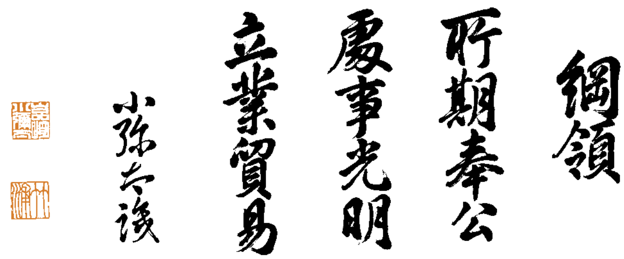
MITSUBISHI MOTORS CORPORATION

Annual Report 2007

Year ended March 31, 2007

MITSUBISHI MOTORS

Mitsubishi Group Philosophy—Three Corporate Principles



Corporate Responsibility to Society "Shoki Hoko"
Strive to enrich society, both materially and spiritually, while contributing towards the preservation of the global environment.

Integrity and Fairness "Shoji Komei"
Maintain principles of transparency and openness, conducting business with integrity and fairness.

International Understanding through Trade "Ritsugyo Boeki"
Expand business, based on an all-encompassing global perspective.

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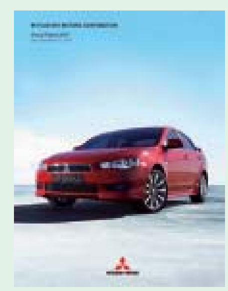


On the Cover
Launched first in the North American market in March 2007, the new *Lancer* is based on the product concept of creating a global sporty sedan that delivers high and well-balanced levels of safety, comfort and environmental performance. In August, this model made its debut in Japan as the *Galant Fortis*, and has been followed by successive roll-outs worldwide.

The new *Lancer* offers quality handling and response, as well as the kind of driving experience that defines the Mitsubishi Motors brand. Its balanced, sophisticated and sharp design immediately identifies it as a Mitsubishi Motors sedan and expresses a feeling of purposefulness and stability.

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 (MMC) 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.

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 earning the satisfaction of 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

Mitsubishi Motors will manufacture cars that deliver superior driving performance and superior levels of safety and durability to give peace of mind to those who use them, and to provide "utmost driving pleasure" and "reassuring safety" to customers.

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.

Consolidated Financial Summary

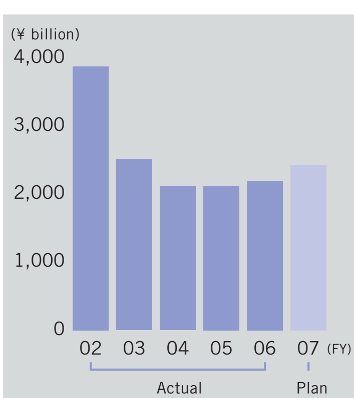
For the years ended March 31,

					In millions of yen	In thousands of U.S. dollars
	FY2002	FY2003	FY2004	FY2005	**FY2006**	**FY2006**
For the year:						
Net sales	¥3,884,874	¥2,519,449	¥2,122,626	¥2,120,068	**¥2,202,869**	**$18,660,475**
Operating income (loss)	82,761	(96,852)	(128,544)	6,783	**40,237**	**340,849**
Income (loss) before income taxes and minority interest	42,206	(77,173)	(460,906)	(82,745)	**23,104**	**195,714**
Net income (loss)	37,361	(215,424)	(474,785)	(92,166)	**8,745**	**74,081**
					In yen	In U.S. dollars
Per share data:						
Net income (loss) per share: Basic	¥25.35	¥(145.22)	¥(194.36)	¥(19.75)	**¥1.59**	**$0.01**
Diluted	23.43	–	–	–	**0.96**	**0.01**
Cash dividends	–	–	–	–	**–**	**–**

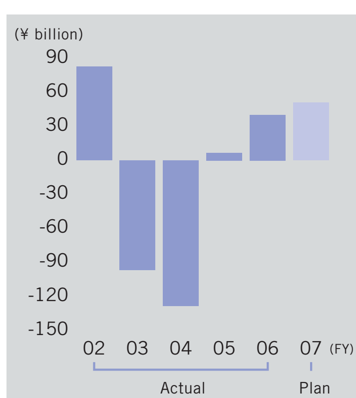
					In millions of yen	In thousands of U.S. dollars
At year-end:						
Total assets	¥2,425,352	¥2,029,035	¥1,589,286	¥1,557,570	**¥1,778,693**	**$15,067,288**
Total net assets	280,294	29,972	324,782	268,678	**308,304**	**2,611,640**

Notes: 1. U.S. dollar amounts in the accompanying consolidated financial statements are converted, solely for convenience, at a rate of ¥118.05=U.S.$1.00, the exchange rate prevailing on March 31, 2007.
2. In fiscal year 2002, due to a change of accounting period at consolidated overseas subsidiaries, with fiscal year-end date moving from December 31 to March 31, 15-month figures for overseas subsidiaries have been incorporated.
3. The assets and liabilities of truck and bus operations are not reflected in each account because these operations were spun off and subsequently became an equity-method affiliate of MMC on March 14, 2003. Furthermore, all remaining shares held by MMC had been transferred to other parties by the end of March 2005.

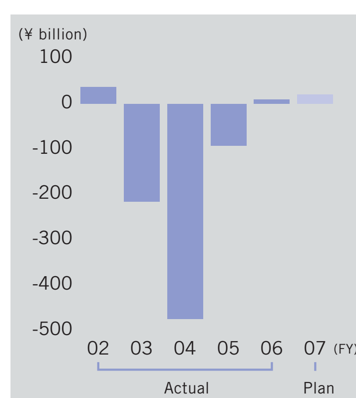
Net Sales



Operating Income (Loss)



Net Income (Loss)



Progress in the Mitsubishi Motors Revitalization Plan

Thousand units

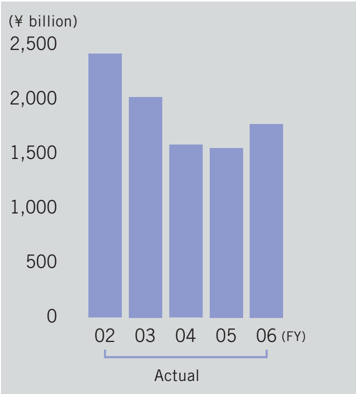
	FY2005 (Actual)	**FY2006 (Actual)**	FY2007 (Target)*1
Retail Sales	1,344	**1,230**	1,323
Japan	257	**247**	250
North America	156	**164**	176
Europe	267	**282**	316
Asia and Other Regions	664	**537**	581

In billions of yen

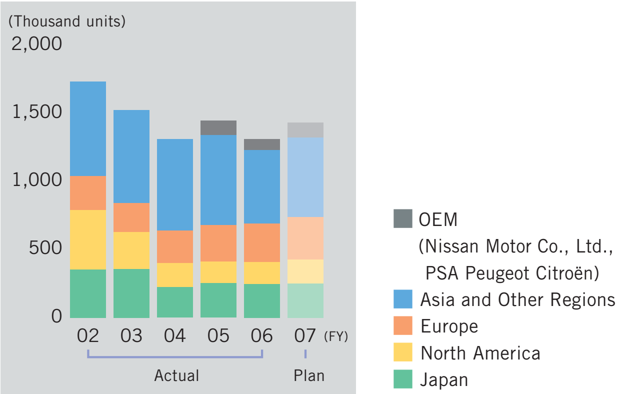
	FY2005 (Actual)	**FY2006 (Actual)**	FY2007 (Target)*1
Performance			
Net sales	¥2,120.1	**¥2,202.9**	¥2,430.0
Japan	504.1	**506.0**	580.0
North America	415.7	**423.6**	440.0
Europe	586.2	**662.8**	730.0
Asia and Other Regions	614.1	**610.5**	680.0
Operating income (loss)	6.8	**40.2**	51.0
Japan	(55.3)	**(43.8)**	(20.0)
North America	(7.2)	**0.6**	(14.0)
Europe	24.4	**42.6**	43.0
Asia and Other Regions	44.9	**40.8**	42.0
Net income (loss)	(92.2)	**8.7**	20.0
Balance Sheet			
Cash and bank deposits	259.0	**358.1**	–
Total assets	1,557.6	**1,778.7**	–
Interest-bearing debt	447.8	**503.8**	–
Total net assets*2	281.3	**308.3**	–
Cash Flow	(46.8)	**116.4**	
Cash flow from operating activities	54.4	**162.3**	–
Cash flow from investing activities	(84.8)	**(46.0)**	–
Cash flow from financing activities	(19.0)	**(11.3)**	–
Effect of exchange rate changes on cash and cash equivalents	2.6	**11.3**	–

*1 Fiscal year 2007 targets as per April 26, 2007 announcement.
*2 Following revision of the Corporate Law in Japan, effective from fiscal year 2006 the "Stockholders' Equity" section of the balance sheet has been replaced with "Net Assets" to more appropriately reflect a company's financial position, including its ability to satisfy its financial obligations. Under this revision, "Assets" and "Liabilities" on the balance sheet represent accounts with the characteristics of either assets or liabilities, respectively, while "Net Assets" represents all other items, i.e. the difference between the two. Figures as of March 31, 2006 have been adjusted to conform with the "Net Assets" presentation of the balance sheet.

Total Assets



Retail Sales



To Our Shareholders and Stakeholders

Under the three-year Mitsubishi Motors Revitalization Plan unveiled on January 28, 2005 and covering fiscal years 2005 to 2007, all corporate officers and employees of the MMC group have been working as one to regain customer trust and improve earnings.

We are delighted to report that MMC achieved its goal of restoring net profitability in fiscal year 2006, the plan's second year. Measures such as launching new models, strengthening sales capabilities, enhancing productivity, and cutting costs across the Company have been behind this improvement. In these and other ways, we are seeing MMC's revitalization gain stronger momentum by the day.

Takashi Nishioka
Chairman of the Board

Osamu Masuko
President

The main points of MMC's performance in fiscal year 2006 were as follows:

1. Net Profitability Restored

In fiscal year 2006, MMC reported worldwide sales volume of 1,230,000 vehicles, down 8.5% year on year. Despite this, net sales increased 3.9% to ¥2,202.9 billion, mainly underpinned by a better model mix and the favorable impact of a weaker yen. Helped partly by the benefits of improved profitability in North American sales financing operations and a concerted cost-cutting drive by all corporate officers and employees, MMC reported profitability at all levels. Operating income rose ¥33.4 billion year on year to ¥40.2 billion and net income improved ¥100.9 billion to ¥8.7 billion. This was the first time in four fiscal years that MMC has recorded a net profit.

2. High Capacity Utilization at Domestic Production Facilities

In December 2006, MMC transferred some production of the *Outlander* model from the Mizushima Plant to the Okazaki Plant in response to strong sales of this model. With this move, the Okazaki Plant resumed two-shift production for the first time in 32 months. In addition, two-shift production at consolidated subsidiary Pajero Manufacturing Co., Ltd. commenced in October 2006 following the launch of the new *Pajero* and *Delica D:5* models. All MMC domestic production facilities now have high capacity utilization, including the Mizushima Plant, where capacity utilization rates have remained high. This trend is expected to continue in fiscal year 2007.

3. Continued Creation of Attractive Automobiles

Under the Mitsubishi Motors Revitalization Plan, MMC has actively brought to market many global strategic vehicles, including the *Outlander*, *Triton (L200)*, *Pajero* and *Lancer* models.

Moreover, in the Japanese market, the *i* minicar has received some 20 prestigious awards. Notably, the *i*, which went on sale in January 2006, was named the RJC Car of the Year 2007. This model was also ranked as the most appealing mini-car model in Japan in the 2006 Japan Mini-Car Automotive Performance, Execution and Layout (APEAL) Study and took first place in a tie in the 2006 Japan Mini-Car Initial Quality Study (IQS); both on research by J.D. Power Asia Pacific, Inc. The *i* has thus garnered a strong market response.

Following the launch of the 4WD *Delica D:5* in January 2007 in Japan, MMC rolled out a 2WD version of this model in May. And August 2007 saw the launch of the *Galant Fortis* (*Lancer* in overseas markets), our first new sedan in seven years in Japan.

Starting with the all-new *Lancer Evolution* high-performance 4WD sedan, MMC will continue to create attractive automobiles that have the signature features of Mitsubishi-brand vehicles, as it works to enhance the image of the Mitsubishi Motors brand in markets around the world.

In fiscal year 2007, the final year of the Mitsubishi Motors Revitalization Plan, MMC will work to achieve the plan's goal of building solid profitability. To this end, while carefully monitoring changes in a challenging operating climate, we will work to ensure that we steadily enhance our operations. We are projecting worldwide sales volume of 1,323,000 vehicles in fiscal year 2007, an approximate 7% increase from fiscal year 2006, based on the roll-out of global strategic models in markets worldwide. We are working to continue expanding earnings by increasing retail sales and also by actively increasing OEM supply volumes. Furthermore, in the Japanese market, where overall demand remains weak, we are rebuilding our sales networks through such measures as consolidating sales companies over large areas and will implement profitability-focused sales strategies.

We will formulate our mid-term management plan during fiscal year 2007. The next plan is positioned as a stage for establishing a foundation for sustainable growth in the future. We have already begun considering goals for each business and various initiatives to achieve them. All corporate officers and employees will roll up their sleeves to put the finishing touches on the Mitsubishi Motors Revitalization Plan, so that we can move on to the next stage of growth with renewed confidence when announcing the next plan.

September 2007

Takashi Nishioka
Chairman of the Board

Osamu Masuko
President

Interview With President Osamu Masuko

Progress and Future Direction of the Mitsubishi Motors Revitalization Plan

Fiscal year 2006 marked the end of the second year of the Mitsubishi Motors Revitalization Plan announced in January 2005. In this section, President Masuko shares his perspective on the past two years at the helm of MMC and his ambitions for the future as MMC enters the final year of the plan.

Q1. First, please tell us about conditions in fiscal year 2006.

A. One significant accomplishment in fiscal year 2006 was to report profitability at all levels: operating income, ordinary income and net income. Achieving net profitability in the plan's second year was a major goal of the plan, so it's a satisfying outcome. But we must keep in mind that profitability in a single fiscal year is just a milestone. It is important to carefully examine this outcome and apply what we learn to future business activities. Fiscal year 2006 made us realize just how difficult it is to accurately anticipate market conditions.

MMC conducts business worldwide. We must therefore analyze changes that could affect the global economy and their impact on each of our markets. Based on this analysis, we must gauge the impact on our businesses and carefully consider our next strategy. For example, exchange rate movements and rising prices of crude oil and other resources are closely linked in a complex manner. The yen's depreciation worked in favor of our sales. However, the weaker yen led to higher raw materials prices, and drove up costs substantially. We have seen a particularly strong surge in prices of the non-ferrous metals essential to the production of automobile components, such as copper, aluminum, and lead, not to mention steel. Because these materials are mostly imported into Japan, the weaker yen further inflated materials costs.

Looking at sales by region, there were both positives and negatives. We need to pursue policies that fit market characteristics and the condition of our business in each market. In markets that include many resource-rich countries and regions, such as Russia, the Ukraine, Central and Eastern Europe, the Middle East and Latin America, demand for automobiles was much greater than expected. In addition, sales bottomed out in fiscal year 2006 in the North American market, where we have been trying to normalize sales, and we are seeing signs of recovery in our operations in this region. On the other hand, growth in China and the ASEAN markets does not promise to be as large as we first expected when we formulated the Mitsubishi Motors Revitalization Plan. However, we will move forward in these regions through sales initiatives that put the strong reputation of the Mitsubishi Motors brand front and center. One remaining issue is the Japanese market. Japan's mature market no longer offers any prospects for expansion. We are therefore shifting the emphasis of our management policy from unit sales to profitability, as we continue to monitor conditions carefully.

Q2. What have you achieved over the past two years under the Mitsubishi Motors Revitalization Plan?

A. One success has been the development of new models on schedule and the rollout of attractive new models in line with the Mitsubishi Motors Revitalization Plan. Particularly noteworthy were the *Outlander* and *i* models, which have won high marks. We have clearly seen MMC win the support of numerous customers, and this has greatly encouraged MMC employees. Furthermore, the new *Lancer* model, which was launched first in North America in March 2007, has made a strong start. I have high hopes for this model to fuel our comeback in the North American market. Another achievement of the plan has been the success of so-called global strategic models, including not only the models I just mentioned, but also the new *Pajero* and *Triton (L200)*, which is produced in Thailand and exported to more than 140 countries, including European nations.

The change in the mindset of employees has been just as significant. MMC employees faced extremely painful and trying circumstances during the recall scandal of 2004. Today this experience motivates all employees to work with a shared sense of tension and urgency. I have seen significant progress over the past two years particularly in our focus on built-in quality, increasing response speeds on product issues and enhancing service from the customer's perspective. However, winning back customer confidence is an ongoing process. I feel that we still need to more properly identify customer needs and reflect them in products and the development aspects of our operations.

As a senior executive, I believe it is crucial to continuously build on the first two years of the Revitalization Plan. The auto industry is fiercely competitive, and management must constantly share a strong sense of urgency with employees as we continue to tackle challenges.

Q3. Conversely, what issues still remain?

A. For starters, I feel that we have yet to fully rationalize some aspects of our business operations, although we have generally made significant progress on this front under the plan. Overcapacity in production on a company-wide level is one issue.

However, I believe the decision to continue production at the Okazaki Plant, where we had planned to stop production, was correct, although this decision will not in itself reduce overcapacity in production. By transferring part of *Outlander* production from the Mizushima Plant to the Okazaki Plant, we were able to flexibly respond to a potential production shortfall in domestically produced vehicles relative to demand. The Okazaki Plant now has higher capacity utilization as an *Outlander* production facility. Similarly, higher capacity utilization was achieved at Pajero Manufacturing Co., Ltd., in response to strong sales of the newly launched *Pajero* and *Delica D:5* models. Also, I'm pleased to see that overall capacity utilization rates remain high at the Mizushima Plant, where capacity utilization has always been high, and at our plant in Thailand, which is responsible for *Triton (L200)* production.

However, the Illinois Plant in the U.S. still remains in one-shift production, despite having begun exports of the *Galant* model. Capacity utilization remains low at Netherlands Car B.V. (NedCar) in Europe following the termination of *smart forfour* production in June 2006, and at our plant in Australia. In regards to these production facilities, I want to further optimize our global production network in the next mid-term management plan.

Improving operations in the Japanese market is another pressing issue. We have been trying to do so in many ways over the past two years. However, the market has a high level of saturation and is experiencing slower growth in overall demand. Japan's aging society with fewer births is partly responsible. I also believe that the younger generations' waning interest in automobiles is another significant factor. Against this backdrop, as the overall domestic market continues to contract in year-on-year terms, I don't believe it will be easy to enhance business prospects by merely pursuing our existing strategy of improving market share through attractive products and services. It is imperative for us to pursue a strategy that assumes further contraction in demand. For example, we must further reorganize and rebuild our sales and distribution networks so that they match the size of the market. So far in fiscal year 2007 we have rebuilt our sales networks. By July 2007, MMC had integrated its 29 consolidated sales companies nationwide into five companies. In regards to its auto-parts sales network, MMC also integrated its nine auto-parts sales companies into three companies. Through these measures, MMC has simultaneously reinforced sales capabilities and fundamentally revamped its business structure. In conjunction with rebuilding its sales network, MMC plans to carry out a dealership renovation and relocation program. We also plan to increase the number of mega-dealers with more floor space in order to attract customers spread out over larger areas.

Furthermore, in Japan, we adopted a sales policy of emphasizing profitability over unit volume. Based on this policy, in fiscal year 2007, we aim to improve profitability by enhancing the ratio of new registered vehicles*[1] to total retail sales through the launch of new models. These include the *Delica D:5* model and the all-new sedans *Galant Fortis**[2] and *Lancer Evolution X*.

*[1] Models other than minicars
*[2] Export model name: *Lancer*, *Lancer EX*

Lancer Evolution X

Q4. What are your future growth strategies for overseas markets?

A. We will continue to actively expand business in markets where we can demonstrate MMC's strengths.

MMC currently enjoys extremely strong sales in growing markets, mainly Russia and the Ukraine. Other markets with strong sales are Central and Eastern Europe, the Middle East and Brazil. These markets will collectively drive global economic growth, and are projected to continue to grow for some time yet. We therefore intend to focus on increasing sales further in each market.

I believe that one major asset of MMC is its steadily expanding retail sales in Russia and the Ukraine, underpinned by a strong reputation in each market testified by the fact that its products have received Car of the Year*3 and other awards. Efforts in these markets will remain focused on deepening ties with local partners and actively rolling out mainstay models such as the *Outlander* and the new *Lancer*.

In China, our three priority businesses are local production, imports of finished vehicles from Japan, and engine production. Efforts are also focused on stepping up the adoption of locally produced, Mitsubishi Motors-brand vehicles, mainly by increasing investments in local companies. In addition to *Pajero* production at Hunan Changfeng Motor Co., Ltd. (CFA), full-scale production of Mitsubishi-brand vehicles including *Galant* began at South East (Fujian) Motor Co., Ltd. (SEM).

In India, MMC has so far developed business mainly through the local production of Mitsubishi vehicles by local partners. Going forward, we will actively roll out finished vehicles from Japan and Thailand as a means of augmenting our model lineup. In June 2007, we launched the new *Montero (Pajero)* in India. We aim to have the *Outlander* and other core models successively follow suit.

In Brazil, there is growing demand for flex-fuel vehicles (FFVs) that run on gasoline, ethanol or various combinations of these fuels. In July 2007, the locally produced *Pajero TR4 Flex FFV* went on sale. This model became Brazil's first true 4WD FFV.

*3 The *Lancer* model received the Car of the Year Award for 2006 (C Segment; compact car) in Russia for the second straight year, winning in a popular vote held by five well-known magazines in Russia. In the Ukraine, the *Colt CZ3* won the Car of the Year Award for 2006 (best small car segment) in a vote held by several of the country's automobile magazines.

Lancer has won Car of the Year in Russia for two years running

Colt CZ3

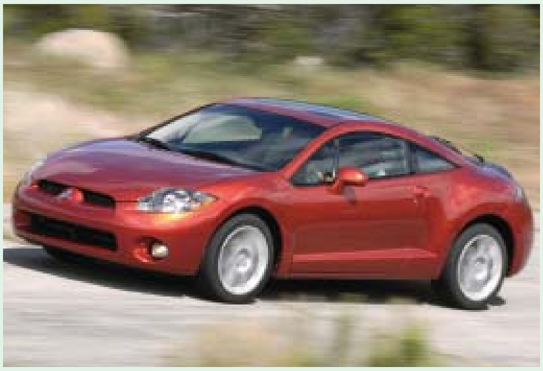
Q5. So you don't expect much growth outside these growing markets then?

A. Mature markets do not promise the same large growth as the BRIC*4 countries and other newly industrializing countries. However, there is much that we should—and must—do to open up more business opportunities in mature markets. For example, in Western Europe, MMC has been supplying SUVs to PSA Peugeot Citroën since May 2007. The projected supply of 30,000 vehicles in the first fiscal year is expected to make a large earnings contribution.

In the U.S., total automobile demand has been declining year on year. Restoring sales growth in the world's largest auto market has been a priority for MMC. In this challenging environment, we believe that our U.S. retail sales finally bottomed out in fiscal year 2006, having increased for the first time in five fiscal years during the past fiscal year. Measures to normalize fleet sales and reduce large sales incentives are beginning to produce results. Furthermore, favorable sales in the U.S. have been fueled by efforts to rebuild trust with dealerships, implement efficient marketing activities, and conduct steady advertising campaigns, not to mention strong sales of the new *Lancer* model. With the new *Outlander* and *Lancer* models also performing well in Canada, MMC's overall performance is improving in North America. Our remaining priorities in the U.S. are to grow retail sales of locally produced vehicles and boost the productivity of local production facilities. Of the vehicles produced at the Illinois Plant, the sporty *Eclipse* coupe has been selling well, but sales of the mainstay *Galant* and *Endeavor* models have been less than satisfactory. Going forward, we hope to regain momentum by launching special editions of locally produced vehicles.

*4 Four countries (Brazil, Russia, India and China) experiencing rapid economic development.

Lancer (North American specification)



Eclipse

Q6. Developing products that respond to global environmental issues is seen as a precondition for survival in the automobile industry. What actions is MMC taking on this front?

A. Our top priority is to press ahead with the development of the MiEV (Mitsubishi innovative Electric Vehicle). This next-generation electric vehicle is the embodiment of the ultimate eco-friendly vehicle—one that emits no CO_2 whatsoever while in use. Driving tests of the *i MiEV* research vehicle, which is based on the *i* minicar, are already under way following delivery of this vehicle to several domestic electric power companies. Meanwhile, we are also carrying out joint research into rapid recharging systems and in other fields. Furthermore, MMC has decided to join forces with Mitsubishi Corporation and GS Yuasa Corporation, which is strong in large lithium-ion batteries, to establish a three-way joint venture to manufacture lithium-ion batteries for use in electric vehicles. Steady progress is being made toward our goal of bringing the *i MiEV* model to the Japanese market by 2010. We also plan to roll out this vehicle in target markets worldwide. In doing so, I'm confident that we can contribute to society with our technology and products.

Turning to engines, MMC and Mitsubishi Heavy Industries, Ltd. are jointly developing 2-liter class next-generation diesel engines. Plans call for bringing forward mass production by one year to the start of 2009 in order to successively launch these engines in various markets beginning with Europe, where there is strong demand.

With regard to the aforementioned FFV launched in Brazil, we are accelerating development activities with the aim of putting an FFV on the U.S. market by the end of 2009.

i MiEV

Handover ceremony for the i MiEV research vehicle to TEPCO

Press conference announcing joint venture with GS Yuasa Corporation and Mitsubishi Corporation

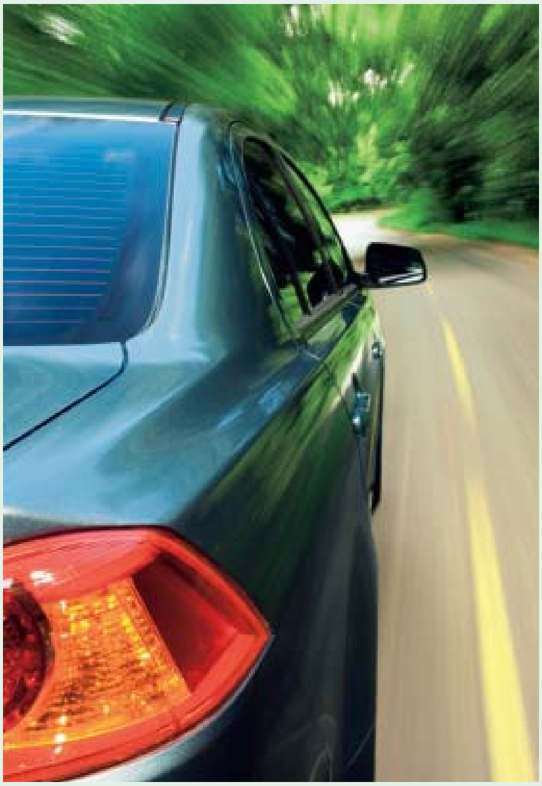
Q7. What is your vision for MMC after the Mitsubishi Motors Revitalization Plan?

A. First, I want to continue to implement management reforms on an expanded scale. We must pursue continuous structural reforms as we respond one by one to the issues we couldn't address during the Revitalization Plan. Other issues, such as improving quality, strengthening compliance and dealing with environmental issues, are perennial themes. At the same time, we must have the flexibility to respond properly to ever-changing market requirements in each country.

On the other hand, I believe our mid-term management plan will start from a stronger base than before. Looking back, the Mitsubishi Motors Revitalization Plan was formulated at a time when the company faced extremely dire circumstances. In this sense, the plan was premised on limited funds and other constraints on management resources. Moreover, because our priority was to resolve quality and other urgent issues, it was difficult to plan from a broader, longer-term perspective. By achieving the final-year targets of the Mitsubishi Motors Revitalization Plan, we hope to formulate a new plan that envisions sustained growth underpinned by the strong foundation we have built over the past three years.

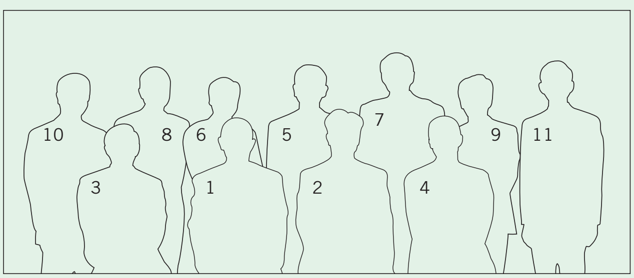
Looking at the global auto industry, MMC does not have an advantage in terms of size. For a company of our size to prevail in this fiercely competitive industry, it is crucial for us to provide high levels of quality and customer satisfaction through distinctive technologies and products. I'm convinced that MMC has the strengths to succeed as a global automaker, based on its proven technological capabilities, excellent personnel and more. We currently do not have any equity-based alliances in mind, but we intend to actively form "win-win" alliances on the level of individual projects.

What we need now is a stronger determination to prevail against the competition in markets around the world. I want to see MMC become an automaker that provides the utmost driving pleasure and safety for our valued customers and builds environmentally friendly automobiles at the world's highest levels.



Top Management

(As of June 30, 2007)



1. **Takashi Nishioka**
   Chairman of the Board

2. **Osamu Masuko**
   President
   Chief Business Ethics Officer

3. **Heki Kasugai**
   Executive Vice President
   In Charge of Corporate Planning, Product Strategy, Environment Affairs & Corporate Affairs Group Headquarters

4. **Hiizu Ichikawa**
   Managing Director
   In Charge of Finance Group Headquarters

5. **Fujio Cho**
   Managing Director
   In Charge of Domestic Sales Promotion Group Headquarters

6. **Makoto Maeda**
   Managing Director
   In Charge of Production Group Headquarters

7. **Norio Aoki**
   Managing Director
   In Charge of Procurement Group Headquarters

8. **Hiroshi Harunari**
   Managing Director
   President & CEO–Mitsubishi Motors North America, Inc.

9. **Tetsuro Aikawa**
   Managing Director
   In Charge of Product Development Group Headquarters

10. **Mitsuo Hashimoto**
    Managing Director
    In Charge of Quality Affairs & Technical Aftersales Service Group Headquarters

11. **Kazuyuki Kikuchi**
    Managing Director
    In Charge of Overseas Operations Group Headquarters
    Corporate General Manager of Oceania, Latin America, Middle East and Africa Office

Progress in the First Two Years of the Mitsubishi Motors Revitalization Plan

Under the Mitsubishi Motors Revitalization Plan, the company aims to rapidly revitalize its business based on two priorities: restoring trust and improving earnings. The company has steadily implemented each of the plan's initiatives, and is pleased to report that it restored net profitability as planned in fiscal year 2006, the second year of the plan. This is the outcome of a concerted effort by all corporate officers and employees of the MMC Group to restore trust in Mitsubishi Motors from a customer-first perspective and improve all aspects of the business, from development to production and sales.

MMC's specific achievements over the past two years were as follows:

Outlander (North American specification)

Global Model Roll-outs Based on New-generation Platform

MMC has been introducing global models based on a common new-generation platform in various markets. The first roll-out was of the *Outlander* in Japan in fiscal year 2005, followed in fiscal year 2006 by models for North America, Australia, Europe, and China. MMC began supplying new SUV models based on the *Outlander* to PSA Peugeot Citroën in fiscal year 2007 as scheduled.

In March 2007, MMC launched a new sedan* that shares the same platform as the *Outlander* first in North America. The company plans to follow up with roll-outs in Europe, Japan, and other regions.

In addition, there are two other models based on the same platform: the *Delica D:5*, which went on sale in Japan in January 2007, and the *Lancer Evolution*, a new-generation high-performance 4WD sedan to be launched in Japan from fall 2007.

*Sold as the *Lancer* overseas and *Galant Fortis* in Japan

High Capacity Utilization Rates at Domestic Production Facilities

In December 2006, MMC transferred part of *Outlander* production at the Mizushima Plant to the Okazaki Plant. Since April 2004, the Okazaki Plant had been carrying out one-shift production, and at one point, we had decided to stop mass production there. However, with the start of *Outlander* production, the Okazaki Plant moved to two-shift production for the first time in 32 months, becoming once again a major production base for MMC. Furthermore, at consolidated subsidiary Pajero Manufacturing Co., Ltd. two-shift production began in October 2006 following the start of production of the new *Pajero* and *Delica D:5* models. Likewise, capacity utilization remains high at the Mizushima Plant following the start of production of the new *Lancer* model. Currently, all domestic production facilities have high overall capacity utilization rates, and this high capacity utilization is expected to continue in fiscal year 2007.

Production line at Mizushima Plant

Launch of “*i*” Minicar

Launched in January 2006 in Japan, the new *i* minicar has received wide acclaim from all quarters of the market. The minicar’s success has greatly accelerated our pace of recovery.

By employing a rear midship layout, where the engine is mounted toward the rear of the vehicle, MMC was able to achieve three major breakthroughs in this minicar: combining innovative design and comfortable interior space; all-directional impact safety; and combining agile handling and a quality ride. These features have won the *i* multiple awards since its launch. The *i* also ranked highest in appeal to minicar owners in Japan and tied for first place in mini-car initial quality in Japan in studies conducted by J.D. Power Asia Pacific, Inc., an international organization specializing in customer satisfaction studies.*

*Source: J.D. Power Asia Pacific 2006 Japan Mini-Car Initial Quality Study[SM] and J.D. Power Asia Pacific 2006 Japan Mini-Car Automotive Performance, Execution and Layout Study[SM]. Studies based on a total of 3,164 responses from owners of new passenger mini-cars whose ownership is from the first two to seven months. Initial quality is measured based on problems experienced by owners, and owner satisfaction is measured about their vehicle’s performance and design. www.jdpower.co.jp

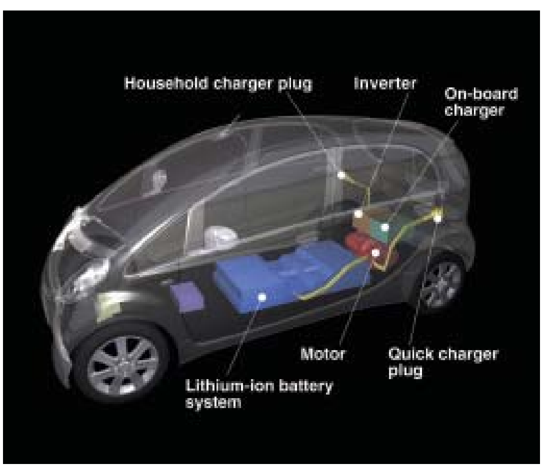
CAR OF THE YEAR 2007

CAR OF THE YEAR JAPAN 2006-2007
“Most Advanced Technology” Special Achievement Award

Good Design Grand Prize 2006

2006 Most Appealing Mini-Car*

2006 Best Mini-Car in Initial Quality in a Tie*



i MiEV layout

Progress With New-generation Electric Vehicle Development

MMC is pressing forward with the development of the Mitsubishi innovative Electric Vehicle (*MiEV*), with the aim of bringing this new-generation electric vehicle to market by 2010. As part of the development process, the company has produced the *i* MiEV research vehicle. Based on the *i* minicar, this research vehicle is fitted with high-performance lithium-ion batteries and a compact and lightweight motor. Since November 2006, the company has been conducting joint research with electric power companies. Tokyo Electric Power Co., Ltd. and Kyushu Electric Power Co., Ltd. each received one research vehicle in March 2007; Chugoku Electric Power Co., Ltd. also received one in June 2007. MMC is now testing performance under actual driving conditions and conducting fleet monitoring to verify the marketability of the vehicle.

Promoting Our OEM Strategy

MMC is actively pursuing an OEM strategy to diversify its earnings streams and to make more effective use of its production facilities. In 2003, MMC began producing the *Minicab*, a commercial minicar, for Nissan Motor Co., Ltd., and added the *eK Wagon*, another minicar, in 2005. The company also signed an agreement with Nissan Motors in April 2007 to expand the range of models that MMC would supply on an OEM basis.

Starting in fiscal year 2007, MMC has been producing new SUV models for PSA Peugeot Citroën. Total shipments of approximately 30,000 units are planned for this fiscal year. Based on our strong collaborative framework with PSA Peugeot Citroën, we already have an agreement to source PSA Peugeot Citroën diesel engines for use in our SUV models.

eK Wagon

Product Development

Accelerating Expansion of Global Models

Under the Mitsubishi Motors Revitalization Plan, MMC is expanding sales of global models based on a common new-generation platform. The first such model, the *Outlander*, has been highly popular in various markets around the world. It was launched in Japan in fiscal year 2005, followed in fiscal year 2006 by accelerated initiatives to expand sales globally through roll-outs in North America, Europe, Australia, and China. In fiscal year 2007, the Company began production of a new SUV based on the *Outlander* for PSA Peugeot Citroën. This move is geared to promoting the global development of the *Outlander* model without relying only on expanding sales regions. The Company expects to supply approximately 30,000 units of this new SUV to PSA Peugeot Citroën in fiscal year 2007.

In March 2007, the new *Lancer* sedan, which shares the same platform as the *Outlander*, went on sale first in North America. After the launch of this model in Japan in August as the *Galant Fortis**, plans call for the launch of this model in Europe and other regions in fiscal year 2007. In addition, there are two other models based on the *Outlander* platform: the *Delica D:5*, which is the latest model in the *Delica* series and went on sale in Japan in January 2007, and the *Lancer Evolution* new-generation high-performance 4WD sedan to be launched in Japan in the fall of 2007.

* Sold as *Lancer* in overseas markets

Progress With Environmentally Friendly Technology

One of MMC's top product development priorities is to develop environmentally friendly technologies so that people can live in harmony with nature and leave a healthy natural environment for future generations.

Fuel-efficient, new-generation clean diesel engines are seen as a promising means of mitigating global warming. Joint development of these engines by MMC and Mitsubishi Heavy Industries, Ltd. is already under way. Plans call for bringing these engines to market one year earlier than scheduled in 2009. Beginning in Europe, where demand for clean diesel engines is growing, we will successively launch these engines in other markets.

Global expansion of new-generation platforms

* *Lancer* in overseas markets

MMC is also developing flex-fuel vehicles (FFVs) in response to the use of increasingly diverse fuels worldwide. In July 2007, MMC rolled out an FFV in Brazil that runs on gasoline, ethanol or any combination of the two. Development of an FFV for the U.S. market is also under way, with the aim of a roll-out within fiscal year 2009. In the future, MMC also plans to successively introduce FFVs in other markets where there is strong demand.

By 2010, MMC also plans to roll out the Mitsubishi innovative Electric Vehicle (*MiEV*). This new-generation electric vehicle is the ultimate eco-friendly vehicle—one that emits no CO_2 emissions whatsoever while in use. MMC developed the *i MiEV* research vehicle based on the *i* minicar, a model highly popular for its unique design, and began joint research into this vehicle with Japanese electric power companies in November 2006. Based on the use of these vehicles by electric power companies, MMC is gathering and analyzing driving data, verifying compatibility with rapid recharging infrastructure, and conducting other research aimed at promoting future uptake of electric vehicles.

In May 2007, MMC began concrete discussions with GS Yuasa Corporation and Mitsubishi Corporation on establishing a joint venture to manufacture large capacity and high performance lithium-ion batteries that can be used in electric vehicles. The partners aim to establish the joint venture within 2007.

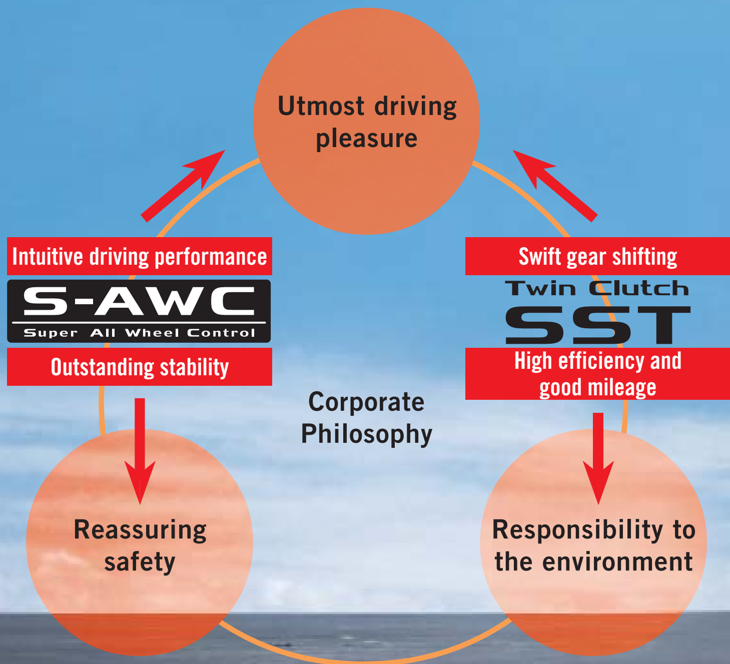
i MiEV (Joint research vehicle with various electric power companies)

The Pajero TR4 Flex, a flex-fuel vehicle (FFV), launched in Brazil

Technology Development

New Vehicle Dynamics Control Technologies S-AWC and Twin Clutch SST

The Ultimate Vehicle Dynamics Control Technologies That Realize Our Corporate Philosophy



In line with its corporate philosophy, MMC is pursuing priority R&D activities reflecting the three aspects of the company's vehicle strategy: utmost driving pleasure, reassuring safety, and responsibility to the environment.

True to this philosophy, MMC has developed many distinctive automobiles, including the *Outlander* SUV, which offers sporty driving performance embodying driving pleasure and safety; the *Pajero* epitomizes safety; and the *Delica D:5* incorporates SUV functionality into a minivan and ensures safety. In terms of responsibility to the environment, MMC is currently developing clean diesel engines and the *i MiEV* electric vehicle, while launching a flex-fuel vehicle (FFV) based on the *Pajero iO* in Brazil that can run on any mixture of ethanol and gasoline.

S-AWC
Super All Wheel Control

Realizing intuitive handling and outstanding stability by reflecting driver intentions in real time; reading and maximizing drive torque and braking force at each wheel using an electronic control system

Features

- Integration of ACD, AYC, Sport ABS and active stability control (ASC) based on an 4WD system to maximize drive torque and braking force at each wheel.
- Sensors detect steering angle, braking pressure, fore, aft, and lateral acceleration, yaw rate and other factors to precisely grasp driver intentions and driving conditions.

Against this backdrop, MMC unveiled two new technologies in July 2007. The first is Super All Wheel Control (S-AWC), one of the world's first integrated vehicle dynamics control technologies to control drive torque at each wheel. S-AWC was developed to allow drivers to safely and intuitively control their vehicles in any weather or road condition. S-AWC realizes both driving pleasure and safety at the highest levels.

The second is Twin Clutch Sports Shift Transmission (TC-SST) technology. This enables an ideal, highly efficient automated manual transmission that uses two clutches and hydraulic controls to smoothly and swiftly shift gears while boosting mileage. Enshrined in TC-SST are two of MMC's goals: driving pleasure and responsibility to the environment.

TC-SST will feature in the *Lancer Evolution*, new-generation high-performance 4WD sedan due to be launched from the fall of 2007. Plans call for widely promoting TC-SST as a key environmentally friendly technology in combination with clean diesel engines.

Lancer Evolution

Twin Clutch SST

Combining the economy and enjoyment of a manual transmission with the easy driving characteristics of an automatic transmission

Features

- TC-SST lets drivers shift gears without using a clutch pedal.
- Enables swift and smooth gear shifting through the adoption of a double wet-clutch mechanism.
- Returns better fuel mileage than an automatic transmission by realizing power transmission efficiencies on par with ordinary manual transmissions.

Regional Topics

Japan

In the Mitsubishi Motors Revitalization Plan, the company positions Japan as one of its most important markets. Ongoing efforts are being made to restore and strengthen the Mitsubishi Motors brand. These include rolling out attractive new models, increasing sales volume by reinforcing the sales capabilities of distributors and providing high-quality services, and actively conducting sales promotions.

Overview of Fiscal Year 2006

Retail sales in the Japanese market totaled 247,000 units in fiscal year 2006, decreasing 3.9% year on year. In a challenging domestic climate where automobile demand fell 4.3% from the previous fiscal year, MMC steadily improved its performance, delivering higher year-on-year sales in Japan for 19 consecutive months through November 2006. Supporting this performance was the launch of the new *eK* series in September 2006 and the new *Pajero* model the following month. However, due to increasingly challenging market conditions in Japan, total sales for the full fiscal year were largely on par with the drop in total domestic automobile demand. Despite these circumstances, the *Delica D:5* model launched in January 2007 made a strong start, posting cumulative sales of 9,188 units through March 31, 2007, nearly double the targeted sales for the same period.

As a result, Japanese sales in fiscal year 2006 rose 0.4% year on year to ¥506.0 billion. However, while there was an improvement of ¥11.5 billion from the previous fiscal year, an operating loss of ¥43.8 billion was recorded.

Initiatives in Fiscal Year 2007

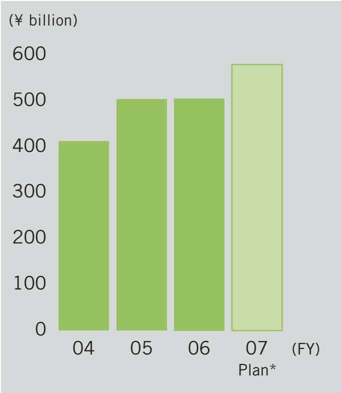
In fiscal year 2007, MMC is targeting Japanese retail sales of 250,000 units. This target is based on the launch of two new sedan models and special editions of current models. The sales volume target is only slightly higher than the previous fiscal year. Amid increasingly challenging market conditions, this reflects a large shift in our sales policy from increasing sales volume to an emphasis on profitability. The FY2007 policy has three priorities: increase profits from new vehicles by enhancing the ratio of registered vehicles to total sales; accelerate the rebuilding of our sales network; and reinforce after-sales services.

•Sales Strategies Focused on Profitability

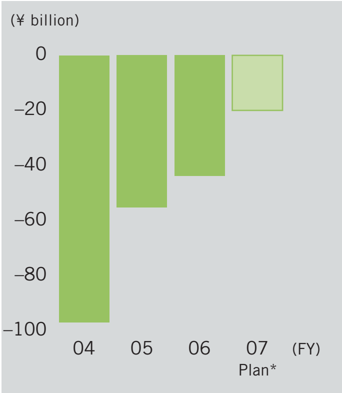
In fiscal year 2007, MMC will launch two new sedan models: the *Galant Fortis* and *Lancer Evolution X*. We will actively approach customers currently driving Mitsubishi-brand sedans, as we continue to conduct the *Mitsubishi Mitekara Campaign*. Linked with the MMC corporate Web site, this campaign is designed to win over a broader range of customers. Through these and other initiatives, we aim to encourage more customers to visit MMC dealerships.

In the run-up to the launch of these new sedans, MMC rolled out two new special editions of the popular 4WD *Delica D:5* model in May 2007. These were the 2WD *C2*, and the *ROADEST* version featuring an aero body kit. Our goal is to make the *Delica D:5* a long-selling model along with the *Pajero* and *Outlander* in the SUV category, where MMC is strong. This move reinforces our lineup of registered vehicles in both the SUV and sedan categories as we work to increase the ratio of registered vehicles in our total sales volume in Japan.

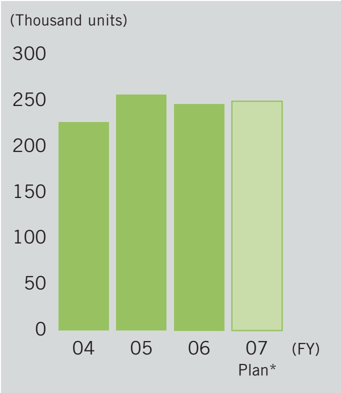
Net Sales



Operating Loss



Retail Sales



*MMC revised targets for fiscal year 2007 when it released fiscal year 2006 full-year financial results on April 26, 2007.

Furthermore, we will also deepen work on our program to strengthen sales capabilities at sales companies, and enhance customer satisfaction.

This program provides a training regimen for enhancing the sales capabilities of dealerships, consisting of six main categories: new cars, pre-owned cars, services, insurance, management, and customer databases. MMC will build a value chain focused on customer relationship management by enhancing the quality and volume of sales activities through these and other meticulous training programs.

MMC ranked second among Japanese automakers and fourth overall in the 2006 Japan Sales Satisfaction Index (SSI)*1 Study conducted by J.D. Power Asia Pacific, Inc., its highest ranking ever. Furthermore, MMC advanced to tie for first place among Japanese automakers and was equal second overall in the 2006 Japan Customer Service Index (CSI)*2 Study. In fiscal year 2007, we will continue to aim for the highest level of customer satisfaction in the auto industry.

*1 Study measures satisfaction with the dealership at the time of a new vehicle purchase among customers who are one to six months into the ownership period.
*2 Study measures customers' evaluations of their dealer service experience during the first 13 to 18 months of a new vehicle ownership.

• Accelerating Efforts to Rebuild the Sales Network

For MMC, fiscal year 2007 is the year for laying the foundation for restoring profitability in its operations in Japan as quickly as possible. Our priority is to rebuild our sales network so that we can be profitable even with sales of only 250,000 units. By July 2007, MMC had combined its 29 consolidated sales companies*1 into 5 companies covering broader areas. By grouping sales companies into five areas throughout Japan: (1) Hokkaido, (2) Tohoku and Northern Kanto, (3) Tokyo and Koshinetsu, (4) Chubu, and (5) Kinki, Chugoku, Shikoku and Kyushu; we will streamline management, expedite decision-making and reinforce sales capabilities.

Similarly, in July 2007, MMC organized its nine auto-parts sales companies*1 into three companies covering broader areas.

In conjunction with rebuilding its sales network in fiscal year 2007, MMC plans to conduct its largest dealership renovation program ever: 91 dealerships nationwide. Efforts will also be focused on actively relocating dealerships. In this regard, we are currently taking a closer look at developing core dealerships on larger sites in order to attract customers spread out over larger areas.

*1 As of March 31, 2007

• Reinforcing the After-sales Service Business

To generate steady profits at sales companies, MMC will not only increase sales of new cars but also reinforce the after-sales service business, which includes maintenance, vehicle inspections and check-ups. Specifically, MMC will continue to offer the Hearty Plus Program, a package of maintenance and inspection services, to customers purchasing new vehicles. MMC will also continue the Mitsubishi Maintenance Fair to encourage customers to bring their Mitsubishi vehicles to Mitsubishi dealerships for various services. This campaign is held on a nationwide scale before Japan's extended holidays in the summer and winter, and also monthly by some sales companies on a voluntary basis.

As we encourage customers to bring their vehicles to dealerships, we will actively promote sales of automotive parts and supplies such as tires, batteries and engine oil; and enhance the quality of services by offering quick vehicle inspections. In these and other ways, we aim to increase earnings in Japan.

Models sold in Japan

Delica D:5 ROADEST

Galant Fortis

North America

With annual demand of around 16 million units, the huge U.S. market assumes the same importance as Japan in the Mitsubishi Motors Revitalization Plan. In January 2006, MMC appointed a new management team at Mitsubishi Motors North America, Inc. (MMNA) and also dispatched management personnel from Japan to put in place an organizational structure that is responsive and strongly linked to Head Office in both production and sales.

Since fiscal year 2004, MMNA has focused on normalizing sales by reducing sales incentives to appropriate levels, lowering the ratio of fleet sales, and promoting inventory management, in order to correct its past sales policy of emphasizing sales volume. These sales policies have been steadily producing results. In addition, since fiscal year 2006, MMC has been taking initiatives such as strengthening sales support programs and nurturing sales capabilities, with a view to forging stronger relationships of trust with sales companies. As the second phase of these initiatives, we are now focusing on developing a stronger brand based on the launch of new products poised to become future mainstay models.

Overview of Fiscal Year 2006

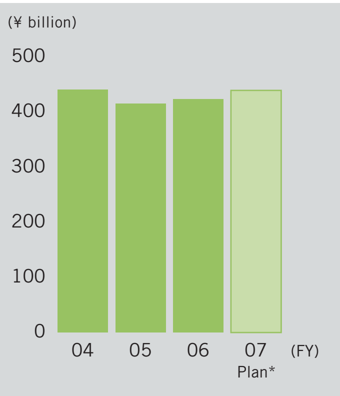
Retail sales in the North American market* totaled 164,000 units in fiscal year 2006, increasing 5.1% year on year. Retail sales increased for the first time in five fiscal years after falling consecutively since fiscal year 2002. This improvement reflected a major drive to normalize sales and the roll-out of new models.

The active launch of new models was hugely successful. One of those models was the new *Eclipse Spyder*, which went on sale in the U.S. market in April 2006. This was followed in November 2006 by launching the new *Outlander* into the expanding compact SUV segment. In March 2007, the new *Lancer* was rolled out in the North American market first, before any of MMC's other markets.

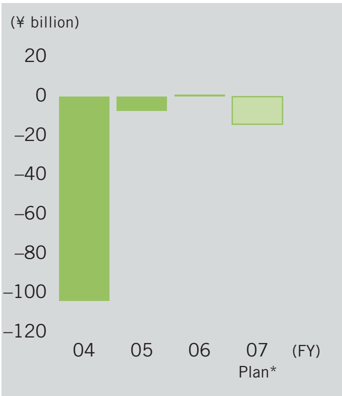
Fiscal year 2006 marked the 25th anniversary of Mitsubishi Motors' entry into the U.S. market. The Company capitalized on this opportunity to implement an ambitious sales promotion and advertising drive in conjunction with a 25th Anniversary Campaign. MMC drove home its strong commitment to U.S. operations backed by the full resources of the company, sending a clear message to customers, dealerships and employees that would deepen their understanding of our resolve. Furthermore, top management visited dealerships in each region and held a series of discussions on sales improvement initiatives, and presented necessary support measures such as sales training programs and new incentive plans. These visits helped to improve communication with dealerships and further raise their motivation.

Overall, net sales in North America increased 1.9% year on year to ¥423.6 billion. Operating

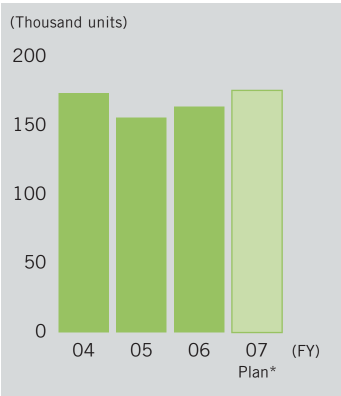
Net Sales



Operating Income (Loss)



Retail Sales



*MMC revised targets for fiscal year 2007 when it released fiscal year 2006 full-year financial results on April 26, 2007.

income improved ¥7.8 billion to a profit of ¥0.6 billion. Improved profitability in U.S. financial services operations substantially lifted earnings.

*Includes Canada, Mexico and Puerto Rico

Initiatives in Fiscal Year 2007

In fiscal year 2007, MMC is targeting retail sales of 176,000 units. This target is based on the launch of new models and a stronger Mitsubishi brand, underpinned by ongoing efforts to strengthen the sales capabilities of dealerships.

In fiscal year 2006, the new *Outlander* and *Lancer* models went on sale. This was followed by the start of a full-scale sales drive for the new *Lancer* model in April 2007. Supported by a strong customer response to this product's features, the new *Lancer* has made a particularly strong start. MMC intends to accelerate the pace of sales of this model throughout fiscal year 2007. Furthermore, in the second half of fiscal 2007, MMC will roll out the new *Lancer Evolution*, the culmination of all of its cutting-edge technologies, in a move that will reinforce the Mitsubishi brand.

Active sales promotion and advertising are also planned. By significantly increasing targeted media exposure for mainstay models in primary markets, we aim to more efficiently increase customer traffic at dealerships and achieve other goals. Through these and other measures, we seek to grow retail sales by strengthening sales support for dealerships.

From the outset of 2007, MMC has been recording steady growth in sales in North America. Despite a slight drop in total automobile demand in the U.S., MMC reported steady year-on-year growth of 21% in cumulative retail sales from January to June 2007.

Both the new *Outlander* and *Lancer* models have been strong sellers in Canada as well. Retail sales have increased by a substantial 52% year on year as a result.

Meanwhile, MMC continues to implement cost reductions at the Illinois Plant, its U.S. manufacturing base. At the same time, we will more actively develop the export business launched in July 2006 with the aim of increasing capacity utilization. Efforts to grow exports are focused on opening up new export markets such as Latin America, and boosting exports that have already commenced to Russia and the Middle East.

In fiscal year 2007, MMC is targeting exports of approximately 10,000 units, up around 20% from the previous fiscal year.

Models sold in North America

Outlander

Lancer

Europe

Mitsubishi vehicles have won high marks in European markets for their attractiveness and performance and MMC's strong track record in motor sports events such as the Dakar Rally. With sales volume steadily growing in rapidly expanding Russia, the Ukraine, and Central and Eastern Europe, MMC has established a stable revenue structure across the entire European market.

Overview of Fiscal Year 2006

In fiscal year 2006, retail sales in Europe totaled 282,000 units, an increase of 5.6% year on year.

By country, steady growth in retail sales in Russia and the Ukraine helped to lift overall retail sales throughout Europe, making up for falling retail sales in Germany and the U.K. In Russia, retail sales more than tripled to approximately 70,000 units in fiscal year 2006, marking extremely fast growth in three years from about 20,000 units in fiscal year 2003. Sales were also up sharply in the Ukraine, doubling from the previous fiscal year to 16,000 units in fiscal year 2006.

By model, the compact *Lancer* sedan has continued to achieve strong sales. The successive roll-out of the Thai-built *L200 (Triton)* one-ton pickup truck, followed by the new *Outlander* and *Pajero* (*Montero* or *Shogun* in some markets) SUVs in the second half, also made substantial contributions to sales.

As a result, in fiscal year 2006, sales in Europe increased 13.1% year on year to ¥662.8 billion and operating income rose ¥18.2 billion to ¥42.6 billion.

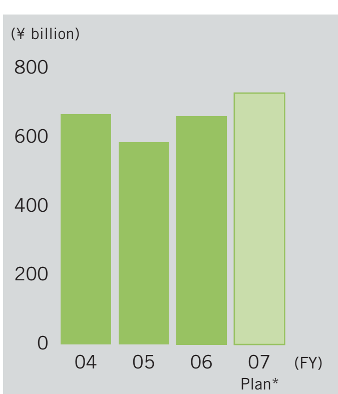
Diesel engines are in strong demand in Europe, where there is considerable public interest in reducing CO_2 emissions. Currently, MMC procures a family of 2-liter class or smaller diesel engines from external sources. However, MMC and Mitsubishi Heavy Industries, Ltd. are jointly developing 2-liter class next-generation clean diesel engines. With development progressing steadily, we plan to bring forward mass production by one year to begin supplying these engines in Europe first from early 2009, in order to meet projected growth in the region.

Initiatives in Fiscal Year 2007

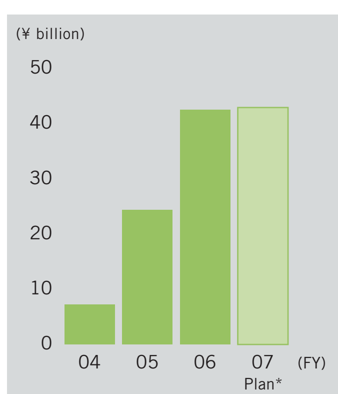
In fiscal year 2007, MMC is targeting European retail sales of 316,000 units. This target is based on sales of a strengthened lineup of SUV models such as the new *Outlander* and *Pajero*, which moved into full swing in the second half of fiscal year 2006, the launch of the new *Lancer* sedan and stronger overall sales activities in this area.

The new *Outlander* went on sale in Europe in February 2007, and sales of this model are steadily growing. By expanding sales of an enhanced SUV model lineup, including the new *Pajero* and *L200 (Triton)*, we aim to strengthen our presence in the European market.

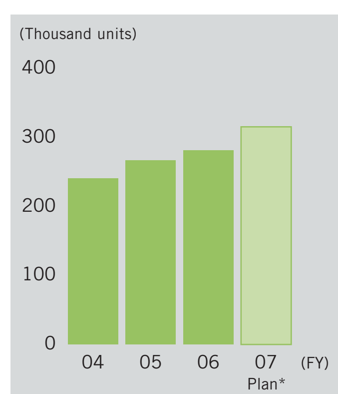
Net Sales



Operating Income



Retail Sales



*MMC revised targets for fiscal year 2007 when it released fiscal year 2006 full-year financial results on April 26, 2007.

Furthermore, MMC aims to win support from a broad range of customers for the new *Lancer* sedan due for launch in fall 2007.

The *Lancer* has been a best-selling imported model, particularly in Russia. The *Lancer* model received the Car of the Year Award for 2005 and 2006 (C Segment) in Russia. These awards are run by five well-known Russian magazines. In 2007, the new *Lancer* went on sale in Russia before other major European countries and has made a strong start in terms of sales.

Strengthening Sales Systems in Russia and the Ukraine

MMC will expand sales further in the fast-growing Russian and Ukraine markets by strengthening marketing and sales systems under the direct control of Head Office in Japan.

In the Russian market, MMC has been expanding sales in concert with local distributors since 1992. Integrated brand-building initiatives by local distributors, including substantial investments in after-sales services and sales promotions and advertising, have enhanced the Mitsubishi Motors brand image during the country's recent economic growth spurt. In 2006, MMC received the Super Brand Award, highlighting its status as the No.1 brand in the Russian automobile industry. Going forward, MMC will continue to build even stronger ties with local partners. In order to conduct marketing and product planning to better satisfy customer needs in the rapidly growing Russian market, MMC has adopted a sales structure in fiscal year 2007 that directly links Head Office and local distributors. Previously, Mitsubishi Motors Europe B.V. (MME), a sales subsidiary overseeing Europe, had been responsible for management of sales activities in the Western European and Russian markets. Furthermore, MMC will take various initiatives to expand sales, including dispatching more MMC employees to local positions.

In the second half of fiscal year 2007, MMC will adopt a sales system that directly links Head Office to local distributors in the Ukraine. As in Russia, we will consider dispatching staff to local positions. MMC has also been received well by Ukrainian customers. Mitsubishi was ranked the country's No.1 imported-vehicle brand in terms of retail sales of imported vehicles in 2006. MMC was also named Brand of the Year 2007 by a survey of consumers in the Ukraine.

In the expanding markets of Russia and the Ukraine, MMC is targeting a year-on-year increase of more than 30% in retail sales during fiscal year 2007 based on the strong brand image it has established.

Business Alliance With PSA Peugeot Citroën

In fiscal year 2007, MMC began the OEM supply of two new SUV models based on the *Outlander* to PSA Peugeot Citroën. With a projected 30,000 units to be supplied in fiscal year 2007, MMC expects this alliance to make a substantial contribution to earnings.

MMC has a strong collaborative framework with PSA Peugeot Citroën. An agreement is already in place to source PSA Peugeot Citroën diesel engines for use in our SUV models.

Models sold in Europe

Lancer

Pajero

Asia, ASEAN and Other Regions

MMC has a long history in Asia, including the ASEAN region. This presence has engendered trust in the Mitsubishi Motors brand in these markets. We intend to preserve our early-mover advantage in these regions by continuing to actively roll out new models and by building stronger relationships of trust with local distributors and production companies. MMC also aims to enhance its brand image in Australia, as well as markets with strong growth potential, such as Latin America, the Middle East, and Africa.

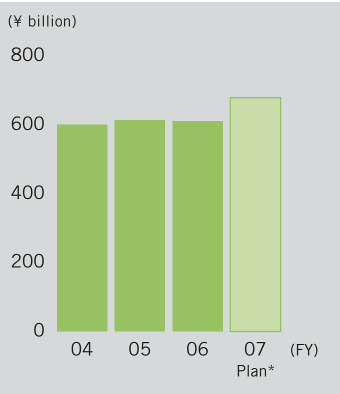
Overview of Fiscal Year 2006

In the past fiscal year, retail sales volume in Asia, ASEAN and other regions decreased 19.2% year on year to 537,000 units. Approximately half of this decline reflected a drop in shipments to Malaysia-based Proton Holdings Bhd. However, with year-on-year differences in quarterly results gradually shrinking, the quarterly trend shows that sales are stabilizing.

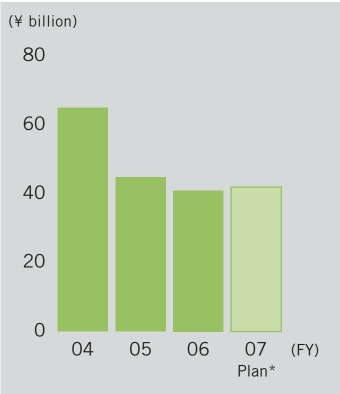
By region, amid lower overall demand and escalating competition, the ASEAN region remained weak, with retail sales in this region dropping 92,000 units year on year. Meanwhile, in North Asia (China and Taiwan), although full-year sales volume decreased by 69,000 units, there were signs of improvement from the first to second halves of the fiscal year. In the Middle East, monthly retail sales in the United Arab Emirates (UAE) continued to reach new records, and in Saudi Arabia, sales were up 86% year on year in November 2006. Retail sales in Brazil also reached a record high in July 2006. As a result, retail sales in Latin America, the Middle East, and Africa increased 35,000 units, or 20% year on year. There was a slight upturn in retail sales in Australia on contributions from sales of imported finished vehicles.

Net sales in fiscal year 2006 decreased 0.6% to ¥610.5 billion, while operating income fell 9.1% to ¥40.8 billion. In fiscal year 2007, MMC is targeting total retail sales of 581,000 units, an increase of 44,000 units, on expectations of growth in North Asia, which includes China, and the fast-growing markets of Latin America, the Middle East, and Africa.

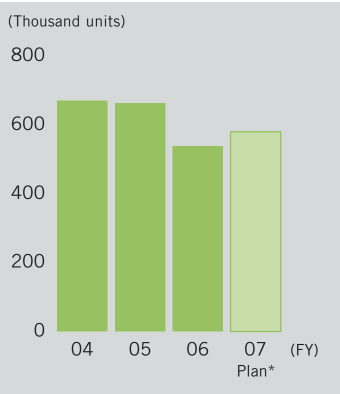
Net Sales



Operating Income



Retail Sales



*MMC revised targets for fiscal year 2007 when it released fiscal year 2006 full-year financial results on April 26, 2007.

North Asia (China and Taiwan)

China's automobile market is projected to experience further growth supported by further progress in motorization, despite having already surpassed an annual sales volume of more than 7 million vehicles. Reinforcing sales in China is therefore a priority for MMC.

In April 2006, MMC commissioned a new R&D Center in Shanghai with the establishment of wholly owned subsidiary Lingfa Car Technical Consulting (Shanghai) Ltd. Its current focus is on conducting quality assurance for locally produced parts and swiftly responding to legislative trends and customer needs. Looking ahead, Lingfa Car Technical Consulting (Shanghai) will construct an R&D framework and serve as a support base for development work carried out by local companies in which MMC has invested.

In September 2006, the Company completed procedures for taking a direct equity interest in South East (Fujian) Motor Co., Ltd. (SEM), which is key to production and sales of Mitsubishi-brand vehicles in China. Subsequently, South East (Fujian) Motor began production and sales of the *Lancer*, the first mid-sized sedan in China with a Mitsubishi badge, and the *Space Wagon* minivan (*Chariot Grandis*). The upper-class sedan *Galant* was brought to market in December 2006 as part of a move to expand the lineup of Mitsubishi-brand vehicles in China.

To complement Mitsubishi-brand vehicles produced by South East (Fujian) Motor, MMC strengthened sales of imported finished vehicles from Japan, including the *Lancer Evolution IX* and the new *Outlander*. As a result, Mitsubishi-brand vehicles accounted for nearly 40% of the Company's sales volume in the Chinese market in fiscal year 2006, up from 20% in the previous fiscal year. Moreover, sales volume is heading towards recovery, increasing from 37,000 units in the first half of the fiscal year to 53,000 units in the second half.

To establish sales of imported finished vehicles from Japan in China as a new earnings stream along with locally produced vehicles, MMC plans to launch two new SUV models at the end of 2007, with the aim of doubling sales of imported finished vehicles to 11,000 units compared with fiscal year 2006.

Additionally, MMC continues to support local production operations, including through the development and expansion of the dealership network, which is aimed at growing sales of Mitsubishi-brand vehicles by South East (Fujian) Motor.

Models sold in Asia, ASEAN and other regions

Galant (made by SEM)

Space Wagon (made by SEM)

ASEAN

The ASEAN region's auto market represents only around 3% of the global auto market but is a strategic market for MMC, accounting for 11% of the Company's total sales volume. Market conditions are expected to remain challenging in fiscal year 2007.

Under these conditions, MMC is working to maintain and expand production of the *Triton (L200)* one-ton pickup truck in Thailand, which plays a vital role as an export hub for the Company. In fiscal year 2006, total annual production capacity in Thailand was ramped up by around 20,000 units to 200,000 units. Since it first started exporting in the second half of the 1980s, Mitsubishi Motors (Thailand) Co., Ltd. (MMTh) has exported a total of more than 1 million vehicles from Thailand through June 2007.

In August 2006, the Company began sales of imported finished *Montero* (*Pajero*) vehicles to the growing Indian market. Local business partner Hindustan Motors Limited is responsible for sales. We aim to strengthen our presence in the Indian market by continuing to expand the range of Mitsubishi-brand models.

Other Regions

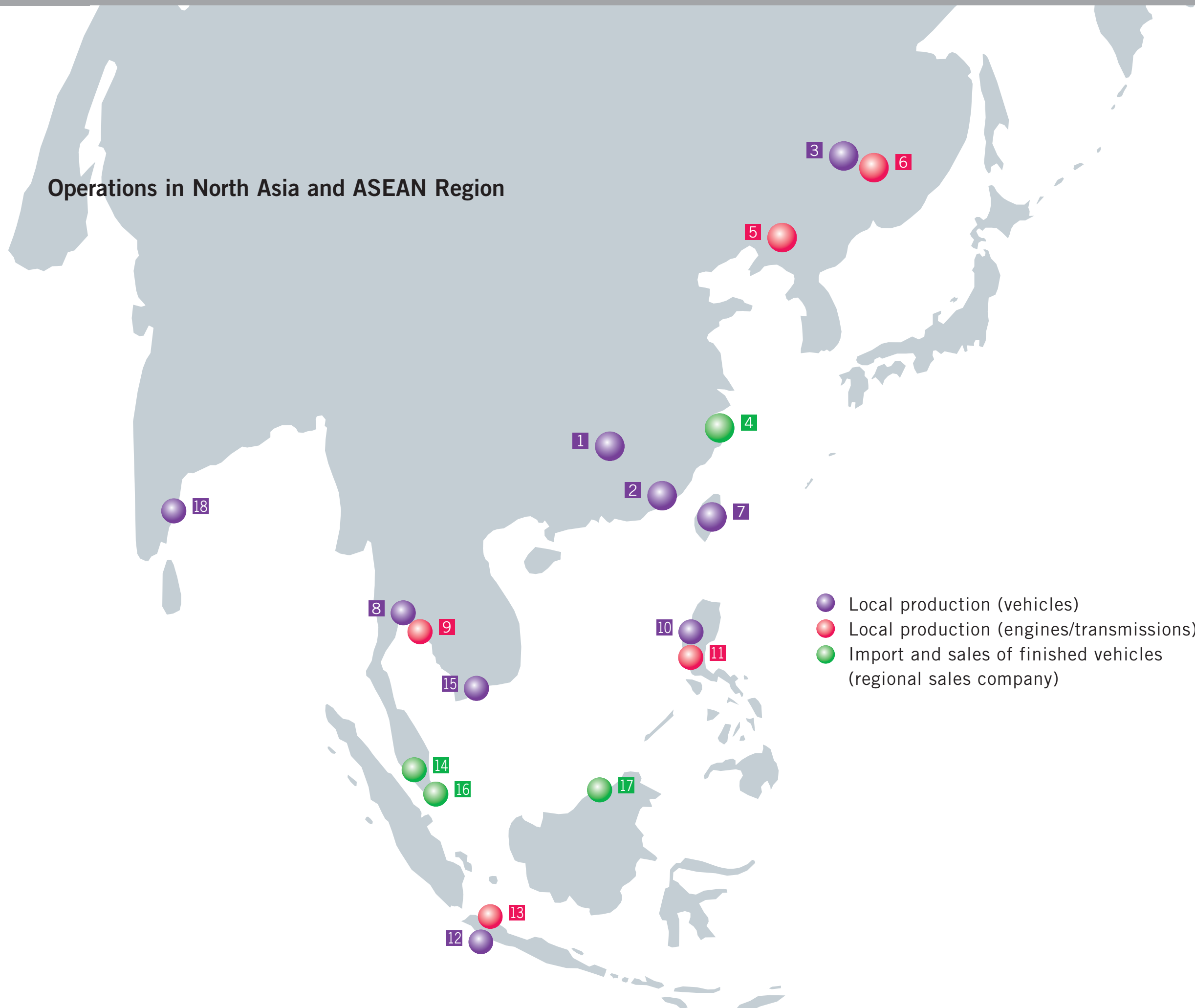
In the rapidly growing markets of Latin America, the Middle East and Africa, MMC achieved substantial sales growth again in fiscal year 2006. The roll-out of the new *Pajero* in February 2007 will be followed by the new *Lancer* in August and the new *Outlander* in September. Meanwhile, the Company is working to further boost sales of the *Triton (L200)* one-ton pickup truck. In the expanding Brazilian market, in July 2007, the Company began selling a flex-fuel vehicle (FFV) that can run on gasoline, ethanol, and various combinations of these fuels.

In Australia, MMC has adopted a production system commensurate with retail sales levels, and is implementing continuous cost-cutting measures. Meanwhile, the Company is also focusing on sales of imported finished vehicles. MMC will work to boost retail sales in the Australian market by launching the new *Lancer* in October 2007, in addition to promoting sales of the three new SUV models (the *Triton*, *Pajero* and *Outlander*) launched in fiscal year 2006.

Triton (L200) (made in Thailand)

380 (made in Australia)

Operations in North Asia and ASEAN Region



(As of August 31, 2007)

Country/ Region		Name	MMC's Equity Interest (%)	Major Products and Models	Brand
China	①	Hunan Changfeng Motor Co., Ltd. (CFA)	14.59%	Pajero (Montero)	Mitsubishi brands
				Liebao (old Pajero), Liebao Feiteng (Pajero iO)	Local brands
	②	South East (Fujian) Motor Co., Ltd. (SEM)	25%	Galant, Lancer, Spacewagon (Chariot Grandis)	Mitsubishi brands
				Delica, Freeca, Veryca	Local brands
	③	Hafei Motor Co., Ltd. (HHMC)	0%	Sigma (Dingo)	Local brands
	④	Mitsubishi Corporation (Shanghai) Co., Ltd. (SSL)	0%	Grandis, Outlander, Lancer Evolution	Mitsubishi brands
	⑤	Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. (SAME)	25%	2.0- and 2.4-liter engines	–
	⑥	Harbin Dongan Automotive Engine Manufacturing Co., Ltd. (DAE)	15.3%	1.3- and 2.0-liter engines, transmissions	–
Taiwan	⑦	China Motor Corporation (CMC)	13.97%	Galant, Lancer, Zinger, Savrin (Chariot Grandis), Colt plus	Mitsubishi brands
				Veryca	Local brands
Thailand	⑧	Mitsubishi Motors (Thailand) Co., Ltd. (MMTh)	99.8%	Triton, Strada, Lancer, Spacewagon (Grandis)	Mitsubishi brands
	⑨	MMTH Engine Co., Ltd. (MEC)	99.8%	Engines	–
The Philippines	⑩	Mitsubishi Motors Philippines Corporation (MMPC)	51%	Adventure, Delica, Pajero (Montero)	Mitsubishi brands
	⑪	Asian Transmission Corporation (ATC)	84.71%	Transmissions	–
Indonesia	⑫	P.T. Krama Yudha Tiga Berlian Motors (KTB)	0%	Colt T120SS, L300	Mitsubishi brands
	⑬	P.T. Mitsubishi Krama Yudha Motors and Manufacturing (MKM)	32.3%	Engines, parts	–
Malaysia	⑭	Mitsubishi Motors Malaysia Sdn Bhd (MMM)	0%	Lancer, Triton	Mitsubishi brands
Vietnam	⑮	Vina Star Motors Corporation (VSM)	25%	Grandis, Pajero (Montero)	Mitsubishi brands
Singapore	⑯	Cycle & Carriage Automotive Pte Ltd. (CCA)	0%	i, Colt, Colt plus, Lancer, Grandis, Outlander, Pajero (Montero), L200	Mitsubishi brands
Brunei	⑰	GHK Motors Sdn Bhd (GHK)	0%	Colt plus, Lancer, Grandis, Outlander, Pajero (Montero), L200, L300	Mitsubishi brands
India	⑱	Hindustan Motors Limited (HML)	0%	Lancer, Pajero, Montero	Mitsubishi brands

■ Local production (vehicles) ■ Local production (engines/transmissions) ■ Import and sales of finished vehicles (regional sales company)

Quality

Measures to improve quality are a top priority of the Mitsubishi Motors Revitalization Plan. Strict risk management and quality check activities are being implemented at the product development and production stages. Meanwhile, we are developing structures that enable us to rapidly obtain feedback on vehicle issues and customer complaints. This allows us to adopt effective post-market measures and respond swiftly to quality issues.

Rapidly Incorporating Customer Views Into Quality

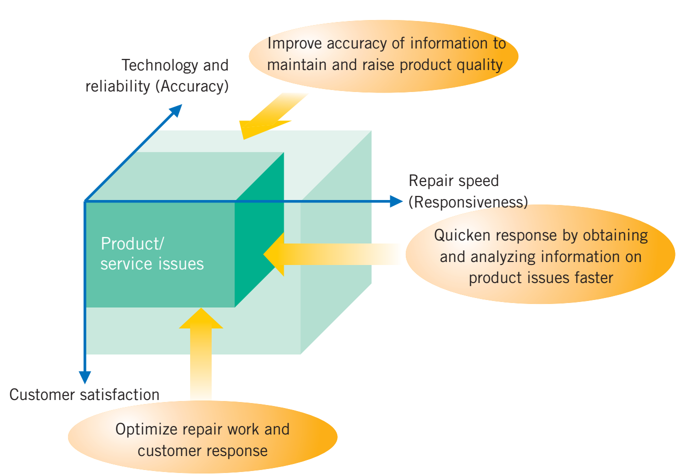
In October 2006, MMC conducted some structural reforms to improve quality. The company consolidated all operations regarding after-sales services into the Quality Affairs & Technical After-sales Service Group Headquarters to build a framework which would make after-sales responsible for quality issues, and customer feedback.

MMC aims to respond more effectively and rapidly to the following priorities: decision-making on post-market measures; communicating extensively with customers about replacements and repairs of their vehicles' parts; and reflecting customer quality needs in product development.

Maintaining the quality of parts and supplies in the distribution stage is also essential for offering high-quality after-sales services. To this end, the Quality Affairs and Technical Aftersales Service Group Headquarters incorporate the development of parts and supplies and their delivery to sales companies and repair shops as a part of after-sales services into its structure.

Furthermore, in October 2006, MMC completed the nationwide deployment of a new quality management information system called SQM (Strategic Quality Management) at sales companies. SQM is designed to accelerate quality improvements by sharing customer feedback on vehicle issues with sales companies in real time, augmenting the database used to analyze data related to vehicle issues, and expediting statistical analyses in investigating the causes of these issues. By integrating the management of all services and quality information, including repairs and guarantees, MMC will be able to analyze volumes of data, while giving sales companies access to information on best service practices, improving the accuracy of repair estimates and much more. In this manner, significant benefits can be expected from the integrated management of such information in terms of enhancing and standardizing the quality of service nationwide.

Objectives and aims of new quality management information system



Furthermore, in 2007, MMC is extending the SQM system to overseas distributors to step up the extensive collection and analysis of customer information from overseas.

Aiming for Further Quality Improvements

In 2001, MMC introduced MMDS (Mitsubishi Motors Development System), a comprehensive quality management system designed to ensure and continually enhance quality at each stage, from product development to production and sales. Under MMDS, MMC has established quality standards that must be met at each of seven "quality gates." Efforts will now focus on continually upgrading those quality standards.

Under the Mitsubishi Motors Revitalization Plan, MMC has successively launched new models. With every new model, MMC has received fewer post-sales customer complaints regarding quality. We view this achievement as a direct result of MMDS. Also highlighting the benefits of our quality improvement initiatives, the *i* minicar tied for first place in the 2006 Japan Mini-Car Initial Quality Study (IQS) conducted by J.D. Power Asia Pacific, Inc.*

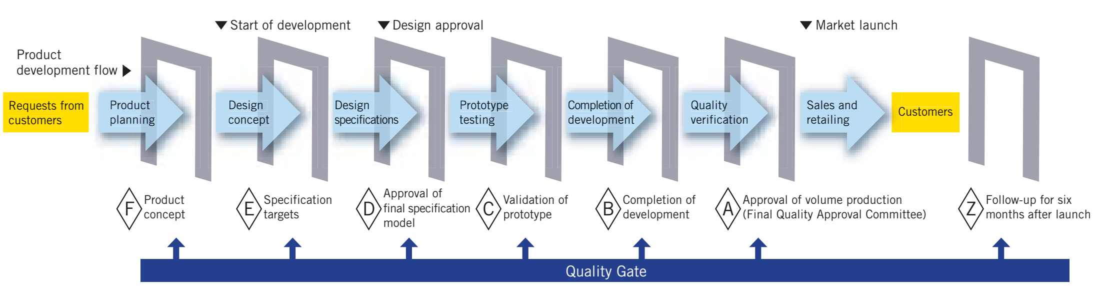
MMC will pursue further improvements in quality control at the product development and production stages. This is imperative because the product development and production industries are undergoing changes every day, brought about by the digitization of development processes and other trends. Therefore, it is also imperative to promote quality improvement activities in cooperation with our suppliers. Moreover, to meet the customers' rising expectations on cars, beyond the basic functions of driving, turning and braking, automakers must make extra efforts in terms of better instruments, better paint finishes and much more. The product liability of automakers is also rapidly expanding in scope. The main focus of MMDS has so far been to broadly cover all conceivable risks. Going forward, MMDS will further emphasize quality improvement in line with constantly shifting customer needs.

With regard to quality control in the context of the Mitsubishi Motors Revitalization Plan, MMC has been trying to identify every conceivable issue and make far-reaching improvements with respect to each, with the overriding goal of regaining the trust of customers as quickly as possible. MMC has worked in particular to establish internal procedures in which market measures such as recalls are transparent and can be executed quickly.

In these changing times, quality control requirements are becoming increasingly sophisticated by the day. MMC will thus continue to enhance quality improvement measures.

*Refer to page 15 for source.

MMDS (Mitsubishi Motors Development System)



Corporate Governance

Fundamental Approach to Corporate Governance

MMC is taking three key measures to strengthen corporate governance: ensure legal and regulatory compliance, improve transparency through frequent disclosure of information to stakeholders, and clarify management responsibilities.

1. Corporate Governance Framework

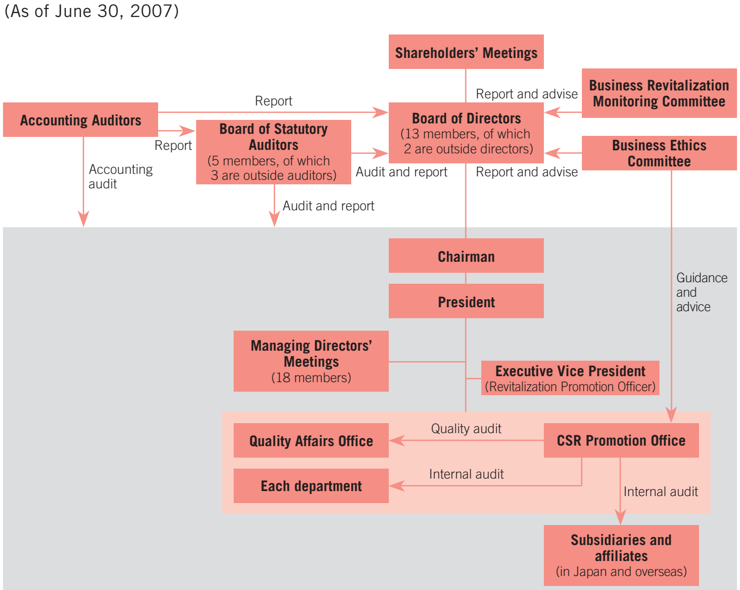
(1) Governance Institutions

The Board of Directors and Board of Statutory Auditors audit and oversee business execution. MMC has also sought to improve and strengthen the corporate governance framework beyond statutory requirements through moves such as the introduction of an executive officer system and appointment of advisory committees.

The Board of Directors has 13 members, two of whom are outside directors. The Board is responsible for making decisions concerning important management issues and overseeing business execution. The adoption of the executive officer system in June 2000 clarified the separation of the roles and responsibilities of directors and executive officers. Managing directors meetings, which are attended by 18 members (including directors, executive officers and statutory auditors), are held every two weeks to expedite decision-making within the company.

MMC's Corporate Governance Framework

(As of June 30, 2007)



The Board of Statutory Auditors has five members, three of whom are outside auditors. Statutory auditors attend meetings of the Board of Directors, the managing directors meetings and other key forums. They audit the operations of MMC and its subsidiaries based on business reports received from directors, reviews of key internal business documents, and interviews with the internal auditing groups and independent auditors.

Separate from the auditing functions of the statutory auditors, to strengthen the company's "self cleansing" activities MMC has also established two departments within the CSR Promotion Office, the Quality Audit Department and the Internal Audit Department. Independent from other business functions, these groups conduct internal audits from an objective perspective.

The Quality Audit Department, which had four employees at the end of June 2007, monitors all processes that are carried out within the Quality Affairs Office. It does so to ensure compliance with laws and regulations worldwide related to the development and production of automobiles, including Japanese road safety and transportation laws. The department reports its findings to senior management and also reports to the Business Ethics Committee twice per year.

The Internal Audit Department, which had 14 employees at the end of June 2007, conducts regular company-wide audits to check the appropriateness of business processes, including those of subsidiaries and affiliates in Japan and overseas. These audits aim to verify the execution status of all internal control systems, including compliance and risk management. The results of internal audits are reported to senior management of MMC and of its subsidiaries and affiliates, along with proposals for improvement.

In fiscal year 2006, MMC completed the establishment of a global internal audit system with internal auditing functions within all major overseas subsidiaries. MMC continues to work to strengthen internal audit systems and governance structures for the overall company while taking into account specific characteristics of overseas markets and regional differences in regulatory approach.

Advisory committees that report to the Board of Directors supplement the internal governance structures. In June 2004, MMC set up the Business

Ethics Committee, which is made up of outside experts in various fields. As part of efforts to foster a more strongly compliance-oriented internal mindset, this committee provides MMC with directions and advice on ethics-related matters from an external perspective.

The Business Revitalization Monitoring Committee is another important advisory body to the Board. Its responsibility is to monitor progress against the aims of the Mitsubishi Motors Revitalization Plan. Established in April 2005, this committee is composed of external experts and representatives of major shareholders.

(2) Internal Control Systems

Internal control systems are reviewed to respond to any changes in the domestic or overseas environment. MMC aims to strengthen governance structures further and is continually working on system improvements and upgrades to ensure compliance with laws and regulations and to promote proper, effective, and efficient business administration.

With regard to improving the reliability of financial reporting, the Internal Controls Promotion Committee was established in March 2006 to coordinate efforts to plan and develop new systems that will facilitate management's evaluation of the effectiveness of internal controls for financial reporting. These evaluations are scheduled to become mandatory in the near future. Separately, MMC also initiated moves to strengthen corporate governance by establishing management systems for various functions of subsidiaries and affiliates to clarify the functions of each company.

In May 2006, in line with the statutory requirements of new Japanese corporate laws, the Board of Directors approved a basic policy on the construction of internal control systems.

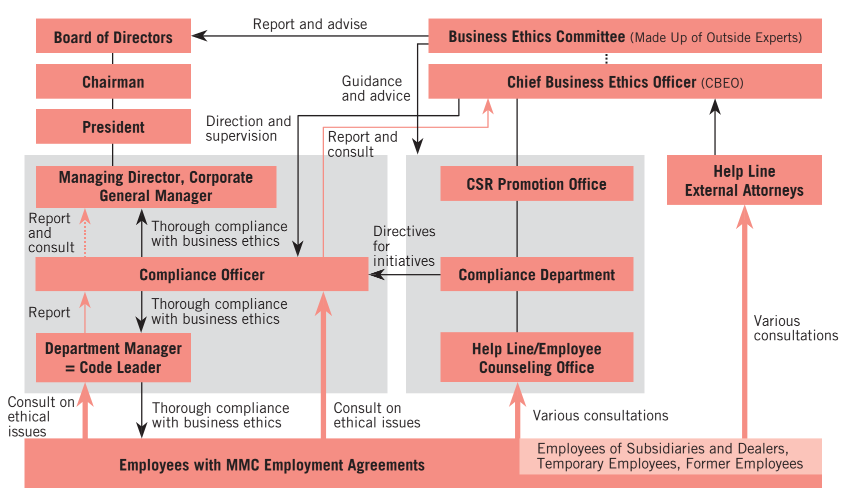
Compliance

- Full legal and regulatory compliance and observance of business ethics, based on internal regulations such as the "Corporate Ethics Compliance First" declaration and business ethics guidelines.
- Establishment of an internal reporting system. Application of systems to investigate any information received and to take necessary measures to rectify and prevent any recurrence of identified problems.
- Establishment of the Business Ethics Committee.

Risk management

- Specification and application of clear rules for management reporting based on criteria set by the Board of Directors and at managing directors meetings.
- Development of company-wide risk management systems centered on risk management promotion departments.
- Appointment of risk management officers in each operational group.
- Development of emergency response capabilities to react to unforeseen contingencies, including emergency communication and contact systems.

Compliance Promotion Structure



Efficient organizational function and operational execution

- Promotion of task execution based on specific goals established by each division in line with company-wide business plans.
- Clarification of leadership through appointment of senior managers at operational divisions to director level. Maintenance and improvement of management efficiency through regular confirmation by MMC directors of status of operations under their watch. Achievement of business goals.
- Integration of command hierarchies to expedite decision-making processes. Efficient execution of directorial duties through improved internal communications and the development of systems to facilitate efficient organizational function and operational execution.

Information management and storage

- Appropriate management of important information related to key decisions and execution of duties (including minutes of the General Meeting of Shareholders and meetings of the Board of Directors, business plans, investment plans, and product plans).
- Maintenance and proper operation of information security controls.

Ensuring the proper execution of group-wide business operations

- Clarification of responsibilities and authority for subsidiaries and affiliates through the establishment of clear rules governing the management of such companies by the corresponding parent company division with primary supervisory responsibility.
- Ensure the proper execution of group-wide business operations through formulation of rules governing the supervision of subsidiaries' management cycles, together with regular monitoring and evaluation.

Statutory auditors

- Attendance at all important meetings (including Board of Directors and managing directors meetings). Regular exchanges of views with the president of MMC. Links with internal auditing groups and independent auditors. Proper decision-making oversight and efficient audit operations.
- Establishment of the Office of Statutory Auditors and assignment of dedicated staff.
- Precautions taken to ensure the independence of statutory auditors' staff, including consulting the statutory auditors prior to implementing any personnel changes at the office and having the statutory auditors conduct personnel evaluations of staff members.

2. Cooperation Between Statutory Auditors, Internal Audit Departments and Independent Auditors

To strengthen cooperation, the statutory auditors regularly exchange information with independent auditors and MMC's internal audit departments, the Internal Audit Department and the Quality Audit Department.

In fiscal year 2006, the statutory auditors held a total of 15 meetings with independent auditors to hear presentations on auditing systems, related plans and the status of financial audits. These meetings also provided an opportunity for the statutory auditors to explain the status of their audits and related plans.

Meetings were held with the Internal Audit Department during the year to discuss the results of monthly internal audits of MMC and its subsidiaries around the world. The statutory auditors provided feedback on the status of their auditing activities to the Internal Audit Department at these meetings, which were also attended by independent auditors to facilitate the effective exchange of information. In addition, quarterly meetings held with the Quality Audit Department focused on the results of quality assurance audits.

3. Relationships With Outside Directors and Statutory Auditors (as of June 30, 2007)

No conflicts of interest exist between MMC and any of the outside directors or statutory auditors.

Outside directors	Mikio Sasaki	Chairman, Mitsubishi Corporation (main MMC shareholder)
	Hidetoshi Yajima	Chairman, Shimadzu Corporation (MMC business partner)
Outside statutory auditors	Shigemitsu Miki	Chairman, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (major MMC shareholder)
	Hiroshi Kan	Managing Director, Mitsubishi Heavy Industries, Ltd. (main MMC shareholder)
	Yukio Okamoto	Representative Director, Okamoto Associates (no trading relationship at present)

Compliance

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

Development of an Organizational Framework for Promoting 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 (refer to page 33). MMC has strengthened the organization to ensure that awareness of compliance spreads to every single employee. The company appointed 18 compliance officers (as of fiscal year 2006) at each department to ensure compliance, under the direction of the Chief Business Ethics Officer (CBEO), and appointed department managers as code leaders in each department under the compliance officers.

Initiatives to Implement Compliance

In fiscal year 2006, under the theme of "Shifting from a passive to proactive, self-reliant mindset" MMC continued to implement existing company-wide compliance measures and promoted autonomous initiatives by individual staff members.

- **Awareness-Raising Activities**

  MMC held training sessions three times during the year for compliance officers and code leaders, who play a central role in the observance of business ethics, with a total of 816 people taking part.

  Meetings are held three times a year in each workplace at which familiar business ethics problems are examined, and solutions reached through discussion. These meetings provide a good opportunity to enhance ethical awareness and improve communication through discussion using actual examples.

- **Establishment and Dissemination of Regulations**

  MMC is giving priority to its internal reporting system in order 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 already established the Employee Counseling Office and external counseling channels through outside attorneys. In April 2006, in line with the enforcement of the Whistleblower Protection Act, MMC established operational criteria related to the internal reporting system, as well as internal regulations, including those prohibiting the disadvantageous treatment of whistleblowers. In fiscal year 2006, there were 113 consultations. Furthermore, to create a framework that facilitates internal reporting, MMC is endeavoring to disseminate regulatory information within the company by holding briefings, including information in the company newsletter, and adopting other measures.

  In April 2007, MMC fully revised its "Business Ethics of Mitsubishi Motors Corporation"—MMC's corporate ethics standards—to turn them into more practical guidelines for informing employees' actions. We distributed this booklet to all staff members, and by making use of it on a daily basis, we aim to ensure thorough compliance with business ethics.

- **Activities to Spread Compliance among MMC Group Companies**

  MMC believes that restoring trust in the company requires a concerted effort by the entire MMC Group. To this end, domestic Group companies (including exclusive dealers) have taken the lead in carrying out initiatives since fiscal year 2005. In fiscal year 2006, almost all companies completed the establishment of systems to ensure compliance with business ethics. They regularly conduct training on resolving corporate ethics problems and the development of precedents.

  In addition, major overseas affiliated companies have evaluated the status of their compliance systems and activities. Going forward, they will establish concrete systems to promote compliance.

- **Other Initiatives**

  To prevent past errors 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 division. All employees observe a moment of silence on these days, and the previously mentioned meetings to review business ethics problems are held around these times.

  MMC reports on the status of these activities to the Business Ethics Committee, which acts as an advisory body to the Board of Directors and is made up of external experts. MMC directors receive objective, common-sense guidance and advice regarding these matters. In fiscal year 2007, MMC will continue to further develop the initiatives adopted in fiscal year 2006, based on the theme of "From revitalization, to the future."

  MMC is firmly committed to continuing measures to establish, further strengthen and promote compliance.

Report by Business Ethics Committee

In October 2006, the Board of Directors of MMC consulted the Business Ethics Committee, which comprises only external experts, with regard to MMC's activities toward restoring trust in the company and requested their evaluation and proposals. MMC received a report on the committee's findings concerning this issue on May 21, 2007.

The full content of the report (Japanese only) can be viewed on MMC's Web site*1 and is summarized in the Social and Environmental Report 2007*2.

The following is a brief description of the main points of the Business Ethics Committee's report.

*1 MMC Business Ethics Committee Web site (Japanese only)
http://www.mitsubishi-motors.co.jp/social/ethics_com/index.html
*2 MMC Social and Environmental Report 2007
http://www.mitsubishi-motors.com/corporate/environment/report/e/index.html

Structure of the Report

The report contains an accounting of the events that led up to the formation of the Business Ethics Committee during the unprecedented management crisis faced by MMC in 2004, conditions at the time of formation of the committee, and the Company's activities to restore trust so far. The committee provides their current evaluation of these activities and makes 13 policy recommendations based on their evaluation (shown in table to the right). The committee did this to further support the revitalization drive in its role as an external advisor to MMC. In the final chapter, the committee reiterates the points it wishes to emphasize based on the impressions of committee members garnered from their committee activities up to now.

Evaluation of Company in Report

The report generally gives high marks to MMC activities in this regard. For example, looking back on measures that MMC has taken so far, the report concludes that earnest and steady progress has been made in activities to restore trust in the company, based on the unwavering stance of top executives, concluding that the initial stage has been accomplished.

From left

Nobuyuki Yamamoto, Committee Member
Lecturer, Toin University of Yokohama Compliance Research Center; Director, Compliance Research Center Co., Ltd.; former Counselor to the Industrial Bank of Japan, Ltd.

Konoe Kawagishi, Committee Member
Former member of the Securities and Exchange Surveillance Commission; former Vice Chairman of the Editorial Committee at the Yomiuri Shimbun newspaper

Noboru Matsuda, Committee Chairman
Lawyer; former Governor of the Deposit Insurance Corporation of Japan; former senior public prosecutor

Kazuko Miyamoto, Committee Member
Director, Japan Consumers' Association; former Professor at Kawamura Gakuen Women's University; Supreme Advisor to the Nippon Association of Consumer Specialists

Takahiro Fujimoto, Committee Member
Professor, Graduate School of Economics at the University of Tokyo; Executive Director of the University of Tokyo Manufacturing Management Research Center

Kazuo Mura, Committee Member
Lawyer, Professor of Graduate School of Law, Kokugakuin University; former Managing Director of the Resolution and Collection Corporation

Thirteen Policy Recommendations in Business Ethics Committee Report (Index)

1. Compliance First
   (1) Breaking down the closed, hierarchical corporate culture
   (2) Business ethics compliance promotion system
   (3) Developing compliance commitment in employees
2. Safety First
   (1) Strengthening the system to ensure no recall cover-ups
   (2) Safety and reliability standards
   (3) External views included in malfunction investigation system
   (4) Improving evaluation capabilities for design quality
   (5) Addressing the issue of quality of procured components
   (6) Addressing the issue of quality of embedded software
3. Customer First
   (1) Prompt disclosure of malfunctions
   (2) Proactive approach to society (general consumers)
4. Business Ethics Organizational and System Issues
   (1) Directors in charge of business ethics
   (2) Future issues for Business Ethics Committee members

Nevertheless, the report points out the following: "The job of restoring trust in MMC is still only half complete, given reactions within and outside of the company. Restoring trust and spreading and establishing compliance, which are at the root of restoring trust, have yet to be accomplished. It is still necessary to stay fully committed to activities to restore trust, and MMC must not neglect that fact or let its efforts wane."

Points of Emphasis Offered as a Conclusion

The Company received two additional propositions on how to avoid a second crisis. MMC recognizes these additional propositions as guidance that all employees, from senior management to employees, should constantly keep in mind.

- *Points to consider in crisis response*
  It is crisis response—the extent to which one can minimize impact once risks materialize—that determines the true value of establishing compliance. It is vital to ensure the accuracy and speed with which information is communicated to the top executives. It is also crucial for senior management to have the sensibility to clearly perceive the changes that society demands of the company, and to make accurate decisions and take swift action.
- *Shared sense of crisis*
  MMC's efforts to ensure its revitalization are bearing fruit. However, the company should recognize the fact that the crisis has not passed but is ongoing, and it must not relax its efforts. In terms of compliance as well, we believe that all directors and employees need to share a sense of crisis in feeling that the company has its back against the wall after the two scandals, and that MMC must continue working to steadily entrench and perpetuate this sense of crisis. Efforts to establish and maintain compliance must be a constant.

Response to Report

Based on this report, MMC will further bolster and promote measures aimed at establishing compliance.

Environmental Activities

Responsibility to the Environment

Driving pleasure, Safety and Environmental Responsibility: These are the concepts that MMC aims to build into the cars it manufactures. MMC has long been committed to driving performance and ability—the essential qualities that make cars attractive—as well as safety and durability to give drivers confidence. In addition to this traditional focus, MMC adopts Environmental Responsibility as one of the most important themes for corporate management and car manufacturing; so that we may harmoniously coexist with the environment and pass on a bountiful natural environment to future generations.

Environmental Policy

MMC formulated an Environmental Policy in 1999 that clarifies measures for protecting the environment within the context of management of the company.

Mitsubishi Motors Corporation Environmental Policy

Basic Guidelines

Mitsubishi Motors recognizes that protection of the global environment is a priority for humanity and as such makes the following pledges:

1. Taking a global perspective, MMC is committed to harnessing all its resources to achieve continuous reductions in the environmental impact of all its corporate activities, spanning development, procurement, production, sales, and after-sales servicing of vehicles.
2. As a good corporate citizen, MMC is committed to taking actions that protect the environment at the level of local communities and of society as a whole.

Behavioral Standards

1. MMC will endeavor to protect the environment by forecasting and assessing the environmental impact of the company's products at all stages in their life cycle.

   Priority is given to the following areas:
   - Prevention of global warming by reducing emissions of greenhouse gases
   - Prevention of pollution by restricting emissions of substances harmful to the environment
   - Reduction of waste and maximizing efficient use of resources by promoting conservation and recycling
2. MMC will endeavor to improve our environmental management practices as part of ongoing efforts to improve the environment.
3. MMC will comply with environmental regulations and agreements, and will work to protect the environment by establishing voluntary management targets.
4. MMC will encourage our affiliates and suppliers, both in Japan and abroad, to cooperate in working to protect the environment
5. MMC will actively disclose environment-related information and will seek the understanding of local communities and of society at large.

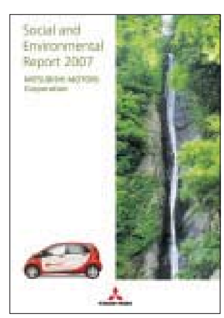
Mitsubishi Motors Environment Initiative Program (EIP) 2010

In July 2006, MMC formulated and announced a new environmental plan called the Mitsubishi Motors Environment Initiative Program (EIP) 2010, running through fiscal year 2010. EIP 2010 carries on from the Environmental Sustainability Plan, which ended in fiscal year 2005. By executing EIP 2010, we will be working to both promote our co-existence with the environment and achieve further corporate revitalization and growth, with the aim of fulfilling our responsibility to help build a sustainable society.

In fiscal year 2006, the first year of the new plan, MMC addressed several new priorities. Overall progress with the plan and our achievements were largely in line with expectations.

Please see the following page for an overview of the plan's details, objectives, and fiscal year 2006 initiatives.

For further details on Mitsubishi Motors' environmental activities, please refer to our corporate Web site and our Social and Environmental Report 2007 at the URLs below:



Mitsubishi Motors Social and Environmental Report 2007
http://www.mitsubishi-motors.com/corporate/environment/report/e/index.html

Mitsubishi Motors Environmental Web site
http://www.mitsubishi-motors.com/corporate/environment/e/index.html

Mitsubishi Motors Environment Initiative Program 2010—Goals and Overview of Fiscal 2006 Results—

Environmental Management

Category	Activities and Goals (Target deadline is 2010 unless otherwise specified)	Fiscal 2006 Results
Build up global environmental management framework	• Expand environmental management system to cover non-production subsidiaries and affiliates, including overseas companies. • Promote acquisition of EA21 environmental management certification for domestic sales companies.	Established environmental management guidelines Two sales companies obtained EA21 certification on a trial basis
Collaboration with suppliers	• Promote acquisition of ISO 14001 and other environmental management certification by suppliers.	Certification acquired by 97% of suppliers
Establish DfE promotional organization	• Establish LCA data collection system at domestic production bases. • Establish system to collect LCA data from suppliers.	Data collection methods investigated —
Expanding and improving training/ increasing awareness and information disclosure	• Raise environmental awareness throughout MMC Group. • Continuously expand and improve information disclosure through social and environmental reports, website, etc.	Employees enrolled in "Team Minus 6%" program Environment-related website revamped
Expanding and improving social contribution activities and environmental activities	• Expansion of lecture program at elementary schools.	Hands-on lessons offered at 24 schools

Prevention of Global Warming

Category	Activities and Goals (Target deadline is 2010 unless otherwise specified)	Fiscal 2006 Results
Improve automobile fuel economy	• Progressively enhance fuel economy by incorporating low-fuel consumption technology into new vehicles. Japan: Achieve domestic fuel economy standard targets for 2010 in all vehicle categories ahead of schedule by 2007.	Roll out more new generation gasoline engines Met target in 2,000kg vehicle category for the first time
Development of next generation of low-fuel consumption core technologies	• Develop and commercialize next-generation clean diesel engines. • Develop and commercialize next-generation high-efficiency transmissions.	Developing for commercialization Developing for commercialization
Compatibility with diverse energy sources	• Develop and launch biofuel compatible vehicles.	Launched in Brazil in July 2007
Development and practical application of plant-based resin	• Develop and practically apply "Green Plastic" derived from proprietary vegetable-oil based resin.	Mass production technology due to be developed
Development of air conditioners using refrigerants with low global-warming factors	• Develop and practically apply air conditioners using substitute refrigerants instead of HFC-134a.	In-vehicle assessment of air conditioners using refrigerants with low global-warming factors completed
Reduction in CO_2 emissions from production and logistics	• Total CO_2 emissions from production: At least 20% lower than fiscal 1990. • CO_2 emissions per unit shipped from logistics: Annual reduction of at least 1%.	Progressing toward achievement of 2010 targets Establish a system to assess results and pursue further reductions

Prevention of Environmental Pollution

Category	Activities and Goals (Target deadline is 2010 unless otherwise specified)	Fiscal 2006 Results
Development of next-generation electric vehicles	• Target R&D with a view to launching a next-generation electric vehicle based on the minicar platform by 2010.	Commenced joint research with electric power companies
Promoting propagation of low emission vehicles	• Raise most registered passenger automobiles to the "four-star" level by 2010	Launched new "four-star" vehicles in line with plan
Reduction of VOCs in cabins	• Step-by-step achievement of the JAMA voluntary cabin VOC emission standards ahead of target deadline of April 2007, starting with the introduction of new fiscal 2006 models.	All vehicles launched in fiscal 2006 met targets
Strengthen management and reduce use of substances with an adverse impact on the environment used in products	• Improve management of information on adverse-impact substances used in components and materials. • Achieve early elimination of use of restricted adverse-impact substances, such as hexavalent chromium. • Convert to lead-free solder.	Compiled additional hazardous substance data for new models Completed elimination of hexavalent chromium in vehicles for European market —
Reduce use of environmentally impacting substances in production (VOCs, PRTR)	• Reduction of VOC emission unit use by at least 30% compared with fiscal 2000. • Reduce emissions and transfers of PRTR-listed substances. • Promote proper disposal of waste containing PCBs. • Prevention of asbestos-caused damage to people's health.	Achieved 12% year-on-year reduction; progress in line with plan Limited emissions in order of priority Drew up a long-term disposal plan Measures progressed in line with plan

Recycling and Resource Conservation

Category	Activities and Goals (Target deadline is 2010 unless otherwise specified)	Fiscal 2006 Results
Automobile recycling	• Japan: Early achievement of fiscal 2015 statutory minimum ASR recycling rate of 70%. Promote total recycling. (End of fiscal 2009: total recycling rate of at least 20%). • Europe: Build ELV recovery systems. Respond to recyclability directives.	Achieved 70% recycling rate for ASR Almost completed building systems tailored to the needs of each country
Development and increased application of 3R technology	• Increase ease of removing wire harness types of motors. • Use more parts made from recycled materials.	Drew up guidelines on methods for assessing ease of removal Increased from 23 recycled parts in fiscal 2005 to 40 in fiscal 2006
3R in context of production process	• Maintain zero emissions of landfill waste at all manufacturing sites. • Maintain a waste recycling rate of at least 98%. • Reduce emissions of such by-products as metal scrap and waste casting sand (reduce ratio of emissions to net sales by 1.7% in fiscal 2006 compared with fiscal 2001). • Reduction of water use through efficient recycling (5% reduction compared with fiscal 2000).	Maintained zero landfill waste since fiscal 2002 Maintained since fiscal 2001 Achieved ratio of 112 tons/¥ billion (18% reduction since fiscal 2001) Achieved since fiscal 2001

EA21: EcoAction21
DfE: Design for Environment
LCA: Life Cycle Assessment
VOC: Volatile Organic Compounds
"four-star": Denotes 75% reduction in emissions compared to official fiscal 2005 standards
PRTR: Pollutant Release and Transfer Register
PCBs: Polychlorinated biphenyls
ASR: Automobile Shredder Residue

Motor Sports

For more than 40 years, MMC has continuously embraced the challenges of various motor sports events, including the Dakar Rally, and has built up an impressive track record crowned with many victories. Our performance in motor sports has received significant recognition, especially in Europe, and has fostered strong customer confidence in Mitsubishi vehicles.

For MMC, motor sports are a proving ground that give it the opportunity to push its vehicles to the limit in pursuit of superior drivability, durability and safety, and to feed back the technology and expertise derived from these activities into its product development and manufacturing operations. At the same time, motor sports embody elements of the Mitsubishi Motors corporate philosophy, realizing “utmost driving pleasure” and “reassuring safety.” For example, Mitsubishi Motors SUVs such as the *Pajero* and *Outlander* feature all wheel control (AWC) systems, a technology concept developed on the front lines of motor sports. Taking this technology to an even higher level, the all-new *Lancer Evolution* high-performance 4WD sedan—due for release starting in the fall of 2007—will feature Super All Wheel Control (S-AWC) technology, an advanced vehicle dynamics control system that regulates drive torque and braking force at each wheel to realize superior cornering performance. This breakthrough will realize a driving experience that more faithfully reflects drivers’ intentions and creates outstanding vehicle stability.

2007: Dakar Rally—MMC Achieves 7th Consecutive Win and 12th Overall Victory—A First in Dakar Rally History

The 2007 Dakar Rally marked the 25th time MMC has participated in this event since its first entry in 1983. In 2007, Stéphane Peterhansel of France (Mitsubishi *Pajero Evolution*) finished the 16-day, roughly 8,000 kilometer-long rally in first place in 45 hours, 53 minutes and 37 seconds. With this victory, the Mitsubishi Motors team surpassed the record it had previously set for the Dakar Rally, achieving its 7th consecutive and 12th overall win.

Stéphane Peterhansel scored his third overall win in the Dakar Rally, and Luc Alphand of France (Mitsubishi *Pajero Evolution*), the winner of last year’s Dakar Rally, came in second place. Drivers from the Mitsubishi Motors team thus claimed both first and second place for the first time in two years. In addition, Mitsubishi Motors team members Hiroshi Masuoka and Juan Nani Roma completed the rally in 5th and 13th place overall, respectively. These performances testify to the Mitsubishi Motors team’s enduring strengths in teamwork, technologies, and the determination to succeed.

New Delica D:5 Completes Dakar Rally

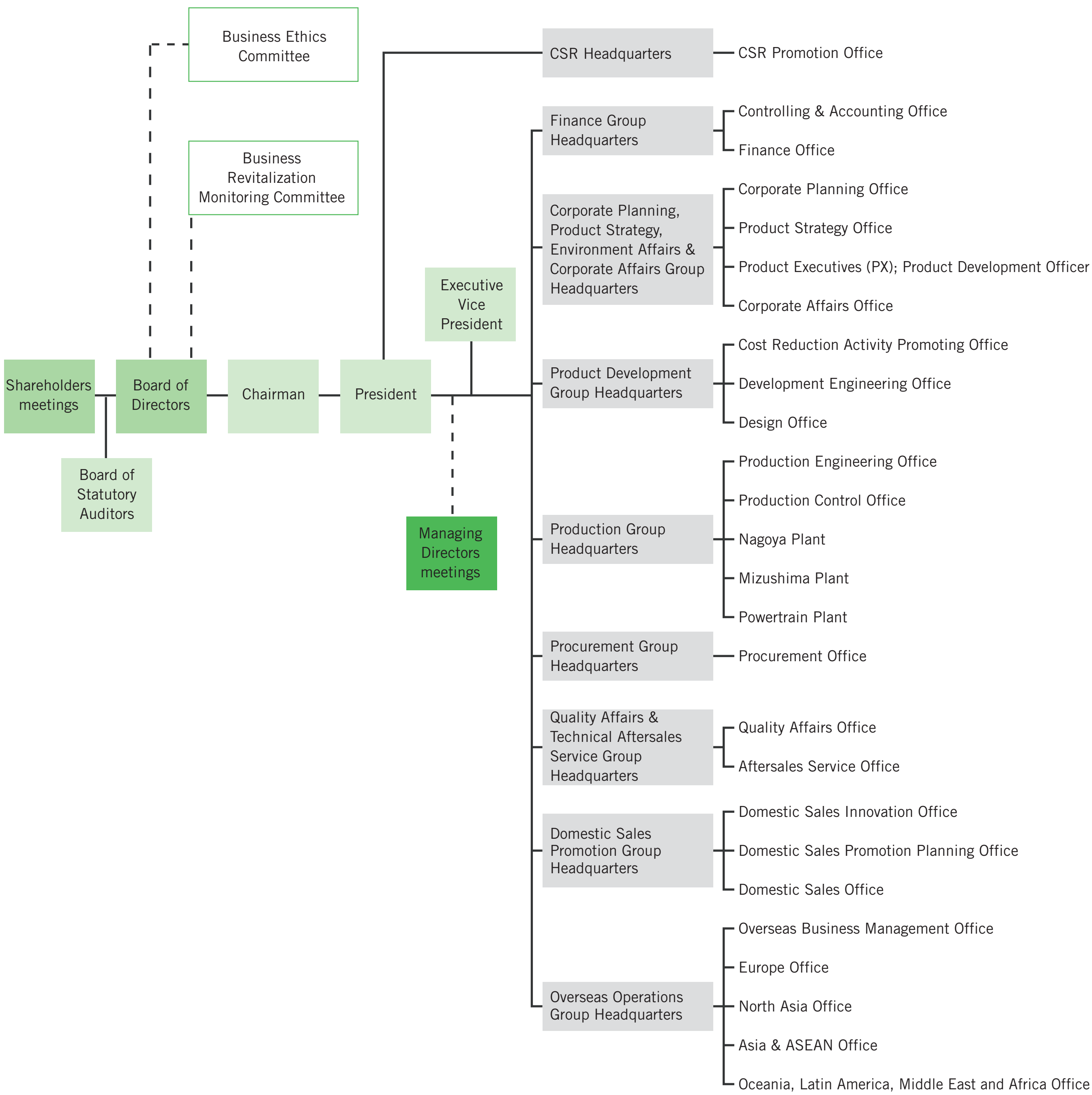
MMC deployed the new *Delica D:5*, which was due for its commercial launch at the end of January 2007, as a support vehicle for the Mitsubishi Motors team in the 2007 Dakar Rally. Fully loaded with crew and equipment, the *Delica D:5* completed the journey from Lisbon, Portugal to Dakar over stretches of rugged dirt and desert terrain without incurring any trouble.

The Mitsubishi Motors team claimed overall victory in the 2007 Dakar Rally

Delica D:5 acted as a support vehicle in the event

Organization Structure

(As of July 1, 2007)



Executives

(As of June 30, 2007)

Members of the Board

Takashi Nishioka*
Chairman of the Board

Osamu Masuko*
President
Chief Business Ethics Officer

Heki Kasugai*
Executive Vice President
In Charge of Corporate Planning, Product Strategy, Environment Affairs & Corporate Affairs Group Headquarters

Hiizu Ichikawa*
Managing Director
In Charge of Finance Group Headquarters

Fujio Cho
Managing Director
In Charge of Domestic Sales Promotion Group Headquarters

Makoto Maeda
Managing Director
In Charge of Production Group Headquarters

Norio Aoki
Managing Director
In Charge of Procurement Group Headquarters

Hiroshi Harunari
Managing Director
President & CEO–Mitsubishi Motors North America, Inc.

Tetsuro Aikawa
Managing Director
In Charge of Product Development Group Headquarters

Mitsuo Hashimoto
Managing Director
In Charge of Quality Affairs & Technical Aftersales Service Group Headquarters

Kazuyuki Kikuchi
Managing Director
In Charge of Overseas Operations Group Headquarters
Corporate General Manager of Oceania, Latin America, Middle East and Africa Office

Mikio Sasaki
Director
(Non-Executive Director)

Hidetoshi Yajima
Director
(Non-Executive Director)

* Representative Director

Statutory Auditors

Norihide Ujita
Statutory Auditor
(Full-time)

Kenji Egawa
Statutory Auditor
(Full-time)

Shigemitsu Miki
Statutory Auditor
(Outside Statutory Auditor)

Hiroshi Kan
Statutory Auditor
(Outside Statutory Auditor)

Yukio Okamoto
Statutory Auditor
(Outside Statutory Auditor)

Executive Officers

Shuichi Aoto
Senior Executive Officer
Corporate General Manager of Controlling & Accounting Office

Katsuo Terao
Senior Executive Officer
Corporate General Manager of Domestic Sales Office and Corporate General Manager of Domestic Sales Innovation Office

Yoshikazu Nakamura
Executive Officer
Corporate General Manager of CSR Promotion Office

Masao Ohmichi
Executive Officer
Assistant to President and Vice Corporate General Manager of CSR Promotion Office

Kazuya Matsushita
Executive Officer
Corporate General Manager of Finance Office and General Manager of Financial Planning Department

Shuma Uchino
Executive Officer
Corporate General Manager of Corporate Planning Office

Shinichi Kurihara
Executive Officer
Corporate General Manager of Product Strategy Office

Keizo Fuchita
Executive Officer
Corporate General Manager of Corporate Affairs Office and General Manager of Risk Management Promotion Team and Chief Information Security Officer

Seiichi Ohta
Executive Officer
Corporate General Manager of Development Engineering Office and General Manager of Cost Reduction Activity Promoting Office

Akinori Nakanishi
Executive Officer
Corporate General Manager of Design Office

Hiroshi Kuroda
Executive Officer
Corporate General Manager of Production Engineering Office

Osamu Matsumoto
Executive Officer
Plant General Manager of Mizushima Plant

Shuzo Muramoto
Executive Officer
Plant General Manager of Powertrain Plant

Hisayoshi Kumai
Executive Officer
Corporate General Manager of Domestic Sales Promotion Planning Office

Yoichi Yokozawa
Executive Officer
Corporate General Manager of Overseas Business Management Office

Toshifumi Sudo
Executive Officer
Corporate General Manager of Europe Office

Michiro Imai
Executive Officer
President–Mitsubishi Motors Thailand Co., Ltd.

Makoto Ochi
Executive Officer
Chairman and Chief Executive Officer–Netherlands Car B.V.

Shiro Futaki
Executive Officer
President & Chief Executive Officer, Manufacturing–Mitsubishi Motors North America Inc.

Financial Section

Contents

Role of the Finance Group Headquarters

The second fiscal year of the Mitsubishi Motors Revitalization Plan ended on March 31, 2007. In addition to weak sales in Japan, North Asia, and the ASEAN region, costs were higher for non-ferrous metals, petrochemicals, and other raw materials. However, as a result of successive efforts to reduce costs Company-wide and favorable currency movements, we achieved our goal of restoring net profitability. In fiscal year 2007, the final year of the Mitsubishi Motors Revitalization Plan, we are reinforcing our earnings structure to build solid profitability. In this context, the finance group has two major roles to play:

First, it is the group's job to steer the company along the most direct road toward complete recovery. This involves carefully monitoring quantitative financial data on MMC's performance to analyze progress with various initiatives, and to assure that results are being achieved in all aspects of the plan. By ascertaining quickly the financial status of MMC's entire operations and keeping a close eye on current and future earnings prospects, the finance group aims to prevent the company from straying off the path to restoring profitability as set out in the revitalization plan. MMC's business environment is changing at a more rapid, dynamic pace than originally anticipated in terms of economic conditions in various countries, as well as factors such as crude oil and raw materials prices, foreign exchange markets, and interest rates. In this business environment, based on a precise analysis and understanding of the course charted so far, the group must quickly steer MMC around various obstacles as measures to reach goals are accelerated. Through objective self-assessment of the Company's true capabilities on a daily basis, the group also spotlights medium-term weaknesses and challenges.

Second, the finance group is focused on the vital task of securing the funds required for the revitalization process. These funds are principally the capital needed to develop the new models that promise to be the main driver of restored profitability. The revitalization plan calls for ¥490.0 billion in additional funding over three years. At the end of fiscal year 2005, MMC had already raised ¥348.0 billion, mainly through share allocations and credit provided by a government-affiliated financial institution. In fiscal year 2006, against the backdrop of its improving creditworthiness, MMC resumed the procurement of new funds from private-sector financial institutions, raising a total of ¥78 billion, including a syndicated loan totaling ¥56 billion from 31 participating financial institutions in November 2006.

Looking ahead, while monitoring cash flow trends on a consolidated basis, the group will continue to raise the funds required through closer communication with various market participants and partner financial institutions.

(¥ billion)

Progress on Fund Procurement Plan Announced on January 28, 2005			
Three-Year Fund Procurement Plan		**Funds Procured in First Two Years of Plan**	
• Equity capital increases (excluding debt-equity swaps)	220.0	• Equity capital increases	250.0
• Asset divestitures or equity capital increases	30.0	• Borrowings, bond issues, and other sources	176.0
• Borrowings and other sources	240.0		
Total	490.0	Total	426.0

In the next three years, starting from April 2008, one major management priority is to identify a way to normalize the company's irregular capital structure. To this end, the company intends to steadily put the finishing touches on the Mitsubishi Motors Revitalization Plan and take the next step to enhance profitability well into the future.

Financial Results and Discussion

Operational Review

In fiscal year 2006, the Japanese economy was expected to continue to expand, surpassing the late 1960s *Izanagi Boom*, which had been Japan's longest period of post-war economic expansion. However, the pace of growth was generally weak. The global economy was strong, but there were increased concerns about overheating in the Chinese economy and the direction of the U.S. economy, where the housing market is in a correction phase. In these market conditions, the MMC Group faced weak aggregate demand in Japan and the ASEAN region, as well as other challenges, including sharp increases in the prices of raw materials such as aluminum, precious metals, and copper. However, the weaker yen worked in favor of the company's results.

Under the prevailing business environment, domestic sales of minicars increased 4.2% over fiscal year 2005 to 2.03 million units, surpassing the two million mark for the first time, and rising for the fourth straight year. However, domestic sales of registered vehicles declined 8.3% to 3.587 million units, decreasing for the fourth straight year.

Results of Operations

In fiscal year 2006, consolidated net sales were ¥2,202.9 billion, a 3.9% increase from the previous fiscal year. This increase in sales reflected a weaker yen and better model mix, despite lower retail sales and a drop in OEM supply volumes following the termination of *smart forfour* production.

MMC posted operating income of ¥40.2 billion, an increase of ¥33.4 billion from the previous year. Key factors of this increase were as follows: a contribution of ¥2.0 billion from improving sales volumes and the model mix, ¥20.4 billion due to favorable exchange rate movements, and ¥33.2 billion due to stronger profitability in the U.S. sales finance business and benefits from cost reductions. The major negative factors were a ¥2.7 billion increase in selling expenses in the U.S. and elsewhere and a ¥19.5 billion adverse impact from sharply higher raw materials prices.

For non-operating income (loss), MMC reported a loss of ¥21.7 billion, an improvement of ¥2.9 billion from the previous fiscal year.

In other gain (loss), the main positive factors were a liquidation gain of ¥13.9 billion on the termination of a real estate trust and a ¥5.0 billion gain on sales of investments in securities. The main negative factors were a ¥7.5 billion impairment loss related to the consolidation of captive sales companies over large areas in Japan and ¥3.1 billion in restructuring expenses. Partly due to large impairment losses and restructuring losses recorded in the previous fiscal year, other gains (losses) improved significantly year on year.

As a result, net income improved ¥100.9 billion from the previous fiscal year to a profit of ¥8.7 billion in fiscal year 2006.

Segment Analysis

<Business Segment Information>

MMC and its consolidated subsidiaries divide operations into two business segments: Automobiles and Financial Services.

■ Automobiles

In fiscal year 2006, sales in the automobile business rose 3.5% year on year to ¥2,154.7 billion. MMC recorded operating income of ¥17.7 billion, a ¥23.8 billion improvement over the previous fiscal year. Fiscal year 2006 saw strong sales in Africa, the Middle East, and Latin America, as well as Europe, which was driven by Russia, the Ukraine and other growth markets. However, demand on the whole was weak in Japan, Asia and the ASEAN region. Consequently, retail sales declined 114,000 units, or 8.5%, to 1,230,000 units.

■ Financial Services

In domestic automotive finance operations, under a basic agreement related to the reorganization and spin-off of the former Mitsubishi Auto Credit-Lease Corporation (MCL) in March 2006, MMC and Diamond Lease Co., Ltd. established MMC Diamond Finance Corporation as a joint venture. In February 2007, MMC Diamond Finance Corporation began Mitsubishi Motors-related finance operations, including automotive credit and rental car operations. In conjunction with this restructuring, in March 2007, the auto leasing business was turned over to Mitsubishi Auto Leasing Corporation, a joint venture between Mitsubishi Corporation and Diamond Lease Co., Ltd.

In the U.S., Mitsubishi Motors Credit of America, Inc. (MMCA) conducts auto leasing, sales financing, and related operations.

In fiscal year 2006, revenues from financial services increased 22.4% year on year to ¥47.9 billion. MMC reported operating income of ¥22.3 billion from the segment, an improvement of ¥11.9 billion from the previous fiscal year. This improvement was mainly due to structural enhancements in U.S. financial services operations, resulting in a reduction of reserve burden for sales finance receivables.

<Geographical Segment Information>

The geographical segment analysis provided in this section is based on the results aggregated by the region of the wholesaler and end user. Accordingly, figures differ from the 'Geographic Segment Information' section provided in the Notes to Consolidated Financial Statements. Figures in this section correspond to the sales figures reported in the 'Overseas Sales' section in the Notes to Consolidated Financial Statements.

■ Japan

In Japan, retail sales declined 10,000 units, or 3.9% year on year, to 247,000 units in fiscal year 2006. Sales in Japan had increased for the 19 consecutive months between May 2005 and November 2006. Supporting this performance were strong starts for the new *Pajero* and *Delica D:5*, which were launched in October 2006 and January 2007, respectively. However, market conditions remained challenging. Total domestic demand was down 4.3% year on year, particularly for registered vehicles, for which demand dropped 8.3% year on year. Against this backdrop, although sales of Mitsubishi minicars in Japan were mostly the same as the previous fiscal year, this was insufficient to make up for the decline in sales of registered vehicles. Consequently, in Japan, sales increased 0.4% to ¥506.0 billion. The operating loss was ¥43.8 billion, an improvement of ¥11.5 billion from the previous fiscal year, reflecting policies aimed at curtailing low-margin transactions and the release of the new *Pajero* and *Delica D:5*, both of which are high-margin models, amid a decline in retail sales.

■ North America

In the U.S., the world's largest automobile market, the Company aggressively introduced new models, including the new *Eclipse Spyder* in April 2006, the new *Outlander*, in November 2006, and the new *Lancer*, which was rolled out in the U.S. before anywhere else in the world in March 2007. At the same time, MMC was successful in strengthening the marketing capabilities of local dealership networks, boosting productivity at a local plant and implementing effective sales promotion and advertising campaigns. As a result, retail sales in North America rose 8,000 units, or 5.1%, to 164,000 units, for the first time in the five fiscal years since fiscal year 2001.

Due to the above factors, sales in North America increased 1.9% to ¥423.6 billion. Operating income improved ¥7.8 billion to a profit of ¥0.6 billion, due in part to improved profitability in financial services operations.

■ Europe

In Europe, retail sales rose 15,000 units, 5.6% over fiscal year 2005 to 282,000 units. Despite falling sales in major countries such as Germany and the U.K., sales were strong in growth markets, up roughly 20% in Russia and doubling in the Ukraine.

As a result, net sales increased 13.1% to ¥662.8 billion and operating income improved ¥18.2 billion to ¥42.6 billion.

■ Asia and Other Regions

In Asia and other regions, retail sales decreased 127,000 units, a 19.2% drop from fiscal year 2005, to 537,000 units. Although sales volumes increased in Africa, the Middle East and Latin America, where demand is strong, sales volumes were down sharply in Indonesia, Malaysia, Taiwan and China, where sales of parts for overseas production account for much of MMC's sales volume.

Net sales decreased 0.6% to ¥610.5 billion, while operating income fell ¥4.1 billion to ¥40.8 billion.

Financial Position

<Assets>

Total assets as of March 31, 2007 were ¥1,778.7 billion, up ¥221.1 billion from the end of fiscal year 2006.

Current assets were ¥1,059.6 billion, up ¥217.3 billion from a year earlier. Inventories rose ¥94.0 billion to ¥352.0 billion in conjunction with the launch of new models. Furthermore, cash and bank deposits increased ¥99.0 billion to ¥358.1 billion.

Fixed assets increased ¥3.8 billion to ¥719.1 billion.

<Liabilities>

Total liabilities as of March 31, 2007 were ¥1,470.4 billion, an increase of ¥194.1 billion from the end of fiscal year 2006.

Current liabilities increased ¥243.7 billion to ¥1,110.9 billion. The main contributing factor was an increase of ¥117.2 billion in trade notes and accounts payable in conjunction with the launch of new models.

Interest-bearing debt increased ¥56.1 billion from the previous year to ¥503.8 billion.

<Equity>

Total net assets increased ¥27.0 billion to ¥308.3 billion. There was a reduction in the accumulated deficit due to the recording of net income, and foreign currency translation adjustments improved significantly. The equity ratio was 16.6%, a deterioration of 0.6 of a percentage point from a year earlier.

Cash Flows

Looking at cash flows in fiscal year 2006, net cash provided by operating activities totaled ¥162.3 billion, ¥107.9 billion more than in fiscal year 2005.

Net cash used in investing activities was ¥46.0 billion, ¥38.8 billion less than in the previous fiscal year.

Net cash used in financing activities was ¥11.3 billion, ¥7.7 billion less than in the previous fiscal year.

As a result, the year-end balance of cash and cash equivalents was ¥364.3 billion, an increase of ¥116.2 billion from the beginning of the fiscal year.

Business-related Risks

Risks related to the company's operations and financial status are as follows:

Support for Mitsubishi Motors Revitalization Plan from Mitsubishi Group Companies

Mitsubishi Group companies, especially Mitsubishi Heavy Industries, Ltd., Mitsubishi Corporation and Bank of Tokyo-Mitsubishi UFJ, Ltd., substantially support MMC's financial status and administrative efforts, as well as play a critical role in the realization of the Mitsubishi Motors Revitalization Plan. If this support were to be removed, MMC would find it difficult to achieve the goals of our revitalization plan and restore our business back to health.

Legal Proceedings for Product Liability and Other Matters

Mitsubishi Motors is involved in the following product liability and other legal proceedings.

MMC is amongst those included in a Tokyo air pollution suit (first–sixth proceedings) that targets the Japanese National Government, the Tokyo Metropolitan Government, the Metropolitan Expressway Public Corporation and seven diesel automobile manufacturers. Residents and commuters of the Tokyo City area (23 wards) who are afflicted with respiratory ailments such as bronchial asthma as well as bereaved family members (the total number of plaintiffs is more than 500 up through the sixth proceeding) have launched this suit.

On August 8, 2007, a settlement of this suit was reached in the Tokyo District Court and the Tokyo High Court.

Under the settlement, MMC and the other six defendant companies will pay the plaintiffs a settlement fee and contribute funds to a medical subsidy program to be established by the Tokyo Metropolitan Government.

In January 2002, a front wheel of a truck that was manufactured by MMC's truck and bus division (now Mitsubishi Fuso Truck and Bus Corporation) detached while the truck was in motion, resulting in a fatal accident. One legal proceeding is currently in progress in relation to this accident. The suit was filed in March 2003 by the mother of the deceased. The suit seeks product liability damages amounting to 165.5 million yen (including punitive damages) from MMC, the Japanese National Government, and both the driver and his employer. On April 18, 2006, the Yokohama District Court, and on February 27, 2007, the Tokyo Superior Court ordered MMC to pay 5.5 million yen (plus interest) to the plaintiff in compensatory damages; no punitive damages were awarded. On April 21, 2006, MMC paid the 5.5 million yen (plus interest) to the plaintiff in accordance with the ruling of the Yokohama District Court. However, the plaintiff appealed the ruling to the Supreme Court. On September 20, 2007, the Supreme Court rejected this appeal and confirmed the ruling of the Tokyo Superior Court.

Leasing, financial services and sales incentives

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

The sales incentives the company uses in promotions reduce the selling price of new vehicles. It is possible that the use of incentives will lower residual values, which will affect both residual values in the used car market and that 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.

Issuance of common and preferred shares and effect on share price

In June and July 2004, March 2005 and January 2006, the company issued several classes of convertible preferred shares as part of its revitalization plan. Conversion of all Class B shares, series 1–3 (issued July 2004), has already been completed, but 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 prices of common shares.

Effect of foreign exchange rate fluctuations

Overseas sales accounted for 77.0 percent of the consolidated net sales of MMC for the period. The Company 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

The breakdown of the above ratio of overseas sales is 19.2 percent for North America, 30.1 percent for Europe, and 27.7 percent for other regions. The remaining 22.3 percent represents sales in the Japanese market. There is a possibility that a change in the socioeconomic situation in any of these regions will impact the results of the company.

Effect of fluctuations in interest rates on borrowings

The balance of MMC's consolidated interest-bearing liabilities stood at 503.8 billion yen at the end of March 2007. There is a possibility that fluctuations in interest rates on borrowings resulting from a change in financial market conditions in the future will impact the results of the company.

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 the company's manufacturing costs and resulting in an impact on results.

Natural and other disasters

The company 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, may result in large operational halts, etc., and thus have an impact on the results of MMC.

Changes in laws & regulations

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

Consolidated Balance Sheets

Mitsubishi Motors Corporation and Consolidated Subsidiaries
As of March 31, 2007 and 2006

	In millions of yen		In thousands of U.S. dollars (Note 4)
Assets	2007	2006	2007
Current assets:			
Cash and cash equivalents (Notes 9 and 14)	¥ 364,268	¥ 248,069	$ 3,085,715
Trade notes and accounts receivable (Notes 5 and 9)	195,021	179,101	1,652,021
Finance receivables (Notes 5 and 9)	40,480	39,278	342,910
Inventories (Note 9)	351,991	257,946	2,981,711
Short-term loans receivable	3,277	2,047	27,761
Deferred tax assets (Note 18)	846	1,206	7,167
Prepaid expenses and other current assets (Note 9)	130,840	140,462	1,108,350
Allowance for doubtful accounts	(27,092)	(25,805)	(229,497)
Total current assets	1,059,633	842,306	8,976,139
Property, plant and equipment, net (Notes 6 and 9)	517,464	506,007	4,383,431
Intangible assets (Note 9)	38,530	25,836	326,394
Investments and other assets:			
Investments (Notes 7 and 9)	90,138	83,429	763,560
Long-term finance receivables (Notes 5 and 9)	18,872	8,365	159,871
Long-term loans receivable (Note 9)	13,262	12,900	112,348
Deferred tax assets (Note 18)	8,468	7,413	71,739
Retained interests in securitized assets and others (Note 9)	50,226	126,290	425,468
Allowance for doubtful accounts	(17,903)	(54,979)	(151,663)
Investments and other assets, net	163,065	183,419	1,381,322
Total assets	¥1,778,693	¥1,557,570	$15,067,288

Liabilities and net assets	In millions of yen 2007	In millions of yen 2006	In thousands of U.S. dollars (Note 4) 2007
Current liabilities:			
Trade notes and accounts payable	¥ 451,053	¥ 333,842	$ 3,820,871
Short-term borrowings (Note 9)	215,036	159,254	1,821,567
Current portion of long-term debt (Note 9)	137,008	85,108	1,160,598
Accrued expenses, accounts payable and deferred income (Note 8)	250,722	234,998	2,123,868
Accrued income taxes (Note 18)	7,220	7,371	61,167
Other current liabilities (Note 18)	49,832	46,585	422,132
Total current liabilities	1,110,874	867,160	9,410,206
Long-term debt (Note 9)	151,806	203,389	1,285,947
Deferred tax liabilities (Note 18)	24,259	18,251	205,500
Accrued retirement benefits (Note 17)	105,881	102,787	896,920
Other non-current liabilities	77,567	84,721	657,074
Total liabilities	1,470,389	1,276,311	12,455,648
Net assets			
Stockholders' equity (Notes 10 and 21):			
Preferred stock:			
Authorized: 3,312,000 shares			
Issued or converted			
442,593 shares in 2006			
442,593 shares in 2007	221,296	221,296	1,874,599
Common stock:			
Authorized: 9,958,285,000 shares			
Issued or converted			
5,491,452,544 shares in 2006			
5,491,516,544 shares in 2007	436,046	436,040	3,693,740
Capital surplus	432,654	432,648	3,665,007
Accumulated deficit	(740,454)	(749,198)	(6,272,380)
Treasury stock — 73,191 shares at March 31, 2006			
Treasury stock — 76,934 shares at March 31, 2007	(13)	(12)	(115)
Total stockholders' equity	349,528	340,774	2,960,851
Valuation, translation adjustments and others			
Unrealized holding gain on securities	10,132	9,046	85,832
Deferred gains /losses on hedging activities	1,393	—	11,806
Translation adjustments	(65,272)	(81,142)	(552,924)
Total valuation, translation adjustments and others	(53,746)	(72,096)	(455,284)
Minority interest	12,522	12,580	106,074
Total net assets	308,304	281,258	2,611,640
Contingent liabilities (Note 11)			
Total liabilities and net assets	¥1,778,693	¥1,557,570	$15,067,288

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Mitsubishi Motors Corporation and Consolidated Subsidiaries
For the years ended March 31, 2007 and 2006

	In millions of yen		In thousands of U.S. dollars (Note 4)
	2007	2006	2007
Net sales	¥2,202,869	¥2,120,068	$18,660,475
Cost of sales	1,788,897	1,700,524	15,153,726
Reversal of deferred profit on installment sales, net	0	0	7
Gross profit	413,972	419,544	3,506,755
Selling, general and administrative expenses (Note 12)	373,735	412,760	3,165,906
Operating income	40,237	6,783	340,849
Interest and dividend income	8,098	5,105	68,603
Interest expense	20,777	19,580	176,008
Loss on impairment of fixed assets	(7,465)	(45,084)	(63,242)
Other gain (loss), net (Notes 7 and 13)	3,011	(29,969)	25,513
Income (loss) before income taxes and minority interest	23,104	(82,745)	195,714
Income taxes (Note 18):			
Current	7,236	7,351	61,303
Deferred	5,066	558	42,915
	(12,303)	(7,909)	(104,219)
Minority interest	2,055	1,511	17,413
Net income (loss) (Note 21)	¥ 8,745	¥ (92,166)	$ 74,081

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, 2007 and 2006

	In millions of yen		In thousands of U.S. dollars (Note 4)
	2007	2006	2007
Stockholders' equity			
Preferred stock:			
Balance at beginning of year	¥221,296	¥263,096	$1,874,599
Preferred stock issued or converted	—	(41,800)	—
Balance at end of year	221,296	221,296	1,874,599
Common stock:			
Balance at beginning of year	436,040	379,204	3,693,693
Common stock issued or converted	5	56,836	47
Balance at end of year	436,046	436,040	3,693,740
Capital surplus:			
Balance at beginning of year	432,648	417,612	3,664,960
Issuance or conversion of common and preferred stock	5	15,035	46
Balance at end of year	432,654	432,648	3,665,007
Accumulated deficit:			
Balance at beginning of year	(749,198)	(656,068)	(6,346,448)
Net income	8,745	(92,166)	74,081
Effect of Australian subsidiary for adopting new accounting standards	—	(962)	—
Effect of deconsolidation of subsidiaries	(1)	—	(14)
Balance at end of year	(740,454)	(749,198)	(6,272,380)
Treasury stock:			
Balance at beginning of year	(12)	(8)	(108)
Net change	(0)	(4)	(7)
Balance at end of year	(13)	(12)	(115)
Total stockholders' equity	349,528	340,774	2,960,851
Valuation, translation adjustments and others			
Unrealized holding gain on securities:			
Balance at beginning of year	9,046	9,208	76,636
Net change	1,085	(161)	9,196
Balance at end of year	10,132	9,046	85,832
Deferred gains/losses on hedging activities:			
Balance at beginning of year	—	—	—
Net change	1,393	—	11,806
Balance at end of year	1,393	—	11,806
Translation adjustments:			
Balance at beginning of year	(81,142)	(88,262)	(687,358)
Net change	15,869	7,119	134,433
Balance at end of year	(65,272)	(81,142)	(552,924)
Total valuation, translation adjustments and others	(53,746)	(72,096)	(455,284)
Minority Interest:			
Balance at beginning of year	12,580	10,229	106,568
Net change	(58)	2,351	(493)
Balance at end of year	12,522	12,580	106,074
Total net assets	¥308,304	¥281,258	$2,611,640

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Motors Corporation and Consolidated Subsidiaries
For the years ended March 31, 2007 and 2006

	In millions of yen		In thousands of U.S. dollars (Note 4)
	2007	2006	2007
Operating activities:			
Net income (loss)	¥ 8,745	¥ (92,166)	$ 74,081
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	75,330	68,718	638,121
Allowance for doubtful accounts, net of reversal	(15,201)	(9,345)	(128,770)
Accrued retirement benefits, net of reversal	(650)	1,763	(5,508)
Gain from affiliates accounted for by the equity method, net	(2,166)	(1,453)	(18,348)
Deferred income taxes	5,066	558	42,915
Minority interest	2,055	1,511	17,413
Loss (gain) on sales and disposal of property, plant and equipment, net	2,003	(1,862)	16,972
Loss on impairment of fixed assets	7,465	45,084	63,242
Gain on sales of investments in securities, net	(5,036)	(391)	(42,661)
Loss on impairment of investments in securities	451	335	3,823
Loss compensation based on stock transfer contract	—	1,186	—
Gain on liquidation of anonymous association	(13,885)	—	(117,620)
Early retirement expense	3,073	—	26,036
Change in trade notes and accounts receivable	5,618	(19,550)	47,597
Change in inventories	(55,334)	(5,881)	(468,736)
Change in finance receivables (Note 14)	58,249	15,790	493,428
Change in retained interests in securitized assets	(1,717)	16,853	(14,546)
Change in trade notes and accounts payable	69,297	30,210	587,021
Other	18,978	3,069	160,769
Net cash provided by operating activities	162,345	54,430	1,375,230
Investing activities:			
Decrease in investments in term deposits	12,085	3,045	102,379
Purchase of property, plant and equipment (Note 14)	(111,594)	(133,924)	(945,311)
Proceeds from sales of property, plant and equipment (Note 14)	40,274	45,839	341,165
Decrease (increase) in investments in securities	9,294	(166)	78,732
Acquisition of capital investments in affiliates	(8,750)	—	(74,121)
Decrease (increase) in short-term loans receivable	(2,646)	741	(22,418)
Loans made	(68)	(2,017)	(578)
Collection of loans receivable	1,974	1,584	16,729
Proceeds from liquidation of anonymous association	19,451	—	164,773
Other	(6,039)	86	(51,161)
Net cash used in investing activities	(46,017)	(84,811)	(389,810)
Financing activities:			
Decrease in short-term borrowings	(13,564)	(48,192)	(114,904)
Proceeds from issuance of long-term debt	68,823	41,687	583,006
Repayment or redemption of long-term debt	(66,464)	(42,067)	(563,019)
Common and preferred stock issued	—	29,704	—
Dividend paid to minority interest	(79)	(33)	(675)
Other	(3)	(53)	(26)
Net cash used in financing activities	(11,287)	(18,955)	(95,620)
Effect of exchange rate changes on cash and cash equivalents	11,326	2,557	95,945
Net change in cash and cash equivalents	116,367	(46,779)	985,745
Cash and cash equivalents at beginning of year	248,069	294,903	2,101,392
Change in cash and cash equivalents due to inclusion and exclusion of subsidiaries in consolidation	(167)	(54)	(1,422)
Cash and cash equivalents at end of year (Note 14)	¥364,268	¥248,069	$3,085,715

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Motors Corporation and Consolidated Subsidiaries

1. Going Concern

Although the Mitsubishi Motors Corporation (MMC) group recorded consolidated net income of ¥8,745 million ($74,081 thousand) in fiscal year ("FY") 2006, the MMC group recorded consolidated net losses of ¥474,785 million and ¥92,166 million in FY 2004 and FY 2005. As a result, significant doubt arises as to the Company's ability to continue as a going concern.

To address this situation as well as strengthen its operating base, the MMC group formulated the "Business Revitalization Plan" (from FY 2004 to FY 2006) in May 2004 and outlined additional measures in June 2004 that focus on three areas: all out cost cutting; restoring customer trust; and across the board compliance.

Despite these measures, the MMC group's inability to respond adequately to past recall problems delayed the hoped for restoration of consumer and public trust and seriously impacted sales. This, in turn, highlighted the problem of over capacity that lurked beneath the surface over recent years. In addition, concerns deepened about delays in the recovery of operations and about the financial health of the MMC group. As a result, the MMC group was forced to use funds allocated for the revitalization program in the repayment of interest bearing debt.

To break out of this situation and successfully revitalize itself, the MMC group, while continuing its efforts to regain customer and public trust, found itself in a situation that required additional measures to improve profitability. Given these circumstances, the MMC group put together the new "Mitsubishi Motors Revitalization Plan" in January 2005. Highlights of the plan as well as the progress in FY 2006 are summarized as follows.

(1) Corporate culture reform initiatives

Recovering customer and public trust and reforming corporate culture are absolute priorities in the MMC group's bid to revitalize itself. The Corporate Social Responsibility (CSR) Promotion Office has been playing a lead role in the implementation of a wide range of measures designed to enhance compliance. The Business Ethics Committee, made up of specialists and leaders in their fields from outside the MMC group, has also given valuable advice and guidance from an external perspective in this regard. The MMC group continues to carry out the counter measures that were announced in March 2005 to prevent recurrence of the recall problem.

(2) Key points of the "Mitsubishi Motors Revitalization Plan" and additional commitments for FY 2006 and FY 2007

- Recover trust by assigning first priorities to customers
  - Assigning first priorities to customers in all areas, from marketing through after sales services
  - Regaining customer's trust by superior product quality
- Business strategy
  - Setting sales plans that reflect downside risks
  - Promoting of operational tie-ups with other automakers
  - Rationalizing production capacity and sales network
- Capital enhancement
  - Strengthening financial standing and securing capital for revitalization
- Effective management
  - Taking lead with a new management team
  - Setting up a thorough follow-up system
- Implement and extend across the board compliance

[Additional commitments for FY 2006]

- Strengthening sales operations around the world beginning with Japan and North America in order to achieve sales targets
- Implementing cost reduction policies in all functional areas including sales, production and development
- Optimizing the global production system
- Enhancing corporate governance through effective internal control

[Additional commitments for FY 2007]
• Returning into the black in domestic operations by integrating sales networks and strengthening the sales operations
• Expanding sales in new markets centering on BRICs
• Progressing in environmental technology development

(3) Targets
• Achieved net profitability in FY 2006 as targeted
• Continuing to carry out measures to sustain profitability in FY 2007

(4) Business strategy

(i) Sales volume plans

Sales plans in the “Mitsubishi Motors Revitalization Plan” have been drawn up for each region based on current market trends to set realistic and achievable targets and eliminate all foreseeable downward risks. As a result, although fiscal year volume targets in the new plan were originally sought to recover to the FY 2003 level of 1,500,000 vehicles in FY 2007, volume targets were revised to 1,320,000 vehicles due to lower aggregate demand in current domestic and ASEAN markets.

(ii) Product strategy

a. Motorsports

The MMC group places Motorsports at the very heart of its car design and development activities. The technology and experience built up through taking part in grueling and competitive events such as the Dakar Rally and the World Rally Championship are being fed back and reflected into all production cars as the “Sporty DNA” and “SUV DNA” that define the MMC brand. That same technology and expertise also enables increased safety and durability as well as driving performance and the MMC group intends to further raise its product value by actively promoting these embodied qualities.

b. Improving efficiencies in model mix

The new plan incorporates measures under which the MMC group will cut back the number of low volume models produced for individual markets and concentrate managerial resources on highly competitive global market models. This will raise development and production efficiencies.

c. New model launches

The MMC group has been increasing the number of new model launches since FY 2005 and will expand earning opportunities by continuing to actively introduce new models across all regions.

(iii) Business tie-up strategy

To further promote a policy of selection and concentration, the MMC group will actively pursue strategic tie-up opportunities with other companies. The MMC group has reached an agreement for a joint development project of the next generation diesel engine with Mitsubishi Heavy Industries, Ltd. (MHI) and has signed a diesel engine supply agreement with PSA Peugeot Citroën. On April 2007, the MMC group also has agreed with Nissan Motor Co., Ltd. to expand its OEM contract scope. The MMC group continues to seek tie-ups with other companies to consider the options such as expanding OEM arrangements, component supply partnering, joint distribution arrangements and joint procurements arrangements.

(iv) Regional strategy

a. Japan

As one of the cornerstones of the “Mitsubishi Motors Revitalization Plan”, the MMC group has been accelerating reconstruction of its domestic sales network and it plans to integrate and merge widespread domestic consolidated sales companies and parts sales companies during FY 2007. By continuing to implement the policies of: improving efficiency in sales network; strengthening sales operations; and enhancing corporate governance, the MMC group strives to obtain top class customer satisfaction in the industry and improve profitability. As a result of these measures, the MMC group strives to achieve profitability in domestic operation at an early stage.

b. North America

In order to establish a structure for profitable operations in the North American market, the MMC group appointed a head office managing director to become CEO and President of its North American subsidiary. The MMC group also introduced a new management structure that will strengthen links and promote effective communication with MMC.

c. Europe

To move its European operations forward from start-up stage into the growth stage, the MMC group will work to promote sales for a stronger model lineup and will place its effort to strengthen its management and improve sales structures.

d. China

The MMC group seeks to expand its operation by continuing to promote the Mitsubishi brand that is already being well established in China. In September 2006, the MMC group completed capital investment in South East (Fujian) Motors Co., Ltd. to upgrade the Mitsubishi brand models and expand its range of models for sale. The MMC group is also considering establishing engine joint ventures in China, as a major engine production hub, and R&D facilities to meet local market needs on a timely basis.

e. Other markets

The MMC group is taking steps to strengthen its operational footing in ASEAN markets. These include strengthening sales operations in Thailand, establishing sales structures in Malaysia, and reorganizing operations in Indonesia. The MMC group is also increasing production capacity in Thailand, which now serves as one of the important export hubs to global markets.

(v) Cost reductions

a. Manpower

As a result of changes in organizational structure and work processes, improved operational efficiency and reduction of the numbers of personnel, the MMC group’s staff reduction program is on track and scheduled to achieve the planned target. The MMC group also continues to work on further improvements in operational efficiencies.

b. Materials costs

In spite of rising prices of raw materials, the MMC group continues to make every effort for further cost reductions.

(5) Corporate ideals and direction

Together with the announcement of the new "Mitsubishi Motors Revitalization Plan" in January 2005, the MMC group formed the new corporate maxim "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". In addition, from September 2005, the MMC group also adopted a new slogan in Japan that was chosen by staff: "*Kuruma zukuri no genten e*" ("Pursuing the Origins of Car Engineering").

(6) Profit and loss targets

By reflecting all the measures described above, the MMC group was able to return to the black at the operating income level one year ahead of the target originally planned in the "Mitsubishi Motors Revitalization Plan" in FY 2005.

In FY 2006, the MMC group recorded net income of ¥8,745 million ($74,081 thousand) and achieved net profitability as targeted in the plan. For FY 2007, the MMC group continues to carry out the measures towards solid profitability.

(7) Support systems: capital and funding reinforcements

(i) Capital reinforcement

With the full support of four Mitsubishi companies, during FY 2004, the MMC group received a capital enhancement of ¥284.2 billion through the issuance of common and preferred stock. In January 2006, the MMC group issued an additional ¥30 billion of preferred stock by third party allocation. The combined interests of the MMC group by MHI, Mitsubishi Corporation, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. were approximately 34% at March 31, 2007.

The MMC group became an equity method affiliate of MHI since the second half of FY 2005.

(ii) Borrowing

In respect of the plan to raise ¥240 billion as part of the "Mitsubishi Motors Revitalization Plan" formed in January 2005, the MMC group raised nearly ¥80 billion in FY 2005, and also raised nearly ¥80 billion by obtaining ¥56 billion through a medium term syndicate loan in FY 2006. As for FY 2007, the MMC group plans to raise the appropriate amount of funds by reviewing its financing needs.

(iii) Capital expenditure for revitalization

The funds that were obtained from capital enhancement and funding measures will be utilized in R&D and capital investment, which will provide the platform vital to the successful achievement of targets and goals that were set out in the "Mitsubishi Motors Revitalization Plan".

The MMC group set up a new "Business Revitalization Monitoring Committee", an external body that monitors the progress made in the implementation of the "Mitsubishi Motors Revitalization Plan" in April 2005. The members of the committee are made up of specialists and leaders in their fields from outside the MMC group as well as representatives from key stockholders of Mitsubishi companies, and they have been overseeing the progress of the "Mitsubishi Motors Revitalization Plan" and have given valuable advice and guidance.

For this fiscal year, the MMC group has restored profitability at all levels (operating, ordinary and net income).

The MMC group, in order to restore operations as well as financial health across the board, is devoting itself to materializing the new "Mitsubishi Motors Revitalization Plan" that was announced in January 2005 with full support of three Mitsubishi companies (MHI, Mitsubishi Corporation and The Bank of Tokyo-Mitsubishi UFJ, Ltd.).

Accordingly, these financial statements have been prepared on the basis of going concern and the effect of any significant doubt as to going concern is not reflected.

2. 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. Foreign subsidiaries maintain their books of account in conformity with standards in their countries of domicile.

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 to the Financial Services Agency as required by the Securities and Exchange Law 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) do 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.

(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 or specific identification method. Inventories of the foreign consolidated subsidiaries are principally stated at the lower of cost or market value. Cost is determined by the specific identification method.

(e) Investments in securities

Investments in securities are classified either as held-to-maturity, investments in unconsolidated subsidiaries and affiliated companies, or other securities. Investments in securities that are expected to be held to maturity are stated at their amortized cost. Investments in securities that are expected to be held-to-maturity were not held during FY 2006. Other securities with a readily determinable market value are stated at fair value and the cost of other 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 "Unrealized holding gain on 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

Depreciation of property, plant and equipment is principally calculated by the declining balance method or the straight line method over the estimated useful life of the respective assets. The estimated useful life of the assets at MMC and its domestic consolidated subsidiaries are as provided for in the Corporate Tax Law.

Intangible fixed assets are amortized by the straight line method primarily over their respective estimated useful lives. Software intended for use by MMC and its domestic consolidated subsidiaries is amortized by the straight line method over a period of 5 years. Goodwill and negative goodwill are amortized immediately or on a straight line basis over periods of 3 to 7 years depending on the period of effectiveness estimated by each investment.

[Additional information]

Until this fiscal year, in order to determine the useful lives of the fixed assets for accounting purposes, MMC used the same useful lives that are provided for in the Corporate Tax Law. However, due to effective manufacturing integration based on the "Mitsubishi Motors Revitalization Plan" and by reducing the number of platforms and sharing existing platforms, the estimated actual useful lives of dies, which are classified under tooling and furniture, and their useful lives under the Corporate Tax Law are now substantially different.

Hence, from this fiscal year, instead of the useful lives dictated by the Corporate Tax Law, estimated actual useful lives are used to determine the useful lives of MMC's fixed assets. As a result, operating income, ordinary income and net income for the year ended March 31, 2007 have increased by ¥7,585 million ($64,259 thousand). (The effects on the segment information are described in Note 19).

(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, 2007 and 2006 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 5 to 21 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 21 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 during this fiscal year, certain directors and corporate auditors of MMC and its domestic consolidated subsidiaries were customarily entitled to lump-sum payments under their respective unfunded severance benefit plans subject to the stockholders' approval. Provision for severance benefits for those directors and corporate auditors were made at the estimated amount which would be paid if all directors and corporate auditors resigned as of the balance sheet dates. Due to the termination of the plan, further provision is no longer needed and the outstanding balance of the provision represents only a portion of benefit payments reserved before the plan's termination.

(k) Translation of foreign currency accounts

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

a. Asset and liability items are translated at the rate of exchange in effect on March 31;

b. Components of stockholders' equity are translated at their historical rates at acquisition or upon occurrence; and

c. Revenues, expenses and cash flow items are translated at the average rate for the financial period. Translation adjustments are included in "Net assets".

(l) Amounts per share of common stock

The computation of basic net income (loss) 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) Leases

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

Non-cancelable lease transactions at foreign subsidiaries, except for operating leases, are capitalized.

(n) 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 and bonds. 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.

3. Changes in Accounting Policies

(a) Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective for the year ended March 31, 2007, *Accounting Standard for Presentation of Net Assets in the Balance Sheet* (Accounting Standards Board of Japan (ASBJ) statement No.5, December 9, 2005) and *Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet* (ASBJ Guidance No.8, December 9, 2005) have been adopted. Total stockholders' equity under the previous presentation amounted to ¥294,388 million ($2,493,759 thousand). In conjunction with the revisions of the Regulations Concerning Consolidated Financial Statements, net assets in the consolidated balance sheets for this fiscal year are presented in accordance with the revised Regulations Concerning Consolidated Financial Statements.

(b) Accounting Standard for Business Combinations

Effective for the year ended March 31, 2007, *Accounting Standard for Business Combinations* (Business accounting Council, October 31, 2003), *Accounting Standard for Business Divestitures* (ASBJ statement No.7, December 27, 2005) and *Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestures* (ASBJ Guidance No.10, December 27, 2005) have been adopted.

4. U.S. Dollar Amounts

The U.S. dollar amounts in the accompanying consolidated financial statements are included, solely for convenience, at ¥118.05 = U.S.$1.00, the exchange rate prevailing on March 31, 2007. 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.

5. Trade Notes and Accounts Receivable, 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 ¥6,614 million ($56,034 thousand) and ¥12,359 million as of March 31, 2007 and 2006, respectively. Such amounts deducted from finance receivables were ¥27,836 million ($235,800 thousand) and ¥115,214 million as of March 31, 2007 and 2006, respectively.

As March 31, 2007 was on the weekend, some receivables and payables were not able to be settled by financial institutions on that date. Accordingly, notes receivable and accounts receivable are affected by ¥8,279 million ($70,138 thousand) and, notes payable and accounts payable are affected by ¥47,341 million ($401,030 thousand) at March 31, 2007.

6. Property, Plant and Equipment

Accumulated depreciation of property, plant and equipment at March 31, 2007 and 2006 was ¥1,282,155 million ($10,861,124 thousand) and ¥1,260,506 million respectively.

Impairment losses were recognized in the following asset groups for the year ended March 31, 2007:

			In millions of yen	In thousands of U.S. dollars
Location	Application	Assets	Impairment loss amount	
Shioya, Tochigi and Okaya, Nagano and others (78 sites)	Assets used in sales operations	Land, buildings and others	**¥6,379**	**$54,044**
Niigata, Niigata and Sendai, Miyagi and others (29 sites)	Idle assets	Land, buildings and others	**1,085**	**9,198**
			¥7,465	**$63,242**

The groupings of assets are determined as follows:

Assets used in production are grouped either by manufacturing plants or 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 previously listed factors that cast doubt on the ability of the MMC group to continue as a going concern, as well as significant decreases in market prices, 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 6% 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 ¥7,465 million ($63,242 thousand) and ¥45,084 million for the year ended March 31, 2007 and 2006, respectively. Losses on land at March 31, 2007 and 2006 amounted to ¥3,102 million ($26,285 thousand) and ¥20,665 million, respectively. Losses on buildings at March 31, 2007 and 2006 amounted to ¥2,340 million ($19,826 thousand) and ¥3,944 million, respectively.

Losses on other assets at March 31, 2007 and 2006 amounted to ¥2,022 million ($17,130 thousand) and ¥20,474 million, respectively.

7. Investments

Other securities at March 31, 2007 and 2006 were as follows:

In millions of yen

	2007				2006			
	Acquisition cost	Carrying amount	Unrealized gains	Unrealized (losses)	Acquisition cost	Carrying amount	Unrealized gains	Unrealized (losses)
Other securities:								
Securities with market value	**¥10,682**	**¥27,892**	**¥17,218**	**¥(8)**	¥ 9,870	¥25,110	¥15,246	¥(6)
Securities without market value	**32,577**	**32,577**	**—**	**—**	27,288	27,288	—	—
Total other securities	**¥43,259**	**¥60,469**	**¥17,218**	**¥(8)**	¥37,159	¥52,399	¥15,246	¥(6)

In thousands of U.S. dollars

	2007			
	Acquisition cost	Carrying amount	Unrealized gains	Unrealized (losses)
Other securities				
Securities with market value	**$ 90,490**	**$236,274**	**$145,858**	**$(75)**
Securities without market value	**275,962**	**275,962**	**—**	**—**
Total other securities	**$366,453**	**$512,236**	**$145,858**	**$(75)**

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, 2007 and 2006 were as follows:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Proceeds	¥4,501	¥74	$38,132
Gross gains	2,040	31	17,285
Gross losses	157	—	1,332

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 established. Likewise, significant declines in the value of securities without market value are recognized as impairment losses. Losses recognized on the impairment of securities without market value totaled ¥334 million ($2,837 thousand) and ¥9 million for the years ended March 31, 2007 and 2006, respectively.

Investments in unconsolidated subsidiaries and affiliated companies, and investments in securities at March 31, 2007 and 2006 were as follows:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Investments in unconsolidated subsidiaries and affiliated companies	¥41,894	¥36,395	$354,883
Investments in securities	48,244	47,033	408,676
	¥90,138	¥83,429	$763,560

8. Accrued Expenses, Accounts Payable and Deferred Income

Accrued expenses, accounts payable and deferred income at March 31, 2007 and 2006 were as follows:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Accrued expenses and accounts payable	¥194,941	¥181,553	$1,651,348
Allowance for product warranties	53,213	49,589	450,767
Deferred income	2,567	3,856	21,753
	¥250,722	¥234,998	$2,123,868

9. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2007 and 2006 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Loans, principally from banks	¥215,036	¥159,254	$1,821,567

The weighted average interest rates on short-term borrowings at March 31, 2007 and 2006 were 5.6% and 4.6%, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	**2007**
Loans, principally from banks and insurance companies, due through 2023 at interest rates averaging 4.8% in 2007 and 4.4% in 2006:			
Secured	**¥ 141,694**	¥208,962	**$ 1,200,293**
Unsecured	**84,930**	17,150	**719,441**
3.1% bonds due May 28, 2007 (issued May 28, 1997)	**8,700**	8,700	**73,697**
3.3% bonds due May 28, 2009 (issued May 28, 1997)	**25,600**	25,600	**216,857**
Euro medium-term notes due through 2006 at rates 5.0% to 5.2% (issued April through May, 2003)	**—**	3,745	**—**
Euro medium-term notes due 2007 through 2008 at rates 3.0% (issued 2003 through 2004)	**2,000**	3,000	**16,941**
5.7% to 6.0% bonds due 2008 through 2009 (issued 2005 through 2006)	**25,690**	21,140	**217,619**
1.1% bonds due September 24, 2010 (issued September 26, 2005)	**200**	200	**1,694**
	288,814	288,498	**2,446,546**
Less current portion	**(137,008)**	(85,108)	**(1,160,598)**
	¥ 151,806	¥203,389	**$ 1,285,947**

(a) 3.1% bonds due May 28, 2007, 3.3% bonds due May 28, 2009, and Euro medium-term notes due 2007 through 2008 at rates 3.0% were issued by MMC.
(b) Euro medium-term notes due through 2006 at rates 5.0% to 5.2% consist of notes issued by an overseas subsidiary, MMC International Finance (Netherlands) BV. (Balance at March 31, 2006 was €26,225 thousand).
(c) 5.7% to 6.0% bonds due 2008 through 2009 consist of notes issued by an overseas subsidiary, Mitsubishi Motors (Thailand) Company Limited. (Balances at March 31, 2006 and March 31, 2007 were ฿7,000,000 thousand).
(d) 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:

Year ending March 31,	In millions of yen	In thousands of U.S. dollars
2008	¥137,008	$1,160,598
2009	96,309	815,836
2010	54,844	464,584
2011	438	3,710
2012	164	1,390
Thereafter	50	424
Total	¥288,814	$2,446,546

Assets pledged as collateral for short-term borrowings, long-term debt and guarantees (excluding factory related groups of assets) at March 31, 2007 and 2006 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Trade notes and accounts receivable	¥ 15,845	¥ 14,129	$ 134,224
Inventories	93,409	55,956	791,273
Finance receivables	39,155	32,080	331,684
Property, plant and equipment, net	182,224	202,879	1,543,617
Retained interests in securitized assets	9,358	28,182	79,277
Other (see (i) below)	79,185	56,767	670,777
	¥419,178	¥389,995	$3,550,854

(i) ¥864 million ($7,325 thousand) and ¥687 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, 2007 and 2006, respectively. ¥46 million ($389 thousand) of investments were pledged as collateral for debt from Mizushima Eco-Works Co., Ltd at March 31, 2007.

The following groups of assets of MMC, the Okazaki factory, were pledged as collateral at March 31, 2007 and 2006, respectively.

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Buildings and structures	¥11,754	¥11,038	$ 99,573
Machinery and equipment	5,438	4,124	46,073
Land	985	985	8,351
Other	297	—	2,517
	¥18,476	¥16,148	$156,515

The following groups of assets of MMC, the Mizushima factory, were pledged as collateral for the debt from The Japan Bank for International Cooperation to EQUUS Leasing B.V., a counterparty of Netherlands Car B.V., a consolidated subsidiary, at March 31, 2007 and 2006, respectively. The amounts guaranteed to EQUUS were ¥13,567 million ($114,933 thousand) and ¥15,600 million at March 31, 2007 and 2006, respectively.

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Buildings and structures	¥ 9,127	¥ 5,375	$ 77,319
Machinery and equipment	41,347	25,704	350,255
Land	2,008	2,008	17,016
Other	1,771	—	15,009
	¥54,255	¥33,088	$459,601

The following groups of assets of MMC, the Kyoto factory, were pledged as collateral at March 31, 2007 and 2006, respectively.

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Buildings and structures	¥ 6,870	¥ 7,347	$ 58,200
Machinery and equipment	11,440	13,622	96,910
Land	2,235	2,275	18,934
Other	689	—	5,843
	¥21,235	¥23,244	$179,888

The following groups of assets of MMC, the Shiga factory, were pledged as collateral at March 31, 2007 and 2006, respectively.

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Buildings and structures	¥ 3,039	¥ 3,251	$ 25,747
Machinery and equipment	15,031	10,599	127,335
Land	3,859	3,859	32,693
	¥21,930	¥17,710	$185,776

The following groups of assets of a consolidated subsidiary, Pajero Manufacturing Corporation, were pledged as collateral at March 31, 2007 and 2006, respectively.

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Buildings and structures	¥2,998	¥3,181	$25,402
Machinery and equipment	4,314	2,130	36,545
Land	1,540	1,540	13,045
	¥8,853	¥6,851	$74,993

The following groups of assets of a consolidated subsidiary, Suiryo Plastics Co., Ltd., were pledged as collateral at March 31, 2007 and 2006, respectively.

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Buildings and structures	¥1,007	¥1,053	$ 8,533
Machinery and equipment	1,349	1,248	11,432
Land	194	194	1,647
	¥2,551	¥2,496	$21,614

The obligations secured by such collateral at March 31, 2007 and 2006 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Short-term borrowings	¥112,962	¥ 87,729	$ 956,907
Current portion of long-term debt	65,034	71,270	550,909
Long-term debt	76,659	137,692	649,383
Total short-term borrowings and Long-term debt	¥254,657	¥296,692	$2,157,201

10. Net Assets

The new Corporate Law 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 the common stock account. MMC and its domestic subsidiaries have provided these amounts in accordance with the new Corporate Law.

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 442,593 shares outstanding at March 31, 2007.

The holders of each series of convertible preferred stock are not entitled to 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.

MMC also distributes residual claims to the holders of each series of convertible preferred stock by a single payment of one million yen per share of preferred stock in order of payment.

11. Contingent Liabilities

Loan guarantees given in the ordinary course of business amounted to ¥4,192 million ($35,518 thousand) and ¥5,274 million at March 31, 2007 and 2006, respectively. Agreements similar to guarantees given in the ordinary course of business amounted to ¥2,626 million ($22,249 thousand) and ¥3,215 million at March 31, 2007 and 2006, respectively.

12. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2007 and 2006 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Sales promotion and advertising	¥116,584	¥121,453	$ 987,587
Freight	27,596	21,177	233,771
Bad debts expense	471	1,041	3,994
Salaries and wages	77,302	80,588	654,830
Pension expenses	5,346	5,382	45,294
Depreciation	15,767	19,003	133,567
Research and development	41,325	60,345	350,067
Other	89,339	103,767	756,794
Total	¥373,735	¥412,760	$3,165,906

13. Other Gain (Loss), Net

Other gain (loss), net for the years ended March 31, 2007 and 2006 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Gain on sales of investments in securities, net	¥ 5,036	¥ 391	$ 42,661
Gain (loss) on sales and disposal of property, plant and equipment, net	(2,003)	1,862	(16,972)
Gain from affiliates accounted for by the equity method, net	2,166	1,453	18,348
Early retirement expense	(3,073)	—	(26,036)
Provision for losses on restructuring	—	(14,766)	—
Litigation expenses	(4,856)	(5,732)	(41,138)
Foreign exchange losses	(1,264)	(3,395)	(10,710)
Stock issuance costs	(13)	(295)	(113)
Loss compensation based on stocks transfer contracts	(4)	(1,186)	(37)
Gain on liquidation of anonymous association	13,885	—	117,620
Other	(6,859)	(8,300)	(58,107)
Total	¥ 3,011	¥(29,969)	$ 25,513

14. Cash Flow Information

Cash and cash equivalents at March 31, 2007 and 2006 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Cash and bank deposits	¥358,058	¥259,045	$3,033,111
Time deposits with maturities of more than three months	(6,005)	(16,331)	(50,872)
Short-term investments maturing within three months from the acquisition date	12,215	5,355	103,476
Cash and cash equivalents	¥364,268	¥248,069	$3,085,715

Interest paid less interest received and dividends received within operating activities in the consolidated statements of cash flows for the years ended March 31, 2007 and 2006 amounted to a net expense of ¥10,779 million ($91,308 thousand) and ¥12,603 million, respectively. Income taxes paid for the years ended March 31, 2007 and 2006 amount to ¥7,881 million ($66,760 thousand) and ¥2,680 million, respectively.

Purchases of property, plant and equipment within investing activities in the consolidated statements of cash flows for the years ended March 31, 2007 and 2006 include payments for the acquisition of lease vehicles of ¥16,799 million ($142,309 thousand) and ¥8,904 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, 2007 and 2006 include proceeds from sale of lease vehicles of ¥18,909 million ($160,181 thousand) and ¥16,323 million, respectively.

Changes in finance receivables within operating activities in the consolidated statements of cash flows for the years ended March 31, 2007 and 2006 are primarily the net of payments amounting to ¥161,005 million ($1,363,873 thousand) and ¥89,546 million, respectively, and proceeds from collections amounting to ¥208,805 million ($1,768,790 thousand) and ¥96,441 million, respectively.

Significant noncash transaction:
Assets and liabilities recognized as a result of finance lease transactions in this fiscal year both amounted to ¥16,897 million ($143,138 thousand).

15. Leases

As lessee

The following pro forma amounts represent acquisition costs, accumulated depreciation, impairment losses, and net book value of the leased assets as of March 31, 2007 and 2006, which would have been reflected in the consolidated balance sheet if finance lease accounting had been applied to finance lease transactions except for lease arrangements that stipulate the transfer of title of the assets to the lessee, which are accounted for as operating leases:

(a) Notional equivalent acquisition cost, accumulated depreciation, impairment losses, and related net book value of such finance lease assets:

	In millions of yen							
	2007				2006			
	Notional equivalent acquisition cost	Notional equivalent accumulated depreciation	Notional equivalent impairment loss	Notional equivalent net book value	Notional equivalent acquisition cost	Notional equivalent accumulated depreciation	Notional equivalent impairment loss	Notional equivalent net book value
Tools and equipment	¥29,960	¥16,011	¥18	¥13,930	¥36,950	¥21,843	¥20	¥15,086
Others	6,011	3,769	20	2,222	5,507	3,215	17	2,273
Total	¥35,972	¥19,780	¥38	¥16,152	¥42,458	¥25,059	¥38	¥17,360

	In thousand of U.S. dollars			
	2007			
	Notional equivalent acquisition cost	Notional equivalent accumulated depreciation	Notional equivalent impairment loss	Notional equivalent net book value
Tools and equipment	$253,796	$135,635	$152	$118,008
Others	50,922	31,927	171	18,823
Total	$304,719	$167,563	$323	$136,831

(b) Future minimum lease payments of such finance leases:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Due within 1 year	¥ 6,782	¥11,105	$ 57,452
Due after 1 year	13,778	11,824	116,719
Total	¥20,560	¥22,929	$174,171

The balance of the impairment provisions relating to leased assets amounted to ¥23 million ($195 thousand) and ¥25 million at March 31, 2007 and 2006, respectively.

(c) Lease payment expense, reversal of impairment provisions relating to leased assets, notional depreciation expense, notional interest expense and, impairment loss of such finance leases:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Lease payment expense	¥7,904	¥9,570	$66,959
Reversal of impairment provisions relating to leased assets	13	12	110
Notional depreciation expense	6,907	8,747	58,512
Notional interest expense	630	498	5,344
Impairment loss	12	38	102

(d) Notional finance lease depreciation method

Notional depreciation of such finance leases is principally calculated and depreciated with no residual value by the declining-balance method over the lease term.

(e) Calculation of notional interest expense of finance leases

The notional interest expense of such finance leases is principally regarded as the difference between total minimum lease payments and acquisition cost, and is allocated to each period using the interest method.

Future minimum lease payments required under operating lease transactions entered into by MMC and its consolidated subsidiaries at March 31, 2007 and 2006 were as follows:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Due within 1 year	¥ 4,664	¥15,596	$ 39,514
Due after 1 year	17,070	30,294	144,599
Total	¥21,734	¥45,891	$184,114

As lessor

Future minimum lease revenues from operating lease transactions entered into by MMC and its consolidated subsidiaries as lessor at March 31, 2007 and 2006 were as follows:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Due within 1 year	¥10,825	¥14,508	$ 91,706
Due after 1 year	12,307	15,279	104,258
Total	¥23,133	¥29,787	$195,964

16. Derivative Financial Instruments

(a) Nature of and policy for derivative transactions

MMC and its consolidated subsidiaries utilize derivative financial instruments, including forward foreign exchange contracts, currency options, currency swaps, interest rate swaps and cross currency swaps to manage their exposure to fluctuations in foreign currencies and interest rates. MMC and its consolidated subsidiaries do not utilize derivatives for speculation or trading purposes.

(b) Risk

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

All the transactions related to derivative financial instruments are for the purpose of hedging. MMC and its consolidated subsidiaries do not enter into derivative contracts for which significant volatility would have any significant influence on its operations.

(c) Control

MMC does not enter into derivative contracts for trading purposes or on the anticipation of gains from short-term market movements. Derivative transactions are appropriately pre-approved by managing directors in charge of finance group headquarters. MMC approves derivative transactions of consolidated subsidiaries as appropriate, and in accordance with policies established for each subsidiary, which require the appropriate approval of managing directors in charge of finance group headquarters.

Summarized below are the notional amounts and the estimated fair values (based on the prices provided by counterparty financial institutions) of the derivative positions, other than those accounted under the special hedge provisions, at March 31, 2007 and 2006:

[Forward foreign exchange contracts]

In millions of yen

	2007			2006		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Sell:						
U.S. $	**¥14,330**	**¥13,787**	**¥ 543**	¥18,596	¥19,523	¥ (927)
Euro	**59,951**	**57,008**	**2,943**	48,999	47,676	1,323
£ stg	**—**	**—**	**—**	1,420	1,518	(98)
Canadian $	**—**	**—**	**—**	—	—	—
Australian $	**—**	**—**	**—**	9,704	9,845	(141)
Japanese ¥	**13,880**	**13,095**	**785**	19,812	17,023	2,789
Buy:						
Japanese ¥	**11,630**	**11,628**	**(1)**	12,714	12,392	(322)
Total			**¥4,270**			¥2,623

	In thousands of U.S. dollars		
	2007		
	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell:			
U.S. $	$121,395	$116,791	$ 4,604
Euro	507,851	482,914	24,936
£ stg	—	—	—
Canadian $	—	—	—
Australian $	—	—	—
Japanese ¥	117,585	110,934	6,650
Buy:			
Japanese ¥	98,519	98,507	(12)
Total			$36,179

[Cross currency swaps]

	In millions of yen					
	2007			2006		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Cross currency swaps:						
Pay-JPY receive — U.S.$	¥—	¥—	¥—	¥722	¥ 5	¥ 5
Pay-THB receive — U.S.$	—	—	—	711	102	102
Total			¥—			¥108

	In thousands of U.S. dollars		
	2007		
	Notional amount	Fair value	Unrealized gain (loss)
Cross currency swaps:			
Pay-JPY receive — U.S.$	$—	$—	$—
Pay-THB receive — U.S.$	—	—	—
Total			$—

All cross currency swaps have maturities within one year.

[Interest rate swaps]

	In millions of yen					
			2007			2006
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Interest rate swaps:						
Pay-fixed, receive-floating	¥—	¥—	¥—	¥41,556	¥181	¥181
Pay-floating, receive-fixed	—	—	—	6,696	(30)	(30)
Total			¥—			¥150

	In thousands of U.S. dollars		
			2007
	Notional amount	Fair value	Unrealized gain (loss)
Interest rate swaps:			
Pay-fixed, receive-floating	$—	$—	$—
Pay-floating, receive-fixed	—	—	—
Total			$—

	In millions of yen					
			2007			2006
	Within 1 year	From 1 year to 3	Over 3 years	Within 1 year	From 1 year to 3	Over 3 years
Pay-fixed, receive-floating						
Notional amount	—	—	—	¥41,556	—	—
Average pay-fixed rate (%)	—	—	—	3.2	—	—
Average receive-floating rate (%)	—	—	—	4.9	—	—
Pay-floating, receive-fixed						
Notional amount	—	—	—	¥ 6,413	¥283	—
Average pay-floating rate (%)	—	—	—	5.2	6.9	—
Average receive-fixed rate (%)	—	—	—	3.9	4.7	—

	In thousands of U.S. dollars		
			2007
	Within 1 year	From 1 year to 3	Over 3 years
Pay-fixed, receive-floating			
Notional amount	—	—	—
Average pay-fixed rate (%)	—	—	—
Average receive-floating rate (%)	—	—	—
Pay-floating, receive-fixed			
Notional amount	—	—	—
Average pay-floating rate (%)	—	—	—
Average receive-fixed rate (%)	—	—	—

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

Derivative financial instruments, principally forward exchange contracts and interest swaps, which qualify as hedges and are accounted for using the deferred hedge accounting method, are excluded from the above table according to the disclosure requirements.

17. 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, 2007, MMC and its consolidated subsidiaries have 7 funds for contributory plans in accordance with the Welfare Pension Insurance Law, and 39 funds for tax-qualified plans. MMC and its consolidated subsidiaries have 41 non-contributory severance plans.

The discount rates used to determine the retirement benefit obligation were 1.5%–2.5% for MMC and its domestic consolidated subsidiaries, 4.0%–5.8% for its foreign consolidated subsidiaries, and 1.5%–2.5% for MMC and its domestic consolidated subsidiaries, 4.6%–5.8% for its foreign consolidated subsidiaries at March 31, 2007 and 2006, respectively. The rates of return on plan assets assumed were 0.8%–4.0% for MMC and its domestic consolidated subsidiaries, 4.0%–8.0% for its foreign consolidated subsidiaries, and 0.8%–4.0% for MMC and its domestic consolidated subsidiaries, 6.7%–8.5% for its foreign consolidated subsidiaries for the year ended March 31, 2007 and 2006, respectively.

Prior service cost is amortized using the straight line method over periods of 5 to 21 years for the years ended March 31, 2007 and 2006. 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 21 years for the years ended March 31, 2007 and 2006. 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, 2007 and 2006 are summarized as follows:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	**2007**
Retirement benefits obligation	**¥(191,009)**	¥(187,638)	**$(1,618,034)**
Pension plan assets at fair value	**76,310**	66,251	**646,426**
Unfunded status	**(114,698)**	(121,387)	**(971,608)**
Unrecognized actuarial losses	**11,557**	10,236	**97,899**
Unrecognized prior service costs	**2,812**	12,040	**23,820**
Net recognized retirement benefits obligation	**(100,329)**	(99,110)	**(849,888)**
Prepaid pension premiums	**5,552**	3,677	**47,031**
Accrued retirement benefits	**¥(105,881)**	¥(102,787)	**$ (896,920)**

Plan assets relating to multi-employer pension plans are not included in the above pension plan assets, as the amount of such assets representing the consolidated subsidiaries' share can not be reasonably established. The amount of such assets calculated mainly on the basis of contribution ratio were ¥7,905 million ($66,966 thousand) and ¥9,529 million at March 31, 2007 and 2006, respectively.

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, 2007 and 2006 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Service cost	¥ 9,437	¥ 9,444	$ 79,942
Interest cost	4,644	4,351	39,342
Expected return on plan assets	(3,686)	(3,267)	(31,225)
Amortization of actuarial losses	2,712	3,102	22,976
Amortization of prior service costs	66	716	567
Others	604	—	5,117
Pension expenses	¥13,778	¥14,347	$116,721

In addition to the above pension expenses, additional retirement benefits of ¥3,073 million ($26,036 thousand) and ¥3,183 million were paid and recorded as other gain (loss), net for the years ended March 31, 2007 and 2006, respectively.

Pension expenses of consolidated subsidiaries, which adopt the simplified method, are included in service cost.

18. 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, 2007 and 2006.

The effective tax rates reflected in the accompanying consolidated statements of operations for the year ended March 31, 2007 differ from the statutory tax rate for the following reasons:

		(%)
	2007	2006
Statutory income tax rate for MMC	40.3	Due to loss before income taxes and minority interest, the information is omitted from the notes.
Change in valuation allowance, effect of using loss carry forwards and similar items	18.5	
Dividends received (exclusion from gross income)	(5.7)	
Others	0.2	
Income taxes as a percentage of income before income taxes and minority interest	53.3	

The significant components of deferred tax assets and liabilities as of March 31, 2007 and 2006 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Net operating loss carry forward	¥ 205,940	¥ 183,201	$ 1,744,523
Accrued retirement benefits	46,029	45,561	389,914
Allowance for doubtful accounts	11,294	25,264	95,675
Allowance for product warranties	19,815	18,583	167,860
Accounts payable — warranties	12,342	14,359	104,548
Fixed assets (incl. impairment losses)	39,686	42,799	336,186
Others	74,702	77,861	632,804
Less valuation allowance	(362,074)	(351,425)	(3,067,125)
Total deferred tax assets	47,738	56,205	404,388
Deferred tax liabilities:			
Reserves under the Special Taxation Measures Law	(412)	(436)	(3,491)
Unrealized holding gain on securities	(6,797)	(6,022)	(57,577)
Fair value adjustments relating to land	(5,047)	(6,149)	(42,760)
Accelerated depreciation in overseas consolidated subsidiaries	(34,637)	(41,627)	(293,410)
Other	(16,242)	(11,685)	(137,586)
Total deferred tax liabilities	(63,136)	(65,921)	(534,826)
Net deferred tax assets	¥ (15,398)	¥ (9,716)	$ (130,437)

Deferred tax assets and liabilities at March 31, 2007 and 2006 are included in the accompanying consolidated balance sheets as follows:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Current assets	¥ 846	¥ 1,206	$ 7,167
Investments and other assets	8,468	7,413	71,739
Current liabilities	(453)	(86)	(3,843)
Non-current liabilities	(24,259)	(18,251)	(205,500)
Net deferred tax assets	¥(15,398)	¥ (9,716)	$(130,437)

19. Segment Information

(a) Business segments

The business segment information for MMC and its consolidated subsidiaries for the years ended March 31, 2007 and 2006 are summarized as follows:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Net sales:			
Automobiles	¥2,154,672	¥2,080,883	$18,252,202
Financial services	47,947	39,183	406,160
Total	2,202,619	2,120,067	18,658,363
Intersegment	249	1	2,111
Consolidated	¥2,202,869	¥2,120,068	$18,660,475
Operating income (loss):			
Automobiles	¥ 17,682	¥ (6,142)	$ 149,787
Financial services	22,305	10,418	188,950
Total	39,987	4,276	338,737
Intersegment	249	2,507	2,111
Consolidated	¥ 40,237	¥ 6,783	$ 340,849
Total assets:			
Automobiles	¥1,674,897	¥1,453,123	$14,188,037
Financial services	110,818	127,607	938,738
Total	1,785,715	1,580,731	15,126,775
Corporate and eliminations	(7,022)	(23,161)	(59,486)
Consolidated	¥1,778,693	¥1,557,570	$15,067,288
Depreciation:			
Automobiles	¥ 68,215	¥ 60,944	$ 577,854
Financial services	6,820	8,541	57,773
Consolidated	¥ 75,035	¥ 69,486	$ 635,628
Impairment loss:			
Automobiles	¥ 7,465	—	$ 63,242
Financial services	—	—	—
Consolidated	¥ 7,465	—	$ 63,242
Capital expenditures:			
Automobiles	¥ 98,058	¥ 119,460	$ 830,653
Financial services	14,176	8,904	120,090
Consolidated	¥ 112,235	¥ 128,365	$ 950,743

Note: 1. Segments are divided by sector and by market.
2. Major products by business segment
Automobiles . . . . Passenger cars
Financial services . . . . . . Sales-finance products
3. Changes in useful lives of fixed assets
As described in additional information in Note 2, Significant Accounting Policies, from this fiscal year, instead of the useful lives dictated by the Corporate Tax Law, estimated actual useful lives are used to determine useful lives of MMC's fixed assets. As a result, operating income of the automobiles segment increased by ¥7,585 million ($64,259 thousand).

(b) Geographical segments

The geographical segment information for MMC and its consolidated subsidiaries for the years ended March 31, 2007 and 2006 are summarized as follows:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Net sales:			
Japan	¥1,515,221	¥1,352,182	$12,835,423
North America	423,941	401,229	3,591,206
Europe	681,155	597,585	5,770,058
Asia	292,885	228,498	2,481,033
Other areas	164,087	166,247	1,389,980
Total	3,077,292	2,745,744	26,067,702
Interarea	(874,423)	(625,675)	(7,407,227)
Consolidated	¥2,202,869	¥2,120,068	$18,660,475
Operating income (loss):			
Japan	¥ (5,136)	¥ (10,857)	$ (43,512)
North America	5,466	(3,891)	46,308
Europe	25,327	9,288	214,548
Asia	20,260	15,220	171,625
Other areas	(3,562)	(5,031)	(30,179)
Total	42,355	4,728	358,790
Interarea	(2,117)	2,054	(17,941)
Consolidated	¥ 40,237	¥ 6,783	$ 340,849
Total assets:			
Japan	¥1,271,955	¥1,130,673	$10,774,720
North America	333,025	315,155	2,821,052
Europe	248,485	198,625	2,104,913
Asia	250,081	164,609	2,118,435
Other areas	83,774	73,948	709,649
Total	2,187,321	1,883,011	18,528,771
Interarea	(408,627)	(325,441)	(3,461,482)
Consolidated	¥1,778,693	¥1,557,570	$15,067,288

Note: 1. Geographical segments are classified by the region of the consolidated Mitsubishi Motors entity primarily involved in the transaction, both local sales and exports. The figures are not classified by the region of the wholesaler or end users. National and regional groupings are 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, Puerto Rico
   (2) Europe . . . . The Netherlands
   (3) Asia . . . . Thailand, Philippines
   (4) Other . . . . Australia, New Zealand, UAE

3. Changes in useful life of fixed assets
   As described in additional information in Note 2, Significant Accounting Policies, from this fiscal year, instead of the useful lives dictated by Corporate Tax Law, estimated actual useful lives are used to determine useful lives of MMC's fixed assets. As a result, operating income of Japan increased by ¥7,585 million ($64,259 thousand).

(c) Overseas sales

Overseas sales, which include export sales of MMC and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries for the years ended March 31, 2007 and 2006 are summarized as follows:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Overseas sales:			
North America	¥ 423,611	¥ 415,614	$ 3,588,406
Europe	662,815	586,167	5,614,701
Asia	191,347	235,775	1,620,902
Other areas	419,130	378,357	3,550,449
Total	¥1,696,905	¥1,615,914	$14,374,460
Consolidated sales	¥2,202,869	¥2,120,068	$18,660,475

	(%)	
Overseas sales as a percentage of consolidated sales:		
North America	19.2	19.6
Europe	30.1	27.7
Asia	8.7	11.1
Other areas	19.0	17.8
Total	77.0	76.2

Note: 1. National and regional groupings are 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, Puerto Rico
(2) Europe . . . . The Netherlands, Italy, Germany, Russia
(3) Asia . . . . Thailand, Malaysia, Taiwan
(4) Other . . . . Australia, New Zealand
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.

20. Related Party Transactions

MMC entered into the following transactions with related parties during the years ended March 31, 2007 and 2006:

	March 31, 2007
Party type:	Main stockholder
Party name:	Mitsubishi Corporation
Address:	Chiyoda-Ku, Tokyo, Japan
Capital:	¥199,228 million
Business:	Wholesale trading
% of voting stock held:	Direct 14.1
Concurrent board appointment:	1 concurrent member, 2 permanently transferred to MMC
Business relationship:	Sales of passenger cars and import of materials for production
Detail of transaction:	(1) Proceeds from sales of stocks (see (i) below) (2) Profit from sales of stocks (see (i) below)
Transaction amount:	(1) ¥2,750 million ($23,295 thousand) (2) ¥2,365 million ($20,034 thousand)
Account title:	—
Balance at year end	—

	March 31, 2007	
Party type:	Subsidiary	Subsidiary
Party name:	Heart Beat Dealers LLC	Heart Beat Land LLC
Address:	Chuo-Ku, Tokyo, Japan	Chuo-Ku, Tokyo, Japan
Capital:	¥3 million	¥3 million
Business:	Holding and sales of beneficial interest in trust	Holding and sales of beneficial interest in trust
% of voting stock held:	Direct 100.0	Direct 100.0
Concurrent board appointment:	—	—
Business relationship:	Investment in anonymous association	Investment in anonymous association
Detail of transaction:	(1) Proceeds from liquidation (2) Gain on liquidation	(1) Proceeds from liquidation (2) Gain on liquidation
Transaction amount:	(1) ¥8,533 million ($72,283 thousand) (see (ii) below) (2) ¥6,880 million ($58,280 thousand) (see (ii) below)	(1) ¥11,229 million ($95,121 thousand) (see (ii) below) (2) ¥7,034 million ($59,585 thousand) (see (ii) below)
Account title:	Accrued income	—
Balance at year end	¥63 million ($540 thousand)	—

(i) Sales of stocks include the sales of an affiliated company's stocks and sales price is determined based on contract.

(ii) The proceeds in the form of liquidation dividends were from dividend distributions due to the end of anonymous associations' operations.

	March 31, 2006	
Party type:	Main stockholder	Main stockholder
Party name:	DaimlerChrysler AG	Mitsubishi Corporation
Address:	Stuttgart, Germany	Chiyoda-Ku, Tokyo, Japan
Capital:	€2,649 million	¥197,817 million
Business:	Manufacturing and sales of passenger cars and other transportation equipment	Wholesale trading
% of voting stock held:	—	Direct 14.1
Concurrent board appointment:	—	1 concurrent member, 2 permanently transferred to MMC
Business relationship:	International alliances for research, development, production, sales and similar for passenger cars	Trading partner
Detail of transaction:	Loss compensation based on Mitsubishi Fuso Truck and Bus Corporation stock transfer contract	Capital injection
Transaction amount:	—	¥30,000 million
Account title:	Accrued expenses, accounts payable and deferred income	Preferred stock and Capital surplus
Balance at year end	¥23,858 million	¥15,000 million in preferred stock and ¥15,000 million in Capital surplus

(i) The capital injection was a third party allocation of preferred stock and decided by negotiation.

(ii) The loss compensation based on stock transfer contract was decided by negotiation based on Mitsubishi Fuso Truck and Bus Corporation's net assets.

(iii) DaimlerChrysler AG no longer qualifies as a related party as of November 11, 2005. The transaction amount above is based on the period when DaimlerChrysler AG qualified as a related party.

21. Income (Loss) and Equity Per Share

Net income (loss) and equity per share of common stock for the years ended March 31, 2007 and 2006 are summarized as follows:

	In yen		In U.S. dollars
	2007	2006	2007
Net income (loss) per share of common stock			
Basic	¥ 1.59	¥(19.75)	$0.01
Diluted	0.96	—	0.01
Stockholders' equity per share of common stock	(26.73)	(31.67)	(0.23)

Diluted amounts per share of common stock are not included for the year ended March 31, 2006 due to the net loss recorded.

The computations of net income (loss) per share of common stock for the year ended March 31, 2007 and 2006 are as follows:

	In millions of yen		In thousands of U.S. dollars
	2007	2006	2007
Numerator for basic net income (loss) per share of common stock:			
Net income (loss)	¥ 8,745	¥ (92,166)	$ 74,081
Income not available to common stockholders	—	—	—
Income (Loss) available to common stockholders	¥ 8,745	¥ (92,166)	$ 74,081
Denominator for net income (loss) per share of common stock:			
Weighted average number of shares (in thousands)	5,491,435	4,666,018	5,491,435
Number of dilutive potential common shares (in thousands)	3,579,689	—	3,579,689
(Preferred stock)	(3,579,512)	—	(3,579,512)
(Number of stock option executed)	(176)	—	(176)

In numbers of stock, 1,088 thousand shares relating to stock options were outstanding at March 31, 2007.

22. Stock Option Plans

The subscription, size and fluctuation for stock options as of March 31, 2007 are as follows:

(1) Subscription of stock options

	March 31, 2007
Date of approval by shareholders:	June 25, 2002
Grantees:	5 directors, 25 executive officers and 80 employees
Date of issue:	June 2, 2003
Class and number of shares granted:	Common stock 1,994,000
Condition of settlement of rights:	Limited to director, executive officer, employee of the company or its subsidiaries at exercise date (except for those who no longer hold above positions due to termination of terms, retirement, or other valid reasons)
Period grantees provide service in return for stock options:	No provisions
Exercisable period:	From July 1, 2004 to June 30, 2009

(2) Size and fluctuation of stock options

Outstanding stock options during the year ended March 31, 2007 converted to numbers of shares are as follows.

	March 31, 2007
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:	1,168,000
Vested during the year:	—
Exercised during the year:	64,000
Forfeited during the year:	16,000
Outstanding at the end of the year:	1,088,000
Exercise price:	¥173
Weighted-average market price at exercise date:	¥240
Fair evaluation price:	—

23. Business Combinations

During the year ended March 31, 2007, in order to improve the efficiency of its sales network by the integration of domestic sales companies, MMC merged its consolidated subsidiaries as follows.

1. Business of the entities combined:
   Sale of vehicles, etc.
2. Description of business of the entities combined:
   Sale of vehicles, etc.
3. Legal form of business combinations:
   Absorption by surviving company
4. Corporate name before and after the business combination:

April 1, 2006

Corporate name before the business combination		Corporate name after the business combination
Surviving company:	Shimane Mitsubishi Motors Sales Co., Ltd.	Sanin Mitsubishi Motors Sales Co., Ltd.
Non-surviving company:	Nishi Tottori Mitsubishi Motors Sales Co., Ltd.	

July 1, 2006

Corporate name before the business combination		Corporate name after the business combination
Surviving company:	Saitama Chuo Mitsubishi Motors Sales Co., Ltd.	Saitama Mitsubishi Motors Sales Co., Ltd.
Non-surviving company:	Saitama Mitsubishi Motors Sales Co., Ltd.	
Surviving company:	Iyo Mitsubishi Motors Sales Co., Ltd.	Ehime Mitsubishi Motors Sales Co., Ltd.
Non-surviving companies:	Uwajima Mitsubishi Motors Sales Co., Ltd.	
	Matsuyama Mitsubishi Motors Sales Co., Ltd.	

Since the entities combined are consolidated subsidiaries in the automobiles segment, their transactions are treated as transactions under common control. Thereby the combined entities' transactions are properly accounted for based on appropriate book values in the stand-alone accounts and are properly eliminated as inter-company transactions in the consolidated accounts. Moreover, there are no additional acquisitions of shares from minority interests of the entities combined.

24. Subsequent Event

In January 2007, the MMC group announced the accelerated reconstruction of its domestic sales network, in order to obtain top class customer satisfaction in the industry as well as to improve profitability. The MMC group will merge domestic sales companies into 5 companies and parts sales companies into 1 company as follows.

	March 31, 2007
Hokkaido area:	Hokkaido Mitsubishi Motors Sales Co., Ltd., Sapporo Mitsubishi Motors Sales Co., Ltd., Asahikawa Mitsubishi Motors Sales Co., Ltd., Sorachi Mitsubishi Motors Sales Co., Ltd., Iwamizawa Mitsubishi Motors Sales Co., Ltd.
Higashi-Nihon area:	Iwate Mitsubishi Motors Sales Co., Ltd., Fukushima Mitsubishi Motors Sales Co., Ltd., Gunma Chuo Mitsubishi Motors Sales Co., Ltd., Tochigi Mitsubishi Motors Sales Co., Ltd.
Kanto area:	Minami Ibaragi Mitsubishi Motors Sales Co., Ltd., Tokyo Mitsubishi Motors Sales Co., Ltd., Saitama Mitsubishi Motors Sales Co., Ltd., Kanagawa Mitsubishi Motors Sales Co., Ltd., Yamanashi Mitsubishi Motors Sales Co., Ltd., Matsumoto Mitsubishi Motors Sales Co., Ltd.
Chubu area:	Aichi Chuo Mitsubishi Motors Sales Co., Ltd., Nagoya Mitsubishi Motors Sales Co., Ltd., Gifu Mitsubishi Motors Sales Co., Ltd., Ishikawa Mitsubishi Motors Sales Co., Ltd.
Nishi-Nihon area:	Kinki Mitsubishi Motors Sales Co., Ltd., Sanin Mitsubishi Motors Sales Co., Ltd., Okayama Mitsubishi Motors Sales Co., Ltd., Hiroshima Chuo Mitsubishi Motors Sales Co., Ltd., Shin-Yamaguchi Mitsubishi Motors Sales Co., Ltd., Ehime Mitsubishi Motors Sales Co., Ltd., Nagasaki Mitsubishi Motors Sales Co., Ltd., Miyazaki Chuo Mitsubishi Motors Sales Co., Ltd., Kagoshima Chuo Mitsubishi Motors Sales Co., Ltd.
Consolidated Parts Sales Subsidiaries:	Hokkaido Mitsubishi Motors Parts Sales Co., Ltd., Tohoku Mitsubishi Motors Parts Sales Co., Ltd., Kita Kanto Mitsubishi Motors Sales Parts Co., Ltd., Shinetsu Mitsubishi Motors Parts Sales Co., Ltd., Kanto Mitsubishi Motors Parts Sales Co., Ltd., Hokuriku Mitsubishi Motors Parts Sales Co., Ltd., Chugoku Mitsubishi Motors Parts Sales Co., Ltd.

The merger will be handled as transactions under common control according to *Accounting Standard for Business Combinations* (Business accounting Council, October 31, 2003), and *Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (ASBJ Guidance No.10, December 27, 2005).

Consolidated sales companies located in the Hokkaido area have merged on April 1, 2007 with the Hokkaido Mitsubishi Motors Sales Co., Ltd., being the surviving entity. For the sales companies and parts sales companies located other than in the Hokkaido area, the mergers are planned to take place on July 1, 2007. Accordingly, for all the above domestic sales and parts sales companies except for those in the Hokkaido area, retirement costs are expected to be incurred due to voluntary retirements.

Report of Independent Auditors

ERNST & YOUNG SHINNIHON

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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 (the "Company") and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, 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 the Company and consolidated subsidiaries at March 31, 2007 and 2006, 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.

Further Information

As described in Note 1, Going Concern, although the Company recorded consolidated net income of ¥8,745 million ($74,081 thousand) in fiscal year ("FY") 2006, the Company recorded consolidated net losses of ¥474,785 million and ¥92,166 million in FY 2004 and FY 2005. As a result, significant doubt arises as to the Company's ability to continue as a going concern. Management's plans and other measures to rectify this situation are described in Note 1. The consolidated financial statements have been prepared on the basis of going concern and the effect of any significant doubt as to going concern is not reflected.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 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 4.

Ernst & Young Shin Nihon

Tokyo, Japan
June 22, 2007

Consolidated Subsidiaries and Affiliates

(As of March 31, 2007)

CONSOLIDATED SUBSIDIARIES IN JAPAN

Company	Capitalization (In millions of yen)	Business Lines	MMC Share of Voting Rights (%)*1
Hokkaido Mitsubishi Motors Sales Co., Ltd.	100	Automobile sales	100.0
Sapporo Mitsubishi Motors Sales Co., Ltd.	470	Automobile sales	100.0
Iwamizawa Mitsubishi Motors Sales Co., Ltd.	80	Automobile sales	100.0
Sorachi Mitsubishi Motors Sales Co., Ltd.	150	Automobile sales	100.0
Asahikawa Mitsubishi Motors Sales Co., Ltd.	240	Automobile sales	100.0
Iwate Mitsubishi Motors Sales Co., Ltd.	100	Automobile sales	100.0
Fukushima Mitsubishi Motors Sales Co., Ltd.	280	Automobile sales	100.0
Gunma Chuo Mitsubishi Motors Sales Co., Ltd.	100	Automobile sales	100.0
Tochigi Mitsubishi Motors Sales Co., Ltd.	150	Automobile sales	100.0
Minami Ibaraki Mitsubishi Motors Sales Co., Ltd.	290	Automobile sales	100.0
Saitama Mitsubishi Motors Sales Co., Ltd.	316	Automobile sales	100.0
Tokyo Mitsubishi Motors Sales Co., Ltd.	3,673	Automobile sales	100.0
Kanagawa Mitsubishi Motors Sales Co., Ltd.	1,025	Automobile sales	100.0
Kawasaki Mitsubishi Motors Sales Co., Ltd.	1,070	Automobile sales	100.0
Yamanashi Mitsubishi Motors Sales Co., Ltd.	130	Automobile sales	100.0
Matsumoto Mitsubishi Motors Sales Co., Ltd.	310	Automobile sales	100.0
Aichi Chuo Mitsubishi Motors Sales Co., Ltd.	650	Automobile sales	99.9
Nagoya Mitsubishi Motors Sales Co., Ltd.	1,200	Automobile sales	100.0
Gifu Mitsubishi Motors Sales Co., Ltd.	100	Automobile sales	100.0 (17.5)
Ishikawa Mitsubishi Motors Sales Co., Ltd.	150	Automobile sales	100.0
Kinki Mitsubishi Motors Sales Co., Ltd.	1,203	Automobile sales	100.0
Okayama Mitsubishi Motors Sales Co., Ltd.	100	Automobile sales	76.9
Hiroshima Chuo Mitsubishi Motors Sales Co., Ltd.	100	Automobile sales	97.8
Sanin Mitsubishi Motors Sales Co., Ltd.	100	Automobile sales	100.0
Shin Yamaguchi Mitsubishi Motors Sales Co., Ltd.	180	Automobile sales	100.0
Ehime Mitsubishi Motors Sales Co., Ltd.	354	Automobile sales	99.9
Miyazaki Chuo Mitsubishi Motors Sales Co., Ltd.	40	Automobile sales	100.0
Nagasaki Mitsubishi Motors Sales Co., Ltd.	120	Automobile sales	100.0
Kagoshima Chuo Mitsubishi Motors Sales Co., Ltd.	140	Automobile sales	99.5
Hokkaido Mitsubishi Motors Parts Sales Co., Ltd.	100	Automobile parts sales	90.0 (45.0)
Tohoku Mitsubishi Motors Parts Sales Co., Ltd.	100	Automobile parts sales	64.3 (15.9)
Kita Kanto Mitsubishi Motors Parts Sales Co., Ltd.	100	Automobile parts sales	75.0 (25.0)
Kanto Mitsubishi Motors Parts Sales Co., Ltd.	100	Automobile parts sales	100.0 (36.2)
Higashi Kanto Mitsubishi Motors Parts Sales Co., Ltd.	100	Automobile parts sales	56.0 (10.0)
Shinetsu Mitsubishi Motors Parts Sales Co., Ltd.*2	100	Automobile parts sales	50.0 (15.0)
Hokuriku Mitsubishi Motors Parts Sales Co., Ltd.	100	Automobile parts sales	65.8 (21.5)
Chugoku Mitsubishi Motors Parts Sales Co., Ltd.	100	Automobile parts sales	73.1 (29.6)
Shikoku Mitsubishi Motors Parts Sales Co., Ltd.*2	100	Automobile parts sales	50.0 (8.0)
Pajero Manufacturing Co., Ltd.	610	Automobile and parts manufacture, sales	100.0
Mitsubishi Automotive Accessories & Products Co., Ltd.	300	Sales of automobile accessories, air conditioners	100.0
Mitsubishi Automotive Techno-Service Co., Ltd.	400	Automobile servicing	100.0
Mitsubishi Automotive Logistics Co., Ltd.	300	Vehicle transportation contractor	75.0
Mitsubishi Automotive Engineering Co., Ltd.	350	Design and testing of automobiles and parts	100.0
Suiryo Plastics Co., Ltd.	100	Manufacture, sales of automobile parts	100.0

MAJOR CONSOLIDATED SUBSIDIARIES OUTSIDE JAPAN

Company	Incorporated in	Capitalization (In millions)		Business Lines	MMC Share of Voting Rights (%)*1
Mitsubishi Motors North America, Inc. (MMNA)	U.S.A.	USD	398.8	Automobile importing, manufacturing, sales	100.0
Mitsubishi Motors R&D of America, Inc. (MRDA)	U.S.A.	USD	2.0	Product development, design, testing, certification	100.0 (100.0)
Mitsubishi Motor Sales of Canada, Inc. (MMSCAN)	Canada	USD	1.3	Automobile importing, sales	100.0 (100.0)
Mitsubishi Motors Credit of America, Inc. (MMCA)	U.S.A.	USD	260.0	Automobile financing, leasing	100.0 (100.0)
Mitsubishi Motor Sales of Caribbean, Inc. (MMSC)	Puerto Rico	USD	47.5	Automobile importing, sales	100.0
Mitsubishi Motors Europe B.V. (MME)	Netherlands	EUR	1,282.9	Importing, sales of automobiles and parts	100.0
Mitsubishi Motor R&D of Europe GmbH (MRDE)	Germany	EUR	0.8	Product development, design, testing, certification	100.0 (100.0)
Mitsubishi Motor Sales Netherlands B.V.	Netherlands	EUR	6.8	Automobile importing, sales	100.0 (100.0)
Mitsubishi Motors Deutschland GmbH	Germany	EUR	30.0	Automobile importing, sales	100.0 (100.0)
Mitsubishi Motors France S.A.S.	France	EUR	10.0	Automobile importing, sales	100.0 (100.0)
Mitsubishi Motors Belgium nv	Belgium	EUR	3.0	Automobile importing, sales	100.0 (100.0)
MMC International Finance (Netherlands) B.V.	Netherlands	EUR	0.1	Procurement of funds, group company financing	100.0
Netherlands Car B.V. (NedCar)	Netherlands	EUR	250.0	Manufacturing, sales of automobiles and parts	100.0 (15.0)
Mitsubishi Motors Australia, Ltd. (MMAL)	Australia	AUD	1,359.9	Automobile importing, assembly, sales	100.0
Mitsubishi Motors New Zealand Ltd. (MMNZ)	New Zealand	NZD	48.0	Automobile importing, sales	100.0
Mitsubishi Motors (Thailand) Co., Ltd. (MMTh)	Thailand	THB	7,000.0	Automobile importing, assembly, sales	99.8
MMTH Engine Co., Ltd.	Thailand	THB	20.0	Manufacturing of automobile engines	100.0 (100.0)
Mitsubishi Motors Philippines Corp. (MMPC)	Philippines	PHP	1,640.0	Automobile importing, assembly, sales	51.0
Asian Transmission Corp. (ATC)	Philippines	PHP	350.0	Manufacturing of automobile transmissions	94.7 (89.4)
Mitsubishi Motor Parts Sales of Gulf FZE	UAE	UAD	10.0	Importing, sales of automobile panels	100.0

Note: MMC has 26 other subsidiaries outside Japan in addition to the above.

EQUITY METHOD AFFILIATES IN JAPAN

Company	Capitalization (In millions of yen)	Business Lines	MMC Share of Voting Rights (%)*1
Hakodate Mitsubishi Motors Sales Co., Ltd.*3	240	Automobile sales	16.9
Muroran Mitsubishi Motors Sales Co., Ltd.	100	Automobile sales	29.0 (29.0)
Tokachi Mitsubishi Motors Sales Co., Ltd.	60	Automobile sales	35.0
Morioka Mitsubishi Motors Sales Co., Ltd.	48	Automobile sales	23.5
Ibaraki Mitsubishi Motors Sales Co., Ltd.	30	Automobile sales	40.0
Meihoku Mitsubishi Motors Sales Co., Ltd.	70	Automobile sales	28.6
Mie Mitsubishi Motors Sales Co., Ltd.	58	Automobile sales	24.8
Kagawa Mitsubishi Motors Sales Co., Ltd.	50	Automobile sales	23.0
Miyazaki Mitsubishi Motors Sales Co., Ltd.	60	Automobile sales	38.8
MMC Diamond Finance Corporation	3,000	Auto sales financing, leasing, rentals	50.0

MAJOR EQUITY METHOD AFFILIATES OUTSIDE JAPAN

Company	Incorporated in	Capitalization (In millions)		Business Lines	MMC Share of Voting Rights (%)*1
Mitsubishi Motors do Portugal S.A.	Portugal	EUR	16.5	Importing, sales of automobiles	50.0 (50.0)
P.T. Mitsubishi Krama Yudha Motors and Manufacturing	Indonesia	IDR	11.5	Manufacture, sales of automobile parts	32.3
Vina Star Motors Corporation	Vietnam	USD	16.0	Manufacture and marketing of automobiles and parts	25.0

Note: MMC has 10 other equity method affiliates outside Japan in addition to the above.

OTHER ASSOCIATED COMPANIES

Company	Capitalization (In millions of yen)	Business Lines	Share of Voting Rights in MMC (%)*1	Relationship
Mitsubishi Heavy Industries, Ltd.	265,608	Shipbuilding & ocean systems development, power systems, machinery & steel structures, aerospace, mass and medium-lot manufactured machinery and others	15.8 (0.5)	Supplier of parts for MMC products

*1 Figures in parentheses represent indirect shares.
*2 Although MMC's equity holding is less than 50%, this affiliate is listed as a subsidiary because MMC exercises effective control over the company.
*3 Although MMC's equity holding is less than 20%, this company is listed as an affiliate because MMC exercises effective control over the company.

Investor Information

(As of March 31, 2007)

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	¥657,342,531,926
Number of Employees	33,739 (Consolidated) 12,938 (Non-consolidated)
Stock Listings	Tokyo Stock Exchange and Osaka Securities Exchange
Securities Code	7211
Share Trading Unit	1,000
Number of Shares Outstanding	5,491,959,137

Number of Shareholders

Type	Number of issued shares	Number of stockholders
COMMON SHARES	5,491,516,544	445,997
PREFERRED SHARES		
First Series Class A	73,000	4
Second Series Class A	30,000	8
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

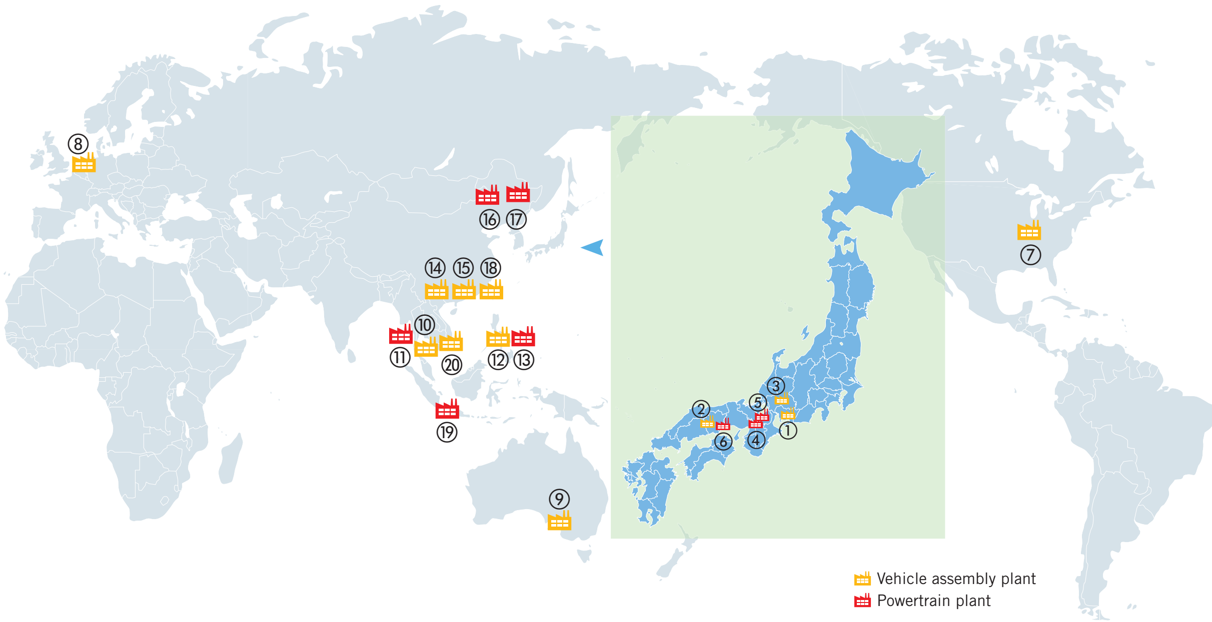
Major Shareholders

Name	Number of shares held (thousands)	% of total
Mitsubishi Heavy Industries, Ltd.	839,942	15.30
Mitsubishi Corporation	774,768	14.11
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	268,763	4.89
MLP FS Custody	47,640	0.87
The Master Trust Bank of Japan, Ltd. (Trust account)	47,611	0.87
Mitsubishi UFJ Trust and Banking Corporation	32,106	0.58
Japan Trustee Services Bank, Ltd. (Trust account 4)	31,114	0.57
Japan Trustee Services Bank, Ltd. (Trust account)	28,868	0.53
Mitsubishi UFJ Trust and Banking Corporation (Trust account)	24,149	0.44
MMC Suppliers' Employees Shareholding Association	20,234	0.37
Total	2,115,197	38.52

Transfer Agent and Register

Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan
(Contact)
Mitsubishi UFJ Trust and Banking Corporation Transfer Agent
7-10-11, Higashisuna, Koto-ku, Tokyo, Japan
Toll-free telephone 0120-232-711

Principal Plants



Country/Region	Name	Major Products
Japan	① Nagoya Plant–Okazaki	Colt, Colt Plus, Grandis
	② Mizushima Plant	Outlander, Lancer, i, eK Wagon, Minicab
	③ Pajero Manufacturing Co., Ltd.	Pajero (Montero)
	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)
Australia	⑨ Mitsubishi Motors Australia, Ltd. (MMAL)	380
Thailand	⑩ Mitsubishi Motors (Thailand) Co., Ltd. (MMTh)	Triton, Strada, Lancer, Spacewagon (Grandis)
	⑪ MMTH Engine Co., Ltd. (MEC)	Engines
Philippines	⑫ Mitsubishi Motors Philippines Corporation (MMPC)	Adventure, L300 (Delica)
	⑬ Asian Transmission Corporation (ATC)	Transmissions
China	⑭ Hunan Changfeng Motor Co., Ltd. (CFA)	Pajero, Liebao (old Pajero), Liebao Feiteng (Pajero iO)
	⑮ South East (Fujian) Motor Co., Ltd. (SEM)	Galant, Lancer, Spacewagon (Chariot Grandis), Delica, Freeca, Veryca
	⑯ Shenyang Aerospace Mitsubishi Motors Engine Manufacturing, Co., Ltd. (SAME)	Engines
	⑰ Harbin Dongan Automotive Engine Manufacturing, Co., Ltd. (HDMC)	Engines, transmissions
Taiwan	⑱ China Motor Corporation (CMC)	Galant, Lancer, Savrin (Chariot Grandis), Zinger
Indonesia	⑲ P.T. Mitsubishi Krama Yudha Motors and Manufacturing (MKM)	Engines, parts
Vietnam	⑳ Vina Star Motors Corporation (VSM)	Pajero, Joly, Grandis

MITSUBISHI MOTORS

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