

(TRANSLATION OF ORIGINAL JAPANESE)

FY2005 Mid-term Results: Non-consolidated Statements

10 Nov. 2005

(April 1, 2005 through September, 30 2005)

Mitsubishi Motors Corporation

Code No.: 7211

Listed on: Tokyo and Osaka Stock Exchanges

Head office: Tokyo

URL: <http://www.mitsubishi-motors.co.jp/>

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Meeting of Board of Directors for FY2005 first half results: 10 November 2005

Mid-term dividend system adopted: Adopted

Date of payment of mid-term dividend: —

Unit stock system adopted: Yes (1 block = 1,000 shares)

1. Financial highlights (April 1, 2005 through September 30, 2005)

(1) Non-consolidated results

	Sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
FY2005 first half	578,747	2.4	- 20,617	—	- 21,010	—
FY2004 first half	565,036	- 15.9	- 40,053	—	- 57,022	—
FY2004 full year	1,163,498		- 62,246		- 85,152	

	Net income		Net income per share -basic
	Million yen	%	Yen
FY2005 first half	- 64,185	—	- 14.97
FY2004 first half	- 151,787	—	- 81.22
FY2004 full year	- 526,225		- 215.41

Note 1: Average number of shares issued and outstanding during term:

	FY2005 first half	FY2004 first half	FY2004 full year
Common stock	4,287,398,118	1,868,896,389	2,442,864,522
Preferred stock	523,909	203,125	298,064

Note 2: Accounting policy changes: Yes

Note 3: Sales, operating income and ordinary income percentages indicate changes over the same half-year period in previous fiscal year.

(2) Cash dividends

	Cash dividend per share	
	Half year	Year-end
	Yen	Yen
FY2005 first half	0.00	—
FY2004 first half	0.00	—
FY2004 full year	—	0.00

(3) Non-consolidated financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	Million yen	Million yen	%	Yen
FY2005 first half	1,039,322	262,749	25.3	- 57.97
FY2004 first half	1,169,507	421,232	36.0	11.46
FY2004 full year	1,123,435	330,130	29.4	- 46.09

Note 1: Number of shares issued and outstanding at term end:

	FY2005 first half	FY2004 first half	FY2004 full year
Common stock	4,385,687,484	2,647,548,892	4,253,940,962
Preferred stock	516,993	390,900	526,193

Note 2: Treasury stock at term end:

	61,535	29,244	54,250
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2. FY2005 full year non-consolidated results forecast (April 1, 2005 through March 31, 2006)

	Sales	Ordinary income	Net income	Dividend per share	
	Million yen	Million yen	Million yen	Year-end	Yen
FY2005 full year	1,200,000	- 48,000	- 90,000	0.00	0.00

Note: Forecasted net income per share for full year: -20.52 yen

CAUTION: These forecasts are based on judgments and estimates that have been made on the basis of currently available information and are subject to a number of risks, uncertainties and assumptions. Changes in the company's business environment, in market trends and in exchange rates may cause actual results to differ materially from these forecasts.

1. Sales Figures

(1) Sales Volume

units

	April 1, 2005 - September 30, 2005			April 1, 2004 - September 30, 2004			Change		
	Domestic	Export	Total	Domestic	Export	Total	Domestic	Export	Total
Passenger Cars (regular & small-size)	32,424	204,194	236,618	24,718	203,417	228,135	7,706	777	8,483
Minicars	72,108	—	72,108	65,415	—	65,415	6,693	—	6,693
Total	104,532 (33.9%)	204,194 (66.1%)	308,726 (100.0%)	90,133 (30.7%)	203,417 (69.3%)	293,550 (100.0%)	14,399	777	15,176

(2) Sales Amount

in millions of yen

	April 1, 2005 - September 30, 2005			April 1, 2004 - September 30, 2004			Change		
	Domestic	Export	Total	Domestic	Export	Total	Domestic	Export	Total
Vehicle Sales	107,619	279,181	386,800	89,546	279,392	368,938	18,073	- 211	17,862
Parts for Overseas Production	—	74,602	74,602	—	87,646	87,646	—	- 13,044	- 13,044
Parts, Accessories & Other	57,159	60,186	117,345	44,385	64,067	108,452	12,774	- 3,881	8,893
Total	164,778 (28.5%)	413,969 (71.5%)	578,747 (100.0%)	133,931 (23.7%)	431,105 (76.3%)	565,036 (100.0%)	30,847	- 17,136	13,711

2. Profit and loss statements (1 April 2005 - 30 September 2005)

in millions of yen

	FY 2005 First Half		FY 2004 First Half		Change		FY 2004	
	4/1/05-9/30/05		4/1/04-9/30/04				4/1/04-3/31/05	
Sales	578,747	100.0%	565,036	100.0%	13,711	2.4%	1,163,498	100.0%
Cost of goods sold	516,688	89.3%	514,974	91.1%	1,714		1,048,651	90.1%
Gross profit	62,058	10.7%	50,062	8.9%	11,996		114,847	9.9%
Selling, general and administrative expenses	82,675	14.3%	90,115	15.9%	(7,440)		177,093	15.2%
Operating profit	(20,617)	-3.6%	(40,053)	-7.1%	19,436	—	(62,246)	-5.3%
Non-operating income	7,942	1.4%	5,322	0.9%	2,620		11,631	1.0%
Interest income	4,423		1,487		2,936		5,565	
Dividends	3,286		3,786		(500)		5,964	
Other income	233		48		185		100	
Non-operating expenses	8,336	1.4%	22,291	3.9%	(13,955)		34,537	3.0%
Interest expenses	4,940		4,616		324		10,336	
Loss on foreign exchange	0		2,442		(2,442)		4,462	
Stock issuance costs	0		11,961		(11,961)		12,854	
Other expenses	3,396		3,269		127		6,883	
Ordinary income	(21,010)	-3.6%	(57,022)	-10.1%	36,012	—	(85,152)	-7.3%
Extraordinary gains	6,998	1.2%	11,508	2.0%	(4,510)		5,864	0.5%
Gain on reversal of allowance for doubtful receivables	6,668		0		6,668		0	
Gain on sale of fixed assets	0		0		0		3,280	
Gain on sale of investment securities	0		671		(671)		1,371	
Gain on sale of investments in affiliated companies	0		632		(632)		632	
Gain on reversal of credit guarantee liability expenses	0		10,178		(10,178)		0	
Other gains	329		26		303		579	
Extraordinary losses	45,180	7.8%	107,024	18.9%	(61,844)		448,460	38.5%
Assets impairment losses	21,732		0		21,732		0	
Loss on disposal of fixed assets	0		3,087		(3,087)		0	
Loss on devaluation of investments in affiliated companies	14,968		68,528		(53,560)		207,198	
Losses related to stock transfer agreements	0		0		0		85,774	
Losses on devaluation of inventories	0		0		0		55,904	
Loss for additional allowance in credit guarantee liabilities	0		0		0		29,361	
Charges for special measures	0		19,888		(19,888)		25,247	
Losses on sale of land	0		0		0		13,862	
Other losses	5,245		1,359		3,886		12,956	
Income before income taxes	(59,191)	-10.2%	(152,539)	-27.0%	93,348	—	(527,748)	-45.4%
Income tax, current	(812)		(751)		(61)		(1,522)	
Income tax, deferred (- indicates reduction)	5,806		0		5,806		0	
Net income for period	(64,185)	-11.1%	(151,787)	-26.9%	87,602	—	(526,225)	-45.2%
Retained earnings brought forward from previous period	(739,322)		(213,097)		(526,225)		(213,097)	
Unappropriated retained earnings at end of period	(803,508)		(364,884)		(438,624)		(739,322)	

3. Balance sheet (Assets)

in millions of yen

	FY 2005 First Half At 9/30/2005	FY 2004 At 3/31/2005	Change	FY 2004 First Half At 9/30/2004
Assets				
Current assets	591,132	645,226	- 54,094	558,674
Cash and term deposits	160,003	244,043	- 84,040	96,261
Notes receivable	1,290	594	696	1,155
Accounts receivable	125,372	127,596	- 2,224	108,501
Inventories	147,598	128,643	18,955	176,633
Short-term loans receivable	138,649	106,315	32,334	137,542
Other receivables	44,577	40,640	3,937	42,071
Other current assets	20,753	35,725	- 14,972	34,993
Allowance for doubtful receivables	- 47,113	- 38,333	- 8,780	△38,485
Fixed assets	448,189	478,208	- 30,019	610,833
Tangible fixed assets	201,789	214,475	- 12,686	268,003
Buildings	44,787	46,023	- 1,236	49,236
Machinery and equipment	65,165	67,012	- 1,847	64,132
Land	44,306	65,790	- 21,484	116,536
Other tangible fixed assets	47,530	35,649	11,881	38,098
Intangible fixed assets	15,066	15,691	- 625	12,991
Investments and other assets	231,333	248,041	- 16,708	329,839
Investment securities	38,377	43,763	- 5,386	45,649
Investments in subsidiaries and affiliated companies	146,844	155,192	- 8,348	232,606
Long-term loans receivable	1,274	1,297	- 23	—
Other investments	48,426	51,548	- 3,122	55,383
Allowance for doubtful receivables	- 3,589	- 3,761	172	△3,801
Total assets	1,039,322	1,123,435	- 84,113	1,169,507

4. Balance sheet (Liabilities & shareholders' equity)

in millions of yen

	FY 2005 First Half At 9/30/2005	FY 2004 At 3/31/2005	Change	FY 2004 First Half At 9/30/2004
Liabilities				
Current liabilities	461,269	445,712	15,557	456,597
Notes payable	14,875	13,139	1,736	9,646
Accounts payable	227,117	208,709	18,408	198,497
Short-term loans payable	81,677	74,550	7,127	105,520
Bonds (redeemable in one year or less)	—	1,000	- 1,000	5,700
Other payables	69,145	71,420	- 2,275	60,453
Corporate taxes payable	529	971	- 442	475
Allowance for warranty claims	25,103	25,103	—	25,103
Other current liabilities	42,821	50,818	- 7,997	51,199
Non-current liabilities	315,302	347,592	- 32,290	291,678
Bonds outstanding	37,300	37,300	—	37,300
Long-term loans payable	113,378	134,507	- 21,129	145,798
Reserve for retirement benefits	80,971	79,709	1,262	80,101
Reserve for severance payments for directors	1,212	1,013	199	835
Credit guarantee liabilities reserve	33,621	48,916	- 15,295	9,880
Other non-current payables	32,015	33,233	(1,218)	—
Deferred tax liabilities	10,755	7,105	3,650	7,686
Other non-current liabilities	6,047	5,806	241	10,077
Total liabilities	776,572	793,305	- 16,733	748,275
Shareholders' equity				
Common stock	642,300	642,300	—	500,201
Capital surplus	418,148	418,148	—	276,048
Capital reserve	418,148	418,148	—	276,048
Retained earnings	- 803,508	- 739,322	- 64,186	△ 364,884
Unappropriated retained earnings at end of the reporting period	- 803,508	- 739,322	- 64,186	△ 364,884
Unrealized gain on securities	5,818	9,012	- 3,194	9,872
Treasury shares	- 9	- 8	- 1	△ 5
Total shareholders' equity	262,749	330,130	- 67,381	421,232
Total liabilities & shareholders' equity	1,039,322	1,123,435	- 84,113	1,169,507

Notes on Accounting Policies

Premise of Going Concern

In the previous fiscal year, Mitsubishi Motors Corporation (MMC) reported a net non-consolidated loss of ¥526,225 million. For this first half of fiscal year, the MMC group has also reported a net non-consolidated loss of ¥64,185 million.

As a result of these losses, significant doubt arises as to the company's ability to continue as a going concern. To address this situation as well as strengthen our operating base, in May 2004 MMC formulated the Business Revitalization Plan (a 3 year plan covering FY2004 to FY2006). In June 2004, MMC outlined additional measures to its Business Revitalization Plan announced on May 21, 2004, which focus on three areas: all-out cost cutting, restoring customer trust, and across-the-board compliance. These new measures were in response to a market slump in domestic sales that arose due to recall problems at MMC and Mitsubishi Fuso Truck & Bus Corporation. Despite these measures, MMC was unable to respond adequately to past recall problems which delayed the hoped-for restoration of consumer and public trust and have seriously impacted sales. This, in turn, highlighted the problem of over-capacity that has lurked beneath the surface over recent years. In addition, concerns deepened about delays in the recovery of operations and about the financial health of MMC. As a result of being forced to use funds allocated for the revitalization program in the repayment of interest-bearing debt, MMC found itself short of funds.

To break out of this situation and successfully revitalize itself, MMC, while continuing its efforts to regain customer and public trust, found itself in a situation that requires additional measures to improve profitability.

Given these circumstances, MMC put together the Mitsubishi Motors Revitalization Plan in January 2005.

Under the oversight of the Business Revitalization Monitoring Committee, an external body that monitors the implementation of the plan from an outside perspective, new policies are being implemented company wide.

For this first half of this fiscal year, MMC is continuing to make progress toward achieving the goals of Mitsubishi Motors Revitalization Plan. As a result, these financial statements have been prepared based on the premise of MMC remaining a going concern, and do not reflect the effect of any significant doubt as to MMC's ability to do so.

Accounting policies

(1) Securities: basis and method of valuation

Shares in subsidiaries and affiliates

At cost using the moving-average method

Other marketable securities

Exchange traded

At market, based on market value on date of book-closing.

(Net unrealized gain/loss booked directly to stockholders' equity. Cost at sale is computed by the moving-average method.)

Non-exchange traded

At cost using the moving-average method

(2) Derivative instruments

Valued at market (excluding interest rate swaps meeting special provisions in the accounting standard.)

(3) Inventories: basis and method of valuation

Products

At cost on a first-in first-out basis.

However, parts and components are valued at cost using the moving average method.

Also, non-mass production products and vehicles purchased for resale (OEM and imports) are valued on an individual basis

Raw materials

At cost using the overall average method

Work in process

At cost on a first-in first-out basis.

However, non-mass production products are valued on an individual basis

Supplies

At cost on the latest invoice method.

(4) Depreciation of fixed assets

Tangible fixed assets

Declining balance method. However, buildings (excluding related fixtures and facilities) acquired after April 1, 1998 are depreciated using the straight-line method. Useful lives are computed using the same standards as used for tax purposes.

Intangible fixed assets

Straight line method. Proprietary software is depreciated using the straight line method over an estimated useful life of 5 years.

Small value fixed assets

Assets with an acquisition cost of over 100,000 yen but less than 200,000 yen are amortized using the straight-line method over useful lives laid out in the tax code: 3-years, etc.

Deferred charges

Amortized within the charge period.

(5) Allowances

Doubtful accounts

To provide against possible losses arising from accounts and loans receivable, a doubtful account allowance is included on the balance sheet. The allowance for general receivables is calculated on the basis of historical rates, and the allowance for specific receivables suspected of being uncollectable is calculated on the basis of individual estimates.

Warranty claims

To provide against future after-sales service costs and expenses, a warranty claims allowance is included on the balance sheet calculated on the basis of past experience in line with the terms of the warranty agreement.

Retirement benefit reserve

Accrued retirement benefits for employees at the end of the period are calculated on the basis of the retirement benefits obligation at the end of the previous period and the estimated future value of the pension plan assets. The full amount of the change in benefits arising from the adoption of the new accounting standard for retirement benefits was expensed entirely in the year when the new accounting standard was adopted (2004). Prior service costs are being amortized using the straight-line method over a constant number of years (10 years) that is within the estimated average remaining service years of the employees.

Actuarial gains and losses are amortized beginning the following fiscal year using the straight-line method over a constant number of years (10 years) that is within the estimated average remaining service years of the employees.

Accrued severance payments to directors

Retirement benefits for directors and statutory auditors are estimated at the end of the period based on the internal regulations of MMC.

Credit guarantee liabilities

To provide against losses arising from credit guarantees, a credit guarantee liability allowance calculated on a rational estimate is included on the balance sheet.

(6) Foreign currency transactions

Foreign currency receivables and obligations are translated into yen at the market exchange rate prevailing on the end of the period. Differences are booked in the income statement.

(7) Lease transactions

Finance leases, excluding leases in which ownership is recognized to have transferred to the lessee, are booked as ordinary rental transactions.

(8) Hedge accounting

Hedge accounting basis

Booked using deferral hedge accounting. Interest rate swaps meeting special provisions in the accounting standard for financial instruments are booked according to the special provisions.

Means of hedging and coverage

Means for hedging

Forward currency exchange contracts ····

Coverage

Foreign currency accounts receivable for merchandise exports.
(Scheduled transactions)

Interest rate swaps ············ Interest on borrowings.

Hedging policy

Hedge transactions are carried out in order to avoid the foreign currency fluctuation risk in foreign currency receivables and obligations and interest rate fluctuation risk on borrowings, arising in ordinary operations.

Estimation method of hedging effectiveness

Forward currency exchange contracts make cash flow completely fixed.

Hedging effectiveness of interest rate swaps is estimated through a comparison of the cash flow changes resulting from the hedging instrument and those from the hedged item, during the period.

Effectiveness of interest rate swaps booked under special provisions is monitored using the system for standard swaps where applicable.

(9) Other significant accounting policies

1. Consumption tax

Transactions are recorded net of consumption tax and regional consumption taxes.

2. Consolidated tax system

The consolidated tax system has been applied.

3. Deferred assets

The full amount of stock issuance costs are expensed at the time of transaction.

Material changes of accounting policies

(1) Beginning this term, the accounting standards for impairment of fixed assets as announced in "Opinion Concerning the Accounting Standard for Impairment of Fixed Assets " (Business Accounting Deliberation Council, August 9, 2002) and "The Implementation Guide for the Accounting Standard for Impairment of Fixed Assets" (Business-Accounting Standard Guidance No. 6 October 31, 2003) have been adopted. Through this, pre-tax net income has been decreased by 21,732 million yen in this reporting period. In addition, accumulated impairment losses have been deducted directly from the book value of each appropriate asset, as prescribed by the reporting rules for the mid-term consolidated financial statements.

Notes to the financial statements

Balance Sheet

	At 9/30/2005 <u>(million yen)</u>	At 9/30/2004 <u>(million yen)</u>	At 3/31/2005 <u>(million yen)</u>
(1) Accumulated depreciation of tangible fixed assets	626,813	659,353	632,770
(2) Assets pledged as collateral			
Plant Zaidan (bundles of assets)	89,610	95,320	94,656
Buildings	5,541	6,622	5,698
Structures	4,799	5,463	5,164
Machinery and equipment	—	6	13
Land	24,096	26,667	26,671
Other receivables	587	639	644
Total	<u>124,635</u>	<u>134,720</u>	<u>132,849</u>
Obligations secured by collateral			
Credit guarantee liabilities	3,352	13,820	5,031
Long-term loans payable	131,659	121,049	119,750
Short-term loans payable	—	39,119	21,997
(3) Consumption tax			
After offsetting consumption tax receivable and payable, the balance is recorded in accounts receivable or payable, as appropriate, under other receivables/other payables.			
(4) Capital deficit	803,518	364,889	739,331
(5) Credit guarantee liabilities			
Credit guarantee liabilities	162,237	291,054	157,699
Other credit guarantee related liabilities	7,085	17,053	3,449
(6) Outstanding balance of securitized accounts receivables	7,075	10,084	7,913

Income statement

	FY2005 first half <u>(million yen)</u>	FY2004 first half <u>(million yen)</u>	FY2004 full year <u>(million yen)</u>
(1) Depreciation charges			
Tangible fixed assets	10,164	15,276	27,668
Intangible fixed assets	1,739	1,338	2,744
<u>Total</u>	<u>11,904</u>	<u>16,614</u>	<u>30,412</u>

(2) 'Special measures' comprised of a free inspection program for post-market vehicles.

(3) Details of restructuring charges are: the cancellation of development program for new car models, and the integration of production in the Nagoya area.

(4) MMC recorded impairment losses to the following asset groups in the first half of FY2005.

(Location)	(Application)	(Assets)	(million yen) (Impairment loss)
Nagakute Town, Aichi Pref.;	On loan	Land, buildings	19,915
Fujiidera City, Osaka;			
etc. 40 locations			
Tama City, Tokyo;	Idle	Land, buildings and others	1,817
etc. 8 locations			
		(Assets)	
		Land	21,213
		Buildings	472
		Others	46
		<u>Total</u>	<u>21,732</u>

Lease transactions

This note is omitted because it will be disclosed on EDINET.

Marketable securities

MMC held no exchange-traded shares of subsidiaries or affiliates for this reporting term, the first half of FY 2004, and the FY 2004 full year

Earnings per share

	FY2005 first half <u>(yen)</u>	FY2004 first half <u>(yen)</u>	FY2004 full year <u>(yen)</u>
Net assets per share	- 57.97	11.46	- 46.09
Net income per share - basic	- 14.97	- 81.22	- 215.41
Net income per share - diluted	—	—	—

(Note) Calculation basis of net income per share, basic and diluted

	FY2005 first half <u>(million yen)</u>	FY2004 first half <u>(million yen)</u>	FY2004 full year <u>(million yen)</u>
Net income per share - basic			
Net income	- 64,185	- 151,787	- 526,225
Net income restricted from common shares	—	—	—
Net income for common shares	- 64,185	- 151,787	- 526,225
Average number of shares issued and outstanding during term (thousands)	4,287,398	1,868,896	2,442,865
Shares not included in the calculation of diluted income per share, due to the dilution effect having not been calculated for those shares	—	—	—