-office operations and use IT to integrate our management, customer service and sales support systems better. This will help us undertake more strategic marketing activities to boost sales.

On the product side, we recently completed a full model change, the first in over eight years, of the *CANTER* series, our most successful range of light-duty trucks. Using the concept of 'Global Fit,' we made various changes to cabin comfort and styling, safety and the environmental features. The *CANTER* series now matches the highest world standards for light-duty trucks. Within the alliance, FUSO is designated as the prime developer in this truck category. *CANTER* will be sold through both MMC and DC sales networks and will be developed as a globally competitive product of the FUSO brand.

Truck and bus operations have entered the second stage of the Fuso Turnaround. Overseas, assembly and sales operations have started using DC channels.

	2001 TURNAROUND PLAN TARGETS	ACHIEVEMENTS BY END OF FY2001	TARGET ACTUAL
MATERIAL COSTS REDUCTION	FY2001: ¥60 billion FY2002: ¥130 billion FY2003: ¥148 billion (15%)	¥73.2 billion (6.5%)	
FIXED COST REDUCTION / OTHER IMPROVEMENTS	FY2001: ¥40 billion FY2002: ¥45 billion FY2003: ¥55 billion	¥63.7 billion	
HEADCOUNT ADJUSTMENT	FY2001: Adjustment of 5,050 people FY2003: Adjustment of 9,500 people (15%)	Adjustment of 9,100 people	
PRODUCTION CAPACITY REDUCTION	FY2003 (initial target): 20% FY2003 (revised target): 28%	18% (Closure of Oye plant)	
BUSINESS TARGETS	FY2001: Net income break even on consolidated basis	Net income of ¥11.3 billion	
	FY2002: Operating profit margin of 2.5% FY2003: Operating profit margin of 4.5%	Operating profit margin of 1.3%	

From left to right: **Ulrich W. Walker, Masanori Tani, Steven A. Torok, Takashi Sonobe, Rolf Eckrodt, Takashi Usami, Junji Midorikawa, Eiji Iwakuni**

MEMBERS OF THE BOARD

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Junji Midorikawa
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Chief Financial Officer

Masanori Tani
Senior Vice President
Global Production Headquarters

Eiji Iwakuni
Senior Vice President
Domestic Car Sales & Marketing Headquarters

(As of June 25, 2002)

Developing cars at MMC is guided by the concept of making "Spirited Cars for Spirited People." More than in the past, Mitsubishi cars are designed and developed from the customer viewpoint, to be practical, attractive, high-quality vehicles.

EK–WAGON

Designed to be a new standard model that would draw support from a wide variety of customers spanning traditional generation and gender boundaries, the *EK-WAGON* mini car grew out of three elements of the new MMC development philosophy. First, the car needed to set a new, next-generation standard for mini cars with trans-generational appeal. Second, its development was to be guided by a strict customer focus. Third, its design should be simple yet new, stay fresh for a long period of time and not be shaped by swift-changing fashions.

The *EK-WAGON* delivers a combination of easy handling and top-level collision safety within its class, all at a reasonable price. Starting in January 2000, *EK-WAGON*'s extremely efficient development (taking just 21 months in total) under the eK-project (excellent-Mini-car project) from where it gets its name, marked a number of achievements. First, design of the styling and features was guided from the concept sketch stage by the results of mini car user surveys conducted around Japan. Second, development of the vehicle using computer graphics-based 3-D digital-data modeling resulted in dramatic improvements in the quality of the design as many problems could be solved prior to prototype construction. Third, the successful collaborative integration of all departments and related parties from the earliest development stages—including procure-

ment, production, sales and external suppliers—ensured a fast, smooth process. Fourth, strict implementation of the Quality Gate system ensured that stringent quality appraisals were made at each stage. Together, these positive changes produced an attractive new car of high quality in record time.
(Launched in Japan in October 2001)

New CANTER and CANTER GUTS truck models

In June 2002, MMC introduced the first model changes in over eight years to the *CANTER* and *CANTER GUTS* trucks. The development concept, called "Global Fit," expressed the move to revamp both models to world-class standards. The new models are positioned in the light-duty truck category, which can carry a maximum load intermediate in weight between mini trucks and the medium/large-duty truck classes. They target both individual and corporate users, although the 1.5-ton (load capacity) *CANTER GUTS* model tends to have a larger proportion of individual customers while the 2.0-ton (load capacity) *CANTER* model is used more by corporate users for business.

The new *CANTER* and *CANTER GUTS* models feature more spacious cabins, as well as the world's first dash-mounted shift in a cab-over truck, which permits greater comfort and movement within the cabin. Wider doors and a higher roof deliver outstanding driver cabin access. In addition, the models incorporate improved safety and environmental features, all of which makes them truly world-class.

Since the original introduction of the T720 *CANTER* to Japan in 1963, the model has been the first to introduce various innovations to the light-duty truck class, including ultra-low floors and wide driver cabins. The early anticipation and commercialization of light-duty truck user needs through a longstanding technical development program has helped to garner a strong base of support over the years. Awareness of the *CANTER* brand has grown, first in Japan and later in overseas markets, based on its high load capacity, excellent durability, and first-class reliability. Today, the *CANTER* is sold in over 100 countries around the world, making it one of MMC's most international products.
(Launched in Japan in June 2002)

MMC aims to make high-quality vehicles that will gain the trust and affection of customers all around the world. The introduction of the Quality Gate system originally developed at DC has helped to set even stricter product quality standards.

Compliance with international quality assurance standards

All MMC manufacturing plants in Japan had acquired ISO 9002 certification by the end of 1998, demonstrating their compliance with internationally accepted standards of quality assurance. The ISO standards represent global quality norms across a variety of fields. Certification involves the objective evaluation and written approval of the manufacturer's quality assurance systems by an approved, independent third party, covering 19 distinct areas in the case of the ISO 9002 protocol.

Introduction of the Quality Gate system

MMC introduced the Quality Gate system developed by DC to improve the quality of MMC's internal QA procedures, and of the products that it supplies to markets around the world. As a management tool, the system is used to supervise and control the entire process from the earliest design and development stages of a new vehicle to the point where it is finally put into commercial production. It is a continuous, integrated process that features six separate "gates" through which all products must pass before they can be released on the market.

The five core concepts of the Quality Gate system are as follows:

1. Total process management

The process consists of six separate stages (F-A). The process begins with the business plan and then moves on to target setting, decision on the final specifications, the establishment of development objectives, followed by the final specifications. Once all the quality specifications of the final product have been approved, the process is complete, and the product can finally be put on the market.

2. Concurrent, cross-functional operation

All the different departments and sections (design, styling, accounting, development, and so on) working on the development of the vehicle keep in close contact while the Quality Gate system is in operation. The development-related tasks being conducted by multiple departments all run in parallel within a common time frame.

3. Front-loading

The first three gates (F-D) constitute the concept development stages, while the final three gates (C-A) comprise the execution stages. All the specifications for the new vehicle are determined during the first half. The second half of the process involves prototype testing, the completion of the development process and the final quality checks. The front-loading concept expresses the determination to finish the first-half stages earlier so that there is ample time left before mass production begins. This allows more time for quality controls based on the finalized vehicle specifications.

4. Customer-oriented approach

The Quality Gate system specifies clearly who must do what by when. Based on this agreed process setup, each successive set of internal teams responsible for passing the current gate becomes the supplier, with those responsible for the next stage becoming the customer. Under this approach, the fundamental rule is that it is the customer's duty to evaluate the work of the supplier.

5. Transparency

At each stage of the process, a series of evaluations is performed to test whether the project can pass through the gate to the next stage. The results of each evaluation are coded like the lights of a traffic signalgreen, amber, and red. In the event of a red light, the project is frozen pending the production of a specific recovery plan. The entire process is transparent, and all related departments can view project status and share information online. In this way, both the approval processes for passing through gates and the solution of any problems can be accelerated.

MMC boasts a proud history of technological innovation. Although automobiles have become an established part of modern life, challenges still remain to boost their safety and eco-compatibility without sacrificing any of the benefits or convenience they offer. MMC is developing a variety of technologies designed to improve the safety and environmental features of its products.

New PAJERO (Paris-Dakar Rally specifications)

The new-specification *PAJERO*, introduced by MMC in 2000, performed superbly in the past three Paris-Dakar rallies, becoming Champion of the Year in 2001 and 2002 after securing third place in 2000. In 2002, Mitsubishi vehicles secured nine out of the top ten places in the rally. A major contributor to this achievement was MMC's development of a tire pressure control system that allows the driver to adjust tire pressure while driving. The Paris-Dakar Rally typically features a huge variety of cross-country terrain on each daily stage, which can vary in length from 300-800 km. As the route changes between hard paved surfaces and soft sand dunes, optimal tire pressures also differ greatly (harder terrain demands higher tire pressures). Prior to the development of this system, teams had to physically stop their vehicles to make manual adjustments. Following a further modification to adapt to new 2002 regulations, MMC continues to strive to leverage its technical expertise and experience to extend its run of victories in this famous rally.

Mitsubishi ASV

Since 1991, MMC has been an active participant in two successive ASV (Advanced Safety Vehicle) projects sponsored by the Japanese Ministry of Land, Infrastructure and Transport. The second project (ASV-2) began in 2000. The technical expertise gleaned from this participation has spawned three passenger cars with advanced safety features and one ASV-2 truck model. Together, these new models showcase a range of practical safety technologies, which fall principally into three categories: preventive safety technologies designed to prevent accidents; collision-safety technologies intended to minimize damage caused in accidents; and ITS (Intelligent Transport System) technologies designed to benefit a wide range of drivers, including senior citizens. In 2001, ASV development projects entered a third stage, building on achievements to date.

ITS-ASV

The ITS-ASV uses various vehicle-mounted sensors, together with information and communication systems, to ascertain road conditions and provide the driver with suitable feedback through audio or visual signals. The vehicle is also fitted with a number of systems that provide supplementary assistance to the driver to avoid accidents if trouble arises, some of which are voice-activated or make use of other driver-friendly devices like hands-free car phones.

High-Mobility ASV

Incorporating the latest universal design cockpit intended to give drivers maximum freedom of movement while permitting simple driving operations, the MMC High-Mobility ASV is fitted with novel functional arrangements and advanced driving control systems to promote driver mobility. This allows drivers to operate the vehicle regardless of physical capabilities or level of driving skill.

Intelligent Cruise Control 21 ASV

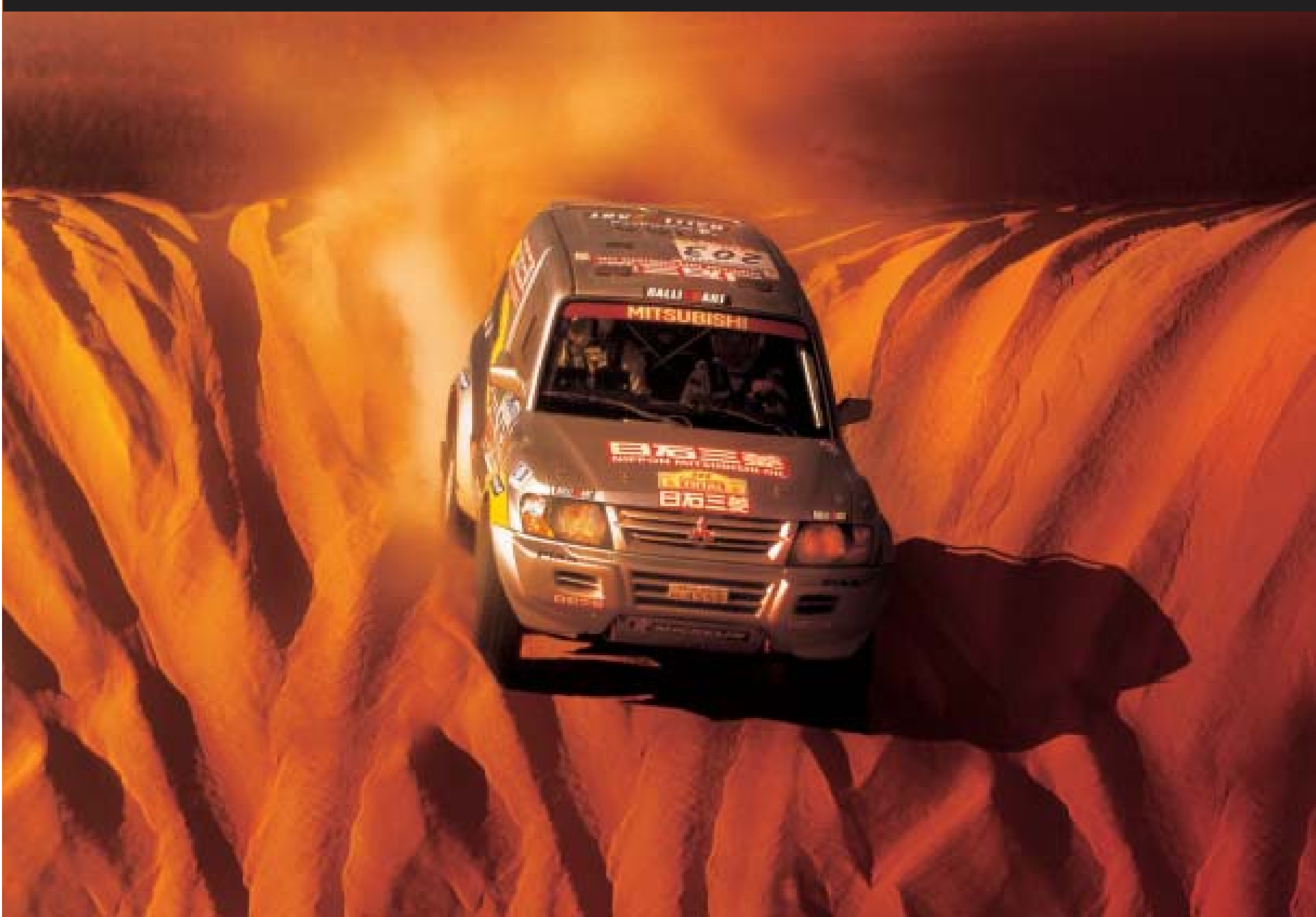
This is a specialist prototype test vehicle for an intelligent cruise control trial sponsored by the Ministry of Land, Infrastructure and Transport. The vehicle system communicates via sensors with road-fitted devices to provide information and driver assistance, with the aim of preventing accidents—for example, by alerting drivers if they stray from lanes.

Mitsubishi ASV-2 truck

The sheer size and weight of a large commercial vehicle can cause great damage to all parties involved in an accident. To reduce such risk, this truck is fitted with various preventive safety systems designed to provide the driver with safety information and ease the burden of vehicle operation. MMC is one of the earliest to work on commercializing such ASV-2 technologies within the Mitsubishi FUSO lineup of trucks and buses.

Hybrid no-step large bus

Modern urban transport systems face two important demands that are becoming increasingly acute over time. First, there are calls from society for transport systems to have a reduced impact on the environment. Second, the systems must cope with increasing numbers of senior citizens, creating a need for greater accessibility. MMC has tackled both these requirements at once through the development of a hybrid no-step bus, *AERO NON STEP BUS HEV*. To produce a low-pollution vehicle that could be used nationwide, MMC based the HEV powertrain around a diesel engine that was modified to reduce exhaust emissions, fuel consumption and noise, all by considerable amounts. This had the added benefit of producing a more compact engine, which helped to create more space. The design of the bus was also rationalized to maximize cabin floor area and make the vehicle as practical for passengers as possible (variable ground clearance grants passengers step-free access to the bus).



MMC is striving to take environmental considerations into account at each stage of vehicle life cycles—from development and production to sale, use and recycling. In June 2002, MMC unveiled a five-year action plan designed to achieve sustainable development within its operations.

Overview of eco-sustainability initiative

Sustainable development is now a key concept for all corporations. MMC aims to supply people with attractive vehicles while simultaneously preserving the environment for future generations. Such actions promise to contribute to the development of a society based on the ideas of recycling and sustainability. MMC's eco-sustainability initiative, dubbed the "Environmental Sustainability Plan," comprises action programs under four main headings—environmental management, recycling, global warming prevention, and pollution prevention. The company has set a variety of medium-term performance targets in each of these areas.

Environmental management

Design for Environment (DfE): eco-conscious product design

MMC is establishing a DfE system at the design stage to ensure effective reductions in the environmental impact of its products over their entire life cycle. The new structure will become effective by March 2003. The DfE framework is being designed to function as part of the Quality Gate system.

Environmental management

All MMC manufacturing sites in Japan achieved ISO 14001 certification by 1999. Efforts have since broadened in scope and now major overseas manufacturing subsidiaries are similarly certified. MMC plans to encourage the ISO 14001 certification of all its suppliers worldwide by March 2005. Similar environmental management systems are also being developed at MMC sales companies.

Environment-related disclosure

MMC has publicly released details of its environmental activities each year since 1999 in the form of an environmental report. These reports include details of MMC's environmental accounting practices, which aim to measure the financial costs and benefits of the company's environmental protection activities. Besides disclosing environmental data on the Internet, on each of its vehicles, since 2000, MMC has also included such data in its sales catalogs. The company plans to continue its policy of active disclosure of environmental information through the Internet, press releases and other media.

Recycling

Establishment of department to promote recycling

In part to respond to the prospect of new automobile recycling legislation in Japan and Europe, in March 2002, MMC established a separate department to promote recycling initiatives throughout the company.

Achievement of 95% recycling ratio

MMC is implementing a variety of measures to achieve a recycling ratio of 95% for its products. These include: active participation in the creation of automobile recycling systems in Japan in cooperation with central and local government bodies and other concerned parties; moves to promote the easier recycling of MMC products; and programs to eliminate the use of substances designated as being harmful to the environment (such as lead, mercury, hexavalent chromium, and cadmium).

Greater recycling of auto parts and materials

Since 1997, MMC has collected and recycled bumpers made from polypropylene and related plastics whenever such parts are replaced at MMC repair outlets. The materials recycled from such parts are incorporated into new car components, such as battery sheets and wheel housing covers. MMC also strives to make effective use of recycled materials in vehicle production—for instance, by using recycled plastics (derived from items such as PET bottles and food containers) in the manufacture of various components, including air-cleaner casings and engine covers.

Reduction of environmental impact

MMC actively tries to avoid using substances that have a harmful impact on the environment through the development of novel eco-friendly materials and their use in components. Previously, the use in vehicle manufacture of metals such as lead, mercury, hexavalent chromium, and cadmium was common in the auto industry, and the recycling of components containing such substances posed many problems. MMC set a target date of March 2006 to achieve a reduction in the amount of lead used in all new vehicles sold of two-thirds relative to the year ended March 1997. The company achieved this target in the year ended March 2002—four years ahead of schedule. MMC has eliminated the use of components containing lead in radiators and fuel tanks, and has also introduced models fitted with newly developed lead-free valve sheets. Since March 2001, all new models launched by MMC have been virtually free of other toxic heavy metals such as mercury and cadmium.

Waste reduction

By March 2002, MMC had already eliminated the disposal of any waste to landfill at all its manufacturing sites in Japan. The company is now focusing on maintaining this zero-emissions policy while working to further reduce waste volumes.

Global warming prevention

Prior to the agreement of the Kyoto Protocol in Japan in June 2002, in March 2002 the Japanese government announced a major initiative to prevent global warming. This set collective targets for corporate and individual citizens in line with the goals set out in the Kyoto Protocol. MMC will take the following actions according to the Protocol.

Improvements in vehicle fuel economy

MMC is responding actively to higher demand for more fuel-efficient vehicles by developing passenger cars, trucks and buses with improved fuel economy. In September 1999, MMC became the first Japanese automaker to signify its determination to make all its gasoline-powered vehicles conform to new Japanese fuel-efficiency regulations by March 2006 (the legal deadline for conformity is 2010).

Efforts to achieve this target are ongoing: by the end of March 2001, approximately 60% of all MMC vehicles sold were in conformity with the 2010 target levels for fuel economy.

Reduction and collection of air-conditioner coolants

MMC is working to reduce the use of alternative-CFC coolant HFC134a in its vehicle air-conditioning systems, and is also developing new systems that eliminate its use entirely. Separately, the company has established an operational system to collect and recover HFC134a from post-use vehicles.

Manufacturing/distribution initiatives

At the manufacturing stage, MMC is working to lower carbon dioxide emissions through various energy-saving programs. Within its distribution operations, MMC is promoting reduced use of packing and packaging materials.

Smoother traffic flow

In a bid to reduce traffic congestion and thereby promote increased fuel economy, MMC is engaged in research and development programs related to vehicle-mounted intelligent transport systems (ITS) and the promotion of their widespread adoption.

Pollution prevention

Development and commercialization of clean-energy vehicles (CEVs)

CEVs aim either to reduce vehicle exhaust emissions directly or replace the use of energy derived from oil fossil fuels with alternative sources.

■ **Fuel-cell vehicles**

MMC is undertaking R&D into the commercialization of fuel-cell vehicles in conjunction with DC.

■ **Hybrid electric vehicles (HEVs)**

MMC is developing a large no-step bus that will be powered by HEV technology; it promises to combine low pollution with exceptional fuel economy. (See the *Technology* section for further details.)

■ **Compressed natural gas (CNG) vehicles**

MMC is developing a range of CNG vehicles, from large commercial trucks and buses to passenger cars, mini cars, and other vehicles.

Introduction of LEVs in response to government regulations

The Japanese government has introduced a number of systems designed to promote the widespread use of low-emission vehicles (LEVs) and vehicles with higher fuel economy. In July 2000, MMC launched its first vehicle, the *CHARIOT GRANDIS* minivan, to be certified as conforming to LEV performance specifications issued by the Ministry of Land, Infrastructure and Transport. In the years ended March 2001 and 2002, MMC received additional government certification for 5 models (11 versions), and 8 models (18 versions), respectively.

In a separate move, the Japanese government has also tried to promote the purchase of eco-friendly products by government bodies and related organizations, through legislation that stipulates performance specifications for products with lower environmental impact. As of June 30, 2002, 6 MMC models (14 versions) conformed to these eco-purchasing stipulations. By March 2004, MMC aims for 70% of all of its vehicles sold in Japan (on a unit basis) to be designated as low-pollution vehicles (either ULEVs or vehicles with officially approved low fuel consumption levels).

Manufacturing initiatives

In its manufacturing processes, MMC is taking measures designed to restrict emission of atmospheric pollutants such as volatile organic compounds (VOCs) and dioxins. Such measures include the conversion to lead-free, electrical paint-application processes.

PASSENGER CAR

Japan

The Japanese passenger car market shrank in the year ended March 2002 amid sluggish consumer spending, which faltered under the psychological impact of the September 2001 terrorist attacks and other factors. Sales of domestically produced vehicles declined 3% year on year to 5.55 million units, while sales of imported vehicles slipped 1% to 0.27 million units. Total sales volume declined 3% to 5.82 million units. Japanese exports fell 3% to 4.25 million units.

MMC responded with the introduction of various distinctive, spirited new models, and also made strenuous efforts to sharpen the customer focus of its sales and service network. Demand for mini cars continued to grow strongly in Japan in a persistently deflationary economic environment.

In June 2001, MMC launched the *AIRTREK*, a novel type of crossover recreational vehicle (RV), as the first new model under the Turnaround. The product concept for the *AIRTREK* is that of a "smart all-rounder," offering a combination of "flexible interior space" and speedy, all-round driving performance. The *AIRTREK* goes beyond the boundaries of typical RVs by extending the category to include off-road performance more typical of a sport-utility vehicle, thereby offering the daily comfort and convenience of a minivan with the sporty performance of a station wagon.

The *EK-WAGON* mini car set a new standard in its category with its launch in October 2001. Within the first 20 days of release, MMC received orders for 21,410 units. In its first 7 months on the market, orders for the *EK-WAGON* exceeded 100,000 units, demonstrating the broad appeal of the vehicle concept across a variety of customer segments. MMC aims to extend the lineup with the release of a turbo-charged version in autumn 2002 to ensure that the *EK-WAGON* becomes a well-established range.

The success of the *EK-WAGON* lies in its attractive, new-concept

value proposition, which combines ample storage space with a simple, clean, basic design–touched off by innovations such as a space-freeing central instruments panel. It offers top-level collision safety within the mini car class, plus racy, fun handling~~all~~ for a reasonable price.

In January 2002, MMC launched the *LANCER EVOLUTION VII GT-A*, the first model within the series to be fitted with an automatic transmission. This move has helped to extend the appeal of the *LANCER EVOLUTION* series beyond motor sports enthusiasts to include a broad range of customers seeking a sportier drive. Two sporty, limited-edition vehicles were also released around the same time~~a~~ Sports Edition of the *LANCER CEDIA WAGON* with special interior trim, and an Active Gear version of the *AIRTREK* with more European-styled exterior and interior fittings designed to give it a tougher, more sporty image.

In May 2002, MMC released several upgraded models within the *LANCER* series, as well as new versions of the *CHARIOT GRANDIS* and *DION* minivans. The new additions to the *LANCER* series comprised new versions of the *LANCER CEDIA WAGON* and *LANCER CEDIA*, plus two special limited editions~~the~~ *LANCER CEDIA WAGON Sports Edition II* and the *LANCER CEDIA Sports Edition*. The *LANCER CEDIA WAGON Sports Edition II* added new features to the original *Sports Edition*, first released in January 2001, such as a steering wheel-mounted gearshift and the option of four-wheel drive. The *LANCER CEDIA Sports Edition* offered a variety of upgraded fittings within the same reasonable value package.

The new version of the *CHARIOT GRANDIS*, a spacious minivan with three rows of seats, featured improved external styling and various upgraded features. This followed another feature upgrade and price adjustment to the model in October 2001.

The new versions of the *DION*, an extended station wagon with three rows of seats capable of carrying seven people, offered a considerably enhanced choice of either a 1.8-liter GDI (gasoline direct injection) turbo engine or a 2.0-liter GDI engine, the latter featuring a continuously variable transmission.

In June 2002, MMC added an upgraded "*LYRA-E*" low-emission version to the range of *MINICA-VAN*, a mini car for commercial use. This new version has been certified as being compliant with stringent new exhaust-emission regulations issued by Japan's Ministry of Land, Infrastructure and Transport, having surpassed the 50% emissions-reduction standard in 2000. The emissions performance of the new version also qualifies it for special purchase tax reductions introduced by the government as a tax incentive to encourage a shift towards more eco-friendly vehicles.

Despite the various introductions of new models, sales of MMC vehicles suffered amid the general market downturn. Total shipments of passenger cars, including mini cars, declined 7.7% year on year to 468,000 units.

INTERNATIONAL OPERATIONS

Exports of passenger cars by MMC fell 19.4% in the year ended March 2002 to 354,000 units. Sales in overseas markets accounted for 67.2% of consolidated net sales. In volume terms, sales remained virtually on a par with the previous year, at 899,000 units.

North America

Partly influenced by the September 2001 terrorist attacks, total auto sales in the U.S. (representing the combined sum of passenger cars and small commercial vehicles) dipped 1.3% year on year during calendar 2001 to 17,121,000 units. MMC enjoyed a strong sales performance as the result of exceptionally clear brand positioning combined with heightened brand awareness. The MMC customer base in the U.S. is skewed toward a younger demographic, and the brand also enjoys support among a diverse variety of ethnic groups. Based on this favorable brand profile, sales of MMC vehicles grew steadily during the year.

Boosted by the launch of models such as the new *LANCER*, the *MONTERO*, and the *ECLIPSE SPYDER*, Mitsubishi Motor Sales of America, Inc. (MMSA) posted sales up 2.5% to 322,000 units. The *OUTLANDER* (marketed as the *AIRTREK* in Japan) is due to be launched in the U.S. market in the autumn of 2002.

Production volumes at Mitsubishi Motor Manufacturing of America, Inc. (MMMA) were negatively affected by the economic downturn, dropping 12.9% year on year to 194,000 units.

Europe

Total auto sales in Europe were flat at 16,681,000 vehicles. Mitsubishi Motors Sales of Europe B.V. (MMSE) recorded a decline in sales of 17.6%, to 213,000 units, despite a strong sales performance from the *SPACE STAR* minivan, which rose 12.6% to 43,000 units. Demand in major European car markets was as follows: in Germany, total sales declined 1.2% to 3,616,000 vehicles, while sales of MMC vehicles fell 24% to 39,000 units; in Italy, total sales declined 1.0% to 2,686,000 vehicles, while sales of MMC vehicles fell 7% to 24,000 units; in the U.K., total sales increased 10.7% to 2,838,000 vehicles, while sales of MMC vehicles rose 22% to

22,000 units; and in France, total sales rose 4.9% to 2,854,000 units, while sales of MMC vehicles climbed 36% to 10,000 units.

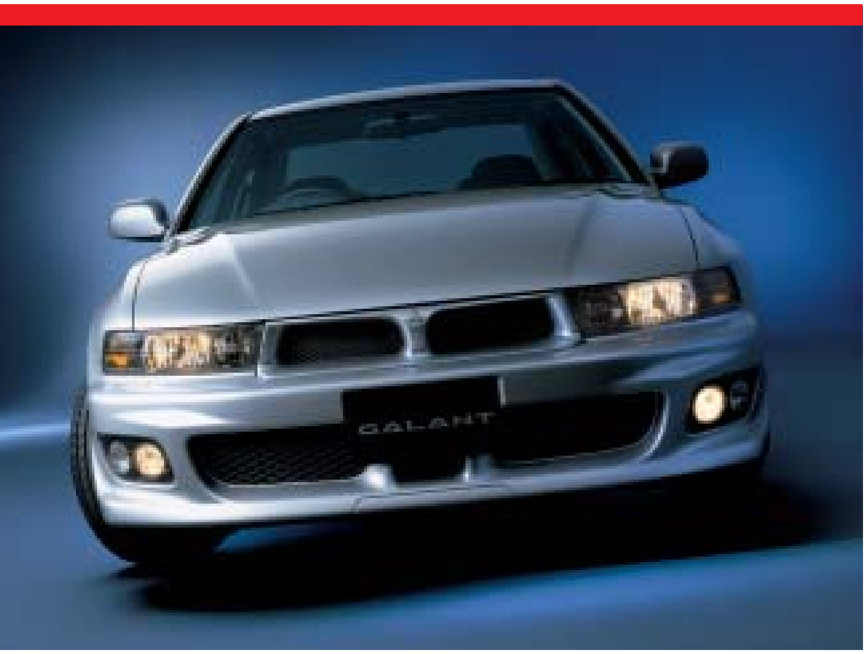
MMC plans to continue to operate the NedCar European production facility with Volvo Car until the existing contract expires in 2004, after which time all development and manufacturing activities at the facility will be conducted jointly with DC. Production of the global strategic compact sedan being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

In spring 2002, MMC commenced the construction of a new engine plant in the German state of Thuringia in conjunction with DC. Under the control of MDC Power GmbH, a 50:50 MMC-DC joint venture, this plant will manufacture gasoline engines for MMC's small compact sedans sold in Europe as well as the *smart* marketed by DC. Plant construction is scheduled to finish in December 2003, with shipment of engines starting the following spring.

Asia and Oceania

THAILAND

Total auto sales in the Thai market surged 10.9% to 289,000 units. MMC's local sales subsidiary, MSC, recorded sales of 24,000 vehicles, a 16.3% drop relative to the previous year. This result mainly reflected a drop-off in sales of the *L200* double cab pickup truck, although sales of *LANCER* models rose.



PHILIPPINES

Depressed by the economic downturn, total auto sales in the Philippines fell 8.1% to 75,000 units. Mitsubishi Motors Philippines Corporation, MMC's local sales company, posted sales up 7.1% to 16,000 vehicles.

INDONESIA

Reflecting ongoing economic malaise, total auto sales in Indonesia declined 4.8% to 252,000 units. MMC's local sales fell 19.6% to 34,000 vehicles.

MALAYSIA

Total volume demand in the Malaysian market grew 15.8% to 385,000 units. Vehicle sales by PROTON, the Malaysian car manufacturer in which MMC holds an equity stake, also grew strongly, rising 18.1% to 210,000 units.

CHINA

Total market sales in China grew 13.0% to 2,128,000 units. MMC’s local sales continued to grow, rising 32.5% to 41,000 units, among which the most popular model was *PAJERO*.

In June 2002, MMC concluded a technical licensing agreement with Beijing Jeep Corporation (BJC) for the local manufacture of the *PAJERO SPORT* (marketed as the *CHALLENGER* in Japan) by BJC from the first quarter of 2003. The announcement followed soon after DC’s extension of its 30-year joint-venture contract with BJC. Established in May 1983, BJC was the first automotive joint venture between a Chinese firm and a foreign manufacturer. The new agreement paves the way for enhanced use of local production capacity and the extension of the MMC brand to new models sold in China, creating a much stronger product lineup. Having already established its international popularity through encouraging sales in Europe and America, the *PAJERO SPORT* will be the first MMC model to be produced locally for sale in China. Under the new agreement, BJC becomes a three-way joint venture, incorporated in the U.S., in which all three partners have an approximately equal stake.

TAIWAN

Total auto sales in the Taiwanese market declined 17.3% to 331,000 units. MMC’s local sales subsidiary, CMC, recorded sales of 72,000 vehicles, a 13.7% drop relative to the previous year. Despite the fall in volume sales, MMC’s share of the market rose from 21.0% to 21.8%.

AUSTRALIA

Total demand in the Australian auto market declined 1.8% to 754,000 vehicles. Sales by local MMC subsidiary Mitsubishi Motors Australia Limited (MMAL) fell 7.2% to 66,000 units. Exports of MMC models produced in Australia increased to 19,000 units, a gain of 59.6% over the previous year. This was principally due to a significant rise in exports to North America, which jumped 54.6% year on year to 17,000 units.

TRUCK & BUS

JAPAN

Although total sales of trucks and buses in the Japanese market slumped to a 30-year low, MMC retained its market leadership for the sixth consecutive year with a share of 30.5%, roughly on a par with the previous year.

In February 2002, MMC launched the upgraded range of FUSO *FIGHTER* medium-duty trucks. The new range complies with Japanese noise/vibration regulations that came into force in 2001, and all models feature air suspension and ABS braking systems as standard fittings. The range also includes the option of a new 5-speed automatic transmission.

In February 2002, MMC launched a new low-emission version of the FUSO *CANTER* small truck. The large-displacement LPG (Liquefied Petroleum Gas) engine complies with local regulations restricting vehicle emissions introduced by the city of Tokyo and certain Japanese regional governments.

In April 2002, MMC launched the newly developed *AERO MIDI ME* series of no-step small buses within the 2-meter width class. The series targets rising demand for buses that can be used on community and urban routes, and which are maneuverable enough to navigate around relatively narrow city streets. The introduction of the *AERO MIDI ME* series extended MMC's lineup of no-step buses to cover the full range of bus categories, from large to small models.

In June 2002, MMC introduced the first model changes in over eight years to the FUSO *CANTER* (2-ton load) and *CANTER GUTS* (1.5-ton load) lineups of small trucks. Early anticipation and commercialization of the technical needs of small-truck users over the years have helped both ranges become class leaders in Japan. They are also exported to over 150 countries around the world, with exports accounting for about half of total production. Superior durability and reliability have helped these trucks become established as international products, with a broad user base spanning many parts of the world. In 1996, production of these small trucks also commenced in Portugal. DC sales channels began marketing *CANTER* trucks in Europe in 2001.

Also in June, hybrid HEV large public service buses, the first in Japan, began running on city bus routes. These "green" buses achieve a 43% increase in fuel efficiency and 60% reduction in NOx emissions. What's more, they require no new infrastructure as well as meet social and welfare needs.

INTERNATIONAL OPERATIONS

Total exports of trucks and buses by MMC fell 20.1% year on year to 28,000 units.

North America

MMC unit sales decreased 16.7% to 46,000 units.

Europe

MMC unit sales increased 3.1% to 9,000 units.

Australia

MMC unit sales decreased 15.2% to 2,000 units.

Indonesia

MMC unit sales climbed 39.2% to 32,000 units.

Taiwan

MMC unit sales decreased 24.4% to 8,000 units.

Mitsubishi Motors Corporation and Consolidated Subsidiaries

	In millions of yen					In thousands of U.S. dollars
	FY1997	FY1998	FY1999	FY2000	**FY2001**	**FY2001**
Net sales	¥3,735,228	¥3,512,606	¥3,334,974	¥3,276,716	¥3,200,699	$24,020,255
Operating profit (loss)	(1,301)	32,147	22,473	(73,865)	40,227	301,891
Income (loss) before income taxes and minority interests	(91,113)	11,783	(12,651)	(407,289)	(31,875)	(239,212)
Net income (loss)	(101,846)	5,668	(23,331)	(278,139)	11,256	84,473

	In yen					In U.S. dollars
Per share data (yen and U.S. dollars):						
Net income (loss):						
Basic	¥ (110.49)	¥ 6.15	¥ (24.87)	¥ (232.77)	¥ 7.66	$ 0.06
Fully diluted	–	5.93	–	–	7.42	0.06
Cash dividends	3.50	–	–	–	–	–

	In millions of yen					In thousands of U.S. dollars
Total assets	¥3,370,526	¥3,060,385	¥2,784,119	¥2,981,668	¥2,894,560	$21,722,777
Total stockholders' equity	349,747	353,613	347,363	256,068	270,663	2,031,242

Notes: 1. U.S. dollar amounts in this annual report are translated from yen, for convenience only, at the rate of ¥133.25=U.S.$1, the exchange rate prevailing on March 29, 2002.
2. Fully diluted net income per share for the years ended March 31, 1998, 2000 and 2001 is not available due to the losses for the periods.

OPERATIONAL REVIEW

In fiscal 2001, ended March 31, 2002, Mitsubishi Motors Corporation (MMC) recorded consolidated net sales of ¥3,200.7 billion. MMC reported operating profit of ¥40.2 billion and net income of ¥11.3 billion, its first profit since the year ended March 31, 1999. MMC thus surpassed the Turnaround Plan's first-year goal of breaking even on the bottom line on a consolidated basis in fiscal 2001, making a strong start toward creating a consistently profitable operating structure by the end of the three-year plan. While MMC's performance in fiscal 2001 highlights the speed at which the company is rebuilding, it is merely a first step. MMC is committed to steadily improving earnings by stepping up the selection and concentration of resources. This calls for more cost cutting and optimization of work processes.

NET SALES AND OPERATING INCOME

MMC recorded ¥3,200.7 billion in consolidated net sales in fiscal 2001, a year-on-year decrease of 2.3%, due mainly to lower unit sales of passenger cars in Japan. However, operating profit was ¥40.2 billion, a reversal of ¥114.1 billion from the previous year's operating loss. This result reflected Group-wide efforts under the Turnaround Plan to return MMC to a growth trajectory in which it can consistently generate earnings. Specific measures included far-reaching reforms to the company's operating structure and corporate culture. In terms of specific items, cost-cutting initiatives raised operating profit by ¥118.7 billion and the weaker yen and other factors contributed ¥65.3 billion. Lower unit sales had a negative impact of ¥60.2 billion.

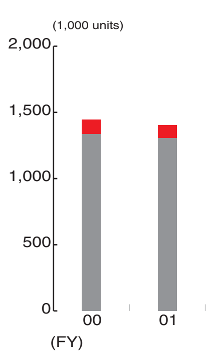
(Segment Information)

MMC has two business segments: Automobiles, which encompasses the manufacturing and sale of passenger cars, and trucks and buses; and Financial Services.

Automobiles posted sales of ¥3,106.4 billion, 2.7% less than the previous year, and operating profit of ¥49.9 billion.

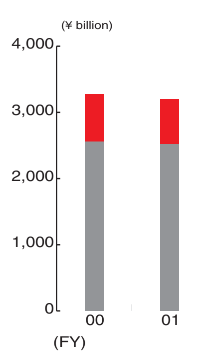
Financial Services, on the other hand, saw sales increase 5.7% to ¥99.3 billion due to higher retail unit sales of passenger cars in the U.S. However, the segment posted an operating loss of ¥5.0 billion due to the application of FASB No.133, "Accounting for Derivative Instruments and Hedging Activities," in the U.S. and other factors.

UNIT SALES (CONSOLIDATED BASIS)



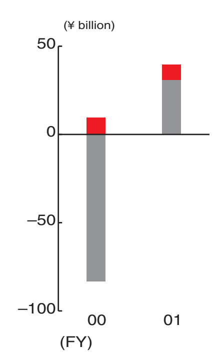
Truck & Bus
Passenger Car

NET SALES



Truck & Bus
Passenger Car

OPERATING PROFIT (LOSS)



Truck & Bus
Passenger Car

(Breakdown of Automobiles)

Automobiles is divided into the Passenger Car and Truck & Bus divisions. In fiscal 2001, MMC sold 1,304,000 passenger cars, down 2.3% because of lower sales in Japan. Despite the beneficial effect of the yen's depreciation, sales in the Passenger Car Division drifted 1.5% lower to ¥2,520.0 billion. But the division recorded a ¥114.0 billion improvement in operating profit to ¥30.7 billion. This dramatic reversal resulted from better-than-expected progress in paring material costs and personnel expenses as MMC advanced its Turnaround Plan.

In the Truck & Bus Division, MMC sold 101,000 trucks and buses, 8.5% fewer than in fiscal 2000, and sales declined 5.3% to ¥680.7 billion. Nevertheless, the division achieved a 1.4% increase in operating profit to ¥9.5 billion as its turnaround strategy gave impetus to further improvements.

(Segment Information by Geographical Region)

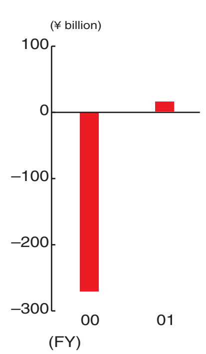
Sales in Japan were ¥2,198.8 billion, down 9.8% year on year. This was due in large part to a decline in unit car sales. MMC recorded operating profit in Japan of ¥22.8 billion, an ¥84.0 billion improvement on last year's operating loss, thanks to efforts under the Turnaround Plan to trim material costs and personnel expenses in passenger car operations.

Sales in North America were down 1.6% at ¥896.7 billion as unit sales declined on a consolidated basis. However, cost-cutting measures implemented locally lifted operating profit by ¥12.0 billion to ¥45.5 billion.

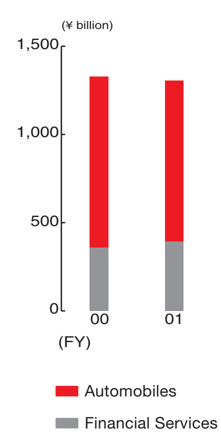
Sales in Europe were ¥543.1 billion, up 37.4% from the previous fiscal year as the inclusion of NedCar within the scope of consolidation effective from fiscal 2001 boosted sales by ¥173.5 billion. The operating loss in the region narrowed by ¥12.3 billion from fiscal 2000 to ¥18.0 billion, with the consolidation of NedCar having only a minor effect.

In Asia, sales rose 3.1% to ¥157.7 billion due to the strong performance of Southeast Asian economies and operating profit was ¥0.5 billion, a reversal of ¥2.4 billion from last year's operating loss.

NET INCOME (LOSS)



INTEREST-BEARING DEBT



OTHER INCOME AND EXPENSES, AND NET LOSS

Interest expense decreased ¥3.2 billion to ¥32.6 billion as a result of the reduction of interest-bearing debt.

During the year, MMC booked non-recurring losses of ¥43.7 billion. MMC recorded ¥27.3 billion for amortization of consolidation goodwill as a result of acquiring Mitsubishi Motors Sales of Europe B.V. (MMSE) in March 2002, making it a wholly owned subsidiary. The figure represents the minority interest in accumulated losses of MMSE. Other charges included ¥14.9 billion in severance payments for early retirement to 1,475 people before the end of September last year, and ¥3.9 billion in inspection expenses in truck and bus operations resulting from accidents related to hub wear.

As a result of the foregoing, loss before income taxes and minority interests was ¥31.9 billion. After deduction of minority interests and income taxes, net income came in at ¥11.3 billion, as tax-effect accounting caused income taxes to make a contribution of ¥42.7 billion.

ASSETS AND FINANCIAL POSITION

(Assets)

Current assets decreased ¥128.6 billion to ¥1,099.0 billion. This mainly reflected a ¥96.4 billion drop in trade notes and accounts receivable to ¥347.9 billion in line with lower sales, and a ¥46.4 billion decrease to ¥304.4 billion in inventories due to actions to reduce the number of finished and work-in-process passenger cars.

Fixed assets increased ¥41.5 billion to ¥1,795.6 billion, primarily on account of an ¥80.7 billion increase in deferred tax assets resulting from the recognition of the tax effect of loss carryforwards at U.S. subsidiaries Mitsubishi Motor Sales of America, Inc. (MMSA) and Mitsubishi Motor Manufacturing of America, Inc. (MMMA) and other factors. This was offset partly by a ¥50.7 billion decrease in net property, plant and equipment due mainly to the sale of land.

(Liabilities)

Current liabilities increased ¥111.5 billion to ¥2,056.6 billion. Trade notes and accounts payable decreased ¥136.0 billion to ¥497.5 billion, as sales fell, while there was a ¥175.9 billion increase in short-term debt and other items.

Long-term liabilities decreased ¥236.1 billion to ¥551.1 billion. This chiefly reflected the redemption of ¥159.7 billion in bonds and repayment of ¥38.2 billion in long-term loans. Consequently, interest-bearing debt at year-end was ¥1,304.6 billion, down ¥22.1 billion from a year ago as the company continued its efforts begun in 1998 to reduce debt. This will remain an ongoing theme at MMC.

(Minority Interests)

Minority interests increased ¥22.9 billion to ¥16.1 billion owing to MMC making MMSE in Europe a wholly owned subsidiary.

(Stockholders' Equity)

Total stockholders' equity was ¥270.7 billion, ¥14.6 billion higher than a year ago, due to the improvement in the consolidated deficit. Stockholders' equity per share was ¥184.10, about ¥10 higher than at the end of fiscal 2000. The equity ratio improved 0.8 of a percentage point to 9.4%.

CASH FLOWS

Operating activities provided net cash of ¥92.0 billion due to a substantial improvement in earnings after the adjustment of depreciation and amortization and other non-cash items as well as decreases in the operating assets of trade notes and accounts receivable and inventories.

Investing activities used net cash of ¥4.9 billion. This was attributable in part to funds used for the purchase of property, plant and equipment exceeding cash inflows from sales.

Consequently, free cash flows were ¥87.1 billion, ¥51.3 billion higher than in the previous fiscal year.

Financing activities used net cash of ¥112.6 billion, mainly for the repayment of long-term debt and redemption of bonds.

Cash and cash equivalents at the end of the year were down ¥20.7 billion at ¥95.2 billion.

CONSOLIDATED BALANCE SHEETS

Mitsubishi Motors Corporation and Consolidated Subsidiaries
March 31, 2002 and 2001

	(In millions of yen)		(In thousands of U.S. dollars) (Note 4)
Assets	**2002**	2001	**2002**
Current assets:			
Cash and cash equivalents	**¥ 95,189**	¥ 115,863	**$ 714,364**
Trade notes and accounts receivable (Notes 5 and 9)	**347,852**	444,279	**2,610,522**
Inventories (Note 6)	**304,418**	350,807	**2,284,563**
Short-term loans (Note 5)	**26,026**	18,045	**195,317**
Deferred tax assets (Note 12)	**71,692**	97,102	**538,026**
Prepaid expenses and other current assets	**266,565**	214,636	**2,000,488**
Allowance for doubtful accounts	**(12,754)**	(13,147)	**(95,715)**
Total current assets	**1,098,991**	1,227,588	**8,247,587**
Property, plant and equipment, net (Notes 7 and 9)	**1,219,469**	1,270,179	**9,151,737**
Intangible assets	**11,506**	11,024	**86,349**
Investments and other assets:			
Investments (Notes 8 and 9)	**167,828**	172,229	**1,259,497**
Long-term loans (Note 5)	**80,959**	84,432	**607,572**
Deferred tax assets (Note 12)	**91,913**	11,261	**689,779**
Long-term prepaid expenses and other	**241,964**	226,798	**1,815,865**
Allowance for doubtful accounts	**(18,072)**	(21,844)	**(135,625)**
Investments and other assets, net	**564,593**	472,876	**4,237,096**
Total assets	**¥2,894,560**	¥2,981,668	**$21,722,777**

See accompanying notes to consolidated financial statements.

Liabilities, minority interests and stockholders' equity	(In millions of yen) 2002	2001	(In thousands of U.S. dollars) (Note 4) 2002
Current liabilities:			
Trade notes and accounts payable	**¥ 497,524**	¥ 633,511	**$ 3,733,764**
Short-term borrowings (Note 9)	**758,791**	554,668	**5,694,492**
Current portion of long-term debt (Note 9)	**256,279**	284,501	**1,923,295**
Current portion of non-interest bearing long-term debt (Note 9)	**14,803**	–	**111,092**
Accrued expenses	**258,121**	–	**1,937,118**
Accrued income taxes	**5,287**	7,200	**39,677**
Other current liabilities (Note 12)	**265,835**	465,295	**1,995,009**
Total current liabilities	**2,056,643**	1,945,179	**15,434,469**
Long-term debt (Note 9)	**289,522**	545,025	**2,172,773**
Non-interest bearing long-term debt (Note 9)	**40,709**	–	**305,508**
Deferred tax liabilities (Note 12)	**17,184**	19,062	**128,961**
Accrued retirement benefits (Note 16)	**176,558**	202,939	**1,325,013**
Other	**27,140**	20,161	**203,677**
Total liabilities	**2,607,759**	2,732,368	**19,570,424**
Minority interests	**16,138**	(6,768)	**121,111**
Stockholders' equity:			
Common stock:			
Authorized: 3,220,000,000 shares			
Issued: 1,470,163,624 shares	**252,201**	252,201	**1,892,690**
Capital surplus	**220,816**	220,816	**1,657,156**
Deficit	**(188,756)**	(200,304)	**(1,416,555)**
Unrealized holding gain on securities	**34,830**	36,400	**261,388**
Translation adjustments	**(48,428)**	(53,045)	**(363,437)**
Treasury stock	**(0)**	(0)	**(0)**
Total stockholders' equity	**270,663**	256,068	**2,031,242**
Contingent liabilities (Note 10)			
Total liabilities, minority interests and stockholders' equity	**¥2,894,560**	¥2,981,668	**$21,722,777**

CONSOLIDATED STATEMENTS OF OPERATIONS

Mitsubishi Motors Corporation and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

	(In millions of yen)		(In thousands of U.S. dollars) (Note 4)
	2002	2001	**2002**
Net sales	**¥3,200,699**	¥3,276,716	**$24,020,255**
Cost of sales	**2,639,181**	2,754,852	**19,806,236**
Reversal of deferred profit on installment sales	**233**	239	**1,749**
Gross profit	**561,751**	522,103	**4,215,767**
Selling, general and administrative expenses	**521,523**	595,968	**3,913,869**
Operating profit (loss)	**40,227**	(73,865)	**301,891**
Interest and dividend income	**10,767**	12,162	**80,803**
Interest expense	**32,609**	35,784	**244,720**
Other, net (Note 11)	**(50,262)**	(309,802)	**(377,201)**
Loss before income taxes and minority interests	**(31,875)**	(407,289)	**(239,212)**
Income taxes:			
Current	**9,892**	10,372	**74,236**
Deferred	**(52,547)**	(118,996)	**(394,349)**
	(42,654)	(108,623)	**(320,105)**
Minority interests	**477**	20,527	**3,580**
Net income (loss)	**¥ 11,256**	¥ (278,139)	**$ 84,473**

	(In yen)		(In U.S. dollars) (Note 4)
Per share of common stock:			
Net income (loss):			
Basic	**¥7.66**	¥(232.77)	**$0.06**
Diluted	**7.42**	–	**0.06**

See accompanying notes to consolidated financial statements.

Mitsubishi Motors Corporation and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

	(In millions of yen)		(In thousands of U.S. dollars) (Note 4)
	2002	2001	**2002**
Common stock:			
Balance at beginning of year	**¥252,201**	¥150,730	**$1,892,690**
Issuance of common stock	**–**	101,470	**–**
Balance at end of year	**252,201**	252,201	**1,892,690**
Capital surplus:			
Balance at beginning of year	**220,816**	119,846	**1,657,156**
Issuance of common stock	**–**	100,971	**–**
Balance at end of year	**220,816**	220,816	**1,657,156**
Retained earnings (deficit):			
Balance at beginning of year	**(200,304)**	76,786	**(1,503,220)**
Net income (loss)	**11,256**	(278,139)	**84,473**
Change due to inclusion (exclusion) of subsidiaries and affiliates in (from) consolidation or equity method of accounting	**292**	(117)	**2,191**
Revaluation of assets in subsidiaries	**–**	1,165	**–**
Balance at end of year	**(188,756)**	(200,304)	**(1,416,555)**
Unrealized holding gain on securities:			
Balance at beginning of year	**36,400**	–	**273,171**
Effect of adoption of new accounting standard	**–**	36,400	**–**
Net change	**(1,570)**	–	**(11,782)**
Balance at end of year	**34,830**	36,400	**261,388**
Translation adjustments:			
Balance at beginning of year	**(53,045)**	–	**(398,086)**
Effect of adoption of new accounting standard	**–**	(53,045)	**–**
Net change	**4,617**	–	**34,649**
Balance at end of year	**(48,428)**	(53,045)	**(363,437)**
Treasury stock:			
Balance at beginning of year	**(0)**	(0)	**(0)**
Net change	**(0)**	(0)	**(0)**
Balance at end of year	**(0)**	(0)	**(0)**
Balance at end of year	**¥270,663**	¥256,068	**$2,031,242**

See accompanying notes to consolidated financial statements.

Mitsubishi Motors Corporation and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

	(In millions of yen)		(In thousands of U.S. dollars) (Note 4)
	2002	2001	**2002**
Operating activities:			
Net income (loss)	**¥ 11,256**	¥(278,139)	**$ 84,473**
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	**174,919**	164,488	**1,312,713**
Allowance for doubtful receivables, net of reversal	**(5,184)**	8,089	**(38,904)**
Accrued retirement benefits, net of reversal	**(24,888)**	109,160	**(186,777)**
Gain on sales of investment in securities, net	**(3,998)**	(7,750)	**(30,004)**
Loss on devaluation of investment in securities	**1,377**	5,706	**10,334**
Gain (loss) on sales and disposal of property, plant and equipment, net	**(187)**	3,629	**(1,403)**
Equity in income of affiliates	**(4,352)**	(3,164)	**(32,660)**
Deferred income taxes	**(52,547)**	(118,996)	**(394,349)**
Minority interests	**(477)**	(20,527)	**(3,580)**
Changes in operating assets and liabilities:			
Trade notes and accounts receivable	**107,132**	87,700	**803,992**
Inventories	**65,361**	7,131	**490,514**
Other assets	**(29,651)**	(51,272)	**(222,522)**
Trade notes and accounts payable	**(162,793)**	87,050	**(1,221,711)**
Other liabilities	**13,283**	111,486	**99,685**
Other	**2,734**	22,696	**20,518**
Net cash provided by operating activities	**91,982**	127,289	**690,296**
Investing activities:			
Increase (decrease) in short-term investments	**(184)**	1,814	**(1,381)**
Purchase of property, plant and equipment	**(155,840)**	(157,483)	**(1,169,531)**
Proceeds from sales of property, plant and equipment	**124,899**	94,936	**937,328**
Decrease in investment in securities	**7,798**	8,669	**58,522**
Loans made	**(795,174)**	(624,193)	**(5,967,535)**
Collection of loans receivable	**821,927**	605,508	**6,168,308**
Changes in scope of consolidation	**–**	(15,650)	**–**
Other	**(8,309)**	(5,044)	**(62,356)**
Net cash used in investing activities	**(4,882)**	(91,441)	**(36,638)**
Financing activities:			
Increase (decrease) in short-term borrowings	**137,871**	(140,871)	**1,034,679**
Proceeds from issuance of long-term debt	**226,500**	181,629	**1,699,812**
Repayment or redemption of long-term debt	**(476,770)**	(256,992)	**(3,578,011)**
Proceeds from issuance of common stock	**–**	201,745	**–**
Other	**(245)**	(78)	**(1,839)**
Net cash used in financing activities	**(112,643)**	(14,567)	**(845,351)**
Effect of exchange rate changes on cash and cash equivalents	**4,870**	4,395	**36,548**
Net increase (decrease) in cash and cash equivalents	**(20,673)**	25,675	**(155,144)**
Cash and cash equivalents at beginning of year	**115,863**	89,590	**869,516**
Adjustments to beginning balance for inclusion of subsidiaries in consolidation	**–**	597	**–**
Cash and cash equivalents at end of year	**¥ 95,189**	¥115,863	**$ 714,364**

See accompanying notes to consolidated financial statements.

Mitsubishi Motors Corporation and Consolidated Subsidiaries
March 31, 2002

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 Ministry of Finance 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 amortized over periods that do not exceed 10 years.

(c) Cash and cash equivalents

All highly liquid investments with original 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) Investment 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. Other securities without a readily determinable market value are stated at cost determined by the moving average method.

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. See Note 3(c).

(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.

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to expenses.

(g) Retirement benefits

Accrued retirement benefits for employees at March 31, 2002 and 2001 have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost.

The transition difference of ¥128,370 million arising from the adoption of the new accounting standard for retirement benefits is charged to expenses and the amortization cost is included in other income and expenses for the year ended March 31, 2001 and it is not presented for the year ended March 31, 2002. See Notes 3(b) and 11.

Prior service cost is being amortized by the straight-line method over periods of 10 to 22 years and 10 to 18 years in the years ended March 31, 2002 and 2001, respectively, which are within the estimated average remaining service years of the employees.

Actuarial gain and loss are amortized by the straight-line method within 10 to 22 years and 10 to 18 years for the years ended March 31, 2002 and 2001, respectively, which is within the estimated average remaining service years of the employees.

Certain directors and corporate auditors of MMC and its domestic consolidated subsidiaries are customarily entitled to lump-sum payments under their respective unfunded severance benefit plans subject to the stockholders' approval. Provision for severance benefits for those officers have been made at an estimated amount.

(h) Revenue recognition

Revenue is generally recognized on sales of products at the time of shipment.

Certain domestic and foreign subsidiaries recognize revenues by the installment sales method whereby gross profit on such sales is deferred and credited to income in proportion to the amount of the installment receivables which become due.

(i) Income taxes

MMC and its consolidated subsidiaries provide for income taxes applicable to all items included in the consolidated statements of operations regardless of when such taxes are payable. Income taxes arising from temporary differences in the recognition of assets and liabilities for tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements by the asset and liability method.

Deferred tax assets and liabilities were measured using the enacted tax rates which will be in effect when the temporary differences are expected to reverse.

(j) Translation of foreign currency accounts

The accounts of the consolidated foreign subsidiaries are translated into yen as follows:

a. Asset and liability items are translated at the rate of exchange in effect on the balance sheet date of each subsidiary;
b. Components of stockholders' equity are translated at their historical rates at acquisition or upon occurrence; and
c. Revenues, expenses and cash flow items are translated at the average rate for the financial year of each subsidiary.

Translation adjustments are included in "Stockholders' equity" and "Minority interests."

(k) Amounts per share

The computation of basic net income (loss) per share is based on the weighted average number of shares outstanding during each year. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding each year after giving effect to the dilutive potential of common shares to be issued upon the exercise of warrants and the conversion of convertible bonds. Diluted net income per share is not presented as a loss was recorded for the year ended March 31, 2001. Cash dividends per share represent cash dividends declared and paid in each respective year.

(l) Appropriations (dispositions) of retained earnings (deficit)

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

(m) 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.

(n) Research and development costs

Research and development costs are expensed when incurred.

(o) 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. See Note 2.

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. MMC and its consolidated subsidiaries review, every month, the effectiveness of all hedging policies considering the cumulative cash flows and changes in the market.

2. Change in Accounting Policy

(a) Accounting for forward foreign exchange contracts

In the year ended March 31, 2002, MMC changed its accounting for sales in foreign currencies and related forward foreign exchange contracts qualifying as hedges. In the year ended March 31, 2001, sales and related receivables hedged by qualified forward foreign exchange contracts were translated at the corresponding foreign exchange contract rates. From the year ended March 31, 2002, sales are translated into Japanese yen at the exchange rates in effect at the dates they are transacted, and related receivables are translated at the exchange rates in effect at the balance sheet date, while forward foreign exchange contracts qualifying as hedges on those sales transactions are recognized at their fair value at the balance sheet date and changes in fair values are charged to earnings. This change was made as MMC developed its internal systems to meet the requirements of the new accounting method that is defined as standard accounting treatment. As a result of this change, compared to the same method applied to the prior year's consolidated financial statements, operating income increased by ¥12,299 million ($92,300 thousand), and loss before income taxes and minority interests decreased by ¥159 million ($1,193 thousand). The effects on the segment information are stated in the "Segment Information."

3. New Accounting Standards

(a) Accounting for sales incentives

In May 2000, the Emerging Issues Task Force reached a final consensus on EITF 00-14, "Accounting for Certain Sales Incentives." EITF 00-14 requires that the cost of incentives be recognized at the date of sale and classified as a reduction of revenue. Certain consolidated subsidiaries in North America record sales incentives that are in substance sales discounts as a reduction of revenue since the year ended March 31, 2002. In prior years, those sales incentives had been included in selling, general and administrative expenses. As a result of adoption of EITF 00-14, compared to the same method applied to the prior year's consolidated financial statements, gross profit decreased by ¥49,751 million ($373,366 thousand) with no effect on operating income. Prior year's consolidated financial statements have not been reclassified.

The effects on the segment information are stated in the "Segment Information."

(b) Accounting standard for retirement benefits

Effective the year ended March 31, 2001, MMC and its consolidated subsidiaries adopted the new accounting standard for retirement benefits. In accordance with this standard, the accrual for retirement benefits for employees is provided based on the projected retirement benefit obligation and the pension assets. In prior years, the retirement benefits had been provided as 40% of the retirement benefits payable at the year-end for employees who terminate services voluntarily. As a result of the adoption of this standard, retirement benefit costs increased by ¥116,984 million, and loss before income taxes and minority interests increased by ¥117,569 million in the year ended March 31, 2001.

(c) Accounting standard for financial instruments

A new accounting standard for financial instruments, which became effective April 1, 2000, requires that securities be classified into three categories: trading, held-to-maturity or other securities. Under the new standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in stockholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

As of April 1, 2000, MMC and its consolidated subsidiaries assessed their intent to hold their investments in securities and classified their investments as “held-to-maturity securities” or “other securities” and accounted for the securities at March 31, 2001 in accordance with the new standard referred to above. As a result of the adoption of this standard, securities in current assets decreased by ¥51,475 million and investment securities increased by ¥51,475 million at April 1, 2000.

The effect of the adoption of this new standard for financial instruments was to increase loss before income taxes and minority interests by ¥9,680 million for the year ended March 31, 2001.

(d) Accounting standard for foreign currency transactions

A revised accounting standard for foreign currency transactions became effective April 1, 2000. As a result of translating the long-term foreign loans receivable using the foreign exchange rate at the balance sheet date, foreign exchange loss and loss before income taxes and minority interests increased by ¥224 million. Translation adjustments were classified in “Assets” in the consolidated balance sheet at March 31, 2000. Since the year ended March 31, 2001, they are included in “Stockholders’ equity” and “Minority interests.”

4. U.S. Dollar Amounts

The U.S. dollar amounts in the accompanying consolidated financial statements are included, solely for convenience, at ¥133.25=U.S.$1.00, the exchange rate prevailing on March 31, 2002. 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 Loans Receivable Sold to Others

The outstanding balances of notes and accounts receivable sold to others without recourse which have been deducted from the respective accounts amounted to ¥95,985 million ($720,338 thousand) and ¥99,201 million as of March 31, 2002 and 2001, respectively. Such amounts deducted from short-term and long-term loans receivable were ¥838,353 million ($6,291,580 thousand) and ¥493,562 million as of March 31, 2002 and 2001, respectively.

6. Inventories

Inventories at March 31, 2002 and 2001 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
March 31,	**2002**	2001	**2002**
Finished products	**¥188,456**	¥225,577	**$1,414,304**
Raw materials	**39,010**	38,903	**292,758**
Work in process	**76,950**	86,326	**577,486**
	¥304,418	¥350,807	**$2,284,563**

7. Property, Plant and Equipment

Property, plant and equipment at March 31, 2002 and 2001 consisted of the following:

March 31,	(In millions of yen) 2002	2001	(In thousands of U.S. dollars) 2002
Land	**¥ 370,097**	¥ 409,082	**$ 2,777,463**
Buildings and structures	**542,760**	540,527	**4,073,246**
Machinery and equipment	**1,879,292**	1,837,419	**14,103,505**
Construction in progress	**38,802**	34,760	**291,197**
	2,830,952	2,821,790	**21,245,418**
Accumulated depreciation	**(1,611,483)**	(1,551,610)	**(12,093,681)**
Property, plant and equipment, net	**¥1,219,469**	¥1,270,179	**$ 9,151,737**

8. Investments

Held-to-maturity securities and other securities at March 31, 2002 and 2001 were as follows:

	(In millions of yen)					
	2002			2001		
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**	¥ 173	¥175	¥2
Securities without market value	**5,851**	**5,851**	**–**	15,338	15,338	–
Total held-to-maturity securities	**¥6,187**	**¥6,188**	**¥0**	¥15,511	¥15,513	¥2

	(In thousands of U.S dollars)		
	2002		
Held-to-maturity securities:			
Securities with market value	**$ 2,522**	**$ 2,529**	**$0**
Securities without market value	**43,910**	**43,910**	**–**
Total held-to-maturity securities	**$46,432**	**$46,439**	**$0**

March 31,	(In millions of yen) 2002 Acquisition cost	Carrying amount	Net unrealized gain	2001 Acquisition cost	Carrying amount	Net unrealized gain
Other securities:						
Securities with market value	**¥56,483**	**¥116,423**	**¥59,940**	¥66,357	¥125,363	¥59,005
Securities without market value	**8,317**	**8,317**	**–**	8,683	8,683	–
Total other securities	**¥64,800**	**¥124,740**	**¥59,940**	¥75,041	¥134,046	¥59,005

March 31,	(In thousands of U.S dollars) 2002 Acquisition cost	Carrying amount	Net unrealized gain
Other securities:			
Securities with market value	**$423,887**	**$873,719**	**$449,831**
Securities without market value	**62,417**	**62,417**	**–**
Total other securities	**$486,303**	**$936,134**	**$449,831**

Investment in unconsolidated subsidiaries and affiliates, and investment in securities were as follows:

March 31,	(In millions of yen) 2002	2001	(In thousands of U.S. dollars) 2002
Investment in unconsolidated subsidiaries and affiliates	**¥ 43,085**	¥ 38,183	**$ 323,340**
Investment in securities	**124,742**	134,046	**936,150**
	¥167,828	¥172,229	**$1,259,497**

9. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2002 and 2001 consisted of the following:

March 31,	(In millions of yen) 2002	2001	(In thousands of U.S. dollars) 2002
Loans, principally from banks	**¥678,852**	¥531,718	**$5,094,574**
Commercial paper	**79,939**	22,950	**599,917**
	¥758,791	¥554,668	**$5,694,492**

Long-term debt at March 31, 2002 and 2001 consisted of the following:

March 31,	(In millions of yen) 2002	2001	(In thousands of U.S. dollars) 2002
Loans, principally from banks and insurance companies due through 2022 at rates averaged 2.8% in 2002 and 3.8% in 2001:			
Secured	**¥111,946**	¥115,793	**$ 840,120**
Unsecured	**145,440**	250,037	**1,091,482**
2.15% bonds due 2001	**–**	13,600	**–**
1.9% bonds due 2001	**–**	26,100	**–**
2.25% bonds due 2002	**20,000**	20,000	**150,094**
2.4% bonds due 2003	**29,500**	29,500	**221,388**
2.7% bonds due 2004	**20,000**	20,000	**150,094**
3.1% bonds due 2007	**8,700**	8,700	**65,291**
3.3% bonds due 2009	**26,400**	26,400	**198,124**
0.4% convertible bonds due 2003	**80,094**	80,094	**601,081**
1.7% convertible bonds due 2003	**19,200**	19,200	**144,090**
Euro medium-term notes due through 2003 at rates ranging from 0.5% to 5.1% in 2002 and from 4.3% to 8.1% in 2001	**84,521**	220,101	**634,304**
	545,801	829,525	**4,096,068**
Less current portion	**(256,279)**	(284,501)	**(1,923,295)**
	¥289,522	¥545,025	**$2,172,773**

The 0.4% unsecured convertible bonds due 2003 are convertible through March 28, 2003 into shares of common stock of MMC at ¥887 ($6.66) 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 ($3.04) per share. At March 31, 2002, 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 are summarized as follows:

Years ending March 31,	(In millions of yen)	(In thousands of U.S. dollars)
2003	¥256,279	$1,923,295
2004	114,974	862,844
2005	66,533	499,310
2006	25,135	188,630
2007	15,280	114,672
Thereafter	67,598	507,302
Total	¥545,801	$4,096,068

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 are summarized as follows:

Years ending March 31,	(In millions of yen)	(In thousands of U.S. dollars)
2003	¥14,803	$111,092
2004	25,906	194,417
2005	14,803	111,092
Total	¥55,512	$416,600

Assets pledged as collateral for short-term borrowings, long-term debt and guarantees at March 31, 2002 and 2001 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
March 31,	**2002**	2001	**2002**
Trade notes receivable	**¥ 33,363**	¥ 53,357	**$ 250,379**
Investments	**38,051**	45,542	**285,561**
Property, plant and equipment, net	**138,688**	141,020	**1,040,811**
Other	**2,043**	4,059	**15,332**
	¥212,146	¥243,979	**$1,592,090**

10. Contingent Liabilities

Notes discounted in the ordinary course of business amounted to ¥141 million ($1,058 thousand) at March 31, 2002. Notes endorsed amounted to ¥131 million ($983 thousand) at March 31, 2002.

Loans guaranteed given in the ordinary course of business amounted to ¥22,659 million ($170,049 thousand) at March 31, 2002. Agreements similar to guarantees given in the ordinary course of business amounted to ¥3,744 million ($28,098 thousand) at March 31, 2002.

11. Other Income and Expenses

Other income and expenses for the years ended March 31, 2002 and 2001 consisted of the following:

Year ended March 31,	(In millions of yen) 2002	2001	(In thousands of U.S. dollars) 2002
Gain on sales of investments in securities	**¥ 3,977**	¥ 7,750	**$ 29,846**
Gain (loss) on sales and disposal of property, plant and equipment and intangible assets	**266**	(3,629)	**1,996**
Equity in income of affiliates	**4,352**	3,164	**32,660**
Foreign exchange (loss) gain	**(11,174)**	31	**(83,857)**
Restructuring expense or reversal	**1,644**	(105,786)	**12,338**
Cost of extraordinary measures	**–**	(50,652)	**–**
Amortization of net retirement benefit obligation at transition	**–**	(128,370)	**–**
Severance payments for early retirement	**(14,926)**	–	**(112,015)**
Amortization of consolidation goodwill	**(27,285)**	–	**(204,765)**
Other	**(7,116)**	(32,247)	**(53,403)**
	¥(50,262)	¥(309,802)	**$(377,201)**

Severance payments for early retirement for the year ended March 31, 2001 is included in the restructuring expense.

12. Income Taxes

MMC and its domestic consolidated subsidiaries are subject to corporation, inhabitants' 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, 2002 and 2001. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of operations for the years ended March 31, 2002 and 2001 differ from the statutory tax rate for the following reasons:

Year ended March 31,	2002	2001
Statutory income tax rate for MMC	**(41.7) %**	(41.8) %
Income (loss) at subsidiaries	**(9.4)**	11.3
Increase (decrease) in valuation allowance	**12.4**	(0.2)
Equity in income in affiliates	**(4.5)**	(0.2)
Amortization of consolidation goodwill	**39.8**	2.5
Increase by tax effect of subsidiaries in North America	**(130.1)**	–
Other	**(0.3)**	1.7
Income taxes as a percentage of loss before income taxes and minority interests	**(133.8)**	(26.7)

The significant components of deferred tax assets and liabilities as of March 31, 2002 and 2001 were as follows:

March 31,	(In millions of yen) 2002	2001	(In thousands of U.S. dollars) 2002
Deferred tax assets:			
Net operating loss carry forward	**¥134,409**	¥145,671	**$1,008,698**
Accrued retirement benefits	**50,337**	57,412	**377,764**
Other	**160,652**	102,074	**1,205,644**
Less valuation allowance	**(120,596)**	(109,507)	**(905,036)**
Total deferred tax assets	**224,803**	195,650	**1,687,077**
Deferred tax liabilities:			
Reserves under the Special Taxation Measures Law	**(16,822)**	(20,158)	**(126,244)**
Differences between cost of investments and underlying net equity at fair value	**(17,858)**	(19,575)	**(134,019)**
Accelerated depreciation	**(13,710)**	(20,657)	**(102,889)**
Other	**(30,023)**	(45,982)	**(225,313)**
Total deferred tax liabilities	**(78,415)**	(106,375)	**(588,480)**
Net deferred tax assets	**¥146,387**	¥ 89,275	**$1,098,589**

Deferred tax assets and liabilities at March 31, 2002 and 2001 are included in the consolidated balance sheets as follows:

Year ended March 31,	(In millions of yen) 2002	2001	(In thousands of U.S. dollars) 2002
Current assets	**¥ 71,692**	¥97,102	**$ 538,026**
Investments and other assets	**91,913**	11,261	**689,779**
Other current liabilities	**(33)**	(25)	**(248)**
Other liabilities	**(17,184)**	(19,062)	**(128,961)**
Net deferred tax assets	**¥146,387**	¥89,275	**$1,098,589**

13. Segment Information

(a) Business segments

The business segment information for MMC and its consolidated subsidiaries for the years ended March 31, 2002 and 2001 are summarized as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
Year ended March 31,	**2002**	2001	**2002**
Net sales:			
Automobiles	**¥3,106,403**	¥3,194,059	**$23,312,593**
Financial services	**99,326**	93,962	**745,411**
Total	**3,205,730**	3,288,022	**24,058,011**
Intersegment	**(5,030)**	(11,305)	**(37,749)**
Consolidated	**¥3,200,699**	¥3,276,716	**$24,020,255**
Operating profit (loss):			
Automobiles	**¥ 49,877**	¥ (70,527)	**$ 374,311**
Financial services	**(5,008)**	365	**(37,583)**
Total	**44,869**	(70,161)	**336,728**
Intersegment	**(4,641)**	(3,703)	**(34,829)**
Consolidated	**¥40,227**	¥ (73,865)	**$ 301,891**
Total assets:			
Automobiles	**¥2,504,608**	¥2,587,864	**$18,796,308**
Financial services	**513,670**	448,104	**3,854,934**
Total	**3,018,278**	3,035,968	**22,651,242**
Corporate and eliminations	**(123,717)**	(54,300)	**(928,458)**
Consolidated	**¥2,894,560**	¥2,981,668	**$21,722,777**
Depreciation:			
Automobiles	**¥ 100,500**	¥ 113,648	**$ 754,221**
Financial services	**46,036**	40,949	**345,486**
Consolidated	**¥ 146,537**	¥ 154,598	**$ 1,099,715**
Capital expenditures:			
Automobiles	**¥ 64,842**	¥ 75,102	**$ 486,619**
Financial services	**93,657**	111,251	**702,867**
Consolidated	**¥ 158,500**	¥ 186,353	**$ 1,189,493**

As a result of a change in sales in foreign currencies and related forward foreign exchange contracts qualified as hedges as explained in Note 2, compared to the same method applied to the prior year's consolidated financial statements, operating profit increased by ¥12,299 million ($92,300 thousand) in "automobiles" segment in the year ended March 31, 2002.

As a result of a change in accounting for sales incentives as explained in Note 3(a), compared to the same method applied to the prior year's consolidated financial statements, net sales decreased by ¥49,751 million ($373,366 thousand) 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, 2002 and 2001 are summarized as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
Year ended March 31,	**2002**	2001	**2002**
Net sales:			
Japan	**¥2,198,819**	¥2,436,967	**$16,501,456**
North America	**896,668**	911,158	**6,729,216**
Europe	**543,107**	395,265	**4,075,850**
Asia	**157,693**	152,903	**1,183,437**
Other areas	**228,385**	230,257	**1,713,959**
Total	**4,024,673**	4,126,553	**30,203,925**
Interarea	**(823,974)**	(849,837)	**(6,183,670)**
Consolidated	**¥3,200,699**	¥3,276,716	**$24,020,255**
Operating profit (loss):			
Japan	**¥ 22,795**	¥ (61,246)	**$ 171,069**
North America	**45,538**	33,559	**341,749**
Europe	**(17,971)**	(30,278)	**(134,867)**
Asia	**492**	(1,901)	**3,692**
Other areas	**(2,298)**	(9,075)	**(17,246)**
Total	**48,557**	(68,942)	**364,405**
Interarea	**(8,329)**	(4,922)	**(62,507)**
Consolidated	**¥ 40,227**	¥ (73,865)	**$301,891**
Total assets:			
Japan	**¥2,175,866**	¥2,289,550	**$16,329,201**
North America	**843,977**	701,803	**6,333,786**
Europe	**222,648**	255,638	**1,670,904**
Asia	**100,146**	90,144	**751,565**
Other areas	**109,460**	118,919	**821,463**
Total	**3,452,099**	3,456,055	**25,906,934**
Interarea	**(557,538)**	(474,386)	**(4,184,150)**
Consolidated	**¥2,894,560**	¥2,981,668	**$21,722,777**

As a result of a change in sales in foreign currencies and related forward foreign exchange contracts qualified as hedges as explained in Note 2, compared to the same method applied to the prior year's consolidated financial statements, operating profit increased by ¥12,299 million ($92,300 thousand) in "Japan" segment in the year ended March 31, 2002.

As a result of a change in accounting for sales incentives as explained in Note 3(a), compared to the same method applied to the prior year's consolidated financial statements, net sales decreased by ¥49,751 million ($373,366 thousand) 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, 2002 and 2001 are summarized as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
Year ended March 31,	**2002**	2001	**2002**
Overseas sales:			
North America	**¥ 891,696**	¥ 911,481	**$ 6,691,902**
Europe	**540,690**	404,920	**4,057,711**
Asia	**261,359**	312,038	**1,961,418**
Other areas	**330,441**	354,847	**2,479,857**
Total	**¥2,024,187**	¥1,983,287	**$15,190,897**
Consolidated sales	**¥3,200,699**	¥3,276,716	**$24,020,255**
Overseas sales as a percentage of consolidated sales:			
North America	**27.8%**	27.8%	
Europe	**16.9**	12.4	
Asia	**8.2**	9.5	
Other areas	**10.3**	10.8	
Total	**63.2**	60.5	

14. 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 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.

Summarized below are the notional amounts and the estimated fair value of the derivative positions, except for those accounted for as hedges, outstanding at March 31, 2002 and 2001:

	(In millions of yen)					
	2002			2001		
March 31,	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Sell:						
US$	**¥ 72,701**	**¥ 74,137**	**¥(1,435)**	¥10,422	¥10,740	¥(317)
Euro	**112,754**	**118,833**	**(6,079)**	–	–	–
£ stg	**1,250**	**1,254**	**(4)**	–	–	–
Buy:						
US$	**46,115**	**46,416**	**300**	–	–	–
Euro	**3,471**	**3,483**	**11**	–	–	–
Total	**¥236,294**	**¥244,125**	**¥(7,207)**	¥10,422	¥10,740	¥(317)

	(In thousands of U.S. dollars)		
	2002		
March 31,	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell:			
US$	**$ 545,598**	**$ 556,375**	**$(10,769)**
Euro	**846,184**	**891,805**	**(45,621)**
£stg	**9,381**	**9,411**	**(30)**
Buy:			
US$	**346,079**	**348,338**	**2,251**
Euro	**26,049**	**26,139**	**83**
Total	**$1,773,313**	**$1,832,083**	**$(54,086)**

	(In millions of yen)					
	2002			2001		
March 31,	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Interest rate swaps:						
Receive-fixed, pay-floating	**¥ –**	**¥ –**	**¥ –**	¥ 460	¥ 3	¥ 3
Pay-fixed, receive-floating	**78,694**	**(4,571)**	**(4,571)**	13,000	(916)	(916)
Total	**¥78,694**	**¥(4,571)**	**¥(4,571)**	¥13,460	¥(912)	¥(912)

March 31,	(In thousands of U.S. dollars) 2002 Notional amount	Fair value	Unrealized gain (loss)
Interest rate swaps:			
Receive-fixed, pay-floating	**$ –**	**$ –**	**$ –**
Pay-fixed, receive-floating	**590,574**	**(34,304)**	**(34,304)**
Total	**$590,574**	**$(34,304)**	**$(34,304)**

15. Leases

As lessee

MMC and its consolidated subsidiaries lease certain property, plant and equipment. For the years ended March 31, 2002 and 2001, 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) 2002	2001	(In thousands of U.S. dollars) 2002
Finance lease obligations:			
Due within 1 year	**¥20,233**	¥22,918	**$151,842**
Due after 1 year	**37,882**	44,670	**284,293**
Total	**¥58,116**	¥67,588	**$436,143**

At March 31, 2002 and 2001, 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 ¥77,636 million ($582,634 thousand) and ¥91,136 million for tools and equipment respectively, and ¥31,818 million ($238,784 thousand) and ¥31,967 million for others, respectively. At March 31, 2002 and 2001, the total equivalent of the related net book value was ¥41,122 million ($308,608 thousand) and ¥46,352 million, respectively, that was calculated with deductions of the related accumulated depreciation of ¥68,332 million ($512,811 thousand) and ¥76,751 million, respectively.

For the years ended March 31, 2002 and 2001, lease payments for finance lease transactions, except for agreements which stipulate the transfer of title of the assets to the lessee, amounted to ¥24,546 million ($184,210 thousand) and ¥29,434 million, respectively. The equivalent of the related depreciation for the years ended March 31, 2002 and 2001 amounted to ¥20,489 million ($153,764 thousand) and ¥25,999 million, respectively. The equivalent of the related interest expense for the years ended March 31, 2002 and 2001 amounted to ¥2,158 million ($16,195 thousand) and ¥2,786 million, respectively.

Operating lease transactions entered into as lessee by MMC and its consolidated subsidiaries at March 31, 2002 and 2001 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
March 31,	**2002**	2001	**2002**
Future minimum lease payments on operating leases:			
Due within 1 year	**¥11,839**	¥16,227	**$ 88,848**
Due after 1 year	**74,653**	70,638	**560,248**
Total	**¥86,493**	¥86,866	**$649,103**

As lessor

Operating lease transactions entered into as lessor by MMC and its consolidated subsidiaries at March 31, 2002 and 2001 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
March 31,	**2002**	2001	**2002**
Future minimum lease revenues from operating leases:			
Due within 1 year	**¥ 56,879**	¥ 52,904	**$426,859**
Due after 1 year	**71,754**	67,011	**538,492**
Total	**¥128,634**	¥119,916	**$965,358**

16. 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.

The discount rate was 2.5% for MMC and its domestic consolidated subsidiaries, 7.3%–7.5% for its foreign consolidated subsidiaries and 3.0% for all consolidated subsidiaries at March 31, 2002 and 2001, 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 all consolidated subsidiaries for the years ended March 31, 2002 and 2001, respectively.

The retirement benefit obligation for MMC's and its consolidated subsidiaries' employees' defined benefit plans at March 31, 2002 and 2001 is summarized as follows:

Year ended March 31,	2002 (In millions of yen)	2001 (In millions of yen)	2002 (In thousands of U.S. dollars)
Retirement benefit obligation	**¥(270,776)**	¥(258,825)	**$(2,032,090)**
Pension plan assets at fair value	**67,517**	53,585	**506,694**
Unfunded status	**(203,259)**	(205,239)	**(1,525,396)**
Unrecognized actuarial loss	**32,589**	6,038	**244,570**
Unrecognized prior service cost	**(1,957)**	6	**(14,687)**
Net recognized retirement benefit obligation	**(172,627)**	(199,195)	**(1,295,512)**
Prepaid pension cost	**1,322**	–	**9,921**
Accrued retirement benefits	**¥(173,950)**	¥(199,195)	**$(1,305,441)**

Pension expenses for MMC's and its consolidated subsidiaries' employees' retirement defined benefit plans for the years ended March 31, 2002 and 2001 were as follows:

Accrued retirement benefits include ¥2,608 million ($19,572 thousand) and ¥3,744 million for directors and corporate auditors of MMC and its domestic consolidated subsidiaries at March 31, 2002 and 2001, respectively.

Year ended March 31,	2002 (In millions of yen)	2001 (In millions of yen)	2002 (In thousands of U.S. dollars)
Service cost	**¥15,546**	¥ 14,406	**$116,668**
Interest cost	**8,213**	7,302	**61,636**
Expected return on plan assets	**(2,829)**	(1,697)	**(21,231)**
Amortization of net retirement benefit obligation at transition	**–**	128,370	**–**
Amortization of actuarial loss	**608**	–	**4,563**
Amortization of prior service cost	**(35)**	(5)	**(263)**
Pension expenses	**¥21,502**	¥148,377	**$161,366**

17. Supplemental Disclosures of Cash Flow Information

Interest paid for the years ended March 31, 2002 and 2001 amounted to ¥22,435 million ($168,368 thousand) and ¥23,037 million, respectively. Income taxes paid for the years ended March 31, 2002 and 2001 amounted to ¥11,726 million ($88,000 thousand) and ¥6,896 million, respectively.

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 consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Mitsubishi Motors Corporation and consolidated subsidiaries at March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan, applied on a consistent basis, except for the change, with which we concur, in the method of accounting for forward foreign exchange contracts as described in Note 2 to the consolidated financial statements.

As described in Note 3 to the consolidated financial statements, Mitsubishi Motors Corporation and consolidated subsidiaries have adopted new accounting standards for retirement benefits and financial instruments and the revised accounting standard for foreign currency transactions effective the year ended March 31, 2001 in the preparation of the consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 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, 2002

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.

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- *Tokachi Proving Ground*
  22-1, Osarushi, Otofuke-cho, Kato-gun, Hokkaido 080-0271, Japan
  Telephone: +81-155-32-7111

■ Truck & Bus

- *Truck & Bus Research & Development Center*
  10, Okura-cho, Nakahara-ku, Kawasaki, Kanagawa 211-8522, Japan
  Telephone: +81-44-587-2000
- *Kitsuregawa Proving Ground*
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Works

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- *Kyoto Plant—Shiga (Engines & Transmissions)*
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- *Tokyo Plant—Nakatsu (Cogwheel-related parts)*
  4001, Nakatsu Aza Sakuradai, Aikawa-cho, Aiko-gun, Kanagawa 243-0303, Japan
  Telephone: +81-462-86-8111

Japan

- Mitsubishi Automotive Techno-Metal Co., Ltd.
- Mitsubishi Automotive Bus Manufacturing Co., Ltd.
- Mitsubishi Motors Training Center Co., Ltd.
- PABCO Co., Ltd.
- Pajero Manufacturing Co., Ltd.
- Mitsubishi Automotive Techno-Service Co., Ltd.
- Mitsubishi Automotive Engineering Co., Ltd.
- Mitsubishi Automotive Logistics Co., Ltd.
- Mitsubishi Auto Credit-Lease Corporation
- MMC IT Solutions Co., Ltd.
- Ralliart Inc.
- Tokyo Chuo Mitsubishi Motor Sales Co.
- Kinki Mitsubishi Motor Sales Co.
- Tokyo Mitsubishi Fuso Sales Co.
- Nagoya Mitsubishi Fuso Sales Co.
- Kyushu Mitsubishi Fuso Sales Co.

Overseas

- Mitsubishi Motor Manufacturing of America, Inc.
- Mitsubishi Motor Sales of America, Inc.
- Mitsubishi Motors Credit of America, Inc.
- Mitsubishi Motors America, Inc.
- Mitsubishi Motors R&D of America, Inc.
- Mitsubishi Fuso Truck of America, Inc.
- Netherlands Car B.V.
- MMC International Finance (Netherlands) B.V.
- Mitsubishi Motors Europe B.V.
- Mitsubishi Motors Sales of Europe B.V.
- Mitsubishi Trucks Europe-Sociedade Europeia de Automoveis, S.A.
- MMC Sittipol Co., Ltd.
- Mitsubishi Motors Philippines Corporation
- Mitsubishi Motors Australia Limited
- Mitsubishi Motors (Shanghai) Co., Ltd.
- Mitsubishi Motors (Guangzhou) Co., Ltd.
- Mitsubishi Motors (Tianjin) Co., Ltd.
- Mitsubishi Motors (Dalian) Co., Ltd.

(As at March 31, 2002. Board members were newly appointed on June 25, 2002)

DATE OF ESTABLISHMENT
April 22, 1970

PAID IN CAPITAL
¥252,201,223,000

COMMON STOCK
Issued and outstanding: 1,470,163,624 shares

NUMBER OF SHAREHOLDERS
42,326

NUMBER OF EMPLOYEES
63,143 (Consolidated Basis)

SECURITIES TRADED
All stock exchanges in Japan: Tokyo, Osaka, Nagoya, Kyoto, 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	34.00
Mitsubishi Heavy Industries, Ltd.	14.96
Mitsubishi Corporation	5.26
DaimlerChrysler MMC Beteiligungsgesellschaft mbH	3.30
The Bank of Tokyo-Mitsubishi, Ltd.	2.93
The Mitsubishi Trust & Banking Corporation	2.18
NIHON Trustee Service Trust & Banking Corporation Trust Account	1.31
Meiji Life Insurance Company	1.29
The Chase Manhattan NA London SL Omnibus Account	1.25
MMC Employees Shareholding Association	1.20

BOARD OF DIRECTORS AND SENIOR OFFICERS

Members of the Board

Takashi Sonobe
Rolf Eckrodt
Takashi Usami
Steven A. Torok
Ulrich W. Walker
Junji Midorikawa
Masanori Tani
Eiji Iwakuni
Manfred Bischoff
Takashi Nishioka
Mikio Sasaki

Statutory Auditors

Mitsugu Nakabayashi
Hirao Iijima
Shigemitsu Miki
Motoo Makita

Senior Executive Officers

Tadashi Ohmiya
Joachim Coers
Alexander Paufler
Christian Cahn v. Seelen
Yoichi Yokozawa
Atsushi Ueba
Kai-Uwe Seidenfuss
Akira Kijima
Harald Boelstler
Akio Hanawa
Hisashi Watanabe

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