(TRANSLATION OF ORIGINAL JAPANESE)

FY2006 Full Year Results: Consolidated Financial Statements

April 26, 2007

(April 1, 2006 through March 31, 2007)

Mitsubishi Motors Corporation

(Code: 7211 1st Section, Tokyo and Osaka Stock Exchange)

Code No.: 7211
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(URL http://www.mitsubishi-motors.co.jp/)
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Scheduled date for ordinary general stockholders' meeting: June 22, 2007
Scheduled date for submitting Securities Report: June 25, 2007

1. Financial highlights (April 1, 2006 through March 31, 2007)

(1) Consolidated financial results *Note: Percentages indicate changes over the same period in the previous fiscal year.*

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2006	2,202,869	3.9	40,237	493.1	18,542	-	8,745	-
FY2005	2,120,068	-0.1	6,783	-	-17,780	-	-92,166	-

	Net Income per Share-Basic	Net Income per Share-Diluted	Return on Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Sales
	Yen	Yen	%	%	%
FY2006	1.59	0.96	3.1	1.1	1.8
FY2005	-19.75	-	-31.1	-1.1	0.3

Note: Equity income from affiliates: FY2006 ¥2,166 million FY2005 ¥1,453 million

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million Yen	Million Yen	%	Yen
FY2006	1,778,693	308,304	16.6	-26.73
FY2005	1,557,570	281,259	17.2	-31.67

Note: Stockholders' equity: FY2006 ¥295,782 million FY2005 ¥268,678 million

(3) Consolidated cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash & Cash Equivalents at End of Term
	Million Yen	Million Yen	Million Yen	Million Yen
FY2006	162,345	-46,017	-11,287	364,268
FY2005	54,430	-84,811	-18,955	248,069

2. Cash dividends

Record Date	Cash Dividend per Share: Interim	Year-end	Full Year	Total Annual Cash Dividends	Dividend Payout Ratio (Consolidated)	Ratio of dividends to Net Assets (Consolidated)
	Yen	Yen	Yen	Million Yen	%	%
FY2005	-	-	0.00	0	-	-
FY2006	-	-	0.00	0	0.0	-
FY2007 (Forecast)	-	-	0.00	-	0.0	-

3. FY2007 consolidated financial results forecast (April 1, 2007 through March 31, 2008)

Note: Percentages indicate changes over the same period in the previous fiscal year.

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
FY2007	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Half year	1,170,000	16.4	5,000	-	-5,000	-	-15,000	-	-2.73
Full year	2,430,000	10.3	51,000	26.7	30,000	61.8	20,000	128.7	3.64

4. Others

(1) Change to significant subsidiaries during the term (those changes accompanying change in scope of consolidation): No

(2) Change to accounting policy, procedure, and method of presentation for preparing consolidated financial statements (those to be described in the section of the *Change of Significant Accounting Policies on the Preparation of Consolidated Financial Statements*)

i. Change due to amendment of accounting standard: Yes
ii. Change due to other reasons: No

Note: For details, please refer to *Change of Significant Accounting Policies on the Preparation of Consolidated Financial Statements* on page 30.

(3) Outstanding shares (common shares)

i. Shares outstanding at term-end (including treasury stock)	FY2006	5,491,516,544 shares	FY2005	5,491,452,544 shares
ii. Treasury stock	FY2006	76,934 shares	FY2005	73,191 shares

Note: For details on the number of shares as a basis of computing net income per share (consolidated), please refer to *Per share information* on page 35.

* All amounts described in this report are rounded down to the nearest one million yen.

Reference: Summary of Individual Activity Results

Financial highlights (April 1, 2006 through March 31, 2007)

(1) Individual financial results

Percentages indicate changes over same period in the previous fiscal year.

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2006	1,457,016	15.6	-12,140	-	-20,725	-	-24,541	-
FY2005	1,259,981	8.3	-14,374	-	-23,644	-	-128,152	-

	Net Income per Share-Basic	Net Income per Share-Diluted
	Yen	Yen
FY2006	-4.47	-
FY2005	-27.47	-

(2) Individual financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million Yen	Million Yen	%	Yen
FY2006	1,166,216	208,533	17.9	-42.62
FY2005	1,044,783	231,752	22.2	-38.39

Note: Stckholderrs' Equity: FY2006 ¥208,533million FY2005 ¥231,752 million

1. Management Results

(1) Analysis of management results

Overview of consolidated results for fiscal 2006

During fiscal 2006, the Japanese economy appeared to have entered its longest period of growth since World War II. However, the length of the upturn was tempered by its weakness. In terms of the global economy there was healthy movement, but an overheating Chinese economy and uncertainty in the U.S. economy, which underwent housing market adjustments, were rising concerns. Given this environment, Mitsubishi Motors Corporation and its group of related companies (hereinafter MMC or the company) have suffered from negative factors such as declines in total demand in Japan and the ASEAN countries, and escalating materials costs. However, due to the weakness of the Japanese yen and the company's efforts to realize the objectives of the Mitsubishi Motors Revitalization Plan, profitability has been attained at all three income levels (operating, ordinary, and net) -- which was our key objective.

In fiscal 2006, MMC's consolidated retail unit volume was 1.232 million vehicles, 112,000 units less than in fiscal 2005 (an 8.3 percent year-on-year decline).

In Japan, MMC sold 10,000 units less than the previous fiscal year (a 3.9 percent decrease) for a total of 247,000 vehicles. The Japan market fell 4.3 percent overall during the same period. While the Delica D:5 minivan has sold well since its debut in January 2007, MMC's sales of registered vehicles fell 11 percent compared to a 9.4 percent year-on-year decline in the market. On the other hand, sales of minicars remained at the same level as last fiscal year while the market showed a 4.2 percent increase in volume for minicars.

In North America, sales grew on the back of strong sales due to the introduction of the new Eclipse Spyder (introduced in April 2006) and the new Outlander (launched in November 2006) as well as policies to strengthen dealers' sales capabilities. As a result, sales volume for North America was at 164,000 units (8,000 units higher than last fiscal year, up 5.1 percent). This marked the first fiscal year period in the five years since fiscal 2001 in which the U.S registered year-on-year growth.

In Europe, Russia and the Ukraine propped up the market, while Germany and the U.K. fell. As a result, overall volume was 282,000 units, up 15,000 units year-on-year (a 5.6 percent increase).

Finally, the Latin America, Middle East and Africa regions saw growth, but China, Taiwan, Malaysia and Indonesia posted sharp sales declines. Therefore, overall volume for these regions fell to 539,000 vehicles, (a year-on-year decline of 125,000 units, 18.8 percent).

In addition to the lower sales volume, production of the Smart Forfour was halted and OEM supply volume decreased. However, due to foreign exchange gains and a favorable model mix, sales for fiscal 2006 totaled two trillion 202.9 billion yen, an increase of 82.8 billion yen over fiscal 2005 (up 3.9 percent).

With regard to regional sales, Japan, North America and Europe saw year-on-year sales growth of 1.9 billion, 7.9 billion and 76.6 billion yen respectively, while in Asia and other regions sales fell 3.6 billion yen below last fiscal year's level.

MMC posted an operating income of 40.2 billion yen, an improvement of 33.4 billion yen year-on-year. Several major factors contributed to this improvement. Despite a decline of 2.7 billion yen mainly in the U.S. due to increased sales costs, higher unit volume and better model profitability mix contributed 2 billion yen, foreign currency exchange gains resulted in an improvement of 20.4 billion yen. Finally, the effect of improvements in sales loan business losses in the United States and cost reductions brought operating income higher by 13.7 billion yen.

Non-operating losses totaled 21.7 billion yen, an improvement of 2.9 billion yen over the previous fiscal year. This was mainly due to an improvement in net interest income.

Ordinary income thus totaled 18.5 billion yen, an improvement of 36.3 billion over the same period in the previous year.

Extraordinary losses totaled 9.8 billion yen, a 64.6 billion year-on-year improvement. The main contributing factors were the profit of 13.9 billion yen after settlement money was received upon termination of a real-estate trust, as well as such extraordinary income of 5 billion yen in investment sales gains, while there was an asset impairment charge of 7.5 billion yen due to the regional integration of domestic retail companies in Japan, and 3.1 billion yen for restructuring costs as a one time charge.

Net income for fiscal year 2006 thus amounted to 8.7 billion yen, a 100.9 billion year-on-year improvement.

Fiscal 2007 earnings outlook

The current forecast for fiscal year 2007 (ending March 31, 2008) earnings is as follows:

	First half	Full year
Sales	1,170 billion yen	2,430 billion yen
Operating income	5 billion yen	51 billion yen
Ordinary income	–5 billion yen	30 billion yen
Net Income	–15 billion yen	20 billion yen

The forecast for consolidated retail unit volume is as follows: (1000 units)

Region	Fiscal Year 2007 Forecast	Fiscal Year 2006 Results
Japan	250	247
North America	176	164
Europe	316	282
Asia & Others	581	539
Total	1323	1232

＊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, or in exchange rates may cause actual results to differ materially from these forecasts.

Progress of medium-term management strategy

MMC adopted the Mitsubishi Motors Revitalization Plan on January 28, 2005 as its 3-year business plan covering fiscal years 2005 through 2007. The main objectives of the plan are "Regaining Trust" and "Business Revitalization."

Key Points in the Mitsubishi Motors Revitalization Plan

> Customers First – rebuilding trust

1) Placing customers first throughout the operational chain

2) Thoroughly increasing the trustworthiness of products

> Business strategy

1) Sales plans which reflect downside risks

2) Promotion of operational alliances with other automakers

3) Rationalization of production capacity and sales networks

> Strengthening capital

1) Rebuilding and strengthening the capital base

> Boosting management's effectiveness

1) Strong leadership from a new management team

2) Establishing up a thorough follow-up system

> Effective and transparent compliance

Progress of the Mitsubishi Motors Revitalization Plan

In the second year of this three year plan, fiscal year 2006, with the aim of realizing these objectives, corporate culture was being reformed, capital strengthened, administrative functions strengthened, and strategies implemented. These actions are steadily bringing results to the company’s earnings. Concerning regaining trust, policies announced in March 2005 to prevent recall-related problems from occurring again are being implemented. Regaining trust is a long, ongoing process and MMC is deeply committed to this issue. We believe the best method of regaining consumers' trust is to provide safe and reliable vehicles that owners can use with confidence and satisfaction.

In regard to business revitalization, the company’s efforts in strengthening administrative functions and capital, implementing strategies, and other activities have resulted in restoring profitability in the three areas (operating, ordinary, and net) that we have targeted. The following is a list of the policies implemented in fiscal year 2006.

<Customers First’ - Regaining Trust>

- With the aim of placing trust regaining activities at the highest priority in order to revitalize the MMC group, corporate culture is continuously being revamped in line with our three policies of ‘Compliance First’, ‘Safety First’, and ‘Customers First.’ Leading the way in these activities is the CSR (Corporate Social Responsibility) Promotion Office.

- With the aim of providing better service to customers and speeding up quality improvements, a new information system built across Japan was completed in October 2006. The system can share quality related information in real time with dealers through the country, and features a larger database that can be used for faster analysis of quality issues.

- In October 2006, MMC has become a partner company in Kidzania Tokyo, the first place in Japan where children can get a taste of working life and being a full member of society. The concept of Kidzania Tokyo is to provide children, the future bearers of society, with a place and opportunity to discover their dreams and goals, and where they can enjoy working to realizes those goals. This is an embodiment of our corporate philosophy of placing customers first and contributing to society.

- In conjunction with the launch of the new Pajero, MMC established the Pajero Forest & Local Mountain Restoration Initiative, which aims at conserving and cultivating Japan's forests and woodlands which are deteriorating on a wide scale. The Initiative will be based in the town of

Hayakawa-cho that lies in the foothills of the Southern Japanese Alps in Yamanashi Prefecture.

<Business Strategies>

- In June 2006, MMC signed an agreement with Mitsubishi Heavy Industries, Ltd. for the co-development of new-generation diesel engines for the European market. Development is already underway, and plans are for a launch starting in Europe in 2009, where the demand for diesel engines is increasing. This is one year ahead of schedule. MMC is considering this engine, along with its forthcoming electric vehicle, as the core of its environmentally directed technology. The company will respond to needs of environmentally-oriented consumers by bringing it to market at an early date.

- To strengthen the company's after market business, Mitsubishi Motors Car Life Products was established on July 1, 2006. The company is handling the planning, development and sales of automotive parts and components based on market information. It will shorten lead times for new products and introduce products that meet market needs.
- MMC signed an agreement with Nissan Motor Co. Ltd. in August 2006 for the continued supply of minicars to Nissan on an OEM basis. Supply of the new eK Wagon model began in the second half of fiscal 2006.
- Furthermore, in April 2007, MMC and Nissan agreed to expand their current business collaboration by enhancing the scope of the OEM contract. The companies signed an agreement whereby MMC will supply Nissan with the Townbox minicar, and Nissan will supply MMC with the AD and AD Expert light commercial vehicles.

- Investment in Chinese partner South East (Fujian) Motor Corporation, Ltd. was completed in September 2006 and their production and sales of MMC brand vehicles has begun. This investment will strengthen MMC's brand strategy in China and expand the model lineup.

- In October 2006, MMC announced the creation of a new research vehicle, the Mitsubishi innovative Electric Vehicle (MiEV) for a next-generation EV development project. This electric vehicle will be used for joint research programs with domestic power companies. In March 2007, an i MiEV research vehicle was delivered to both Tokyo Electric Power Co., Inc. and Kyushu Electric Power Co., Inc. Based on their performance evaluation, more research vehicles will be delivered through the fall of 2007, and fleet monitoring will be performed to verify performance in actual driving conditions and commercial viability.

- In December 2006, part of Outlander production was moved from the Mizushima plant to the Okazaki plant. This eased production conditions at the overloaded Mizushima plant. The Okazaki plant had been functioning on one shift since April 2004; its operation has now changed to two shifts for the first time in 32 months.

- In January 2007, MMC and PSA Peugeot Citroën signed an agreement under which MMC will be supplied with diesel engines by PSA Peugeot Citroën. Towards the end of 2007, MMC will add a new version of the Outlander powered by this diesel engine in Europe.

- In January 2007, MMC announced the accelerated reconstruction of its domestic sales network. The company will merge its 29 consolidated sales companies into 5 companies; parts sales companies will be integrated from 9 companies to 1 company by the end of fiscal 2007. Our basic policies will be “increasing network efficiency,” “improving operating efficiency at the showroom level” and “strengthening corporate governance.” We will strive to achieve the highest customer satisfaction level in the industry and to promptly restore profitability in our domestic business.

- MMC is planning to launch a flex-fuel vehicle (FFV) in the Brazil market within fiscal 2007, in collaboration with our local manufacturing and sales unit. An FFV model will also be under close consideration for the US market, as we monitor market trends.

<Strengthening Capital>

- Equity capital increases as laid out in the Mitsubishi Motors Revitalization Plan were completed in January 2006.

- Funding by negotiation transaction has progressed, and the total amount of funding in fiscal 2006 was almost as planned, including 56 billion yen funded through a syndicated loan in cooperation with 31 banks.

<Strengthening Administrative Functions>

- The company implemented a change in corporate structure to unify lines of command, make decision making faster, and improve communications. The change also made responsibility for each function more transparent. Another aspect of this new structure was the appointment of the new position of Executive Vice President to oversee business revitalization efforts. This new position is directly responsible for the accomplishment of the revitalization plan, and for strengthening both strategic functions and MMC’s follow-up system.

- With a mandate of providing an outside check on the accomplishment of the revitalization plan, the Business Revitalization Monitoring Committee was established. This committee is comprised of outside experts and representatives of the main shareholders from the Mitsubishi group. The committee follows the progression of the revitalization plan and provides advice as needed.

- In October 2006, the Quality and Service Technical Control Department was established to centralize after-sales service functions in order to improve customer service and service revenue and to construct a powerful value chain of new cars, service and used cars.

- In November 2006, the Domestic Sales Innovation Promotion Office was established to promote the function, organization and process of domestic operating efficiency.

(2) Financial standing

Analysis of assets, debt, net assets and cash flow

Total assets at the end of fiscal 2006 came to one trillion 778.7 billion yen, 221.1 billion yen higher than at the end of fiscal 2005. Interest-bearing debt rose 56.0 billion yen to 503.8 billion yen, and net assets rose 27 billion yen over the figure for the end of fiscal 2005 to 308.3 billion yen.

Cash flow from operating activities came to an inflow of 162.3 billion yen, an increase of 107.9 billion yen from the previous year.

Cash flows from investing activities came to an outflow of 46.0 billion yen (a decrease in outflow of 38.8 billion year-on-year).

Finally, cash flow from financing activities totaled an outflow of 11.3 billion yen (a 7.7 billion decrease in outflow over that for the previous period).

The balance of cash and cash equivalents at the end of the fiscal year 2006 thus stood at 364.3 billion yen, an 116.2 billion improvement over the balance at the beginning of the period.

Trends in key ratios

	FY2003 Full year	FY2004 First Half	FY2004 Full Year	FY2005 First Half	FY2005 Full Year	FY2006 First Half	FY2006 Full Year
Ratio of shareholders' equity (%)	1.5	18.1	20.4	17.1	17.2	15.5	19.7
Ratio of market value to assets (%)	19.2	16.2	37.7	67.5	87.8	65.8	56.8
Debt repayment coverage (years)	-	-	34.9	17.0	8.2	5.6	3.1
Interest coverage ratio	-	-	0.5	2.6	2.9	8.7	7.8

(Notes)

Definitions:

Ratio of shareholders' equity: Shareholders' equity / total assets

Ratio of market value to assets: Total market value of shares / total assets

Debt repayment coverage:	Interest bearing liabilities / cash flow from operating activities
Interest coverage ratio:	Cash flows from operating activities / interest payments

- All figures are calculated based on consolidated financial data.
- Beginning the first half of fiscal year 2006, shareholders' equity excludes minority interest.
- Total market value of shares is the closing market share price at the end of the period multiplied by the number of outstanding shares (excluding treasury shares) at the end of the period.
- Interest bearing liabilities indicate all liabilities listed on the consolidated balance sheet for which interest is paid.

(3) Dividend policy and dividends of fiscal year 2006 and 2007

MMC considers the returning of profits to shareholders one of the most important goals of management. The financial needs for sustaining and growing the enterprise are large due to the ever-increasing intensity of the fierce competition in the global automotive industry today, as well as to demands for the development of environmentally friendly technologies. It is the basic policy of MMC to return the fruits of our efforts to shareholders in a stable fashion, after taking the state of earnings and cash flow into account.

The company is making the greatest effort to achieve the revitalization targets in the Mitsubishi Motors Revitalization Plan, strengthen its financial position, and return to profitability.

MMC regrets to inform shareholders that under current conditions, it must refrain from paying dividends. The company asks for understanding in this matter.

(4) Business-related risks

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

<u>Support for Mitsubishi Motors Revitalization Plan from Mitsubishi Group Companies</u>

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

<u>Legal Proceedings for Product Liability and Other Matters</u>

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

Legal Proceedings for Product Liability and Other Matters

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

MMC is amongst those included in a Tokyo air pollution suit (first - sixth proceedings) that targets the Japanese National Government, the Tokyo Metropolitan Government, the Metropolitan Expressway Public Corporation, and seven diesel automobile manufacturers. Residents and commuters of the Tokyo City area (23 wards) who are afflicted with respiratory ailments such as bronchial asthma as well as bereaved family members (the total number of plaintiffs is more than 500 up through the sixth proceeding) have launched this suit. The plaintiffs contend that the emission of NO2 and SPM (Suspended Particulate Matter) exceeded fixed standards and that the plaintiffs have the right to demand damages and force an injunction on the defendants to reduce pollution. The total financial exposure through the sixth proceeding amounts to approximately 12 billion yen. The suit claims that automobile exhaust emissions are the source of the air pollution that caused the health problems. For the first proceeding, the Tokyo District Court ruled in October 2002 that the automakers were not liable, but against the Japanese National Government, the Tokyo Metropolitan Government and the Metropolitan Expressway Public Corporation the court awarded compensation of approximately 80 million yen to seven plaintiffs. The injunction against pollution was rejected by the court. Appeals in this case are currently pending at the Tokyo Superior Court and the proceedings closed in September 2006. A date for announcement of a court decision has not yet been set. The second to sixth proceedings are currently being tried at the Tokyo District Court. While it is difficult to predict the outcome, if the automakers were to lose their suits, or if the number of suits were to increase, the possibility exists that the company's financial condition will be affected.

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

<u>Leasing, financial services and sales incentives</u>

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

Issuance of common and preferred shares and effect on share price

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

Effect of foreign exchange rate fluctuations

Overseas sales accounted for 77.0 percent of the consolidated sales of MMC for the period. The company endeavors to minimize the risk involved in foreign currency receivables and payables through foreign currency derivative contracts. However, fluctuations in the foreign exchange markets still may have an impact on MMC results.

Effect of socioeconomic situations

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

Effect of fluctuations of interest rates on borrowings

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

Effect of fluctuations in materials prices

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

Natural and other disasters

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

Changes in laws & regulations

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

2. The Mitsubishi Motors Corporation Group of Companies

Mitsubishi Motors Corporation and its group of related companies (referred to herein as ‘MMC’, or the ‘company’) is comprised of MMC and 90 consolidated subsidiaries, 4 equity method non-consolidated subsidiaries and 22 equity method affiliates (as of March 31, 2007).

The MMC Group is engaged in the development, production and sales of passenger vehicles, as well as automotive components. MMC is responsible for most of the development work.

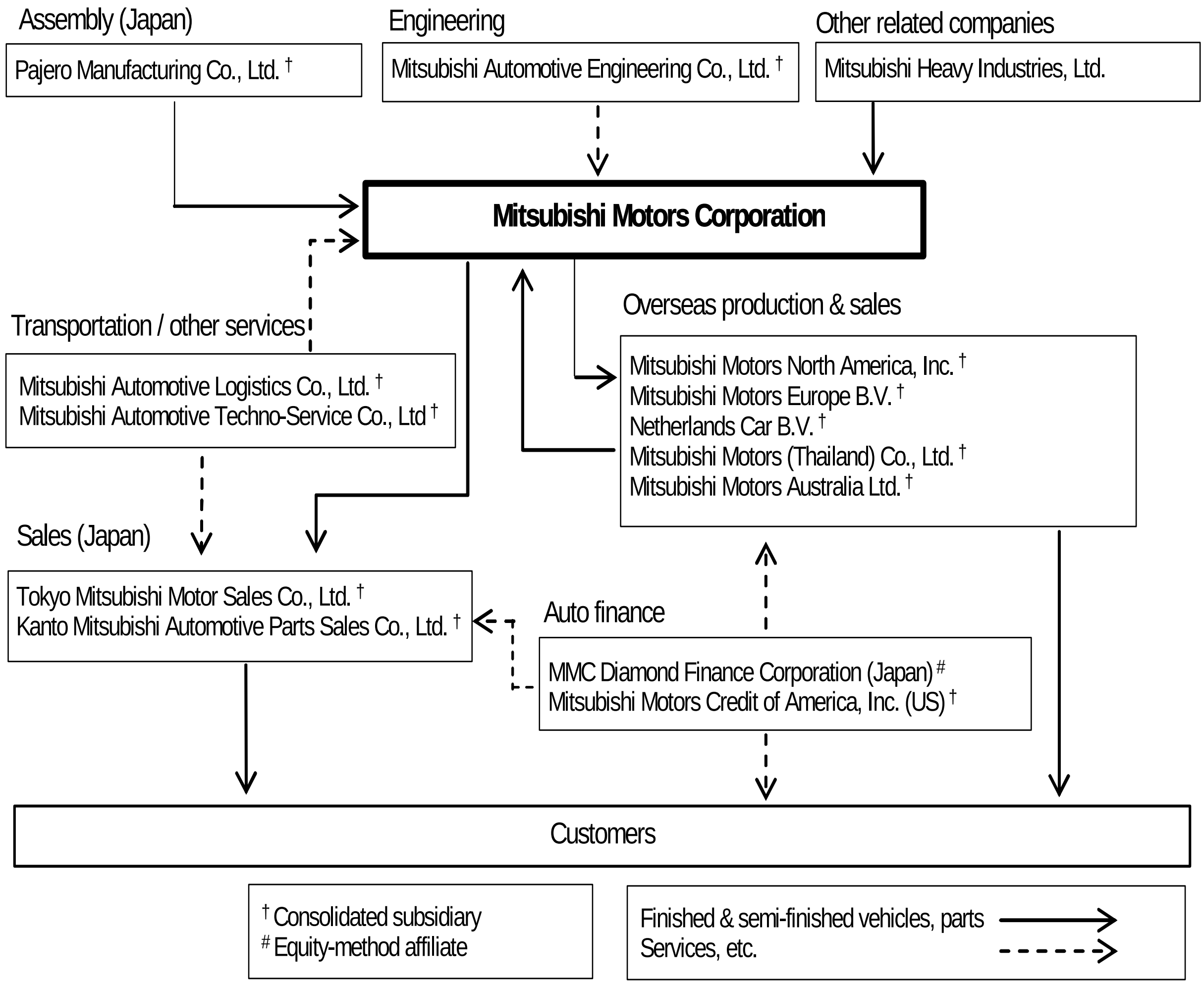
In Japan, Mitsubishi standard sized vehicles, compacts and minicars are produced by MMC, with some sport utility models (including the Pajero) being produced by Pajero Manufacturing Co., Ltd. Mitsubishi Motors sales companies such as Tokyo Mitsubishi Motor Sales Co., Ltd. sell these automobiles in the domestic market. Mitsubishi Automotive Engineering Co., Ltd. undertakes some of the development of MMC automotive products, which are distributed by Mitsubishi Automotive Logistics Co., Ltd. throughout Japan, and Mitsubishi Automotive Techno-Service Co., Ltd. is responsible for the inspection and servicing of certain new Mitsubishi vehicles.

Replacement parts and accessories for the Japanese market are manufactured by MMC and are sold not only by the previously mentioned sales companies, but also by parts sales companies such as Kanto Mitsubishi Motor Parts Sales Co., Ltd.

In North America, Mitsubishi vehicles are produced and sold by Mitsubishi Motors North America, Inc. (US). In Europe, Mitsubishi vehicles are produced by Netherlands Car B.V. and sold by Mitsubishi Motors Europe B.V. (the Netherlands). Mitsubishi Motors Australia Ltd. and Mitsubishi Motors (Thailand) Company Ltd. are two more of the many organizations that produce and sell Mitsubishi vehicles both in local markets and in other regions around the world.

Auto leasing and financing services are provided by MMC Diamond Finance Corporation, also by Mitsubishi Motors Credit of America, Inc. in the United States.

The main MMC group structure and constituent company products and services outlined above are shown in the diagram on the following page.



Assembly (Japan)
Pajero Manufacturing Co., Ltd. †
Engineering
Mitsubishi Automotive Engineering Co., Ltd. †
Other related companies
Mitsubishi Heavy Industries, Ltd.
Mitsubishi Motors Corporation
Transportation / other services
Mitsubishi Automotive Logistics Co., Ltd. †
Mitsubishi Automotive Techno-Service Co., Ltd †
Overseas production & sales
Mitsubishi Motors North America, Inc. †
Mitsubishi Motors Europe B.V. †
Netherlands Car B.V. †
Mitsubishi Motors (Thailand) Co., Ltd. †
Mitsubishi Motors Australia Ltd. †
Sales (Japan)
Tokyo Mitsubishi Motor Sales Co., Ltd. †
Kanto Mitsubishi Automotive Parts Sales Co., Ltd. †
Auto finance
MMC Diamond Finance Corporation (Japan) #
Mitsubishi Motors Credit of America, Inc. (US) †
Customers
† Consolidated subsidiary
# Equity-method affiliate
Finished & semi-finished vehicles, parts
Services, etc.

3. Management Policies

(1) Basic management policy

Together with the ‘Mitsubishi Motors Revitalization Plan,’ announced on January 28, 2005, the Company adopted a new 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." Mitsubishi Motors strives to be a company trusted by all stakeholders including customers, trading partners and employees. All corporate activities are based on this philosophy.

“For our valued customers and our community” = Thoroughly placing customers first

All corporate activities are being executed so that customer satisfaction is made the foremost objective. To realize this, exhaustive efforts are being placed in environmentally friendly technologies and in the pursuit of superior vehicle safety. Through customer satisfaction, MMC aims to become a company in which society places its trust.

“The utmost driving pleasure and safety” = Making the orientation of Mitsubishi Car Engineering transparent

The vehicles that MMC provides to customers reflect the ideas of “Driving Pleasure” and “Reassuring Safety.” MMC will offer cars that balance on and off-road performance — the fundamental appeal of the car, with safety and reliability — allowing customers to use MMC vehicles with confidence.

“On these commitments we will never compromise” = Preserving the commitments of Mitsubishi Motors

With a mission of creating new value for cars which provide satisfaction to users, and in making our customers' car related experiences richer, MMC will not waiver in its commitment to achieving superior car engineering, no matter how small the task.

“Committed to providing” = Emphasizing continuity

With passion and conviction, MMC continuously strives to provide customers with cars that promote the values of Mitsubishi Motors.

(2) Targets for performance measurements

At present MMC is not employing targets for performance measurements such as ROE or ROA. All efforts are being placed in achieving the targets laid out in the Mitsubishi Motors Revitalization Plan, revitalizing the company and rebuilding the capital base.

(3) Medium and long-term management strategy

To overcome the unparalleled hardships faced by MMC and regain the trust of the market, the company placed the accomplishment of the revitalization plan as an utmost priority. All MMC executives and staff are exerting utmost efforts toward the accomplishment of the revitalization plan.

(4) Issues Mitsubishi Motors must face

In the next fiscal year, the Japanese economy will slightly slow down in the first half because of the slow progress of the world economy and the weak but positive growth cycle of domestic business investment and personal consumption. But in the latter half, the Japanese economy will grow moderately. However, downside risks such as an abrupt slowdown of the U.S. economy, escalation of material prices, and the yen's sudden depreciation against the U.S. dollar and the euro must be considered.

In this environment, with the support of three Mitsubishi group companies (Mitsubishi Heavy Industries, Ltd., Mitsubishi Corporation, and the Bank of Tokyo-Mitsubishi UFJ, Ltd.), MMC adopted the Mitsubishi Motors Revitalization Plan on January 28, 2005 to revitalize the company's business globally and to rebuild the capital base. All MMC executives and staff are working to accomplish the revitalization plan.

Profit for fiscal 2006 moved into the black, which was a vital corporate objective, and resulted in restoring profitability at all three levels (operating, ordinary, and net income). In fiscal 2007, as the final stage of revitalization, in addition to the key points of the revitalization plan listed in the previous section, MMC will continue to press forward with the additional initiatives of fiscal 2006, as well as work on administrative efforts such as the additional initiatives of fiscal 2007 to maintain stable profitability.

[Additional initiatives for fiscal year 2006]

- Further increase operating efficiency in all regions, especially Japan & North America, to meet sales/profitability targets

- Thorough cost reductions in all operational areas including sales, production, and development

- Rationalization of the global production network
- Strengthen corporate governance based on internal control systems

[Additional initiatives for fiscal year 2007]

- Wide integration of domestic sales network and strengthening of operating efficiency to promptly restore profitability in domestic sales

- Expanding sales to new markets, especially BRIC areas
- Promoting the development of environmental technologies

Mitsubishi Motors Corporation sincerely thanks all stakeholders for their continued support and guidance.

(5) Other important management issues

Parent company related information

In order to revitalize the company, across all business units globally and rebuild the capital base, with the cooperation of three Mitsubishi group companies (Mitsubishi Heavy Industries, Ltd., Mitsubishi Corporation, and The Bank of Tokyo-Mitsubishi UFJ, Ltd.) MMC announced the Mitsubishi Motors Revitalization Plan. Currently, all company executives and employees are placing all efforts into the progress of the revitalization plan. In addition, the three Mitsubishi group companies are providing strong support and guidance for MMC by dispatching executives and statutory auditors, and through membership in the Business Revitalization Monitoring Committee. This committee provides a thorough check, both qualitative and quantitative, from an outside viewpoint on the progress of the revitalization plan, and provides advice upon request. Going forward, the three Mitsubishi group companies will continue to play a critical role in the success of the plan.

The revitalization plan calls for the three Mitsubishi group companies to hold a combined 34 percent of outstanding MMC common shares by the end of fiscal year 2005, and for MMC to become an equity-method affiliate of Mitsubishi Heavy Industries, Ltd. On December 12, 2005, through the conversion of convertible preferred shares, the holdings of MMC common shares of Mitsubishi Heavy Industries, Ltd. surpassed 15 percent of outstanding, thus making MMC an equity method affiliate.

Company name	Mitsubishi Heavy Industries, Ltd. (MHI)
MMC shares held by MHI	Common Shares:868,660,259 (15.8% of voting rights) Included in this amount is 28,718,000 shares held by MHI subsidiaries Preferred Shares: Class A, 1st series: 12,000 Class G, 2nd series: 12,475
Listed	Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange, Fukuoka Stock Exchange, and Sapporo Securities Exchange
Transactions related to normal operations	Automotive parts and accessories

Executives serving dual roles	MHI's chairman concurrently serves as MMC's chairman;An MHI Director and Executive Vice President serves as an external statutory auditor An MHI Director and Executive Vice President serves as an external statutory auditor
Executives and staff dispatched to MMC	Directors, Statutory Auditor, Corporate General Manager:6 people Others (mostly in accounting roles): 17 people

4.Consolidated financial statements

Consolidated balance sheet

Millions of yen

	3/31/2006	3/31/2007	Change
Assets			
Current assets	**842,306**	**1,059,633**	**217,327**
Cash and cash deposits	259,045	358,058	
Trade notes and accounts receivable	179,101	195,021	
Finance receivables	39,278	40,480	
Marketable securities	5,365	12,225	
Inventories	257,946	351,991	
Short-term loans receivable	2,047	3,277	
Deferred tax assets	1,206	846	
Other current assets	124,120	124,825	
Allowance for doubtful accounts	-25,805	-27,092	
Non-current assets	**715,263**	**719,060**	**3,797**
Property, plant and equipment	506,007	517,464	
Intangible fixed assets	25,836	38,530	
Long-term finance receivables	8,365	18,872	
Investment securities	74,126	71,460	
Long-term loans receivable	12,900	13,262	
Residual interest in securitized assets	69,751	9,358	
Deferred tax assets	7,413	8,468	
Other non-current assets	65,841	59,545	
Allowance for doubtful accounts	-54,979	-17,903	
Total assets	**1,557,570**	**1,778,693**	**221,123**

Millions of yen

	3/31/2006	3/31/2007	Change
Liabilities, minority interest & stockholders' equity			
Current liabilities	**867,160**	**1,110,874**	**243,714**
Trade notes and accounts payable	333,842	451,053	
Short-term loan payable	244,362	352,044	
Accrued expenses and other payable	181,553	194,941	
Accrued income taxes	7,371	7,220	
Allowance for warranty claims	49,589	53,213	
Other current liabilities	50,441	52,400	
Non-current liabilities	**409,150**	**359,514**	**-49,636**
Bonds	57,640	53,490	
Long-term loan payable	145,749	98,316	
Deferred tax liabilities	18,251	24,259	
Accrued retirement benefits	102,787	105,881	
Accrued retirement benefits for executives	1,958	1,005	
Other non-current liabilities	82,762	76,561	
Total liabilities	**1,276,311**	**1,470,389**	**194,078**
Minority interest	**12,580**	**-**	**-12,580**
Stockholders' equity			
Common & preferred stock	657,336	-	-657,336
Capital surplus	432,648	-	-432,648
Retained earnings	-749,198	-	749,198
Unrealized gains/losses on securities	9,046	-	-9,046
Translation adjustments	-81,142	-	81,142
Treasury stock	-12	-	12
Total stockholders' equity	**268,678**	**-**	**-268,678**
Total liabilities, minority interest and stockholders' equity	**1,557,570**	**-**	**-1,557,570**

Millions of yen

	3/31/2006	3/31/2007	Change
Net assets			
Stockholders ' equity			
Common & preferred stock	-	657,342	657,342
Capital surplus	-	432,654	432,654
Retained earnings	-	-740,454	-740,454
Treasury stock	-	-13	-13
Total stockholders' equity	-	349,528	349,528
Valuation and translation adjustments			
Unrealized gains/losses on securities	-	10,132	10,132
Deferred gains/losses on hedge activities	-	1,393	1,393
Translation adjustments	-	-65,272	-65,272
Total valuation and translation adjustments	-	-53,746	-53,746
Minority interest	-	12,522	12,522
Total net assets	-	308,304	308,304
Total liabilities and net assets	-	1,778,693	1,778,693

Consolidated statements of income/loss Millions of yen

	4/1/'05-3/31/'06	4/1/'06-3/31/'07	Change
Net sales	**2,120,068**	**2,202,869**	**82,801**
Cost of sales	1,700,524	1,788,897	88,373
Gross profit before reversal of deferred profit on installment, sales	419,543	413,971	-5,572
Reversal of deferred profit on installment, sales	0	0	0
Gross profit	**419,544**	**413,972**	**-5,572**
Selling, general and administrative expenses	412,760	373,735	-39,025
Operating income/loss	**6,783**	**40,237**	**33,454**
Non-operating income	9,689	11,351	1,662
(Interest and dividend income)	(5,105)	(8,098)	
(Other income)	(4,584)	(3,253)	
Non-operating expenses	34,253	33,046	-1,207
(Interest expense)	(19,580)	(20,777)	
(Other expenses)	(14,672)	(12,268)	
Ordinary income/loss	**-17,780**	**18,542**	**36,322**
Extraordinary gains	9,153	23,401	14,248
Extraordinary losses	74,119	18,839	-55,280
Net income/loss before income taxes	**-82,745**	**23,104**	**105,849**
Income taxes	7,909	12,303	4,394
Minority interest	-1,511	-2,055	-544
Net income / loss	**-92,166**	**8,745**	**100,911**

Consolidated statements of capital surplus and retained earnings and changes in net assets

Consolidated statements of capital surplus and retained earnings

	Millions of yen
	4/1/'05-3/31/'06
Capital surplus	
Capital surplus at beginning of term	**417,612**
Increase in capital surplus	**15,035**
(Issuance of common & preferred stock)	(15,035)
Capital surplus at end of term	**432,648**
Retained earnings	
Retained earnings at beginning of term	**-656,068**
Decrease in retained earnings	**93,129**
(Net loss for term)	(92,166)
(Change in accounting standard in an Australian subsidiary)	(962)
Retained earnings at end of term	**-749,198**

Consolidated statements of changes in net assets

FY2006 full year 4/1/'06-3/31/'07

Millions of yen

	Stockholders' equity				
	Common and preferred stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2006	657,336	432,648	-749,198	-12	340,774
Changes of items during the period					
Issuance of stock	5	5			11
Net income			8,745		8,745
Acquisition of treasury stock				- 0	- 0
Decrease due to new consolidation			-1		-1
Net changes in items other than stockholders' equity					
Total changes in items during the period	5	5	8,743	- 0	8,753
Balance as of March 31, 2007	657,342	432,654	-740,454	-13	349,528

	Valuation and translation adjustments				Minority interest	Total net assets
	Unrealized gains/losses on securities	Deferred gains/ losses on hedge activities	Foreign currency translation adjustments	Total Valuation and translation adjustments		
Balance as of March 31, 2006	9,046	-	-81,142	-72,095	12,580	281,259
Changes of items during the period						
Issuance of stock						11
Net income						8,745
Acquisition of treasury stock						- 0
Decrease due to new consolidation						-1
Net changes in items other than stockholders' equity	1,085	1,393	15,869	18,349	-58	18,291
Total changes in items during the period	1,085	1,393	15,869	18,349	-58	27,045
Balance as of March 31, 2007	10,132	1,393	-65,272	-53,746	12,522	308,304

Consolidated statements of cash flows Millions of yen

	4/1/'05-3/31/'06	4/1/'06-3/31/'07	Change
I Cash flows from operating activities			
Net income/loss before taxes	-82,745	23,104	
Depreciation	69,486	75,035	
Loss on impairment of fixed assets	45,084	7,465	
Amortization of consolidated adjustment	-767	-	
Amortization of goodwill	-	294	
Allowance for doubtful accounts, net of reversal	-9,345	-15,201	
Accrued retirement benefits, net of reversal	1,763	-650	
Interest and dividend income	-5,105	-8,098	
Interest expense	19,580	20,777	
Foreign exchange gain / loss	-227	119	
Loss/gains from affiliates accounted for by the equity method	-1,453	-2,166	
Loss/gain on sales and disposal of property, plant and equipment, net	-1,862	2,003	
Loss/gain on sales of investments in securities, net	-391	-5,036	
Loss on devaluation of investments in securities	335	451	
Gain on liquidation of anonymous association	-	-13,885	
Early retirement expense	-	3,073	
Loss compensation based on stock transfer contract	1,186	-	
Change in trade notes and accounts receivable	-19,550	5,618	
Change in inventories	-5,881	-55,334	
Change in finance receivables	15,790	58,249	
Change in residual interests in securitized assets	16,853	-1,717	
Change in trade notes and accounts payable	30,210	69,297	
Other	1,754	-9,962	
Sub total	**74,713**	**153,440**	**78,727**
Interest and dividends received	6,444	10,135	
Interest paid	-19,048	-20,914	
Compensation based on stock transfer contract paid	-5,000	-5,000	
Compensation for joint consignment	-	52,042	
Payment for retirement	-	-19,476	
Income tax paid	-2,680	-7,881	
Cash flows from operating activities	**54,430**	**162,345**	**107,915**

Millions of yen

	4/1/'05-3/31/'06	4/1/'06-3/31/'07	Change
II Cash flows from investing activities			
Increase/decrease in investments in term deposits..........	3,045	12,085	
Increase/decrease in marketable securities	-	0	
Acquisition of property, plant and equipment	-133,924	-111,594	
Proceeds from sales of property, plant and equipment	45,839	40,274	
Acquisition of investments in securities	-3,156	-3,914	
Proceeds from sales of investments in securities.............	2,990	9,872	
Proceeds from sales of stock of subsidiaries accompanying change in scope of consolidation	-	3,336	
Acquisition of capital investments in affiliates...................	-	-8,750	
Increase/decrease in short-term loans receivable............	741	-2,646	
Loans made	-2,017	-68	
Collection of loans receivable	1,584	1,974	
Gain on liquidation of anonymous association	-	19,451	
Other..	86	-6,039	
Cash flows from investing activities	**-84,811**	**-46,017**	**38,794**
III Cash flows from financing activities			
Increase/decrease in short-term borrowings and commercial papers	-48,192	-13,564	
Proceeds from issuance of long-term debt.......................	21,957	68,823	
Repayment of long-term debt	-40,471	-61,530	
Issuance of bonds...	19,729	-	
Redemption of bonds..	-1,596	-4,934	
Common and preferred stock issued................................	29,704	-	
Dividend paid to minority interest	-33	-79	
Other..	-53	-3	
Cash flows from financing activities	**-18,955**	**-11,287**	**7,668**
IV Effect of exchange rate changes on cash and cash equivalents...	**2,557**	**11,326**	**8,769**
V Net change in cash and cash equivalents	**-46,779**	**116,367**	**163,146**
VI Cash and cash equivalents at beginning of year	**294,903**	**248,069**	**-46,834**
VII Change in cash and cash equivalents due to inclusion and exclusion of subsidiaries in consolidation...	**-54**	**-167**	**-113**
VIII Cash and cash equivalents at end of year	**248,069**	**364,268**	**116,199**

Notes on premise of going concern

For the previous fiscal year (from April 1, 2005 to March 31, 2006)

The Mitsubishi Motors Corporation (MMC) group reported a net loss of ¥215,424 million in fiscal year 2003, and ¥474,785 million net loss for fiscal year 2004. For fiscal year 2005, the group was reporting a net loss of ¥92,166 million.

As a result of these recurring losses, significant doubt arises as to the company's ability to continue as a going concern.
To address this situation as well as to strengthen our operating base, the MMC group formulated the “Business Revitalization Plan” (covering FY2004 to FY2006). In June 2004, the MMC group outlined additional measures to its Business Revitalization Plan announced on May 21, 2004, that focus on three areas: all-out cost cutting, restoring customer trust, and across-the-board compliance.

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

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

In order to revitalize all operations globally, and to rebuild the MMC group's capital base, with the support of three Mitsubishi group companies, all executives and staff are placing all efforts into the Mitsubishi Motors Revitalization Plan. This has resulted in returning to the black on an operating income level one year ahead of original plan. Mentioning its consolidated profit and loss, in addition to impairment charge taken in Japan, the MMC group took additional impairment charges in the United States and Australia where brisk recoveries run late. Moreover, the MMC group reflected extraordinary measure loss for this period.

As a result, net loss fell below plan. These additional charges however lighten MMC group’s future depreciation burden and bring critical targets laid out in the revitalization plan of positive net income in fiscal year 2006 and sustainable net income in fiscal 2007 onward closer to being met.

As a result, these financial statements have been prepared based on the premise of going concern, and do not reflect the effect of any significant doubt as to the group's ability to remain a going concern.

For the fiscal year under review (from April 1, 2006 to March 31, 2007)

Though the Mitsubishi Motors Corporation (MMC) group reported a net income of ¥8,745 million in the fiscal year under review, it had reported net losses of ¥215,424 million, ¥474,785 million, and ¥92,166 million for the fiscal years 2003, 2004, and 2005, respectively.

As a result of these recurring losses, significant doubt arises as to the company's ability to continue as a going concern.
To address this situation as well as strengthen the operating base, the MMC group formulated the “Business Revitalization Plan” (covering FY2004 to FY2006) in May 2004. In June 2004, the MMC group outlined additional measures to its "Business Revitalization Plan" that focused on three areas: all-out cost cutting, restoring customer trust, and across-the-board compliance.

Despite these achievements, the MMC group’s inability to respond adequately to past recall problems delayed the hoped-for restoration of consumer and public trust and seriously impacted sales. This, in turn, has 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 the MMC group. As a result, the group was forced to use funds allocated for the revitalization program in the repayment of interest-bearing debt.

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

In order to revitalize all operations globally, and to rebuild the MMC group's capital base, with the support of 3 Mitsubishi group companies (Mitsubishi Heavy Industries, Ltd., Mitsubishi Corporation, and The Bank of Tokyo-Mitsubishi UFJ, Ltd.), all executives and staff are placing all efforts into the "Mitsubishi Motors Revitalization Plan." The group returned to the black on an operating income level one year ahead of original plan in fiscal year 2005. In the fiscal year 2006, the MMC group again posted net income in the black. Thus, the "Mitsubishi Motors Revitalization Plan" is proceeding steadily.

As a result, these financial statements have been prepared based on the premise of going concern, and do not reflect the effect of any significant doubt as to the group remaining a going concern.

Significant Accounting Policies on the Preparation of Consolidated Financial Statements

Disclosure of significant accounting policies other than the following is omitted because no significant changes were made after the latest Securities Report (submitted on June 26, 2006).

1. Application of accounting standard for the presentation of Net Assets in the balance sheet
2. Application of accounting standard for business combinations

Change of Significant Accounting Policies on the Preparation of Consolidated Financial Statements

Accounting standard for the presentation of Net Assets in the balance sheet

From this period, the MMC group applied *Accounting Standards for Presentation of Net Assets in the Balance Sheet* (ASBJ Statement No. 5, December 9, 2005) and *Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet* (ASBJ Guidance No. 8, December 9, 2005).

The amount that represents the previously presented Stockholders' Equity is ¥294,388 million.

Net Assets in the consolidated balance sheet for this period have been presented in accordance with the new standard for financial statements following the revision of those rules.

Accounting standard for Business Combinations

From this period, the MMC group applied *Accounting Standard for Business Combinations* (Business Accounting Council, Oct. 31, 2003), *Accounting Standard for Business Divestures (*ASBJ Statement No. 7, December 27, 2005) and *Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestures* (ASBJ Guidance No. 10, December 27, 2005).

Change in Method of Presentation

Consolidated statements of cash flows

1. [This item is about the modification of Japanese description of *Amortization of goodwill* in the consolidated statements of cash flows. There is no modification of its English description.]

2. The line item *Loss compensation based on stock transfer contract (gain: figures with -)* shown previously in the statements has declined in materiality and has therefore now been included under *Others* item. In the statements of cash flows for this year, the amount equivalent to former *Loss compensation based on stock transfer contract (gain: figures with -)* that are now included in *Others* of *Cash flows from operating activities* is ¥-4 million.

Notes to consolidated financial statements

Consolidated balance sheets

Millions of yen

FY2006 as of 3/31/2007	
1) Guarantee liabilities	
Guarantee liabilities	4,192
Liabilities similar to guarantee liabilities	2,626

Consolidated statements of income/loss

Millions of yen

FY2006 ended 3/31/2007	
1) Extraordinary gains	
Gain on liquidation of anonymous association	13,885
Gain on sale of fixed assets	3,093
Other gains	6,422
2) Extraordinary losses	
Impairment loss	7,465
Severance payments for early retirement	3,073
Other losses	8,300
3) Total R&D expenditure included in selling, general and administration expenses	41,325

Consolidated statements of net assets

Outstanding shares and treasury shares (4/1/'06-3/31/'07)

Thousands of shares

		Number of shares 3/31/2006	Increase	Decrease	Number of shares 3/31/2007
Outstanding shares					
Common shares	Note 1	5,491,452	64	-	5,491,516
Class A # 1 preferred shares		73	-	-	73
Class A # 2 preferred shares		30	-	-	30
Class A # 3 preferred shares		1	-	-	1
Class G # 1 preferred shares		130	-	-	130
Class G # 2 preferred shares		168	-	-	168
Class G # 3 preferred shares		10	-	-	10
Class G # 4 preferred shares		30	-	-	30
Total		5,491,895	64	-	5,491,959
Treasury shares					
Common shares	Note 2	73	3	-	76
Total		73	3	-	76

Notes: 1. Increase in common shares outstanding of 64,000 is result of exercise of stock acquisition rights.
2. Increase in treasury common shares of 3,000 is the result of purchases of stock lots not meeting the minimum trading lot (1000 shares).

Consolidated statements of cash flows

Millions of yen

FY2006 ended 3/31/2007	
Reconciliation between cash and cash equivalents and the amounts reported in the consolidated balance sheet is as follows:	
Cash and bank deposits	358,058
Time deposits with maturities of three months or more	- 6,005
Short-term investments maturing within three months from the acquisition date	12,215
Cash and cash equivalents	364,268

Segment information

(1) Business segments (4/1/'06-3/31/'07)

Millions of yen

FY2006	Automobiles	Financial services	Total	Corporate and eliminations	Consolidated
I. Net sales & operating income/loss					
Net sales					
(1) External customers	2,154,921	47,947	2,202,869	-	2,202,869
(2) Intersegment sales & transfers	(249)	-	(249)	249	-
Total	2,154,672	47,947	2,202,619	249	2,202,869
Operating expenses	2,136,990	25,641	2,162,631	-	2,162,631
Operating income/loss	17,682	22,305	39,987	249	40,237
II. Assets, depreciation, impairment loss & capital expenditures					
Assets	1,674,897	110,818	1,785,715	(7,022)	1,778,693
Depreciation	68,215	6,820	75,035	-	75,035
Impairment loss	7,465	-	7,465	-	7,465
Capital expenditure	98,058	14,176	112,235	-	112,235

Notes: 1. Segments are divided by sector and by market.
2. Major products by business segment
(1) Automobiles………………… Passenger cars
(2) Financial services ………… Sales-finance products

(2) Geographical segment (4/1/'06-3/31/'07)

Millions of yen

FY2006	Japan	North America	Europe	Asia	Other areas	Total	Corporate and eliminations	Consolidated
I. Net sales & operating income/loss								
Net sales								
(1) External customers	900,250	396,441	655,942	86,544	163,689	2,202,869	-	2,202,869
(2) Intersegment sales & transfers	614,971	27,500	25,213	206,341	397	874,423	(874,423)	-
Total	1,515,221	423,941	681,155	292,885	164,087	3,077,292	(874,423)	2,202,869
Operating expenses	1,520,358	418,475	655,827	272,625	167,649	3,034,937	(872,305)	2,162,631
Operating income/loss	(5,136)	5,466	25,327	20,260	(3,562)	42,355	(2,117)	40,237
II. Assets	1,271,955	333,025	248,485	250,081	83,774	2,187,321	(408,627)	1,778,693

Notes: 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………United States, Puerto Rico
(2) Europe……………….The Netherlands
(3) Asia…………………..Thailand, Philippines
(4) Other…………………Australia, New Zealand, U.A.E.

(3) Overseas sales (4/1/'06-3/31/'07)

Millions of yen

FY2006	North America	Europe	Asia	Other areas	Total
Ⅰ. Overseas sales	423,611	662,815	191,347	419,130	1,696,905
Ⅱ. Consolidated sales					2,202,869
Ⅲ. Overseas sales as a percentage of total sales	19.2	30.1	8.7	19.0	77.0

Notes: 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………United States, Puerto Rico

(2) Europe……………….The Netherlands, Italy, Germany

(3) Asia…………………..Thailand, Malaysia, Taiwan

(4) Other…………………Australia, New Zealand

3. Overseas sales are classified by the region of the wholesaler or end users. The figures consists of sales outside of Japan of MMC and its consolidated subsidiaries.

Per share information

Yen

FY2006 ended 3/31/2007	
Net assets per share	-26.73
Net income per share-basic	1.59
Net income per share-diluted	0.96

Note: Basis for calculating net income per share-basic and net income per share-diluted is shown below.

Millions of yen

	FY2006 ended 3/31/2007
Net income per share-basic	
Net income as shown on the statement of income	8,745
Gain not attributable to ordinary stockholders	-
Net income related to common stock	8,745
Average number of shares of common stock outstanding during the period (Unit: Thousands of shares)	5,491,435
Net income per share-diluted	
Net income after adjustment	8,745
Increase in number of common shares (Unit: Thousands of shares)	3,579,689
(Preferred stock)	(3,579,512)
(Number of stock acquisition rights executed)	(176)

Significant contingency

None.

Other notes

Notes to the following are omitted from this financial statements for swift disclosure.

- Lease transactions
- Marketable securities
- Derivative financial instruments
- Retirement benefits
- Deferred taxation
- Business combinations etc.

5. Non-consolidated financial statements

(1) Non-Consolidated balance sheet

Millions of yen

	3/31/2006			3/31/2007			Change
	Amount		%	Amount		%	Amount
Assets							
Current assets							
Cash and cash equivalents		183,701			219,758		
Notes receivable		439			843		
Accounts receivable		147,915			255,577		
Finished products		30,686			52,564		
Raw materials		9,329			19,752		
Work in process		97,449			82,542		
Supplies		4,149			4,315		
Advance payments		1,475			1,127		
Prepaid expenses		3,886			4,863		
Accounts receivable–other		47,177			55,098		
Short-term loans receivable to affiliated companies		96,223			59,200		
Suspense payments		16,608			-		
Others		1,011			11,133		
Allowance for doubtful accounts		-51,850			-71,776		
Total current assets		**588,203**	**56.3**		**695,001**	**59.6**	**106,798**
Fixed assets							
Property, plant and equipment							
Buildings	132,129			133,581			
Accumulated depreciation	88,415	43,713		91,444	42,136		
Structures	35,453			35,491			
Accumulated depreciation	26,079	9,373		26,946	8,544		
Machinery and equipment	442,394			447,172			
Accumulated depreciation	369,049	73,345		369,155	78,016		
Transportation equipment	8,958			9,182			
Accumulated depreciation	5,710	3,247		6,765	2,416		
Tools, furnitures and fixtures	157,726			154,894			
Accumulated depreciation	142,394	15,331		139,234	15,659		
Land		42,164			43,567		
Construction in progress		9,655			4,030		
Total property, plant and equipment		**196,832**	**18.8**		**194,372**	**16.7**	**-2,460**

Millions of yen

	3/31/2006		3/31/2007		Change
	Amount	%	Amount	%	Amount
Intangible fixed assets					
Patents	2,435		1,963		
Leaseholds	866		866		
Trademarks	10		9		
Copyrights	98		74		
Softwares	10,174		9,137		
Others	1,054		1,014		
Total intangible fixed assets	**14,638**	**1.4**	**13,065**	**1.1**	**-1,573**
Investments and other assets					
Investment securities	43,237		43,296		
Investments in affiliated companies	155,757		181,737		
Money invested	7,820		4		
Money invested in affiliated companies	4,713		13,481		
Long-term loans receivable	464		394		
Long-term loans receivable to affiliated companies	832		433		
Bankruptcies, reorganizations, rehabilitations and others	3,033		6,387		
Long-term prepayments	9,448		8,563		
Guarantee deposit	21,712		15,772		
Others	1,520		220		
Allowance for doubtful accounts	-3,433		-6,514		
Total investments and other assets	**245,108**	**23.5**	**263,776**	**22.6**	**18,668**
Total fixed assets	**456,579**	**43.7**	**471,214**	**40.4**	**14,635**
Total assets	**1,044,783**	**100.0**	**1,166,216**	**100.0**	**121,433**

Millions of yen

	3/31/2006		3/31/2007		Change
	Amount	%	Amount	%	Amount
Liabilities					
Current liabilities					
Trade notes	15,537		24,671		
Accounts payable	235,265		365,819		
Short-term borrowings	44,607		66,507		
Current portion of long-term debt	33,760		118,373		
Accounts payable	75,046		70,029		
Accrued expenses	4,457		3,762		
Accrued income taxes	770		781		
Advances received	11,556		542		
Deposits received	28,999		26,500		
Advance received profit	51		70		
Allowance for product warranties	22,933		22,933		
Deferred tax liabilities	-		453		
Others	14,289		20,888		
Total current liabilities	**487,275**	**46.6**	**721,334**	**61.9**	**234,059**
Non-current liabilities					
Bonds	36,300		27,600		
Long-term debt	121,747		63,924		
Accrued retirement benefits	82,842		84,313		
Accrual for retirement benefits for directors and corporate auditors	1,359		696		
Guarantee liability reserve	39,097		23,303		
Deferred tax liabilities	12,714		13,491		
Long-term accrued accounts payable	25,428		16,889		
Others	6,265		6,130		
Total fixed liabilities	**325,755**	**31.2**	**236,349**	**20.2**	**-89,406**
Total liabilities	**813,030**	**77.8**	**957,683**	**82.1**	**144,653**

Millions of yen

	3/31/2006			3/31/2007			Change
	Amount		%	Amount		%	Amount
Stockholders' equity							
Common and preferred stock		657,336	62.9		-	-	-
Capital surplus							
Capital reserve	433,184			-			
Total capital surplus		**433,184**	**41.5**		**-**	**-**	**-**
Earned surplus							
Unappropriated earned surplus at end of period	-867,475			-			
Total earned surplus		**-867,475**	**-83.0**		**-**	**-**	**-**
Valuation difference an available-for-sale securities		8,719	0.8		-	-	-
Treasury stock		-12	-0.0		-	-	-
Total stockholders' equity		**231,752**	**22.2**		**-**	**-**	**-**
Total liabilities & stockholders' equity		**1,044,783**	**100.0**		**-**	**-**	**-**
Net assets					-		
Owners' equity							
Common and preferred stock		-	-		657,342	56.4	-
Capital surplus							
Legal reserve	-			433,189			
Total capital surplus		**-**			**433,189**	**37.1**	**-**
Retained earnings							
Other retained earnings							
Retained earnings carried forward to the following term	-			-892,016			
Total earned surplus		**-**	**-**		**-892,016**	**-76.5**	**-**
Treasury stock		**-**	**-**		**-13**	**-0.0**	**-**
Total owners' equity		-	-		198,501	17.0	-
Valuation and translation adjustments							
Unrealized holding gain on securities		-	-		9,871	0.9	-
Deferred gains/losses on hedge activities		-	-		159	0.0	-
Total valuation and translation adjustments		**-**	**-**		**10,031**	**0.9**	**-**
Stock acquisition rights		-	-		-	-	-
Total net asset		**-**	**-**		**208,533**	**17.9**	**-**
Total liabilities & net assets		**-**	**-**		**1,166,216**	**100.0**	**-**

(2) Statements of income/loss

Millions of yen

	4/1/'05 - 3/31/'06			4/1/'06 - 3/31/'07			Change
	Amount		%	Amount		%	Amount
Net sales		1,259,981	100.0		1,457,016	100.0	197,035
Cost of sales		1,101,078	87.4		1,314,501	90.2	213,423
Gross income		158,902	12.6		142,515	9.8	-16,387
Selling, general and administrative expenses							-
Sales promotion and advertising	65,687			50,094			
Freight	15,220			20,353			
Bad debts expense	2,069			1,682			
Salaries and wages	17,878			17,719			
Pension expenses	2,624			2,263			
Severance payments to directors and corporate auditors	346			-			
Depreciation	6,884			7,295			
Research and development	44,990			39,007			
Compensation payoff handing charges	6,009			5,543			
Lease expenses	15,050			13,294			
Others	-3,483	173,277	13.7	-2,600	154,655	10.6	-18,622
Operating income		**-14,374**	**-1.1**		**-12,140**	**-0.8**	**2,234**
Non-operating income							
Interest income	11,243			6,951			
Dividend income	3,780			7,078			
Other income	193	15,217	1.2	408	14,438	1.0	-779
Non-operating expenses							
Interest expense	8,682			9,596			
Interest on corporation bonds	1,210			-			
Loss on foreign exchange	7,054			6,221			
Legal expenses relating to litigation	2,737			3,136			
Other expenses	4,802	24,486	2.0	4,068	23,023	1.6	-1,463
Ordinary income		-23,644	-1.9		-20,725	-1.4	2,919

Millions of yen

	4/1/'05 - 3/31/'06			4/1/'06 - 3/31/'07			Change
	Amount		%	Amount		%	Amount
Extraordinary gains							
Gain on liquidation of anonymous association	-			13,885			
Gain on sale of fixed assets	1,237			-			
Gain on sale of Investments in affiliated companies	2,253			4,730			
Gain on reversal of guarantee liability reserve	555			-			
Other gains	865	4,912	0.4	4,455	23,070	1.6	18,158
Extraordinary losses							
Loss on appraisal of investments in affiliated companies..	69,631			15,600			
Impairment losses..	22,504			-			
Provision for guarantees liability	-			5,244			
Other losses...	14,463	106,600	8.4	7,224	28,070	1.9	-78,530
Income before income taxes		-125,332	-9.9		-25,724	-1.8	99,608
Income tax, current..	-2,986			-1,183			
Income tax, deferred (－indicates reduction)	5,806	2,819	0.3	-	-1,183	-0.1	-4,002
Net income		-128,152	-10.2		-24,541	-1.7	103,611
Retained earnings brought forward from previous period..		-739,322			-		
Unappropriated retained earnings at end of period		**-867,475**			**-**		

(3) Statements of disposition of losses and statements of changes in net assets

Statements of disposition of losses Millions of yen

	4/1/'05-3/31/'06
	Amount
Accumulated loss at end of period	867,475
Accumulated loss to be carried forward to next period	867,475

Statements of changes in net assets

FY2006 4/1/'06-3/31/'07 Millions of yen

	Owners' equity						
	Common and preferred stock	Capital surplus		Retained earnings		Treasury stock	Total Owners' equity
		Legal reserve	Total capital surplus	Other retained earnings Retained earnings carried	Total retained earnings		
Balance as of March 31, 2006	657,336	433,184	433,184	-867,475	-867,475	-12	223,033
Changes of items during the period							
Issuance of stock (Exercise of stock acquisition rights)	5	5	5				11
Net income				-24,541	-24,541		-24,541
Acquisition of treasury stock						-0	-0
Net changes in items other than owners' equity							
Total changes in items during the period	5	5	5	-24,541	-24,541	-0	-24,531
Balance as of March 31, 2007	657,342	433,189	433,189	-892,016	-892,016	-13	198,501

	Valuation and translation adjustments			Total net assets
	Unrealized gains/losses on securities	Deferred gains/ losses on hedge activities	Total valuation and translation adjustments	
Balance as of March 31, 2006	8,719	-	8,719	231,752
Changes of items during the period				
Issuance of stock (Exercise of stock acquisition rights)				11
Net income				-24,541
Acquisition of treasury stock				- 0
Net changes in items other than owrners' equity	1,152	159	1,311	1,311
Total changes in items during the period	1,152	159	1,311	-23,219
Balance as of March 31, 2007	9,871	159	10,031	208,533

(4) Notes on premise of going concern

For the previous fiscal year (from April 1, 2005 to March 31, 2006)

Mitsubishi Motors Corporation (MMC) reported a net loss of ¥213,097 million in fiscal year 2003, and a ¥526,225 million net loss for fiscal year 2004. For fiscal year 2005, the company was reporting a net loss of ¥128,152 million.
As a result of these recurring losses, significant doubt arises as to the company's ability to continue as a going concern.
To address this situation as well as to strengthen our operating base, MMC formulated the “Business Revitalization Plan” (covering FY2004 to FY2006). In June 2004, MMC outlined additional measures to its Business Revitalization Plan announced on May 21, 2004, that focus on three areas: all-out cost cutting, restoring customer trust, and across-the-board compliance.

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

To break out of this situation and successfully revitalize itself, MMC, while continuing its efforts to regain customer and public trust, found itself in a situation that required additional measures to improve profitability. Given these circumstances, MMC put together the "Mitsubishi Motors Revitalization Plan" in January 2005.

In order to revitalize all operations globally, and to rebuild the MMC group's capital base, with the support of three Mitsubishi group companies, all executives and staff are placing all efforts into the Mitsubishi Motors Revitalization Plan. This has resulted in returning to the black on an operating income level one year ahead of original plan. Mentioning its consolidated profit and loss, in addition to impairment charge taken in Japan, MMC group took additional impairment charges in the United States and Australia where brisk recoveries run late. Moreover, MMC reflected extraordinary measure loss for this period.

As a result, net loss fell below plan. These additional charges however lighten MMC’s future depreciation burden and bring critical targets laid out in the revitalization plan of positive net income in fiscal year 2006 and sustainable net income in fiscal 2007 onward closer to being met.

As a result, these financial statements have been prepared based on the premise of going concern, and do not reflect the effect of any significant doubt as to the company's ability to remain a going concern.

For the fiscal year under review (from April 1, 2006 to March 31, 2007)

In the fiscal years 2003, 2004, and 2005, Mitsubishi Motors Corporation (MMC) reported net losses of ¥213,097 million, ¥526,225 million and ¥128,152 million respectively. In addition, in the fiscal year under review, MMC reported a new loss of ¥24,541 million.

As a result of these recurring losses, significant doubt arises as to the company's ability to continue as a going concern.
To address this situation as well as strengthen the operating base, MMC formulated the “Business Revitalization Plan” (covering FY2004 to FY2006) in May 2004. In June 2004, MMC outlined additional measures to its "Business Revitalization Plan" that focused on three areas: all-out cost cutting, restoring customer trust, and across-the-board compliance.

Despite these achievements, MMC’s inability to respond adequately to past recall problems delayed the hoped-for restoration of consumer and public trust and seriously impacted sales. This, in turn, has 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, MMC was forced to use funds allocated for the revitalization program in the repayment of interest-bearing debt.

To break out of this situation and successfully revitalize itself, MMC, while continuing efforts to regain customer and public trust, found itself in a situation that required additional measures to improve profitability. Given these circumstances, MMC put together the new "Mitsubishi Motors Revitalization Plan" in January 2005.

In order to revitalize all operations globally, and to rebuild the MMC group's capital base, with the support of 3 Mitsubishi group companies (Mitsubishi Heavy Industries, Ltd., Mitsubishi Corporation, and The Bank of Tokyo-Mitsubishi UFJ, Ltd.), all executives and staff are placing all efforts into the "Mitsubishi Motors Revitalization Plan." The group returned to the black on an operating income level one year ahead of original plan in fiscal year 2005. In the fiscal year 2006, the MMC group again posted consolidated net income in the black. Thus, the "Mitsubishi Motors Revitalization Plan" is proceeding steadily.

As a result, these financial statements have been prepared based on the premise of going concern, and do not reflect the effect of any significant doubt as to the company remaining a going concern.