

(TRANSLATION OF ORIGINAL JAPANESE)

FY2005 Mid-term Results: Consolidated Financial Statements

(April 1, 2005 through September 30, 2005)

10 Nov. 2005

Mitsubishi Motors Corporation

Code No.: 7211 Listed on: Tokyo, Osaka Stock Exchanges
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Meeting of Board of Directors for FY2005 first half results: Nov. 10, 2005
United States GAAP accounting standards applied: No

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

(1) Consolidated financial results

	Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2005 first half	991,257	-7.4	-19,794	-	-33,625	-	-63,771	-
FY2004 first half	1,070,812	-11.3	-76,413	-	-110,645	-	-178,791	-
FY2004 full year	2,122,626		-128,544		-179,172		-474,785	

	Net income per share-basic	Net income per share-diluted
	Yen	Yen
FY2005 first half	-14.87	-
FY2004 first half	-95.67	-
FY2004 full year	-194.36	-

Note1: Income from equity-method affiliates and subsidiaries:

FY2005 first half	FY2004 first half	FY2004 full year
1,509 Million	-13,622 Million	-13,002 Million

Note2: Average number of shares issued and outstanding during term (consolidated),

	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

Note3: Accounting policy changes: Yes

Note4: Sales, operating income, ordinary income and net income percentages indicate changes over same half-year period in previous fiscal year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	Million yen	Million yen	%	Yen
FY2005 first half	1,514,061	259,007	17.1	-58.82
FY2004 first half	1,884,708	340,712	18.1	-18.96
FY2004 full year	1,589,286	324,782	20.4	-47.34

Note: Number of shares issued and outstanding at term end (consolidated).

	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

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of term
	Million yen	Million yen	Million yen	Million yen
FY2005 first half	25,923	-46,673	-43,927	230,775
FY2004 first half	-118,817	-34,775	112,772	142,484
FY2004 full year	13,654	-34,206	133,556	294,903

(4) Scope of consolidated and equity-method affiliates and subsidiaries

Consolidated subsidiaries: 104 Equity-method subsidiaries: 14 Equity-method affiliates: 27

(5) Changes in scope of consolidated and equity-method affiliates and subsidiaries

Consolidation:	Include	1	Equity-method:	Include	3
	Exclude	9		Exclude	3

2. FY2005 full year consolidated forecast (1 April 2005 through 31 March 2006)

	Sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
FY2005 full year	2,220,000	-40,000	-64,000

Note: Forecasted net income per share for full term: -14.59

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

1. 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 104 consolidated subsidiaries, 14 equity method non-consolidated subsidiaries and 27 equity method affiliates (as of September 30, 2005).

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.

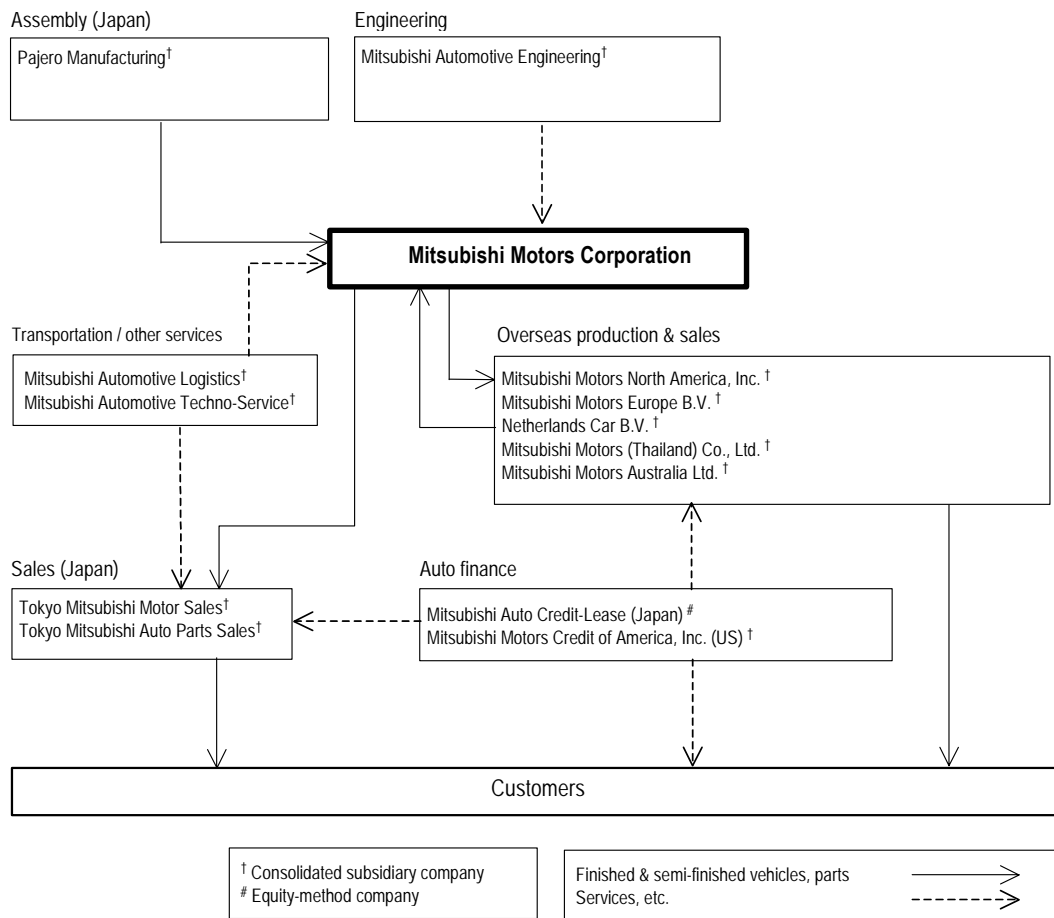
In Japan, Mitsubishi standard sized vehicles, compacts and minicars are produced by MMC, with some sport utility models (including the Pajero) being produced by Pajero Manufacturing Co., Ltd. Tokyo Mitsubishi Motor Sales Co. and other Mitsubishi Motors sales companies sell these automobiles in the domestic 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 Tokyo Mitsubishi Automotive Parts Sales Co., Ltd. (which has been consolidated into Kanto Mitsubishi Automotive Parts Sales Co, Ltd. from October 1, 2005) and other parts companies.

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

Auto leasing and financing services are provided by Mitsubishi Auto Credit-Lease Corporation in Japan and by Mitsubishi Motors Credit of America, Inc. in the United States.

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



2. 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," All corporate activities going forward will proceed based on this new philosophy.

- **"For our valued customers and our community" = Thoroughly placing customers first**

All corporate activities will be 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 the community 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 which balance on and off-road performance, the fundamental appeal of the car, with safety and reliability, which allow customers to use MMC vehicles with confidence.

- **"On these commitments we will never compromise" = Preserving the commitments of Mitsubishi Motors**

Under the headline of creating a new value for cars which provide satisfaction to customers, and in making customers car related experiences richer, MMC will not waiver in its commitment to car engineering, no matter how small the task.

- **"Committed to providing" = Emphasizing continuity**

With passion and conviction, MMC will continuously strive to provide customers with cars which promote the values of Mitsubishi Motors.

(2) Dividend policy

MMC considers the returning of profits to our shareholders one of the most important goals of management. The financial needs for sustaining and growing the enterprise are large, ture financial development need, due to the ever-increasing intensity of the fierce competition in the global automotive industry today. This environment is placing unprecedented demands on investment and necessitating stronger competitiveness in the global market as well as 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 will make the greatest effort to achieve its revitalization targets in the Mitsubishi Motors Revitalization Plan, strengthen its financial position, and return to profitability.

(3) Medium and Long-Term Management Strategy

The Company has adopted the 'Mitsubishi Motors Revitalization Plan,' announced officially on January 28th 2005, as its 3-year business plan covering fiscal years 2005 through 2007.

The following is a general outline of the plan.

Corporate culture reform initiatives

Recovering customer and public trust and reforming corporate culture are items of absolute priority in the Company's bid to revitalize itself. The CSR Promotion Office has played a lead role in the implementation of a wide range of measures designed to enhance compliance. The Business Ethics Committee, made up of specialists and leaders in their fields from outside the Company, has also given valuable advice and guidance from an external perspective in this regard. An internal seminar program has enabled each employee to acquire a deeper understanding of business ethics principles. Employees have now submitted written pledges to fully observe and practice compliance.

The Company is implementing a number of initiatives and measures designed to reform the corporate culture. These include 'Problem solving through cross-functional activities', 'Training and promoting talented personnel to important positions', 'Personnel evaluation reflecting a Customer First approach', and 'Promotion of personnel exchanges with sales companies and department rotations'.

Furthermore, based on the facts as identified by an investigation into the past recall problems, the Company announced in March 2005 measures it would take to prevent the recurrence of such improprieties and announced disciplinary measures or other actions against those involved, including former directors.

Key points in the Mitsubishi Motors Revitalization Plan

◆ Reinforcement of capital and funding

- Strengthening of financial standing and securing capital for revitalization

New capital totaling 284.2 billion yen was injected by three Mitsubishi group companies (Mitsubishi Heavy Industries, Ltd., Mitsubishi Corporation, Ltd. and the Bank of Tokyo Mitsubishi) and others. This capital enhancement has strengthened MMC's capital position and will be used for R&D and capital investments necessary for revitalization.

◆ Boosting management's effectiveness

- Lead from the top with a new management team
- Setting up a thorough follow-up system

At the end of March 2005, an organizational change was put into effect in order to unify lines of reporting and clarify accountability. The Revitalization Promotion Department has been established to follow-up on issues with a new position of Executive Vice President created to lead this initiative. To monitor the progress of the revitalization plan, the Business Revitalization Monitoring Committee was established in April 2005 as an advisory body to the Board of Directors.

◆ A highly trustworthy business strategy

- Sales plans which reflect downside risks
- Promotion of operational alliances with other auto makers
- Rationalization of production capacity and size of sales networks (U.S., Australia, Japan)

This business strategy sets a sales plan which reflects targets that can be definitely achieved going forward. Regarding business alliances, the Company aims to improve productivity at its production facilities and increase profitability by tying up with Nissan and PSA Peugeot Citroen. Furthermore, initiatives are being taken to bring capital equipment and sales systems to within optimal range by applying asset impairment accounting to production facilities and by restructuring sales networks.

Commitments

- ◆ Return to profitability in fiscal year 2006 (net income of 8 billion yen)
- ◆ Establish sustainable profitability in fiscal 2007 (net income of 41 billion yen)

The Company presently has not incorporated management benchmarks for items such as ROE, ROA, etc. as a goal, but instead is determined to achieve the goals set out in the Mitsubishi Motors Revitalization Plan. Management will continuously endeavor to strengthen the financial standing of the Company and achieve sustainable profits.

(4) Basic policy on Corporate Governance and status of policy implementation

The following is a list of main concepts and specific efforts related to the Company's corporate governance.

Fundamental Policy

The Company has adopted increased transparency by proactively providing information to stakeholders and clarified management accountability as pillars of strengthened corporate governance.

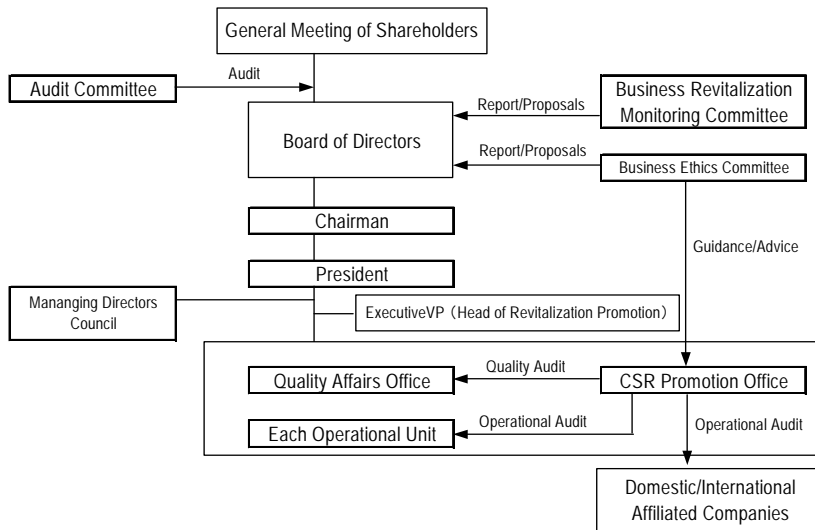
Specific Measures

- The Company has adopted an auditor system, and in addition to this regulatory requirement, the Company has further improved and strengthened its corporate governance structure by electing outside board members, and also by introducing both an executive officer system and an advisory committee.
- Presently consisting of twelve board members (including three outside members), the Board of Directors makes important decisions and supervises the business execution of management. The Company has also introduced an executive officer system to define the function and responsibility of board members and executives. The Audit Committee consists of four statutory auditors (including two external statutory auditors). A Managing Directors Council which consists of 15 directors acts as a decision making body in the Company and is held every other week in order to speedup the decision making process.
- The Company has also established a Business Ethics Committee, led by experts from outside the Company, in June 2004 as an advisory committee to the Board of Directors to provide external guidance and advice with an aim of thoroughly penetrating a compliance mindset throughout the company.
- To ensure business revitalization is being achieved, the Company established a new 'Business Revitalization Monitoring Committee' in April 2005 to act as an advisory committee to monitor the progress of the Mitsubishi Motors Revitalization Plan.
- From the viewpoint of recognizing anew corporate social responsibility, the Company is putting into place an internal monitoring system with the aim of improving quality. The system entails quality related matters as well as customer suggestions and complaints going directly to top management. In regard to quality, the Quality Affairs Office is monitored by the Quality Audit Department of the CSR Promotion Office. Results are reported to top management. In addition, customer related information gathered by the Customer Relations Department, also of the CSR Promotion Office, is also reported to top management.
- Turning to compliance, under the Chief Business Ethics Officer, the compliance Department plays

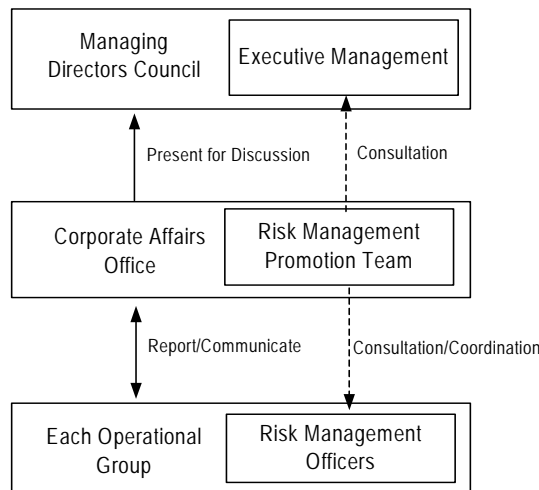
a central role. This department has been implementing its initiatives by appointing a compliance officer to each respective operational group within the Company in order to assure the permeation of 'Mitsubishi Motors Business Ethics' throughout the entire company. Attempting to establish a compliance mindset one employee at a time, initiatives are being continuously carried out such as employee training and by making adjustments to regulations.

- The internal control system consists of the Internal Audit Department, under the CSR Promotion Office, which carries out systematic audits and submits these results to top management.
- Furthermore, with the Risk Management Promotion Team as a base, Risk Management Officers, 18 officers in all, have been appointed in each operational group. With these officers at the core, the risk management system is being established and strengthened.
- Mitsubishi Motors endeavors to swiftly recover the trust of everyone by raising the bar for such things as transparency and safety, and by establishing a reporting system that reflects the voice of stakeholders.

An outline of the Company's organizational structure and governance systems is as follows:



An outline of the risk management system, as of October 1, 2005, is as follows:



External directors and external statutory auditors

The Board of Directors consists of MMC top management as well as three external members. Mr. Rudiger Grube is a member of the management board of DaimlerChrysler AG, which has a master alliance agreement with MMC. Mr. Mikio Sasaki is the chairman of Mitsubishi Corporation, a principal shareholder of MMC. Mr. Hidetoshi Yajima is the chairman of Shimadzu Corporation, which has a business partner relationship with MMC.

The Audit Committee has two external members. Mr. Shiegemitsu Miki is the chairman of the Bank of Tokyo-Mitsubishi, Ltd., a major shareholder of MMC. Mr. Hiroshi Kan is a managing director of Mitsubishi Heavy Industries, Ltd., also a major shareholder. No conflicts of interest exist between MMC and any of the outside directors and statutory auditors.

(5) Basic policy concerning transactions with related parties

In order to revitalize the company, across all business units globally and in terms of financial soundness, with the cooperation of 3 Mitsubishi group companies (Mitsubishi Heavy Industries, Ltd., Mitsubishi Corporation, Ltd., and The Bank of Tokyo-Mitsubishi, Ltd.) MMC announced the Mitsubishi Motors Revitalization Plan. Currently, all MMC executives and employees are placing all efforts into the progress of the revitalization plan. In addition, the 3 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. It also provides advice in response to requests from MMC. Going forward, the 3 Mitsubishi group companies will continue to play a critical role in the success of the plan.

▪ Mitsubishi Heavy Industries, Ltd. (MHI)

Capital Relationship	MHI shares held by MMC	None
	MMC shares held by MHI (as of Sept, 30 2005)	Common Shares: 580,683,000 (13.24%) Preferred Shares: Class A, 1st series: 40,000 Class G, 2nd series: 12,475
Business Relationship	Transactions related to normal operations	Automotive parts and accessories
	Transactions outside of normal operations	None
	Personnel related transactions	MHI's chairman concurrently serves as MMC's chairman An MHI managing director serves as an external statutory auditor

▪ Mitsubishi Corporation (MC)

Capital Relationship	MC shares held by MMC	None
	MMC shares held by MC (as of Sept, 30 2005)	Common Shares: 571,065,000 (13.02%) Preferred Shares: Class A, 1st series: 40,000 Class G, 2nd series: 18,654
Business Relationship	Transactions related to normal operations	Domestic and global transactions (import, export) of vehicles, automotive parts and accessories
	Transactions outside of normal operations	None
	Personnel related transactions	MC's chairman serves on the MMC Board of Directors

▪ The Bank of Tokyo-Mitsubishi, Ltd. (BTM)

Capital Relationship	BTM shares held by MMC	None
	MMC shares held by MC (as of Sept, 30 2005)	Common Shares: 203,949,000 (4.65%) Preferred Shares: Class A, 1st series: 40,000 Class G, 1st series: 90,000 Class G, 2nd series: 137,264
Business Relationship	Transactions related to normal operations	Deposits, borrowings, foreign currency related transactions
	Transactions outside of normal operations	None
	Personnel related transactions	BTM's chairman serves as an external statutory auditor

3. Management results and financial position

(1) Management results

Overview of consolidated results for the first half of fiscal 2005

Consolidated net sales for the first half totaled 991.3 billion yen (a 7.4 percent decrease year on year).

Looking at revenue by region, in Japan sales have increased year-on-year every month since May 2005. The first half of fiscal 2005 saw an increase of 26.0 billion yen over the first half of fiscal 2004, or 14.2 percent growth year-on-year, for a total of 208.8 billion yen.

In contrast, unit volumes fell in North America due to the ending of OEM supply agreements in fiscal 2004, and to the adoption of a new sales-finance system structure in July 2005. Sales declined 41.2 billion yen, down 17.4 percent from the previous period, to 196.1 billion yen.

Furthermore, OEM supply unit volumes in Europe fell, along with lower wholesale unit volumes to reduce dealer inventories. Fiscal 2005 mid-term sales in the region came to 283.4 billion yen, a 64.6 billion decline, 18.6 percent, over the fiscal 2004 first half.

In Asia and other areas, unit volumes fell in Malaysia and China, but saw steady progress in Thailand, Oceania, Central and South America, and Africa. Sales increased 0.3 billion yen, a year-on-year increase of 0.1 percent, to 303.0 billion.

MMC posted an operating loss of 19.8 billion yen, an improvement of 56.6 billion yen over the same period last year. Negative factors lowering operating income on a year-on-year comparison included lower unit volumes and sales mix shifting to lower margin products. These factors combined for a 7.0 billion yen worsening of operating income. Positive factors increasing operating income included 2.9 billion yen from the weakening of the yen, a 15.7 billion yen drop in warranty expenses, and 9.7 billion yen due to lower sales promotion costs, primarily lower advertising spending in the United States and Europe. Other positive factors included 7.2 billion yen from lower depreciation costs resulting from the impairment charges taken in North America and Australia in the previous fiscal year, and 12.9 billion yen for the non-reoccurrence of losses on the sales of sales-finance receivables in the United States sales-finance unit.

Non-operating losses totaled 13.8 billion yen, a year-on-year improvement of 20.4 billion yen. In addition to lower interest costs, the improvement can be attributed to the non-reoccurrence of stock issuance costs, which were fully expensed in the previous fiscal year, and to smaller losses attributed to equity-method affiliates. Ordinary loss for the period came to 33.6 billion yen, an improvement of 77.0 billion yen over the previous year.

Extraordinary losses and income taxes included the following. Losses related to new asset impairment accounting standards in Japan came to 21.9 billion yen. Together with the impairment losses, additional restructuring measures, the cancellation of a portion on MMC's new model development plan, and the pulling forward of losses expected to occur in the near future, brought extraordinary losses to 30.2 billion yen for the period. Net loss therefore totaled 63.8 billion yen, a year-on-year improvement of 115.0 billion yen.

Segment Information

(Business Segment Information)

First half revenues for the Company's automotive business were 972.0 billion yen, a decrease of 6.6 percent over the same period last year, producing an operating loss of 23.1 billion yen, a year-on-year improvement of 38.2 billion yen.

Revenues from the Company's financial services business were 19.2 billion yen, a decrease of 40.1 percent over the previous period, producing an operating loss of 2.2 billion yen, an improvement of 15.6 billion yen year-on-year. This improvement can be attributed to the non-recurrence of a one-time charge for losses on sales of sales-finance receivables.

MMC regrets to announce that it intends to withhold the payment of dividends for this reporting period. The Company apologizes sincerely to its shareholders and asks for their continuing understanding in this matter.

(2) Financial standing

Total assets came to 1.5141 trillion yen. Mainly due to capital expenditures and repayment of debt, cash fell 75.2 billion yen from the end of the previous fiscal year. Interest bearing debt on the other hand fell 35.2 billion in the period to 440.8 billion yen, mainly due to scheduled repayments. Shareholders' equity fell 65.8 billion yen, due to this period's net loss, from 324.8 billion yen to 259.0 billion.

Cash flow from operating activities during the period was an inflow of 25.9 billion yen, an increase of 144.7 billion from the year ago period. The improvement was due to the improvement in net loss for the period.

For cash flows from investing activities, expenditures on tangible fixed assets outweighed the proceeds from sales of tangible fixed assets resulting in an outflow of 46.7 billion yen (an increase in outflow of 11.9 billion yen year-on-year).

Cash flow from financing activities totaled a cash outflow of 43.9 billion yen (a 156.7 billion yen drop from the inflows of the year ago period) due to the repayment of short-term loans and commercial paper. The balance of cash and cash equivalents at the end of the period stood at 230.8 billion yen, 64.1 billion lower than the balance at the beginning of the period.

Trends in cash flow indices

	FY2002 Full Year	FY2003 Mid-term	FY2003 Full Year	FY2004 Mid-term	FY2004 Full Year	FY2005 Mid-term
Ratio of shareholders' equity (%)	11.6	7.8	1.5	19.5	20.4	17.1
Ratio of market value to assets (%)	16.7	16.8	19.2	15.9	37.7	67.5
Debt repayment coverage (years)	57.3	-	-	-	-	17.0
Interest coverage ratio	0.5	-	-	-	-	2.6

(NOTE)

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 flow from operating activities / interest payments

Notes

All figures are calculated based on data from the consolidated financial statements.

The 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.

The figure for cash flow from operating activities is taken from the consolidated financial statements. Interest bearing liabilities indicate all liabilities listed on the consolidated balance sheet for which interest is paid. The amount of interest payments listed in the consolidated cash flow statement is used for the interest payments above.

Fiscal 2005 Earnings Outlook

The current outlook for fiscal 2005 business results is as follows:

	<u>Consolidated</u>	<u>Non-consolidated</u>
Sales	2,220 billion yen	1,200 billion yen
Ordinary profit	- 40 billion yen	- 48 billion yen
Current profit	- 64 billion yen	- 90 billion yen

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.

(3) Business-related risks

Risks related to the Company's operations are listed as follows:

Support for Mitsubishi Motors Revitalization Plan from Mitsubishi Group Companies

Mitsubishi Group companies, especially Mitsubishi Heavy Industries, Ltd, Mitsubishi Corporation, and Bank of Tokyo Mitsubishi, 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, the MMC would find it difficult to achieve the items set out within this revitalization plan and difficult to restore business results back to health.

Relationship with DaimlerChrysler AG

In March of 2000, MMC and DaimlerChrysler AG (DC) signed a broad-based agreement for a strategic business alliance, which resulted in DC, including its subsidiaries, acquiring 37 percent of MMC's common stock. However, on April 23, 2004, DaimlerChrysler announced that it would not provide additional capital support to MMC. Recent additional investments by Mitsubishi Group companies and other investors have since reduced DC's holdings to 12.89 percent as of March 31, 2005. Going forward, DaimlerChrysler is restricted from selling their stake in MMC to an industry competitor without prior consent from the MMC's Board of Directors. Otherwise, DC has no restrictions on the sale of MMC's common stock.

However, DaimlerChrysler's position as an important business partner remains unchanged. In line with the business alliance, MMC has cooperated with DC in many joint-development projects including the development of a compact car, a joint-use platform, and a mid-size pickup truck. Following April 23, 2004, the MMC analyzed these projects with its revitalization plan targets in mind and negotiations between both parties up until September 2004 settled which projects to continue and which to suspend. Mitsubishi Motors wishes to maintain good working relations with DC and going forward all continuing projects will be individually contract based.

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 (1st - 5th 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 5th proceedings) 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 up through the 5th proceeding amounts to approximately 13 billion Yen. The suit claims that automobile exhaust emissions are the source of the air pollution that caused the health problems.

For the first case, the Tokyo District Court ruled in October 2002 that the automakers were not liable, but against Japanese National Government, the Tokyo Metropolitan Government, and the Metropolitan Expressway Public Corporation the awarded compensation of approximately 80 million Yen to seven plaintiffs. The injunction against pollution was rejected by the court. This case is currently in appeals at the Tokyo Superior Court and the second to fifth proceedings are currently being tried at the Tokyo District Court. While it is difficult to predict the outcome of this, if the automakers were to lose their suits, or if the number of suits increases, the possibility exists that our financial condition will be affected.

In January 2002, a front wheel of a truck that was manufactured by the 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 from the Company, the Japanese National Government and the driver and employer. This case is currently on trial.

In December 2002, Morkens Car Division, who distributed Mitsubishi vehicles in Belgium, filed legal action against MMC and Mitsubishi Motors Europe B.V. (MMC's European Subsidiary) for the unilateral cancellation of Morkens' distributorship agreement with Mitsubishi Motors Europe. They are seeking 153 million Euros in compensation. Moreover, six dealerships affiliated with Morkens and four independent dealerships are seeking compensation from the MMC and Mitsubishi Motors Europe B.V. for 75 million Euros and 2.2 million Euros, respectively.

Leasing, financial services and sales incentives

Overcapacity in the auto industry, and fierce competition, especially price competition in the North American market, has led to the necessity of sales incentives in sales promotion efforts. In recent years, the Company developed such sales incentives as balloon and deferred loans, financing at little or no interest with a small or even no down payment. Incentive plans such as these and others resulted in credit losses much higher than predicted. As a result, significant charges were made against the outstanding loan portfolio, used for securitization, in 2002 and 2003. The Company has a younger customer base than our competitors and these younger buyers generally are more affected by downturns in the economy in terms of their ability to repay loans.

However, even after substantially tightening our credit policy in the US, if the economy remains stagnant further loan defaults might occur, spurring further credit losses and resulting in additional credit related costs for the securitized loan portfolio.

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 in vehicles returned at the end of leases. If vehicle residual values decrease, there could be a negative impact on our 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 of 2004 and March of 2005, the Company issued several classes of preferred shares as part of its revitalization plan. There is a possibility that conversion of the preferred shares to common shares in the future will dilute the value of existing common shares and thus have influence on the market price of common shares.

Effect of foreign exchange rate fluctuation

Overseas sales accounted for 78.9 percent of the consolidated sales of the Company for the first half of fiscal 2005. 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 will impact on the results of MMC.

Effect of socioeconomic situations

The breakdown of the above ratio of the overseas sales is 19.8 percent for North America, 28.6 percent for Europe, and 30.5 percent for Asia and other regions. 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 consolidated interest-bearing liabilities of the Company stood at 440.8 billion yen at the end of September 2005. 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.

4. Consolidated financial statements

(1) Consolidated balance sheets

in millions of yen

	¥Y2005 First Hal At 9/30/2005	¥Y2004 First Hal At 9/30/2004	Change	FY2004 At 3/31/2005
Assets				
Current assets	(763,064)	(944,230)	(-181,166)	(821,937)
Cash and term deposits	229,074	155,883	73,191	307,474
Trade notes and accounts receivable	139,318	135,852	3,466	150,951
Sales-finance receivables	30,240	172,426	-142,186	24,476
Marketable securities	12,026	1,844	10,182	4,220
Inventories	260,629	306,264	-45,635	233,353
Short-term loans receivable	2,260	4,181	-1,921	2,386
Residual interest on sold receivables	-	31,871	-31,871	-
Deferred tax assets	1,487	3,629	-2,142	1,799
Other current assets	104,057	153,231	-49,174	111,452
Allowance for doubtful accounts	-16,030	-20,954	4,924	-14,176
Long-term and fixed assets	(750,996)	(940,477)	(-189,481)	(767,348)
Tangible fixed assets	530,555	677,763	-147,208	530,903
Intangible fixed assets	27,076	32,190	-5,114	32,107
Long-term sales-finance receivables	2,313	12,461	-10,148	2,072
Investment securities	68,860	104,421	-35,561	71,867
Long-term loans receivable	12,348	11,939	409	11,747
Residual interest on sold receivables	104,171	93,159	11,012	111,709
Deferred tax assets	7,594	19,293	-11,699	6,730
Other non-current assets	75,626	72,727	2,899	75,154
Allowance for doubtful accounts	-77,550	-83,480	5,930	-74,943
Total assets	(1,514,061)	(1,884,708)	(-370,647)	(1,589,286)
Liabilities, minority interest & shareholders' equity				
Current liabilities	(878,675)	(1,140,918)	(-262,243)	(857,338)
Trade notes and accounts payable	318,383	292,234	26,149	293,853
Short-term loans payable	270,022	492,659	-222,637	277,952
Non-interest bearing short-term loans payable	-	8,706	-8,706	-
Commercial paper	-	1,702	-1,702	-
Accrued expenses and other payables	190,216	147,179	43,037	181,250
Accrued income taxes	3,792	2,955	837	3,157
Deferred income	-	70,186	-70,186	-
Allowance for warranty claims	48,824	37,004	11,820	49,859
Other current liabilities	47,437	88,290	-40,853	51,264
Non-current liabilities	(365,647)	(386,401)	(-20,754)	(396,935)
Bonds outstanding	37,500	40,893	-3,393	40,941
Long-term loans payable	133,292	182,601	-49,309	157,078
Deferred tax liabilities	15,017	17,992	-2,975	17,357
Pension liabilities	102,764	98,167	4,597	99,295
Accruals for severance payments to directors	1,771	1,280	491	1,614
Other non-current liabilities	75,301	45,465	29,836	80,647
Total liabilities	(1,244,323)	(1,527,320)	(-282,997)	(1,254,274)
Minority interest	(10,730)	(16,675)	(-5,945)	(10,229)
Shareholders' equity				
Common stock	642,300	500,201	142,099	642,300
Capital surplus	417,612	275,513	142,099	417,612
Retained earnings	-720,784	-360,074	-360,710	-656,068
Unrealized gain on securities	6,076	10,892	-4,816	9,208
Foreign currency translation adjustment	-86,187	-85,815	-372	-88,262
Treasury stock	-9	-5	-4	-8
Total shareholders' equity	(259,007)	(340,712)	(-81,705)	(324,782)
Total liabilities, minority interest & shareholders' equity	(1,514,061)	(1,884,708)	(-370,647)	(1,589,286)

(2) Consolidated statements of income / loss

in millions of yen

	FY2005 First Hal	FY2004 First Hal	Change	FY2004
	4/1/'05-9/30/'05	4/1/'04-9/30/'04		4/1/'04-3/31/'05
Sales	991,257	1,070,812	-79,555	2,122,626
Cost of goods sold	809,341	926,136	-116,795	1,808,110
Gross profit before provision for unrealized profit on installment sales	181,916	144,676	37,240	314,516
Provision for unrealized profit on installment sales	2	10	-8	16
Gross profit	181,919	144,687	37,232	314,532
Selling, general and administrative expenses	201,713	221,101	-19,388	443,076
Operating profit / loss	-19,794	-76,413	56,619	-128,544
Non-operating income	6,805	7,946	-1,141	12,106
(Interest and dividend income)	(3,190)	(4,558)	(-1,368)	(7,920)
(Other income)	(3,614)	(3,387)	(227)	(4,186)
Non-operating expenses	20,636	42,178	-21,542	62,735
(Interest expense)	(10,118)	(12,549)	(-2,431)	(25,601)
(Other expenses)	(10,517)	(29,628)	(-19,111)	(37,133)
Ordinary income / loss	-33,625	-110,645	77,020	-179,172
Extraordinary gains	2,983	2,189	794	8,111
Extraordinary losses	30,733	67,067	-36,334	289,845
Net income / loss before income taxes	-61,375	-175,523	114,148	-460,906
Income taxes	1,915	3,005	-1,090	19,761
Net income / loss to minority interest	-479	-263	-216	5,882
Net income / loss	-63,771	-178,791	115,020	-474,785

(3) Consolidated surplus statements

in millions of yen

	FY2005 First Hal	FY2004 First Hal	Change	FY2004
	4/1/'05-9/30/'05	4/1/'04-9/30/'04		4/1/'04-3/31/'05
Capital surplus				
Capital surplus at beginning of term	417,612	27,513	390,099	27,513
Increase in capital surplus	-	248,000	-248,000	390,099
(Issuance of common stock)	(-)	(248,000)	(-248,000)	(390,099)
Capital surplus at end of term	417,612	275,513	142,099	417,612
Retained earnings				
Retained earnings at beginning of term	-656,068	-183,410	-472,658	-183,410
Increase in retained earnings	-	2,127	-2,127	2,127
(New equity method affiliates)	(-)	(2,127)	(-2,127)	(2,127)
Decrease in retained earnings	64,715	178,791	-114,076	474,785
(Net loss for term)	(63,771)	(178,791)	(-115,020)	(474,785)
(Change in accounting standard in an Australian subsidiary)	(944)	(-)	(944)	(-)
Retained earnings at end of term	-720,784	-360,074	-360,710	-656,068

(4) Consolidated statements of cash flows

in millions of yen

	¥Y2005 First Hal 4/1/'05-9/30/'05	¥Y2004 First Hal 4/1/'04-9/30/'04	Change	FY2004 4/1/'04-3/31/'05
Cash flows from operating activities				
Net income / loss before taxes	-61,375	-175,523	114,148	-460,906
Depreciation	33,303	57,406	-24,103	97,484
Asset impairment loss	21,943	19,676	2,267	84,376
Amortization of goodwill	-379	-716	337	-1,441
Change in allowance for doubtful accounts	4,338	2,242	2,096	-9,125
Change in accrued retirement benefits	3,321	-12,622	15,943	-11,722
Interest and dividend income	-3,190	-4,558	1,368	-7,920
Interest expense	10,118	12,549	-2,431	25,601
Foreign exchange gain / loss	-532	-1,635	1,103	2,007
Equity-method income / loss for affiliates	-1,509	13,622	-15,131	13,002
Gain / loss on sale and disposal of tangible assets	1,916	3,359	-1,443	16,189
Gain / loss on sale of investment securities	2	-1,071	1,073	-1,331
Loss on devaluation of investment securities	87	678	-591	446
Loss compensation based on stock transfer contract	359	-	359	74,736
Change in trade notes and accounts receivable	12,303	55,946	-43,643	39,597
Change in inventories	-16,907	-23,291	6,384	53,402
Change in sales-finance receivables	7,346	-26,907	34,253	126,116
Change in residual interest on sold receivables	1,360	41,218	-39,858	49,660
Change in trade notes and accounts payable	22,685	-60,015	82,700	-57,396
Others	-2,322	-11,412	9,090	12,177
Subtotal	32,870	-111,055	143,925	44,956
Interest and dividends received	4,129	6,134	-2,005	12,578
Interest paid	-10,161	-13,770	3,609	-28,505
Compensation based on stock transfer contract paid	-	-	-	-10,700
Income tax paid	-914	-125	-789	-4,675
Cash flows from operating activities	25,923	-118,817	144,740	13,654
Cash flows from investing activities				
Change in term deposits	7,988	-12,949	20,937	-18,920
Change in marketable securities	-9	-	-9	-
Acquisition of tangible fixed assets	-69,527	-66,594	-2,933	-140,760
Proceeds from sales of tangible fixed assets	15,842	37,295	-21,453	111,788
Acquisition of investment securities	-1,353	-2,173	820	-2,176
Proceeds from sales of investment securities	1,000	9,033	-8,033	9,477
Loans issued	-	-2,112	2,112	-
Collection of loans receivable	-	3,429	-3,429	-
Change in short-term loans and commercial paper receivable	82	-	82	5,009
Long-term loans issued	-1,398	-	-1,398	-444
Collection of long-term loans receivable	729	-	729	1,616
Others	-28	-704	676	203
Cash flows from investing activities	-46,673	-34,775	-11,898	-34,206
Cash flows from financing activities				
Change in short-term loans and commercial paper payable	-24,199	-288,809	264,610	-425,649
Proceeds from long-term loans payable	1,565	94,094	-92,529	116,277
Repayment of long-term loans payable	-19,840	-140,245	120,405	-278,919
Issuance of bonds	200	3,701	-3,501	3,697
Redemption of bonds	-1,587	-41,639	40,052	-49,147
Issuance of new shares	-	484,038	-484,038	767,344
Dividends paid to minority shareholders	-33	-	-33	-40
Others	-32	1,633	-1,665	-5
Cash flows from financing activities	-43,927	112,772	-156,699	133,556
Effect of exchange rate fluctuations on cash and cash equivalents	550	1,393	-843	-12
Net change in cash and cash equivalents	-64,127	-39,426	-24,701	112,991
Cash and cash equivalents at beginning of term	294,903	181,911	112,992	181,911
Cash and cash equivalents at end of term	230,775	142,484	88,291	294,903

Basis of preparation of consolidated financial statements

Premise of Going Concern

In the previous fiscal year, Mitsubishi Motors Corporation (MMC) reported a consolidated net loss of ¥474,785 million.

For this first half of fiscal year, the MMC group has also reported a consolidated net loss of ¥63,771 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.

Scope of consolidation

Consolidated subsidiaries	104 companies
Consolidated subsidiaries in Japan	51 companies
Tokyo Mitsubishi Motors Sales Co., Ltd., Tokyo Mitsubishi Motors Parts Sales Co., Ltd., Pajero Manufacturing Co., Ltd. and others.	
<i>Notes: Tokyo Mitsubishi Motors Parts Sales Co., Ltd., has merged and is operating as Kanto Mitsubishi Motors Parts Sales Co., Ltd., as of October 1, 2005</i>	
Consolidated subsidiaries outside Japan	53 companies
Mitsubishi Motors North America, Inc., Mitsubishi Motors Europe B.V., Mitsubishi Motors Australia Ltd., and others.	
Newly consolidated	1 companies
MMCA Services.LLC	
Deconsolidated	9 companies
Kanan Mitsubishi Motors Sales Co., Ltd.,	

Application of equity-method

Non-consolidated subsidiaries	14 companies
MMCE Retail S.A. and others	
Affiliates	27 companies
Mitsubishi Auto Credit-Lease Corporation, Vina Star Motors Co. and others.	
New application of equity-method	3 companies
Korat Auto motive Co.,Ltd. and others.	
Excluded for this closing	3 companies
MMC Centro Automocion Sevilla, S.A and others.	

Accounting Policies

(1) Accounting standard for valuation of major assets

① Marketable securities

Held-to-maturity bonds At cost using the amortization 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

MMC and consolidated subsidiaries in Japan.

..... Primarily at cost on the first-in first-out basis, or at cost using the specific identification cost method.

Overseas consolidated subsidiaries Primarily cost or market, whichever is lower, using the specific identification cost method

(2) Depreciation of fixed assets

① Tangible fixed assets

MMC and consolidated subsidiaries in Japan

..... Primarily declining balance method or straight-line method.

Overseas consolidated subsidiaries Primarily straight-line method.

② Intangible fixed assets

MMC and consolidated subsidiaries in Japan.

..... Straight-line method. Amounts for internally created software is computed by the straight-line method over an economic useful life of 5 years.

Overseas consolidated subsidiaries Primarily straight-line method

(3) Allowances

① 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.

② Warranty claims

To provide for 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 warranty agreements.

③ Accrued retirement benefits

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 (2000).

Prior service costs are being amortized using the straight-line method over a constant number of years that is within the estimated average remaining service years of the employees.

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

④ 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.

(4) Material foreign currency transactions

Foreign currency receivables and obligations are translated into yen at the market exchange rate on the day of book-closing; translation differences are included in the statement of income / loss. Foreign currency assets and liabilities of overseas consolidated subsidiaries are translated into yen at the market exchange rate on the day of book-closing, and their foreign currency revenues and expenses are translated into yen at the average exchange rate for the period. Differences arising on consolidation of overseas subsidiaries are booked as translation adjustments in the shareholders' equity and minority interest section of the balance sheet.

(5) Material lease transactions

For MMC and consolidated subsidiaries in Japan, finance leases, excluding leases in which transfer of ownership of the asset occurs to the lessee, are accounted for as ordinary rental transactions.

For overseas consolidated subsidiaries, finance leases are accounted for as ordinary purchase transactions.

(6) Material hedge accounting policies

① Forward currency exchange contracts.... Scheduled transactions are booked using deferral hedge accounting.

② Interest rate swaps..... Booked using deferral hedge accounting or in accordance with special provisions for financial products in the accounting standard.

(7) Other significant accounting policies

① Consumption tax..... Transactions are recorded net of consumption tax and regional consumption taxes.

② Deferred assets..... The full amount of stock issuance costs are expensed at the time of transaction.

③ Installment sales profit..... A number of consolidated subsidiaries apply the installment receivables standard.

④ Consolidated tax return.... MMC has adopted consolidated tax return procedures.

Assets included in consolidated statements of cash flows as cash and cash equivalents

Included in cash and cash equivalents is: cash on hand, deposits repayable on demand, and short-term investments that are easily convertible into cash and are exposed to low price fluctuation risks, with maturities of three months or less when purchased.

Material Changes in Accounting Policies for the Preparation of Consolidated Financial Statements For the Six Months Ending September 30, 2005

(Accounting Standard for Impairment of Fixed Assets)

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 21,945 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.

Change in Financial Statements disclosure

(Consolidated Balance Sheet for Six Months Ending September 30, 2005)

At the end of the previous mid-term reporting period (first half of fiscal 2004), 'deferred income' was separately reported on the mid-term financial statements. However, as of September 30, 2005 it represented less than 5 percent of total assets, so deferred income has been reported as a part of 'other current liabilities' for this reporting period. Accordingly, other current liabilities for the six months ending September 30, 2005 include ¥2,709 million of deferred income.

(Consolidated Cash Flow Statements for Six Months Ending September 30, 2005)

Until the previous mid-term reporting period (first half of fiscal 2004), the net increase/decrease of short-term loans receivable was reported together with that for long-term loans receivable as 'loans issued' and 'collections of loans receivable.'

Starting in this reporting period, the items for loans receivable will be classified as 'change in short-term loans and commercial paper receivable,' 'long-term loans issued,' and 'collections of long-term loans receivable'.

For reference, change in short-term loans and commercial paper receivable, long-term loans issued, and collections of long-term loans receivable from the previous mid-term reporting period were 577 million yen, -11 million yen and 751 million yen respectively.

Notes to consolidated financial statements

Consolidated balance sheet

in millions of yen

FY 2005 First Half At 9/30/2005		FY 2004 First Half At 9/30/2004		FY 2004 At 3/31/2005	
(1) Accumulated depreciation of tangible fixed assets	1,313,204	(1) Accumulated depreciation of tangible fixed assets	1,316,841	(1) Accumulated depreciation of tangible fixed assets	1,314,608
(2) Assets pledged as collateral (excluding Zaidan (bundles of assets) pledged as collateral)		(2) Assets pledged as collateral (excluding Zaidan (bundles of assets) pledged as collateral)		(2) Assets pledged as collateral (excluding Zaidan (bundles of assets) pledged as collateral)	
Notes & accts. receivable	17,309	Notes & accts. receivable	7,978	Notes & accts. receivable	15,711
Short & long-term sales-finance receivables	24,159	Short & long-term sales-finance receivables	167,873	Short & long-term sales-finance receivables	21,018
Inventory	59,359	Inventory	53,463	Inventory	52,712
Tangible fixed assets	212,392	Tangible fixed assets	319,592	Tangible fixed assets	211,908
Short & long-term residual interest in securitized assets	39,462	Short & long-term residual interest in securitized assets	57,416	Long-term residual interest in securitized assets	49,791
Other	63,728	Other	13,760	Other	30,549
Zaidan pledged as collateral		Zaidan pledged as collateral		Zaidan pledged as collateral	
Tangible fixed assets	98,882	Tangible fixed assets	104,503	Tangible fixed assets	104,468
Secured liabilities		Secured liabilities		Secured liabilities	
Short & long-term loans payable	303,407	Short & long-term loans payable	520,531	Short & long-term loans payable	383,281
(3) Investments and assets held in non-consolidated subsidiaries and affiliates		(3) Investments and assets held in non-consolidated subsidiaries and affiliates		(3) Investments and assets held in non-consolidated subsidiaries and affiliates	
Investment securities	29,432	Investment securities	58,107	Investment securities	27,286
Other non-current assets	9,152	Other non-current assets	8,712	Other non-current assets	8,248
(4) Credit guarantee liabilities		(4) Credit guarantee liabilities		(4) Credit guarantee liabilities	
Credit guarantee liabilities	10,106	Credit guarantee liabilities	8,227	Credit guarantee liabilities	6,008
Other credit guarantee related liabilities	3,367	Other credit guarantee related liabilities	4,868	Other credit guarantee related liabilities	3,449
(5) Outstanding balance of securitized assets		(5) Outstanding balance of securitized assets		(5) Outstanding balance of securitized assets	
Notes & accts. receivable	7,075	Notes & accts. receivable	10,084	Notes & accts. receivable	7,913
Short & long-term sales-finance receivables	200,844	Short & long-term sales-finance receivables	353,238	Short & long-term sales-finance receivables	240,317
(6) Consolidation adjustment amount included in other non-current liabilities		(6) Consolidation adjustment amount included in other non-current liabilities		(6) Consolidation adjustment amount included in other non-current liabilities	
Adjustment amount	347	Adjustment amount	1,439	Adjustment amount	714

Notes to consolidated financial statements

Consolidated statement of income / loss

in millions of yen

FY 2005 First Half 4/1/05-9/30/05	FY 2004 First Half 4/1/04-9/30/04	FY 2004 4/1/04-3/31/05																
(1) Primary details of extraordinary gains	(1) Primary details of extraordinary gains	(1) Primary details of extraordinary gains																
Gains on sales of fixed assets 359	Gains on sales of fixed assets 766	Gains on sales of fixed assets 5,148																
Reversal of expense for doubtful accounts 1,549	Gains on sales of investment securities 1,229	Gains on sales of investment securities 1,609																
Other gains 1,074	Other gains 192	Other gains 1,352																
(2) Primary details of extraordinary losses	(2) Primary details of extraordinary losses	(2) Primary details of extraordinary losses																
Losses on disposals of fixed assets 2,276	Losses on disposals of fixed assets 4,126	Losses on disposals of fixed assets 21,338																
Asset impairment losses 21,945	Charges for special meas 19,888	Asset impairment losses 84,376																
Restructuring charges 3,233	Restructuring charges 14,161	Charges for early retirement programs 16,283																
Other losses 3,277	Charges for early retirement programs 6,617	Losses on devaluation of inventories 28,043																
	Asset impairment losses 19,676	Losses related to stock transfer agreements 74,736																
	Other losses 2,598	Restructuring charges 29,530																
		Charges for special meas 25,247																
		Other losses 10,288																
	'Special measures' comprised of a free inspection program for post-market vehicles.																	
	Restructuring charges comprised of losses related to the cancelation of new model development programs, and those related to the consolidation of production facilities in the Nagoya area.																	
	Asset impairment losses in the first half of FY2004 occurred in MMC's US subsidiary, under US GAAP accounting standards. The details of the losses are: 12,653 million yen for machinery, equipment, and delivery vehicles, and 7022 million yen for other tangible fixed assets.																	
(3) R&D expenditures (included in SG&A expenses) 32,058	(3) R&D expenditures (included in SG&A expenses) 35,454	(3) R&D expenditures (included in SG&A expenses) 68,775																
(4) Impairment losses on the following asset groups are being recognized in the first half of fiscal 2005																		
<table border="1"> <thead> <tr> <th>Place</th> <th>Use</th> <th>Type</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Nagakute Town, Aichi Pref.; Fujiidera City, Osaka; etc. 74 loc.</td> <td>Dealer showrooms</td> <td>Land, Buildings, etc.</td> <td>16,884</td> </tr> <tr> <td>Sendai City, Miyagi Pref.; Nara City, Nara Pref.; etc. 9 locations</td> <td>On loan</td> <td>Land, Buildings, etc.</td> <td>2,555</td> </tr> <tr> <td>Tama City, Tokyo; Itabashi-ku, Tokyo; etc. 24 locations</td> <td>Idle</td> <td>Land, Buildings, etc.</td> <td>2,505</td> </tr> </tbody> </table>	Place	Use	Type	Amount	Nagakute Town, Aichi Pref.; Fujiidera City, Osaka; etc. 74 loc.	Dealer showrooms	Land, Buildings, etc.	16,884	Sendai City, Miyagi Pref.; Nara City, Nara Pref.; etc. 9 locations	On loan	Land, Buildings, etc.	2,555	Tama City, Tokyo; Itabashi-ku, Tokyo; etc. 24 locations	Idle	Land, Buildings, etc.	2,505		
Place	Use	Type	Amount															
Nagakute Town, Aichi Pref.; Fujiidera City, Osaka; etc. 74 loc.	Dealer showrooms	Land, Buildings, etc.	16,884															
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Tama City, Tokyo; Itabashi-ku, Tokyo; etc. 24 locations	Idle	Land, Buildings, etc.	2,505															
Details of the impairment losses																		
Land 18,846																		
Buildings 2,310																		
Other 788																		
Total 21,945																		

Notes to consolidated financial statements

Consolidated statement of cash flows

in millions of yen

FY 2005 First Half 4/1/05-9/30/05	FY 2004 First Half 4/1/04-9/30/04	FY 2004 4/1/04-3/31/05
Relationship between cash and term deposits on the balance sheet and cash and cash equivalents on the statement of cash flows	Relationship between cash and term deposits on the balance sheet and cash and cash equivalents on the statement of cash flows	Relationship between cash and term deposits on the balance sheet and cash and cash equivalents on the statement of cash flows
Cash and term deposits 229,074	Cash and term deposits 155,883	Cash and term deposits 307,474
Term deposits of 3 months or more (10,316)	Term deposits of 3 months or more (15,243)	Term deposits of 3 months or more (16,791)
Securities with maturities of 3 months or less from the date of purchase 12,016	Securities with maturities of 3 months or less from the date of purchase 1,844	Securities with maturities of 3 months or less from the date of purchase 4,220
Cash and cash equivalents 230,775	Cash and cash equivalents 142,484	Cash and cash equivalents 294,903

Lease transactions

This note is omitted because it will be disclosed on EDNE I.

Marketable securities

1.Held-to-maturity securities

Not held at this time

2.Other securities (exchange traded)

in millions of yen

	FY2005 first half At 9/30/2005			FY2004 first half At 9/30/2004			FY2004 full year At 3/31/2005		
	Acquisition cost	Carrying amount	Valuation gain / loss	Acquisition cost	Carrying amount	Valuation gain / loss	Acquisition cost	Carrying amount	Valuation gain / loss
Equities	9,858	20,355	10,496	10,075	27,376	17,300	9,890	25,622	15,731
Total	9,858	20,355	10,496	10,075	27,376	17,300	9,890	25,622	15,731

Note: Significant declines in market value of exchange-traded securities are recognized as impairment losses if the decline is not considered to be recoverable.

After the impairment write-down, the new book value for securities is established as the acquisition cost.

Losses on devaluation of the exchange-traded securities, classified as other securities, as a result of non-recoverable declines totaled 2 million yen for the year ending March 31, 2005.

3.Other securities (non-exchange traded)

in millions of yen

	FY2005 first half At 9/30/2005	FY2004 first half At 9/30/2004	FY2004 full year At 3/31/2005
①Held-to-maturity securities	-	-	-
②Other securities			
Non-exchange traded equities	19,072	18,938	18,958
Other	12,026	1,844	4,220

Note: Significant declines in the fair value of non-exchange traded securities due to a deterioration of the financial soundness of the issuing institutions are recognized as impairment losses. Losses on devaluation of the non-exchange traded securities, classified as other securities, as a result of the decline of fair value totaled ¥106 million, ¥37 million and ¥38 million for the mid-term periods ending September 30, 2005, September 30, 2004, and the fiscal year ending March 31, 2005, respectively.

Derivative financial instruments

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

Segment information

1. Business segment

in millions of yen

FY 2005 First Half	Automotive	Financial services	Total	Eliminations for Consolidation	Consolidated
Sales & operating income					
Sales					
(1) External customers	972,092	19,165	991,257	-	991,257
(2) Intersegment sales & transfers	-58	-	-58	58	-
Total	972,034	19,165	991,199	58	991,257
Operating expenses	995,171	17,010	1,012,181	-1,129	1,011,051
Operating income / loss	-23,136	2,154	-20,981	1,187	-19,794

in millions of yen

FY 2004 First Half	Automotive	Financial services	Total	Eliminations for Consolidation	Consolidated
Sales & operating income					
Sales					
(1) External customers	1,040,835	29,977	1,070,812	-	1,070,812
(2) Intersegment sales & transfers	-291	1,998	1,706	-1,706	-
Total	1,040,543	31,976	1,072,519	-1,706	1,070,812
Operating expenses	1,101,888	45,423	1,147,311	-85	1,147,226
Operating income / loss	-61,345	-13,446	-74,791	-1,621	-76,413

in millions of yen

FY 2004	Automotive	Financial services	Total	Eliminations for Consolidation	Consolidated
I Sales & operating income					
Sales					
(1) External customers	2,086,907	35,718	2,122,626	-	2,122,626
(2) Intersegment sales & transfers	-854	4,474	3,619	-3,619	-
Total	2,086,053	40,193	2,126,246	-3,619	2,122,626
Operating expenses	2,190,358	61,259	2,251,618	-447	2,251,170
Operating income / loss	-104,305	-21,066	-125,371	-3,172	-128,544
II Assets, depreciation & capital expenditures					
Assets	1,601,183	273,412	1,874,595	-285,309	1,589,286
Depreciation	75,258	22,226	97,484	-	97,484
Capital expenditures	128,592	16,061	144,653	-	144,653

Note: 1. Segments are divided by sector and by market

2. Major products by segment

(1) Automotive Passenger cars

(2) Financing Sales-finance products

2. Geographical segment

in millions of yen

FY 2005 First Half	Japan	North America	Europe	Asia	Other	Total	Eliminations for	Consolidated
Sales & operating income								
Sales								
(1) External customers	380,437	188,504	282,898	55,345	84,071	991,257	-	991,257
(2) Intersegment sales & transfers	243,260	4,101	7,411	50,391	811	305,976	-305,976	-
Total	623,698	192,605	290,310	105,736	84,883	1,297,234	-305,976	991,257
Operating expenses	646,717	198,952	285,863	96,712	87,646	1,315,893	-304,841	1,011,051
Operating income / loss	-23,019	-6,347	4,446	9,024	-2,763	-18,659	-1,134	-19,794

in millions of yen

FY 2004 First Half	Japan	North America	Europe	Asia	Other	Total	Eliminations for	Consolidated
Sales & operating income								
Sales								
(1) External customers	379,495	229,389	346,343	37,984	77,599	1,070,812	-	1,070,812
(2) Intersegment sales & transfers	235,138	4,396	1,606	51,019	3,566	295,726	-295,726	-
Total	614,634	233,786	347,949	89,003	81,166	1,366,539	-295,726	1,070,812
Operating expenses	659,708	277,316	345,261	78,451	87,477	1,448,216	-300,989	1,147,226
Operating income / loss	-45,074	-43,529	2,687	10,552	-6,311	-81,676	5,262	-76,413

in millions of yen

FY 2004	Japan	North America	Europe	Asia	Other	Total	Eliminations for	Consolidated
I Sales & operating income								
Sales								
(1) External customers	791,620	422,294	664,546	89,079	155,085	2,122,626	-	2,122,626
(2) Intersegment sales & transfers	466,655	13,017	5,672	109,474	5,591	600,411	-600,411	-
Total	1,258,275	435,311	670,218	198,554	160,677	2,723,037	-600,411	2,122,626
Operating expenses	1,331,837	509,568	670,411	176,952	172,126	2,860,894	-609,724	2,251,170
Operating income / loss	-73,561	-74,256	-192	21,602	-11,448	-137,857	9,313	-128,544
II Assets	1,188,913	309,933	194,170	101,681	74,898	1,869,598	-280,312	1,589,286

Note: 1. National and regional groupings are by geographical proximity.

2. Main countries and regions outside Japan are grouped as follows:

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

3. Overseas sales

in millions of yen

FY 2005 First Half	North America	Europe	Asia	Other	Total
I . Overseas sales	196,071	283,384	124,228	178,749	782,434
II . Consolidated sales					991,257
III . Overseas sales as a percentage of total sales	19.8%	28.6%	12.5%	18.0%	78.9%

in millions of yen

FY 2004 First Half	North America	Europe	Asia	Other	Total
I . Overseas sales	237,329	348,049	139,288	163,386	888,054
II . Consolidated sales					1,070,812
III . Overseas sales as a percentage of total sales	22.2%	32.5%	13.0%	15.2%	82.9%

in millions of yen

FY 2004	North America	Europe	Asia	Other	Total
I . Overseas sales	441,441	667,778	258,331	342,184	1,709,736
II . Consolidated sales					2,122,626
III . Overseas sales as a percentage of total sales	20.8%	31.4%	12.2%	16.1%	80.5%

- Note: 1. National and regional groupings are by geographical proximity.
 2. Main countries and regions outside Japan are grouped as follows:
 (1) North America..... United states of America, 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 geographical region of the end-user. They include export sales originating from MMC and domestic consolidated subsidiaries and domestic and export sales (other than export to Japan) originating from foreign consolidated subsidiaries.