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Shifting into High Gear

Drive@earth



MITSUBISHI MOTORS

Mitsubishi Motors Corporate Philosophy

“We are committed to providing the utmost driving pleasure and safety for our valued customers and our community. On these commitments we will never compromise. This is the Mitsubishi Motors way.”

Customer-centric approach

Mitsubishi Motors will give the highest priority to satisfying its customers, and by doing so, become a company that enjoys the trust and confidence of the community at large. To this end, Mitsubishi Motors will strive its utmost to tackle environmental issues, to raise the level of passenger and road safety and to address other issues of concern to car owners and the general public.

A clear direction for the development and manufacturing of Mitsubishi Motors vehicles

The cars that Mitsubishi Motors will manufacture will embody two major concepts: driving pleasure and safety. Mitsubishi Motors will manufacture cars that deliver superior driving performance and superior levels of safety and durability, and as such, those who use them will enjoy peace of mind.

Going the extra mile

Mitsubishi Motors will pay close attention to even the smallest details in the belief that this approach will lead customers to discover new value in their cars, giving them a richer and more rewarding driving experience.

Importance of continuity

Mitsubishi Motors will continue to manufacture distinctive cars with the passion and conviction to overcome all challenges.

Forward-looking Statements

This annual report contains forward-looking statements about Mitsubishi Motors Corporation's plans, strategies, beliefs and performance. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industries in which Mitsubishi Motors Corporation operates, as well as management's beliefs and assumptions. These expectations, estimates, forecasts and projections are subject to a number of risks and uncertainties that may cause actual results to differ materially from those projected. Mitsubishi Motors Corporation, therefore, cautions 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.



After overcoming the effects of the Great East Japan Earthquake, by steadily implementing the measures outlined in "Jump 2013," our new mid-term business plan, we aim to achieve "growth and leap forward."

First, we would like to offer our deepest condolences to all who suffered from the earthquake, which struck in March 2011.

After the Great East Japan Earthquake hit, we cycled between operating and then halting production at our plants in Japan. However, thanks to the dedicated efforts of all the people involved in the recovery, by April 18 we were able to resume operations at all plants. Having achieved a faster-than-anticipated recovery, vehicle production—including overseas operations—had not only returned but exceeded our pre-earthquake target levels in the first quarter of fiscal 2011 (April 1 to June 30, 2011). Furthermore, boosting production in the second half of the fiscal year when production is expected to normalize, we aim to exceed both fiscal 2010's operating performance results as listed in this Annual Report 2011 and our operating performance targets for the full fiscal year that we had set prior to the earthquake.

We will continue supporting the disaster-affected region by donating relief funds, providing relief supplies and offering

the use of our *i-MiEV* new-generation electric vehicles free of charge. Through such assistance, we aim to help the affected region recover as quickly as possible.

Fiscal 2010 marked the 40th anniversary of Mitsubishi Motors' establishment, as well as the final year of the "Step Up 2010" mid-term business plan. Amid a difficult operating environment characterized by ongoing yen appreciation, we boosted sales through the continued global rollout of our new compact SUV in three overseas regions—North America, Europe, and Asia and Other Regions—while at the same time mounting ongoing efforts to cut expenses and reduce costs. As a result, MMC achieved substantial increases in operating performance during fiscal 2010, with net sales of ¥1,828.5 billion, operating income of ¥40.3 billion and net income of 15.6 billion.

In January 2011, we announced "Jump 2013," our new three-year mid-term business plan starting in fiscal 2011. At the outset of the

August 2011



Takashi Nishioka
Chairman of the Board



Osamu Masuko
President

Drive@earth

Drive@earth means that automobiles connect us to the world. Through trust, Mitsubishi vehicles forge a connection to customers, to communities and ultimately to the natural world around us. Drive@earth also means a new emphasis on environmental issues. It is the simple recognition that no enterprise makes sense without the context of a healthy planet, and that automakers have a special responsibility in this regard. MMC sets as its ideal the synergy between dynamic and environmental performance, and will continue to develop technologies that show as much care for the environment outside as for the occupants within its vehicles.



first year of this plan, the Japanese automobile industry, including MMC, faced some significant challenges, such as the Great East Japan Earthquake, rapid yen appreciation and rising raw materials prices. However, because we have recovered quickly from the impact of the earthquake and with continuing robust sales in overseas markets led by ASEAN countries, important pillars of revenues and profits, we remain confident that we can meet our performance targets without revisions to our original targets and business strategies as we work toward achieving “growth and leap forward.”

Mitsubishi Motors Corporation wishes to sincerely thank all its stakeholders—including shareholders, customers, business partners and employees—and ask for their ongoing support and guidance in the years ahead.



Takashi Nishioka
Chairman of the Board

Osamu Masuko
President

We are committed to achieving “growth and leap forward” by concentrating our business resources in emerging markets and on environmental initiatives.



Osamu Masuko
President

“Jump 2013,” Our New Mid-Term Business Plan to Create a Nimble Company for the Dynamically Changing Global Automobile Market Ahead

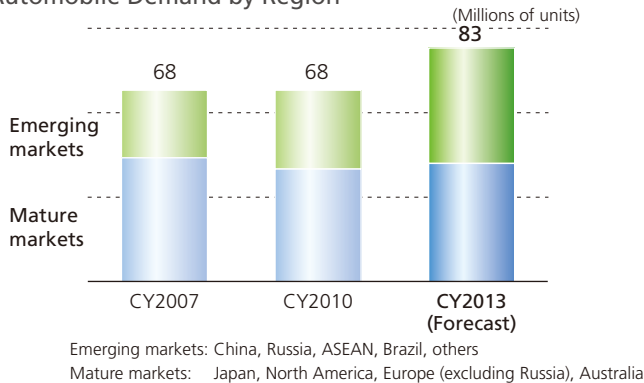
Although the global economy has now emerged from the worst of the global financial crisis triggered by the Lehman Brothers collapse, demand recovery in advanced countries is sluggish, and numerous uncertainties remain. Against this backdrop, we believe that it may prove difficult for automobile demand in Japan, Europe, the United States and other mature markets to return to pre-crisis levels within two years, by 2013. However, we anticipate that demand for automobiles will continue to rise in China and other emerging markets.

Regarding the global demand structure, emerging markets will play a greater role than ever in global automobile demand in the near future. We believe that emerging markets, which accounted for slightly more than 30% of the global market in 2007, will have risen to around 50% by 2013. As growing environmental awareness worldwide prompts demand for smaller models and as the middle class in emerging markets expands,

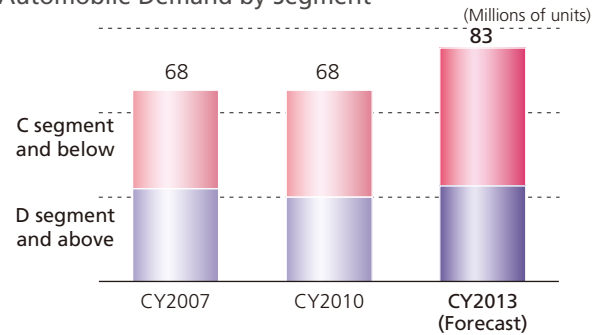
we expect compact cars in the C segment and below to drive growth. Therefore, automobile makers’ model mixes will have to shift in line with these developments. Furthermore, with the rapid popularization of electric vehicles and plug-in hybrid vehicles that reduce environmental impact, indeed it is not far-fetched to say that we are entering an era of dynamic change in the global demand structure for automobiles.

MMC believes that these coming changes point to opportunity. In order to take advantage of these circumstances, we have centered Jump 2013, the new mid-term business plan, on the concentration of operating resources in emerging markets and environmental initiatives, as well as promoting ongoing company reforms. Through Jump 2013, we will create a nimble company ready to take advantage of these upcoming changes and achieve “growth and leap forward.”

Automobile Demand by Region



Automobile Demand by Segment



Mid-Term Business Plan “Jump 2013” Business Strategies

1 Concentrate business resources in emerging markets & environmental initiatives

R&D

Strengthening global strategic models/eco-car models

Production

Increasing production capacity in emerging markets while adjusting it to natural demand in mature markets

Sales

Fortifying involvement in sales business in emerging markets

2 Reforming the cost structure

3 Pursuing business alliance opportunities for profit increase

4 Reinforcing business foundation

Shifting up: From “Building the Foundations for Growth” to Achieving “Growth and Leap Forward”



During the three years through fiscal 2010, under Step Up 2010 we moved toward the objective of building the foundations for growth by bolstering our strengths and securing steady profits. We were faced with changes in the operating environment that were well beyond anyone’s expectations: the global financial crisis, which caused overall automobile demand to plunge, changes in the demand structure, and the sudden and rapid appreciation of the yen. As a result, we were compelled to revise our sales volume and operating performance targets. Nevertheless, we enjoyed some success in measures to strengthen our core businesses and transform our operating structure in preparation for growth. We made great strides toward one of our key objectives: building the foundations for growth.

With the “foundations for growth” put in place by Step Up 2010 (see page 7), Jump 2013 aims to utilize these “foundations” as a springboard to achieve “growth and leap forward:” moving beyond restoring our company to enhance operating flexibility to dramatically increase profitability. We plan to do this by concentrating our operating resources and promoting ongoing company reforms. With the foundations for growth in place to quickly meet the needs of rapidly expanding emerging markets and heightening global environmental awareness, now is the time to make a nimbler Mitsubishi Motors that can quickly evolve with the dynamically changing global automobile market, taking its business to a new level to achieve “growth and leap forward.”

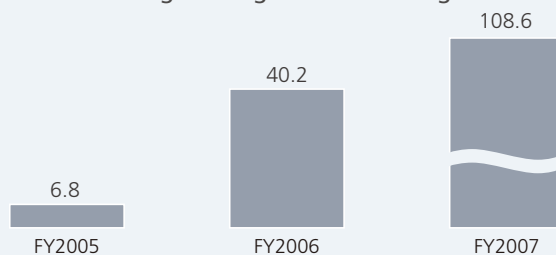
The Road to “Growth and Leap Forward” >>

(Billions of yen, thousands of units)

Mitsubishi Motors Revitalization Plan

	FY2005	FY2006	FY2007
Sales Volume (Retail sales) (Previous calculation method)* (New calculation method)*	1,344	1,230	1,360
Net Sales	¥2,120.1	¥2,202.9	¥2,682.1
Operating Income	6.8	40.2	108.6
Net Income (Loss)	(92.2)	8.7	34.7
Assumed Forex Rates Yen/US\$1	113	117	115
Yen/€1	137	152	162

Building solid profitability:
Restoring earnings and recovering trust



Mid-Term Business Plans and Operating Income Trends >>>>

* The “previous calculation method” included retail units designed by MMC and sold by other manufacturers under a their brand name which provided royalty income. The “new calculation method” initiated in fiscal 2011 includes only MMC-branded units.

Primary Achievements of "Step Up 2010:" The Foundations for Growth >>

Introduced Environmental Technologies

- Launched our *i-MiEV* new-generation electric vehicle and expanded rollout globally. (Following its launch in Japan in July 2009, expanded sales to Europe, Hong Kong, Australia and other countries.)
- Mounted on the *Pajero* a new clean diesel engine (DI-D) that clears the world's toughest emissions regulations.



Launched Global Strategic Models

- Introduced a new SUV, the *Pajero Sport*.
- Commenced global rollout of a new compact SUV, the *RVR* (*ASX* in Europe, *Outlander Sport* in the United States).



Laid Springboards to Growth

- Commenced building a third factory in Thailand, making it the second-largest export hub after Japan.
- Established a joint assembly plant in Russia with PSA Peugeot Citroën and began local production of the *Outlander*.
- Reached an agreement with the Guangzhou Automobile Group to establish a 50:50 joint venture.
- Expanded mutual business collaboration with Nissan Motor, including the formation of a joint venture for minicar planning and development.

Pajero Sport

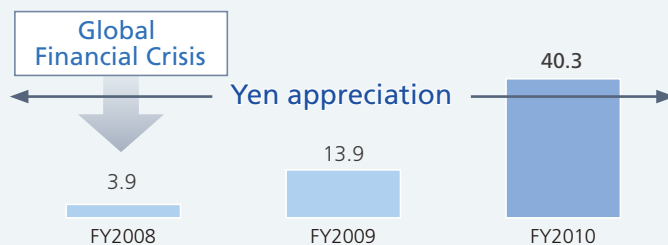


Outlander

Step Up 2010

FY2008	FY2009	FY2010
1,066	960	1,105
		987
¥1,973.6	¥1,445.6	¥1,828.5
3.9	13.9	40.3
(54.9)	4.8	15.6
101	92	85
144	130	113

Building the foundations for growth:
Bolstering our strengths, securing steady profits



Jump 2013

	FY2013 (Target)
Sales Volume (Retail Sales) (New calculation method)*	1,370 thousand units
Net Sales	¥2,500 billion
Operating Income	¥90.0 billion
Net Income	¥45.0 billion
Foreign exchange rates:	¥90/US\$1.00 ¥110/€1.00

We aim to achieve "growth and leap forward" by concentrating business resources in emerging markets and environmental initiatives and by reforming the cost structure.
(Fiscal 2011 through fiscal 2013)

Jump 2013 Business Strategies

>Concept: Implement new reforms immediately

Given the dynamic changes that are taking place in our operating environment, we cannot expect to triumph over the competition simply with strategies enacted to cope with an old operating environment. Knowing that further change in our operating environment is inevitable, we will address those changes head-on by turning them into new possibilities and business opportunities through reforms. These are needed to provide the flexibility to respond immediately to upcoming changes. Therefore, we have formulated the below strategies for MMC to grow and leap forward:

1. Concentrate operating resources in emerging markets and environmental initiatives—our “core strategy”
2. Reform our cost structure to achieve cost competitiveness on a global level
3. Pursue opportunities for further profit through business alliances
4. Reinforce our operating base (formulating new initiatives including augmenting MMC’s financial base, employee training, quality improvement, and CSR/compliance activities)

>Concentrate operating resources in emerging markets and environmental initiatives

First, we will focus our operating resources on emerging markets, where demand is growing rapidly, and on environmental initiatives in response to mounting global awareness.

We will accelerate the development of “eco-cars,” including electric and plug-in hybrid vehicles, introducing eight new eco-cars by the end of fiscal 2015; this initiative will begin with the *MINICAB-MiEV* electric light commercial vehicle, which we plan to launch by the end of fiscal 2011. Moving away from regional platforms to global strategic vehicles, we will introduce the “Global Small” car to meet emerging market needs for automobiles that are compact, affordable and fuel efficient as well as advanced market needs for smaller, more efficient and more environmentally friendly vehicles. While we develop these kinds of new models, we will work to roll out our electric vehicle technologies, as well as improving and transforming our existing green technologies (See page 12).

We will boost capacity in emerging markets by completing our third factory in Thailand, augmenting production at a new joint venture in China, raising production capacity in Brazil and commencing full-fledged production of SUVs in Russia. At the same time, we will discontinue region-specific models such as those we currently offer in the United States and the Netherlands as we optimize our production capability in advanced countries (See page 16).

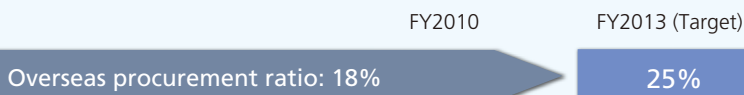
We aim to reinforce sales in emerging markets by considering new investments in MMC partner companies in China and Brazil, as well as increasing our capital ratios in other partner companies in emerging markets that we already hold a stake in.

Reforming the Cost Structure: Aiming to Secure Cost Competitiveness at Global Level

Aim to reduce material costs ¥90 billion by fiscal 2013, compared with fiscal 2010 levels

Expand overseas procurement

Promote overseas procurement for models produced in Japan



Strengthen cost reduction activities

Strengthen collaborative efforts with overseas production hub

15% decrease in C-segment platform

Promote cutbacks in of platforms

Expand economies of scale for common parts



>Reform our cost structure to achieve cost competitiveness on a global level

Boosting our global competitiveness by radically reforming our cost structure and significantly lowering costs is our topmost priority. Therefore, we will move forward on initiatives that go beyond our previous efforts.

With materials prices expected to remain high, first we will create a special department for accelerating cost reductions under the direct control of the president. This new team will put in place a system to monitor MMC's reduction of materials cost and follow up on a regular basis.

As raw materials cost constitutes a high proportion of overall costs, by fiscal 2013 we aim to bring this spending down by ¥90.0 billion from the fiscal 2010 level. To this end, we will work to expand procurement from overseas suppliers, centering on China, South Korea and Thailand, creating an optimal global procurement structure that will help to counter the effects of yen appreciation. By fiscal 2013, we expect to raise our overseas procurement ratio from 18% to 25%. In addition, by enhancing collaboration with our overseas production hubs we will be able to select the best local suppliers for vehicles made on common platforms, such as the *Lancer* and the *Outlander*. This measure should allow us to cut materials costs for the C-segment platform by 15%. By the end of fiscal 2013, we plan to reduce the number of platforms from 12 to nine, dropping further to six by

the end of fiscal 2015. By doing this, the production volume per platform should double fiscal 2010 levels by the end of fiscal 2013. The increased economies of scale resulting from the increase of shared parts across models will reduce materials costs, raise productivity and allow us to curtail development costs.

>Pursue further profit through alliances

Through alliances, we aim to supplement our products and technologies, improve capacity by increasing operating ratios, and reduce R&D expenditures, fixed costs and capital expenditures.

Among our new alliances are the OEM provision of our compact SUV to PSA Peugeot Citroën, along with collaborative development and component provision to convert PSA Peugeot Citroën's commercial vehicles to electric vehicles. As we already have OEM agreements in place with PSA Peugeot Citroën and are working with them on joint production in Russia, PSA Peugeot Citroën will become an even more important partner for MMC. In addition, in June 2011 we established a joint venture with Nissan Motor to plan and develop minicars. We plan to expand the number of models that we provide each other on an OEM basis. Furthermore, we have an agreement with Suzuki Motor in which they provide us with a compact passenger car, sold as the *Delica D:2*.

We intend to move ahead with business alliances of this sort, as they benefit both parties by increasing profit-generating opportunities and bolstering profitability.

Alliance Strategy: Pursuing Business Alliances

- Supplement product/technology to better fulfill customer needs
- Improve efficiency/capacity utilization at factories
- Cost reduction in R&D expenditure, fixed expenses, facility investments, etc.

From FY2011

Models Provided	● PSA Peugeot Citroën: Compact SUV	● Nissan Motor: SUV for Middle East market
Models Received	● Nissan Motor: Compact commercial car	● Suzuki: compact passenger car
EV Development	● PSA Peugeot Citroën: Production of commercial EV to begin around end of 2012	
Minicar Business	● Nissan Motor: Formation of joint venture for minicar product planning/development	
OEM Production	● Nissan Motor: Collaborating in Nissan pickup truck production in Thai factory	
Under Deliberation	● Nissan Motor: Collaboration on development and production of successor to one-ton pickup truck, receipt of high-end sedan model for Japanese market	

Increasing Profit-Earning Opportunities / Bolstering Profitability

Performance Targets and Financial Strategies

>Sales volume and performance targets

Our new mid-term business plan, Jump 2013, sets a sales volume target for fiscal 2013 of 1.37 million units. Through strategies and tactics mentioned previously, MMC will steadily boost sales in emerging markets that are slated for future growth, particularly China, Russia, ASEAN countries and Brazil. We expect to achieve a sales volume rise of approximately 50% in emerging markets and an increase of around 20% in mature markets (See page 15).

In emerging markets, which are a pillar of earnings for the Company, we will invest aggressively in anticipation of future growth. We also plan to generate higher profits through increased sales. Meanwhile, we plan to move back into profitability in mature markets by increasing revenue, enacting streamlining across all areas of operational activities and thorough cost-cutting measures. Through these measures, by fiscal 2013 we are targeting net sales of ¥2.5 trillion, operating income of ¥90.0 billion and net income of ¥45.0 billion. This amounts to an approximate 40% increase in net sales and a doubling of operating income compared with fiscal 2010 figures.

>Investment policies and financial strategies

Our future investments will be concentrated on emerging markets and environmental initiatives. First, by building a third factory in Thailand we will boost production capacity needed to set up a structure which will allow us to respond to burgeoning demand in emerging markets. As for environmental initiatives, we will invest in expanding our lineup of electric-powered vehicles. We will also invest in efforts to increase the efficiency of existing production facilities. Compared with average investment

during the three years of “Step Up 2010” that ended in fiscal 2010, we plan to increase our average investment during the three years of Jump 2013 by around 60%. At the same time, we will move forward with R&D efforts to develop new vehicles that meet emerging market needs. In addition to prioritizing the development of eco-cars—particularly the development of electric-powered vehicles and related components—we will push forward with improvements on existing technologies including our fuel-efficient, low-CO₂ engine technologies and by reducing the weight of car bodies.

On the financial front, primarily through debt financing we will secure the funds that will be needed to move forward with aggressive capital and R&D expenditure. However, by improving our cash flow we expect to reduce interest-bearing debt to below ¥340.0 billion by the end of fiscal 2012.

Finally, we consider our capital strategy to be of utmost importance for Mitsubishi Motors. Although we have not paid dividends on common stock for some time, during the term of the Jump 2013 new mid-term business plan we aim to resume dividend payments. First, it is essential for us to push forward resolutely toward our objectives under Jump 2013 and demonstrate improved profitability to our shareholders as we move steadily toward achieving the operating targets outlined in the Jump 2013 new mid-term business plan. With this in mind, we will move forward with unyielding resolve to make a comprehensive proposal to shareholders that includes dealing with preferred shares.

Operating Performance

(Billions of yen, thousands of units)

	FY2010 (Actual)	FY2013 (Target)
Sales Volume (Retail)*	987	1,370
Net Sales	1,828.5	2,500.0
Operating Income	40.3	90.0
Operating Income Ratio	2.2%	3.6%
Net Income	15.6	45.0
Net Income Ratio	0.9%	1.8%

* New calculation method



Special Feature: Initiatives to Achieve “Growth and Leap Forward” in Jump 2013, MMC’s New Mid-Term Business Plan

By aggressively rolling out new electric and plug-in hybrid vehicles while at the same time introducing the affordable and fuel-efficient “Global Small” compact car, MMC will concentrate its operating resources in emerging markets and pursue environmental initiatives, moving forward with strategies that meet regional market demands.



Product Strategies

>Pursuing environmental initiatives through the development of electric vehicle technologies and “green technologies” for conventional engines

The needs of the global automobile market are continually changing against a backdrop of global warming prevention, a shift away from fossil fuels and with environmental regulations that grow more stringent each year. Anticipating the need to urgently respond to such changes, MMC was a pioneer in electric vehicles, the “ultimate eco-cars” that correspond to these needs, aggressively developing electric vehicle technologies. As part of its measures to improve and promote existing fuel-efficient and eco-friendly “green technologies” for conventional engines, MMC is also active in the development of new hybrid technologies.

MMC already offers the *i-MiEV* new-generation electric vehicle in Japan, Europe, Hong Kong, Australia and other countries, and is steadily rolling the vehicle out across the globe. Sales are also set to commence in the United States and Canada in November 2011. In addition, MMC supplies the *i-MiEV* to PSA Peugeot Citroën under an OEM agreement and is

expanding its business alliances to promote conversion of light commercial vehicles to electric models.

Future rollouts of electric vehicle technologies include the planned launch of the *MINICAB-MiEV*, a light commercial electric vehicle, in Japan in fiscal 2011. In addition to having ample functionality as a light commercial vehicle, MMC plans to provide the *MINICAB-MiEV* at a final cost to the customer of around ¥1.7 million. Furthermore, MMC plans to follow up this offering in fiscal 2012 with two plug-in hybrid models—a first for the Company. From fiscal 2013, we plan to greatly expand our application of electric vehicle technologies to further models, introducing a total of eight by fiscal 2015.

Meanwhile, MMC is working on a number of technologies aimed at improving and promoting internal combustion engines that employ its existing green technologies to conserve fossil fuel energy and lower vehicle emissions. One success in this area is the next-generation Mitsubishi Innovative Valve timing Electronic Control system (MIVEC), which MMC plans to begin rolling out in succession by including it on models to be



i-MiEV
New-generation electric vehicle

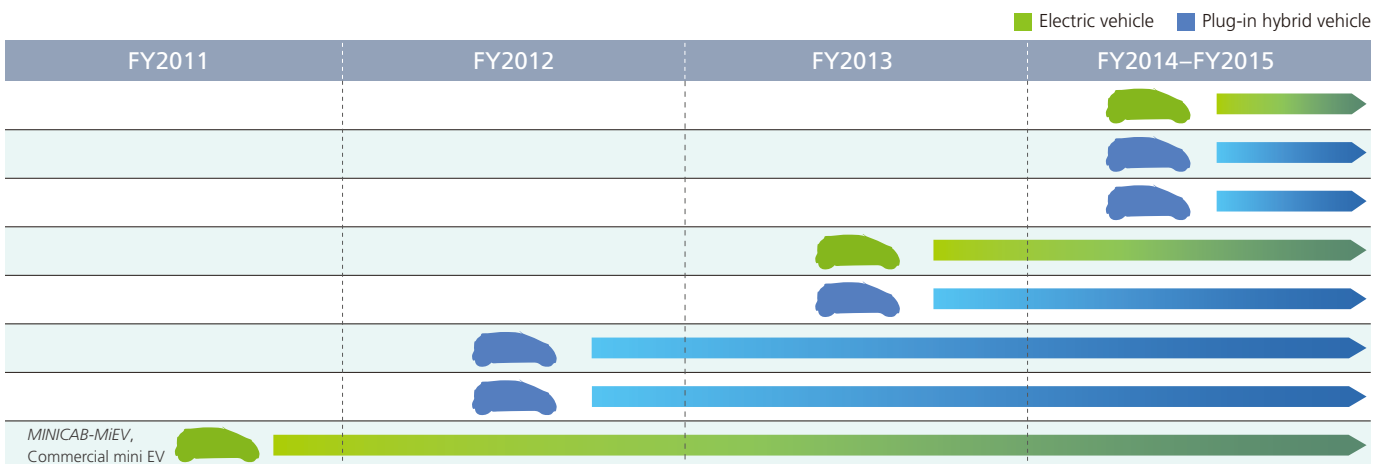


MINICAB-MiEV
Light commercial EV
(Test vehicle)



Mitsubishi Concept PX-MiEV
Equipped with the Mitsubishi Plug-in Hybrid System

Launching a Total of Eight Electric Vehicles or Plug-in Hybrid Vehicles by FY2015



launched from fiscal 2011. Furthermore, we plan to introduce the system on internally developed hybrid vehicles scheduled for launch in fiscal 2013. At the same time, we will broaden the scope of vehicles using “clean diesel” engines and idling stop mechanisms and employ a host of technologies to make vehicle bodies more lightweight.

>Introduction of the “Global Small,” a compact car that embodies compactness, affordability and fuel efficiency

MMC plans to also increase sales volume through globally competitive new models such as the “Global Small.” Models like the “Global Small” will meet the needs of emerging markets, where automobile demand is growing rapidly among the increasingly populous middle class, as well as the demands of mature markets, where environmental awareness is high.

The “Global Small” compact car was made to maximize affordability and fuel efficiency. MMC sees the “Global Small” as an entry model in its lineup, targeting the growing middle class in emerging markets.

This model also meets the trend toward smaller cars and fuel efficiency being sought in mature markets, where smaller cars are growing more prevalent as a result of mounting environmental awareness and the need to respond to energy issues. Accordingly, the “Global Small” compact car meets the needs of emerging markets and mature markets alike.

The “Global Small” is an all-new car with a new platform. The “Global Small” can seat five comfortably and features the tight turning radius and driving ease inherent to a compact car. The vehicle will also employ an idling stop mechanism and a 1.0–1.2L class engine equipped with a regenerative braking system. Weight is trimmed on the most complex parts and running and aerodynamic resistance are reduced. Through such features, MMC expects the model to achieve top-class environmental performance, with CO₂ emissions in the middle of the 90g/km range.

MMC plans to commence production in March 2012 at a new plant that is under construction in Thailand. From there, we will successively ship the model into the ASEAN, Japanese, U.S., European and other world markets.



MITSUBISHI Concept Global Small

Regional Strategies

>Returning to profitability in mature markets and expanding income in emerging markets

MMC has formulated different strategies for mature markets and emerging markets, according to their distinctive demand characteristics. In mature markets, MMC plans to increase sales volume by introducing eco-cars and compact, fuel-efficient models. We also plan to expand our operations in emerging markets by introducing compact, fuel-efficient and affordable vehicles, as well as SUVs.

In mature markets, particularly in North America and Europe, where demand recovery is expected, MMC will move one step ahead of market needs by introducing eco-cars and

compact, fuel-efficient models. Through this approach, by fiscal 2013 we intend to boost our sales volume in mature markets by 110,000 vehicles compared with fiscal 2010 levels. By also streamlining production and sales and enforcing thorough cost-cutting measures, MMC aims to improve its profitability in mature markets.

In emerging markets, MMC plans to boost profits through increased sales. In four major emerging markets—ASEAN, Russia, China and Brazil—MMC will introduce new models and prioritize investments targeting the expansion of its sales network. As a result, by fiscal 2013 we expect our sales volume in emerging markets to be 270,000 vehicles higher than in fiscal 2010.

Europe

MMC aims to aggressively launch electric vehicles and other eco-cars in advance of CO₂ regulations slated for phased implementation beginning in January 2012. This should establish MMC's value as an environmental brand and lead to increased sales volume.

Norway



Germany



European-spec i-MiEV

Italy



Russia

In addition to local production and sales of our new SUV, we will gradually raise our local procurement ratio, thereby lowering production costs and boosting sales volume.



Outlander (produced in Russia)

China

MMC will establish a new 50–50 joint venture with Guangzhou Automobile Group's GAC Changfeng Motor, MMC's local base of production for SUV models, to reinforce and expand operations in China, leading to major increases in production capacity.

ASEAN

MMC will begin production of the "Global Small" compact car at its third factory in Thailand, which is currently under construction, to boost sales in the ASEAN region and supply vehicles throughout the world.

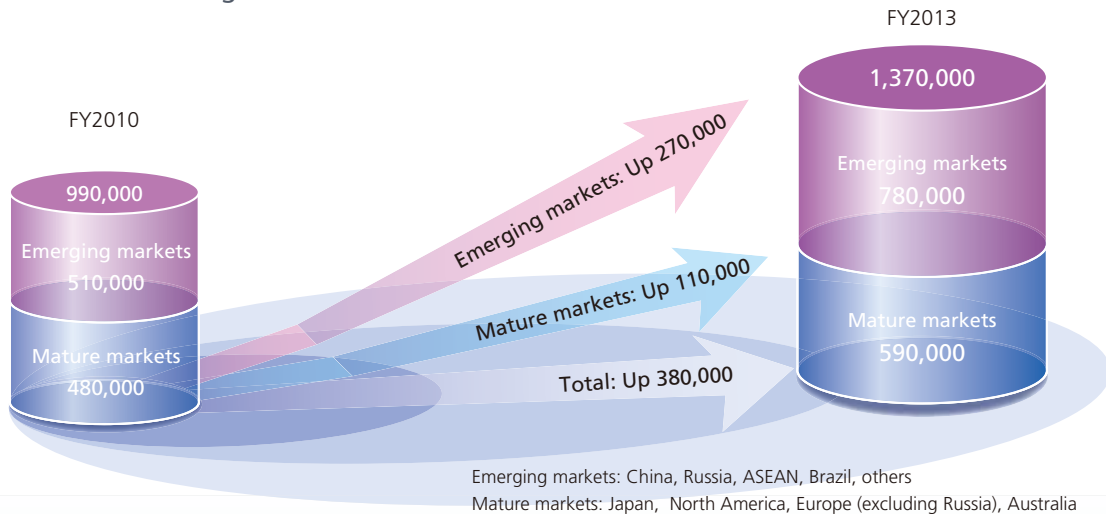


MITSUBISHI Concept Global Small



Triton

Sales Volume Targets



i-MiEV



North America

We will commence production of the *Outlander Sport*, a compact SUV, at our U.S. plant. From that base, we plan to expand sales in North America and export vehicles to other regions. Also, MMC will introduce a new electric vehicle and other models into the market, reinforcing operations on both the production and sales fronts.

Compact SUV, the *Outlander Sport* (RVR in Japan, ASX in Europe)



Japan

Amid an expected slump in total demand, MMC aims to continue building solid profitability in this market by ensuring long-term trust-based customer relationships built on enhanced after-sales services. We also plan to leverage a minicar planning and development joint venture with Nissan Motor to expand its lineup and increase economies of scale for our minicar business.



North American spec i-MiEV

Brazil

In this market, MMC will look to deepen its collaborative efforts in sales and production, including investment in its local partner. In this manner, we will cultivate business in Brazil and in regions offering favorable tariff considerations for markets in Mercosur and the Andean Community.



Pajero Sport

Global Production Structure

>Building a global production structure that flexibly adapts to structural changes in automobile demand

MMC is optimizing its production capacity in advanced countries and increasing production capacity in emerging markets to build a global production structure responsive to changes in global demand.

In Japan, MMC is boosting factory operating rates and building supply systems to respond to growing demand, mainly in emerging markets. Leveraging our alliance with Nissan Motor, we are boosting unit production of minicars at the Mizushima plant.

Overseas, MMC is boosting local production capacity, chiefly in emerging markets. We plan to manufacture more than half of our total units at overseas bases by fiscal 2013, which will increase our ability to hedge the risk of exchange rate fluctuations.

In advanced countries, we plan to discontinue production of region-specific models such as those we currently produce at

bases in the United States and the Netherlands as part of our efforts to optimize production capacity. Specifically, MMC will halt plans to introduce a successor to the *Colt*, a region-specific model produced in the Netherlands, and in the United States will discontinue locally produced region-specific model. Instead, we will begin manufacturing the *Outlander Sport*, with the aim of exporting it from the United States.

MMC intends to boost production capacity substantially in the emerging markets of the ASEAN region, China, Brazil and Russia. MMC is building a third factory at its Thailand facility, which will make Thailand its second-largest export base, following Japan. In China, we will enter a new joint venture with the Guangzhou Automobile Group and bolster production in Brazil. In Russia, MMC will commence full-fledged local production of SUVs.

Thailand: Building MMC's third factory

Our third factory in Thailand is scheduled to begin operating in March 2012. This factory will produce the "Global Small" compact car—a model slated for launch in fiscal 2011 and featuring an engine in the 1.0–1.2L class. Utilized as a global supply base, this plant will have an initial capacity of 150,000 vehicles per year, which can be expanded to around 200,000 vehicles.



China: Establishing a new joint venture

MMC is forming a new 50–50 joint venture with the Guangzhou Automobile Group, the largest automaker in Southern China and a leader in the country. MMC is in the process of determining what model to launch from this joint venture, drafting action plans and moving forward with preparations to build an optimal production system to meet demand in the growing Chinese market.

United States: Introducing a new model to be produced at MMC's Illinois plant

In 2012, MMC plans to commence production of its compact SUV, the *Outlander Sport* (*RVR* in Japan, *ASX* in Europe) at its Illinois plant. Amid growing global demand for compact cars, the *Outlander Sport* plays a central role in MMC's lineup. MMC began selling this global strategic model in the United States in October 2010. The *Outlander Sport* produced in Illinois will be sold in the United States and exported to other countries.



Russia: Commencing full-fledged production of SUVs

MMC is working to ensure that the production equipment and quality control systems at a joint venture plant in Russia with PSA Peugeot Citroën will be on a par with other existing plants. In 2012, MMC plans to commence full-fledged production at this plant, supplying the *Outlander* SUV to the Russian market.



Quality Enhancement Initiatives

>Enhancing the quality of the MMC's vehicles everywhere they are built

While expanding overseas production, particularly in emerging markets, MMC is also building a structure designed to ensure global quality levels. This approach has three focuses: development, manufacturing and regional markets.

At the development stage, MMC will work with suppliers to employ defective product analysis tools, feeding back information gained through this process into initial-stage design quality. In addition, to expand the markets in which it operates MMC is thoroughly reanalyzing the environments of major regional markets as the Company works to introduce new standards

for meticulous evaluation. MMC will roll out production and quality control methods used in Japan at overseas plants to keep vehicle quality levels on par with those manufactured in Japan. Furthermore, to expand overseas production MMC will establish a "human resource bank," with registrees including current employees and skilled alumnae. This structure should enable us to assign the right people to the right task at the right time. Meanwhile, we will address in-market quality by creating problem-solving teams and increase our number of locally stationed Japanese personnel. As a result, we intend to acquire market information that is accurate from a customer perspective and swiftly resolve any outstanding issues.

Ensuring Mitsubishi Motors Quality

Building in development/manufacturing quality

● Mitsubishi Motors Development System (MMDS)

MMC has introduced MMDS, which is centered on the concept of quality gates in every product development process. MMDS is a comprehensive quality management system that sets and evaluates the achievement of specific performance benchmarks for every quality gate at each stage of operations, from vehicle planning to sales and after-sales services. We have adopted a methodology of advancing to the next stage of operations only after confirming the achievement of benchmarks for each quality gate using this decision-making system.

● Mitsubishi Motors Production Way (MMPW)

We have established a unified global quality assurance framework by introducing MMPW, our concept and philosophy of manufacturing, to plants around the world. One basic concept is to achieve rigorous quality assurance in each work stage through the incorporation of "stage completion" (only allowing non-defective units to pass to the next stage).

Developing human assets*1

"Building quality products starts with building quality people." Based on this approach, MMC provides practical, in-house training to enhance the quality of human assets through quality engineering, Failure Mode and Effects Analysis and Fault Tree Analysis.

Rapid feedback of customer information

● New Quality Information Management System (SQM-BC*2)

MMC introduced SQM-BC in 2006 to respond swiftly to quality-related information from customers. The SQM-BC manages consolidation of

multiple after-sales service systems. The core Data Entry System enables sharing of quality-related information from customers between MMC and distributors to be received in real time, further facilitating the analysis and solution of quality issues and the sharing of information among distributors. The Warranty Analysis System, another core system, enables the detailed analysis of statistics for complaint data by model, part, production date and other parameters. This information enables design, manufacturing, service and other departments to respond quickly to complaints.

● Timely and transparent determination process for recalls and other issues

MMC has established standardized, strict criteria for determining recalls and added members with a strongly customer-oriented perspective, including those from the Customer Relations Department and labor union members, to recall judgment meetings. MMC has created a more open system by reporting the meetings' deliberations to top management for final decision. The transparency of these proceedings is ensured through monitoring by the CSR Promotion Office.

Quality management structure

In Japan, MMC acquired plant-level ISO 9002 certification in 1997 and ISO 9001 certification for the entire Japanese operation in 2003, ranging from development to sales and after-sales services. This includes technical centers located nationwide, from Hokkaido to Kyushu. These certifications reflect the concerted efforts of MMC staff to improve quality management based on the philosophy of putting the customer first.

Notes:

*1 MMC uses the term "human assets" because it sees people as key assets.

*2 SQM-BC: Strategic Quality Management-Backward Chain

Overview of Operations by Region

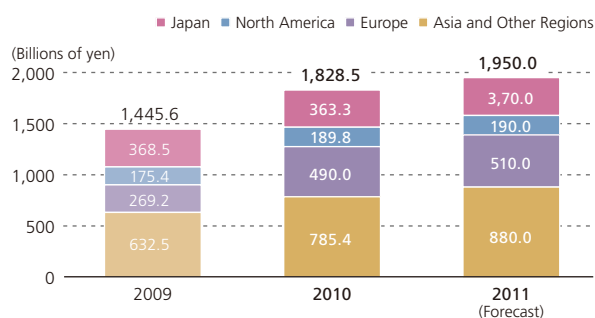
In fiscal 2010, despite ongoing yen appreciation MMC achieved revenue and profit increases by boosting sales volumes and reducing costs.

Global demand for automobiles showed signs of recovery in fiscal 2010, fueled by increased demand in Asia and other emerging markets, led by continued strong growth in China. MMC's sales volume (retail base) benefited not only from the overall global demand increase, but also from the effects of new model launches. As a result, sales volume rose 145,000 units, or 15%, year on year, to 1,105,000 units (previous calculation method*1). Net sales were affected by ongoing yen appreciation and effects of the Great East Japan Earthquake, but thanks to the higher sales volume, net sales rose ¥382.9 billion, or 26%, year on year, to ¥1,828.5 billion.

MMC plans to achieve further revenue and profit increases in fiscal 2011 by boosting sales volume and cutting costs further. Accordingly, we are targeting net sales of ¥1,950.0 billion and operating income of ¥50.0 billion.

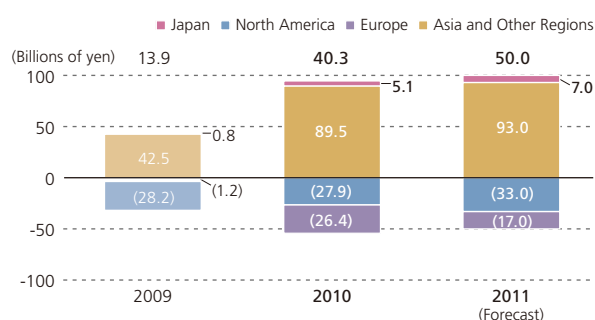
Net Sales

	(Billions of yen)		
	FY2009	FY2010	FY2013 (Forecast)
Japan	368.5	363.3	370.0
North America	175.4	189.8	190.0
Europe	269.2	490.0	510.0
Asia and Other Regions	632.5	785.4	880.0
Total	1,445.6	1,828.5	1,950.0



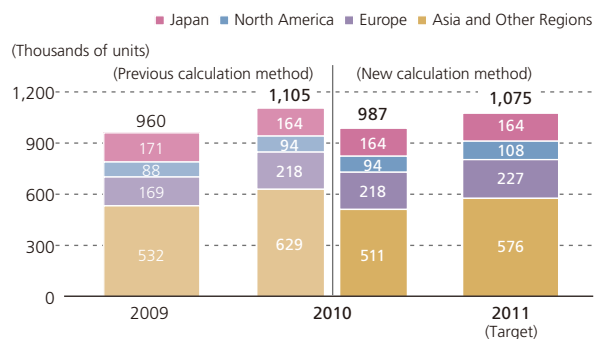
Operating Income (Loss)

	(Billions of yen)		
	FY2009	FY2010	FY2013 (Forecast)
Japan	(1.2)	5.1	7.0
North America	(28.2)	(27.9)	(33.0)
Europe	0.8	(26.4)	(17.0)
Asia and Other Regions	42.5	89.5	93.0
Total	13.9	40.3	50.0



Sales Volume (Retail)

	(Thousands of units)			
	FY2009	FY2010		FY2013 (Target)
		(Previous calculation method)*1	(New calculation method)*2	
Japan	171	164	164	164
North America	88	94	94	108
Europe	169	218	218	227
Asia and Other Regions	532	629	511	576
Total	960	1,105	987	1,075



*1 The previous calculation method included retail units designed by MMC and sold by other manufacturers under their brand name that provided royalty income.

*2 The new calculation method, initiated in fiscal 2011, includes only MMC-branded units.

Japan



First, I would like to note that we are doing everything in our power to accelerate the recovery of the region affected by the Great East Japan Earthquake. During the year, we aim to increase sales of the *Delica D:2* and our mainstay *Delica D:5* and *RVR* models. By diversifying our *i-MiEV* offering and introducing the *MINICAB-MiEV* electric light commercial vehicle, we will cultivate a brand image that equates Mitsubishi with electric vehicles.

Seiichi Ohta
 Managing Director, Head Officer of the Headquarters, Domestic Sales Group Headquarters

Performance in fiscal 2010

During the first half, retail sales volume in Japan rose 16% year on year. In the second half, however, the sales volume dropped 21% year on year, owing to the Japanese government's discontinuation of its eco-car incentives in September 2010 and the effects of the Great East Japan Earthquake. Consequently, sales volume for the full fiscal year amounted to 164,000 units, down 7,000 units, or 4%, from the preceding fiscal year.

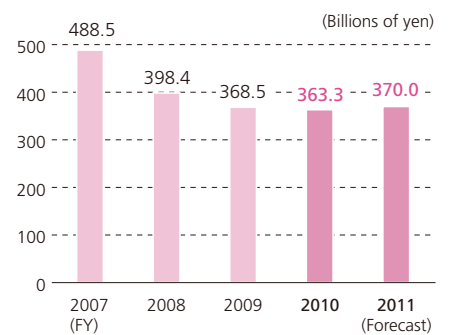
Net sales slipped ¥5.2 billion year on year, or 1%, to ¥363.3 billion, but we posted a ¥6.3 billion year-on-year improvement in operating income, owing to efforts to cut costs and improve profitability at MMC's subsidiaries in Japan. As a result, operating income came to ¥5.1 billion—moving back into profitability for the first time since MMC began disclosing regional performance in fiscal 2000.

Outlook for fiscal 2011

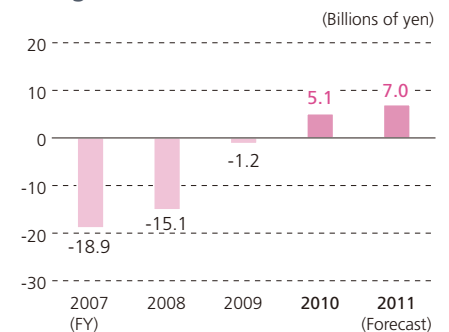
We will continue to do our utmost to aid recovery in the disaster-stricken regions in the northern parts of Japan. We will work to attract new customers through the new *Delica D:2* compact minivan that seats five, introduced in March 2011. We also plan upgrades to our popular *Delica D:5* and *RVR* models. We have introduced two grades of *i-MiEV* models, the "M," available at a final cost to customer of ¥1.88 million after incentives, and the "G," which offers enhanced functionality and an extended cruising range. By the end of 2011, we will introduce the *MINICAB-MiEV* electric light commercial vehicle in an effort to steadily cultivate a brand image that equates Mitsubishi with electric vehicles.

During fiscal 2011, MMC expects the discontinuation of the aforementioned eco-car incentives and economic uncertainty to affect sales volume. As a result, we forecast a sales volume equivalent to fiscal 2010 levels, at 164,000 vehicles. However, MMC expects to maintain solid profitability. Compared with fiscal 2010, MMC anticipates a ¥6.7 billion, or 2%, increase in net sales, to ¥370.0 billion, and a ¥1.9 billion rise in operating income, to ¥7.0 billion.

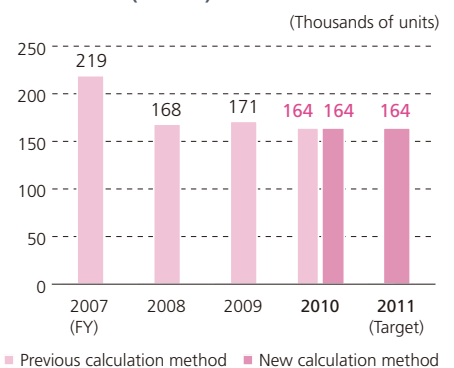
Net Sales



Operating Income (Loss)



Sales Volume (Retail)



MINICAB-MiEV (Test vehicle)



Delica D:2

North America

We are working to further boost sales of the popular *Outlander Sport*, which we launched in October 2010. In November 2011, we also plan to launch the *i*, an electric vehicle designed specifically for the North American market and based on the *i-MiEV*.

Fumio Kuwayama

Executive Officer, Head Officer of the Headquarters, Overseas Operations Group Headquarters B and Corporate General Manager of North America Office



Performance in fiscal 2010

Our retail sales volume was down 3% year on year in Canada and 12% in Mexico, but overall demand recovered, and the October 2010 launch of the *Outlander Sport* new compact SUV pushed up sales volume in the United States 16% year on year. As a result, the total sales volume for the region came to 94,000 vehicles, up 6,000 units, or 7%, year on year.

Buoyed by the increase in sales volume, net sales expanded ¥14.4 billion year on year, or 8%, to ¥189.8 billion. In spite of this increase, yen appreciation substantially limited its positive impact on operating income, producing a year-on-year improvement of only ¥0.3 billion, resulting in an operating loss of ¥27.9 billion.

Outlook for fiscal 2011

In the United States, we worked throughout the year on initiatives to accelerate sales of the popular *Outlander Sport*. In November 2011, we also plan to introduce the *i*, an electric vehicle specifically designed for the North American market based on the *i-MiEV* that will feature a wider body, improved specifications and left-hand drive.

We forecast a sales volume of 108,000 vehicles, up 14,000 units, or 15%, from fiscal 2010 levels. As a result of ongoing yen appreciation, we expect net sales to approximately equal fiscal 2010 levels, at ¥190.0 billion. Although a rise in the sales volume should ameliorate the operating loss to some degree, owing to the impact of yen appreciation we expect the operating loss to worsen ¥5.1 billion, to ¥33.0 billion.

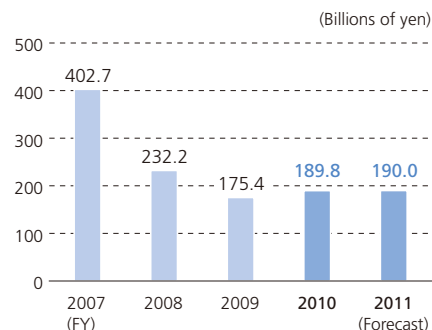


Outlander Sport

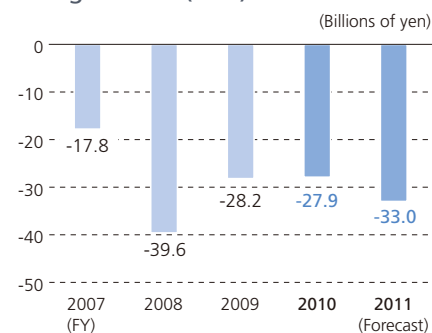


North American *i* electric vehicle

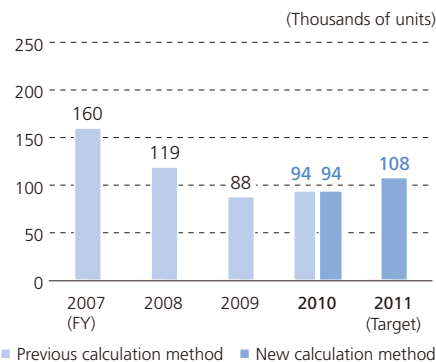
Net Sales



Operating Income (Loss)



Sales Volume (Retail)



Europe



Sales volume increased for the popular *ASX*, and we are working to expand local production of SUVs at our joint plant in Russia. In addition, we are promoting initiatives to boost unit sales of electric vehicles and reduce CO₂ emissions of our mainstay models.

Hiroshi Harunari Executive Vice President (Representative Director), Head Officer of the Headquarters, Overseas Operations Group Headquarters A, Corporate General Manager of Overseas Business Management Office, In Charge of Overseas Operations Group Headquarters B, In Charge of Global After Sales Group Headquarters

Performance in fiscal 2010

In western Europe, overall demand was down compared with the preceding fiscal year. However, boosted by robust sales of our *ASX* compact crossover, our retail sales volume was up by 27,000 units, or 28%, year on year. In Russia, a recovery in demand and increased sales stemming from the commencement of local production of the *Outlander* pushed up unit sales 17,000, or 40%, year on year, to 55,000 vehicles. The total sales volume for the region amounted to 218,000 vehicles, up 49,000, or 29%, year on year. Cumulative *ASX* sales in the five main western European countries reached 20,000 units, with cumulative sales volume for Europe totaling 47,000 units.

Bolstered by the rise in sales volume, net sales jumped ¥220.8 billion, or 82%, year on year, to ¥490.0 billion. The impact of yen appreciation overshadowed the higher sales volume, which prompted an increase in operating income, resulting in an operating loss of ¥26.4 billion, worsening ¥27.2 billion from the preceding fiscal year.

Outlook for fiscal 2011

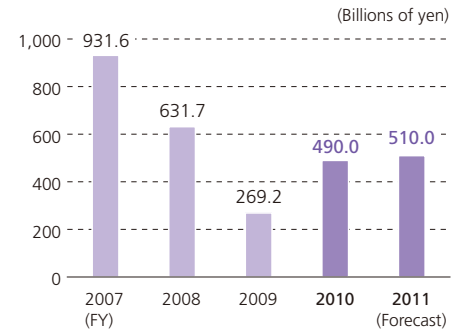
We expect sales to increase for the *ASX*, which was launched in June 2010 and has been extremely well received. In Russia, we anticipate higher unit sales of the *Outlander*, for which local production commenced in September 2010, in response to a rise in demand. In continental Europe, where environmental awareness is high, we also aim to boost sales of electric vehicles, for which shipments commenced in autumn of 2010. We are also striving to reduce CO₂ emissions on our mainstay models.

MMC expects sales volume in Europe to increase 9,000 units, or 4%, compared with fiscal 2010, to 227,000 units. We anticipate net sales of ¥510.0 billion, up ¥20.0 billion, or a year-on-year increase of 4%. Although the effects of yen appreciation are certain to remain, by expanding our lineup with additions of SUV models and reducing prices, we look forward to a ¥9.4 billion improvement in the operating loss, to ¥17.0 billion.

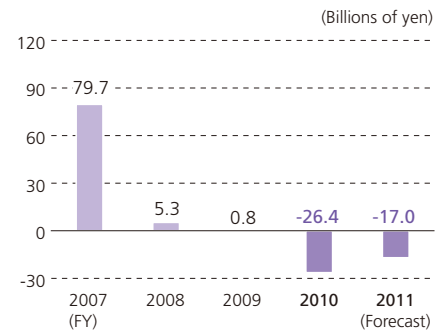


ASX

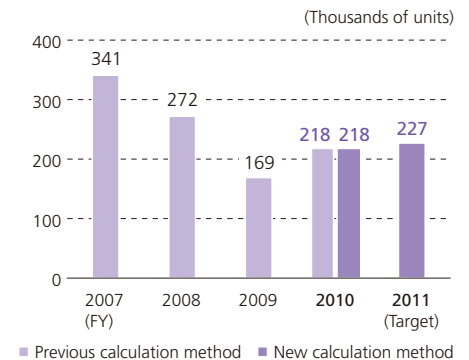
Net Sales



Operating Income (Loss)



Sales Volume (Retail)



Asia and Other Regions



We aim to continue substantial increases in sales volume, with ongoing expansion centered on emerging markets. We will also move forward with the construction of our third factory in Thailand and initiatives to build up our production and sales networks in emerging markets.

Fumio Kuwayama
Executive Officer,
Head Officer of the Headquarters,
Overseas Operations Group
Headquarters B

Hiroshi Harunari
Executive Vice President (Representative Director), Head Officer of the Headquarters,
Overseas Operations Group Headquarters A, Corporate General Manager of
Overseas Business Management Office, In Charge of Overseas Operations Group
Headquarters B, In Charge of Global After Sales Group Headquarters

Performance in fiscal 2010

A breakdown of sales volume by country or market is as follows: Overall demand in China continued to expand, buoying sales of both locally produced vehicles and imports. As a result, retail sales volume in China was up approximately 20% year on year, to 168,000 units. Sales volume doubled in Thailand, and sales volumes of the *Triton* and the *Pajero Sport*—mainstay SUVs—were up in Indonesia, the Philippines and Malaysia, resulting in a year-on-year increase of approximately 60% in the ASEAN market. Sales volumes in Australia and New Zealand were each up around 10% year on year. Sales volume was also up more than 20% in Central and South America, owing to sales growth in Brazil, the region’s largest market. As a result, the overall retail sales volume for Asia and Other Regions came to 629,000 units (previous calculation method*), up 97,000 units, or 18%, from the preceding fiscal year.

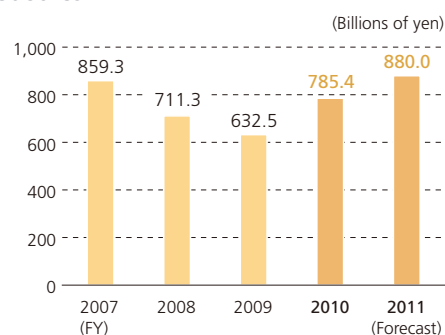
Net sales rose ¥152.9 billion, or 24%, year on year, to ¥785.4 billion, due to the increase in sales volume. Operating income expanded ¥47.0 billion year on year, to ¥89.5 billion, benefiting from higher sales volume and cost reductions.

Outlook for fiscal 2011

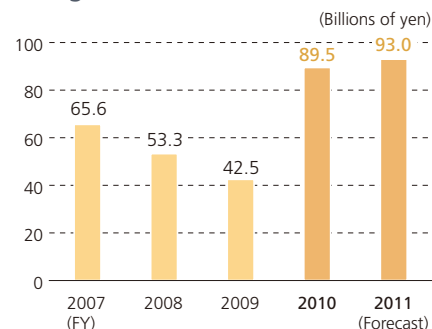
In China, MMC, in collaboration with Guangzhou Automobile Group, is proceeding with plans to make GAC Changfeng Motor a 50–50 joint venture. In calendar 2011, MMC plans to establish a new subsidiary in China, aiming to expand its locally produced lineup. In autumn 2011, MMC plans to introduce the *Pajero Sport* in China, thereby rounding out MMC’s popular SUV lineup there. In Thailand, MMC will increase production of the *Triton*, its core one-ton pickup truck, and the *Pajero Sport* SUV, in response to increased domestic as well as international demand. Construction is proceeding as planned at MMC’s third factory in Thailand, where MMC plans to begin manufacturing the “Global Small” in March 2012, initially for launch in Thailand. With an eye on increasing production and sales in the expanding Brazilian market, MMC intends to launch new models and strengthen collaboration with local partners.

Pushed up by robust growth in ASEAN and other markets, MMC anticipates a sales volume for Asia and Other Regions of 576,000 vehicles (new calculation method*), up 65,000 units, or 13%, from the fiscal 2010 level. In line with this increase in sales volume, MMC anticipates a ¥94.6 billion, or 12%, year-on-year increase in net sales, to ¥880.0 billion. Even factoring in MMC’s increase in R&D and indirect labor expenditures towards future growth in the region, MMC still expects operating income for Asia and Other Regions to increase ¥3.5 billion, or 4%, year on year, to ¥93.0 billion, spurred by a rise in sales volume and an improved product mix. MMC expects Asia and Other Regions to remain a key pillar of its earnings and profits, with the burgeoning ASEAN market a core driver of profitability.

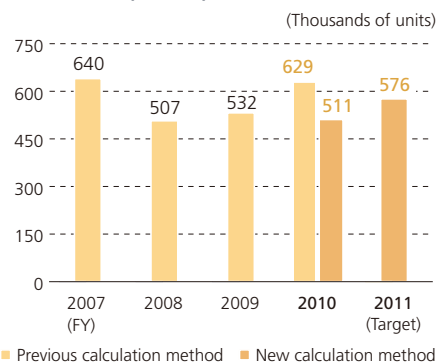
Net Sales



Operating Income



Sales Volume (Retail)



*1 Includes retail units designed by MMC and sold by other manufacturers under their brand name that provided royalty income (OEM).

*2 Initiated in fiscal 2011, this includes only MMC-branded units.

Corporate Governance

Corporate governance framework

MMC employs the Statutory Auditor System pursuant to the Companies Act of Japan. In addition to mandatory organizations and governance systems, MMC is further improving its corporate governance by adding an executive officer system and the Business Ethics Committee as a Board of Directors advisory committee.

MMC's Board of Directors is responsible for making decisions concerning important management issues and overseeing execution. In addition, the executive officer system clarifies the roles and responsibilities of directors and executive officers. Managing Directors' Meetings composed of directors, executive officers, and statutory auditors make speedy decisions in bi-weekly meetings.

Status of internal audits and statutory audits

The statutory auditors carry out statutory audits of the MMC Group by attending important Company meetings, such as Board of Directors meetings, and receiving reports on the status of business activities from directors and other corporate officers. Also, key internal documents and internal audit reports from internal audit divisions, subsidiaries and accounting auditors are reviewed.

In addition to the statutory auditors, MMC has established two departments within the CSR Promotion Office: the Quality Audit Department and the Internal Audit Department. Both are independent from operating units and conduct internal audits from an objective perspective.

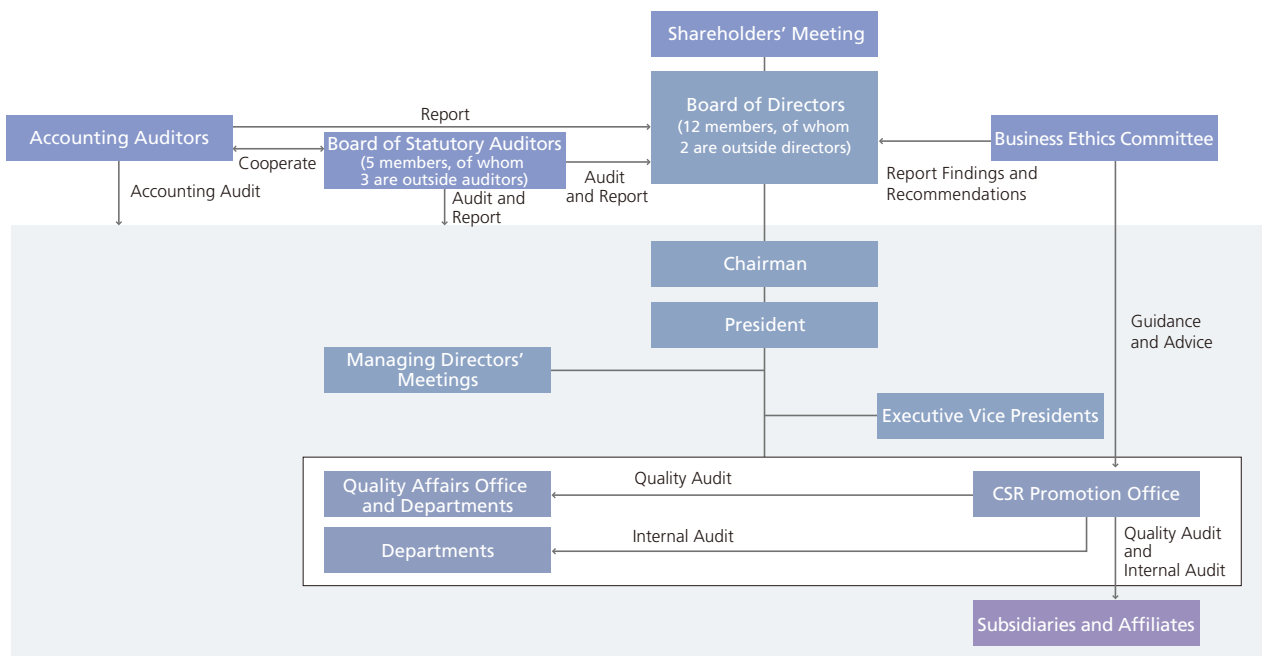
The Quality Audit Department monitors the appropriate functioning of quality assurance checks by the Quality Affairs Office and conducts individual audits to confirm that MMC's domestic and overseas affiliates are conducting quality-related activities appropriately. The department conducted a total of 85 audits in fiscal 2010. The audit results are successively reported to top management and to the Business Ethics Committee twice a year.

The Internal Audit Department, meanwhile, conducts planned internal audits to ensure appropriate operations management at MMC and at domestic and overseas affiliated companies. These audits include verifying the appropriateness and effectiveness of internal management systems, including compliance and risk management, and audit results are reported to management at MMC and affiliated companies. The department has created internal audit departments at key overseas subsidiaries and CSR departments at subsidiaries in Japan, and is working to enhance groupwide governance in Japan and overseas, and introducing proactive initiatives to reinforce internal controls.

Guidance from advisory committees

The Business Ethics Committee is an advisory body to the Board of Directors made up of six outside experts. The committee works to spread an awareness of compliance, and it provides MMC directors with guidance and advice from an objective perspective (See page 26).

Corporate Governance Framework (As of June 30, 2011)



Internal Control Systems and Risk Management



By creating a companywide internal control system and risk management structure, and through employee education systems, we are working to ensure compliance with relevant laws and regulations, as well as appropriate and stable operations management.

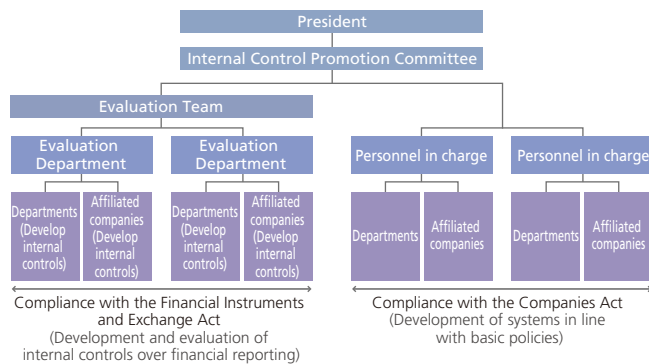
Hiizu Ichikawa

Executive Vice President (Representative Director), Corporate Planning & Finance

Development of internal control systems

Based on the Basic Policy on the Establishment of Internal Control Systems as passed by resolution of the Board of Directors, MMC is continually working to ensure compliance with laws and regulations and to promote proper, effective business execution in line with changes in the domestic and overseas environments. In particular, to ensure the reliability of financial reporting pursuant to the Financial Instruments and Exchange Act MMC is implementing companywide measures under the leadership of the Internal Control Promotion Committee.

Internal Control Promotion Framework



Development of risk management framework

MMC is establishing infrastructure for companywide risk management systems. MMC has appointed risk management officers to each operational headquarters and office, and these risk management officers rigorously strengthen risk countermeasures by conducting repeated cycles of risk identification, evaluation, and devising and implementing countermeasures, and monitoring in each unit. These officers conduct risk management cycles at each unit every fiscal year, while at the same time identifying material risks at the companywide level and reporting them to senior management.

In addition, to prepare for unforeseen contingencies MMC has developed emergency contact systems that enable the rapid communication of information to directors and other key personnel, as well as a swift and accurate response.

Business continuity plans

Learning from its experience of the Great East Japan Earthquake, MMC has formulated business continuity plans (BCPs) based on scenarios to respond to earthquakes, epidemics and

other natural disasters that have a significant impact on business. MMC has built a system that can respond rapidly to emergencies and continually conducts educational and training programs. These initiatives also extend to influential supply chains. MMC, striving to fulfill its corporate social responsibility, has set as basic objectives of its BCP ensuring safety and minimizing damage when a disaster occurs, continuing to supply products and services in line with its corporate philosophy, and if business activities have been stopped temporarily, restarting them quickly.

Data security management

The protection of data assets (information as well as information systems, machines, media and equipment used to handle that information) is vital to fulfilling MMC's social responsibility and earning the trust of stakeholders. MMC implements physical, technological, personnel and organizational measures to improve data security management based on its information security policy and internal rules that conform to ISO 27001.

Protection of personal information

Based on its Personal Information Protection Policy, MMC is building a management framework to establish internal rules regarding protection of personal information. MMC has also assigned a person to manage personal information management at each operational headquarters and department under the direction of the Personal Information Officer. MMC educates staff on the subject through ongoing e-learning seminars and other programs, and strives to safeguard personal information.

Security trade control

From the viewpoint of maintaining international peace and security, MMC sincerely believes in the importance of strict trade controls to prevent the proliferation of weapons of mass destruction and the excessive accumulation of conventional weapons. To ensure appropriate trade controls, MMC has established an Internal Security Trade Control Standard as a management regulation. In accordance with the standard and to ensure compliance with laws and regulations regarding security trade controls the Supervisory Committee for Security Trade Control was established under the direction of the president, who acts as Chief Security Trade Control Officer. The legality of export transactions is guaranteed by a management system centered on the committee.

Compliance



To restore society's trust and be recognized as an enterprise with integrity, MMC believes it is essential to ensure that all staff members thoroughly comply with business ethics.

Shuichi Aoto

Managing Director, Chief Business Ethics Officer, Head Officer of the Headquarters, CSR Corporate Affairs, Controlling & Accounting Group Headquarters

Framework for the promotion of business ethics

In June 2004, MMC established the CSR Promotion Office to ensure thorough compliance and promote a new corporate culture, while restructuring the compliance framework (see chart below). MMC has strengthened the organization to ensure that awareness of compliance spreads to each and every employee by placing managers in charge of reinforcing compliance awareness at multiple levels. As the chart below shows, the chief business ethics officer (CBEO) directs compliance officers at the operating headquarters level, who then direct "code leaders" at the departmental level, who are charged with increasing compliance awareness directly to employees.

MMC also has a Business Ethics Committee, made up of external experts and acts as an advisory body to the Board of Directors. This committee promotes corporate ethics, providing guidance from an external, common-sense perspective.

To create a highly transparent workplace environment that is not conducive to scandals and promotes their early detection as well as self-correction, MMC has established internal disclosure systems such as an internal Employee Counseling Office and an External Counseling Office, established with the help of outside attorneys.

Safety Pledge Days

To prevent past incidents such as the regrettable recall problems from being forgotten over time, January 10 and October 19

have been designated "Safety Pledge Days," since two fatal accidents occurred on those days involving large trucks manufactured by Mitsubishi Fuso, a former MMC subsidiary. All employees observe a moment of silence on these days, and company ethics discussion meetings, even at the lowest levels, are held around those times to identify corporate ethics issues and deliberate ways of resolving them.

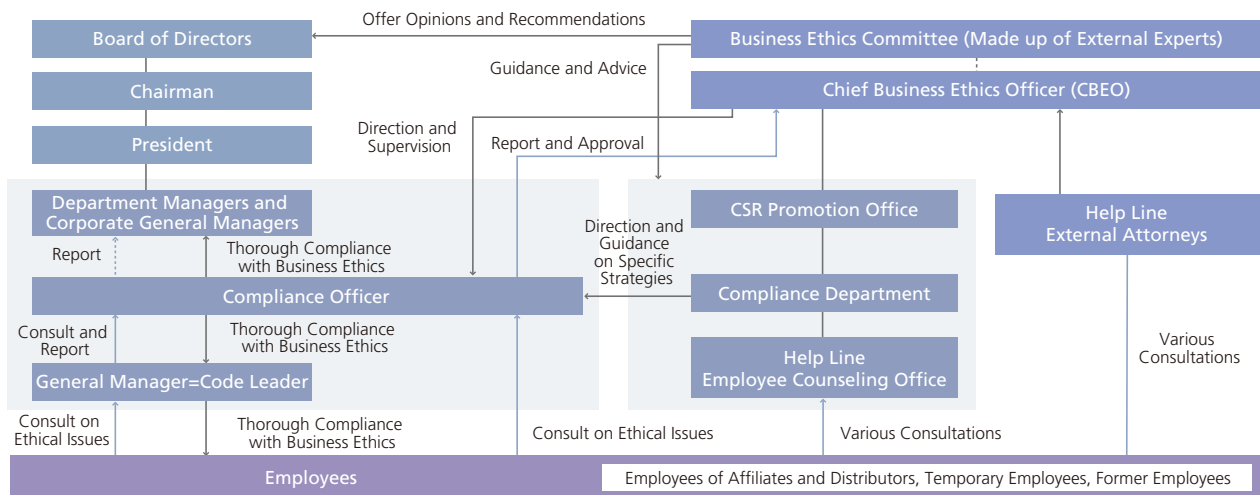
Promoting business ethics

In fiscal 2010, MMC held compliance training sessions featuring specific case studies and outside instructors as part of a training program for directors and code leaders. The program featured training sessions for MMC Group companies in Japan (including exclusive dealers) and included group discussions on case studies and other activities.

In addition to the previously mentioned company ethics discussion meetings (held three times per year) to review business ethics issues, we will continue with initiatives centered on each division's compliance officers that involve proposing and implementing new division-specific corporate ethics measures.

The status of these activities is reported to the Business Ethics Committee. Based on the committee's guidance and advice, MMC creates programs to put business ethics into practice.

Organizational Framework for Promoting Business Ethics



The Business Ethics Committee

The Mitsubishi Motors Business Ethics Committee was established in June 2004 as an advisory body to the Board of Directors of MMC. At that time, the recall problem had reignited and MMC faced a crisis concerning the Company's survival due to the loss of confidence and trust of society in MMC. The Business Ethics Committee was established as a critical step to restoring trust in MMC and ensuring its revitalization. The aims of this committee, which is made up solely of external experts, are to conduct monitoring, guidance and consultation from the viewpoint of external oversight and common sense with respect to MMC's overall activities to restore trust, especially in terms of compliance. The scope of the committee's activity is not limited to business ethics, but also includes matters broadly related to quality problems and corporate culture.

Review of the committee's activities

Between its first meeting in July 2004 and July 2011, the committee has held a total of 84 meetings and has considered 184 issues. During this period, the members of the committee have raised frank questions and expressed candid opinions regarding each of these issues from the standpoint of external oversight and common sense. The general categories of topics considered by the committee are shown below. A variety of issues were considered based on each topic. Opinions regarding each issue are disclosed via press release for each meeting.

1. Response to recall problems
2. Recall process reform and quality improvement initiatives
3. Initiatives to entrench compliance
4. Other initiatives, including corporate culture reforms
5. Fact-finding visits to plants and dealers

In October 2006, the Board of Directors of MMC consulted the Business Ethics Committee, requesting a summary of MMC's activities toward restoring trust in the Company, as well as an evaluation and proposals regarding these activities. MMC received a report on the committee's findings concerning this issue on May 21, 2007. The report concluded that, with regard to this issue, "the initial stage had been accomplished." At the same time, the report pointed out issues and made proposals aimed at providing further support for MMC's revitalization, indicating that "it is still necessary to stay fully committed to activities to restore trust."

In the report, the committee made 13 policy recommen-

dations. Since the report was received by MMC, the relevant departments have reported their responses to the policy recommendations to the committee on a case-by-case basis, and have received advice from the committee members. In June 2008, a summary of these reports was presented to the Business Ethics Committee, and was reported later the same month to the Board of Directors.

In July 2009, a follow-up report of the status of responses to earlier recommendations, as well as recognized benefits, was made to the Business Ethics Committee. The committee advised MMC "not to let itself be rushed by outside pressure," but rather to "seek improvements in ways that reflect the actual situation that the Company faces."

Overview of activities in fiscal 2010

The committee met 12 times during fiscal 2010 and conducted briefings on 21 issues, including the business ethics compliance promotion program and quality control activities. The committee's views, guidance and advice were sought on these issues.

As well as formal committee meetings, committee members attended the Compliance Officers' Meeting as observers, at which they were asked for their views and advice. In addition, the committee's views and guidance are requested on any urgent issues, which are explained to the committee on a case-by-case basis.



Nobuyuki Yamamoto

Kazuo Mura

Kazuko Miyamoto

Noboru Matsuda, Committee Chairman

Konoe Kawagishi

Takahiro Fujimoto

Management (As of July 1, 2011)

Members of the Board



Takashi Nishioka*
Chairman of the Board



Osamu Masuko*
President



Hiizu Ichikawa*
Executive Vice President
Corporate Planning & Finance



Hiroshi Harunari*
Executive Vice President
Head Officer of the Headquarters
Overseas Operations Group
Headquarters A
Corporate General Manager of Overseas Business Management Office
In Charge of Overseas Operations Group Headquarters B
In Charge of Global After Sales Group Headquarters



Gayu Uesugi*
Executive Vice President
Head Officer of the Headquarters
Product Projects & Strategy Group
Headquarters



Tetsuro Aikawa
Managing Director
Head Officer of the Headquarters
Production Group Headquarters



Shuichi Aoto
Managing Director
Chief Business Ethics Officer
Head Officer of the Headquarters
CSR, Corporate Affairs, Controlling & Accounting Group Headquarters



Seiichi Ohta
Managing Director
Head Officer of the Headquarters
Domestic Sales Group Headquarters



Ryugo Nakao
Director
Head Officer of the Headquarters
Development Group Headquarters
In Charge of Procurement



Takitaro Fukuda
Director
Head Officer of the Headquarters
Quality Affairs Group Headquarters



Mikio Sasaki
Director
(Non-Executive Director)



Hidetoshi Yajima
Director
(Non-Executive Director)

* Representative Director

Statutory Auditors

Shuzo Muramoto
Statutory Auditor (Full-time)

Hideo Kimura
Statutory Auditor (Full-time)

Shigemitsu Miki
Statutory Auditor
(Outside Statutory Auditor)

Yukio Okamoto
Statutory Auditor
(Outside Statutory Auditor)

Yujiro Kawamoto
Statutory Auditor
(Outside Statutory Auditor)

Executive Officers

Yutaka Tabata
Senior Executive Officer
Corporate General
Manager of Finance
Office
General Manager of
Financial Planning
Department

Masao Omichi
Senior Executive Officer
Chief Environmental
Strategy Officer
Corporate General
Manager of CSR
Promotion Office and
Assistant to President

Hiroshi Noda
Senior Executive Officer
Corporate General
Manager of Controlling
& Accounting Office

Yoshikazu Nakamura
Senior Executive Officer
Corporate General
Manager of EV Business
Office

Toshihiko Hattori
Senior Executive Officer
Head Officer of the
Headquarters
Global After Sales Group
Headquarters

Shinichi Kurihara
Senior Executive Officer
COO-NMKV Co., Ltd.

Masahide Konishi
Senior Executive Officer
Chairman-Mitsubishi
Motor Sales (China)
Co., Ltd.

Yoshihiro Kuroi
Executive Officer
Corporate General
Manager of Corporate
Planning Office

Tomoharu Ikeda
Executive Officer
Corporate General
Manager of Corporate
Affairs Office

Kanenori Okamoto
Executive Officer
Product Executive
(A&B-Seg and C&D-Seg)

Jo Tsuji
Executive Officer
Head Officer of the
Headquarters
Procurement Group
Headquarters

Yasuo Ohyama
Executive Officer
Plant General Manager
of Nagoya Plant

Hideo Yokoi
Executive Officer
Plant General Manager
of Mizushima Plant

Michiro Imai
Executive Officer
Corporate General
Manager of North
Asia Office

Daisuke Tatsumi
Executive Officer
General Manager of
China Production Project
Team,
North Asia Office

Fumio Kuwayama
Executive Officer
Head Officer of the
Headquarters
Overseas Operations
Group Headquarters B
Corporate General
Manager of North
America Office

Masahiko Ueki
Executive Officer
Corporate General
Manager of Asia &
ASEAN Office

Yoichi Yokozawa
Executive Officer
President & CEO-
Mitsubishi Motors North
America Inc.

Akinori Nakanishi
Executive Officer
President-Mitsubishi
Motors Europe B.V.

Tetsuro Miki
Executive Officer
Chairman of the Board
& CEO-Netherlands
Car B.V.

Nobuyuki Murahashi
Executive Officer
President-Mitsubishi
Motors (Thailand)
Co., Ltd.

Takeshi Ando
Executive Officer
Executive Vice President-
Mitsubishi Motors
(Thailand) Co., Ltd.

Responsibility to Society



As a good corporate citizen, Mitsubishi Motors aims to contribute to the development of a sound and sustainable society.

Masao Omichi
Senior Executive Officer, Chief Environmental Strategy Officer,
Corporate General Manager of CSR Promotion Office and Assistant to President

MMC is tackling four key themes with respect to corporate citizenship activities: support for the next generation, traffic safety, environmental preservation, and participation in local communities. These are being promoted as MMC's "STEP" corporate citizenship activities based on our corporate philosophy.

1. **Support for the next generation** Supporting the education of the next generation to create a prosperous future.
2. **Traffic safety** Contributing to traffic safety education and the promotion of safe driving to create a zero-accident society.
3. **Environmental preservation** Contributing to preservation of our precious global environment.
4. **Participation in local communities** Contributing to the revitalization and development of regional communities.

Main activities

1. Support for the next generation

● Hands-on Lesson Program

The Hands-on Lesson Program began in fiscal 2005, and is based on the concept of enabling children to enjoy learning by experiencing the "real thing." MMC employees visit children mainly at elementary schools close to MMC places of operation to give hands-on lessons on topics such as the environment centered on test rides in the *i-MiEV* electric vehicle, and car design, with guidance from designers and modelers.

● KidZania

Following the success of its exhibit at KidZania Tokyo in October 2006, in March 2009 MMC unveiled an exhibit at KidZania Koshien. By encouraging children to think and act on their own in the course of activities at the Mitsubishi Motors Pavilion's Driver's License Testing Office, Rent-A-Car Center, Auto Factory (Koshien only) and Car Design Studio (Tokyo only), they had the chance to experience the intrinsic attractiveness and fun of automobiles.

2. Traffic safety

● Car School

MMC has been running the Car School program since 1995 as part of its safe driving educational activities. A low student-to-instructor ratio in these classes aids efforts to help participants overcome their anxieties and concerns and facilitates communication. All participants think, learn and enjoy driving together with instructors in the course of studying driving techniques, automobiles, safety and other topics.

3. Environmental preservation

● The Pajero Forest

MMC has named an approximately three-hectare area of mountain forest in Hayakawa-cho, Yamanashi Prefecture as "Pajero Forest," and has been working to preserve and cultivate the forest while deepening exchanges with local residents through volunteer activities involving employees and their families.

In fiscal 2010, volunteers helped cut away undergrowth and thin wooded regions. They also interacted with members of the local community through such activities as making *soba* noodles and harvesting vegetables.

4. Participation in local communities

● Factory Tours

The Nagoya Plant, Powertrain Plant (Kyoto Plant, Shiga Plant), Mizushima Plant and Pajero Manufacturing Co., Ltd., have opened up their production lines and other facilities to local elementary schools and residents as a place for social study.

● Other

MMC conducts other kinds of volunteer activities such as regional beautification, lending of MMC facilities and cooperation in regional events.

MMC collects voluntary donations from directors, executive officers and employees as part of the MMC STEP Fund, and collects donated items as part of its activities supporting NPOs and other charitable organizations.

Leading the EV Era, Towards a Sustainable Future

Achieving the goals of the Mitsubishi Motors Group Environmental Vision 2020

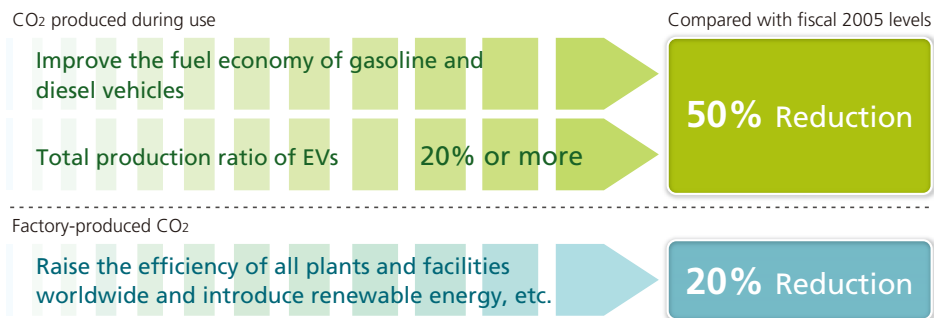
MMC formulated the Mitsubishi Motors Group Environmental Vision 2020 in June 2009. MMC has encapsulated its vision for electric vehicles under its environmental policy of "Leading the EV* Era, Towards a Sustainable Future." On this basis, MMC aims to work with its customers and communities to cultivate a clean and prosperous low-carbon society. Furthermore, by 2020 MMC aims to achieve a 20% or higher total production ratio of EVs. Through efforts such as these, MMC aims to reduce on-road CO₂ emissions of new vehicles on a global weighted average by 50% compared with fiscal 2005 levels. MMC also

intends to reduce CO₂ emissions per vehicle by 20% or more, compared with fiscal 2005 levels.

As part its steady efforts toward these goals, MMC formulated the Mitsubishi Motors Environment Initiative Program 2015, which commences in fiscal 2011. As an interim goal to be achieved by 2015, this program targets a total production ratio of EVs of 5% or more, and as a result of this increase in EV production among other measures, MMC aims to achieve a 25% reduction in on-road CO₂ emissions in comparison with fiscal 2005 levels. In addition, MMC aims to reduce CO₂ emissions as a result of production on a per-vehicle basis by 15% compared to fiscal 2005 levels.

*EV (electric vehicle): Electric car, plug-in hybrid or other electric-powered vehicle

CO₂ Emissions Reduction Targets in the Mitsubishi Motors Group Environmental Vision 2020



Overview of the Mitsubishi Motors Environment Initiative Program 2015

From the four perspectives of the Mitsubishi Motors Environment Initiative Program 2015—products & technology, corporate activities, cooperation with society, and a stronger base of implementation, we have formulated action items for the achievement of the goals set in the Mitsubishi Motors Group Environmental Vision 2020, and are promoting efforts throughout the Mitsubishi Motors Group to make progress on these actions.

Products & technology	Corporate activities	Cooperation with society Stronger base of implementation
<p>MMC will enhance its product lineup and expand its sales territories in anticipation of the full-fledged popularization of EVs. At the same time, MMC will develop new technologies to improve EV performance and create systems to assist the recycling and reuse of batteries. MMC is also striving to reduce its environmental impact throughout the product lifecycle.</p>	<p>MMC will promote environmental activities in all facets of its operations, including product planning, development, production and after-sales services. It will also set environmental standards for business activities in the individual areas such as production, procurement, sales and after-sales services and will endeavor to improve the levels of environmental initiatives throughout the Mitsubishi Motors Group.</p>	<p>MMC will play a proactive role in efforts to create infrastructure and perform field testing that will lead to the popularization of EVs. It will also work together with customers and society at large to create new transportation systems. In addition, MMC will endeavor to further expand disclosure of environmental information and will deepen communication with stakeholders so as to better work with local communities and environmental NPOs/NGOs on effective conservation activities.</p>
<p style="text-align: center;">Activities>></p> <p>Prevention of global warming</p> <ul style="list-style-type: none"> ● Reduction of on-road CO₂ emissions ● Enhancement of EV product lineup and expansion of sales territory ● Development of new technologies to improve performance of EVs ● Development and deployment of green technologies <p>Recycling and resource conservation</p> <ul style="list-style-type: none"> ● Development of new technologies and enhancement of organizations and systems for the recycling and reuse of EVs ● Development and commercialization of less resource-intensive materials ● Improvement of recycling efficiency of used automobiles and parts <p>Prevention of environmental pollution</p> <ul style="list-style-type: none"> ● Expanded deployment of low-emissions gas vehicles ● Reduction of hazardous substances in products 	<p style="text-align: center;">Activities>></p> <p>Production and logistics</p> <ul style="list-style-type: none"> ● Reduction of unit CO₂ emissions in production and logistics ● Resource conservation and recycling in production and logistics ● Reduction of hazardous substances generated in production ● Establishment and enforcement of environmental standards in production <p>Development, sales, servicing and offices</p> <ul style="list-style-type: none"> ● Reduction of unit CO₂ emissions in non-production facilities and affiliates ● Establishment and enforcement of environmental standards in sales and servicing <p>Collaborative activities with suppliers</p> <ul style="list-style-type: none"> ● Enhanced management of hazardous substances in the supply chain ● Promotion of energy and resource conservation at suppliers ● Global deployment of green purchasing guidelines 	<p style="text-align: center;">Activities>></p> <p>Collaboration for the spread of EVs</p> <ul style="list-style-type: none"> ● Collaboration with governments and other industries for the enhancement of charging infrastructures ● Research into “Smart Grid” and other strategies for utilizing electric vehicles <p>Biodiversity</p> <ul style="list-style-type: none"> ● Promotion of activities under the Basic Guidelines for the Preservation of Biodiversity <p>Strengthening of environmental management</p> <ul style="list-style-type: none"> ● Promotion of environmental management that is integrated with affiliates ● Expanded application of lifecycle assessment in product development ● Enhancement of environmental information disclosure and environmental communications ● Promotion of systematic environmental education

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Consolidated Financial Summary

	In millions of yen					In thousands of U.S. dollars
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010
For the year:						
Net sales	¥2,202,869	¥2,682,103	¥1,973,572	¥1,445,616	¥1,828,497	\$21,990,353
Operating income	40,237	108,596	3,926	13,920	40,274	484,362
Income (loss) before income taxes and minority interests	23,104	48,151	(53,717)	11,591	30,422	365,869
Net income (loss)	8,745	34,710	(54,883)	4,758	15,621	187,867

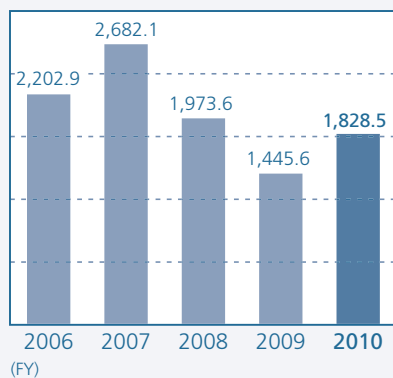
					In yen	In U.S. dollars
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010
Per share data:						
Net income per share—basic	¥1.59	¥6.30	¥(9.91)	¥0.86	¥2.82	\$0.03
Net income per share—diluted	0.96	3.81	—	0.51	1.66	0.02
Cash dividends	—	—	—	—	—	—

	In millions of yen					In thousands of U.S. dollars
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010
At year-end:						
Total assets	¥1,778,693	¥1,609,408	¥1,138,009	¥1,258,669	¥1,312,511	\$15,784,869
Total net assets	308,304	328,132	223,024	234,478	248,092	2,983,672

Note: U.S. dollar amounts in the accompanying consolidated financial statements are converted, solely for convenience, at a rate of ¥83.15 = U.S.\$1.00, the exchange rate prevailing on March 31, 2011.

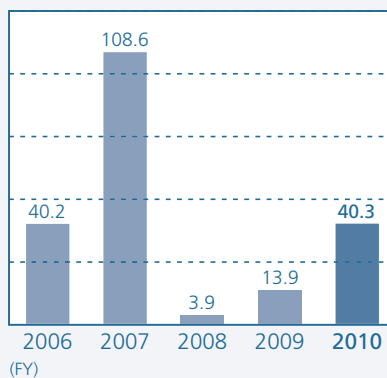
Net Sales

(Billions of yen)



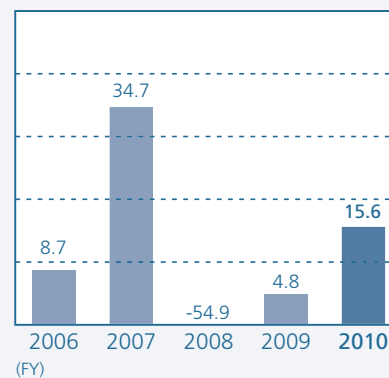
Operating Income

(Billions of yen)



Net Income (Loss)

(Billions of yen)



Financial Results and Discussion

Operational Review

During fiscal 2010, ended March 31, 2011, the business environment surrounding the automobile industry was characterized by such factors as the debt crisis in Greece, which led to ongoing uncertainty about European sovereign debt. The effects of economic stimulus measures introduced by various governments waned, and international prices on crude oil and rare-earth metals climbed. Furthermore, political tension mounted in North Africa and the Middle East and the yen continued its rapid appreciation before finally stabilizing, although remaining at a high level of exchange against other currencies, creating a problematic scenario for Japanese automakers. Overall, however, global automobile demand showed signs of recovery, supported by high levels of ongoing growth in emerging markets, particularly in China and other Asian countries.

In this business environment, the MMC Group continued to introduce the initiatives outlined in Step Up 2010, its mid-term business plan, in its final year of implementation, which involved bolstering MMC's strengths and securing steady profits. However, many businesses in the automotive industry suffered serious damage from the Great East Japan Earthquake, which struck on March 11, 2011. This situation resulted in parts supply issues, which in turn affected the MMC Group's automobile production.

Results of Operations

During the year, the sales volume (retail, under the previous calculation method*) rose 145,000 vehicles, or 15% year on year, to 1,105,000 units.

By geographic region, the sales volume in Japan amounted to 164,000 vehicles, down 7,000 units, or 4%, owing to a drop in demand stemming from the September 2010 discontinuation of eco-car incentives and the effects of the Great East Japan Earthquake. In North America, MMC's retail sales volume was

down in Canada and Mexico, but in the United States the combination of a recovery in demand plus the introduction of the *Outlander Sport* contributed to a jump in sales. As a result, the total for the region was 94,000 vehicles, up 6,000 units, or 7%. In Europe, the rollout of the *ASX* in June 2010, coupled with robust sales of the *Outlander* in Russia, where MMC has commenced local production, contributed to a retail sales volume increase of 49,000 units, or 29%, to 218,000 vehicles. In Asia and Other Regions, overall demand expansion continued in China, as well as in the larger ASEAN markets of Thailand, Indonesia, the Philippines and Malaysia. In Central and South America, an increase in demand from Brazil pushed up sales in the region substantially. As a result, MMC's overall sales volume in the region climbed 97,000 units, or 18%, to 629,000 units.

* The previous calculation method included retail units designed by MMC and sold by other manufacturers under their brand name that provided royalty income.

Net Sales and Income

Sales growth centered on emerging markets and the impact of new model launches boosted the Group's sales volume during the year. As a result, net sales expanded ¥382.9 billion, or 26%, to ¥1,828.5 billion. Owing to a higher sales volume and the effect of raw material and other cost reductions, operating income grew ¥26.4 billion, to ¥40.3 billion, despite the impact of yen appreciation. Income before income taxes and minority interests grew ¥18.8 billion, to ¥30.4 billion, and net income expanded ¥10.8 billion, to ¥15.6 billion.

Business Segment Information

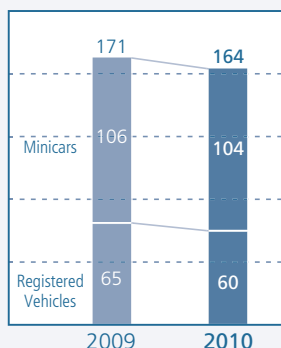
● Automobiles

Sales in the automotive business sector came to ¥1,817.7 billion, an increase of ¥383.0 billion, or 27%. Operating income rose ¥26.3 billion, to ¥37.8 billion.

FY2010 Regional Sales Volume (Retail) (Previous calculation method)

Japan

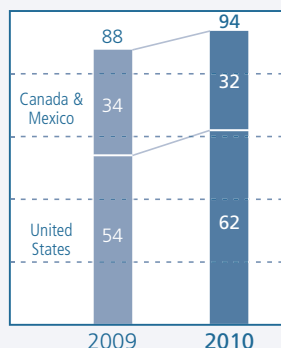
(Thousands of units)



(FY)

North America

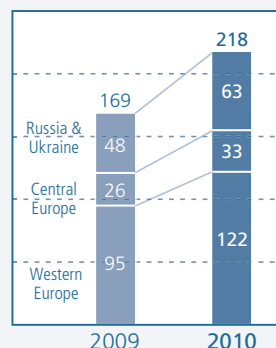
(Thousands of units)



(FY)

Europe

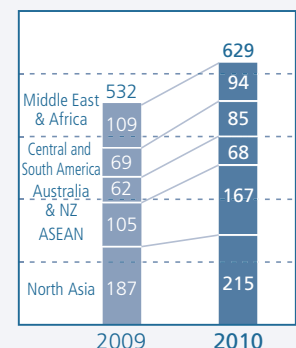
(Thousands of units)



(FY)

Asia and Other Regions

(Thousands of units)



(FY)

• Financial Services

Sales in the financial services sector amounted to ¥10.8 billion, down ¥0.1 billion, or 1%, year on year. Operating income, however, rose ¥0.2 billion, to ¥2.7 billion.

Geographical Segment Information

• Japan

In Japan, sales rose ¥313.4 billion, or 25.2%, year on year, to ¥1,557.3 billion, owing to a higher export volume. At the operating level, however, performance was affected by yen appreciation, causing the operating loss to worsen ¥3.5 billion, to ¥13.3 billion.

• North America

Sales in North America expanded ¥16.0 billion, or 9.7%, year on year, to ¥182.0 billion, owing to an increase in the sales volume. The operating loss improved ¥1.4 billion, to ¥3.0 billion.

• Europe

Boosted by a higher sales volume, sales in Europe grew ¥32.7 billion, or 17.2%, year on year, to ¥223.7 billion. Operating income rose ¥13.5 billion, to ¥18.6 billion.

• Asia and Other Regions

In Asia and Other Regions, sales jumped ¥146.9 billion, or 32.2%, year on year, to ¥603.4 billion. Operating income rose ¥20.2 billion, to ¥42.4 billion.

Analysis of Financial Position

Analysis of Assets, Liabilities, Net Assets, and Cash Flows

As of March 31, 2011, total assets came to ¥1,312.5 billion, up ¥53.8 billion from one year earlier. Total liabilities also were up

¥40.2 billion, to ¥1,064.4 billion, and net assets amounted to ¥248.1 billion, a ¥13.6 billion increase.

Net cash provided by operating activities was ¥103.8 billion, compared with ¥100.7 billion used in these activities in the preceding fiscal year, mainly due to an increase in working capital.

Net cash used in financing activities was ¥52.6 billion, up from ¥22.3 billion in the previous fiscal year. This rise was mainly attributable to capital expenditures.

Net cash provided by financing activities was ¥5.0 billion, compared with ¥30.9 billion in fiscal 2009.

The year-end balance of cash and cash equivalents came to ¥316.5 billion, compared with ¥263.5 billion at the end of the previous fiscal year.

Cash Flow Indicators

(FY)	2005	2006	2007	2008	2009	2010
Shareholders' equity ratio (%)	17.2	16.6	19.7	18.8	17.8	18.2
Shareholders' equity ratio (fair value basis)	87.8	56.8	56.4	60.8	55.9	43.0
Cash flows/Interest-bearing debt ratio	8.2	3.1	1.9	—	3.9	3.8
Interest coverage ratio	2.9	7.8	8.6	—	7.4	7.9

* The shareholders' equity ratio is shareholders' equity divided by total assets (Minority interests excluded from shareholders' equity from the year ended March 31, 2007).

The shareholders' equity ratio (fair value basis) is market capitalization divided by total assets.

The cash flows/interest-bearing debt ratio is interest-bearing debt divided by cash flow.

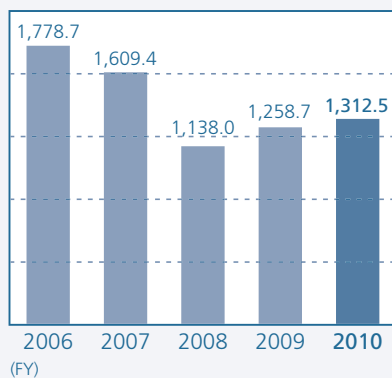
The interest coverage ratio is cash flow divided by interest paid.

Notes:

1. Each indicator is calculated from consolidated financial figures.
2. Market capitalization is calculated based on the number of issued shares excluding treasury stock.
3. Cash flow refers to operating cash flow.
4. Interest-bearing debt includes all liabilities recorded on the balance sheet for which interest is paid.

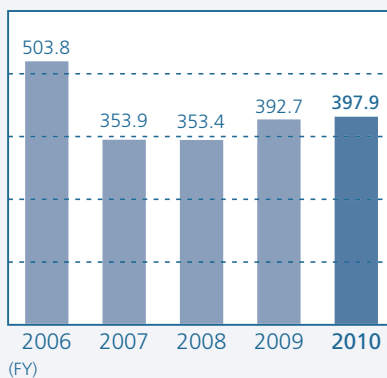
Total Assets

(Billions of yen)



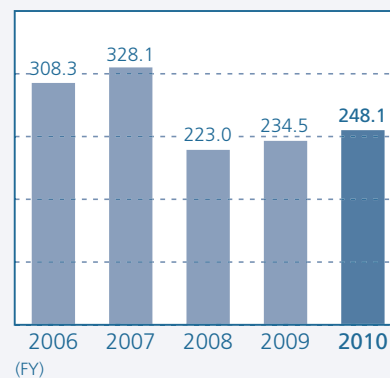
Interest-Bearing Debt

(Billions of yen)



Net Assets

(Billions of yen)



Business-Related Risks

Business-related risks for the MMC Group judged as being of material importance to investors are outlined below.

Natural and other disasters

The MMC Group maintains production and other facilities in many parts of the world. The occurrence of a major natural or other disaster, such as an earthquake or typhoon, accidental fire or the outbreak of contagious disease, may result in lengthy halts in operations or other damage. The Group has in place business continuity plans and disaster countermeasures that anticipate those risks considered the most likely to materialize. However, a disaster on a scale beyond that which is anticipated could have a negative effect on the Group's operating performance.

Issuance of common and preferred shares and effect on share price

In June and July 2004, March 2005, and January 2006 MMC issued several classes of convertible preferred shares. The conversion of all Class B shares, series 1–3 (issued July 2004), has already been completed, but the possible conversion of the remaining Class A & G shares to common shares in the future will dilute the value of existing common shares, and thus possibly influence the market price of common shares.

Effect of foreign exchange rate fluctuations

Overseas sales accounted for approximately 80% of the consolidated sales of MMC for the period. MMC endeavors to minimize the risk involved in foreign currency receivables and payables through foreign currency derivative contracts. However, fluctuations in the foreign exchange markets still may have an impact on MMC results.

Effect of socioeconomic situations

As overseas sales accounted for approximately 80% of consolidated net sales during the fiscal year under review, changes in the socioeconomic situation in Japan or any of the regions in which it operates could affect MMC Group results.

Effect of interest rate fluctuations

There is a possibility that fluctuations in interest rates on borrowings resulting from a change in financial market conditions in the future will impact MMC results.

Effect of fluctuations in materials prices

The MMC Group purchases materials and finished parts and components from many partners. Increased demand and other changes in market conditions may cause materials and components prices to increase, thus raising MMC's manufacturing costs and resulting in an impact on MMC results.

Leasing, financial services and sales incentives

Overcapacity in the auto industry, and fierce competition, especially price competition in the North American market, has led to the necessity of sales incentives in sales promotion efforts.

The sales incentives MMC uses in promotions reduce the selling price of new vehicles. It is possible that the use of incentives will lower resale values in the used car market and residual values evaluated for vehicles returned at the end of leases. If vehicle residual values decrease, there could be a negative impact on future business performance. The decline in residual values could also put downward pressure on car and lease assets held as collateral in the sales finance unit.

Changes in laws and regulations

MMC abides by laws and regulations regarding the environment, product safety, etc. in its various markets of operation. If any laws and regulations were to be changed, or new rules issued, costs associated with implementing these changes would have an impact on MMC results.

Alliances with other companies

As part of its efforts to develop its business the MMC Group forges alliances with Japanese and overseas automakers, as well as other companies. Accordingly, Group operating performance could be affected by situations specific to its alliance partners, and for reasons that the Group cannot control.

Impact of relying on designated suppliers

The MMC Group procures raw materials, parts and other inputs from a host of suppliers. To ensure high levels of product quality, technology and price competition, procurement orders tend to be focused on designated suppliers. Furthermore, specific technologies required to manufacture parts and other inputs tend to be concentrated among certain suppliers. Accordingly, if for some unforeseen reason the flow of suppliers from a supplier should cease, the Group's operating performance could be affected.

Effect of intellectual property rights violations

The MMC Group holds technical expertise, know-how and other intellectual property that differentiates its products from those of its competitors, and the Group works to prevent infringement on the intellectual property rights of third parties. If despite these protections a third party were to wrongfully infringe on the MMC Group's intellectual property by manufacturing or selling similar products or if legal protection of the Group's intellectual property in certain countries should be deemed limited, the Group's sales could decrease and the Group could incur litigation expenses. By the same token, the Group could be forced to halt production and sales in event that it inadvertently encroaches on the intellectual property rights of third parties, and could be liable for damages. Such situations could affect the Group's operating performance.

Consolidated Balance Sheets

Mitsubishi Motors Corporation and Consolidated Subsidiaries
As of March 31, 2011 and 2010

Assets	In millions of yen		In thousands of U.S. dollars (Note 3)
	2011	2010	2011
Current assets:			
Cash and cash equivalents (Notes 14 and 16)	¥ 316,464	¥ 263,453	\$ 3,805,950
Notes and accounts receivable—trade (Notes 4, 8 and 16)	114,432	121,385	1,376,223
Finance receivables (Notes 4, 8 and 16)	25,495	22,139	306,619
Inventories (Note 8)	189,286	183,869	2,276,444
Short-term loans receivable	7,019	251	84,419
Deferred tax assets (Note 19)	3,218	2,007	38,702
Other (Note 8)	90,869	90,418	1,092,833
Allowance for doubtful accounts (Note 16)	(10,207)	(10,448)	(122,754)
Total current assets	736,579	673,077	8,858,438
Property, plant and equipment, net (Notes 5, 8 and 15)	383,564	408,234	4,612,916
	11,856	12,435	142,585
Intangible assets	87,579	78,659	1,053,270
Investments and other assets:	53,485	45,196	643,235
Investments (Notes 6, 8 and 16)	5,669	6,746	68,185
Long-term finance receivables (Notes 4, 8 and 16)	9,188	6,060	110,505
Long-term loans receivable	35,816	40,395	430,741
Deferred tax assets (Note 19)	(11,226)	(12,136)	(135,010)
Other (Note 8)	180,512	164,922	2,170,928
Allowance for doubtful accounts (Note 16)	40,395	43,218	434,177
Total investments and other assets, net	(12,136)	(12,322)	(130,440)
Total assets	164,922	140,693	1,772,602
	¥1,312,511	¥1,258,669	\$15,784,869

Liabilities and net assets	In millions of yen		In thousands of U.S. dollars (Note 3)
	2011	2010	2011
Current liabilities:			
Notes and accounts payable–trade (Note 16)	¥ 278,595	¥ 265,028	\$ 3,350,512
Short-term loans payable (Notes 8 and 16)	125,499	125,851	1,509,312
Current portion of long-term debt (Notes 8 and 16)	94,454	193,723	1,135,955
Lease obligations (Note 8)	5,265	7,405	63,330
Accounts payable–other and accrued expenses (Notes 7 and 16)	125,371	127,522	1,507,774
Income taxes payable (Note 19)	9,016	3,062	108,439
Other	62,380	50,684	750,221
Total current liabilities	700,584	773,278	8,425,546
Long-term debt (Notes 8 and 16)	177,995	73,174	2,140,660
Lease obligations (Note 8)	8,088	10,939	97,278
Deferred tax liabilities (Note 19)	27,650	20,750	332,541
Provision for retirement benefits (Note 18)	106,921	106,354	1,285,884
Other	43,178	39,694	519,285
Total liabilities	1,064,419	1,024,191	12,801,197
Net assets:			
Shareholders' equity (Notes 9 and 24):			
Preferred stock:			
Authorized: 3,312,000 shares			
Issued or converted: 437,593 shares in 2010 437,593 shares in 2011	218,796	218,796	2,631,346
Common stock:			
Authorized: 9,958,285,000 shares			
Issued or converted: 5,537,956,840 shares in 2010 5,537,956,840 shares in 2011	438,558	438,558	5,274,306
Capital surplus	432,666	432,666	5,203,445
Accumulated deficit	(750,200)	(765,988)	(9,022,258)
Treasury stock – 87,254 shares at March 31, 2010			
Treasury stock – 91,142 shares at March 31, 2011	(15)	(15)	(187)
Total shareholders' equity	339,805	324,017	4,086,652
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	10,464	5,494	125,854
Deferred gains or losses on hedges	3,055	(90)	36,748
Foreign currency translation adjustment	(114,551)	(105,236)	(1,377,645)
Total accumulated other comprehensive income	(101,030)	(99,832)	(1,215,042)
Minority interests	9,318	10,293	112,063
Total net assets	248,092	234,478	2,983,672
Contingent liabilities (Note 10)			
Total liabilities and net assets	¥1,312,511	¥1,258,669	\$15,784,869

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Mitsubishi Motors Corporation and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	In millions of yen		In thousands of U.S. dollars (Note 3)
	2011	2010	2011
Net sales	¥1,828,497	¥1,445,616	\$21,990,353
Cost of sales	1,538,879	1,211,635	18,507,275
Gross profit	289,617	233,980	3,483,077
Selling, general and administrative expenses (Note 11)	249,343	220,060	2,998,715
Operating income	40,274	13,920	484,362
Interest and dividends income	2,414	2,111	29,033
Interest expenses	13,215	13,403	158,935
Other gain (loss), net (Notes 6 and 12)	948	8,963	11,409
Income (loss) before income taxes and minority interests	30,422	11,591	365,869
Income taxes (Note 19):			
Current	13,693	3,140	164,679
Deferred	(2,354)	1,150	(28,314)
	11,338	4,290	136,365
Income (loss) before minority interests	19,083	7,300	229,504
Minority interests in income	3,462	2,542	41,636
Net income (loss) (Note 24)	¥ 15,621	¥ 4,758	\$ 187,867

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Mitsubishi Motors Corporation and Consolidated Subsidiaries
For the year ended March 31, 2011

	In millions of yen	In thousands of U.S. dollars (Note 3)
	2011	2011
Income (loss) before minority interests	¥19,083	\$229,504
Other comprehensive income		
Valuation difference on available-for-sale securities	4,975	59,842
Deferred gains or losses on hedges	3,146	37,838
Foreign currency translation adjustment	(7,767)	(93,419)
Share of other comprehensive income of associates accounted for using equity method	(2,065)	(24,837)
Total other comprehensive income	¥ (1,710)	\$ (20,577)
Comprehensive income	¥17,372	\$208,927
Comprehensive income attributable to:		
Owners of the parent	¥14,476	\$174,095
Minority interests	¥ 2,896	\$ 34,831

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Mitsubishi Motors Corporation and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	In millions of yen		In thousands of U.S. dollars (Note 3)
	2011	2010	2011
Shareholders' equity			
Preferred stock:			
Balance at beginning of year	¥ 218,796	¥ 218,796	\$ 2,631,346
Preferred stock issued or converted	—	—	—
Balance at end of year	218,796	218,796	2,631,346
Common stock:			
Balance at beginning of year	438,558	438,553	5,274,306
Common stock issued or converted	—	5	—
Balance at end of year	438,558	438,558	5,274,306
Capital surplus:			
Balance at beginning of year	432,666	432,661	5,203,445
Issuance or conversion of common and preferred stock	—	4	—
Balance at end of year	432,666	432,666	5,203,445
Accumulated deficit:			
Balance at beginning of year	(765,988)	(770,750)	(9,212,129)
Net income (loss)	15,621	4,758	187,867
Change of scope of consolidation	(5)	(3)	(71)
Change of scope of equity method	172	(153)	2,075
Increase by merger	—	160	—
Balance at end of year	(750,200)	(765,988)	(9,022,258)
Treasury stock:			
Balance at beginning of year	(15)	(14)	(182)
Net change	(0)	(0)	(5)
Balance at end of year	(15)	(15)	(187)
Total shareholders' equity	¥339,805	¥324,017	\$4,086,652
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities:			
Balance at beginning of year	¥ 5,494	¥ 1,183	\$ 66,080
Net change	4,970	4,310	59,773
Balance at end of year	10,464	5,494	125,854
Deferred gains or losses on hedges:			
Balance at beginning of year	(90)	789	(1,089)
Net change	3,146	(880)	37,838
Balance at end of year	3,055	(90)	36,748
Foreign currency translation adjustment:			
Balance at beginning of year	(105,236)	(107,769)	(1,265,627)
Net change	(9,314)	2,532	(112,018)
Balance at end of year	(114,551)	(105,236)	(1,377,645)
Total accumulated other comprehensive income	¥(101,030)	¥ (99,832)	\$(1,215,042)
Minority interests:			
Balance at beginning of year	¥ 10,293	¥ 9,573	\$ 123,794
Net change	(975)	719	(11,731)
Balance at end of year	9,318	10,293	112,063
Total net assets	¥ 248,092	¥ 234,478	\$ 2,983,672

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Motors Corporation and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	In millions of yen		In thousands of U.S. dollars (Note 3)
	2011	2010	2011
Operating activities:			
Net income (loss)	¥ 15,621	¥ 4,758	\$ 187,867
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	65,884	71,869	792,357
Impairment loss	2,977	214	35,810
Increase (decrease) in allowance for doubtful accounts	375	(551)	4,520
Increase (decrease) in provision for retirement benefits	732	(52)	8,807
Equity in (earnings) losses of affiliates	(5,914)	(4,544)	(71,131)
Income taxes—deferred	(2,354)	1,150	(28,314)
Minority interests in income	3,462	2,542	41,636
Loss (gain) on sales and retirement of property, plant and equipment, net	669	(736)	8,047
Loss on adjustment for changes of accounting standard for asset retirement obligations	3,031	—	36,462
Early retirement expense	17	1,168	207
Decrease (increase) in notes and accounts receivable—trade	191	(27,975)	2,300
Decrease (increase) in inventories	(6,171)	12,113	(74,221)
Change in finance receivables (Note 14)	(19,385)	(15,597)	(233,139)
Increase (decrease) in notes and accounts payable—trade	19,044	107,557	229,042
Other, net (Note 14)	25,629	(51,199)	308,227
Net cash provided by (used in) operating activities	103,811	100,716	1,248,480
Investing activities:			
Decrease (increase) in time deposits	494	12,267	5,943
Purchase of property, plant and equipment (Note 14)	(53,263)	(44,279)	(640,568)
Proceeds from sales of property, plant and equipment (Note 14)	9,870	13,941	118,706
Net decrease (increase) in investments in securities	(1)	260	(20)
Decrease (increase) in short-term loans receivable	(6,510)	349	(78,297)
Decrease (increase) in long-term loans receivable	320	399	3,857
Other, net	(3,500)	(5,263)	(42,100)
Net cash provided by (used in) investing activities	(52,590)	(22,325)	(632,480)
Financing activities:			
Increase (decrease) in short-term loans payable	2,580	(52,161)	31,028
Proceeds from issuance of long-term debt	206,691	171,800	2,485,764
Repayment or redemption of long-term debt	(194,443)	(79,843)	(2,338,472)
Cash dividends paid to minority shareholders	(3,029)	(1,671)	(36,429)
Other, net	(6,761)	(7,242)	(81,314)
Net cash provided by (used in) financing activities	5,037	30,881	60,577
Effect of exchange rate changes on cash and cash equivalents	(3,381)	(584)	(40,667)
Net change in cash and cash equivalents	52,875	108,688	635,910
Cash and cash equivalents at beginning of year	263,453	154,666	3,168,410
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	22	25	272
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	112	73	1,356
Cash and cash equivalents at end of year (Note 14)	¥ 316,464	¥ 263,453	\$ 3,805,950

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Motors Corporation and Consolidated Subsidiaries

1. Significant Accounting Policies

(a) Basis of preparation

MMC and its domestic consolidated subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan. The financial statements of foreign subsidiaries are prepared for consolidation purposes in conformity with generally accepted accounting principles in the United States or International Financial Reporting Standards, subject to the adjustments required by generally accepted accounting principles in Japan.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Japan which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. These financial statements have been compiled from the consolidated financial statements filed with the Financial Services Agency as required by the Financial Instruments & Exchange Act of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under generally accepted accounting principles 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 ¥1 million have been omitted. Consequently, the totals shown in the accompanying financial statements (both in Yen and U.S. dollars) may not necessarily agree with the sum of the individual amounts.

(b) Principles of consolidation

All significant companies over 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 inter-company transactions have been eliminated in consolidation.

Any differences at the date of acquisition between acquisition cost and the fair value of the net assets acquired are expensed when incurred or are amortized over periods between 3 to 7 years depending on the period over which it is estimated to be beneficial for each investment.

(c) Cash and cash equivalents

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

(d) Inventories

Inventories of MMC and its domestic consolidated subsidiaries are principally stated at cost determined by the first in first out method or specific identification method (under either method, the balance sheet carrying value is reduced to recognize any deterioration of recoverability). Inventories of the overseas consolidated subsidiaries are principally stated at the lower of cost or market value. Cost is determined by the specific identification method.

(e) Investments

Investments in securities are classified either as held-to-maturity, as investments in unconsolidated subsidiaries and affiliates, or as other securities. Held-to-maturity securities are stated at their amortized cost. No investments classified as held-to-maturity were held during the years ended March 31, 2011 and 2010. Other securities with a readily determinable market value are stated at fair value and the cost of such securities sold is computed based on the moving average method. The difference between the acquisition cost and the carrying value of other securities, including unrealized gains and losses, is recognized in "Valuation difference on available-for-sale securities" in the accompanying consolidated balance sheets. Other securities without a readily determinable market value are stated at cost determined by the moving average method.

(f) Depreciation and amortization

Property, plant and equipment (excluding leased assets):

Depreciation of property, plant and equipment (excluding leased assets) is principally calculated using the declining balance method or the straight line method over the estimated useful life of the respective assets for MMC and domestic consolidated subsidiaries. Depreciation is principally calculated using the straight line method for the overseas consolidated subsidiaries.

The useful lives of the assets are based on the estimated lives of assets for MMC and are determined in accordance with the Corporation Tax Act for its domestic consolidated subsidiaries. The useful lives of the assets are determined based on the expected useful lives for the overseas consolidated subsidiaries.

Intangible fixed assets (excluding leased assets):

Intangible fixed assets (excluding leased assets) are amortized using the straight line method for MMC and its domestic consolidated subsidiaries and using the straight line method primarily over the period for which each asset is available for use for its overseas subsidiaries. Software intended for use by MMC and its domestic consolidated subsidiaries is amortized using the straight line method over a period of 5 years.

Leased assets:

Assets recognized under finance leases that do not involve transfer of ownership to the lessee are depreciated using the straight line method based on the contract term of the lease agreement. If a guaranteed residual value is determined in the lease agreement, the said guaranteed residual value is deemed as the residual value of such leased assets. If the residual value is not determined, it is deemed to be zero.

(g) Allowance for doubtful accounts

The allowance for doubtful accounts has been provided based on MMC and its consolidated subsidiaries' historical experience with respect to write-offs and an estimate of the amount of specific uncollectible accounts.

(h) Allowance for product warranties

The allowance for product warranty claims has been calculated based on MMC and its consolidated subsidiaries' historical experience and estimations with respect to future costs relating to claims.

(i) Retirement benefits

Accrued retirement benefits for employees at March 31, 2011 and 2010 are calculated based on the retirement benefits obligation and the fair value of the pension plan assets estimated at year end.

Prior service cost is being amortized using the straight line method over periods of 1 to 17 years. These periods are within the estimated average remaining service years of the employees.

Actuarial gains and losses are being amortized using the straight line method over the periods of 5 to 15 years. These periods are within the estimated average remaining service years of the employees.

(j) Accrual for retirement benefits for directors and corporate auditors

Before the termination of the retirement benefits plan for directors and corporate auditors in the fiscal year ended March 2007, certain directors and corporate auditors of MMC and its domestic consolidated subsidiaries had been customarily entitled to lump-sum payments under their respective unfunded severance benefit plans, subject to the shareholders' approval. Due to the termination of the plan and partial deduction of the provision, further provision is no longer needed and the outstanding balance of the provision at March 31, 2011 and 2010 represents benefits reserved before the plan's termination.

(k) Translation of foreign currency accounts

Receivables and payables denominated in foreign currencies are translated into Yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are included in the statements of operations.

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 March 31;
- b. Components of shareholders' 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 period. Translation adjustments are included in "Net assets".

(l) Amounts per share of common stock

The computation of basic net income per share of common stock is based on the weighted average number of shares of common stock outstanding during each year. Diluted net income per share of common stock 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 stock to be issued upon the conversion of preferred stock and stock options.

(m) 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 forecast exports of finished goods and related foreign currency receivables. Interest rate swaps are utilized to manage interest rate risk for loans. MMC and its consolidated subsidiaries do not utilize derivatives for speculation or trading purposes.

Derivative financial instruments are recorded at fair value, excluding certain instruments described below which are recorded in accordance with the special hedge provisions of the accounting standard.

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

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

For interest rate swaps accounted for as special hedges, instead of measuring hedge effectiveness, confirmation of the conditions for special hedge accounting is carried out.

2. Changes in Accounting Policies

(Accounting Standards for Asset Retirement Obligations)

"Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008) have been applied from this fiscal year. Accordingly, operating income decreased by ¥288 million (\$3,465 thousand) and income (loss) before income taxes and minority interests decreased by ¥3,319 million (\$39,927 thousand) as compared to the amount that would have been recorded under the previous method.

(Accounting Standards for Presentation of Comprehensive Income) "Accounting Standards for Presentation of Comprehensive Income" (ASBJ Statement No.25, issued on June 30, 2010) has been applied from this fiscal year. In accordance with this new standard, a consolidated statement of comprehensive income for the year ended March 31, 2010 is not presented. The comparative information for the year ended March 31, 2010 is disclosed in Note 13.

3. U.S. Dollar Amounts

The U.S. dollar amounts in the accompanying consolidated financial statements are included, solely for convenience, at ¥83.15 = U.S.\$1.00, the exchange rate prevailing on March 31, 2011. This 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.

4. Notes and Accounts Receivable—Trade, and Finance Receivables

The outstanding balances of trade notes and accounts receivable sold to others which have been deducted from the respective accounts amounted to ¥14,300 million (\$171,978 thousand) and ¥18,000 million as of March 31, 2011 and 2010, respectively.

5. Property, Plant and Equipment

Accumulated depreciation of property, plant and equipment at March 31, 2011 and 2010 was ¥1,071,675 million (\$12,888,464 thousand) and ¥1,099,678 million, respectively.

Impairment losses were recognized in the following asset groups for the years ended March 31, 2011 and March 31, 2010:

Location	Application	Assets	(In millions of yen / thousands of U.S. dollars)	
			Impairment loss amount	
For the year ended March 31, 2011				
Yokohama, Kanagawa and others (18 sites)	Assets used in sales operations	Land, buildings and others	¥ 76	\$ 920
Imabari, Ehime and others (8 sites)	Idle assets	Land, buildings and others	9	115
The Netherlands and others (5 sites)	Production facilities	Machinery and equipment, furniture and fixtures and others	2,891	34,774
			¥2,977	\$35,810

(In millions of yen)			
For the year ended March 31, 2010			
Location	Application	Assets	Impairment loss amount
Matsuyama, Ehime and Kawagoe, Saitama and others (16 sites)	Assets used in sales operations	Land, buildings and others	¥208
Nayoro, Hokkaido and others (2 sites)	Idle assets	Land	6
			¥214

The groupings of assets are determined as follows:

Assets used in production are grouped either by manufacturing plants or by operational sites. Assets used in sales operations are generally grouped by operational sites. Assets leased to others and idle assets have their own asset groups.

As a result of the worsening market environment and other factors, the book value of some of the assets has been adjusted downwardly to recoverable value.

The recoverable values of assets have been obtained through comparing and then taking the higher of: value in use, which is determined by estimating future cash flow with a 5% discount rate; and net realizable value, which is based on an appraisal value obtained from a professional real estate appraiser or calculated on a reasonable basis by using the estate tax valuations through land assessments and similar methods.

Loss on impairment of fixed assets amounted to ¥2,977 million (\$35,810 thousand) and consisted of ¥2,875 million (\$34,576 thousand) from machinery and equipment and ¥102 million (\$1,234 thousand) from other assets for the year ended March 31, 2011. Loss on impairment of fixed assets amounted to ¥214 million and consisted of ¥85 million from land, ¥125 million from buildings, and ¥3 million from other assets for the year ended March 31, 2010.

6. Investments

Other securities at March 31, 2011 and 2010 were as follows:

(In millions of yen)				
March 31, 2011				
	Carrying amount	Acquisition cost	Unrealized gains	Unrealized (losses)
Other securities:				
Securities with market value	¥28,722	¥10,164	¥18,564	¥(6)
Total	¥28,722	¥10,164	¥18,564	¥(6)

(In thousands of U.S. dollars)				
March 31, 2011				
	Carrying amount	Acquisition cost	Unrealized gains	Unrealized (losses)
Other securities:				
Securities with market value	\$345,429	\$122,240	\$223,270	\$(81)
Total	\$345,429	\$122,240	\$223,270	\$(81)

(In millions of yen)				
March 31, 2010				
	Carrying amount	Acquisition cost	Unrealized gains	Unrealized (losses)
Other securities:				
Securities with market value	¥20,296	¥10,170	¥10,138	¥(12)
Total	¥20,296	¥10,170	¥10,138	¥(12)

Significant declines in the value of securities with market value are recognized as impairment losses if the decline is not considered to be recoverable. After the write-down of the impaired amount, a new book value is recognized. Losses recognized on the impairment of other securities with market value totaled ¥2 million (\$31 thousand) and ¥20 million for the years ended March 31, 2011 and 2010, respectively.

Proceeds from sales of other securities and the corresponding gross gains and losses that are included in other gain (loss), net in the accompanying consolidated statements of operations for the years ended March 31, 2011 and 2010 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	2011	2010	For the years ended March 31, 2011
Proceeds	¥1	¥260	\$15
Gross gains	—	136	—
Gross losses	(2)	—	(35)

7. Accounts Payable—Other and Accrued Expenses

Accounts payable—other and accrued expenses at March 31, 2011 and 2010 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		2011
	2011	2010	2011
Accrued expenses and accounts payable	¥ 97,159	¥101,190	\$1,168,485
Allowance for product warranties	28,211	26,331	339,289
	¥125,371	¥127,522	\$1,507,774

8. Short-Term Loans Payable, Long-Term Debt and Lease Obligations

Short-term loans payable at March 31, 2011 and 2010 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		2011
	2011	2010	2011
Loans, principally from banks	¥125,499	¥125,851	\$1,509,312

The weighted average interest rate on short-term loans payable at March 31, 2011 and 2010 were 3.0% and 3.1%, respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		2011
	2011	2010	2011
Loans, principally from banks and insurance companies, due through 2023 at interest rates averaging 3.6% in 2011 and 3.5% in 2010:			
Secured	¥ 72,295	¥ 87,419	\$ 869,461
Unsecured	200,154	179,278	2,407,154
1.1% bonds due September 24, 2010(issued September 26, 2005)	—	200	—
	272,450	266,897	3,276,615
Less current portion	(94,454)	(193,723)	(1,135,955)
	¥177,995	¥ 73,174	\$ 2,140,660

1.1% bonds due September 24, 2010 were issued by a domestic subsidiary, Suiryo Plastics Co., Ltd.

The maturities of long-term debt are as follows:

Years ending March 31,	(In millions of yen)	(In thousands of U.S. dollars)
	March 31,	
	2011	2010
2012	¥ 94,454	\$1,135,955
2013	58,228	700,283
2014	101,242	1,217,591
2015	9,632	115,845
2016	8,493	102,151
Thereafter	398	4,788
Total	¥272,450	\$3,276,615

Lease obligations at March 31, 2011 and 2010 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		2011
	2011	2010	2011
Current	¥5,265	¥ 7,405	\$63,330
Non-current	8,088	10,939	97,278

The weighted average interest rates on lease obligations due through 2021 at March 31, 2011 and 2010 were 4.3% and 4.4 %, respectively.

The maturities of lease obligations are as follows:

Years ending March 31,	(In millions of yen)	(In thousands of U.S. dollars)
	March 31,	
	2011	2010
2012	¥ 5,265	\$ 63,330
2013	3,290	39,574
2014	2,651	31,892
2015	1,156	13,912
2016	609	7,326
Thereafter	380	4,573
Total	¥13,354	\$160,609

Assets pledged as collateral for short-term loans payable, long-term debt and guarantees (excluding factory related groups of assets) at March 31, 2011 and 2010 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		2011
	2011	2010	2011
Finance receivables and Long-term finance receivables	¥ 51,513	¥ 56,224	\$ 619,520
Inventories	10,225	5,463	122,971
Property, plant and equipment, net	38,262	69,004	460,162
Other (see (i) below)	9,439	10,094	113,521
	¥109,440	¥140,787	\$1,316,176

(i) ¥1,003 million (\$12,070 thousand) and ¥1,025 million of other current assets were pledged based on a liability in a term lease contract relating to a building with Murata Medical Services, Ltd. at March 31, 2011 and 2010, respectively. ¥46 million (\$553 thousand) and ¥46 million of investments were pledged as collateral for debt of Mizushima Eco-Works Co., Ltd. at 2011 and 2010, respectively.

The following groups of assets of MMC, the Okazaki factory, were pledged as collateral at March 31, 2011 and 2010, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2011	2010	2011
Buildings and structures	¥14,703	¥11,448	\$176,833
Machinery and equipment	20,812	11,301	250,302
Tools, furniture and fixtures	301	675	3,624
Land	985	985	11,855
	¥36,803	¥24,411	\$442,616

The following groups of assets of MMC, the Mizushima factory, were pledged as collateral at March 31, 2011 and 2010, respectively. The amount guaranteed for the loan from The Japan Bank for International Cooperation to a consolidated subsidiary EQUUS Leasing B.V. was ¥7,778 million at March 31, 2010.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2011	2010	2011
Buildings and structures	¥ 7,067	¥ 7,611	\$ 84,997
Machinery and equipment	23,841	27,760	286,734
Tools, furniture and fixtures	1,107	890	13,317
Land	2,008	2,008	24,159
	¥34,025	¥38,271	\$409,208

The following groups of assets of MMC, the Kyoto factory, were pledged as collateral at March 31, 2011 and 2010, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2011	2010	2011
Buildings and structures	¥ 5,406	¥ 5,731	\$ 65,021
Machinery and equipment	17,068	18,430	205,271
Tools, furniture and fixtures	722	812	8,684
Land	2,235	2,235	26,881
	¥25,432	¥27,210	\$305,858

The following groups of assets of MMC, the Shiga factory, were pledged as collateral at March 31, 2011 and 2010, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2011	2010	2011
Buildings and structures	¥ 2,559	¥ 2,682	\$ 30,780
Machinery and equipment	9,975	11,797	119,964
Land	3,859	3,859	46,416
	¥16,393	¥18,339	\$197,161

The following groups of assets of a consolidated subsidiary, Pajero Manufacturing Corporation, were pledged as collateral at March 31, 2011 and 2010, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2011	2010	2011
Buildings and structures	¥2,477	¥2,537	\$29,799
Machinery and equipment	2,702	2,972	32,499
Land	1,540	1,540	18,521
	¥6,720	¥7,049	\$80,819

The following groups of assets of a consolidated subsidiary, Suiryo Plastics Co., Ltd., were pledged as collateral at March 31, 2011 and 2010, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2011	2010	2011
Buildings and structures	¥ 841	¥ 918	\$10,114
Machinery and equipment	1,028	1,264	12,371
Land	194	194	2,339
	¥2,064	¥2,377	\$24,825

The obligations secured by such collateral at March 31, 2011 and 2010 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2011	2010	2011
Short-term loans payable	¥ 52,051	¥ 45,159	\$ 626,000
Current portion of long-term debt	16,467	62,318	198,051
Long-term debt	55,827	25,100	671,410
	¥124,347	¥132,578	\$1,495,462

9. Net Assets

The Companies Act provides that an amount equal to 10% of the amount to be disbursed as a distribution of earnings should be appropriated to the legal reserve until the sum of the legal reserve and capital surplus equals at least 25% of common stock. MMC and its domestic subsidiaries have provided these amounts in accordance with the Companies Act.

MMC is authorized to issue 3,312,000 shares of convertible preferred stock that are classified as Series A, B and G (3 to 4 times in each series), and has 437,593 shares outstanding at March 31, 2011.

The holders of each series of convertible preferred stock do not have voting rights, but the holders of Series A and G (except for Series B) are entitled to preferred stock dividends of ¥50,000 per share each year after April 2009.

In the event of a residual distribution, MMC would also be required to distribute residual claims to the holders of each series of convertible preferred stock by payment of one million yen per share of preferred stock held, in priority over residual claims of holders of the rights of ordinary shareholders. No further distribution would be made.

10. Contingent Liabilities

Loan guarantees given in the ordinary course of business amounted to ¥2,862 million (\$34,420 thousand) and ¥3,235 million at March 31, 2011 and 2010, respectively. Agreements similar to guarantees given in the ordinary course of business amounted to ¥9,198 million (\$110,627 thousand) and ¥1,525 million at March 31, 2011 and 2010, respectively.

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2011 and 2010 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2011	2010	2011
Advertising and promotion expenses	¥ 63,794	¥ 52,211	\$ 767,223
Freightage expense	42,918	24,509	516,157
Provision for allowance for doubtful accounts	—	647	—
Directors' compensations, salaries and allowances	56,574	56,761	680,394
Pension expenses	4,600	4,645	55,329
Depreciation	10,395	11,869	125,026
Research and development expenses	27,664	22,479	332,706
Other	43,394	46,937	521,877
Total	¥249,343	¥220,060	\$2,998,715

12. Other Gain (Loss), Net

Other gain (loss), net for the years ended March 31, 2011 and 2010 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2011	2010	2011
Equity in earnings of affiliates	¥ 5,914	¥ 4,544	\$ 71,131
Foreign exchange gains (losses)	8,800	9,130	105,833
Litigation expenses	(2,422)	(1,752)	(29,137)
Gain on sales of investments in securities	—	138	—
Gain (loss) on sales and retirement of property, plant and equipment, net	(669)	736	(8,047)
Reversal of allowance for doubtful accounts	655	—	7,881
Reversal of loss on liquidation of subsidiaries and affiliates	—	1,167	—
Impairment loss	(2,977)	(214)	(35,810)
Early retirement expense	(17)	(1,168)	(207)
Environmental expenses	(6)	(1,949)	(78)
Loss on adjustment for changes of accounting standard for asset retirement obligations	(3,031)	—	(36,462)
Loss on disaster	(2,365)	—	(28,445)
Other	(2,930)	(1,669)	(35,247)
Total	¥ 948	¥ 8,963	\$ 11,409

13. Comprehensive Income

The following table presents components of the consolidated statement of comprehensive income for the year ended March 31, 2010:

	(In millions of yen)
	For the years ended March 31, 2010
Comprehensive income:	
Comprehensive income attributable to:	
Owners of the parent	¥10,717
Minority interests	2,571
Total	¥13,289
Other comprehensive income:	
Valuation difference on available-for-sale securities	¥ 4,308
Deferred gains or losses on hedges	(880)
Foreign currency translation adjustment	3,285
Share of other comprehensive income of associates accounted for using equity method	(725)
Total	¥ 5,988

14. Cash Flow Information

Cash and cash equivalents at March 31, 2011 and 2010 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2011	2010	2011
Cash and bank deposits	¥317,097	¥264,323	\$3,813,562
Time deposits with maturities of more than three months	(632)	(869)	(7,612)
Cash and cash equivalents	¥316,464	¥263,453	\$3,805,950

Interest paid less interest received and dividends received included in other within operating activities in the consolidated statements of cash flows for the years ended March 31, 2011 and 2010 amounted to a net expense of ¥8,242 million (\$99,125 thousand) and ¥10,814 million, respectively. Income taxes paid included in other within operating activities in the consolidated statements of cash flows for the years ended March 31, 2011 and 2010 amounted to ¥8,079 million (\$97,161 thousand) and ¥5,006 million, respectively.

Purchases of property, plant and equipment within investing activities in the consolidated statements of cash flows for the years ended March 31, 2011 and 2010 include payments for the acquisition of lease vehicles of ¥9,882 million (\$118,850 thousand) and ¥5,098 million, respectively.

Proceeds from sales of property, plant and equipment within investing activities in the consolidated statements of cash flows for the years ended March 31, 2011 and 2010 include proceeds from the sale of lease vehicles of ¥7,282 million (\$87,586 thousand) and ¥5,416 million, respectively.

Changes in finance receivables within operating activities in the consolidated statements of cash flows for the years ended March 31, 2011 and 2010 are primarily the net of payments amounting to ¥130,750 million (\$1,572,469 thousand) and ¥98,447 million, respectively, and proceeds from collections amounting to ¥111,365 million (\$1,339,330 thousand) and ¥82,849 million, respectively.

15. Leases

As lessee

(1) Finance lease transactions that do not involve transfer of ownership to the lessee

(a) Description of the leased assets:

Property, plant and equipment
Leased assets principally include, but are not limited to, production facilities for the automobile business ("Machinery and equipment (net)" and "Tool, furniture and fixtures (net)").

(b) Depreciation method of leased assets

Leased assets under finance leases that do not involve transfer of ownership to the lessee, are depreciated using the straight line method based on the contract term of the lease agreement. If the guaranteed residual value is determined in the lease agreement, the said guaranteed residual value is deemed as the residual value of such leased assets. If the residual value is not determined, it is deemed to be zero.

(2) Operating lease transactions

Future minimum lease payments required under non-cancellable operating lease transactions entered into by MMC and its consolidated subsidiaries at March 31, 2011 and 2010 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2011	2010	2011
Due within 1 year	¥1,349	¥1,680	\$ 16,235
Due after 1 year	7,740	7,081	93,095
Total	¥9,090	¥8,761	\$109,330

As lessor

Future minimum lease revenues from non-cancellable operating lease transactions entered into by MMC and its consolidated subsidiaries as lessor at March 31, 2011 and 2010 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2011	2010	2011
Due within 1 year	¥ 4,618	¥ 8,502	\$ 55,547
Due after 1 year	6,034	3,909	72,578
Total	¥10,653	¥12,412	\$128,125

16. Financial Instruments

For the year ended March 31, 2011 and 2010

Overview of financial instruments

(a) Our policy to manage financial instruments

The Group's capital management policy is to limit its investments to low-risk financial products and to obtain its required funds mainly through bank borrowings. We use derivative instruments to hedge interest rate, foreign currency and similar risks, and we do not enter into any speculative transactions.

(b) Nature and risks of financial instruments and our risk management structure

Trade receivables, which include notes receivable and accounts receivable, are exposed to the credit risk of our customers. To manage this risk, in accordance with the Group's credit control rules,

each group company monitors the financial condition of its major customers, as well as managing the maturity profiles and outstanding balances of the receivables on a customer by customer basis.

Trade receivables denominated in foreign currency are exposed to foreign currency risk. In principle, forward foreign exchange contracts are used to hedge the net position after offsetting foreign currency denominated payables.

Investment securities are exposed to the risk of market price fluctuation. However, such securities are composed of mainly the stocks of companies with which the Group has business relationships.

Trade payables, which include notes payable and accounts payable, are mostly expected to be settled within one year. While trade payables include certain payables denominated in foreign currencies, in principle these are managed by netting against foreign currency denominated receivables.

Floating rate bank borrowings are exposed to interest rate risk. For some of our long-term bank borrowings, derivative transactions (interest rate swaps) are used as hedging instruments on an individual loan contract basis to hedge the interest payable fluctuation risk. Such transactions meet the criteria of special accounting provisions for interest rate swaps, and therefore hedge effectiveness assessment is not required.

Certain intercompany loans are exposed to foreign currency risk, however derivative transactions are used as hedging instruments for some of these loans.

In order to mitigate counterparty risks, the Group enters into derivative transactions only with highly rated financial institutions.

Trade payables and bank borrowings are exposed to liquidity risk. Each Group company manages these risks, by preparing cash flow projections and other similar tools.

(c) Supplementary information about the fair value of financial instruments

The notional amount with respect to the derivative transactions presented in "Fair value of financial instruments" does not represent the amount of market risk associated with the relevant derivative transactions.

Fair value of financial instruments

The carrying amount, fair value, and the difference between the carrying amount and the fair value of the financial instruments at March 31, 2011 and 2010 were as follows. These financial instruments do not include any financial instrument for which it is extremely difficult to reasonably measure its fair value. (Refer to Note 16.2)

	(In millions of yen)		
	March 31, 2011		
	Carrying amount	Fair value	Difference
Cash and bank deposits	¥317,097	¥317,097	¥ —
Notes and accounts receivable—trade	114,432	114,432	—
Finance receivables	78,980		
Allowance for doubtful accounts (*1)	(5,928)		
	73,051	70,893	(2,158)
Investment securities (*2)	28,722	28,722	—
Total assets	¥533,304	¥531,146	¥(2,158)
Notes and accounts payable—trade	¥278,595	¥278,595	¥ —
Short-term loans payable	125,499	125,499	—
Long-term loans payable	272,450	272,942	492
Accrued expenses and accounts payable (*3)	97,159	97,159	—
Total liabilities	¥773,704	¥774,196	¥ 492
Derivative transactions (*4)	6,767	6,767	—

	(In thousands of U.S. dollars)		
	March 31, 2011		
	Carrying amount	Fair value	Difference
Cash and bank deposits	\$3,813,562	\$3,813,562	\$ —
Notes and accounts receivable—trade	1,376,223	1,376,223	—
Finance receivables	949,854		
Allowance for doubtful accounts (*1)	(71,299)		
	878,555	852,593	(25,962)
Investment securities (*2)	345,429	345,429	—
Total assets	\$6,413,769	\$6,387,807	\$(25,962)
Notes and accounts payable—trade	\$3,350,512	\$3,350,512	\$ —
Short-term loans payable	1,509,312	1,509,312	—
Long-term loans payable	3,276,615	3,282,533	5,917
Accrued expenses and accounts payable (*3)	1,168,485	1,168,485	—
Total liabilities	\$9,304,926	\$9,310,843	\$ 5,917
Derivative transactions (*4)	81,394	81,394	—

(*1) The allowance for doubtful accounts recognized for the individual financial receivable is deducted from the carrying amount.

(*2) Investments presented on the balance sheets consist of Investment securities of ¥73,031 million (\$878,313 thousand), which include Securities with market value of ¥28,722 million (\$345,429 thousand) and Non-listed stocks and stocks of unconsolidated subsidiaries and affiliates of ¥44,309 million (\$532,884 thousand) (refer to Note 16.2), and Other investments in unconsolidated subsidiaries and affiliates of ¥14,547 million (\$174,957 thousand) at March 31, 2011.

(*3) Accounts payable—other and accrued expenses presented on the balance sheets consist of Accrued expenses and accounts payable of ¥97,159 million (\$1,168,485 thousand) and Allowance for product warranties of ¥28,211 million (\$339,289 thousand) at March 31, 2011.

(*4) The amount of the receivable/payable derived from derivative transactions is presented on a net basis.

	(In millions of yen)		
	March 31, 2010		
	Carrying amount	Fair value	Difference
Cash and bank deposits	¥264,323	¥264,323	¥ —
Notes and accounts receivable—trade	121,385	121,385	—
Finance receivables	67,336		
Allowance for doubtful accounts (*1)	(5,550)		
	61,785	61,079	(705)
Investment securities (*2)	20,296	20,296	—
Total assets	¥467,790	¥467,084	¥(705)
Notes and accounts payable—trade	¥265,028	¥265,028	¥ —
Short-term loans payable	125,851	125,851	—
Long-term loans payable (*3)	266,697	267,638	940
Accrued expenses and accounts payable (*4)	101,190	101,190	—
Total liabilities	¥758,768	¥759,709	¥ 940
Derivative transactions (*5)	8,956	8,956	—

(*1) The allowance for doubtful accounts recognized for the individual financial receivable is deducted from the carrying amount.

(*2) Investments presented on the balance sheets consist of Investment securities of ¥64,820 million, which include Securities with market value of ¥20,296 million and Non-listed stocks and stocks of unconsolidated subsidiaries and affiliates of ¥44,524 million (refer to Note 16.2), and Other investments in unconsolidated subsidiaries and affiliates of ¥13,839 million at March 31, 2010.

(*3) Long-term debts presented on the balance sheets consist of Long-term loans payable of ¥266,697 million and bonds of ¥200 million at March 31, 2010.

(*4) Accounts payable—other and accrued expenses presented on the balance sheets consist of Accrued expenses and accounts payable of ¥101,190 million and Allowance for product warranties of ¥26,331 million at March 31, 2010.

(*5) The amount of the receivable/payable derived from derivative transactions is presented on a net basis.

(Note)

1. Method to measure the fair value of the financial instruments, and other securities and derivative transactions

Assets

Cash and bank deposits

The carrying amounts are used as fair values of these items as these items are settled within a short period of time and the fair values are nearly equal to such carrying amounts.

Notes and accounts receivable—trade

The carrying amounts are used as fair values of these items as these items are generated in the normal course of business operations and principally settled within a short period of time and the fair values are nearly equal to such carrying amounts.

Finance receivables

The finance receivables are classified by certain terms to maturity, and the fair values of these items are determined based on the present values of the future cash flows that are discounted at the appropriate indicative rates such as rates of government bonds adding the credit risk premiums based on the credit risk classes respectively.

Investment securities

The fair values of investment securities are based on the market value. Refer to Note 6, "Investments", regarding the details of the securities classified by the purpose of holding.

Liabilities

Notes and accounts payable—trade, Short-term loans payable and Accrued expenses and accounts payable

The carrying amounts are used as fair values of these items as these items are settled within a short period of time and the fair values are nearly equal to such carrying amounts.

Long-term loans payable

The long-term loans payable are classified by certain terms to maturity, and the fair values of these items are determined based on the present values of the total amount of principal and interest that are discounted by using the prevailing interest rates that would be presumably applied if similar loans were newly made.

Derivative transactions

Refer to Note 17, "Derivative Financial Instruments".

2. Financial instruments for which it is extremely difficult to reasonably measure the fair value

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2011	2010	2011
Non-listed stocks and stocks of unconsolidated subsidiaries and affiliates	¥44,309	¥44,524	\$532,884

These financial instruments do not have any quoted market price, and the future cash flow can not be estimated and it would be recognized as extremely difficult to reasonably measure the fair value. Accordingly, these are not included in Investment securities.

3. Maturity profile of the monetary receivables subsequent to March 31, 2011

	(In millions of yen)		
	March 31, 2011		
	Bank deposits	Notes and accounts receivable-trade	Finance receivables
2012	¥316,574	¥105,394	¥25,495
2013	—	3,615	1,839
2014	—	3,505	6,591
2015	—	365	12,295
2016	—	365	18,542
Thereafter	—	1,186	14,215
Total	¥316,574	¥114,432	¥78,980

	(In thousands of U.S. dollars)		
	March 31, 2011		
	Bank deposits	Notes and accounts receivable-trade	Finance receivables
2012	\$3,807,271	\$1,267,524	\$306,619
2013	—	43,478	22,119
2014	—	42,163	79,274
2015	—	4,391	147,872
2016	—	4,391	223,004
Thereafter	—	14,273	170,965
Total	\$3,807,271	\$1,376,223	\$949,854

4. Maturity profile of the long-term loans payable subsequent to March 31, 2011

Refer to Note 8 "Short-term Loans payable, Long-term Debt and Lease Obligations".

(Additional information)

Effective from the year ended March 31, 2010, MMC has adopted the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued on March 10, 2008).

17. Derivative Financial Instruments

Summarized below are the notional amounts and the estimated fair values (based on the prices provided by counterparty financial institutions) of the derivative positions at March 31, 2011 and 2010:

(a) Derivative transactions that are not subject to hedge accounting Forward foreign exchange contracts and cross currency swaps

	(In millions of yen)			
	March 31, 2011			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Sell:				
US \$	¥ 1,243	¥—	¥ 1	¥ 1
Japanese ¥	103,993	—	1,417	1,417
Buy:				
Thai ฿	5,542	—	56	56
Japanese ¥	407	—	(6)	(6)
Cross currency swaps:				
Sell:				
Japanese ¥	17,847	—	891	891
Total	¥ —	¥—	¥2,361	¥2,361

	(In thousands of U.S. dollars)			
	March 31, 2011			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Sell:				
US \$	\$ 14,949	\$—	\$ 15	\$ 15
Japanese ¥	1,250,674	—	17,051	17,051
Buy:				
Thai ฿	66,652	—	679	679
Japanese ¥	4,905	—	(72)	(72)
Cross currency swaps:				
Sell:				
Japanese ¥	\$ 214,642	—	10,722	10,722
Total	—	—	\$28,396	\$28,396

	(In millions of yen)			
	March 31, 2010			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Sell:				
US \$	¥ 932	¥ —	¥ 0	¥ 0
£ stg	1,864	—	(1)	(1)
Canada \$	1,903	—	(82)	(82)
Australian \$	830	—	(39)	(39)
Japanese ¥	103,977	—	6,904	6,904
Buy:				
Thai ฿	1,197	—	94	94
Japanese ¥	244	—	(1)	(1)
Cross currency swaps:				
Sell:				
Japanese ¥	28,482	¥18,626	2,059	2,059
Total	¥ —	¥ —	¥8,933	¥8,933

Interest rate options

	(In millions of yen)			
	March 31, 2011			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Interest rate options:				
Buy:	¥12,852	¥12,852	¥10	¥10
Total	¥ —	¥ —	¥10	¥10

	(In thousands of U.S. dollars)			
	March 31, 2011			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Interest rate options:				
Buy:	\$154,575	\$154,575	\$130	\$130
Total	\$ —	\$ —	\$130	\$130

	(In millions of yen)			
	March 31, 2010			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Interest rate options:				
Buy:	¥13,285	¥13,285	¥22	¥22
Total	¥ —	¥ —	¥22	¥22

The method to determine fair values is based on quotations obtained from financial institutions.

(b) Derivative transactions that are subject to hedge accounting

Forward foreign exchange contracts

	(In millions of yen)			
	March 31, 2011			
	Hedged item	Notional amount	Due more than 1 year	Fair value
Forward foreign exchange contracts:				
Sell:				
Japanese ¥	Interest Income	¥88,529	¥—	¥4,387
Total		¥ —	¥—	¥4,387

	(In thousands of U.S. dollars)			
	March 31, 2011			
	Hedged item	Notional amount	Due more than 1 year	Fair value
Forward foreign exchange contracts:				
Sell:				
Japanese ¥	Interest Income	\$1,064,701	\$—	\$52,770
Total		\$ —	\$—	\$52,770

		(In thousands of U.S. dollars)		
		March 31, 2010		
	Hedged item	Notional amount	Due more than 1 year	Fair value
Forward foreign exchange contracts:				
Sell:				
Japanese ¥	Interest Income	¥ 4	¥—	¥0
Total		¥—	¥—	¥0

The method to determine fair values is based on quotations obtained from financial institutions.

Interest rate swaps

		(In millions of yen)		
		March 31, 2011		
	Hedged item	Notional amount	Due more than 1 year	Fair value
Pay-fixed, receive-floating (recorded as fair value):	Long-term loans payable	¥9,724	¥9,724	¥8
Pay-fixed, receive-floating (special hedge provisions):	Long-term loans payable	4,000	750	(*)
Total		¥ —	¥ —	¥8

		(In thousands of U.S. dollars)		
		March 31, 2011		
	Hedged item	Notional amount	Due more than 1 year	Fair value
Pay-fixed, receive-floating (recorded as fair value):	Long-term loans payable	\$116,957	\$116,957	\$98
Pay-fixed, receive-floating (special hedge provisions):	Long-term loans payable	48,105	9,019	(*)
Total		\$ —	\$ —	\$98

		(In millions of yen)		
		March 31, 2010		
	Hedged item	Notional amount	Due more than 1 year	Fair value
Pay-fixed, receive-floating (special hedge provisions):	Long-term loans payable	¥7,637	¥3,000	(*)
Total		¥ —	¥ —	—

(*) As interest rate swaps under the special hedge provisions are accounted together with hedged item (long-term loans payable), their fair values are reflected in the fair value of long-term loans payable.

18. Retirement Benefits

MMC and its consolidated subsidiaries have defined benefit pension plans for their employees. The plans include contributory plans in accordance with the Welfare Pension Institute Law of Japan, tax-qualified plans, and non-contributory severance plans. Additional retirement benefits are paid in certain cases upon an employee's retirement. Certain foreign consolidated subsidiaries have defined contribution pension plans. At March 31, 2011, MMC and its consolidated subsidiaries have 1 fund for contributory plans in accordance with the Welfare Pension Insurance Law, and 11 funds for tax-qualified plans. MMC and its consolidated subsidiaries have 14 non-contributory severance plans.

The funded status of multi-employer pension plans included in the above plans which are accounted for as defined contribution schemes as of March 31, 2010 was as follows:

	(In millions of yen)
Pension Plan assets	¥25,127
Benefit obligations under pension plan rules	24,630
Difference	497

The ratio of MMC and its consolidated subsidiaries' payments to total contributions of the multi-employer plans as of March 31, 2010 was 58.0%. This ratio is not equal to the ratio of the amount actually contributed by the MMC group.

Defined Benefit Plans

The discount rates used to determine the retirement benefit obligation were 1.5% ~ 2.0% for MMC and its domestic consolidated subsidiaries at March 31, 2011 and 2010, 4.6% ~ 8.0% and 4.7% ~ 10.5% for its foreign consolidated subsidiaries at March 31, 2011 and 2010, respectively. The rates of return on plan assets assumed were 0.7% ~ 4.0% for MMC and its domestic consolidated subsidiaries, 5.0% ~ 8.0% for its foreign consolidated subsidiaries at March 31, 2011 and 2010.

Prior service cost is amortized using the straight line method over periods of 1 to 17 years for the years ended March 31, 2011 and 2010. These periods are within the estimated average remaining service years of the employees.

The amortization period for actuarial gains and losses starts from the subsequent fiscal year and actuarial gains and losses are amortized by the straight line method over the periods of 5 to 15 years ended March 31, 2011 and 2010. These periods are within the estimated average remaining service years of the employees.

Unrecognized net obligations and assets at the date of initial application are amortized within one year.

The retirement benefit obligation for MMC and its consolidated subsidiaries' employees' defined benefit plans at March 31, 2011 and 2010 are summarized as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		2011
	2011	2010	2011
Retirement benefits obligation	¥(172,469)	¥(171,671)	\$(2,074,197)
Pension plan assets at fair value	59,607	57,626	716,864
Unfunded status	(112,862)	(114,044)	(1,357,333)
Unrecognized actuarial losses	18,525	20,337	222,798
Unrecognized prior service costs	(4,957)	(5,651)	(59,626)
Net recognized retirement benefits obligation	(99,294)	(99,358)	(1,194,161)
Prepaid pension premiums	7,626	6,995	91,723
Provision for retirement benefits	¥(106,921)	¥(106,354)	\$(1,285,884)

Some of the consolidated subsidiaries adopt the simplified method for the calculation of retirement benefits obligation.

Pension expenses for MMC and its consolidated subsidiaries' employees' retirement defined benefit plans for the years ended March 31, 2011 and 2010 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		2011
	2011	2010	2011
Service cost	¥ 8,206	¥ 7,804	\$ 98,699
Interest cost	4,312	4,372	51,864
Expected return on plan assets	(3,240)	(2,841)	(38,969)
Amortization of actuarial losses	3,462	4,840	41,641
Amortization of prior service costs	(73)	(595)	(889)
Pension expenses	¥12,667	¥13,580	\$152,345

In addition to the pension expenses above, additional retirement benefits of ¥17 million (\$207 thousand) and ¥1,168 million were paid and recorded as other gain (loss), net for the years ended March 31, 2011 and 2010, respectively. Pension expenses of consolidated subsidiaries, which adopt the simplified method, are included in the service costs.

19. Income Taxes

MMC and its domestic consolidated subsidiaries are subject to corporate, resident and enterprise taxes based on their taxable income. Income taxes of the foreign consolidated subsidiaries are generally calculated based on the tax rates applicable in their countries of incorporation. The consolidated tax payment system is applied at March 31, 2011 and 2010.

The effective tax rates reflected in the accompanying consolidated statements of operations for the year ended March 31, 2011 and 2010 differ from the statutory tax rate for the following reasons:

	For the years ended March 31,	
	2011	2010
	(%)	
Statutory income tax rate for MMC	40.2	40.2
Equity in earnings of affiliates	(7.8)	(15.8)
Dividends received deduction	(2.6)	(3.2)
Difference in tax rate of overseas subsidiaries and others	7.5	15.8
Income taxes as a percentage of income before income taxes and minority interests	37.3	37.0

The significant components of deferred tax assets and liabilities as of March 31, 2011 and 2010 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2011	2010	2011
Deferred tax assets:			
Net operating loss carry forward	¥ 235,755	¥ 253,602	\$ 2,835,304
Accrued retirement benefits	44,743	45,641	538,111
Allowance for doubtful accounts	4,704	6,044	56,574
Allowance for product warranties	12,042	11,352	144,827
Accounts payable – warranties	4,460	4,724	53,638
Fixed assets (incl. impairment losses)	31,056	33,007	373,494
Others	52,772	59,230	634,671
Less valuation allowance	(355,892)	(388,634)	(4,280,124)
Total deferred tax assets	29,642	24,968	356,497
Deferred tax liabilities:			
Reserves under the Special Taxation Measures Law	(301)	(323)	(3,620)
Unrealized holding gain on securities	(6,994)	(3,663)	(84,116)
Fair value adjustments relating to land	(4,420)	(4,511)	(53,159)
Accelerated depreciation in overseas consolidated subsidiaries	(15,548)	(13,084)	(186,997)
Others	(17,632)	(16,069)	(212,051)
Total deferred tax liabilities	(44,896)	(37,651)	(539,945)
Net deferred tax liabilities	¥ (15,253)	¥ (12,682)	\$ (183,447)

Deferred tax assets and liabilities at March 31, 2011 and 2010 are included in the accompanying consolidated balance sheets as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2011	2010	2011
Current assets	¥ 3,218	¥ 2,007	\$ 38,702
Non-current assets	9,188	6,060	110,505
Current liabilities	(9)	–	(114)
Non-current liabilities	(27,650)	(20,750)	(332,541)
Net deferred tax liabilities	¥(15,253)	¥(12,682)	\$(183,447)

20. Asset Retirement Obligations

(a) Overview

MMC and its consolidated subsidiaries have obligations associated with restoration and removal of tangible fixed assets according to concluded certain property lease agreements at the end of lease term, and have obligations associated with removal of hazardous substances.

(b) Method for measuring the amount of asset retirement obligations

The useful life from the acquisition or construction date has been estimated ranging from 2 years to 43 years, and the amount of asset retirement obligations has been measured using the discount rates ranging from 0.2 % to 4.0%.

(c) Change in the amount of asset retirement obligations for the fiscal year ended March 31, 2011:

	(In millions of yen)	(In thousands of U.S. dollars)
	For the year ended March 31,	
	2011	2011
Balance at beginning of year (*)	¥6,288	\$75,631
Liability incurred due to the acquisition of property, plant and equipment	3	43
Discount accretion expense	119	1,437
Others	(53)	(641)
Balance at end of year	¥6,358	\$76,469

(*) Effective April 1, 2010, "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and the "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21 issued on March 31, 2008) have been adopted. The balance at the beginning of year is recorded adopting this new standard.

21. Investment and Rental Property

For the fiscal years ended March 31, 2011 and 2010, no notes are provided as the amount of the investment and rental property is considered immaterial.

(Additional information)

Effective for the year ended March 31, 2010, the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20, issued on November 28, 2008) and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23, issued on November 28, 2008) have been adopted.

22. Segment Information

"Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 issued on March 21, 2008) have been applied from this fiscal year. The segment information for the fiscal year ended March 31, 2010 has not been restated because the figures appearing in the segment information that MMC has elsewhere disclosed under the previous accounting standard are similar to those that would be presented in accordance with this new accounting standard.

For the fiscal year ended March 31, 2011:

(a) Overview of reportable segment

The reportable segments of the Group are components for which discrete financial information is available, and whose operating results are regularly reviewed by MMC's decision making bodies including Board of Directors to make decisions about resource allocation to the segments and to assess performance.

The main business of the Group is automobile business, involving development, design, manufacturing and sales of automobiles and component parts. In addition, as financial service business, we engage in sales finance and leasing services for Group products. Accordingly, based on the types of products and services offered, the Group determined "automobile business" and "financial service business" as two reportable segments.

(b) Basis of calculating net sales, income (loss), assets and other amounts of each reportable segment

The accounting policies of the segments are substantially the same as those described in the Note 1.

(c) Net sales, income (loss), assets and others of reportable segments

	(In millions of yen)	(In thousands of U.S. dollars)
	For the year ended March 31,	
	2011	2011
Net sales:		
Automobiles	¥1,817,949	\$21,863,496
Financial services	10,754	129,339
Total	1,828,704	21,992,836
Adjustment	(206)	(2,482)
Grand total	¥1,828,497	\$21,990,353
Segment income (loss):		
Automobiles	¥37,821	\$454,861
Financial services	2,659	31,983
Total	40,481	486,845
Adjustment	(206)	(2,482)
Grand total	¥40,274	\$484,362
Segment assets:		
Automobiles	¥1,234,787	\$14,850,117
Financial services	100,143	1,204,372
Total	1,334,930	16,054,489
Adjustment	(22,418)	(269,620)
Grand total	¥1,312,511	\$15,784,869
Depreciation:		
Automobiles	¥63,136	\$759,304
Financial services	2,726	32,791
Grand total	¥65,862	\$792,096
Investment accounted for using the equity method:		
Automobiles	¥45,089	\$542,269
Financial services	5,371	64,603
Total	50,461	606,873
Adjustment	(480)	(5,780)
Grand total	¥49,980	\$601,092
Capital expenditures:		
Automobiles	¥57,417	\$690,533
Financial services	10,006	120,343
Grand total	¥67,424	\$810,877

(Note)

- (1) Adjustment represents the elimination of intersegment transactions.
- (2) Segment income (loss) agrees to the amount of operating income (loss) presented in the consolidated financial statements.

(Related information)

(a) Information by products and services

The information is omitted, as the classification is the same as the reportable segment.

(b) Information by geographic region

(1) Net sales

Net sales are classified by the geographical location of the customers.

	(In millions of yen)		(In thousands of U.S. dollars)	
	For the year ended March 31,			
	2011		2011	
Japan	¥ 363,270		\$ 4,368,859	
North America	189,846		2,283,175	
Europe	490,030		5,893,329	
Asia	366,483		4,407,495	
Oceania	163,591		1,967,431	
Other	255,275		3,070,060	
Total	¥1,828,497		\$21,990,353	

(Note)

Main countries and regions outside Japan are grouped as follows:

- (1) North America The United States
- (2) Europe The Netherlands, Italy, Germany, Russia, Ukraine
- (3) Asia Thailand, Malaysia, Taiwan, China
- (4) Oceania Australia, New Zealand
- (5) Other U.A.E., Puerto Rico

(2) Property, plant and Equipment

	(In millions of yen)		(In thousands of U.S. dollars)	
	For the year ended March 31,			
	2011		2011	
Japan	¥300,902		\$3,618,786	
Other	82,661		994,130	
Total	¥383,564		\$4,612,916	

(Supplementary information)

Net sales and operating income (loss) classified by the geographic location of MMC and its consolidated subsidiaries

	(In millions of yen)		(In thousands of U.S. dollars)	
	For the year ended March 31,			
	2011		2011	
Net sales:				
Japan	¥1,557,329		\$18,729,155	
North America	182,013		2,188,975	
Europe	223,740		2,690,804	
Asia	410,001		4,930,866	
Oceania	163,796		1,969,897	
Other	29,609		356,097	
Total	2,566,491		30,865,796	
Adjustment	(737,993)		(8,875,443)	
Grand total	¥1,828,497		\$21,990,353	
Operating income (loss):				
Japan	¥ (13,342)		\$ (160,458)	
North America	(2,972)		(35,751)	
Europe	18,629		224,049	
Asia	35,284		424,351	
Oceania	5,193		62,458	
Other	1,902		22,885	
Total	44,695		537,534	
Adjustment	(4,421)		(53,172)	
Grand total	¥ 40,274		\$ 484,362	

(Note)

Main countries and regions outside Japan are grouped as follows:

- (1) North America The United States
- (2) Europe The Netherlands, Germany, Russia,
- (3) Asia Thailand, The Philippines
- (4) Oceania Australia, New Zealand
- (5) Other U.A.E., Puerto Rico

Information on major customers

	For the year ended March 31, 2011
Customer:	Mitsubishi Corporation
Net sales:	¥303,109 million (\$3,645,327 thousand)
Relevant segment	Automobiles

Information on impairment loss of property, plant equipment by reportable segments

	(In millions of yen)	(In thousands of U.S. dollars)
	For the year ended March 31,	
	2011	2011
Impairment loss:		
Automobiles	¥2,977	\$35,810
Financial services	—	—
Total	¥2,977	\$35,810

Information on the amortization and balance of goodwill by reportable segments

No significant items to be reported

Information on gain on negative goodwill by reportable segments

No significant items to be reported

For the fiscal year ended March 31, 2010 under the previous accounting standard:

(a) Business segments

The business segment information for MMC and its consolidated subsidiaries for the year ended March 31, 2010 is summarized as follows:

	(In millions of yen)
	For the year ended March 31, 2010
Net sales:	
Automobiles	¥1,434,736
Financial services	10,878
Total	1,445,614
Corporate and eliminations	1
Consolidated	¥1,445,616
Operating income (loss):	
Automobiles	¥11,493
Financial services	2,425
Total	13,919
Corporate and eliminations	1
Consolidated	¥13,920
Total assets:	
Automobiles	¥1,184,603
Financial services	90,385
Total	1,274,988
Corporate and eliminations	(16,319)
Consolidated	¥1,258,669
Depreciation:	
Automobiles	¥ 69,393
Financial services	2,457
Consolidated	¥ 71,850
Impairment loss:	
Automobiles	¥214
Financial services	—
Consolidated	¥214
Capital expenditures:	
Automobiles	¥ 49,378
Financial services	5,577
Consolidated	¥ 54,955

(Note)

- Business segments are divided by sector and by market.
- Major products by business segment
 - Automobiles..... Passenger cars
 - Financial services..... Sales-finance products

(b) Geographical segments

The geographical segment information for MMC and its consolidated subsidiaries for the year ended March 31, 2010 is summarized as follows:

	(In millions of yen)
	For the year ended March 31, 2010
Net sales:	
Japan	¥1,243,926
North America	165,984
Europe	190,968
Asia	274,500
Other	181,954
Total	2,057,333
Corporate and eliminations	(611,717)
Consolidated	¥1,445,616
Operating income (loss):	
Japan	¥ (9,846)
North America	(4,379)
Europe	5,061
Asia	13,616
Other	8,570
Total	13,021
Corporate and eliminations	898
Consolidated	¥ 13,920
Total assets:	
Japan	¥1,091,321
North America	159,081
Europe	119,258
Asia	234,235
Other	64,485
Total	1,668,382
Corporate and eliminations	(409,712)
Consolidated	¥ 1,258,669

(Note)

1. Countries and regions are classified by geographical proximity and mutual relevance of business activities.
2. Main countries and regions outside Japan are grouped as follows:
 - (1) North America The United States
 - (2) Europe The Netherlands
 - (3) Asia Thailand, Philippines
 - (4) Other Australia, New Zealand, U.A.E., Puerto Rico

(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 overseas consolidated subsidiaries for the year ended March 31, 2010 is summarized as follows:

	(In millions of yen)
	For the year ended March 31, 2010
Overseas sales:	
North America	¥175,391
Europe	269,221
Asia	262,507
Oceania	152,798
Other	217,216
Total	¥1,077,136
Consolidated sales	¥1,445,616
	(%)
Overseas sales as a percentage of consolidated sales:	
North America	12.1
Europe	18.6
Asia	18.2
Oceania	10.6
Other	15.0
Total	74.5

(Note)

1. Countries and regions are classified by geographical proximity and mutual relevance of business activities.
2. Main countries and regions outside Japan are grouped as follows:
 - (1) North America The United States
 - (2) Europe The Netherlands, Italy, Germany, Russia, Ukraine
 - (3) Asia Thailand, Malaysia, Taiwan
 - (4) Oceania Australia, New Zealand
 - (5) Other U.A.E., Puerto Rico
3. Overseas sales are classified by the region of the wholesaler or end users. The figures consist of sales outside of Japan of MMC and its consolidated subsidiaries.

23. Related Party Transactions

MMC entered into the following transactions with related parties during the years ended March 31, 2011 and 2010:

Related Party Transactions

Transactions between MMC and the Related Parties

(a) Transaction with the parent or major shareholder (major corporate shareholder) of the reporting company (MMC)

March 31, 2011	
Party type:	Major shareholder
Party name:	Mitsubishi Corporation
Address:	Chiyoda-Ku, Tokyo, Japan
Capital:	¥203,598 million
Business:	Wholesale trading
% of voting stock held:	Direct 13.99 Indirect 0.00
Relationship with the Related Party:	Sales of products; import of materials for production; mutual directorships
Detail of transaction:	Sales
Transaction amount:	¥303,051 million (\$3,644,632 thousand)
Account title:	Accounts receivable
Balance at year end:	¥12,095 million (\$145,468 thousand)

(Note)

1. Consumption tax is excluded from transaction amount and included in the balance at year end.
2. Contract terms and the policy to determine the contract terms: Sales price of products is determined based on market price and overall cost.

Related Party Transactions

Transactions between MMC and the Related Parties

(a) Transaction with the parent or major shareholder (major corporate shareholder) of the reporting company (MMC)

March 31, 2010	
Party type:	Major shareholder
Party name:	Mitsubishi Corporation
Address:	Chiyoda-Ku, Tokyo, Japan
Capital:	¥203,228 million
Business:	Wholesale trading
% of voting stock held:	Direct 13.99 Indirect 0.00
Relationship with the Related Party:	Sales of products; import of materials for production; mutual directorships
Detail of transaction:	Sales
Transaction amount:	¥233,848 million
Account title:	Accounts receivable
Balance at year end:	¥15,910 million

(b) Transaction with the unconsolidated subsidiaries and affiliates of the reporting company (MMC)

March 31, 2010	
Party type:	Affiliate
Party name:	JATCO Ltd.
Address:	Fuji, Shizuoka, Japan
Capital:	¥29,935 million
Business:	Development, manufacture and sale of transmissions and automobile components
% of voting stock held:	Direct 15.04
Relationship with the Related Party:	Purchase of automobile components; mutual directorships
Detail of transaction:	Purchases
Transaction amount:	¥63,908 million
Account title:	Accounts payable
Balance at year end:	¥15,002 million

(Note)

1. Consumption tax is excluded from transaction amount and included in the balance at year end.
2. Contract terms and the policy to determine the contract terms: Sales price of products is determined based on market price and overall cost. Purchase price of automobile components is determined based on estimated cost, current component price, and market prices of each component.

Significant affiliates

Summary of financial information of the significant affiliates

JATCO Ltd. is considered as the significant affiliate for the year ended March 31, 2010, and a summary of its financial information for the same fiscal year is shown as below:

Total current assets	¥133,950 million
Total non-current assets	¥232,645 million
Total current liabilities	¥173,943 million
Total non-current liabilities	¥ 70,708 million
Total net assets	¥121,944 million
Sales	¥432,596 million
Income before taxes	¥ 19,313 million
Net income	¥ 12,840 million

24. Income and Equity per Share

Net income and equity per share of common stock for the years ended March 31, 2011 and 2010 are summarized as follows:

	(In yen)		(In U.S. dollars)
	March 31,		
	2011	2010	2011
Net income (loss) per share of common stock			
Basic	¥2.82	¥0.86	\$0.03
Diluted	1.66	0.51	0.02
Stockholders' equity per share of common stock	(35.90)	(38.54)	(0.43)

The computations of net income per share of common stock for the years ended March 31, 2011 and 2010 are as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2011	2010	2011
Numerator for basic net income (loss) per share of common stock:			
Net income (loss)	¥15,621	¥4,758	\$187,867
Income not available to common stockholders	—	—	—
Income available to common stockholders	¥15,621	¥4,758	\$187,867
Denominator for net income (loss) per share of common stock:			
Weighted average number of shares (in thousands)	5,537,867	5,537,858	
Number of dilutive potential common shares (in thousands)	3,880,647	3,880,647	
(Preferred stock)	(3,880,647)	(3,880,647)	
(Number of stock options exercised)	—	—	

25. Stock Option Plans

Due to expiration of stock option plans in June 30 2009, no note is provided for March 31, 2011.

Information regarding subscription, size and fluctuation of stock options as of March 31, 2010 is as follows:

(a) Subscription of stock options

	March 31, 2010
Date of approval by shareholders' meeting:	June 25, 2002
Grantees:	5 directors, 25 executive officers and 80 employees
Date of granted:	June 2, 2003
Class and number of shares granted:	Common stock 1,994,000
Condition of settlement of rights:	Limited to directors, executive officers, employees of the company or its subsidiaries at exercise date (except for those who no longer hold the above positions due to termination of terms, retirement, or other valid reasons)
Required service period:	No provisions
Exercise period:	From July 1, 2004 to June 30, 2009

(b) Size and fluctuation of stock options

Outstanding stock options during the year ended March 31, 2010 converted to numbers of shares are as follows:

	March 31, 2010
Non-vested (number of shares):	
Outstanding at the beginning of the year:	—
Granted during the year:	—
Forfeited during the year:	—
Vested during the year:	—
Outstanding at the end of the year:	—
Vested (number of shares):	
Outstanding at the beginning of the year:	966,000
Vested during the year:	—
Exercised during the year:	58,000
Forfeited during the year:	908,000
Outstanding at the end of the year:	—
Exercise price:	¥173
Weighted average market price at exercise date:	¥178
Fair evaluation price on grant date:	—

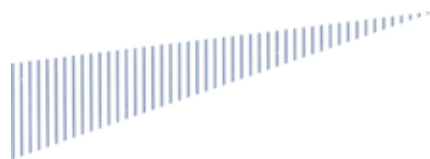
26. Business Combinations

No significant matters to disclose.

27. Subsequent Event

No significant matters to disclose.

Report of Independent Auditors



ERNST & YOUNG

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Report of Independent Auditors

The Board of Directors
Mitsubishi Motors Corporation

We have audited the accompanying consolidated balance sheets of Mitsubishi Motors Corporation and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Motors Corporation and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. 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 3.

Tokyo, Japan
June 22, 2011

Ernst & Young ShinNihon LLC

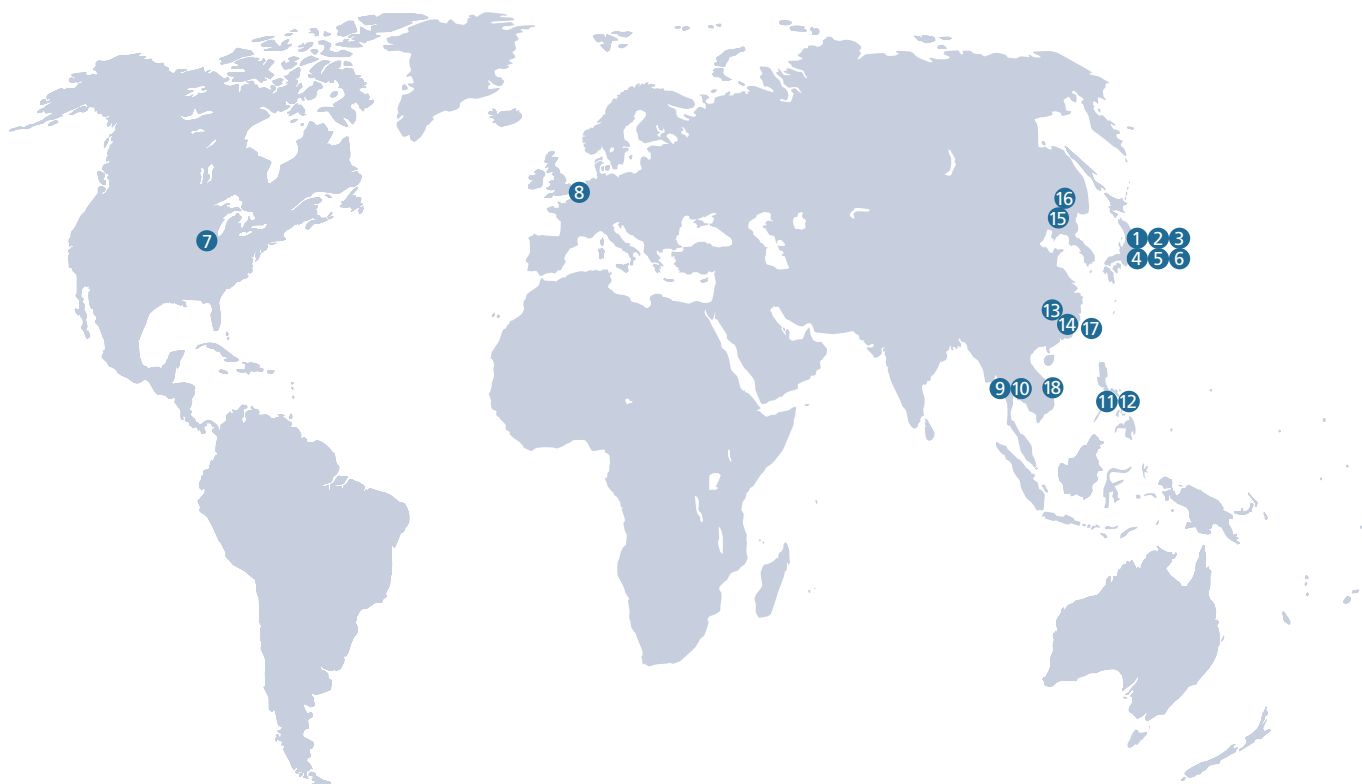
Consolidated Subsidiaries and Affiliates As of March 31, 2011

	Company	Incorporated in
Consolidated subsidiaries		
	Hokkaido Mitsubishi Motors Sales Co., Ltd.	Japan
	Higashi Nihon Mitsubishi Motors Sales Co., Ltd.	Japan
	Kanto Mitsubishi Motors Sales Co., Ltd.	Japan
	Niigata Mitsubishi Motors Sales Co., Ltd.	Japan
	Chubu Mitsubishi Motors Sales Co., Ltd.	Japan
	Nishi Nihon Mitsubishi Motors Sales Co., Ltd.	Japan
	Mitsubishi Motors Parts Sales Co., Ltd.	Japan
	Pajero Manufacturing Co., Ltd.	Japan
	Mitsubishi Automotive Accessories & Products Co., Ltd.	Japan
	Mitsubishi Automotive Logistics Technology Co., Ltd.	Japan
	Mitsubishi Automotive Engineering Co., Ltd.	Japan
	Suiryo Plastics Co., Ltd.	Japan
	Mitsubishi Motors North America, Inc. (MMNA)	U.S.A.
	Mitsubishi Motors R&D of America, Inc. (MRDA)	U.S.A.
	Mitsubishi Motor Sales of Canada, Inc. (MMSCAN)	Canada
	Mitsubishi Motors Credit of America, Inc. (MMCA)	U.S.A.
	Mitsubishi Motor Sales of Caribbean, Inc. (MMSC)	Puerto Rico
	Mitsubishi Motors Europe B.V. (MME)* ²	Netherlands
	Mitsubishi Motor R&D Europe GmbH (MRDE)	Germany
	Mitsubishi Motor Sales Netherlands B.V.	Netherlands
	Mitsubishi Motors Deutschland GmbH	Germany
	Mitsubishi Motors France S.A.S	France
	Mitsubishi Motors Belgium NV	Belgium
	MMC International Finance (Netherlands) B.V.	Netherlands
	Netherlands Car B.V. (NedCar)* ²	Netherlands
	Mitsubishi Motors Australia, Ltd. (MMAL)* ²	Australia
	Mitsubishi Motors New Zealand Ltd. (MMNZ)	New Zealand
	Mitsubishi Motors (Thailand) Co., Ltd. (MMTh)* ²	Thailand
	MMTh Engine Co., Ltd.	Thailand
	Mitsubishi Motors Philippines Corp. (MMPC)	Philippines
	Asian Transmission Corp. (ATC)	Philippines
	Mitsubishi Motors Middle East and Africa FZE	U.A.E.
	Note: MMC has 27 other subsidiaries outside Japan in addition to the above.	
Equity method affiliates		
	Muroran Mitsubishi Motors Sales Co., Ltd.	Japan
	Tokachi Mitsubishi Motors Sales Co., Ltd.	Japan
	Ibaraki Mitsubishi Motors Sales Co., Ltd.	Japan
	Meihoku Mitsubishi Motors Sales Co., Ltd.	Japan
	Mie Mitsubishi Motors Sales Co., Ltd.	Japan
	Kagawa Mitsubishi Motors Sales Co., Ltd.	Japan
	Miyazaki Mitsubishi Motors Sales Co., Ltd.	Japan
	Higashi Kanto MMC Parts Sales Co., Ltd.	Japan
	MMC Diamond Finance Corp.	Japan
	Mitsubishi Motors do Portugal S.A.	Portugal
	Vina Star Motors Corporation	Vietnam
	Note: MMC has 11 other affiliates outside Japan in addition to the above.	
Other associated company		
	Company	Incorporated in
	Mitsubishi Heavy Industries, Ltd.	Japan

* 1. Figures in parentheses represent indirect shares.
2. Specified subsidiaries.

Capitalization (In millions)	Business Lines	MMC Share of Voting Rights (%) ^{*1}
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 100	Automobile parts sales	100.0 (30.8)
JPY 610	Automobile and parts manufacture, sales	100.0
JPY 300	Sales of automobile accessories, air conditioners	100.0
JPY 436	Automobile inspection, maintenance, transport, storage and packaging	82.8
JPY 350	Design and testing of automobiles and parts	100.0
JPY 100	Manufacture, sales of automobile parts	100.0
USD 398.8	Automobile importing, manufacturing, sales	100.0
USD 2.0	Product development, design, testing, certification	100.0 (100.0)
USD 1.3	Automobile importing, sales	100.0 (100.0)
USD 260.0	Automobile financing, leasing	100.0 (100.0)
USD 47.5	Automobile importing, sales	100.0
EUR 1282.9	Importing, sales of parts	100.0
EUR 0.8	Product development, design, testing, certification	100.0 (100.0)
EUR 6.8	Automobile importing, sales	100.0 (100.0)
EUR 30.0	Automobile importing, sales	100.0 (100.0)
EUR 10.0	Automobile importing, sales	100.0 (100.0)
EUR 3.0	Automobile importing, sales	100.0 (100.0)
EUR 0.1	Procurement of funds, group company financing	100.0
EUR 250.0	Manufacturing, sales of automobiles and parts	100.0 (15.0)
AUD 1,789.9	Automobile importing, sales	100.0
NZD 48.0	Automobile importing, sales	100.0
THB 7,000.0	Automobile importing, assembly, sales	100.0
THB 20.0	Manufacturing of automobile engines	100.0 (100.0)
PHP 1,640.0	Automobile importing, assembly, sales	51.0
PHP 620.0	Manufacturing of automobile transmissions	94.7 (89.4)
UAD 10.0	Importing, sales of automobile parts	100.0
JPY 100	Automobile sales	29.0 (29.0)
JPY 60	Automobile sales	35.0
JPY 30	Automobile sales	40.0
JPY 70	Automobile sales	28.6
JPY 58	Automobile sales	24.8
JPY 50	Automobile sales	23.0
JPY 60	Automobile sales	38.8
JPY 100	Automobile parts sales	33.0 (10.0)
JPY 3,000	Auto sales financing, leasing, rentals	47.0
EUR 16.5	Automobile importing, sales	50.0 (50.0)
USD 16.0	Manufacture and marketing of automobiles and parts	25.0
Capitalization (In millions)	Business Lines	MMC Share of Voting Rights (%) ^{*1}
JPY 265,608	Shipbuilding & ocean systems development, power systems, machinery & steel structures, aerospace, general machinery and special vehicles and others	15.7 (0.5)

Principal Production Facilities



Country/Region	Name	Major Products
Japan	1. Nagoya Plant–Okazaki	Colt, Colt Plus, ASX (RVR)
	2. Mizushima Plant	i-MiEV, Outlander, Lancer (Galant Fortis), i, eK Wagon, Minicab
	3. Pajero Manufacturing Co., Ltd.	Pajero (Montero), Delica D:5
	4. Powertrain Plant–Kyoto	Engines
	5. Powertrain Plant–Shiga	Engines
	6. Powertrain Plant–Mizushima	Engines, transmissions
U.S.A.	7. Mitsubishi Motors North America, Inc. (MMNA)	Eclipse, Galant, Endeavor, Eclipse Spyder
Netherlands	8. Netherlands Car B.V. (NedCar)	Colt (European model), Outlander
Thailand	9. Mitsubishi Motors (Thailand) Co., Ltd. (MMTh)	Triton, Pajero Sport, Lancer
	10. MMTh Engine Co., Ltd. (MEC)	Engines
Philippines	11. Mitsubishi Motors Philippines Corporation (MMPC)	Adventure, L300 (Delica), Lancer
	12. Asian Transmission Corporation (ATC)	Transmissions
China	13. GAC Changfeng Motor Co., Ltd. (CFA)	Pajero
	14. South East (Fujian) Motor Co., Ltd. (SEM)	Galant, Lancer, Zinger, L300 (Delica)
	15. Shenyang Aerospace Mitsubishi Motors Engine Manufacturing, Co., Ltd. (SAME)	Engines
	16. Harbin Dongan Automotive Engine Manufacturing, Co., Ltd. (DAE)	Engines, transmissions
Taiwan	17. China Motor Corporation (CMC)	Colt Plus, Lancer Fortis, Outlander, Zinger
Vietnam	18. Vina Star Motors Corporation (VSM)	Zinger, Pajero Sport

Investor Information As of March 31, 2011

Company Name	MITSUBISHI MOTORS CORPORATION
Head Office	5-33-8, Shiba, Minato-ku, Tokyo 108-8410, Japan Telephone: +81-3-3456-1111
Established	April 22, 1970
Capital	¥657,355,059,926
Number of Employees	Consolidated: 30,709 Non-consolidated: 12,666
Stock Listings	Tokyo Stock Exchange
Securities Code	7211
Share Trading Unit	1,000 common shares; 1 preferred share
Number of Shares Outstanding	5,538,394,433
Number of Shareholders	

Type	Number of issued shares	Number of shareholders
COMMON SHARES	5,537,956,840	392,522
PREFERRED SHARES		
First Series Class A	73,000	4
Second Series Class A	25,000	7
Third Series Class A	1,000	1
First Series Class G	130,000	2
Second Series Class G	168,393	3
Third Series Class G	10,200	1
Fourth Series Class G	30,000	1

Major Shareholders (Common Shares)

Name	Number of shares held (thousands)	% of total
Mitsubishi Heavy Industries, Ltd.	839,966	15.16
Mitsubishi Corporation	774,835	13.99
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	269,024	4.85
Japan Trustee Services Bank, Ltd. (Trust account)	83,421	1.50
The Master Trust Bank of Japan, Ltd. (Trust account)	68,985	1.24
MLPFS Custody Account (Standing proxy: Merrill Lynch Japan Securities Co., Ltd.)	38,738	0.69
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo branch)	34,506	0.62
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	32,166	0.58
STATE STREET BANK WEST CLIENT-TREATY (Standing proxy: Mizuho Corporate Bank, Ltd. Custody & Proxy Dept.)	30,698	0.55
Japan Trustee Services Bank, Ltd. (Trust account 1)	30,406	0.54
Total	2,202,747	39.77

Transfer Agent and Register

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Printed in Japan