(TRANSLATION OF ORIGINAL JAPANESE)

FY2005 Full Year Results: Consolidated Financial Statements

(1 April 2005 through 31 March 2006) April 27, 2006

Mitsubishi Motors Corporation

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

Code No.: 7211
Head office: Tokyo
(URL http://www.mitsubishi-motors.co.jp/)
Representative: Osamu Masuko; President TEL：(03) -6719-4206
Contact: Yoshikazu Nakamura; Executive Officer, Corporate General Manager of CSR Promotion Office and General Manager of Public Relations Department.
Meeting of Board of Directors for FY2005 results: April 27, 2006
Parent and affiliates name: Mitsubishi Heavy Industries, LTD. (Code: 7011) Ratio of voting share by parent and affiliates 15.8%
United States accounting standards applied: No

1. Financial highlights (1 April 2005 through 31 March 2006)

(1) Consolidated financial results

Note: amounts are rounded down to the nearest one million Yen.

	Sales		Operating Income		Ordinary Income	
	Million Yen	%	Million Yen	%	Million Yen	%
FY2005	2,120,068	-0.1	6,783	-	-17,780	-
FY2004	2,122,626	-15.8	-128,544	-	-179,172	-

	Net Income		Net Income per Share-Basic	Net Income per Share-Diluted	Return on Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Ordinary Income to Sales
	Million Yen	%	Yen	Yen	%	%	%
FY2005	-92,166	-	-19.75	-	-31.1	-1.1	-0.8
FY2004	-474,785	-	-194.36	-	-267.7	-9.9	-8.4

Note 1: Equity income from affiliates: FY2005 ¥1,453 Million FY2004 ¥-13,002 Million

Note 2: Average number of shares issued and outstanding during term (consolidated) :

	FY2005	FY2004
Common stock	*4,666,017,812*	*2,442,864,522*
Preferred stock	*494,828*	*298,064*

Note3: Accounting policy changes: Yes

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

(2) Consolidated financial position

Note: amounts are rounded to the nearest one million Yen.

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity	Shareholders' Equity per Share
	Million Yen	Million Yen	%	Yen
FY2005	1,557,570	268,678	17.2	-31.67
FY2004	1,589,286	324,782	20.4	-47.34

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

	FY2005	FY2004
Common stock	*5,491,379,353*	*4,253,940,962*
Preferred stock	*442,593*	*526,193*

(3) Consolidated cash flows

Note: amounts are rounded to the nearest one million Yen.

	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
FY2005	54,430	-84,811	-18,955	248,069
FY2004	13,654	-34,206	133,556	294,903

(4) Scope of consolidation and equity method

Consolidated subsidiaries: 98 Equity method subsidiaries: 14 Equity method affiliates: 24

(5) Changes in scope of consolidation and equity method

Consolidation:	Include	4	Equity method:	Include	3
	Exclude	18		Exclude	6

2. FY2006 financial results forecast (1 April 2006 through 31 March 2007)

	Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
FY2006 half year	1,020,000	-19,000	-28,000
FY2006 full year	2,230,000	21,000	8,000

Note: Forecast net income per share for full term: ¥1.46

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

I 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 98 consolidated subsidiaries, 14 equity method non-consolidated subsidiaries and 24 equity method affiliates (as of March 31, 2006).

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.

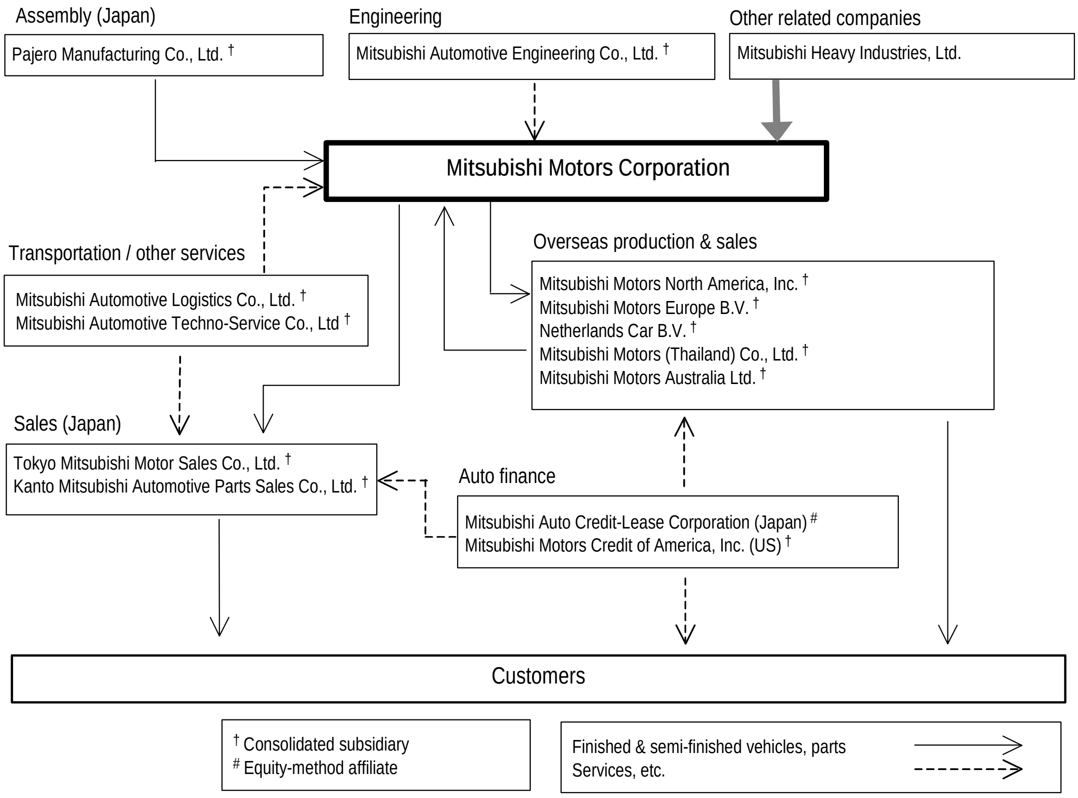
In Japan, Mitsubishi standard sized vehicles, compacts and minicars are produced by MMC, with some sport utility models (including the Pajero) being produced by Pajero Manufacturing Co., Ltd. Tokyo Mitsubishi Motor Sales Co. and other Mitsubishi Motors sales companies sell these automobiles in the domestic 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 Kanto Mitsubishi Automotive Parts Sales Co., Ltd. and other parts sales companies (On October 1, 2005, Tokyo Mitsubishi Automotive Parts Sales Co., Ltd.; Saitama Mitsubishi Automotive Parts Sales Co., Ltd.; Kanagawa Mitsubishi Automotive Parts Sales Co., Ltd. merged to form Kanto Mitsubishi Automotive Parts Sales Co., Ltd.).

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 both in local markets and in other regions around the world.

Auto leasing and financing services are provided by Mitsubishi Auto Credit-Lease Corporation in Japan (On March 17, 2006 Diamond Lease Co. Ltd., Mitsubishi Corporation, and MMC reached a basic agreement regarding Japanese sales-finance operations. A new structure will be implemented in 2007.), also 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.



II Management Policies

(1) <u>Basic management policy</u>

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 shareholders, customers, trading partners, and staff. All corporate activities are proceeding based on the above 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 which 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

Under the headline of creating a new value for cars which provide satisfaction to users, and in making users 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 is continuously striving 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 due to the ever-increasing intensity of the fierce competition in the global automotive industry today, as well as 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 its revitalization targets in the Mitsubishi Motors Revitalization Plan, strengthen its financial position, and return to profitability.

(3) Medium and Long-Term Management Strategy

MMC adopted the ‘Mitsubishi Motors Revitalization Plan’ on January 28, 2005 as its 3-year business plan covering fiscal 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
  - Placing customers first throughout the operational chain
  - Thoroughly increasing trust worthiness of products

- Business strategy
  - Sales plans which reflect downside risks
  - Promotion of operational alliances with other auto makers
  - Rationalization of production capacity and sales networks

- Strengthening capital
  - Rebuilding and strengthening the capital base

- Boosting management's effectiveness
  - Strong leadership from a new management team
  - Establishing up a thorough follow-up system

- Effective and transparent compliance

Progress of the Mitsubishi Motors Revitalization Plan

In the first year of this plan, fiscal 2005, in order to realize these objectives, corporate culture was 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 for the prevention of recall related problems from occurring again are being implemented. Regaining trust is a long, ongoing process and MMC is continuously tackling this issue. As an automaker, the company believes the best method of regaining 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 has resulted in returning to the black on an operating income level – one year ahead of original plan. Due to additional asset impairment charges taken in the United States and Australia however, net loss fell below plan. These additional charges however lighten MMC's future depreciation burden and bring the critical target laid out in the revitalization plan of sustainable positive net income from fiscal 2006 onward closer to being met.

The following is a list of the policies implemented in fiscal 2005.

'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 to three themes of 'Compliance First', 'Safety First', and 'Customers First.' Leading the way in these activities is the CSR (Corporate & Social Responsibility) Promotion Office.
- With the 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" as a base, MMC introduced a new slogan for the Japanese market of *"Kuruma Zukuri no Genten e*" (English translation: "Pursuing the Origins of Car Engineering") in September 2005 as a symbol of the company's commitment to building cars that embody the values of Mitsubishi Motors.

Business Strategies

- In January 2005, a basic agreement with Nissan Motor Co. Ltd. was reached concerning the supply of mini-passenger cars in the Japanese market on an OEM basis. MMC began shipment of these vehicles to Nissan in May 2005.
- Also on an OEM basis, MMC signed an agreement with PSA Peugeot Citroen in July 2005 for the supply of a new SUV model. The new model will be introduced in the European market in 2007.
- In June 2005, MMC established the 'Suppliers Council', a group by which the company and its suppliers strengthen communications. This strengthening is leading to stronger relationships and deeper trust among MMC and trading partners, with the aim of making strong partnerships a realization. Together with the exchange of many ideas, MMC and the members of the council are working together in effective and mutually beneficial initiatives.
- In response to overcapacity at production facilities, operations at facilities across the globe were slimed down and rationalized.

Strengthening Capital

- To reinforce the capital structure of MMC and secure funds needed for revitalization, in January 2006, 30 billion yen of preferred shares were issued to Mitsubishi Corporation. With this issuance, MMC completed the equity related capital raising outlined in the revitalization plan.

Strengthening Administrative Functions

- On April 1, 2005, the company implemented a change in corporate structure to unify lines of command and make decision making faster. The change also made cross-operational communication more fluid and 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 progress of the revitalization plan, and on strengthening both strategic functions and MMC's follow-up system.
- Also in April 2005, with a mandate of providing an outside check on the progress of the revitalization plan, the Business Revitalization Monitoring Committee was established. This committee is comprised of outside experts and representatives of MMC's main shareholders from the Mitsubishi group. The committee follows the progression of the revitalization plan and provides advice as needed.
- In January 2006, a managing director of MMC was dispatched to the company's North American subsidiary Mitsubishi Motors North America, Inc. (MMNA) to take the role of President and CEO. With this strengthening of MMNA's leadership structure, communications with MMC are conducted faster and quicker response to business situations is made possible for the very critical North American market.

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 financial standing and achieve sustainable profitability.

(4) Issues Mitsubishi Motors must face

The current economic recovery in Japan and other markets is not expected to drastically collapse, but the rapid rise of commodities prices such as crude oil, increasing interest rates, and a rapid appreciation of the Japanese yen could worsen the company's economic environment. MMC must vigilantly watch these risks.

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 placing all efforts into accomplishment of the revitalization plan.

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.

Fiscal 2005 saw the return to positive income on an operating income basis, one year ahead of original plan. Fiscal 2006 however will be the true measure of progress in the revitalization plan. The plan calls for net income to return to the black, and all administrative efforts are being placed into this objective. The following is a list of initiatives the company is taking in addition to the key points of the revitalization plan listed in the previous section.

- 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 production network
- Strengthen corporate governance based on internal control systems required by new Japanese corporate laws

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

(5) Parent company related information

In order to revitalize the company, across all business units globally and rebuild the capital base, with the cooperation of 3 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 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, and provides advice on request. Going forward, the 3 Mitsubishi group companies will continue to play a critical role in the success of the plan.

The revitalization plan calls for the 3 Mitsubishi group companies to hold a combined 34 percent of outstanding MMC common shares, 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 (as of March, 31 2006)	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 managing director serves as an external statutory auditor
Executives and Staff dispatched to MMC	Directors, Statutory Auditors, Corporate General Managers: 4 people Others (mostly in accounting roles): 10 people

III Management results and financial position

(1) <u>Management results</u>

Overview of consolidated results for fiscal 2005

Solid global economic growth has led to strong recovery in the export sector of the Japanese economy. In addition, overcapacity, excessive workforces, and high debt, which have plagued the Japanese economy since the end of the 1980's economic bubble, have mostly been resolved. Thus, corporate profitability is steadily improving, and consumers are once again beginning to spend. It appears that Japan's bought with deflation is nearing the end.

The Japanese automobile market expanded 0.7 percent to 5.861 million vehicles in fiscal 2005, with registered vehicles totaling 3.913 million (down 0.7 percent year-on-year) and mini vehicles totaling 1.948 million (up 3.6 percent year-on-year). This total represented a new record for domestic unit volume.

In this environment, the Mitsubishi Motors Corporation group registered global unit sales (retail) of 1.344 million vehicles, 31 thousand units higher than fiscal 2004 (2.4 percent year-on-year growth).

Regionally, in Japan MMC has seen 11 consecutive months of year-on-year growth in unit volume (since May 2005) thus leading to overall volume growth. In particular, robust sales of the new SUV *Outlander* launched in October 2005, and new minicar *'i'* launched in January 2006 brought Japanese volume for the fiscal year to 257 thousand vehicles (30 thousand units higher year-on-year, 13.0 percent growth). In contrast, despite solid growth in Mexico and Puerto Rico, unit volumes fell in North America to 156 thousand vehicles (down 18 thousand units, year-on-year decline of 10.5 percent). In the United States, the new *Eclispe* coupe launched in May 2005 saw strong sales, but loss of brand image and poor timing of the launch of the *Raider* pickup truck, along with continued efforts to rationalize the sales efforts by curtailing fleet sales caused sales to fall. In Europe, the traditionally large markets of Germany and the United Kingdom brought in solid results, and robust double-digit growth in Russia brought unit volume for the region to 267 thousand vehicles (growth of 26 thousand units, 10.5 percent year-on-year). Finally in Asia and other regions, strength in Thailand, Latin America, the Mid East and Africa was offset by weakness in Malaysia, Indonesia, China & Taiwan, and Australia & New Zealand, which led to volume of 664 thousand units (a year-on-year decline of 7 thousand units, 0.8 percent).

Sales for fiscal 2005 totaled 2.1201 trillion yen, a decrease of 2.5 billion yen over fiscal 2004 (0.1 percent down). Regional sales were the following: unit sales growth in Japan brought sales of 504.1 billion yen, up 91.2 billion over fiscal 2004. In North America, due to the ending of an OEM agreement in fiscal 2004, as well as weaker volume resulting from the curtailment of fleet sales and other reasons, sales declined 25.7 billion yen to 415.7 billion. Also, lower OEM volume in Europe led to a decrease in sales of 81.6 billion to 586.2 billion yen. Lastly, in Asia and other regions, weakness in North Asia was offset by sales increases in Latin America, the Mid East & Africa, Australia & New Zealand (due to an improvement in model profitability mix) and the ASEAN region brought sales to 614.1 billion yen, 13.6 billion higher than last year.

MMC returned to the black on an operating income basis posting operating income of 6.8 billion yen, an improvement of 135.3 billion yen over the same period last year. Major factors contributing to this improvement were as follows. Higher unit volume and better model profitability mix contributed 23.1 billion yen to the improvement. Lower selling expenses, primarily in the form of lower advertising spending in North America and Europe, brought operating income higher by 15.8 billion yen. Foreign currency exchange gains due to a weaker yen resulted in an improvement of 10.0 billion yen. Lower warranty claim related expenses, mainly in Japan, contributed 38.6 billion yen. Lower depreciation expenses resulting from asset impairment charges taken in fiscal 2004, in North America and Australia, improved operating income by 14.7 billion yen. Lastly, the non re-occurrence of losses related to the sales of sales-finance receivables in the company's US financial services unit led to an improvement of 10.4 billion yen in operating income.

Non-operating losses totaled 24.6 billion yen, a year-on-year improvement of 26.1 billion yen. The improvement can be attributed to the non-reoccurrence of stock issuance costs 12.9 billion yen, which were fully expensed in the fiscal 2004, and to a 14.5 billion yen improvement in income from equity-method affiliates. Ordinary loss for the period came to 17.8 billion yen, an improvement of 161.4 billion yen over fiscal 2004.

Extraordinary losses and income taxes totaled 74.4 billion yen. Of this amount, Extraordinary losses totaled 65.0 billion yen, and included the following. Asset impairment charges in Japan, the United States, and Australia represented 45.1 billion of the losses. In the first half of the fiscal year, MMC reported asset impairment charges of 21.9 billion yen due to new accounting standards in Japan. However, additional charges taken due to value declines in land held by consolidated sales companies brought full year charges to 26.2 billion yen. Asset impairment charges of 84.4 billion yen for assets in the United States and Australia were taken in fiscal 2004. However, the slower than expected recovery in these markets merited additional charges of 18.9 billion yen in this fiscal year. Also, restructuring charges of 14.8 billion yen were taken regarding consignment production in the United States to lessen the future burden resulting from lowered sales expectations.

Taking these extraordinary losses together with taxes in overseas subsidiaries, the net loss for fiscal 2005 came to 92.2 billion yen, a 382.6 billion year-on-year improvement. This loss was worse than that forecasted in the first half fiscal 2005 earnings announcement as of November 10, 2005 due to the additional asset impairment charges, but these charges will bring MMC's target of sustainable profitability from fiscal 2006 onward closer to being achieved.

Segment Information
(Business Segment Information)

Full year revenues for the company's automotive business totaled 2.0809 trillion yen, a decrease of 0.2 percent over the same period last year, producing an operating loss of 6.1 billion yen, a year-on-year improvement of 98.2 billion yen.

Revenues from MMC's financial services business came to 39.2 billion yen, a decrease of 2.5 percent year-on-year. Operating income however totaled 10.4 billion yen, an improvement of 31.5 billion yen over fiscal 2004.

(2) Financial standing

Total assets at period end came to 1.5576 trillion yen. The production ramp up for the launch of new models saw in increase in inventories, but declines in cash due to debt repayments and other reasons drew total assets down 31.7 billion yen year from the end of fiscal 2004. Despite increases due to bond issuances in the company's subsidiary in Thailand, interest-bearing debt fell 28.2 billion yen in the period to 447.8 billion yen, mainly due to scheduled repayments. Shareholders' equity fell 56.1 billion yen in the period due to the net loss, despite being somewhat offset by capital increases in Japan, to 268.7 billion yen.

Cash flow from operating activities during the period came to an inflow of 54.4 billion yen, an increase of 40.8 billion yen from the year ago period, stemming from the improvement in net loss over the previous fiscal year.

Cash flows from investing activities saw expenditures on tangible fixed assets outweigh the proceeds from sales of tangible fixed assets, resulting in an outflow of 84.8 billion yen (an decrease in outflow of 50.8 billion yen year-on-year).

Finally, for cash flow from financing activities, cash layouts debt repayment were greater than receipts from borrowings, leading to a cash outflow of 19.0 billion yen (a 152.5 billion yen drop from the inflows of the year ago period). The balance of cash and cash equivalents at the end of the period thus stood at 248.1 billion yen, 46.8 billion lower than the balance at the beginning of the period.

Trends in key ratios

	FY2005 Full Year	FY2005 First Half	FY2004 Full Year	FY2004 First Half	FY2003 Full Year	FY2003 First Half	FY2002 Full Year
Ratio of shareholders` equity (%)	17.3	17.1	20.4	18.1	1.5	7.8	11.6
Ratio of market value to assets (％)	87.8	67.5	37.7	16.2	19.2	16.8	16.7
Debt repayment coverage (years)	8.2	17.0	34.9	—	—	—	57.3
Interest coverage ratio	2.9	2.6	0.5	—	—	—	0.5

(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.

※ 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.

※ Cash flows 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 2006 Earnings Outlook

The current forecast for fiscal 2006 (ending March 31, 2007) earnings is as follows:

	Consolidated	Non-consolidated
Sales	2,230 billion yen	1,360 billion yen
Ordinary income	21 billion yen	10 billion yen
Net Income	8 billion yen	−35 billion yen

The forecast for consolidated unit volume is as follows: (000 units)

Region	Fiscal 2006 Forecast	Fiscal 2005 Actual
Japan	302	257
North America	181	156
Europe	271	267
Asia & Others	654	664
Total	1,408	1,344

※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 the following:

Support for Mitsubishi Motors Revitalization Plan from Mitsubishi Group Companies

Mitsubishi Group companies, especially Mitsubishi Heavy Industries, Ltd, Mitsubishi Corporation, and Bank of Tokyo Mitsubishi UFJ, Ltd, substantially support MMC's financial status and administrative efforts, as well as play a critical role in the realization of the Mitsubishi Motors Revitalization Plan. If this support were to be removed, the MMC would find it difficult to achieve the items set out within this revitalization plan and difficult to restore the business 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, DC announced that it would not provide additional capital support to MMC. Recent additional investments by Mitsubishi Group companies and other investors reduced DC's holdings to 12.89 percent as of March 31, 2005. In addition, on November 11, 2005, DC sold all remaining MMC shares in holdings, 548,372,000 shares, and thus ceased to have a capital relationship with MMC.

On March 25, 2006, DC announced the intention to stop production of the smart forfour model, which was produced at MMC's European production facility NedCar on an OEM basis. MMC and DC agreed to begin negotiations regarding this matter on March 30, 2006; negotiations are currently ongoing.

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 - fifth 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 fifth proceedings) have launched this suit. The plaintiffs contend that the emission of NO_2 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 fifth proceeding amounts to approximately 11.4 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 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. 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 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 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 (including punitive damages) from MMC, the Japanese National Government, and both the driver and his employer. On April 18, 2006, the Yokohama District 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 (plus interest) amount to the plaintiff. However, the plaintiff has indicated intention to appeal the ruling.

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, seeking 153 million Euros in compensation. Moreover, six dealerships affiliated with Morkens and four independent dealerships sought compensation from the MMC and Mitsubishi Motors Europe B.V. for 75 million Euros and 2.2 million Euros, respectively. A settlement for these proceedings was announced on March 30, 2006. This settlement has been reflected in fiscal 2005 financial statements.

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. Due to past problems resulting from auto credit based incentives, MMC reviewed policies in its U.S. sales-finance unit. In July 2005, a new structure for sales-finance operations was adopted as a joint venture with Merrill Lynch. With this new system, risks related to auto credit assets held in portfolio are reduced, but any slowdown in economic activity going forward could affect customers' ability to repay.

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 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 remaining Class A & G shares to common shares in the future will dilute the value of existing common shares and thus possibly have influence on the market price of common shares.

Effect of foreign exchange rate fluctuation

Overseas sales accounted for 76.2 percent of the consolidated sales of MMC for 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 still may have impact on the results of MMC.

Effect of socioeconomic situations

The breakdown of the above ratio of the overseas sales is 19.6 percent for North America, 27.7 percent for Europe, and 28.9 percent for Asia and other regions. The remaining 23.8 percent thus 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 consolidated interest-bearing liabilities of MMC stood at 447.8 billion yen at the end of March 2006. 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 & components from many partners. Increased demand and other changes in market conditions may cause materials & components prices to increase, thus raising the company's manufacturing costs and resulting in an impact on the results of MMC.

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, 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 & regulations regarding the environment, product safety, etc. in its various markets of operation. If any laws & 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.

Ⅳ. Consolidated financial statements

(1) Consolidated balance sheet

in millions of Yen

	At 3/31/2006	At 3/31/2005	Change
Assets			
Current assets	(842,306)	(821,937)	(20,369)
Cash and cash equivalents	259,045	307,474	-48,429
Trade notes and accounts receivable	179,101	150,951	28,150
Finance receivables	39,278	24,476	14,802
Marketable securities	5,365	4,220	1,145
Inventories	257,946	233,353	24,593
Short-term loans receivable	2,047	2,386	-339
Deferred tax assets	1,206	1,799	-593
Other current assets	124,120	111,452	12,668
Allowance for doubtful accounts	-25,805	-14,176	-11,629
Fixed assets	(715,263)	(767,348)	(-52,085)
Tangible fixed assets	506,007	530,903	-24,896
Intangible fixed assets	25,836	32,107	-6,271
Long-term finance receivables	8,365	2,072	6,293
Investment securities	74,126	71,867	2,259
Long-term loans receivable	12,900	11,747	1,153
Residual interest in securitized assets	69,751	111,709	-41,958
Deferred tax assets	7,413	6,730	683
Other non-current assets	65,841	75,154	-9,313
Allowance for doubtful accounts	-54,979	-74,943	19,964
Total assets	(1,557,570)	(1,589,286)	(-31,716)
Liabilities, minority interest, & shareholders' equity			
Current liabilities	(867,160)	(857,338)	(9,822)
Trade notes and accounts payable	333,842	293,853	39,989
Short-term loans payable	244,362	277,952	-33,590
Accrued expenses and other payables	181,553	181,250	303
Accrued income taxes	7,371	3,157	4,214
Allowance for warranty claims	49,589	49,859	-270
Other current liabilities	50,441	51,264	-823
Non-current liabilities	(409,150)	(396,935)	(12,215)
Bonds	57,640	40,941	16,699
Long-term loans payable	145,749	157,078	-11,329
Deferred tax liabilities	18,251	17,357	894
Accrued retirement benefits	102,787	99,295	3,492
Accrued retirement benefits for executives	1,958	1,614	344
Other non-current liabilities	82,762	80,647	2,115
Total liabilities	(1,276,311)	(1,254,274)	(22,037)
Minority interest	(12,580)	(10,229)	(2,351)
Shareholders' equity			
Common & preferred stock	657,336	642,300	15,036
Capital surplus	432,648	417,612	15,036
Retained earnings	-749,198	-656,068	-93,130
Unrealized gains on securities	9,046	9,208	-162
Forex translation adjustment	-81,142	-88,262	7,120
Treasury stock	-12	-8	-4
Total shareholders' equity	(268,678)	(324,782)	(-56,104)
Total liabilities, minority interest, & shareholders' equity	(1,557,570)	(1,589,286)	(-31,716)

(2) Consolidated statements of income / loss

in millions of Yen

	4/1/'05-3/31/'06	4/1/'04-3/31/'05	Change	% Change
Sales	2,120,068	2,122,626	-2,558	-0.1
Cost of sales	1,700,524	1,808,110	-107,586	-6.0
Gross profit before provision for unrealized profit on installment sales	419,543	314,516	105,027	33.4
Provision for unrealized profit on installment sales	0	16	-16	
Gross profit	419,544	314,532	105,012	33.4
Selling, general and administrative expenses	412,760	443,076	-30,316	
Operating income / loss	6,783	-128,544	135,327	-
Non-operating income	9,689	12,106	-2,417	
(Interest and dividend income)	(5,105)	(7,920)	(-2,815)	
(Other income)	(4,584)	(4,186)	(398)	
Non-operating expenses	34,253	62,735	-28,482	
(Interest expense)	(19,580)	(25,601)	(-6,021)	
(Other expenses)	(14,672)	(37,133)	(-22,461)	
Ordinary income / loss	-17,780	-179,172	161,392	-
Extraordinary gains	9,153	8,111	1,042	
Extraordinary losses	74,119	289,845	-215,726	
Net income / loss before income taxes	-82,745	-460,906	378,161	-
Income taxes	7,909	19,761	-11,852	
Minority interest	-1,511	5,882	-7,393	
Net income / loss	-92,166	-474,785	382,619	-

(3) Consolidated statements of capital surplus and retained earnings

in millions of Yen

	4/1/'05-3/31/'06	4/1/'04-3/31/'05	Change
Capital surplus			
Capital surplus at beginning of term	417,612	27,513	390,099
Increase in capital surplus	15,035	390,099	-375,064
(Issuance of common & preferred stock)	(15,035)	(390,099)	(-375,064)
Capital surplus at end of term	432,648	417,612	15,036
Retained earnings			
Retained earnings at beginning of term	-656,068	-183,410	-472,658
Increase in retained earnings	-	2,127	-2,127
(New equity method affiliates)	(-)	(2,127)	(-2,127)
Decrease in retained earnings	93,129	474,785	-381,656
(Net loss for term)	(92,166)	(474,785)	(-382,619)
(Change in accounting standard in an Australian subsidiary)	(962)	(-)	(962)
Retained earnings at end of term	-749,198	-656,068	-93,130

(4) Consolidated statements of cash flows

in millions of yen

	4/1/'05-3/31/'06	4/1/'04-3/31/'05	change
Cash flows from operating activities			
Net income / loss before taxes	-82,745	-460,906	378,161
Depreciation	69,486	97,484	-27,998
Impairment loss	45,084	84,376	-39,292
Amortization of goodwill	-767	-1,441	674
Change in allowance for doubtful accounts	-9,345	-9,125	-220
Change in accrued retirement benefits	1,763	-11,722	13,485
Interest and dividend income	-5,105	-7,920	2,815
Interest expense	19,580	25,601	-6,021
Foreign exchange gain / loss	-227	2,007	-2,234
Equity income / loss of affiliates	-1,453	13,002	-14,455
Gain / loss on sale and disposal of tangible assets	-1,862	16,189	-18,051
Gain / loss on sale of investments	-391	-1,331	940
Loss on devaluation of investments	335	446	-111
Loss compensation based on stock transfer contract	1,186	74,736	-73,550
Change in trade notes and accounts receivable	-19,550	39,597	-59,147
Change in inventories	-5,881	53,402	-59,283
Change in finance receivables	15,790	126,116	-110,326
Change in residual interest on sold receivables	16,853	49,660	-32,807
Change in trade notes and accounts payable	30,210	-57,396	87,606
Others	1,754	12,177	-10,423
Sub total	74,713	44,956	29,757
Interest and dividends received	6,444	12,578	-6,134
Interest paid	-19,048	-28,505	9,457
Compensation based on stock transfer contract paid	-5,000	-10,700	5,700
Income tax paid	-2,680	-4,675	1,995
Cash flows from operating activities	54,430	13,654	40,776
Cash flows from investing activities			
Change in term deposits	3,045	-18,920	21,965
Acquisition of investments	-3,156	-2,176	-980
Proceeds from sales of investments	2,990	9,477	-6,487
Acquisition of tangible fixed assets	-133,924	-140,760	6,836
Proceeds from sales of tangible fixed assets	45,839	111,788	-65,949
Change in short-term loans receivable	741	5,009	-4,268
New long-term loans receivable	-2,017	-444	-1,573
Collection of long-term loans receivable	1,584	1,616	-32
Others	86	203	-117
Cash flows from investing activities	-84,811	-34,206	-50,605
Cash flows from financing activities			
Change in short-term loans payable and commercial papers	-48,192	-425,649	377,457
Proceeds from long-term loans payable	21,957	116,277	-94,320
Repayment of long-term loans payable	-40,471	-278,919	238,448
Issuance of bonds	19,729	3,697	16,032
Redemption of bonds	-1,596	-49,147	47,551
Issuance of new shares	29,704	767,344	-737,640
Dividends paid to minority shareholders	-33	-40	7
Others	-53	-5	-48
Cash flows from financing activities	-18,955	133,556	-152,511
Effect of exchange rate changes on cash and cash equivalents	2,557	-12	2,569
Net change in cash and cash equivalents	-46,779	112,991	-159,770
Cash and cash equivalents at beginning of year	294,903	181,911	112,992
Reduction in cash and cash equivalents due to changes in scope of consolidation	54	ー	54
Cash and cash equivalents at end of year	248,069	294,903	-46,834

Basis of preparation of consolidated financial statements

Premise of Going Concern

The Mitsubishi Motors Corporation (MMC) group reported a net loss of ¥215,424 million in fiscal year 2003, and a ¥474,785 million net loss for fiscal year 2004. For fiscal year 2005, the company is 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.
The new measures were in response to a marked slump in domestic sales that surfaced following recall problems at MMC and Mitsubishi Fuso Truck & Bus Corporation.
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 group.
As a result, MMC group had been 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 Revitaliation 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.

Scope of consolidation

Consolidated subsidiaries ………………………………………… 98 companies

Consolidated subsidiaries in Japan ……………………………… 47 companies

Tokyo Mitsubishi Motor Sales Co., Ltd., Kanto Mitsubishi Motor Parts Sales Co., Ltd., Pajero Manufacturing Co., Ltd. and others.

Consolidated subsidiaries outside Japan ………………………… 51 companies

Mitsubishi Motors North America, Inc., Mitsubishi Motors Europe B.V., Mitsubishi Motors Australia Ltd., and others.

Newly consolidated ……………………………………………… 4 companies

Iyo Mitsubishi Motor Sales Co., Ltd. and others.

Deconsolidated ……………………………………………… 18 companies

Kanan Mitsubishi Motor Sales Co., Ltd. and others.

Application of equity method

Non-consolidated subsidiaries ………………………………………… 14 companies

MMCE Retail S.A. and others

Affiliates ……………………………………………………………… 24 companies

Mitsubishi Auto Credit-Lease Co., Ltd. and others.

New application of equity method ………………………………… 3 companies

Korat Automotive Co.,Ltd. and others.

Excluded for this closing ………………………………………… 6 companies

Iyo Mitsubishi Motor Sales Co., Ltd. and others.

Accounting Policies

(1) Accounting standard for valuation of major assets

①Marketable securities

Held-to-maturity bonds ……………………… At cost using the moving-average method (Straight-line method).

Other marketable securities

With market value ……………………… At market, based on market value on date of book-closing (Net unrealized gain/loss booked directly to stockholders' equity. Selling cost is computed by the moving-average method.).

Without market value ……………………… At cost using the moving-average method.

②Derivative instruments ……………………… Valued at market (excluding swaps meeting the special provisions of the accounting standard)

③Inventories: basis and method of valuation

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 ……… Cost or market, whichever is lower, using the specific identification cost method.

(2) Depreciation of fixed assets

①Tangible fixed assets

MMC and consolidated subsidiaries in Japan

……………………… Declining balance method or Straight-line method.

Overseas consolidated subsidiaries………… Primarily Straight-line method.

②Intangible fixed assets

MMC and consolidated subsidiaries in Japan

……………………… Straight-line method. However, internally created software is depreciated on a straight-line based over the economic life of the product (5 years).

Overseas consolidated subsidiaries………… Straight-line method.

(3) Allowances

①Doubtful accounts

To provide against possible losses arising from accounts and loans receivable, a doubtful account allowance is included in the balance sheet. General receivables are calculated on the basis of historical data, and specific receivables are calculated on the basis of individual estimates of specific receivables thought to be uncollectible.

②Warranty claims

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

③Accrued retirement benefit

Accrued retirement benefits for employees at March 31, 2006 are calculated from the retirement benefit obligation and the fair value of the pension plan assets estimated at year end. The full amount of the transition difference arising from the adoption of the new accounting standard for retirement benefits was expensed entirely in the year when new accounting standard was adopted.

Prior service cost is being amortized using the straight-line method over constant year that is within the estimated average remaining service years of the employees.

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

④Accrued severance payments to directors

Directors and statutory auditors retirement benefits are provided at the amount estimated at year end based on the internal regulations of MMC group.

(4) Significant foreign currency transactions

Foreign currency cash claims and obligations are translated into yen at the 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 exchange rate on the day of book-closing, and the foreign currency revenues and expenses of these companies 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 "Stockholders' equity and Minority interests" section of the balance sheet.

(5) Significant lease transactions

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

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

(6) Major hedge accounting policies

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

②Interest swaps……………… Booked using deferral hedge accounting or in accordance with the special provisions of the accounting standard.

(7) Other significant accounting policies

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

②Deferred assets……………… The full amounts of bond issuance cost and stock issuance costs are charged to expenses at the time of payments.

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

④Consolidated tax return……… MMC group has adopted the consolidated tax return procedure.

Assets included in consolidated statements of cash flows

Cash in hand, deposits repayable on demand, and short-term investments that are easily convertible into cash, that are exposed to low price fluctuation risks and that have original maturities of three months or less when purchased are classified as cash and cash equivalents.

Additional information

(Accrued expense for employee's bonus)

MMC's consolidated subsidiaries in Japan have not accrued any amount for employee's bonuses for this entire fiscal year because of a change in the rules for the period covered.

MMC's consolidated subsidiaries in Japan accrued total ¥5,021 million for employee's bonus in 2004.

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

(Accounting Standard for Impairment of Fixed Assets)

Effective April 1, 2005, the accounting standard for impairment of fixed assets*"Opinion Concerning the Establishment of Accounting Standard for Impairment of Fixed Assets " (Business Accounting Deliberation Council. August 9, 2002)* and *"the Implementation Guideline on the Accounting Standard for Impairment of Fixed Assets" (Business-Accounting Standard Guidance No. 6 October 31, 2003)* have been adopted. As a result, net income before tax decreased by ¥26,176 million this reporting period.

In addition, the accumulated impairment loss has been deducted directly from the book value of each property, as prescribed by the reporting rule for consolidated financial statements

Change in Financial Statements disclosures

(Consolidated Cash Flow Statements)

In the previous fiscal year reporting, the net increase or decrease of short-term loans payable were reported as “Proceeds from loans payable” and “Repayment of loans payable” together with net increase or decrease from long-term loans payable.

From this reporting period, the items for loans payable are classified as “Change in short-term borrowings and commercial papers”, “Proceeds from long-term loans payable” and “Repayment of long-term loans payable”.

In addition, “Change in short-term borrowings and commercial papers”, “Proceeds from long-term loans payable” ,and “Repayment of long-term loans payable” in the previous fiscal year reporting period were ¥5,009 million, ¥-444 million and ¥1,616 million respectively.

Notes to consolidated financial statements

(Consolidated balance sheet)

in millions of Yen

FY2005 At 3/31/2006		FY2004 At 3/31/2005	
① Accumulated depreciation of tangible fixed assets	1,260,506	① Accumulated depreciation of tangible fixed assets	1,314,608
② Assets pledged as collateral (excluding asset groups pledged subject to floating charges)		② Assets pledged as collateral (excluding asset groups pledged subject to floating charges)	
Trade notes and accounts receivable	14,129	Trade notes and accounts receivable	15,711
Short-term & long-term finance receivables	32,080	Short-term & long-term finance receivables	21,018
Inventories	55,956	Inventories	52,712
Tangible fixed assets	202,879	Tangible fixed assets	211,908
Long-term residual interest in sold receivables	28,182	Long-term residual interest in sold receivables	49,791
Other	56,767	Other	30,549
Asset groups pledged subject to floating charges		Asset groups pledged subject to floating charges	
Tangible fixed assets	99,539	Tangible fixed assets	104,468
Secured liabilities		Secured liabilities	
Short-term & long-term loans payable	296,692	Short-term & long-term loans payable	383,281
③ Non-consolidated subsidiaries and affiliates included in "Investments" and "other non-current assets"		③ Non-consolidated subsidiaries and affiliates included in "Investments" and "other non-current assets"	
Investments	27,092	Investments	27,286
Other non-current assets	9,302	Other non-current assets	8,248
④ Guarantee liabilities		④ Guarantee liabilities	
Guarantee liabilities	5,274	Guarantee liabilities	6,008
Liabilities similar to guarantee liabilities	3,215	Liabilities similar to guarantee liabilities	3,449
⑤ Outstanding balance of securitized assets		⑤ Outstanding balance of securitized assets	
Trade notes and accounts receivable	12,359	Trade notes and accounts receivable	7,913
Finance receivables	115,214	Finance receivables	240,317
⑥ Negative goodwill included in intangible fixed assets	361	⑥ Negative goodwill included in other non-current liabilities	714

(Consolidated statement of income / loss)

in millions of Yen

FY2005 At 3/31/2006		FY2004 At 3/31/2005	
① Extraordinary gains		① Extraordinary gains	
Gain on sale of fixed assets	5,997	Gain on sale of fixed assets	5,148
Profit on sales of investments in securities	2,269	Profit on sales of investments in securities	1,609
Other gains	886	Other gains	1,352
② Extraordinary losses		② Extraordinary losses	
Impairment loss	45,084	Impairment loss	84,376
Extraordinary measure expenses	14,766	Loss compensation based on stock transfer contract	74,736
Loss on sale/disposal of fixed assets	4,135	Extraordinary measure expenses	29,530
Other losses	10,132	Inventory appraisal loss	28,043
		Provision for losses on restructuring	25,247
		Loss on sale/disposal of fixed assets	21,338
		Early retirement expense	16,283
		Other losses	10,288
③ R&D expenditure included in selling, general and administration expenses	60,345	③ R&D expenditure included in selling, general and administration expenses	68,775

④ Asset groups for which impairment losses were recorded

Location	Application	Assets	Impairment loss
USA, AUS and others	assets held for production and operating branch	Land, Bldg, and other	39,175
Miyagi, Nara and others	Loan assets	Land, Bldg, and other	2,563
Tokyo and others	Idle assets	Land, Bldg, and other	3,346

Summary of impairment loss

Land	20,665
Building	3,944
Other	20,474
Total	45,084

(Consolidated statement of cash flows)

in millions of Yen

FY2005 At 3/31/2006		FY2004 At 3/31/2005	
Reconciliation between cash and cash equivalents and the amounts reported in the consolidated balance sheet is as follows:		Reconciliation between cash and cash equivalents and the amounts reported in the consolidated balance sheet is as follows:	
Cash on hand and in banks	259,045	Cash on hand and in banks	307,474
Term deposits of more than three months	-16,331	Term deposits of more than three months	-16,791
Securities with original maturities of three months or less	5,355	Securities with original maturities of three months or less	4,220
Cash and cash equivalents	248,069	Cash and cash equivalents	294,903

(Segment information) **[Revised]**

(1) Business segment

in millions of Yen

FY2005	Automotive	Financial services	Total	Eliminations for Consolidation	Consolidated
I.Sales & operating income					
Sales					
(1) External customers	2,080,884	39,183	2,120,068	-	2,120,068
(2) Intersegment sales & transfers	-1	-	-1	1	-
Total	2,080,883	39,183	2,120,067	1	2,120,068
Operating expenses	2,087,026	28,764	2,115,791	-2,506	2,113,284
Operating income / loss	-6,142	10,418	4,276	2,507	6,783
II.Assets, depreciation, impairment loss & capital expenditure					
Assets	1,453,123	127,607	1,580,731	-23,161	1,557,570
Depreciation	60,944	8,541	69,486	-	69,486
Impairment loss	45,084	-	45,084	-	45,084
Capital expenditure	119,460	8,904	128,365	-	128,365

in millions of Yen

FY2004	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 expenditure					
Assets	1,601,183	273,412	1,874,595	-285,309	1,589,286
Depreciation	75,258	22,226	97,484	-	97,484
Capital expenditure	128,592	16,061	144,653	-	144,653

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

2. Major products by business segment

(1) Automotive ・・・・・・・・Passenger cars

(2) Financial services ・・・・Sales-finance products

(2) Geographical segment

in millions of Yen

FY2005	Japan	North America	Europe	Asia	Other	Total	Eliminations for Consolidation	Consolidated
Ⅰ.Sales & operating income								
Sales								
(1) External customers	876,752	388,466	583,122	106,535	165,191	2,120,068	-	2,120,068
(2) Intersegment sales & transfers	475,429	12,763	14,463	121,963	1,055	625,675	-625,675	-
Total	1,352,182	401,229	597,585	228,498	166,247	2,745,744	-625,675	2,120,068
Operating expenses	1,363,040	405,120	588,296	213,278	171,279	2,741,015	-627,730	2,113,284
Operating income / loss	-10,857	-3,891	9,288	15,220	-5,031	4,728	2,054	6,783
Ⅱ.Assets	1,130,673	315,155	198,625	164,609	73,948	1,883,011	-325,441	1,557,570

in millions of Yen

FY2004	Japan	North America	Europe	Asia	Other	Total	Eliminations for Consolidation	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. Sales figures for geographical segments are classified by the region of the consolidated Mitsubishi Motors entity primarily involved in the transaction, both local sales and exports. The figures are not classified by the region of the wholesaler or end user. 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

(2) Europe……………….The Netherlands

(3) Asia…………………..Thailand, Philippines

(4) Other…………………Australia, New Zealand, U.A.E.

(3) Overseas sales

in millions of Yen

FY2005	North America	Europe	Asia	Other	Total
Ⅰ. Overseas sales	415,614	586,167	235,775	378,357	1,615,914
Ⅱ. Consolidated sales					2,120,068
Ⅲ. Overseas sales as a percentage of total sales	19.6%	27.7%	11.1%	17.8%	76.2%

in millions of Yen

FY2004	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, 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 and end user. The figures include both local sales of consolidated subsidiaries and export sales from Japan and consolidated subsidiaries.

The following notes are omitted because they will be disclosed on “EDINET”.

- Lease transactions
- Marketable securities
- Derivative financial instruments
- Retirements benefits
- Deferred taxation
- Related party transactions

(Significant contingency)

On March 30, 2006, MMC agreed with Daimler Chrysler AG as to the basic outline on which both sides would further advance their consultations regarding the discontinuance of production of Smart forfour manufactured by MMC's consolidated subsidiary, NedCar.B.V.

At present, MMC is in discussion with Daimler Chrysler AG and the finacial impact relating to this matter as a result of these discussions is not clear.