MITSUBISHI MOTORS CORPORATION

Annual Report 2010

Year ended March 31, 2010

Driving into the next century with the world

Drive@earth

MITSUBISHI MOTORS

Mitsubishi Motors Corporate Philosophy

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

Customer-centric approach

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

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

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

Going the extra mile

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

Importance of continuity

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

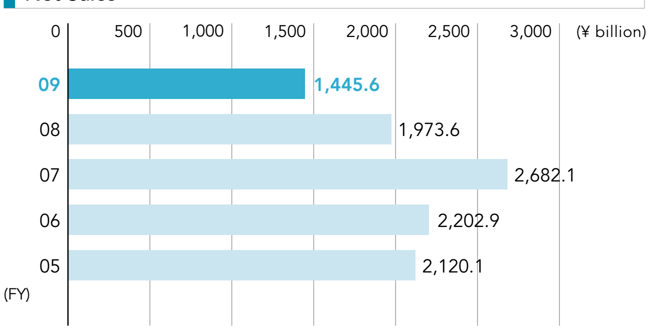
Contents

Consolidated Financial Summary

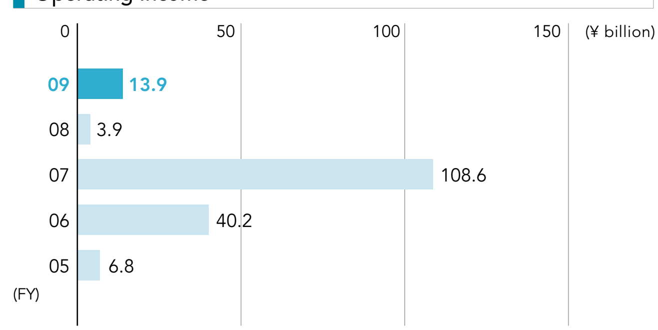
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
					In millions of yen	In thousands of U.S. dollars
For the year:						
Net sales	¥2,120,068	¥2,202,869	¥2,682,103	¥1,973,572	**¥1,445,616**	**$15,537,578**
Operating income	6,783	40,237	108,596	3,926	**13,920**	**149,617**
Income (loss) before income taxes and minority interests	(82,745)	23,104	48,151	(53,717)	**11,591**	**124,587**
Net income (loss)	(92,166)	8,745	34,710	(54,883)	**4,758**	**51,139**
					In yen	In U.S. dollars
Per share data:						
Net income per share-basic	¥(19.75)	¥1.59	¥6.30	¥(9.91)	**¥0.86**	**$0.01**
Net income per share-diluted	–	0.96	3.81	–	**0.51**	**0.01**
Cash dividends	–	–	–	–	**–**	**–**
					In millions of yen	In thousands of U.S. dollars
At year-end:						
Total assets	¥1,557,570	¥1,778,693	¥1,609,408	¥1,138,009	**¥1,258,669**	**$13,528,263**
Total net assets	268,678	308,304	328,132	223,024	**234,478**	**2,520,188**

Notes: 1. U.S. dollar amounts in the accompanying consolidated financial statements are converted, solely for convenience, at a rate of 93.04 = U.S. $1.00, the exchange rate prevailing on March 31, 2010.
2. 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 Mitsubishi Motors Corporation (MMC) on March 14, 2003. Furthermore, all remaining shares held by MMC had been transferred to other parties by the end of March 2005.

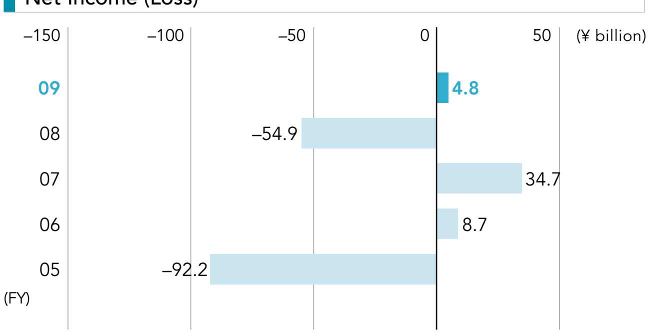
Net Sales



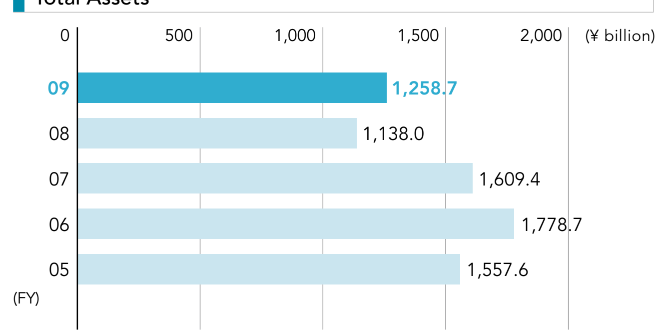
Operating Income



Net Income (Loss)



Total Assets



To Our Shareholders and Stakeholders

In fiscal 2009, the global economy headed toward a gradual recovery, after putting the worst behind it, but the recovery was far from strong overall and economic conditions remained harsh. Amid this business environment, we began mass production and sales of our *i-MiEV* new-generation electric vehicle, and the *i-MiEV* received high praise from both customers and the general public. In terms of business performance, we successfully achieved our initial target, which was a return to profitability on a net income basis.

In fiscal 2010, we will mark the 40th anniversary of our founding. This will also mark the final year of our mid-term business plan Step Up 2010. We will accurately respond to global structural changes in automobile demand stemming from the latest economic crisis, and will take steps to bolster our strengths and secure steady profits, as well as continue to build the foundations for growth ahead of the next mid-term business plan.

We look forward to your continued support and understanding.

August 2010

Takashi Nishioka
Chairman of the Board

Osamu Masuko
President

Drive@earth

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

Takashi Nishioka
Chairman of the Board

Osamu Masuko
President

Fiscal 2010 will be a year to finish building the foundations for growth. Important themes include addressing environmental issues; developing compact, affordable, and fuel-efficient vehicles; emerging countries; and business tie-ups.

President
Osamu Masuko

Fiscal Year 2008 Onward

Step Up 2010 Mid-Term Business Plan Enhanced
—After weathering the economic crisis

The Step Up 2010 mid-term business plan positions the three-year period from fiscal year 2008 through fiscal year 2010 as a period to build the foundations for growth, and to this end we have been taking steps to bolster our strengths and secure steady profits. The economic crisis which materialized immediately following the launch of the mid-term business plan left us no choice but to revise our performance targets (see Page 8). However, as we implemented emergency measures, such as cutting costs and carefully scrutinizing investments, we effectively utilized our finite management resources to begin steadily executing our key strategies, such as enhancing our products and addressing environmental issues, which comprise the core of the mid-term business plan.

In terms of enhancing our products, we leveraged MMC's strengths to launch new vehicle models, such as the *Pajero Sport*, the *i-MiEV*, and the *RVR* (*ASX* or *Outlander Sport* in some markets). In terms of environmental technology, we began mass producing electric vehicles, developing a clean diesel engine, and launching new technologies including automated manual transmission and flexible fuel vehicles (FFVs), helping to build the foundations for growth. Moreover, we enhanced our sales strategy by positioning key emerging countries as important markets, and given the recovery in demand that has materialized since last year we are confident that this strategy will lead to an increase in retail sales volume.

Furthermore, we have already begun to collaborate with PSA Peugeot Citroën on OEM supply of three models, and on local production in Russia. We are actively pushing forward with business collaborations which benefit both sides as we look to expand business tie-ups.

Fiscal Year 2009

Return to Net Profitability, Target Achieved
—Countering the decline in sales and impact of the yen's appreciation by cutting expenses and reducing costs

In fiscal 2009, the global economy emerged from the depths of the turmoil that had plagued it for more than a year and headed towards a mild recovery, backed by economic stimulus measures enacted by governments throughout the world. However, a strong recovery in automobile demand remained far off as the surrounding business climate remained harsh. Amid this environment, we took steps to optimize inventories and accelerate shipments to recovering markets. Despite the decline in net sales, thorough expense reduction efforts helped us to exceed the previous fiscal year in all income levels and to return to profitability on a net income basis, which was our target for the fiscal year.

Retail sales volume dropped 106,000 units, or 10% year on year, to 960,000 units. Reflecting lower sales volume and the appreciation of the yen, among other factors, net sales fell ¥528.0 billion, or 27% year on year, to ¥1,445.6 billion. Operating income rose ¥10.0 billion year on year, to ¥13.9 billion, due to thorough expense-cutting measures first enacted in the latter half of the previous fiscal year as a part of emergency measures in response to the unprecedented economic crisis and carried through into fiscal 2009. Ordinary income increased ¥27.9 billion year on year, to ¥13.0 billion. This was due to the rebound in operating income as well as the ¥17.9 billion upturn in non-operating income such as foreign exchange gains and equity method investment gains. Net income increased ¥59.7 billion year on year, to ¥4.8 billion, due to the ¥27.9 billion rebound in ordinary income as well as the significant decline in extraordinary impairment losses.

FY2009 Results Summary (vs. FY2008)

(¥ billion, units)

	FY2008 Results ①	FY2009 Results ②	Change ②–①
Net Sales	1,973.6	1,445.6	-528.0
Operating Income	3.9	13.9	10.0
Ordinary Income (Loss)	-14.9	13.0	27.9
Net Income (Loss)	-54.9	4.8	59.7
Sales Volume (Retail)	106.6	96.0	-10.6

Note: Sales volume figures exclude OEM supplies.

Fiscal 2010

A Year to Finish Building the Foundations for Growth
—Key themes include addressing the environment; developing compact, affordable and fuel-efficient vehicles; emerging countries; and business tie-ups

There have been dramatic changes in the demand structure in the automobile market triggered by the onset of the economic crisis immediately following the unveiling of our mid-term business plan. Such changes include increased expectations for eco-friendly technology in conjunction with heightened environmental awareness, most notably in advanced countries, as well as consumers' orientation towards fuel-efficient, affordable, and highly economical compact cars, especially in emerging countries. Although eco-friendly technologies and cost-cutting technologies to produce low-priced cars are often contradictory, we recognize that working to overcome both issues is essential to achieving future growth.

We will proactively take advantage of business tie-ups with other companies on projects in which working together will provide strong benefits in terms of overcoming these hurdles. Up until this point we have actively pursued business tie-ups that produce mutual benefit for the companies involved. As a case in point, this past April we signed an agreement with PSA Peugeot Citroën regarding OEM supply for a new compact SUV.

In these ways, in fiscal 2010 we will work to finish building the foundations for growth, by focusing on addressing environmental issues, developing compact, affordable, and fuel-efficient vehicles, as well as focusing on emerging countries and business tie-ups.

New Organizational Framework
Two Executive Vice Presidents, Established Strategic Operations Office and Cost Innovation Controlling Office

Amid these dramatic changes in the business environment, beginning with fiscal year 2010 we changed our executive lineup to include two vice presidents, which we believe will both enhance our management capabilities and allow us to swiftly respond to changes in the business environment. We also created a Strategic Operations Office and Cost Innovation Controlling Office. In a new demand structure, these new entities will enable us to quickly respond to the increasing need for collaboration aimed at bolstering competitiveness, further enhance our activities to reduce materials costs, and take steps to reform costs by expanding the scope of these cost-reducing activities.

R&D Expenditure and Capital Expenditures
Increase Investment in Product Development and Environmental Technology in Pursuit of Growth

In fiscal 2009, we thoroughly curbed both R&D expenditure and capital expenditures in response to the dramatic deterioration of the business environment in the wake of the "Lehman Shock." However, in fiscal 2010, in pursuit of future growth we will increase investment in new product development and environmental technology-related investment, including electric vehicles as well as a compact, affordable, and fuel-efficient global strategic vehicle. As a result, we expect R&D expenditure to increase by ¥11.6 billion (26%) year on year, to ¥56.0 billion, and capital expenditures to grow by ¥28.9 billion (61%), to ¥76.0 billion.

New Products
Global Rollout of New Compact SUV

During fiscal 2010, we will globally launch the all-new *RVR** compact SUV which went on sale in Japan in February 2010. Beginning with a launch in Europe, where the crossover category is experiencing growth, we plan to phase in launches in regions such as China, ASEAN nations, Australia and North America. We plan to sell 18,000 units in Japan and 57,000 units overseas, for a combined total of 75,000 units.

* *ASX* or *Outlander Sport* in some markets.

EV Business
Bringing the *i-MiEV* to the World

In July 2009, we launched the *i-MiEV* new-generation electric vehicle in Japan, and it has received high praise from the public.

In fiscal 2010, we began selling the *i-MiEV* to individuals in Japan in April with the lowered manufacturer's suggested retail price (MSRP) for the *i-MiEV* which, combined with the national government's subsidies, leaves a cost to the customer of ¥2,840,000.

Overseas, we commenced *i-MiEV* sales in Hong Kong and Australia, right-hand-drive countries. In October, we will add a left-hand-drive version and begin shipments to Europe, where environmental awareness is high. We are planning to sell a total of 9,000 units in fiscal year 2010, including both domestic and overseas sales. In fiscal year 2011, we are planning to roll out the *i-MiEV* in North America. In fiscal year 2012 we will add *i-MiEV* variations and plan to sell over 40,000 units.

Currently, MMC has an EV Business Office which reports directly to the president, and is working quickly on a variety of issues, including domestic and overseas marketing strategies as well as business tie-ups. (For details, please refer to "Special Feature: Bringing the *i-MiEV* to the World" on Page 9).

While our rollout of electric vehicles is centered on compact models, we will employ a plug-in hybrid system on an SUV model, one of our strong points.

We have established the Mitsubishi Motors Group Environmental Vision 2020, which clarifies our long-term environmental goals. It calls for at least 20% of the vehicles we produce in 2020 to be either electric vehicles or plug-in hybrids as part of our commitment to develop the EV business into one of our core businesses.

Initiatives in Key Emerging Countries
Starting Assembly of *Outlander* at Russian Factory

In Russia, total vehicle demand in fiscal 2009 fell to one-half that of the previous fiscal year, and MMC saw a large decline in the number of vehicles sold there. Moreover, the recovery in Russia is lagging in comparison to other emerging countries such as China, Brazil and India. However, Russia remains to be a country with great potential for growth over the medium and long term. Signs of a recovery have emerged since the beginning of fiscal 2010, and we expect an increase in sales volume. From September, we will begin assembling the *Outlander* at a Russian facility created through a joint venture with PSA Peugeot Citroën.

Our focus in China is three-pronged: bolstering sales of imported built-up vehicles, bolstering sales of vehicles produced in China, and further expanding the engine production business. In fiscal 2010, total demand in China is expected to increase 10% compared to the previous fiscal year; so we plan to expand sales of the new *Lancer EX*, which we began to produce locally at South East (Fujian) Motor Co., Ltd. (SEM) from last November and to raise the strength of our brand, while at the same time improve our sales network.

Other key regions include Brazil, which has seen record high sales for three consecutive years; ASEAN nations, which have continued to perform strongly; and Australia, which is likewise performing well. As these markets recover, we will strive to increase sales, particularly sales of SUVs, one of our strong points.

Performance Outlook

Aiming for Increases in Revenue and Profit with Increase in Sales Volume and Further Cost Reductions

—Increase in sales volume will be driven by the new compact SUV

The Step Up 2010 mid-term business plan which we announced in February 2008 included an operating income target of ¥90 billion in fiscal 2010, the final year of the plan.

However, the environment surrounding the automobile industry that we envisioned when formulating the plan has changed significantly, and the bankruptcy of a major U.S. financial institution in September 2008 brought about three serious problems for the Japanese automobile sector: a drastic decline in retail sales volume, the credit crunch, and the appreciation of the yen. In conjunction with this dramatic change in the business environment, in fiscal year 2008 we were unable to avoid a considerable decline in both sales and profits. Still, by taking emergency measures in the face of the economic crisis, such as production cutbacks to reduce excess inventories and implementing rigorous cost reductions, we were able to secure operating profit.

In fiscal 2009, we took steps to optimize inventories and accelerated shipments to recovering markets, in addition to carrying out thorough cost reduction initiatives. These activities led to a turnaround in the bottom line despite a decline in sales, and we successfully achieved our initial target of returning to net profitability.

In fiscal 2010, we expect an increase in both sales and profits on the back of higher sales volume and enhanced cost reductions, and have set an operating income target of ¥45 billion. Our current assumptions are much less optimistic than at the time of the Step Up 2010 plan, as we are now assuming a roughly 300,000 unit decline in sales volume and a ¥15 appreciation against the U.S. dollar. This will certainly result in profits undercutting our forecasts in our Step Up 2010 mid-term business plan. Nonetheless, we will work to regain our footing through such measures as curbing personnel expenses, reducing advertising expenditure, and further enhancing our cost reduction programs, and expect operating income to recover to one-half of the ¥90 billion we set as an operating income target for the last year of Step Up 2010.

We have seen a harsh business environment since the second half of fiscal 2008, but during this time we have taken steps to enhance our business platform by bolstering our strengths. In fiscal 2010, we will improve profitability by rolling out our new compact SUV around the globe as demand recovers, particularly in emerging countries, which will lead to growth and a significant leap forward in fiscal 2011 and beyond.

FY2010 Results Forecast Summary (vs. FY2009 Actual)

(¥ billion, units)

	FY2009 Actual ①	FY2010 Forecast ②	Change ② – ①
Net Sales	1,445.6	**1,900.0**	+454.4
Operating Income	13.9	**45.0**	+31.1
Ordinary Income	13.0	**30.0**	+17.0
Net Income	4.8	**15.0**	+10.2
Sales Volume (Retail)	96.0	**112.1**	+16.1
Assumed Forex Rate (Yen)	USD 92 EUR 130 AUD 79	**USD 90 EUR 120 AUD 82**	

Note: Sales volume figures exclude OEM supplies.

Bringing the i MiEV to the World

Mitsubishi Motors is contributing to society globally as a pioneer in electric vehicles

In the midst of rising expectations that electric vehicles will help make a low-carbon society a reality around the world in the near future, Mitsubishi Motors launched the *i-MiEV* new-generation electric vehicle in Japan in July 2009 and began offering it overseas in 2010.

Bringing the *i-MiEV* to the World


i-MiEV delivery ceremony for the Principality of Monaco

Conducting On-Road Tests in Japan and Abroad

Mitsubishi Motors launched the *i-MiEV* new-generation electric vehicle in Japan in July 2009. The launch was the culmination of a 500,000-km proving test program that assessed this car's basic performance, comfort, and practicality. Customers have lauded the *i-MiEV* for its acceleration, quietness, and driving feel. The overseas reception of this model has been similarly very positive, obtained during 200,000 km of the proving tests in Europe, North America, and elsewhere internationally.

More than 50 Domestic and Overseas Partnerships

Several factors are essential for the popularization of electric vehicles around the world. They include consumer education, an improved charging infrastructure, and subsidy schemes and specific legislation for these cars. Partnerships are vital to achieving all of these. Mitsubishi Motors has formed more than 50 domestic and overseas partnerships with governments, electric power companies and councils, and is moving forward with initiatives to popularize electric vehicles and make a low-carbon society a reality with these partners.

Launching the *i-MiEV* Abroad and Supplying PSA Peugeot Citroën

MMC is making the *i-MiEV* available internationally in fiscal 2010. MMC started by offering the right-hand-drive model in Hong Kong and Australia. In October 2010, MMC will add a left-hand-drive version, shipping it to Europe, where environmental awareness is high. MMC will also supply PSA Peugeot Citroën on an OEM basis from around the same time. In addition, the *i-MiEV* will debut in North America in fiscal 2011.

With full-scale overseas rollout, in addition to sales to individuals in Japan, MMC plans for sales of the *i-MiEV* to reach 9,000 units in fiscal 2010, more than five-fold higher than fiscal 2009.

More than 50 Domestic and Overseas Partnerships

8 in North America

United States
- Electric power companies (PG&E Corporation, Southern California Edison, and Portland General Electric)
- Government of Oregon
- Government of California

Canada
- City of Vancouver
- Government of British Columbia
- Hydro Québec (an electric power company)
- Transport Canada

6 in Europe

United Kingdom
- Participation in Technology Strategy Board program

Republic of Ireland
- Government of Ireland

Republic of Iceland
- Government of Iceland

Switzerland
- Alpiq (an electric power company)

Germany
- E-mobility model region project

Monaco
- Principality of Monaco

39 in Japan

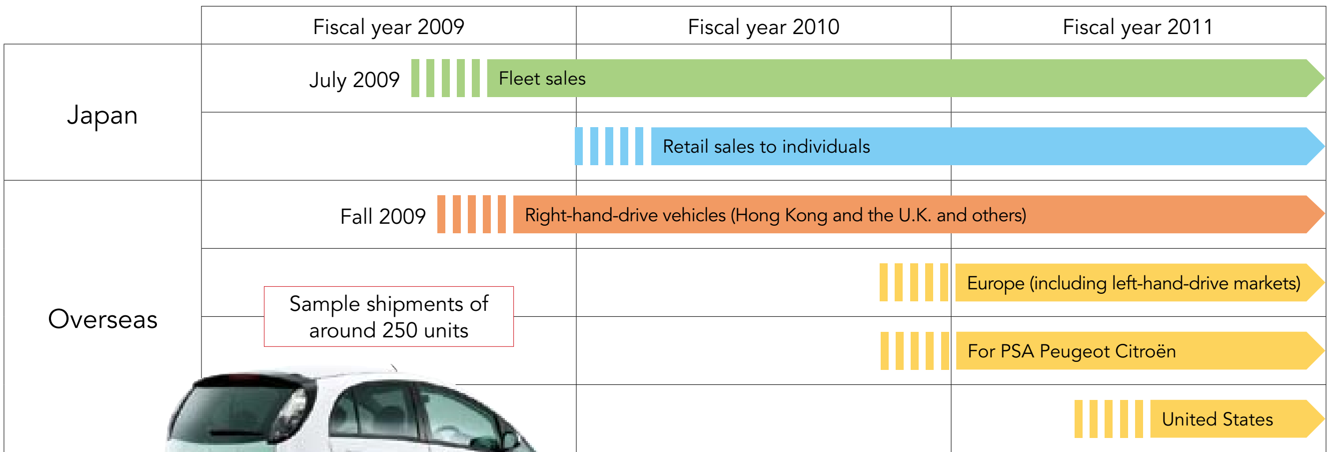
Participation in support councils for Ministry of Economy, Trade and Industry
Participation in councils for EV & pHV Towns
Participation in support councils for electric power companies

2 in Asia-Pacific

Hong Kong
- Government of the Hong Kong Special Administrative Region of the People's Republic of China

New Zealand
- Meridian Energy Limited (an electric power company)

i-MiEV Rollout Schedule



Reducing Price and Offering the *i-MiEV* to Individuals in Japan

In April 2010, MMC began offering the *i-MiEV* to individuals in Japan at a manufacturer's suggested retail price of ¥3,980,000, incorporating cost reductions to reduce the price by ¥619,000. Furthermore, utilizing a national government subsidy further reduces the cost to the customer to ¥2,840,000.

MMC has said all along that price reductions are necessary for the popularization of electric vehicles and MMC would strive to reduce the price of the *i-MiEV* to an affordable level by reducing costs through economies of scale and other measures.

MMC plans to endeavor to further reduce costs to lower the *i-MiEV*'s post-subsidy cost to the customer to around ¥2,000,000 in Japan.

As with fleet customers, MMC is selling the *i-MiEV* to consumers on a maintenance lease basis. This approach is easier for customers, as Mitsubishi Motors sales outlets provide peace of mind through precise inspection and maintenance while the leasing company takes care of all government subsidy paperwork.

How Electric Vehicles Could Transform Social Systems

Electric vehicle parade in a sightseeing area

Climate for Electric Vehicles Set to Change Faster than Anticipated

Electric vehicles burden the environment less than gasoline vehicles. MMC believes they can also produce additional synergies in combination with social systems, notably for car sharing, tourism, and smart grids.

MMC also believes that electric vehicles could greatly transform the social structure. Electric vehicles could lead not just to low-carbon road transportation but could also reposition the role of cars among consumers, all the while reshaping the energy supply business and the automotive industry. MMC also considers changes to the social structure of this kind critical to popularizing the use of electric vehicles.

The evolution of electric vehicles is accelerating through constant technological advances. They include better battery performance and other improvements, which have lowered costs and extended cruising ranges, and contactless charging technology, which has enhanced user convenience.

While MMC does not expect electric vehicles to soon replace all gasoline vehicles, the climate is such that they have become realistic alternatives far faster than anticipated, and MMC must strive to keep abreast of this development.

MiEV House

MMC showcased the MiEV House at the Tokyo Motor Show 2009 to highlight its vision for how electric vehicles could transform the social structure. SHARP CORPORATION was one of 12 partners that contributed to the exhibit. Electric vehicles could even be parked inside homes, as they produce no emissions during driving. Putting cars inside houses would be convenient for elderly drivers and passengers, and make it easier to load and unload baggage. Being able to park indoors also holds potential to make a significant contribution to healthcare for the physically challenged. As electric vehicles can link to power networks, this ability could be expected to produce new added value.

The *i-MiEV* battery holds roughly the amount of power a family of four uses in one day. In the future, people could use electricity from their cars on days when not driving to power home appliances or supply backup electricity during disasters and other emergencies. MMC believes that automakers must start looking to the future to create avenues for bringing innovation to electric vehicle-related technologies, and work to redefine the value and roles of automobiles. Mitsubishi Motors, as a pioneer and industry leader in new-generation electric vehicles, aims to help make electric vehicles central to society worldwide.

MiEV House

Establishing a New Business Model—Our Primary Focus Today

Yoshikazu Nakamura
Corporate General Manager of the EV Business Office

Yoshikazu Nakamura is corporate general manager of the EV Business Office. His responsibilities include overseeing business strategies and feasibility for MMC's electric vehicle operations. Mr. Nakamura explains the business model MMC is pursuing and his current key initiatives.

A New Historical Milestone

Launching the *i-MiEV* and Establishing the EV Business Office

Around the year when the *i-MiEV* was introduced, the focus of social and customer interest began shifting noticeably toward electric vehicles as the ultimate next-generation cars. The appearance of the *i-MiEV* triggered tremendous interest in both the electric vehicle business and in the new social systems that such cars could lead to.

These considerations prompted MMC to set up the EV Business Office in August 2009 to specialize in managing the overall profitability of the electric vehicles business, as well as to formulate business strategies and explore and propose related new operations.

Since then, we have focused on trends in electric vehicles from the diverse perspectives of society and customers, national governments, the automobile and electric power industries, suppliers, venture businesses, and other stakeholders. We have also tackled issues more swiftly, notably those of domestic and overseas sales strategies and alliances.

Most of the people in the EV Business Office formerly worked in the MiEV Business Management Office, but we increased staffing, which included taking on employees who had never been involved with electric vehicles. I think that new ideas from such people is complementing MMC's more than 40 years of experience in electric vehicle R&D so the company can enter uncharted territory.

I think that automobiles will play diverse roles in society over the next 100 years. MMC recognizes that the electric vehicle will be a pinnacle technology that will take center stage as the century unfolds. This is why we launched the *i-MiEV*. In my estimation, the launch of the *i-MiEV* in fiscal 2009 constituted a new historical milestone for MMC in firmly establishing the electric vehicle business.

Target to Raise Production of Electric Vehicles and Plug-in Hybrids to 20% or More of Total Production by 2020 Guides Our Internal Operations

Mitsubishi Motors Group Environmental Vision 2020 (see page 28 for details)

MMC announced the Mitsubishi Motors Group Environmental Vision 2020 on June 5, 2009, which was also World Environment Day, with a stated objective of "Leading the EV Era, Towards a Sustainable Future." As part of this, MMC has a target to raise production of electric vehicles and plug-in hybrids to at least 20% of its total production by 2020. Our electric vehicle business will remain very important over the medium and long terms.

In-house operations are being aligned toward this target. The EV Business Office has simultaneously undertaken several minor and major projects in new areas over the past year, and we have progressed steadily with collaboration from internal divisions. Having the shared target has been a powerful driving force for action inside MMC.

Building a Business Model That Generates Stable Profits

Ensuring Stable and Sustainable Earnings

In seeking to boost production of electric vehicles and plug-in hybrids to at least 20% of total production by 2020, we will essentially make the electric vehicle business one of our core operations. Our first move must therefore be to establish a new business model that ensures stable profitability.

To this end, we are employing novel concepts in a wide-ranging review of that business model. Our procurement and production strategies are good examples of this. Electric vehicles incorporate numerous new basic components, notably electric motors, inverters, batteries, and chargers. It is vital strategically to choose whether to make such key electric vehicle components, including batteries to replace engines of conventional vehicles, in-house or purchase them externally. With technologies evolving rapidly for all such components, we adopted a strategy of closely collaborating with business partners to procure low-cost parts and thereby maintain our competitiveness.

We believe that we can maintain competitive advantage in electric vehicles by forming strong ties with manufacturers of key components to improve both mass production and technologies and that this will also allow us to competitively reduce procurement costs. Instead of engaging in rivalry between automakers, suppliers, electric utilities and other electric vehicle business players for a bigger slice of the earnings pie, we prefer to collaborate to foster mutual profitability so the electric vehicle business can grow.

Mitsubishi Motors' Competitive Advantages

I have been told when explaining that we buy the all-important batteries from outside sources that any company could make an electric vehicle by externally procuring all key components and simply assembling the vehicle. That might be true if it were acceptable to ignore safety or driving feel.

However, electric vehicle development expertise is not earned in a single day. MMC has electric vehicle know-how accumulated over 40 years. On top of that, to introduce the *i-MiEV* we conducted extensive road tests around the world and amassed valuable technological data in the process. We drew on that information to complete the MiEV OS (Operating System), an advanced, integrated vehicle management system that ensures safety and comfort, and conserves energy.

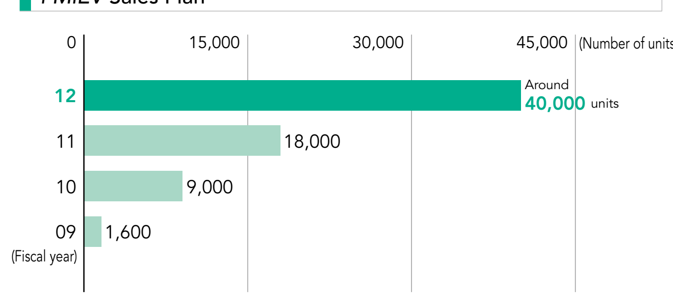
Launching mass-produced electric vehicles ahead of other companies allowed us to exchange information with others in the market, government bodies, academia, and industry associations, and to leverage actual electric vehicles in business negotiations. I see this as our advantage in swiftly adapting to new business developments.

Becoming Profitable in Fiscal Year 2012

We estimate that the *i-MiEV* would reach its breakeven point at an annual output of 30,000 units. We plan to sell around 40,000 of these vehicles, including variations, in fiscal 2012, achieving profitability.

i-MiEV used by the Frankfurt Airport

i-MiEV Sales Plan



Our Current Focuses Are to:
1. Encourage People to Ride in Our Electric Vehicles
2. Lower Pricing
3. Expand Our Electric Vehicle Lineup

Our three current priorities are for as many people as possible to try our electric vehicles and learn their advantages, lowering pricing by reducing costs, and expanding our electric vehicle lineup.

Encourage People to Ride in Our Electric Vehicles

Many people who ride in the *i-MiEV* find to their surprise that, among other things, it accelerates extremely well and is very quiet. First-hand experience is the first step in understanding the benefits that an EV can offer.

For that reason, we are looking closely at taxis. Japanese taxi companies in Niigata, Ehime, Okayama, Tokyo, and Kyoto have already deployed the *i-MiEV* in their fleets.

We will work hard to increase the number of *i-MiEV* taxis to demonstrate to the general public how polished and attractive the *i-MiEV* vehicle really is.

Having more *i-MiEV* taxis in service would also contribute greatly to the environment. Some people switching to electric vehicles might drive only on weekends. But switching cars that run all day long, such as taxis, to electric vehicles would more swiftly contribute to cutting more carbon dioxide emissions.

Lower Pricing

There is still considerable room for improving the cruising range, charging times, and costs of electric vehicles. Still, the range is adequate for city driving. While charging takes longer than filling up a gasoline-powered car, people can charge their vehicles at home, so neither of these factors would necessarily inhibit the popularization of electric vehicles.

Costs are an issue, however, and we will seek to reduce them by increasing the number of units sold and harnessing economies of scale. We believe that electric vehicles cannot become popular without lowering pricing to levels comparable with those of gasoline-powered cars.

We are striving to reduce costs for the *i-MiEV* so the end price to the customer is around ¥2,000,000 in Japan.

Expand Our Electric Vehicle Lineup

We are formulating our next mid-term business plan, as part of which we are looking to expand our lineup of electric vehicles. We are not yet able to disclose specifics, but we target fiscal 2012 to make an electric version of our yet-to-be-released compact, affordable, and fuel-efficient global strategic vehicle, and by fiscal 2013 we plan to launch a plug-in hybrid electric vehicle that fully utilizes electric vehicle technology. We are considering many options for the commercialization of these vehicles.

An *i-MiEV* taxi in Japan

Targeting Increased Sales Volume in Each Region through Global Rollout of New Compact SUV

In fiscal year 2009, automobile demand, which had declined significantly in the second half of the previous fiscal year, started to recover in many regions. MMC's automobile retail sales volumes increased as the fiscal year progressed, but full-year sales rose year on year in only some regions. However, during fiscal year 2009, MMC continued to implement the emergency measures of rigorous cost reductions initiated in the second half of the previous fiscal year. As a result, the entire MMC Group succeeded in increasing operating income.

In fiscal year 2010, aggregate demand is expected to decrease due to the reduction or termination of governmental demand stimulation policies in Japan and Europe. However, the U.S. is showing a mild recovery, and emerging nations are already in a phase of powerful growth. In this market environment, MMC aims to increase both earnings and profit across the whole MMC Group through increasing sales volume in all regions, including by globally rolling out a new compact SUV.

Japan

We will aim to return to profitability by increasing sales with our new *RVR* compact SUV, and the Mitsubishi "Aichaku" Project. We have lowered the price of the *i-MiEV* and commenced sales to individuals.

Tetsuro Aikawa

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

Fiscal Year 2009 Performance

Retail Sales

Retail sales in Japan increased 1%, or 3,000 units, year on year to 171,000 units. MMC increased retail sales despite lower year on year sales of minicars partly due to a delayed recovery of aggregate demand. The increased sales were driven by registered vehicles including the *Colt* series and *Delica D:5*, which had received the benefits of the reduced taxes on eco-friendly cars, and the strong launch of the *RVR* new compact SUV introduced in February.

**Net Sales and Operating Income (Loss)
[Decreased sales, reduced loss]**

Net sales in Japan declined 8%, or ¥29.9 billion, year on year to ¥368.5 billion partly due to a fall in the sales volume of OEM-supply vehicles. Operating loss improved ¥13.9 billion from the previous fiscal year, to an operating loss of ¥1.2 billion. The improvement was due to a rise in profits from new vehicles through increased sales of registered vehicles and to cost reductions, especially in selling expenses and materials costs.

Outlook for Fiscal Year 2010

Retail Sales

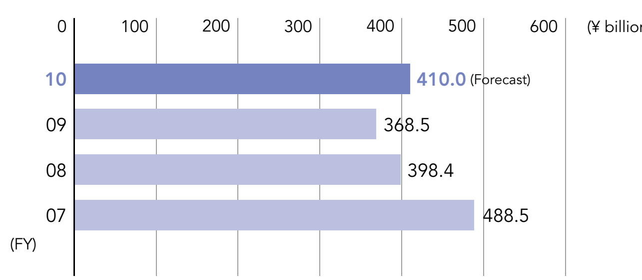
In fiscal year 2010, MMC is targeting domestic retail sales of 183,000 units, an increase of 12,000 units, or 7% year on year. Although reduced demand is anticipated after the expiration of subsidies for environmentally friendly vehicles, increased sales are projected from the Mitsubishi "Aichaku" Project*, launched from June, as well as increased retail sales from the *RVR* new compact SUV introduced in February. Sales of the *i-MiEV* to individuals commenced from April, with the final cost to the customer of ¥2.84 million after government subsidies and a ¥619,000 reduction in the manufacturer's suggested retail price.

**Net Sales and Operating Income (Loss)
[Increase in sales, return to profitability]**

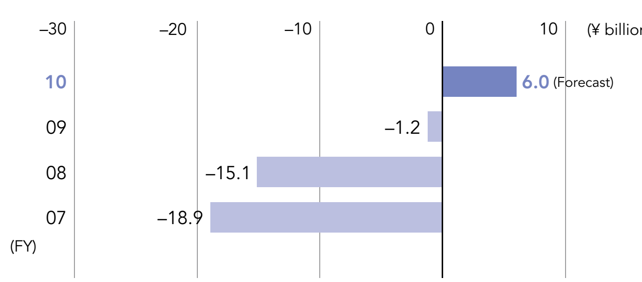
In fiscal year 2010, MMC is targeting net sales in Japan of ¥410.0 billion, an increase of ¥41.5 billion, or 11%, year on year. The main factor underlying this target is higher retail sales. MMC is targeting an operating income of ¥6.0 billion, an improvement of ¥7.2 billion year on year from the operating loss of the previous year. In addition to higher retail sales, the main factors underlying this target are reductions in material costs and other costs.

* Mitsubishi "Aichaku" Project: A sales promotion campaign conducted together with dealers nationwide aimed at persuading customers to keep their MMC vehicle for longer. The campaign's "Aichaku" coupons offer various benefits, of which the main three are: (1) the first Japanese manufacturer's special extended guarantee for 10 years/100,000 kilometers to enable customers to continue driving their newly purchased MMC vehicle with peace of mind for a long time, (2) on the assumption that customers will use their MMC vehicle for 10 years, an upgrade service to remodel the vehicle interior/exterior, install a moveable front passenger seat, etc. in response to vehicle aging and customer lifestyle changes, and (3) a free replacement service of the battery for the vehicle's keyless entry device to encourage MMC users to visit our showrooms.

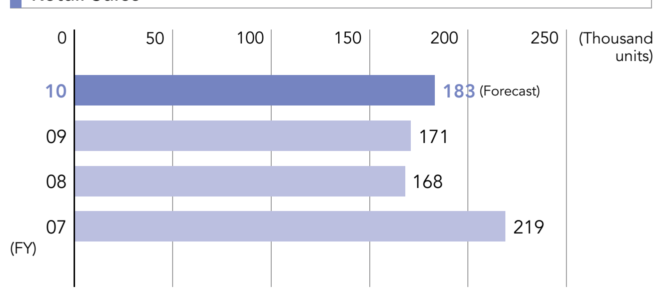
Net Sales



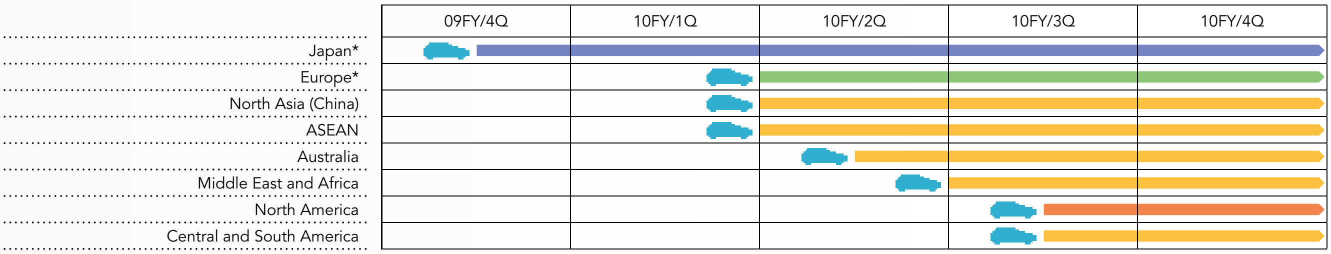
Operating Income (Loss)



Retail Sales



Global Rollout of the New Compact SUV



* *RVR* in Japan, *ASX* in Europe

North America

We plan to increase unit sales as overall demand recovers. In the second half of the fiscal year we will introduce the new compact SUV.

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

Fiscal Year 2009 Performance

Retail Sales

Retail sales in the North American market fell 31,000 units, or 26%, year on year to 88,000 units in fiscal year 2009. Retail sales dropped in the U.S. and Mexico, where aggregate demand had fallen from the previous fiscal year, although retail sales rose year on year in Canada where the *Outlander* performed well.

Net Sales and Operating Income (Loss)
[Decreased sales, reduced loss]

Net sales in North America declined ¥56.8 billion, or 24% year on year to ¥175.4 billion, reflecting lower retail sales. Despite the impact of the drop in retail sales and the yen's appreciation, operating loss improved by ¥11.4 billion year on year to ¥28.2 billion due to cost reductions, especially selling expenses and materials costs.

Outlook for Fiscal Year 2010

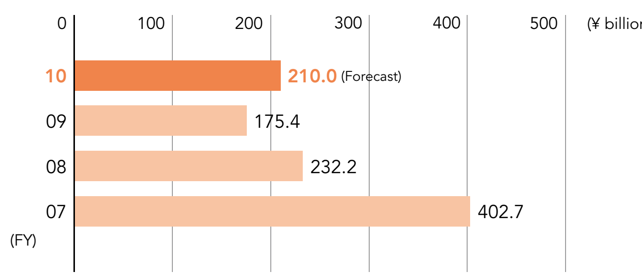
Retail Sales

MMC is targeting retail sales of 109,000 units, an increase of 21,000 units, or 24%, year on year. In the U.S., a mild recovery of aggregate demand is anticipated; moreover unit sales are expected to rise year on year with the introduction of a new compact SUV in the second half of the fiscal year. Similarly, MMC is targeting sales increases in Canada and Mexico.

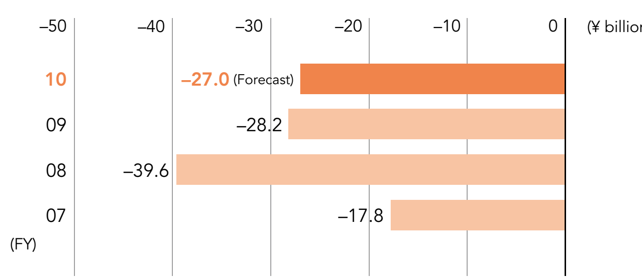
Net Sales and Operating Income (Loss)
[Increase in sales, reduction of loss]

MMC is targeting net sales of ¥210.0 billion, up ¥34.6 billion, or 20%, year on year, mainly reflecting increased retail sales. MMC is projecting an operating loss of ¥27.0 billion, an improvement of ¥1.2 billion year on year. The reason for this operating loss improvement is that MMC expects cost reductions, such as materials costs, as well as increased retail sales to more than offset the reduced earnings incurred by increased selling expenses and development expenses.

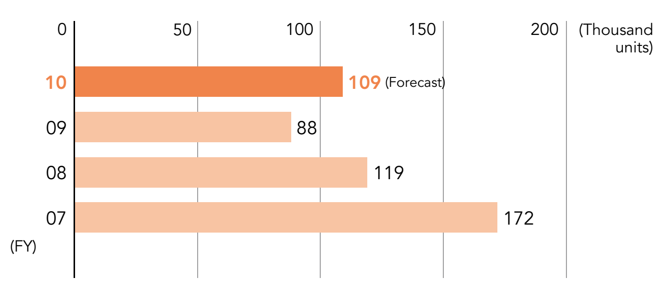
Net Sales



Operating Loss



Retail Sales



* Puerto Rico's results have been classified under "Asia and Other Regions" from 2008.

Europe

We aim to increase unit sales amid waning demand in Western Europe by introducing the new *ASX* compact crossover. In Russia, where demand is recovering, we will commence assembly of the *Outlander*.

Hiroshi Harunari

Managing Director, Head Officer of the Headquarters, Overseas Operations Group Headquarters A, Corporate General Manager of Overseas Management Office, In Charge of Overseas Operations Group B

Fiscal Year 2009 Performance

Retail Sales

Retail sales fell 103,000 units, or 38%, year on year to 169,000 units. Overall, demand was slow to recover in European countries, and sluggishness was particularly marked in Russia and the Ukraine, where MMC's retail sales dropped sharply, with Russia down 57,000 units, or 60%, year on year to 39,000 units, and in the Ukraine down 24,000 units, or 72%, year on year to 10,000 units. In Western Europe, although the region felt benefits from governmental demand stimulus measures in Germany and elsewhere, there was a negative rebound following the expiration of those incentives, thus retail sales declined year on year. In Central Europe retail sales declined year on year as demand in general continued to be sluggish even though markets were strong in Poland and elsewhere.

Net Sales and Operating Income [Decreased sales, reduced income]

Net sales in Europe totaled ¥269.2 billion, down ¥362.5 billion, or 57%, year on year mainly due to lower retail sales and the appreciation of the yen. Although the drop in retail sales significantly reduced operating income, MMC worked to mitigate this by reducing costs such as selling expenses and materials costs. As a result, operating income in Europe worsened by ¥4.5 billion year on year to ¥0.8 billion.

Outlook for Fiscal Year 2010

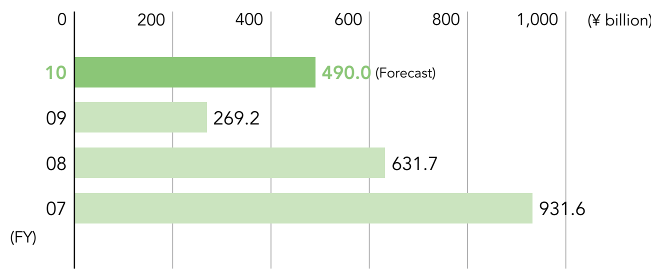
Retail Sales

In fiscal year 2010, MMC is targeting retail sales of 196,000 units, up 27,000 units, or 16%, year on year. In some European countries, aggregate demand is expected to decrease due to the reduction or termination of governmental demand stimulus policies in various European countries. However, retail sales are projected to increase through the introduction of the *ASX* in the growing crossover category. In Russia, where sales are recovering, assembly of the *Outlander* at a Russian plant launched as a joint venture with PSA Peugeot Citroën will commence from September.

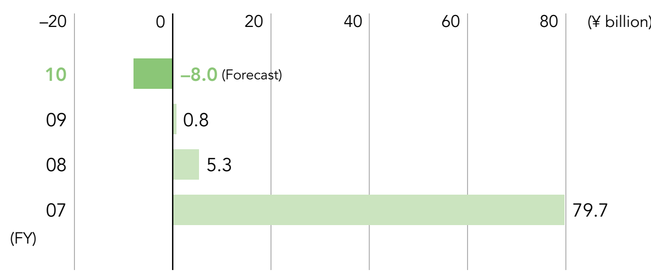
Net Sales and Operating Income (Loss) [Increased in sales, income shift to loss]

MMC is targeting net sales of ¥490.0 billion, a rise of ¥220.8 billion, or 82%, year on year, due to higher retail sales. Although increased retail sales are a factor in raising operating income, based mainly on projections for the impact of a strong yen and increased development expenses, MMC expects operating income to deteriorate ¥8.8 billion from fiscal year 2009 to a loss of ¥8.0 billion.

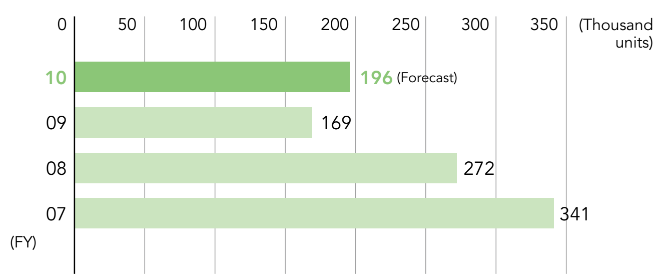
Net Sales



Operating Income (Loss)



Retail Sales



Asia and Other Regions

Emerging countries represent a solid earnings platform that promises strong growth. We plan to greatly increase unit sales in these regions.

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

Hiroshi Harunari
Managing Director, Head Officer of the Headquarters, Overseas Operations Group Headquarters A, Corporate General Manager of Overseas Management Office, In Charge of Overseas Operations Group B

Fiscal Year 2009 Performance

Retail Sales

Retail sales rose 25,000 units, or 5%, year on year to 532,000 units. MMC saw significant growth in North Asia, especially in China, where strong sales were maintained throughout the year, achieving an increase of 68,000 units, or 57% year on year. In ASEAN, where Thailand and the Philippines performed well, and in Australia and New Zealand, retail sales recovered markedly in the second half of the fiscal year, resulting in retail sales on par with the previous fiscal year. Sales decreased year on year in Central and South America despite signs of recovery in the major market of Brazil. In the Middle East and Africa, retail sales declined year on year due to the continuing severe environment of sluggish demand and intensifying competition in the major markets of the Gulf nations, despite some increased retail sales mainly due to large-scale business negotiations in the second half of the fiscal year.

Net Sales and Operating Income (Loss)
[Decrease in sales, decrease in income]

Reflecting the impact of a stronger yen and other factors, net sales in Asia and Other Regions fell ¥78.8 billion, or 11% year on year to ¥632.5 billion. Operating income declined ¥10.8 billion year on year to ¥42.5 billion mainly due to decreased wholesale sales accompanying inventory reductions in the first half of the fiscal year, despite cost reductions that included decreased selling expenses and materials costs.

Outlook for Fiscal Year 2010

Retail Sales

MMC is targeting retail sales of 633,000 units, up 101,000 units, or 19%, from fiscal year 2009.

In fiscal year 2010, MMC will successively introduce a new compact SUV in all regions.

The following describes MMC's other main sales policies.

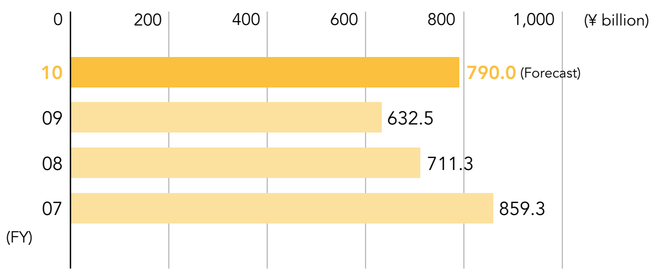
In China, MMC expects to see powerful growth in the automobile market in fiscal year 2010 also. MMC projects increased sales of the new *Lancer EX*, which has been locally-produced by South East (Fujian) Motor Co., Ltd. since November 2009. MMC will work to raise the level of the MMC brand and to expand the number of sales outlets.

In the ASEAN region, the recovery in demand became evident from the second half of fiscal year 2009, and MMC's sales have maintained strong levels. Regarding the production business in Thailand, the pillar of earnings in the ASEAN region, both domestic and export shipments should increase of *Pajero Sport*, which is achieving favorable sales in various countries. In Thailand, where there is a growing consumer preference for passenger cars, sales of the new *Lancer EX*, for which local production commenced last fiscal year, should increase. In the Philippines, where retail sales grew nearly 40% in fiscal year 2009, sales of the new *Lancer EX*, for which local production commenced in September 2009, and sales of the popular *Montero Sport* should increase. In Indonesia, MMC aims to increase retail sales by expanding trim levels of the popular *Pajero Sport*, which was introduced in June 2009, as well as by sales of mainstay commercial-use vehicles. In Malaysia, MMC will strengthen its sales and after-service systems in addition to expanding the SUV lineup by introducing the *Pajero*.

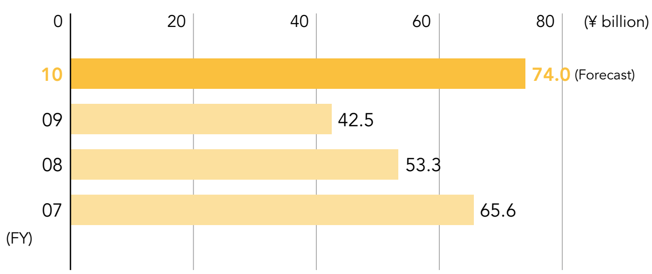
In Australia, MMC aims to increase sales through its popular SUV lineup, which includes the *Challenger*, introduced in December 2009.

In Brazil, which has achieved record sales for three consecutive years, MMC will commence local production of the *Pajero Sport* and strengthen the mainstay SUV lineup.

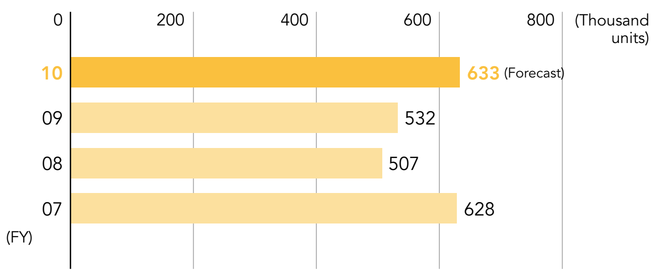
Net Sales



Operating Income (Loss)



Retail Sales



In the Middle East, MMC aims to increase retail sales through measures such as strengthening sales and service systems in Saudi Arabia, where MMC's share is comparatively small despite it being the largest market in the region.

Net Sales and Operating Income
[Increase in sales, increase in income]

MMC is targeting net sales in Asia and Other Regions of ¥790.0 billion, up ¥157.5 billion, or 25%, year on year, mainly based on a projected rise in retail sales. MMC expects operating income to improve ¥31.5 billion year on year to ¥74.0 billion based mainly on reductions in materials costs and other costs as well as projected higher retail sales.

"MMC is developing various quality assurance systems to ensure that customers can drive its vehicles with peace of mind."

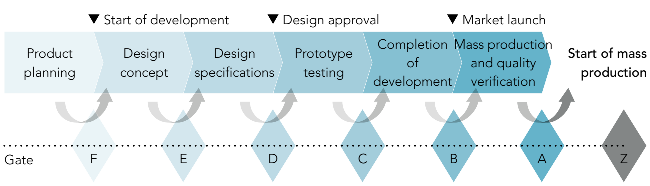
Seiichi Ohta
Director, Head Officer of the Headquarters
Quality Affairs Group Headquarters

Building in Development/Manufacturing Quality

• **Mitsubishi Motors Development System (MMDS)**

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

MMDS (Mitsubishi Motors Development System)



• **Mitsubishi Motors Production Way (MMPW)**

MMC has established a unified global quality assurance framework by introducing the Mitsubishi Motors Production Way (MMPW), MMC's concept and philosophy of manufacturing, to its plants around the world. One of the basic concepts is to achieve rigorous quality assurance in each work stage through the incorporation of "stage completion" (only allowing non-defective units to pass to the next stage).

MMC is passing on this MMPW spirit and knowhow to younger engineers by setting up a specialized training center, known as a "Making things Dojo," at every one of its plants.

Basic Concepts of MMPW

Human Assets*[1] Development

Building quality products starts with building quality people.

Based on this approach, MMC provides practical, in-house training to enhance the quality of human assets through quality engineering, Failure Mode and Effects Analysis (FMEA) and Fault Tree Analysis (FTA).

Rapid Feedback of Customer Information

• **New Quality Information Management System (SQM-BC)*[2]**

MMC introduced the SQM-BC in 2006 to allow MMC to swiftly respond to quality-related information from customers. The SQM-BC manages consolidation of multiple after-service related systems. The DES (Data Entry System), one of the core systems, enables sharing of quality-related information from customers between MMC and distributors to be received in real time, making possible the further facilitation of the analysis and solution of quality issues and the sharing of information among distributors.

The WAS (Warranty Analysis System), another core system, enables the detailed analysis of statistics for complaint data by model, part, production date and other parameters. This information can be effectively utilized by the design, manufacturing, service, and other related departments to quickly respond to complaints. WAS entered service at plants around the world in 2009.

Furthermore, to secure the human assets necessary for quality assurance in line with increased production outside Japan, MMC is actively leveraging its network of experienced and skilled retired employees.

• **Timely and Transparent Determination Process for Recalls and Other Issues**

Since the recall issue of 2004, MMC has taken diligent steps to restore confidence, including discussions with outside experts. MMC has established standardized, strict criteria for determining recalls, and added members with more of a customer's perspective to recall judgment meetings including those from the Customer Relations Department and labor union members. MMC has created a more open system by reporting the meetings' deliberations to top management for final decision. The transparency of these proceedings is ensured through monitoring by the CSR Promotion Office.

Quality Management Structure

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

Notes:
*[1] MMC uses the term "human assets" because it sees people as key assets.
*[2] SQM-BC: Strategic Quality Management-Backward Chain

Corporate Governance Framework

MMC employs the Statutory Auditor System pursuant to the Japanese Companies Act. In addition to mandatory organizations and governance systems, the company is improving its corporate governance by adding an executive officer system and advisory committees.

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

Status of Internal Audits and Statutory Audits

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

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

The Quality Audit Dept. monitors whether the Quality Affairs Office is appropriately carrying out operations related to vehicle development, manufacturing, and post-market measures based on laws and regulations in various countries. The department conducted a total of 90 audits in the fiscal year 2009. The audit results are successively reported to top management and to the Business Ethics Committee twice a year.

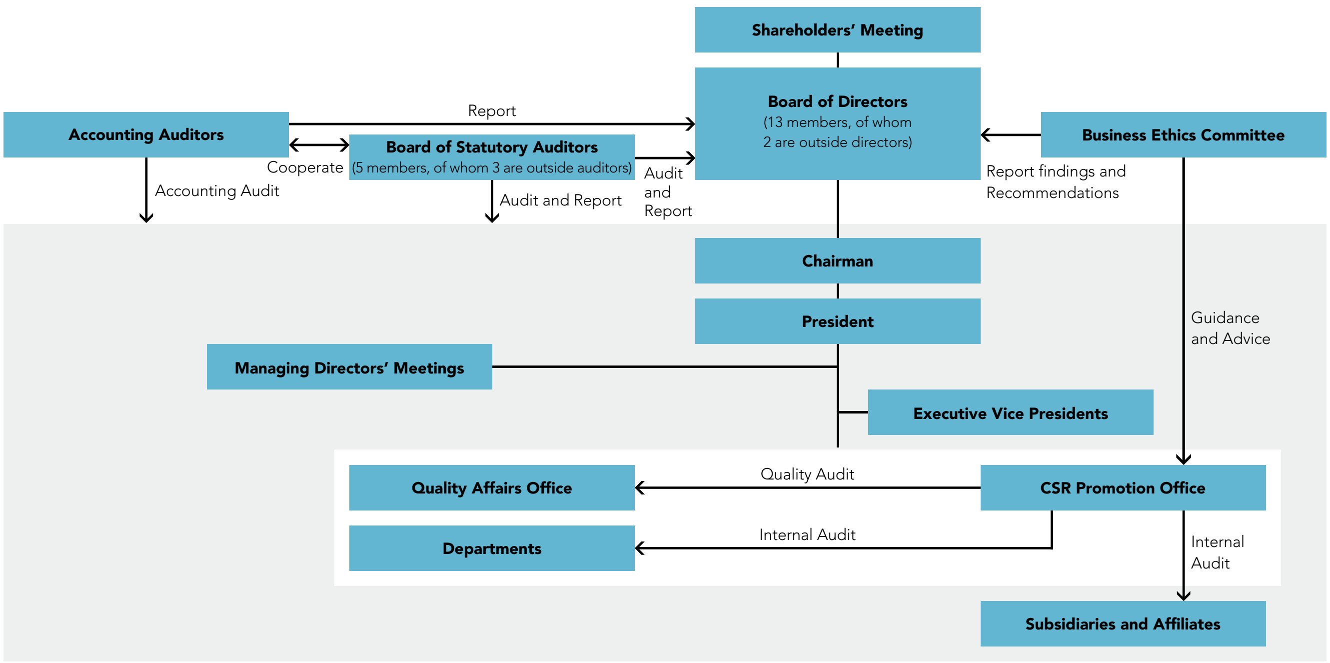
The Internal Audit Dept. conducts regular company-wide audits, covering areas including subsidiaries and affiliates in Japan and overseas, to verify the appropriateness and effectiveness of internal control systems including compliance and risk management. The results are reported to the top management at MMC, its subsidiaries and affiliates.

The Internal Audit Dept. is also actively working to strengthen corporate governance and internal controls throughout the MMC Group both in Japan and overseas. It has established internal auditing divisions at all major overseas subsidiaries and has used the regional integration of consolidated domestic sales companies to establish CSR divisions at each company.

Guidance From Advisory Committees

The Business Ethics Committee is an advisory body to the Board of Directors made up of six outside experts. The committee works to spread an awareness of compliance, and it provides MMC directors with guidance and advice from an objective perspective (more on page 25).

Corporate Governance Framework (As of June 30, 2010)



"Guided by the 'Basic Policy on the Establishment of Internal Control Systems,' we are taking steps to ensure compliance with laws and regulations and to promote proper, effective business execution, in line with changes in the business environment worldwide."

Hiizu Ichikawa

Executive Vice President [Representative Director], Corporate Planning & Finance

Development of Internal Control Systems

Based on the "Basic Policy on the Establishment of Internal Control Systems" as passed by resolution of the Board of Directors, MMC is continually working to ensure compliance with laws and regulations and to promote proper, effective business execution, in line with changes in the domestic or overseas environment.

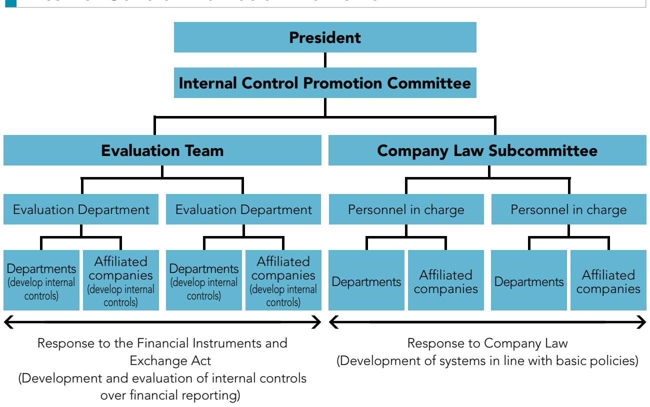
In particular, with regards to ensuring the reliability of financial reporting pursuant to the Financial Instruments and Exchange Act, MMC is implementing company-wide measures under the leadership of the Internal Control Promotion Committee.

Development of Risk Management Framework

Based on the "Risk Management Rules" formulated in April 2007, MMC is establishing infrastructure for company-wide risk management systems centered on the Risk Management Promotion Team. MMC has appointed a total of 19 risk management officers to each operational headquarters and offices, and these risk management officers, based on instructions from the Risk Management Promotion Team, rigorously strengthen risk countermeasures by conducting repeated cycles of risk identification, evaluation, devising and implementing countermeasures, and monitoring in each unit. From fiscal year 2008, these officers conduct risk management cycles at each unit every fiscal year, while at the same time identifying material risks at the company-wide level and reporting them to senior management.

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

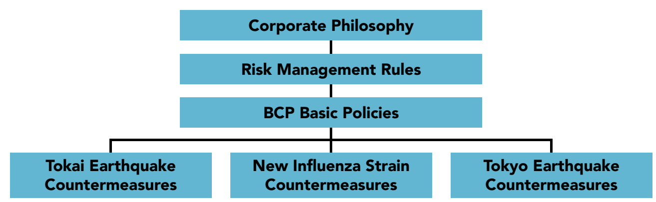
Internal Control Promotion Framework



Business Continuity Plans

MMC has formulated various business continuity plans (BCPs) based on anticipated scenarios to respond to earthquakes, epidemics and other natural disasters that have a significant impact on business. MMC has built a system that can respond rapidly to an emergency, and continuously conducts educational and training programs. These BCP initiatives also spread to influential supply chains. MMC, striving to ensure its corporate social responsibility, has set as its basic BCP policy ensuring safety and minimizing damage when a disaster occurs, continuing to supply products and services in line with the company's corporate philosophy, and if business activities have been forced to stop temporarily, restarting them quickly.

Business Continuity Plan Schematic



Data Security Management

MMC recognizes that the protection of data assets (information as well as information systems, machines, media, and equipment used to handle that information) is vital to fulfilling its social responsibility and earning the trust of stakeholders.

MMC implements physical, technological, personnel and organizational measures to maintain and improve data security management based on its information security policy and internal rules that conform to ISO 27001.

Protection of Personal Information

MMC formulated a policy for the protection of personal information in April 2005, and built a management framework to establish internal rules. MMC also appointed a person responsible for personal information management at each department under the direction of the Personal Information Officer. MMC educates staff on the subject through ongoing e-learning seminars and other programs, and makes efforts to safeguard personal information in practice.

Security Trade Control

From the viewpoint of maintaining international peace and security, MMC profoundly believes in the importance of strict trade controls to prevent the proliferation of weapons of mass destruction and the excessive accumulation of conventional weapons.

In order to ensure the appropriate trade control, MMC has established an Internal Security Trade Control Standard as a management regulation. In accordance with the standard and in order to ensure compliance with laws and regulations regarding security trade control the "Supervisory Committee for Security Trade Control" was established under the direction of the president, who acts as Chief Security Trade Control Officer. The legality of export transactions is guaranteed by a management system centered on the committee.

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

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 (see chart below). MMC has strengthened the organization to ensure that awareness of compliance spreads to each and every employee.

The company appointed 19 compliance officers (as of fiscal year 2009), under the direction of the Chief Business Ethics Officer (CBEO), and appointed department managers as code leaders in each department under the compliance officers. MMC receives guidance and advice from an external perspective from the Business Ethics Committee, which acts as an advisory body to the Board of Directors and is made up of outside experts.

Implementation of the Program to Promote Business Ethics

In fiscal year 2009, MMC held training sessions on compliance led by instructors from outside the company as part of a training program for directors and corporate auditors, with a total of 25 corporate officers, comprising full-time directors at the executive officer level or above and statutory auditors taking part.

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

In addition to these types of discussions at each workplace, compliance measures specific to each department were formulated and implemented under the direction of compliance officers.

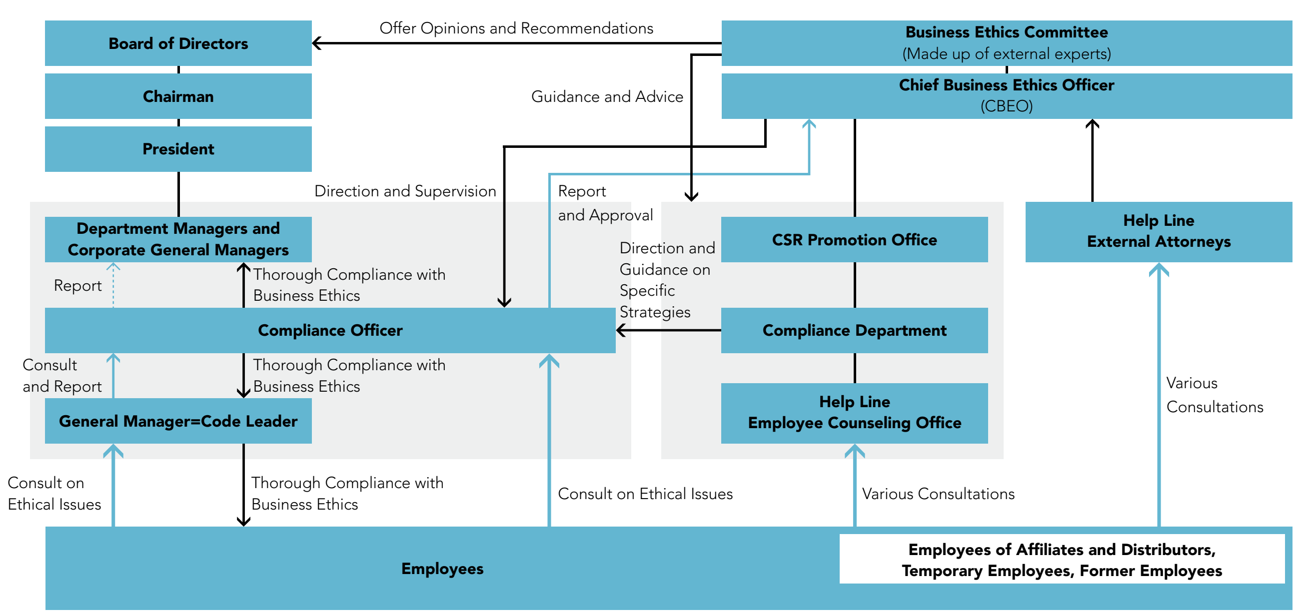
In these and other ways, MMC worked to put business ethics into practice.

Operating the Help Line

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.

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.

Organizational Framework for Promoting Business Ethics



Establishment and Dissemination of Regulations

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. All employees and directors have signed an oath of compliance with these standards.

Furthermore, in January 2008, MMC revised the "Behavioral Standards of Mitsubishi Motors Corporation," a set of guidelines for behavior that all employees must keep in mind at all times. MMC distributed the revised booklet to all staff members, and by making use of it on a daily basis, MMC aims to ensure thorough compliance with business ethics.

Activities to Spread Compliance Among MMC Group Companies

Restoring trust in MMC 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.

Furthermore, MMC continues to regularly conduct training on resolving corporate ethics problems, developing precedents and related topics. Overseas affiliates are also working to develop compliance promotion frameworks linked with internal controls.

"Safety Pledge Days"

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.

The Business Ethics Committee

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

Review of the Committee's Activities Since its Establishment

Since the committee convened its first meeting in July 2004 through to July 2010, it has held a total of 72 meetings and has considered as many as 163 issues in total. During this period, the members of the committee have raised frank questions and expressed candid opinions regarding each of these issues from the standpoint of external oversight and common sense.

The general categories of topics considered by the committee are shown below. A variety of issues were considered based on each topic (the figures in brackets indicate the number or frequency of these issues). Opinions regarding each issues discussed are disclosed to the public through press releases for the specific meeting convened.

1. Response to recall problems [23]
2. Recall process reform and quality improvement initiatives [21]
3. Initiatives to entrench compliance [50]
4. Other initiatives, including corporate culture reforms [63]
5. Fact-finding visits to plants and dealers [6]

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

In the report, the committee made 13 policy recommendations. Since the report was received by MMC, the relevant departments have reported their responses to the policy recommendations to the committee on a case-by-case basis, and have received advice from the committee members. In June 2008, a summary of these reports was presented to the Business Ethics Committee, and was reported later the same month to the Board of Directors. In July 2009, a follow-up report of the status of responses to the earlier recommendations, as well as recognized benefits, was made to the Business Ethics Committee. The committee advised MMC "not to let itself be rushed by outside pressure," but rather to "seek improvements in ways that reflect the actual situation that the company faces."

Overview of Activities in Fiscal Year 2009

The committee convened 12 times during fiscal year 2009, and received briefings on 25 issues, including the business ethics compliance promotion program and the business ethics awareness survey. The committee's views, guidance and advice were sought on these issues. As well as formal committee meetings, committee members attended the Compliance Officers' Meeting as observers, at which they were asked for their views and any queries they may have had. Compliance officers are responsible for business ethics in each department. In addition, the committee's views and guidance are requested on any urgent issues, which are explained to the committee on a case-by-case basis.

Kazuo Mura | Konoe Kawagishi | Committee Chairman Noboru Matsuda | Nobuyuki Yamamoto | Takahiro Fujimoto | Kazuko Miyamoto

Management

(As of July 1, 2010)

Members of the Board

Takashi Nishioka*
Chairman of the Board

Osamu Masuko*
President

Makoto Maeda*
Executive Vice President
Technology & Production
In Charge of Russian Project
In Charge of Procurement

Hiizu Ichikawa*
Executive Vice President
Corporate Planning & Finance

Hiroshi Harunari
Managing Director
Head Officer of the Headquarters
Overseas Operations Group Headquarters A
Corporate General Manager of Overseas Business Management Office
In Charge of Overseas Operations Group Headquarters B

Tetsuro Aikawa
Managing Director
Head Officer of the Headquarters
Domestic Sales Group Headquarters

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

Gayu Uesugi
Managing Director
Head Officer of the Headquarters
Product Projects & Strategy Group Headquarters
In Charge of Development

Seiichi Ohta
Director
Head Officer of the Headquarters
Quality Affairs Group Headquarters

Hiroshi Kuroda
Director
Head Officer of the Headquarters
Global After Sales Group Headquarters

Shiro Futaki
Director
Head Officer of the Headquarters
Production Group Headquarters

Mikio Sasaki
Director
(Non-Executive Director)

Hidetoshi Yajima
Director
(Non-Executive Director)

Statutory Auditors

Norihide Ujita
Statutory Auditor (Full-time)

Shuzo Muramoto
Statutory Auditor (Full-time)

Shigemitsu Miki
Statutory Auditor
(Outside Statutory Auditor)

Yukio Okamoto
Statutory Auditor
(Outside Statutory Auditor)

Yujiro Kawamoto
Statutory Auditor
(Outside Statutory Auditor)

Executive Officers

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

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

Shinichi Kurihara
Senior Executive Officer
President and Chief Executive Officer, Mitsubishi Motors North America, Inc.

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

Yoshihiro Kuroi
Executive Officer
Corporate General Manager of Corporate Planning Office

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

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

Ryugo Nakao
Executive Officer
Corporate General Manager of Product Strategy Office

Takitaro Fukuda
Executive Officer
Head Officer of the Headquarters
Development Group Headquarters

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

Yasuo Ohyama
Executive Officer
Plant General Manager of Nagoya Plant

Eiji Kato
Executive Officer
Plant General Manager of Mizushima Plant

Hideo Yokoi
Executive Officer
Plant General Manager of Powertrain Plant

Hideo Kimura
Executive Officer
Corporate General Manager of Domestic Sales and After-sales Service Office

Michiro Imai
Executive Officer
Corporate General Manager of North Asia Office

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

Masahiko Ueki
Executive Officer
President, Mitsubishi Motors Philippines Corporation

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

Keizo Fuchita
Executive Officer
Vice President and COO, Manufacturing Mitsubishi Motors North America, Inc.

Tetsuro Miki
Executive Officer
Chairman of the Board and CEO, Netherlands Car B.V.

Yoichi Yokozawa
Executive Officer
Vice President, Mitsubishi Motors North America, Inc.

*Representative Director

"MMC is actively engaged in community-focused activities to build a sustainable relationship with society as a good corporate citizen."

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

Corporate Citizenship Activity Policy

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

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

Main Activities

1. Support for the Next Generation

• Hands-on Lesson Program

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

• KidZania

MMC has unveiled an exhibit at KidZania Koshien, which opened in March 2009, following the success of its exhibit at KidZania Tokyo since October 2006.

At the Mitsubishi Motors Pavilion, children can experience the intrinsic attractiveness and fun of automobiles and the pleasure of driving through activities at a simulated "Driver's License Testing Office," "Rent-A-Car Center," "Auto Factory" (Koshien only) and "Car Design Studio" (Tokyo only). By encouraging young people to think and act on their own in the course of these activities, MMC aims to help young people obtain the qualities needed for success in the context of modern social frameworks and in social life, such as teamwork, a positive attitude, and communication skills.

2. Traffic Safety

• Car School

The Car School is a driving instruction program in which all participants think, learn and enjoy driving together with instructors in the course of studying driving techniques, automobiles, safety and other topics.

MMC has been running the Car School program since 1995 as part of its safe driving educational activities.

3. Environmental Preservation

• The Pajero Forest

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

A troop of volunteers, including employees and their families, conduct a range of activities in the area, including cutting undergrowth, installing deer-proof fences, birdhouse construction and nature watching.

As a means of making effective use of these resources, the volunteers build wooden benches and blocks from wood obtained from forest thinning activities, and have also opened a wood block workshop.

4. Participation in Local Communities

• Factory Tours

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

• Other

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

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

Mitsubishi Motors Group Environmental Vision 2020

—"Leading the EV Era, Towards a Sustainable Future"

Looking ahead to the year 2020, the 50th anniversary of the establishment of the company, MMC has formulated the Mitsubishi Motors Group Environmental Vision 2020.

Under the Mitsubishi Motors Group Environmental Vision 2020, MMC's environmental activities will be guided by its environmental policy of "Leading the EV* era, towards a sustainable future." In this context, MMC is committed to the development of technology—spearheaded by EV technology—and to reducing the environmental impact of its business activities in general. The Mitsubishi Motors Group Environmental Vision 2020 will also point the MMC Group toward working with its customers and society at large in creating a pleasing and low-carbon society. Additionally, the Environmental Vision 2020 more fully embodies the philosophy of the company's recently announced "Drive@earth" corporate tagline.

*EV (electric vehicle): electric cars, plug-in hybrids, and other electric-powered vehicles.

To achieve the Mitsubishi Motors Group Environmental Vision 2020 roadmap's goals and targets, MMC will focus its resources on a 3-pronged approach based on "Products & Technology," "Corporate Activities" and "Cooperation with Society."

1. Products & Technology:

As well as pushing ahead with the development of EV technologies and products, MMC will seek to reduce environmental loads throughout the entire lifecycle of its products, mainly by improving the fuel economy of internal combustion engine-powered vehicles, and enhancing vehicle recyclability.

<Mitsubishi Motors Group Environmental Vision 2020 product & technology targets for the year 2020>

- Raise the total production ratio of EVs to at least 20%
- Cut global lineup CO_2 emissions by a weighted average of 50% from the 2005 level.

2. Corporate Activities:

Covering all fields of corporate activities from product planning through development, production, sales and after-sales services, MMC will step up its efforts to promote more widespread use of EVs. In addition, MMC will raise the level of its environmental protection activities throughout the Mitsubishi Motors Group by setting its own environmental standards for each field of corporate activity.

<Mitsubishi Motors Group Environmental Vision 2020 corporate activity targets for the year 2020>

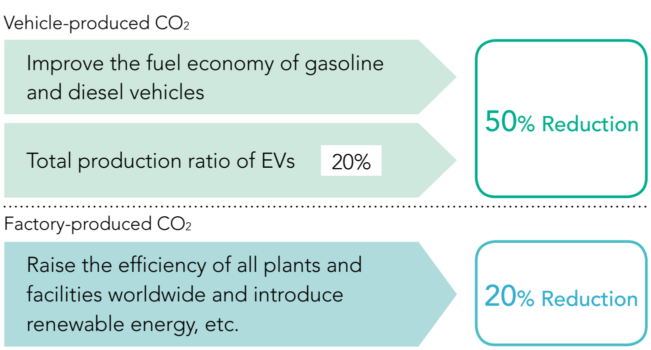
- Reduce per-vehicle CO_2 emissions during production by 20% from the 2005 level

3. Cooperation with Society:

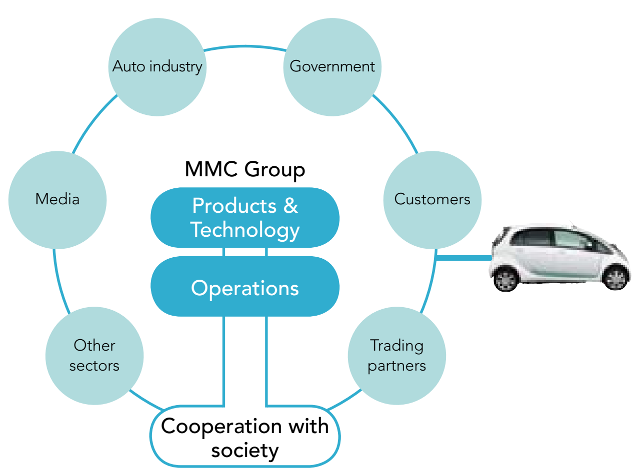
MMC will collaborate with governments, various industries and other partners to help develop charging infrastructure and new traffic systems using EVs.

While continuing to promote environmental conservation activities implemented with local communities, the company will also work to enhance activities such as the global expansion of corporate citizenship activities, including tree planting programs, and "eco-driving" support measures.

CO_2 Emissions Reduction Targets for the Year 2020



Corporate Image



Near-future Goal

Financial Section

Contents

Operational Review

In fiscal year 2009 ended March 31, 2010, the global economy saw the sharp downturn triggered by the financial crisis subside, and headed toward a gradual recovery after putting the worst behind it. This recovery was supported by economic stimulus measures implemented by various countries. Despite these positive developments, a strong overall economic recovery remains a distant prospect. In particular, with Japan's economic recovery being very dependent on external demand, the foreign exchange market trended towards an appreciation of the yen. In addition, with wage and employment conditions slow to recover amid a deflationary environment, domestic demand was unable to drive economic growth, and business conditions remained harsh.

In this business environment, in the second year of its Step Up 2010 mid-term business plan, MMC worked to bolster its strengths and secure steady profits by making earnest efforts to return domestic operations to profitability, stabilizing North American businesses, building a more market-responsive production structure, and enhancing environmental technologies. Another priority was to continue implementing thorough cost reductions amid a continued severe business environment.

As a result, in terms of consolidated business performance in fiscal year 2009, despite a drop in net sales MMC achieved a stronger year-on-year performance in all major income statement earnings items, including operating income, ordinary income and net income, and achieved its goal of net profitability.

Results of Operations

Retail Sales Volume

MMC's global retail sales in fiscal year 2009 came to 960,000 units, down 106,000 units, or 10% year on year.

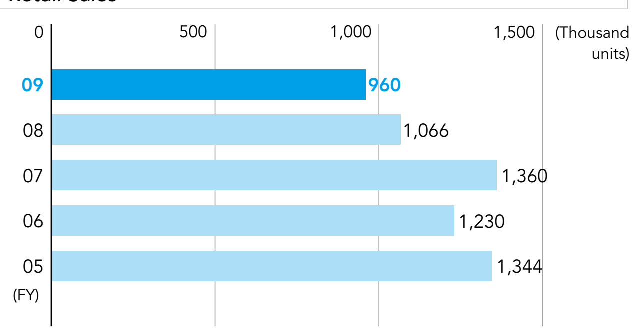
Regional sales in Japan came to 171,000 units, up 3,000 units, or 1% year on year, reflecting a boost in overall demand throughout the year from the government's eco-car tax reductions and incentives and the February 2010 launch of the new *RVR* compact crossover.

North American sales came to 88,000 units, down 31,000 units, or 26% year on year due to declines in the United States and Mexico, which offset gains in Canada.

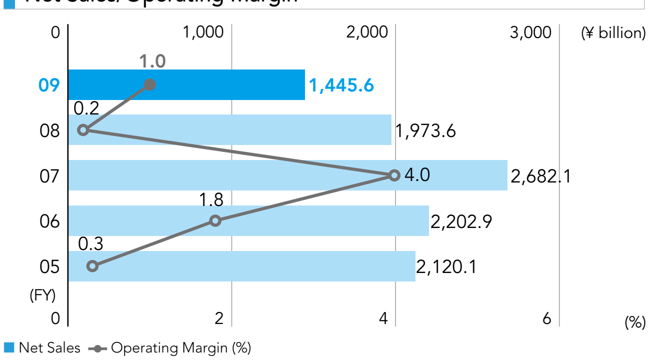
In Europe, demand was slow to recover on the whole. In particular, there was a sharp downturn in market conditions in Russia and the Ukraine, resulting in regional sales of 169,000 units, a drop of 103,000 units, or 38% year on year.

In Asia and Other Regions, regional sales came to 532,000 units, up 25,000 units, or 5% year on year. This was despite decreases in Central and South America and in the Middle East and reflected a more than 60% improvement in China and major rises in such markets as Taiwan, Thailand, and the Philippines.

Retail Sales



Net Sales/Operating Margin



Net Sales and Income

Net sales decreased ¥528.0 billion, or 27% year on year, to ¥1,445.6 billion, due largely to a steep drop in vehicle sales in the first half of the year and the impact of the appreciation of the yen.

Operating income was up ¥10.0 billion year on year to ¥13.9 billion, stemming from the continuation of thorough emergency cost-cutting measures that MMC undertook in the second half of fiscal year 2008 in response to an unprecedented economic crisis.

Ordinary income came to ¥13.0 billion, an improvement of ¥27.9 billion from an ordinary loss a year earlier. This mainly reflected improved operating income, as well as an improvement of ¥17.9 billion in net non-operating income (expenses), which includes foreign exchange gains (losses) and equity in earnings (losses) of affiliates.

An improvement of ¥27.9 billion in ordinary income and a large decrease in extraordinary impairment loss led to a net income of ¥4.8 billion, improving ¥59.7 billion from a net loss in the previous year.

Segment Analysis

Business Segment Information

1. Automobiles

Net sales in the automotive business sector came to ¥1,434.7 billion (a decrease of ¥526.8 billion, or 27%, year on year). Operating income came to ¥11.5 billion, up ¥8.1 billion year on year.

2. Financial Services

Net sales in the financial services sector came to ¥10.9 billion, down ¥1.0 billion, or 9% year on year. Operating income rose ¥2.0 billion year on year to ¥2.4 billion.

Geographical Segment Information

• Japan

In Japan, net sales came to ¥1,243.9 billion, down ¥356.3 billion, or 22.3% year on year, largely because of a drop in vehicle sales and the yen's appreciation. MMC recorded an operating loss of ¥9.8 billion, worsening ¥12.4 billion from operating income in the previous year, mainly due to lower net sales (Lower net sales; shift to a loss).

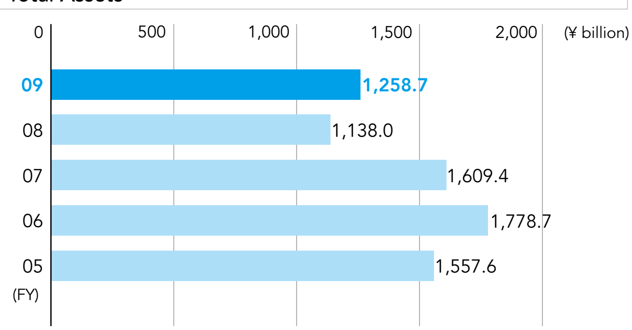
• North America

In North America, net sales came to ¥166.0 billion, down ¥66.1 billion, or 28.5% year on year, owing to a substantial decline in vehicle sales. The operating loss came to ¥4.4 billion, a ¥19.2 billion improvement from the previous year, reflecting lower advertising and other costs (Lower net sales; smaller operating loss).

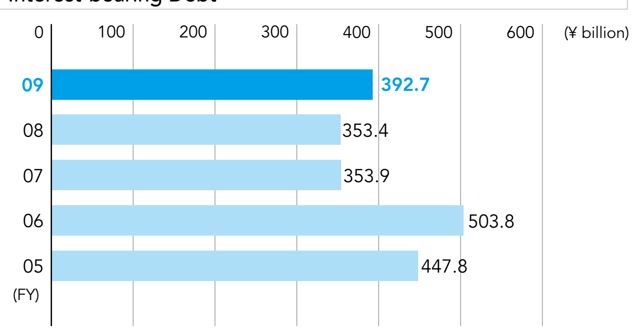
• Europe

In Europe, net sales came to ¥191.0 billion, down ¥165.1 billion, or 46.4% year on year as a result of a large drop in vehicle sales. MMC recorded operating income of ¥5.1 billion, an improvement of ¥9.6 billion year on year. This was due to reduced selling and labor costs, mainly as a result of the

Total Assets



Interest-bearing Debt



restructuring of the European subsidiary (Lower net sales; restored profitability).

• Asia and Other Regions

In Asia and Other Regions, net sales came to ¥456.5 billion, down ¥21.9 billion, or 4.6% year on year, reflecting decreased vehicle sales. Operating income came to ¥22.2 billion, up ¥0.5 billion year on year, on the strength of an upturn in exchange rates and reductions in selling costs (Lower net sales; higher earnings).

Analysis of Financial Position

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

At the end of the term, total assets came to ¥1,258.7 billion, up ¥120.7 billion from the end of the previous fiscal year. Total liabilities came to ¥1,024.2 billion, a ¥109.2 billion increase from the end of the previous fiscal year. Net assets came to ¥234.5 billion, an increase of ¥11.5 billion from the end of the previous fiscal year.

Cash flow from operating activities came to a net inflow of ¥100.7 billion, compared with a net outflow of ¥93.3 billion in the previous year, due mainly to an increase in working capital.

Cash flow from investing activities came to a net outflow of ¥22.3 billion, compared with a net outflow of ¥94.8 billion in the previous year, due mainly to capital expenditures.

Finally, cash flow from financing activities totaled a net inflow of ¥30.9 billion, compared with a net outflow of ¥5.0 billion in the previous year.

The year-end balance of cash and cash equivalents came to ¥263.5 billion, compared with ¥154.7 billion at the previous fiscal year-end.

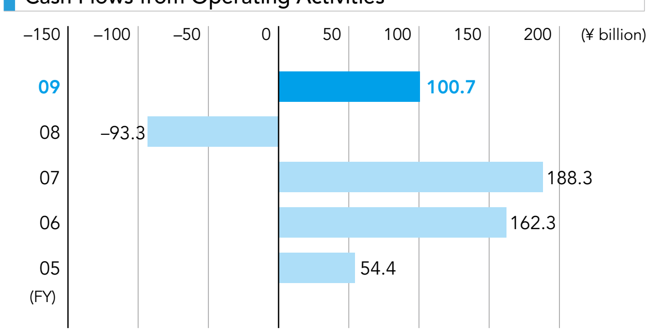
Cash Flow Indicators

Years ended March 31,	2005	2006	2007	2008	2009	2010
Shareholders' equity ratio (%)	20.4	17.2	16.6	19.7	18.8	17.8
Shareholders' equity ratio (fair value basis)	37.7	87.8	56.8	56.4	60.8	55.9
Cash flows/ Interest-bearing debt ratio	34.9	8.2	3.1	1.9	—	3.9
Interest coverage ratio	0.5	2.9	7.8	8.6	—	7.4

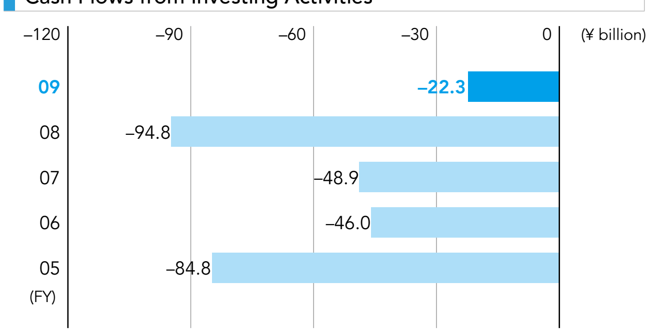
* The shareholders' equity ratio is shareholders' equity divided by total assets (Minority interests excluded from shareholders' equity from the year ended March 31, 2007).
The shareholders' equity ratio (fair value basis) is market capitalization divided by total assets.
The Cash flows/Interest-bearing debt ratio is interest-bearing debt divided by cash flow.
The interest coverage ratio is cash flow divided by interest paid.

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

Cash Flows from Operating Activities



Cash Flows from Investing Activities



Business-related Risks

Risks that may affect the business results, financial position and other aspects of the MMC Group are outlined as follows:

Leasing, financial services and sales incentives

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

Issuance of common and preferred shares and effect on share price

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

Effect of foreign exchange rate fluctuations

Overseas sales accounted for 74.5% of the consolidated sales of MMC for the period. MMC endeavors to minimize the risk involved in foreign currency receivables and payables through foreign currency derivative contracts. However, fluctuations in the foreign exchange markets still may have an impact on MMC results.

Effect of socioeconomic situations

The breakdown of the above ratio for overseas sales is 12.1% for North America, 18.6% for Europe, and 43.8% for Asia and other regions. There is a possibility that changes in the socioeconomic situation in Japan or any of these regions will impact MMC results.

Effect of interest rate fluctuations

The balance of MMC's consolidated interest-bearing debt stood at ¥392.7 billion at the end of March 2010. There is a possibility that fluctuations in interest rates on borrowings resulting from a change in financial market conditions in the future will impact MMC results.

Effect of fluctuations in materials prices

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

Natural and other disasters

The MMC Group maintains production and other facilities in many parts of the world. The occurrence of a major natural or other disaster, such as an earthquake or typhoon, may result in lengthy halts in operations, etc. and thus have an impact on MMC results.

Changes in laws and regulations

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

Consolidated Balance Sheets

Mitsubishi Motors Corporation and Consolidated Subsidiaries
As of March 31, 2010 and 2009

	In millions of yen		In thousands of U.S. dollars (Note 3)
Assets	2010	2009	2010
Current assets:			
Cash and cash equivalents (Notes 13 and 15)	¥ 263,453	¥ 154,666	$ 2,831,613
Notes and accounts receivable—trade (Notes 4, 8 and 15)	121,385	89,607	1,304,661
Finance receivables (Notes 4, 8 and 15)	22,139	30,596	237,960
Inventories (Note 8)	183,869	189,120	1,976,236
Short-term loans receivable	251	608	2,701
Deferred tax assets (Note 18)	2,007	1,398	21,573
Other (Note 8)	90,418	82,474	971,827
Allowance for doubtful accounts (Note 15)	(10,448)	(7,528)	(112,299)
Total current assets	673,077	540,943	7,234,275
Property, plant and equipment, net (Notes 5, 8 and 14)	408,234	439,936	4,387,732
Intangible assets	12,435	16,436	133,652
Investments and other assets:			
Investments (Notes 6, 8 and 15)	78,659	68,443	845,438
Long-term finance receivables (Notes 4, 8 and 15)	45,196	24,001	485,771
Long-term loans receivable (Note 15)	6,746	9,146	72,516
Deferred tax assets (Note 18)	6,060	8,206	65,139
Other (Note 8)	40,395	43,218	434,177
Allowance for doubtful accounts (Note 15)	(12,136)	(12,322)	(130,440)
Total investments and other assets, net	164,922	140,693	1,772,602
Total assets	¥1,258,669	¥1,138,009	$13,528,263

Liabilities and net assets	In millions of yen 2010	2009	In thousands of U.S. dollars (Note 3) 2010
Current liabilities:			
Notes and accounts payable—trade (Note 15)	¥ 265,028	¥ 155,600	$ 2,848,543
Short-term loans payable (Notes 8 and 15)	125,851	179,635	1,352,659
Current portion of long-term debt (Notes 8 and 15)	193,723	68,991	2,082,149
Lease obligations (Note 8)	7,405	7,425	79,593
Accounts payable—other and accrued expenses (Notes 7 and 15)	127,522	150,139	1,370,616
Income taxes payable (Note 18)	3,062	4,994	32,915
Other	50,684	53,306	544,764
Total current liabilities	773,278	620,093	8,311,242
Long-term debt (Notes 8 and 15)	73,174	104,779	786,485
Lease obligations (Note 8)	10,939	13,197	117,574
Deferred tax liabilities (Note 18)	20,750	18,549	223,029
Provision for retirement benefits (Note 17)	106,354	106,311	1,143,104
Other	39,694	52,053	426,638
Total liabilities	1,024,191	914,985	11,008,075
Net assets:			
Shareholders' equity (Notes 9 and 22):			
Preferred stock:			
Authorized: 3,312,000 shares			
Issued or converted:			
437,593 shares in 2009			
437,593 shares in 2010	218,796	218,796	2,351,639
Common stock:			
Authorized:9,958,285,000 shares			
Issued or converted:			
5,537,898,840 shares in 2009			
5,537,956,840 shares in 2010	438,558	438,553	4,713,656
Capital surplus	432,666	432,661	4,650,327
Accumulated deficit	(765,988)	(770,750)	(8,232,895)
Treasury stock—83,358 shares at March 31, 2009			
Treasury stock—87,254 shares at March 31, 2010	(15)	(14)	(163)
Total shareholders' equity	324,017	319,246	3,482,563
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	5,494	1,183	59,056
Deferred gains or losses on hedges	(90)	789	(973)
Foreign currency translation adjustment	(105,236)	(107,769)	(1,131,093)
Total valuation and translation adjustments	(99,832)	(105,795)	(1,073,010)
Minority interests	10,293	9,573	110,635
Total net assets	234,478	223,024	2,520,188
Contingent liabilities (Note 10)			
Total liabilities and net assets	¥1,258,669	¥1,138,009	$13,528,263

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Mitsubishi Motors Corporation and Consolidated Subsidiaries
For the years ended March 31, 2010 and 2009

	In millions of yen		In thousands of U.S. dollars (Note 3)
	2010	2009	2010
Net sales	¥1,445,616	¥1,973,572	$15,537,578
Cost of sales	1,211,635	1,663,121	13,022,739
Gross profit	233,980	310,451	2,514,838
Selling, general and administrative expenses (Note 11)	220,060	306,524	2,365,221
Operating income	13,920	3,926	149,617
Interest and dividends income	2,111	6,485	22,698
Interest expenses	13,403	14,546	144,066
Impairment loss (Note 5)	214	27,494	2,303
Other gain (loss), net (Notes 6 and 12)	9,177	(22,088)	98,642
Income (loss) before income taxes and minority interests	11,591	(53,717)	124,587
Income taxes (Note 18):			
Current	3,140	4,899	33,755
Deferred	1,150	(3,788)	12,362
	4,290	1,111	46,117
Minority interests in income	2,542	55	27,330
Net income (loss) (Note 22)	¥ 4,758	¥ (54,883)	$ 51,139

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, 2010 and 2009

	In millions of yen		In thousands of U.S. dollars (Note 3)
	2010	2009	2010
Shareholders' equity			
Preferred stock:			
Balance at beginning of year	¥ 218,796	¥ 218,796	$ 2,351,639
Preferred stock issued or converted	–	–	–
Balance at end of year	218,796	218,796	2,351,639
Common stock:			
Balance at beginning of year	438,553	438,553	4,713,601
Common stock issued or converted	5	0	54
Balance at end of year	438,558	438,553	4,713,656
Capital surplus:			
Balance at beginning of year	432,661	432,661	4,650,273
Issuance or conversion of common and preferred stock	4	0	53
Balance at end of year	432,666	432,661	4,650,327
Accumulated deficit:			
Balance at beginning of year	(770,750)	(702,432)	(8,284,075)
Effect of changes in accounting policies applied to foreign subsidiaries	–	(13,455)	–
Net income (loss)	4,758	(54,883)	51,139
Change of scope of consolidation	(3)	21	(33)
Change of scope of equity method	(153)	–	(1,647)
Increase by merger	160	–	1,721
Balance at end of year	(765,988)	(770,750)	(8,232,895)
Treasury stock:			
Balance at beginning of year	(14)	(14)	(157)
Net change	(0)	(0)	(5)
Balance at end of year	(15)	(14)	(163)
Total shareholders' equity	324,017	319,246	3,482,563
Valuation and translation adjustments			
Valuation difference on available-for-sale securities:			
Balance at beginning of year	1,183	10,676	12,724
Net change	4,310	(9,492)	46,331
Balance at end of year	5,494	1,183	59,056
Deferred gains or losses on hedges:			
Balance at beginning of year	789	3,157	8,490
Net change	(880)	(2,367)	(9,464)
Balance at end of year	(90)	789	(973)
Foreign currency translation adjustment:			
Balance at beginning of year	(107,769)	(84,584)	(1,158,313)
Net change	2,532	(23,185)	27,219
Balance at end of year	(105,236)	(107,769)	(1,131,093)
Total valuation and translation adjustments	(99,832)	(105,795)	(1,073,010)
Minority interests:			
Balance at beginning of year	9,573	11,318	102,898
Net change	719	(1,744)	7,736
Balance at end of year	10,293	9,573	110,635
Total net assets	¥ 234,478	¥ 223,024	$ 2,520,188

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Motors Corporation and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

	In millions of yen		In thousands of U.S. dollars (Note 3)
	2010	2009	2010
Operating activities:			
Net income (loss)	¥ 4,758	¥ (54,883)	$ 51,139
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	71,869	84,585	772,462
Increase (decrease) in allowance for doubtful accounts	(551)	(3,194)	(5,931)
Increase (decrease) in provision for retirement benefits	(52)	2,445	(568)
Equity in (earnings) losses of affiliates	(4,544)	(367)	(48,840)
Income taxes—deferred	1,150	(3,788)	12,362
Minority interests in income	2,542	55	27,330
Loss (gain) on sales and retirement of property, plant and equipment, net	(736)	2,968	(7,912)
Impairment loss	214	27,494	2,303
Early retirement expense	1,168	8,832	12,557
Decrease (increase) in notes and accounts receivable—trade	(27,975)	63,144	(300,682)
Decrease (increase) in inventories	12,113	57,073	130,197
Change in finance receivables (Note 13)	(15,597)	(16,368)	(167,641)
Increase (decrease) in notes and accounts payable—trade	107,557	(229,035)	1,156,031
Other, net (Note 13)	(51,199)	(32,296)	(550,299)
Net cash provided by (used in) operating activities	100,716	(93,335)	1,082,509
Investing activities:			
Decrease (increase) in time deposits	12,267	(13,720)	131,854
Purchase of property, plant and equipment (Note 13)	(44,279)	(91,224)	(475,924)
Proceeds from sales of property, plant and equipment (Note 13)	13,941	16,686	149,840
Net decrease (increase) in investments in securities	260	(114)	2,795
Decrease (increase) in short-term loans receivable	349	(1,027)	3,753
Payments of long-term loans receivable	(13)	(811)	(145)
Collection of long-term loans receivable	413	714	4,440
Other, net	(5,263)	(5,291)	(56,568)
Net cash provided by (used in) investing activities	(22,325)	(94,789)	(239,953)
Financing activities:			
Increase (decrease) in short-term loans payable	(52,161)	(28,135)	(560,639)
Proceeds from issuance of long-term debt	171,800	114,435	1,846,523
Repayment or redemption of long-term debt	(79,843)	(82,755)	(858,166)
Cash dividends paid to minority shareholders	(1,671)	(585)	(17,960)
Other, net	(7,242)	(7,941)	(77,840)
Net cash provided by (used in) financing activities	30,881	(4,983)	331,917
Effect of exchange rate changes on cash and cash equivalents	(584)	(13,793)	(6,284)
Net change in cash and cash equivalents	108,688	(206,902)	1,168,188
Cash and cash equivalents at beginning of year	154,666	360,902	1,662,364
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	25	666	273
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	73	–	787
Cash and cash equivalents at end of year (Note 13)	¥263,453	¥ 154,666	$2,831,613

See accompanying notes to consolidated financial statements.

1. Significant Accounting Policies

(a) Basis of preparation

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

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

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

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

As permitted, amounts of less than ¥1 million have been omitted. Consequently, the totals shown in the accompanying financial statements (both in Yen and U.S. dollars) 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 depending on the period over which it is estimated to be beneficial for each investment.

(c) Cash and cash equivalents

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

(d) Inventories

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

(e) Investments

Investments in securities are classified either as held-to-maturity, investments in unconsolidated subsidiaries and affiliates, or other securities. Held-to-maturity securities are stated at their amortized cost. No investments classified as held-to-maturity were held during the years ended March 31, 2010 and 2009. Other securities with a readily determinable market value are stated at fair value and the cost of such securities sold is computed based on the moving average method. The difference between the acquisition cost and the carrying value of other securities, including unrealized gains and losses, is recognized in "Valuation difference on available-for-sale securities" in the accompanying consolidated balance sheets. Other securities without a readily determinable market value are stated at cost determined by the moving average method.

(f) Depreciation and amortization

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

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

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

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

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

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

(i) Retirement benefits
Accrued retirement benefits for employees at March 31, 2010 and 2009 are calculated based on the retirement benefits obligation and the fair value of the pension plan assets estimated at year end.

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

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

(j) Accrual for retirement benefits for directors and corporate auditors
Before the termination of the retirement benefits plan for directors and corporate auditors in the fiscal year ended March 2007, certain directors and corporate auditors of MMC and its domestic consolidated subsidiaries had been customarily entitled to lump-sum payments under their respective unfunded severance benefit plans, subject to the shareholders' approval. Due to the termination of the plan and partial deduction of the provision, further provision is no longer needed and the outstanding balance of the provision at March 31, 2010 and 2009 represents benefits reserved before the plan's termination.

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

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

a. Asset and liability items are translated at the rate of exchange in effect on March 31;
b. Components of shareholders' equity are translated at their historical rates at acquisition or upon occurrence; and
c. Revenues, expenses and cash flow items are translated at the average rate for the financial period. Translation adjustments are included in "Net assets."

(l) Amounts per share of common stock
The computation of basic net income per share of common stock is based on the weighted average number of shares of common stock outstanding during each year. Diluted net income per share of common stock is computed based on the weighted average number of shares of common stock outstanding each year after giving effect to the dilutive potential of common stock to be issued upon the conversion of preferred stock and stock options.

(m) Derivative financial instruments
MMC and its consolidated subsidiaries are exposed to risks arising from fluctuations in foreign currency exchange rates and interest rates. In order to manage those risks, MMC and its consolidated subsidiaries enter into various derivative agreements including forward foreign exchange contracts and interest rate swaps.

Forward foreign exchange contracts are utilized to manage risks arising from forecast exports of finished goods and related foreign currency receivables. Interest rate swaps are utilized to manage interest rate risk for loans 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.

2. Changes in Accounting Policies

(Accounting standard for measurement of inventories)
"Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006) has been applied from the previous fiscal year. Accordingly, operating income decreased by ¥245 million and loss before income taxes and minority interests increased by the same amount. The impact on segment information has been described in the relevant section.

(Accounting standard for lease transactions)
In prior years, MMC and its domestic consolidated subsidiaries accounted for finance lease transactions, which do not involve the transfer of ownership, using the method of accounting for operating leases. However, following the application of the *"Accounting Standard for Lease Transactions"* (ASBJ Statement No. 13, issued on June 17, 1993 and revised on March 30, 2007 by the Business Accounting Deliberation Council), and *"Guidance on Accounting Standard for Lease Transactions"* (ASBJ Guidance No. 16, issued on January 18, 1994 and revised on March 30, 2007 by JIPCA) in the previous fiscal year, the method of accounting for finance leases is now applied to such finance lease transactions.

If the commencement of the finance lease contract, which does not involve transfer of ownership, is earlier than the beginning of the first year of adoption of the above accounting standard, the balance of future minimum lease payments (after deduction of the interest element) as of the end of the fiscal year prior to adoption is deemed as the acquisition cost of the asset, and such leased assets are recognized as if they had been acquired at the beginning of the year of adoption of the standard.

As a result of this change, property, plant and equipment increased by ¥24,172 million. However, the impact of this change on operating income and loss before income taxes and minority interests was immaterial.

Along with the application of the Accounting Standard for Lease Transactions, the balance of the purchased molds not yet depreciated that was formerly included in "Inventories" in accordance with the accounting treatment for finance lease is now included in "Property, plant and equipment, net". As a result of this change, inventories decreased by ¥35,102 million, and property, plant and equipment increased by the same amount.

(Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)
From the beginning of the previous fiscal year, the "*Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements*" (PITF Practical Solution No. 18) has been adopted. Accordingly, the opening balance of retained earnings decreased by ¥13,455 million. Operating income increased by ¥1,943 million and loss before income taxes and minority interests also decreased by the same amount respectively as compared to the amount that would have been recorded under the previous method.

The impact on segment information has been described in the relevant section.

3. U.S. Dollar Amounts

The U.S. dollar amounts in the accompanying consolidated financial statements are included, solely for convenience, at ¥93.04 = U.S. $1.00, the exchange rate prevailing on March 31, 2010. This translation should not be construed as a representation that the Yen amounts represent or have been, or could be, converted into U.S. dollars at that or any other rate.

4. Notes and Accounts Receivable-trade, and Finance Receivables

The outstanding balances of trade notes and accounts receivable sold to others which have been deducted from the respective accounts amounted to ¥18,000 million ($193,465 thousand) and ¥7,600 million as of March 31, 2010 and 2009, respectively.

5. Property, Plant and Equipment

Accumulated depreciation of property, plant and equipment at March 31, 2010 and 2009 was ¥1,099,678 million ($11,819,416 thousand) and ¥1,100,730 million, respectively.

Impairment losses were recognized in the following asset groups for the years ended March 31, 2010 and March 31, 2009:

			In millions of yen	In thousands of U.S. dollars
			2010	2010
Location	Application	Assets	Impairment loss amount	
Matsuyama, Ehime and Kawagoe, Saitama and others (16 sites)	Assets used in sales operations	Land, buildings and others	¥208	$2,238
Nayoro, Hokkaido and others (2 sites)	Idle assets	Land	6	65
			¥214	$2,303

			In millions of yen
			2009
Location	Application	Assets	Impairment loss amount
Tsukuba, Ibaraki and Nerima, Tokyo and others (37 sites)	Assets used in sales operations	Land, buildings and others	¥ 706
Ohta, Tokyo and Soka, Saitama and others (14 sites)	Idle assets	Land, buildings and others	871
Illinois, U.S.A. (6 sites)	Production facilities	Machinery and equipment, furniture and fixtures and others	25,916
			¥27,494

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

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

Loss on impairment of fixed assets amounted to ¥214 million ($2,303 thousand) and ¥27,494 million for the years ended March 31, 2010 and 2009, respectively. Losses on land at March 31, 2010 and 2009 amounted to ¥85 million ($914 thousand) and ¥458 million, respectively. Losses on buildings at March 31, 2010 and 2009 amounted to ¥125 million ($1,350 thousand) and ¥650 million, respectively. Losses on other assets at March 31, 2010 and 2009 amounted to ¥3 million ($38 thousand) and ¥26,384 million, respectively.

6. Investments

Other securities at March 31, 2010 and 2009 were as follows:

	In millions of yen				In thousands of U.S. dollars			
	2010				2010			
	Carrying amount	Acquisition cost	Unrealized gains	Unrealized (losses)	Carrying amount	Acquisition cost	Unrealized gains	Unrealized (losses)
Other securities:								
Securities with market value	¥20,296	¥10,170	¥10,138	¥(12)	$218,143	$109,317	$108,965	$(139)
Total	¥20,296	¥10,170	¥10,138	¥(12)	$218,143	$109,317	$108,965	$(139)

Significant declines in the value of securities with market value are recognized as impairment losses if the decline is not considered to be recoverable. After the write-down of the impaired amount, a new book value is recognized. Losses recognized on the impairment of other securities with market value totaled ¥20 million ($220 thousand) for the year ended March 31, 2010.

	In millions of yen			
	2009			
	Carrying amount	Acquisition cost	Unrealized gains	Unrealized (losses)
Other securities:				
Securities with market value	¥13,312	¥10,424	¥5,795	¥(2,907)
Securities without market value	7,916	7,916	–	–
Total other securities	¥21,228	¥18,340	¥5,795	¥(2,907)

Significant declines in the value of securities with market value are recognized as impairment losses if the decline is not considered to be recoverable. After the write-down of the impaired amount, a new book value is recognized. Losses recognized on the impairment of securities with market value totaled ¥0 million for the year ended March 31, 2009. Similarly, 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 ¥43 million for the year ended March 31, 2009.

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, 2010 and 2009 were as follows:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Proceeds	¥260	¥446	$2,795
Gross gains	136	77	1,468
Gross losses	–	(16)	–

7. Accounts Payable—other and Accrued Expenses

Accounts payable—other and accrued expenses at March 31, 2010 and 2009 were as follows:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Accrued expenses and accounts payable	¥101,190	¥114,578	$1,087,607
Allowance for product warranties	26,331	35,561	283,009
	¥127,522	¥150,139	$1,370,616

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

Short-term loans payable at March 31, 2010 and 2009 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Loans, principally from banks	¥125,851	¥179,635	$1,352,659

The weighted average interest rate on short-term loans payable at March 31, 2010 and 2009 were 3.1% and 3.9%, respectively.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Loans, principally from banks and insurance companies, due through 2023 at interest rates averaging 3.5% in 2010 and 4.0% in 2009:			
Secured	¥ 87,419	¥ 43,283	$ 939,588
Unsecured	179,278	104,687	1,926,897
3.3% bonds due May 28, 2009 (issued May 28, 1997)	–	25,600	–
1.1% bonds due September 24, 2010 (issued September 26, 2005)	200	200	2,149
	266,897	173,770	2,868,635
Less current portion	(193,723)	(68,991)	(2,082,149)
	¥ 73,174	¥104,779	$ 786,485

3.3% bonds due May 28, 2009 were issued by MMC.

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

The maturities of long-term debt are as follows:

Years ending March 31,	In millions of yen	In thousands of U.S. dollars
2011	¥193,723	$2,082,149
2012	52,984	569,486
2013	10,540	113,291
2014	5,223	56,147
2015	3,411	36,662
Thereafter	1,013	10,897
Total	¥266,897	$2,868,635

Lease obligations at March 31, 2010 and 2009 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Current	¥ 7,405	¥ 7,425	$ 79,593
Non-current	10,939	13,197	117,574

The weighted average interest rates on lease obligations due through 2021 at March 31, 2010 and 2009 were 4.4% and 4.2 %, respectively.

The maturities of lease obligations are as follows:

Years ending March 31,	In millions of yen	In thousands of U.S. dollars
2011	¥ 7,405	$ 79,593
2012	3,989	42,875
2013	3,025	32,518
2014	2,324	24,985
2015	843	9,065
Thereafter	756	8,129
Total	¥18,344	$197,168

Assets pledged as collateral for short-term borrowings, long-term debt and guarantees (excluding factory related groups of assets) at March 31, 2010 and 2009 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Finance receivables and Long-term finance receivables	¥ 56,224	¥ 51,172	$ 604,309
Inventories	5,463	30,769	58,716
Property, plant and equipment, net	69,004	102,629	741,667
Other (see (i) below)	10,094	53,519	108,496
	¥140,787	¥238,091	$1,513,189

(i) ¥1,025 million ($11,025 thousand) and ¥949 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, 2010 and 2009, respectively. ¥46 million ($494 thousand) and ¥46 million of investments were pledged as collateral for debt of Mizushima Eco-Works Co., Ltd. at 2010 and 2009, respectively.

The following groups of assets of MMC, the Okazaki factory, were pledged as collateral at March 31, 2010 and 2009, respectively.

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Buildings and structures	¥11,448	¥12,047	$123,050
Machinery and equipment	11,301	9,949	121,466
Tools, furniture and fixtures	675	867	7,262
Land	985	985	10,595
	¥24,411	¥23,850	$262,374

The following groups of assets of MMC, the Mizushima factory, were pledged as collateral at March 31, 2010 and 2009, respectively.

The amounts guaranteed for the loan from The Japan Bank for International Cooperation to a consolidated subsidiary EQUUS Leasing B.V. were ¥7,778 million ($83,603 thousand) and ¥8,869 million at March 31, 2010 and 2009, respectively.

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Buildings and structures	¥ 7,611	¥ 8,201	$ 81,809
Machinery and equipment	27,760	33,097	298,372
Tools, furniture and fixtures	890	1,011	9,570
Land	2,008	2,008	21,591
	¥38,271	¥44,319	$411,343

The following groups of assets of MMC, the Kyoto factory, were pledged as collateral at March 31, 2010 and 2009, respectively.

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Buildings and structures	¥ 5,731	¥ 6,388	$ 61,606
Machinery and equipment	18,430	15,500	198,089
Tools, furniture and fixtures	812	609	8,736
Land	2,235	2,235	24,023
	¥27,210	¥24,734	$292,456

The following groups of assets of MMC, the Shiga factory, were pledged as collateral at March 31, 2010 and 2009, respectively.

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Buildings and structures	¥ 2,682	¥ 2,848	$ 28,834
Machinery and equipment	11,797	14,401	126,802
Land	3,859	3,859	41,482
	¥18,339	¥21,109	$197,118

The following groups of assets of a consolidated subsidiary, Pajero Manufacturing Corporation, were pledged as collateral at March 31, 2010 and 2009, respectively.

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Buildings and structures	¥2,537	¥2,679	$27,269
Machinery and equipment	2,972	3,472	31,946
Land	1,540	1,540	16,552
	¥7,049	¥7,691	$75,768

The following groups of assets of a consolidated subsidiary, Suiryo Plastics Co., Ltd., were pledged as collateral at March 31, 2010 and 2009, respectively.

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Buildings and structures	¥ 918	¥ 984	$ 9,869
Machinery and equipment	1,264	1,463	13,593
Land	194	194	2,090
	¥2,377	¥2,642	$25,553

The obligations secured by such collateral at March 31, 2010 and 2009 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Short-term loans payable	¥ 45,159	¥ 73,135	$ 485,373
Current portion of long-term debt	62,318	26,612	669,804
Long-term debt	25,100	16,670	269,783
	¥132,578	¥116,419	$1,424,962

9. Net Assets

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

MMC is authorized to issue 3,312,000 shares of convertible preferred stock that are classified as Series A, B and G (3 to 4 times in each series), and has 437,593 shares outstanding at March 31, 2010.

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

MMC also would be required to distribute 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.

10. Contingent Liabilities

Loan guarantees given in the ordinary course of business amounted to ¥3,235 million ($34,772 thousand) and ¥4,007 million at March 31, 2010 and 2009, respectively. Agreements similar to guarantees given in the ordinary course of business amounted to ¥1,525 million ($16,400 thousand) and ¥1,424 million at March 31, 2010 and 2009, respectively.

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2010 and 2009 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Advertising and promotion expenses	¥ 52,211	¥ 78,783	$ 561,172
Freightage expense	24,509	44,530	263,426
Provision for allowance for doubtful accounts	647	–	6,955
Directors' compensations, salaries and allowances	56,761	66,979	610,071
Pension expenses	4,645	5,144	49,928
Depreciation	11,869	13,791	127,572
Research and development expenses	22,479	35,808	241,609
Other	46,937	61,485	504,484
Total	¥220,060	¥306,524	$2,365,221

12. Other Gain (Loss), Net

Other gain (loss), net for the years ended March 31, 2010 and 2009 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Gain on sales of investments in securities	¥ 138	¥ 91	$ 1,487
Gain (loss) on sales and retirement of property, plant and equipment, net	736	(2,968)	7,912
Reversal of allowance for doubtful accounts	–	460	–
Equity in earnings of affiliates	4,544	367	48,840
Early retirement expense	(1,168)	(8,832)	(12,557)
Litigation expenses	(1,752)	(3,517)	(18,835)
Foreign exchange gains (losses)	9,130	(5,105)	98,139
Reversal of loss on liquidation of subsidiaries and affiliates	1,167	–	12,548
Reversal of cost related to the closure of the production facility of Australian subsidiary	–	1,896	–
Environmental expenses	(1,949)	–	(20,949)
Gain on transfer from business divestitures	–	561	–
Other	(1,669)	(5,042)	(17,943)
Total	¥ 9,177	¥(22,088)	$ 98,642

13. Cash Flow Information

Cash and cash equivalents at March 31, 2010 and 2009 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Cash and bank deposits	¥264,323	¥167,841	$2,840,964
Time deposits with maturities of more than three months	(869)	(13,175)	(9,350)
Cash and cash equivalents	¥263,453	¥154,666	$2,831,613

Interest paid less interest received and dividends received within operating activities in the consolidated statements of cash flows for the years ended March 31, 2010 and 2009 amounted to a net expense of ¥10,814 million ($116,235 thousand) and ¥5,917 million, respectively. Income taxes paid for the years ended March 31, 2010 and 2009 amounted to ¥5,006 million ($53,807 thousand) and ¥6,727 million, respectively.

Purchases of property, plant and equipment within investing activities in the consolidated statements of cash flows for the years ended March 31, 2010 and 2009 include payments for the acquisition of lease vehicles of ¥5,098 million ($54,796 thousand) and ¥13,006 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, 2010 and 2009 include proceeds from the sale of lease vehicles of ¥5,416 million ($58,213 thousand) and ¥8,587 million, respectively.

Changes in finance receivables within operating activities in the consolidated statements of cash flows for the years ended March 31, 2010 and 2009 are primarily the net of payments amounting to ¥98,447 million ($1,058,116 thousand) and ¥68,616 million, respectively, and proceeds from collections amounting to ¥82,849 million ($890,475 thousand) and ¥52,247 million, respectively.

14. Leases

As lessee

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

(a) Description of the leased assets:

Property, plant and equipment

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

(b) Depreciation method of leased assets:

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

(2) Operating lease transactions

Future minimum lease payments required under non-cancellable operating lease transactions entered into by MMC and its consolidated subsidiaries at March 31, 2010 and 2009 were as follows:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Due within 1 year	¥1,680	¥ 4,189	$18,057
Due after 1 year	7,081	12,628	76,108
Total	¥8,761	¥16,818	$94,166

As lessor

Future minimum lease revenues from non-cancellable operating lease transactions entered into by MMC and its consolidated subsidiaries as lessor at March 31, 2010 and 2009 were as follows:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Due within 1 year	¥ 8,502	¥ 6,559	$ 91,390
Due after 1 year	3,909	10,977	42,016
Total	¥12,412	¥17,537	$133,407

15. Financial Instruments

For the year ended March 31, 2010

Overview of financial instruments

(a) Our policy to manage financial instruments

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

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

Trade receivables, which include notes receivable and accounts receivable, are exposed to the credit risk of our customers. To manage this risk, in accordance with the Group's credit control rules, each group company monitors the financial condition of its major customers, as well as managing the maturity profiles and outstanding balances of the receivables on a customer by customer basis.

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

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

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

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

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

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

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

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

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

Fair value of financial instruments

The carrying amount, fair value, and the difference between the carrying amount and the fair value of the financial instruments at March 31, 2010 were as follows. These financial instruments do not include any financial instrument for which it is extremely difficult to reasonably measure its fair value. (Refer to Note 15. 2)

	In millions of yen			In thousands of U.S. dollars		
March 31, 2010	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and bank deposits	¥264,323	¥264,323	¥ –	$2,840,964	$2,840,964	$ –
Notes and accounts receivable—trade	121,385	121,385	–	1,304,661	1,304,661	–
Finance receivables	67,336			723,731		
Allowance for doubtful accounts (*1)	(5,550)			(59,653)		
	61,785	61,079	(705)	664,077	656,490	(7,587)
Investment securities (*2)	20,296	20,296	–	218,143	218,143	–
Total assets	¥467,790	¥467,084	¥(705)	$5,027,846	$5,020,259	$ (7,587)
Notes and accounts payable—trade	265,028	265,028	–	2,848,543	2,848,543	–
Short-term loans payable	125,851	125,851	–	1,352,659	1,352,659	–
Long-term loans payable (*3)	266,697	267,638	940	2,866,485	2,876,594	10,108
Accrued expenses and accounts payable (*4)	101,190	101,190	–	1,087,607	1,087,607	–
Total liabilities	¥758,768	¥759,709	¥ 940	$8,155,295	$8,165,404	$10,108
Derivative transactions (*5)	8,956	8,956	–	96,261	96,261	–

(*1) The allowance for doubtful accounts recognized for the individual financial receivable is deducted from the carrying amount.
(*2) Investments presented on the balance sheets consist of Investment securities of ¥64,820 million ($696,693 thousand), which include Securities with market value of ¥20,296 million ($218,143) and Non-listed stocks and stocks of unconsolidated subsidiaries and affiliates of ¥44,524 million ($478,549) (refer to Note 15.2), and Other investments in unconsolidated subsidiaries and affiliates of ¥13,839 million ($148,745 thousand) at March 31, 2010.
(*3) Long-term debts presented on the balance sheets consist of Long-term loans payable of ¥266,697 million ($2,866,485 thousand) and bonds of ¥200 million ($2,149 thousand) at March 31, 2010.
(*4) Accounts payable—other and accrued expenses presented on the balance sheets consist of Accrued expenses and accounts payable of ¥101,190 million ($1,087,607 thousand) and Allowance for product warranties of ¥26,331 million ($283,009 thousand) at March 31, 2010.
(*5) The amount of the receivable/payable derived from derivative transactions is presented on a net basis.

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

Assets

Cash and bank deposits

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

Notes and accounts receivable—trade

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

Finance receivables

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

Investment securities

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

Liabilities

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

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

Long-term loans payable

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

Derivative transactions

Refer to Note 16, "Derivative Financial Instruments."

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

	Carrying amount	
March 31, 2010	In millions of yen	In thousands of U.S. dollars
Non-listed stocks and stocks of unconsolidated subsidiaries and affiliates	¥44,524	$478,549

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

3. Maturity profile of the monetary receivables subsequent to March 31, 2010

	In millions of yen			In thousands of U.S. dollars		
March 31, 2010	Bank deposits	Notes and accounts receivable—trade	Finance receivables	Bank deposits	Notes and accounts receivable—trade	Finance receivables
2011	¥263,918	¥116,524	¥22,139	$2,836,615	$1,252,413	$237,961
2012	–	1,011	294	–	10,867	3,163
2013	–	993	2,826	–	10,674	30,380
2014	–	988	10,503	–	10,621	112,891
2015	–	378	18,017	–	4,067	193,658
Thereafter	–	1,490	13,553	–	16,017	145,677
Total	¥263,918	¥121,385	¥67,336	$2,836,615	$1,304,661	$723,731

4. Maturity profile of the long-term loans payable subsequent to March 31, 2010
Refer to Note 8 "Short-term Loans payable, Long-term Debt and Lease Obligations."

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

16. Derivative Financial Instruments

For the year ended March 31, 2009

(a) Nature of and policy for derivative transactions

MMC and its consolidated subsidiaries utilize derivative financial instruments, including forward foreign exchange contracts, cross currency swaps and interest rate 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 at March 31, 2010 and 2009:

(a) Derivative transactions that are not subject to hedge accounting

Forward foreign exchange contracts and cross currency swaps

	In millions of yen				In thousands of U.S. dollars			
March 31, 2010	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:								
Sell:								
US $	¥ 932	¥ –	¥ 0	¥ 0	$ 10,027	$ –	$ 10	$ 10
£ stg	1,864	–	(1)	(1)	20,040	–	(20)	(20)
Canada $	1,903	–	(82)	(82)	20,458	–	(890)	(890)
Australian $	830	–	(39)	(39)	8,922	–	(424)	(424)
Japanese ¥	103,977	–	6,904	6,904	1,117,553	–	74,214	74,214
Buy:								
Thai ฿	1,197	–	94	94	12,875	–	1,010	1,010
Japanese ¥	244	–	(1)	(1)	2,628	–	(20)	(20)
Cross currency swaps:								
Sell:								
Japanese ¥	28,482	18,626	2,059	2,059	306,132	200,196	22,139	22,139
Total	–	–	¥8,933	¥8,933	–	–	$96,020	$96,020

Interest rate options

	In millions of yen				In thousands of U.S. dollars			
March 31, 2010	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Interest rate options:								
Buy:	¥13,285	¥13,285	¥22	¥22	$142,798	$142,798	$238	$238
Total	–	–	¥22	¥22	–	–	$238	$238

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

(b) Derivative transactions that are subject to hedge accounting

Forward foreign exchange contracts

		In millions of yen			In thousands of U.S. dollars		
March 31, 2010	Hedged item	Notional amount	Due more than 1 year	Fair value	Notional amount	Due more than 1 year	Fair value
Forward foreign exchange contracts:							
Sell:							
Japanese ¥	Interest Income	¥4	–	¥0	$ 45	–	$3
Total		–	–	¥0	–	–	$3

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

Interesting rate swaps

March 31, 2010	Hedged item	Notional amount (In millions of yen)	Due more than 1 year (In millions of yen)	Fair value (In millions of yen)	Notional amount (In thousands of U.S. dollars)	Due more than 1 year (In thousands of U.S. dollars)	Fair value (In thousands of U.S. dollars)
Pay—fixed, receive—floating:							
Japanese ¥	Long-term loans payable	¥7,637	¥3,000	–	$82,082	$32,244	–
Total		–	–	–	–	–	–

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

Forward foreign exchange contracts and cross currency swaps

	In millions of yen			
March 31, 2009	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Sell:				
US $	¥ 4,841	¥ –	¥ 4,933	¥ (92)
Euro	9,449	–	8,725	723
Japanese ¥	55,658	–	59,025	(3,367)
Buy:				
Thai B	1,158	–	1,224	66
Japanese ¥	844	–	847	2
Cross currency swaps:				
Sell:				
£ stg	391	–	0	0
Japanese ¥	17,912	¥17,912	821	821
Others	462	–	(0)	(0)
Total	–	–	–	¥(1,846)

Interest rate swaps

	In millions of yen			
March 31, 2009	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Interest rate swaps:				
Pay—fixed, receive—floating	¥31,187	¥31,187	¥(571)	¥(571)
Total				¥(571)

	In millions of yen		
March 31, 2009	Within 1 year	From 1 year to 3	Over 3 years
Pay—fixed, receive—floating			
Notional amount	¥–	¥9,823	¥ 21,364
Average pay—fixed rate (%)	–	7.5	6.5
Average receive—floating rate (%)	–	5.8	4.8

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, 2010, MMC and its consolidated subsidiaries have 1 fund for contributory plans in accordance with the Welfare Pension Insurance Law, and 13 funds for tax-qualified plans. MMC and its consolidated subsidiaries have 16 non-contributory severance plans.

The funded status of multi-employer pension plans included in the above plans which are accounted for as defined contribution schemes as of March 31, 2009 was as follows:

	In millions of yen
Pension Plan assets	¥21,251
Benefit obligations under pension plan rules	26,275
Difference	(5,024)

The ratio of MMC and its consolidated subsidiaries' payments to total contributions of the multi-employer plans as of March 31, 2009 was 59.3%. This ratio is not equal to the ratio of the amount actually contributed by the MMC group.

Defined Benefit Plans

The discount rates used to determine the retirement benefit obligation were 1.5% – 2.0% for MMC and its domestic consolidated subsidiaries, 4.7% – 10.5% for its foreign consolidated subsidiaries, and 1.5% – 2.5% for MMC and its domestic consolidated subsidiaries, 3.7% – 11.7% for its foreign consolidated subsidiaries at March 31, 2010 and 2009, respectively. The rates of return on plan assets assumed were 0.7% – 4.0% for MMC and its domestic consolidated subsidiaries, 5.0% – 8.0% for its foreign consolidated subsidiaries, and 0.8% – 4.0% for MMC and its domestic consolidated subsidiaries, 4.9% – 8.0% for its foreign consolidated subsidiaries, at March 31, 2010 and 2009, respectively.

Prior service cost is amortized using the straight line method over periods of 1 to 17 years and 1 to 21 years for the years ended March 31, 2010 and 2009. These periods are within the estimated average remaining service years of the employees.

The amortization period for actuarial gains and losses starts from the subsequent fiscal year and actuarial gains and losses are amortized by the straight line method over the periods of 5 to 15 years and 5 to 21 years for the years ended March 31, 2010 and 2009. 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, 2010 and 2009 are summarized as follows:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Retirement benefits obligation	¥(171,671)	¥(178,133)	$(1,845,133)
Pension plan assets at fair value	57,626	47,566	619,377
Unfunded status	(114,044)	(130,566)	(1,225,755)
Unrecognized actuarial losses	20,337	27,057	218,586
Unrecognized prior service costs	(5,651)	3,190	(60,747)
Net recognized retirement benefits obligation	(99,358)	(100,318)	(1,067,916)
Prepaid pension premiums	6,995	5,993	75,188
Provision for retirement benefits	¥(106,354)	¥(106,311)	$(1,143,104)

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, 2010 and 2009 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Service cost	¥ 7,804	¥ 8,668	$ 83,886
Interest cost	4,372	4,793	46,991
Expected return on plan assets	(2,841)	(3,637)	(30,536)
Amortization of actuarial losses	4,840	3,103	52,025
Amortization of prior service costs	(595)	260	(6,401)
Others	–	101	–
Pension expenses	¥13,580	¥13,290	$145,965

In addition to the pension expenses above, additional retirement benefits of ¥1,168 million ($12,557 thousand) and ¥8,832 million were paid and recorded as other gain (loss), net for the years ended March 31, 2010 and 2009, respectively.

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

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, 2010 and 2009.

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

		(%)
	2010	2009
Statutory income tax rate for MMC	40.2	Due to loss before income taxes and minority interests, the information is omitted from the notes.
Equity in earnings of affiliates	(15.8)	
Dividends received deduction	(3.2)	
Difference in tax rate of overseas subsidiaries and others	15.8	
Income taxes as a percentage of income before income taxes and minority interests	37.0	

The significant components of deferred tax assets and liabilities as of March 31, 2010 and 2009 consisted of the following:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Net operating loss carry forward	¥ 253,602	¥ 212,748	$ 2,725,731
Accrued retirement benefits	45,641	46,559	490,556
Allowance for doubtful accounts	6,044	5,916	64,971
Allowance for product warranties	11,352	14,525	122,015
Accounts payable—warranties	4,724	7,812	50,773
Fixed assets (incl. impairment losses)	33,007	38,152	354,767
Others	59,230	61,766	636,618
Less valuation allowance	(388,634)	(349,819)	(4,177,066)
Total deferred tax assets	24,968	37,661	268,366
Deferred tax liabilities:			
Reserves under the Special Taxation Measures Law	(323)	(380)	(3,473)
Unrealized holding gain on securities	(3,663)	(803)	(39,370)
Fair value adjustments relating to land	(4,511)	(4,557)	(48,492)
Accelerated depreciation in overseas consolidated subsidiaries	(13,084)	(23,678)	(140,631)
Others	(16,069)	(17,185)	(172,714)
Total deferred tax liabilities	(37,651)	(46,605)	(404,683)
Net deferred tax liabilities	¥ (12,682)	¥ (8,944)	$ (136,317)

Deferred tax assets and liabilities at March 31, 2010 and 2009 are included in the accompanying consolidated balance sheets as follows:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Current assets	¥ 2,007	¥ 1,398	$ 21,573
Non-current assets	6,060	8,206	65,139
Current liabilities	–	–	–
Non-current liabilities	(20,750)	(18,549)	(223,029)
Net deferred tax liabilities	¥(12,682)	¥ (8,944)	$(136,317)

19. Investment and Rental Property

For the fiscal year ended March 31, 2010, no note is provided as the amount of the investment and rental property is considered immaterial.

(Additional information)

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

20. Segment Information

(a) Business segments

The business segment information for MMC and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 is summarized as follows:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Net sales:			
Automobiles	¥1,434,736	¥1,961,563	$15,420,640
Financial services	10,878	11,891	116,923
Total	1,445,614	1,973,454	15,537,564
Corporate and eliminations	1	117	13
Consolidated	¥1,445,616	¥1,973,572	$15,537,578
Operating income (loss):			
Automobiles	¥ 11,493	¥ 3,388	$ 123,535
Financial services	2,425	419	26,067
Total	13,919	3,808	149,603
Corporate and eliminations	1	117	13
Consolidated	¥ 13,920	¥ 3,926	$ 149,617
Total assets:			
Automobiles	¥1,184,603	¥1,042,197	$12,732,195
Financial services	90,385	82,977	971,467
Total	1,274,988	1,125,174	13,703,662
Corporate and eliminations	(16,319)	12,834	(175,399)
Consolidated	¥1,258,669	¥1,138,009	$13,528,263
Depreciation:			
Automobiles	¥ 69,393	¥ 79,972	$ 745,843
Financial services	2,457	4,436	26,410
Consolidated	¥ 71,850	¥ 84,408	$ 772,253
Impairment loss:			
Automobiles	¥ 214	¥ 22,121	$ 2,303
Financial services	–	5,372	–
Consolidated	¥ 214	¥ 27,494	$ 2,303
Capital expenditures:			
Automobiles	¥ 49,378	¥ 76,310	$ 530,718
Financial services	5,577	13,364	59,942
Consolidated	¥ 54,955	¥ 89,675	$ 590,660

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 accounting treatment
(1) Accounting standard for measurement of inventories
As described in Note 2 "Changes in Accounting Policies," from the beginning of previous fiscal year, the *"Accounting Standard for Measurement of Inventories"* (ASBJ Statement No. 9, issued on July 5, 2006) has been adopted. Accordingly, the operating income for "Automobiles" decreased by ¥245 million for the fiscal year ended March 31, 2009 as compared to the amount that would have been recorded under the previous method.
(2) Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements
As described in Note 2 "Changes in Accounting Policies," from the beginning of previous fiscal year, the *"Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"* (PITF Practical Solution No. 18, issued on May 17, 2006) has been adopted. Accordingly, the operating income for "Automobiles" increased by ¥1,943 million for the fiscal year ended March 31, 2009 as compared to the amount that would have been recorded under the previous method.

(b) Geographical segments

The geographical segment information for MMC and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 is summarized as follows:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Net sales:			
Japan	¥1,243,926	¥1,600,176	$13,369,801
North America	165,984	232,063	1,784,007
Europe	190,968	356,143	2,052,542
Asia	274,500	305,006	2,950,348
Other areas	181,954	173,395	1,955,659
Total	2,057,333	2,666,785	22,112,359
Corporate and eliminations	(611,717)	(693,212)	(6,574,781)
Consolidated	¥1,445,616	¥1,973,572	$15,537,578
Operating income (loss):			
Japan	¥ (9,846)	¥ 2,561	$(105,826)
North America	(4,379)	(23,605)	(47,074)
Europe	5,061	(4,461)	54,400
Asia	13,616	20,618	146,347
Other areas	8,570	1,055	92,111
Total	13,021	(3,831)	139,957
Corporate and eliminations	898	7,757	9,659
Consolidated	¥ 13,920	¥ 3,926	$149,617
Total assets:			
Japan	¥1,091,321	¥932,233	$11,729,591
North America	159,081	166,008	1,709,816
Europe	119,258	120,420	1,281,797
Asia	234,235	201,727	2,517,580
Other areas	64,485	53,008	693,098
Total	1,668,382	1,473,399	17,931,884
Corporate and eliminations	(409,712)	(335,389)	(4,403,620)
Consolidated	¥1,258,669	¥1,138,009	$13,528,263

Note: 1. National and regional groupings are classified by geographical proximity and mutual relevance of business activities.
2. Main countries and regions outside Japan are grouped as follows:
(1) North America ..... The United States
(2) Europe .... The Netherlands
(3) Asia .... Thailand, Philippines
(4) Other areas .... Australia, New Zealand, UAE, Puerto Rico
3. Changes in accounting treatment
(1) Accounting Standard for Measurement of Inventories
As described in Note 2 "Changes in Accounting Policies," from the beginning of previous fiscal year, the *"Accounting Standard for Measurement of Inventories"* (ASBJ Statement No. 9, issued on July 5, 2006) has been adopted. Accordingly, the operating income for "Japan" decreased by ¥245 million for the fiscal year ended March 31, 2009 as compared to the amount that would have been recorded under the previous method.
(2) Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements
As described in Note 2 "Changes in Accounting Policies," from the beginning of previous fiscal year, the *"Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"* (PITF Practical Solution No. 18, issued on May 17, 2006) has been adopted. Accordingly, the operating income for "Asia" increased by ¥1,943 million for the fiscal year ended March 31, 2009 as compared to the amount that would have been recorded under the previous method.

(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, 2010 and 2009 are summarized as follows:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Overseas sales:			
North America	¥ 175,391	¥ 232,202	$ 1,885,118
Europe	269,221	631,658	2,893,612
Asia	262,507	216,561	2,821,449
Oceania	152,798	–	1,642,289
Other areas	217,216	494,769	2,334,660
Total	¥1,077,136	¥1,575,192	$11,577,129
Consolidated sales	¥1,445,616	¥1,973,572	$15,537,578

		(%)
Overseas sales as a percentage of consolidated sales:		
North America	12.1	11.8
Europe	18.6	32.0
Asia	18.2	11.0
Oceania	10.6	–
Other areas	15.0	25.0
Total	74.5	79.8

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
(2) Europe .... The Netherlands, Italy, Germany, Russia, Ukraine
(3) Asia .... Thailand, Malaysia, Taiwan
(4) Oceania .... Australia, New Zealand
(5) Other areas .... UAE, Puerto Rico
3. Overseas sales are classified by the region of the wholesaler or end users. The figures consist of sales outside of Japan of MMC and its consolidated subsidiaries.
4. Change in the geographic segments
The overseas sales for "Oceania," which had been included in "Other areas" in the previous fiscal year, have exceeded 10% of total consolidated sales. Accordingly, they are presented separately from this fiscal year.
The overseas sales for "Oceania" for the previous fiscal year were ¥137,607 million, and the percentage of total consolidated sales was 7.0%. The overseas sales for "Other areas," excluding those for "Oceania," were ¥357,162 million ($3,838,807 thousand), and the percentage of total consolidated sales was 18.0% for the same period.

21. Related Party Transactions

MMC entered into the following transactions with related parties during the years ended March 31, 2010 and 2009:

(Additional Information)

Effective for the year ended March 31, 2009, *"Accounting Standard for Related Party Disclosure"* (ASBJ Statement No. 11, issued on October 17, 2006) and the *"Guidance on Accounting Standard for Related Party Disclosure"* (ASBJ Guidance No. 13, issued on October 17, 2006) have been adopted.

Notwithstanding, there is no change in the scope of disclosure compared to the previous fiscal years.

Related Party Transactions

Transactions between MMC and the Related Parties

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

March 31, 2010	
Party type:	Major shareholder
Party name:	Mitsubishi Corporation
Address:	Chiyoda-Ku, Tokyo, Japan
Capital:	¥203,228 million
Business:	Wholesale trading
% of voting stock held:	Direct 13.99 Indirect 0.00
Relationship with the Related Party:	Sales of products; import of materials for production; mutual directorships
Detail of transaction:	Sales
Transaction amount:	¥233,848 million ($2,513,420 thousand)
Account title:	Accounts receivable
Balance at year end:	¥15,910 million ($171,007 thousand)

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

March 31, 2010	
Party type:	Affiliate
Party name:	JATCO Ltd.
Address:	Fuji, Shizuoka, Japan
Capital:	¥29,935 million
Business:	Development, manufacture and sale of transmissions and automobile components
% of voting stock held:	Direct 15.04
Relationship with the Related Party:	Purchase of automobile components; mutual directorships
Detail of transaction:	Purchases
Transaction amount:	¥63,908 million ($686,893 thousand)
Account title:	Accounts payable
Balance at year end:	¥15,002 million ($161,249 thousand)

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

Significant affiliates

Summary of financial information of the significant affiliates

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

Total current assets	¥133,950 million	($1,439,707 thousand)
Total non-current assets	¥232,645 million	($2,500,491 thousand)
Total current liabilities	¥173,943 million	($1,869,551 thousand)
Total non-current liabilities	¥70,708 million	($759,974 thousand)
Total net assets	¥121,944 million	($1,310,671 thousand)
Sales	¥432,596 million	($4,649,576 thousand)
Income before taxes	¥19,313 million	($207,583 thousand)
Net income	¥12,840 million	($138,014 thousand)

Related Party Transactions

Transactions between MMC and the Related Parties

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

March 31, 2009	
Party type:	Major shareholder
Party name:	Mitsubishi Corporation
Address:	Chiyoda-Ku, Tokyo, Japan
Capital:	¥202,816 million
Business:	Wholesale trading
% of voting stock held:	Direct 14.0 Indirect 0.0
Relationship with the Related Party:	Sales of products; import of materials for production; mutual directorships
Detail of transaction:	Sales
Transaction amount:	¥251,381 million
Account title:	Accounts receivable
Balance at year end:	¥7,476 million

(b) Transaction with the company who has the same parent as the reporting company (MMC) and/or the subsidiary of other affiliate of the reporting company

March 31, 2009	
Party type:	Majority-owned company by a major shareholder of MMC
Party name:	MC Automobile (Europe) N.V.
Address:	Amsterdam, The Netherlands
Capital:	€107,572 thousand
Business:	Controlling company of automobile business operations in Europe
% of voting stock held:	N/A
Relationship with the Related Party:	Consignment sales of products
Detail of transaction:	Sales
Transaction amount:	¥230,327 million
Account title:	Accounts receivable
Balance at year end:	¥880 million

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

22. Income and Equity per Share

Net income and equity per share of common stock for the years ended March 31, 2010 and 2009 are summarized as follows:

	In yen		In U.S. dollars
	2010	2009	2010
Net income (loss) per share of common stock			
Basic	¥ 0.86	¥ (9.91)	$ 0.01
Diluted	0.51	–	0.01
Stockholders' equity per share of common stock	(38.54)	(40.47)	(0.41)

Diluted amounts per share of common stock are not included for the year ended March 31, 2009 due to the net loss recorded.

The computations of net income per share of common stock for the year ended March 31, 2010 and 2009 are as follows:

	In millions of yen		In thousands of U.S. dollars
	2010	2009	2010
Numerator for basic net income (loss) per share of common stock:			
Net income (loss)	¥4,758	¥(54,883)	$51,139
Income not available to common stockholders	–	–	–
Income available to common stockholders	¥4,758	¥(54,883)	$51,139
Denominator for net income (loss) per share of common stock:			
Weighted average number of shares (in thousands)	5,537,858	5,537,816	
Number of dilutive potential common shares (in thousands)	3,880,647	–	
(Preferred stock)	(3,880,647)	–	
(Number of stock options exercised)	–	–	

In numbers of stock, 966 thousand shares relating to stock options were outstanding at March 31, 2009.

23. Stock Option Plans

Information regarding subscription, size and fluctuation of stock options as of March 31, 2010 and 2009 are as follows:

(a) Subscription of stock options

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

(b) Size and fluctuation of stock options

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

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

(a) Subscription of stock options

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

(b) Size and fluctuation of stock options

Outstanding stock options during the year ended March 31, 2009 converted to numbers of shares are as follows:

March 31, 2009	
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:	975,000
Vested during the year:	–
Exercised during the year:	1,000
Forfeited during the year:	8,000
Outstanding at the end of the year:	966,000
Exercise price:	¥173
Weighted average market price at exercise date:	¥183
Fair evaluation price on grant date:	–

24. Business Combinations

N/A

25. Subsequent Event

N/A

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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, 2010 and 2009, 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, 2010 and 2009, 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.

Supplemental Information

As described in Note 2, effective from April 1, 2008, the company adopted the *"Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"*.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Tokyo, Japan
June 23, 2010

Ernst & Young ShinNihon LLC

Consolidated Subsidiaries and Affiliates

As of March 31, 2010

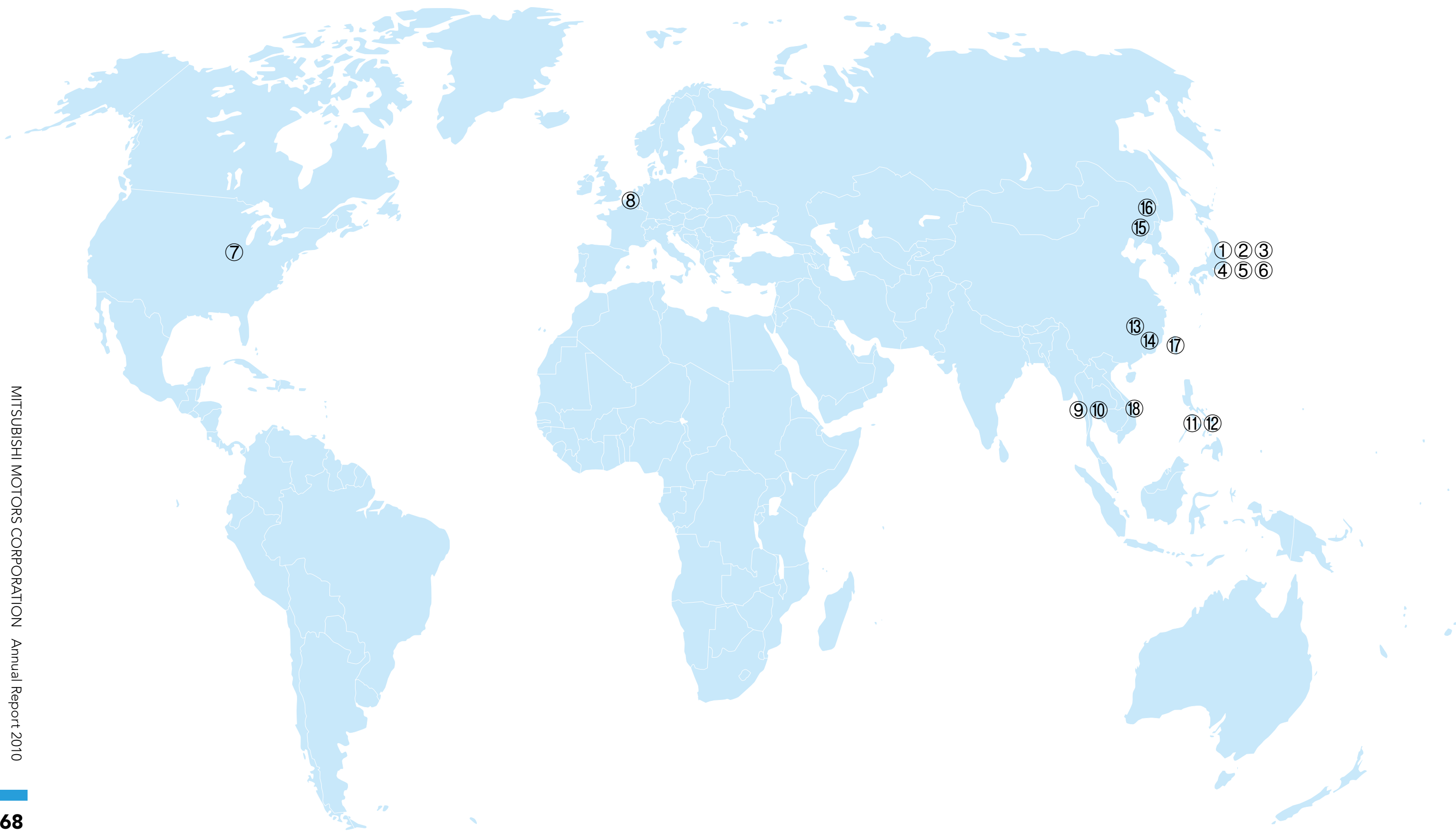
	Company	Incorporated in
Consolidated subsidiaries		
	Hokkaido Mitsubishi Motors Sales Co., Ltd.	Japan
	Higashi Nihon Mitsubishi Motors Sales Co., Ltd.	Japan
	Kanto Mitsubishi Motors Sales Co., Ltd.	Japan
	Niigata Mitsubishi Motors Sales Co., Ltd.	Japan
	Chubu Mitsubishi Motors Sales Co., Ltd.	Japan
	Nishi Nihon Mitsubishi Motors Sales Co., Ltd.	Japan
	Mitsubishi Motors Parts Sales Co., Ltd.	Japan
	Higashi Kanto MMC Parts Sales Co., Ltd.	Japan
	Shikoku MMC Parts Sales Co., Ltd.*[2]	Japan
	Pajero Manufacturing Co., Ltd.	Japan
	Mitsubishi Automotive Accessories & Products Co., Ltd.	Japan
	Mitsubishi Automotive Logistics Technology Co., Ltd.	Japan
	Mitsubishi Automotive Engineering Co., Ltd.	Japan
	Suiryo Plastics Co., Ltd.	Japan
	Mitsubishi Motors North America, Inc. (MMNA)	U.S.A.
	Mitsubishi Motors R&D of America, Inc. (MRDA)	U.S.A.
	Mitsubishi Motor Sales of Canada, Inc. (MMSCAN)	Canada
	Mitsubishi Motors Credit of America, Inc. (MMCA)	U.S.A.
	Mitsubishi Motor Sales of Caribbean, Inc. (MMSC)	Puerto Rico
	Mitsubishi Motors Europe B.V. (MME)	Netherlands
	Mitsubishi Motor R&D Europe GmbH (MRDE)	Germany
	Mitsubishi Motor Sales Netherlands B.V.	Netherlands
	Mitsubishi Motors Deutschland GmbH	Germany
	Mitsubishi Motors France S.A.S	France
	Mitsubishi Motors Belgium NV	Belgium
	MMC International Finance (Netherlands) B.V.	Netherlands
	Netherlands Car B.V. (NedCar)	Netherlands
	Mitsubishi Motors Australia, Ltd. (MMAL)	Australia
	Mitsubishi Motors New Zealand Ltd. (MMNZ)	New Zealand
	Mitsubishi Motors (Thailand) Co., Ltd. (MMTH)	Thailand
	MMTh Engine Co., Ltd.	Thailand
	Mitsubishi Motors Philippines Corp. (MMPC)	Philippines
	Asian Transmission Corp. (ATC)	Philippines
	Mitsubishi Motors Middle East and Africa FZE	U.A.E.
	Note: MMC has 23 other subsidiaries outside Japan in addition to the above.	
Equity method affiliates		
	Muroran Mitsubishi Motors Sales Co., Ltd.	Japan
	Tokachi Mitsubishi Motors Sales Co., Ltd.	Japan
	Ibaraki Mitsubishi Motors Sales Co., Ltd.	Japan
	Meihoku Mitsubishi Motors Sales Co., Ltd.	Japan
	Mie Mitsubishi Motors Sales Co., Ltd.	Japan
	Kagawa Mitsubishi Motors Sales Co., Ltd.	Japan
	Miyazaki Mitsubishi Motors Sales Co., Ltd.	Japan
	MMC Diamond Finance Corp.	Japan
	Mitsubishi Motors do Portugal S.A.	Portugal
	Vina Star Motors Corporation	Vietnam
	Note: MMC has 12 other affiliates outside Japan in addition to the above.	
Other Associated Companies		
	Company	Incorporated in
	Mitsubishi Heavy Industries, Ltd.	Japan

*[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.

Capitalization (In millions)	Business Lines	MMC Share of Voting Rights (%)*[1]
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 100	Automobile parts sales	100.0 (31.5)
JPY 100	Automobile parts sales	56.0 (10.0)
JPY 100	Automobile parts sales	50.0 (8.0)
JPY 610	Automobile and parts manufacture, sales	100.0
JPY 300	Sales of automobile accessories, air conditioners	100.0
JPY 436	Automobile inspection, maintenance, transport, storage and packaging	82.8
JPY 350	Design and testing of automobiles and parts	100.0
JPY 100	Manufacture, sales of automobile parts	100.0
USD 398.8	Automobile importing, manufacturing, sales	100.0
USD 2.0	Product development, design, testing, certification	100.0 (100.0)
USD 1.3	Automobile importing, sales	100.0 (100.0)
USD 260.0	Automobile financing, leasing	100.0 (100.0)
USD 47.5	Automobile importing, sales	100.0
EUR 1282.9	Importing, sales of automobiles and parts	100.0
EUR 0.8	Product development, design, testing, certification	100.0 (100.0)
EUR 6.8	Automobile importing, sales	100.0 (100.0)
EUR 30.0	Automobile importing, sales	100.0 (100.0)
EUR 10.0	Automobile importing, sales	100.0 (100.0)
EUR 3.0	Automobile importing, sales	100.0 (100.0)
EUR 0.1	Procurement of funds, group company financing	100.0
EUR 250.0	Manufacturing, sales of automobiles and parts	100.0 (15.0)
AUD 1,789.9	Automobile importing, sales	100.0
NZD 48.0	Automobile importing, sales	100.0
THB 7,000.0	Automobile importing, assembly, sales	100.0
THB 20.0	Manufacturing of automobile engines	100.0 (100.0)
PHP 1,640.0	Automobile importing, assembly, sales	51.0
PHP 420.0	Manufacturing of automobile transmissions	94.7 (89.4)
UAD 10.0	Importing, sales of automobile parts	100.0
JPY 100	Automobile sales	29.0 (29.0)
JPY 60	Automobile sales	35.0
JPY 30	Automobile sales	40.0
JPY 70	Automobile sales	28.6
JPY 58	Automobile sales	24.8
JPY 50	Automobile sales	23.0
JPY 60	Automobile sales	38.8
JPY 3,000	Auto sales financing, leasing, rentals	47.0
EUR 16.5	Automobile importing, sales	50.0 (50.0)
USD 16.0	Manufacture and marketing of automobiles and parts	25.0

Capitalization (In millions of yen)	Business Lines	Share of Voting Rights in MMC (%)
265,608	Shipbuilding & ocean systems development, power systems, machinery & steel structures, aerospace, mass and medium-lot manufactured machinery and others	15.7 (0.5)

Principal Production Facilities



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

Investor Information

As of March 31, 2010

Company Name	MITSUBISHI MOTORS CORPORATION
Head Office	5-33-8, Shiba, Minato-ku, Tokyo 108-8410, Japan Telephone: +81-3-3456-1111
Established	April 22, 1970
Capital	¥657,355,059,926
Number of Employees	Consolidated: 31,003 Non-consolidated: 12,831
Stock Listings	Tokyo Stock Exchange and Osaka Securities Exchange
Securities Code	7211
Share Trading Unit	1,000 common shares; 1 preferred share
Number of Shares Outstanding	5,538,336,433

Number of Shareholders

Type	Number of issued shares	Number of shareholders
COMMON SHARES	5,537,956,840	413,917
PREFERRED SHARES		
First Series Class A	73,000	4
Second Series Class A	25,000	7
Third Series Class A	1,000	1
First Series Class G	130,000	2
Second Series Class G	168,393	3
Third Series Class G	10,200	1
Fourth Series Class G	30,000	1

Major Shareholders (Common Shares)

Name	Number of shares held (thousands)	% of total
Mitsubishi Heavy Industries, Ltd.	839,966	15.16
Mitsubishi Corporation	774,835	13.99
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	269,024	4.85
Japan Trustee Services Bank, Ltd. (Trust account)	77,072	1.39
The Master Trust Bank of Japan, Ltd. (Trust account)	69,364	1.25
MLPFS Custody (Standing proxy: Merrill Lynch Japan Securities Co., Ltd.)	48,987	0.88
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	32,166	0.58
Japan Trustee Services Bank, Ltd. (Trust account 1)	31,972	0.57
Japan Trustee Services Bank, Ltd. (Trust account 6)	29,640	0.53
Japan Trustee Services Bank, Ltd. (Trust account 3)	29,560	0.53
Total	2,202,587	39.76

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
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