

FY2006 First Half Results



Mitsubishi Motors Corporation

October 30, 2006

Overview of FY2006 First Half Results and Forecast for FY2006 Full Year



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(In Charge of Finance Group Headquarters)

FY2006 First Half Results Summary

(100 million Yen/000 units)

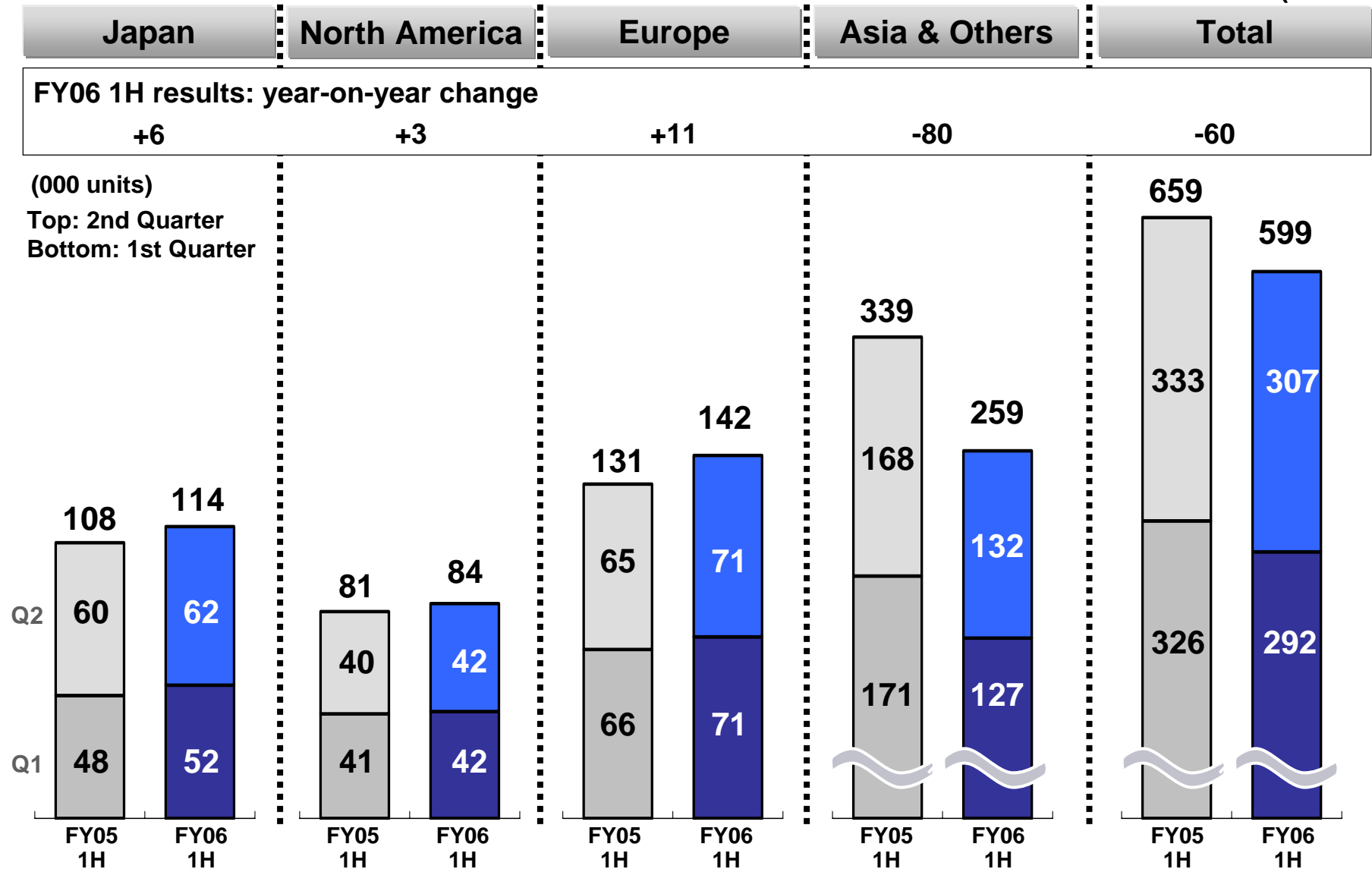
	FY05 1H	FY06 1H	Change	FY06 1H Apr 27 fcast
Revenue	9,913	10,054	+141	10,200
Operating Income	-198	-55	+143	-90
Ordinary Income	-336	-132	+204	-190
Net Income	-638	-161	+477	-280
Unit Volume (Retail)	659	599	-60	671

Notes: Unit volume figure excludes OEM volume

Apr 27 forecast announced as part of FY2005 full year results announcement

FY2006 First Half Regional Unit Volume (year-on-year change)

(Retail base)



Note: Unit volume figure excludes OEM volume

FY2006 First Half Operating Income

(100 million Yen)

	<u>FY05 1H</u>	<u>FY06 1H</u>	<u>Change</u>
Operating Income	-198	-55	+143
Non-operating Income	-138	-77	+61
Ordinary Income	-336	-132	+204
Extraordinary Income & Tax	-302	-29	+273
Net Income	-638	-161	+477
Forex	110 Yen/US\$ 136 Yen/EUR	115 Yen/US\$ 146 Yen/EUR	

- Vol/Mix +39
- Selling Exp. +7
- Forex +58
- Cost Reduc. & Others +39

FY2006 First Half Non-operating and Extraordinary Income

(100 million Yen)

	FY05 1H	FY06 1H	Change	
Operating Income	-198	-55	+143	
Non-operating Income	-138	-77	+61	<ul style="list-style-type: none"> • Interest Exp. +16 • Others +45
Ordinary Income	-336	-132	+204	
Extraordinary Income & Tax	-302	-29	+273	<ul style="list-style-type: none"> • Asset Impair. +195 • Restruc. Charges +32 • SPE Related +70 • Pension Related +19 • Others -43
Net Income	-638	-161	+477	

Notes: Interest exp: lower interest expense

Asset impair: lower asset impairment charges than that taken in FY05

Restruc charges: non-reoccurrence of restructuring charges taken in FY05

SPE related: Gain related to the dissolution of a special purpose entity

Pension related: gain from accounting change for retirement payments to executives

Balance Sheet

(100 million Yen)

	Mar 2006	Sept 2006	Change
Total Assets	15,576	16,351	+775
Cash & Equivalents	2,590	2,604	+14
Total Liabilities	12,763	13,715	+952
Interest Bearing Debt	4,478	4,921	+443
Net Assets	2,813	2,636	-177

FY2006 Full Year Results Forecast

(100 million Yen/000 units)

	FY05	FY06 Oct 30 Fcast	Change	FY06 Apr 27 Fcast
Revenue	21,201	22,300	+1,099	22,300
Operating Income	+68	+430	+362	+430
Ordinary Income	-178	+210	+388	+210
Net Income	-922	+80	+1,002	+80
Unit Volume (Retail)	1,344	1,322	-22	1,408

Note: Unit volume figure excludes OEM volume

FY2006 Business Plan Second Half Strategy



Osamu Masuko

President



DELICA
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FY2006 Regional Unit Volume Forecast

(Retail base)

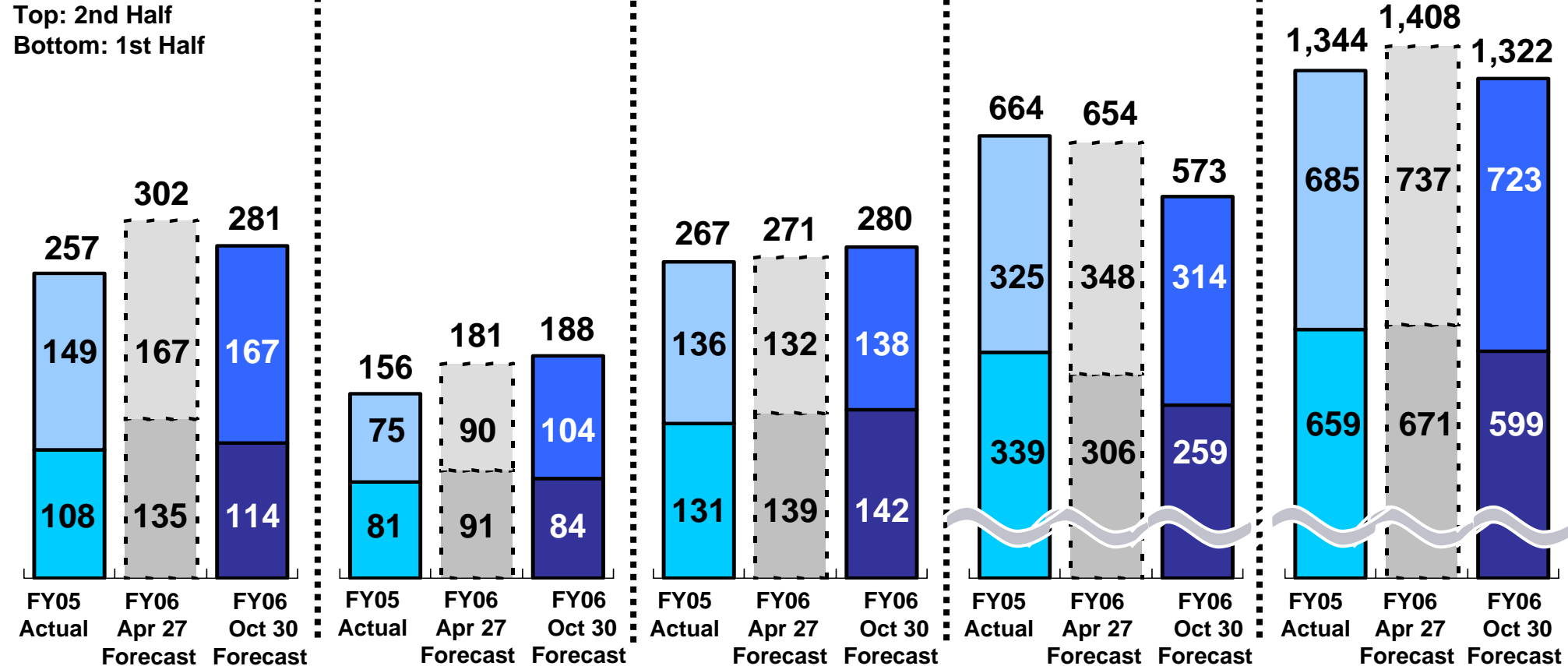
	Japan	North America	Europe	Asia & Others	Total
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Current (Oct 30) forecast vs. Apr 27 forecast

FY	-21	+7	+9	-81	-86
2H	±0	+14	+6	-34	-14

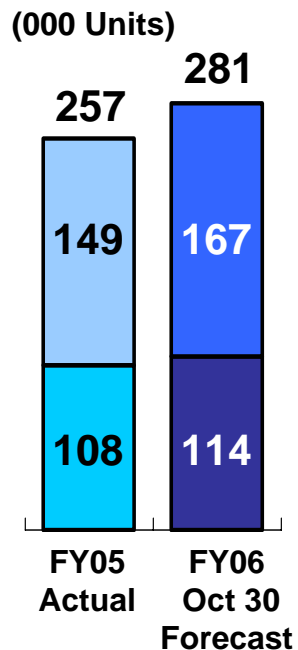
(000 units)

Top: 2nd Half
Bottom: 1st Half



Note: Unit volume figure excludes OEM volume

Aiming for second half targets through new model offensive and strengthening sales capabilities



■ Raise customer traffic via new models and ad campaign

- ✧ New *Pajero* (Oct), New *DelicaD:5* (Early 2007)
- ✧ *i non-turbo*(Oct)
- ✧ New *eK* series (launched in Sept)
- ✧ Sales promotion focusing on *Mitsubishi Mitekara* campaign

■ Strengthening sales capabilities together with dealers

■ New organizational structure, continue revamping the sales operation

- ✧ Improving management of dealers, rebuilding the sales network

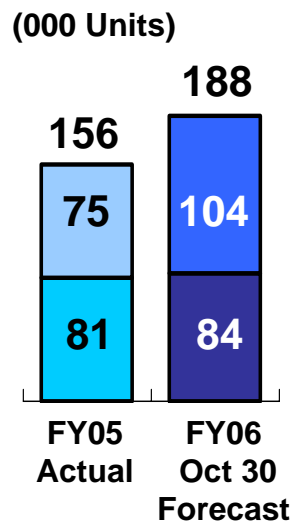
Building the foundation for a turnaround

■ Increase buyer appeal and sales through new models

- ✧ **New *Outlander*** (Nov)
Launch into the expanding US compact SUV market
- ✧ **New *Lancer*** (Mar 2007)
World debut in the largest market globally



■ Reinforce sales capabilities via dealer training



■ Effective advertising focusing on Mitsubishi's 25 years in the US market

■ Enhance sales through effective use of financial service operations

■ Improve productivity at the Illinois plant

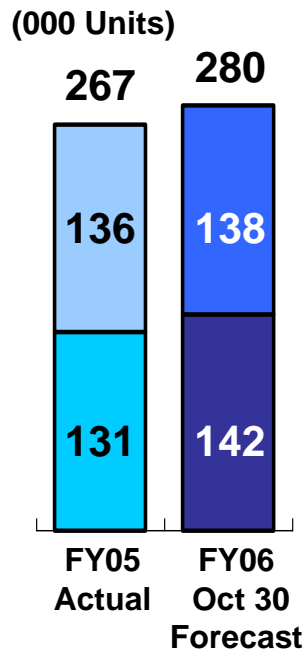
- ✧ Slimming operations for further cost reductions
- ✧ Increase utilization via exports to Russia and the Mid East (July~)



Continued strength via the launch of new SUV models and sales growth in high growth markets

■ Strengthening the lineup through consecutive launch of new SUV models

- ✧ New *L200* (Mar 2006~)
- ✧ New *Pajero* (Nov 2006~)
- ✧ New *Outlander* (Jan 2007~)



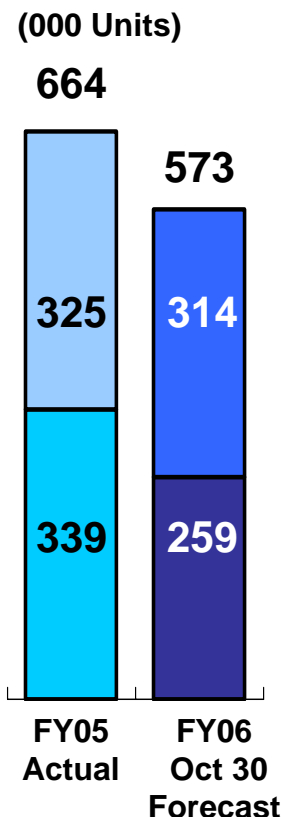
■ Expand sales in high growth markets (Russia & the Ukraine)

- ✧ Continued strength in compact sedan *Lancer*
- ✧ Strengthen lineup through launch of large sedan *Galant* (US made)

Beginning the expansion of Mitsubishi brand car sales in China and maintaining strength in Latin America, the Mid East, and Africa

China

- ✧ Expand sales of Mitsubishi brand cars after the recent investment in South East Motors
 - Lancer (Sept), Space Wagon (Sept), Galant (Oct)*
- ✧ Reinforce line up of vehicles exported from Japan
 - Lancer Evolution (Oct) Outlander (Jan 2007)*



Thailand

- ✧ Maintain domestic margins
- ✧ Secure stable profitability through expansion of *Triton/L200* exports

Latin America, the Mid East, and Africa

- ✧ Sustain strength via launch of new *Pajero*

Australia

- ✧ Launch 3 new models (*Triton, Pajero, Outlander*)

■ FY2006 First Half Results

**Revenue increased and losses reduced at all levels
Progressing slightly faster than revitalization plan pace**

Unit volume: Increase in Japan, North America, Europe. Decrease Asia and Other Regions.
Overall volume down ~ 10%.

Revenue: Drop in unit volume offset by forex gains, revenue up year-on-year.

Profitability: Improvement in volume/mix & financial service operations, along with forex effects led to reduction in losses.

■ FY2006 Full Year Forecast

Income forecasts unchanged – achieve net profitability

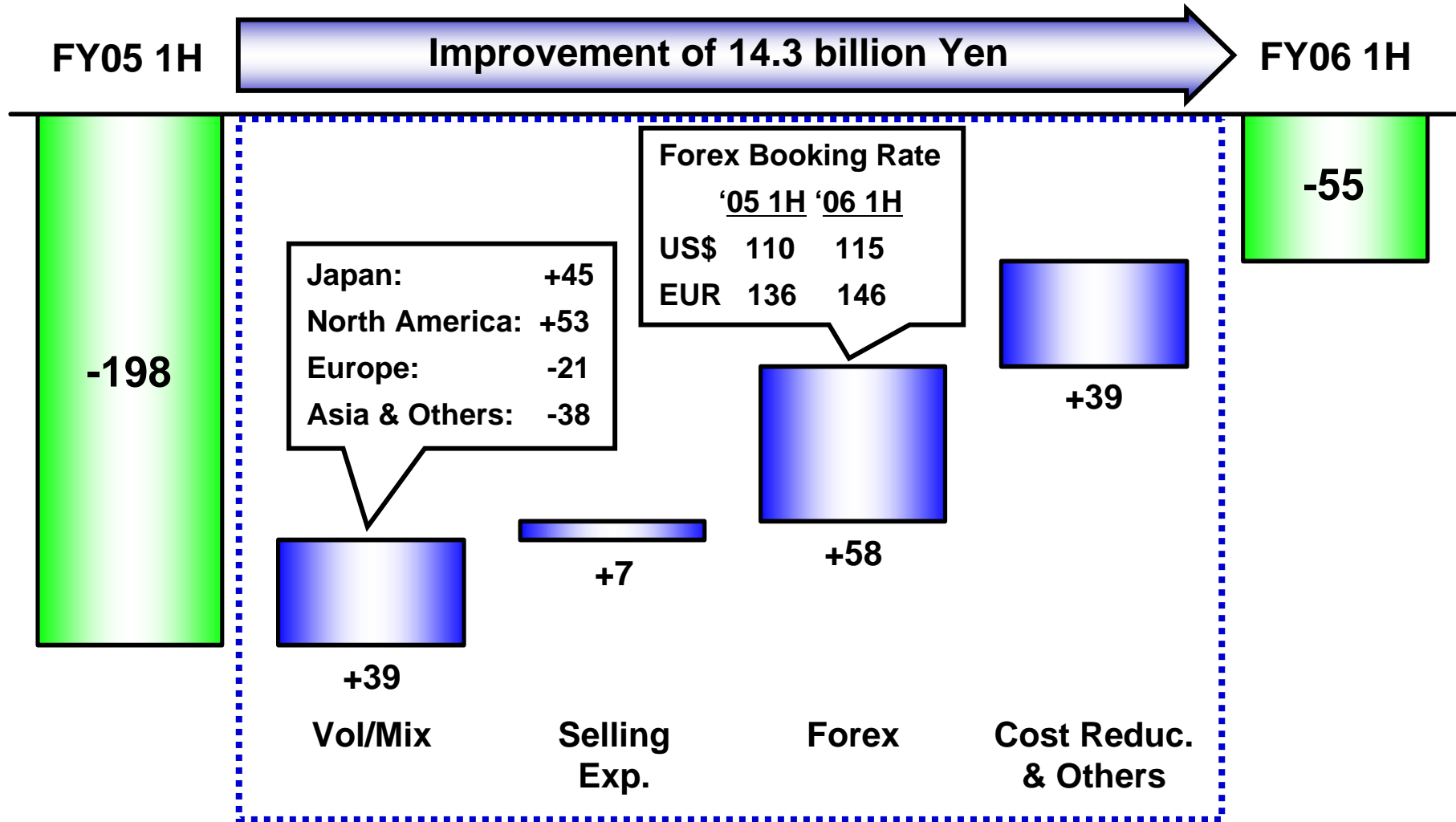
Unit volume: Revisions to full year targets reflecting market conditions.

Revenue & profitability: Revisions by region, but no change to overall forecasts for the period. Achieve net profitability.



FY2006 First Half Operating Income Analysis (vs. FY05 1H)

(100 million Yen)



FY2006 First Half Regional Results

(100 million Yen)

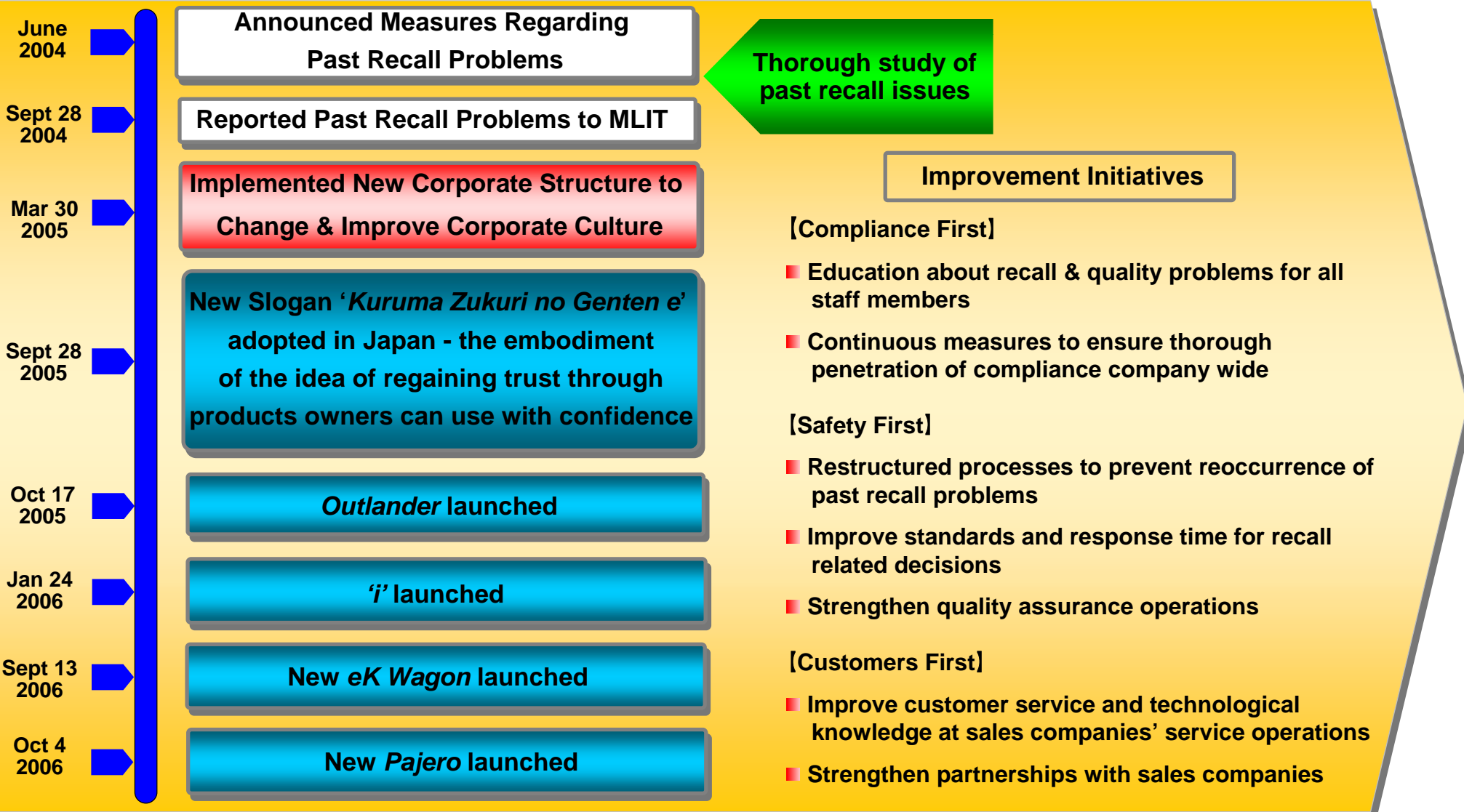
	FY 05 1H	FY 06 1H	Change
Revenue	9,913	10,054	+141
- Japan	2,088	2,237	+149
- North America	1,961	2,103	+142
- Europe	2,834	2,993	+159
- Asia & Others	3,030	2,721	-309
Operating Income	-198	-55	+143
- Japan	-381	-350	+31
- North America	-152	43	+195
- Europe	84	65	-19
- Asia & Others	251	187	-64

FY2006 Full Year Regional Results Forecast

(100 million Yen)

	FY05 Actual A	FY06 Apr 27 Fcast B	FY06 Oct 30 Fcast C	Change C-A	Change C-B
Revenue	21,201	22,300	22,300	+1,099	±0
- Japan	5,041	5,700	5,500	+459	-200
- North America	4,157	4,500	4,700	+543	+200
- Europe	5,862	6,000	6,200	+338	+200
- Asia & Others	6,141	6,100	5,900	-241	-200
Operating Income	68	430	430	+362	±0
- Japan	-553	-240	-350	+203	-110
- North America	-72	-110	50	+122	+160
- Europe	244	260	260	+16	±0
- Asia & Others	449	520	470	+21	-50

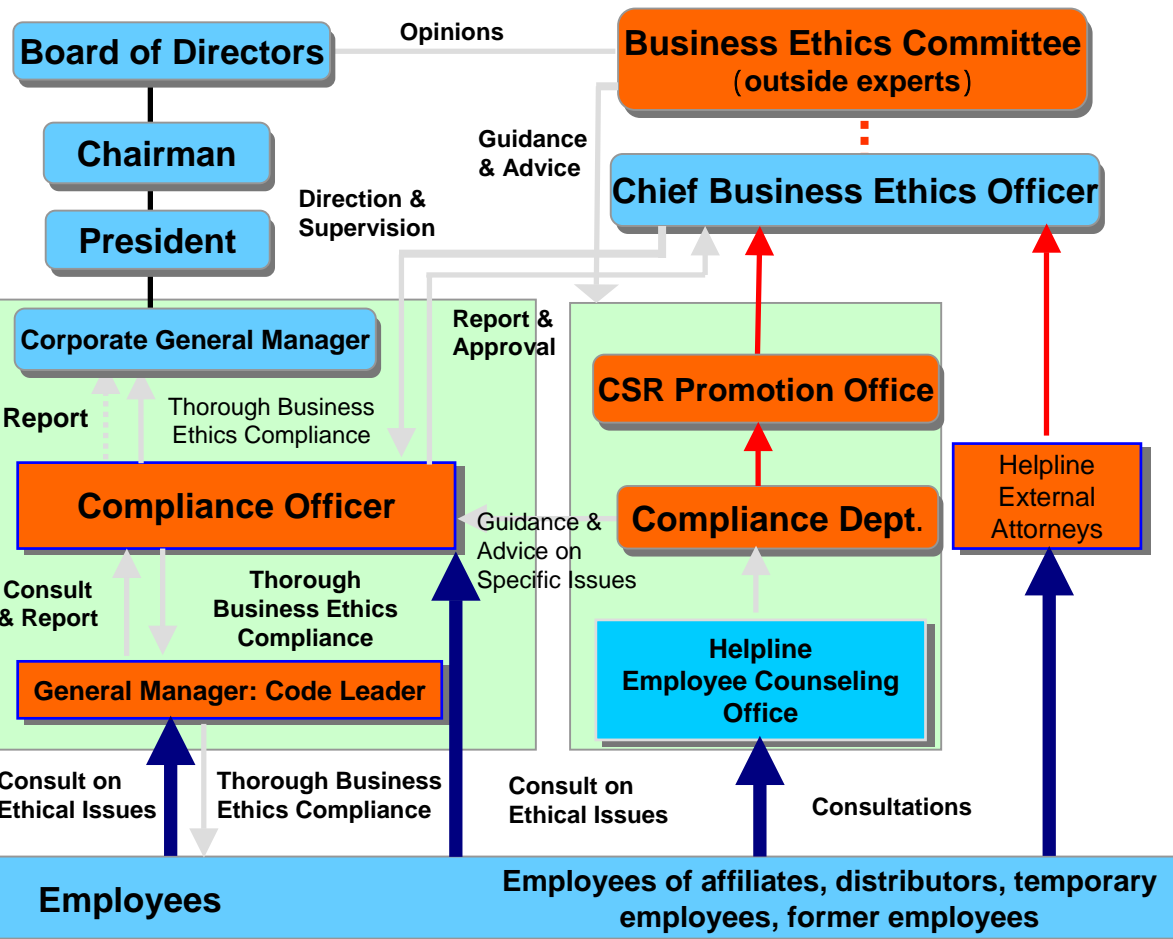
Initiatives in Regaining Trust



Outside check from the Business Ethics Committee: Guidance, Advice

Compliance First: Creating a Compliance Promotion System

- Establish the CSR Promotion Office and rebuild the compliance system to thoroughly promote compliance and change corporate culture.
- Under direction of the Chief Business Ethics Officer, a compliance system has been built to penetrate compliance throughout the organization, down to every employee. A Compliance Officer has been placed in each operational group to ensure thorough compliance, and general managers of each department have been named Code Leaders.
- Receive guidance & advice from an outside eye via the Business Ethics Committee, a body consisting of outside experts.



➤ Program to promote observance of business ethics

- Declaration by management placing business ethics observance as an utmost priority
- Establishment of business ethics observance system
- Business ethics seminars
- Meetings to review business ethical issues in each workplace
- Studies of extent of business ethics observance among employees
- Pledges to observe business ethics
- Improvement in hiring regulations
- Training for specific laws & issues
- Reinforcing the employee helpline
- Using the compliance fund
- Efforts in the establishment of a global business ethics observance system.

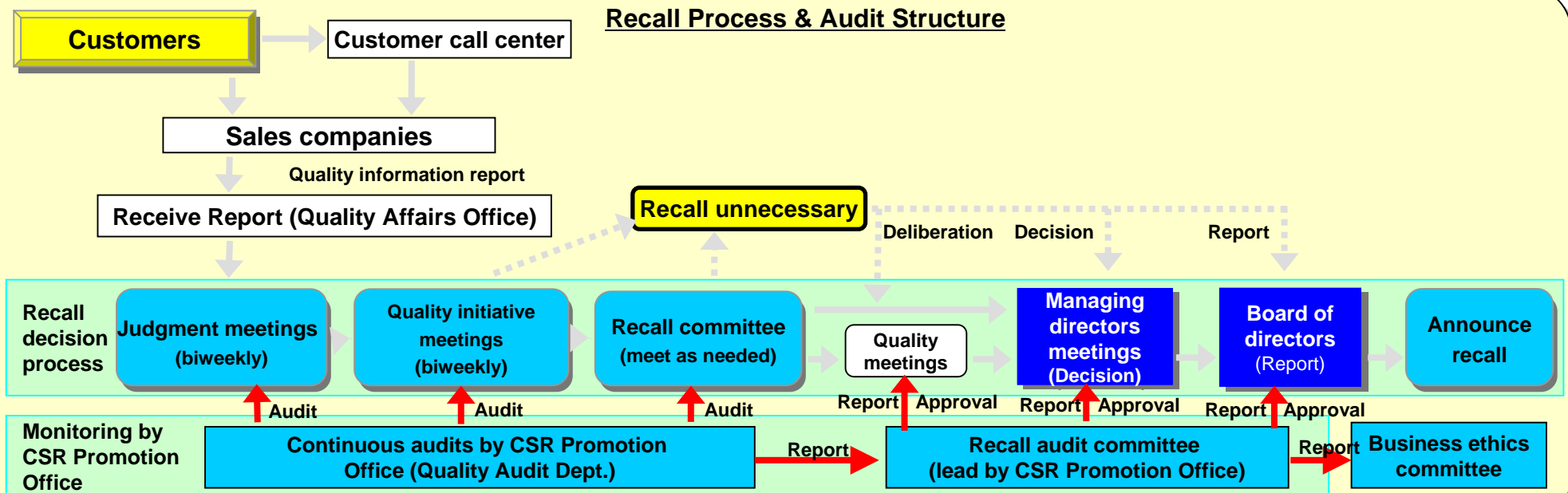
➤ Increasing awareness about past recall issues

- Safety pledge days
- Reporting of all quality related issues to the Board of Directors, even minor ones where actions are deemed unnecessary.
- Training for all employees on recall laws & processes

Safety First: Improving the Recall Process

Rationalization of recall functions and speeding up quality improvements based on market feedback, based on lessons learned from past recall issues.

- **Process improvement to prevent ordered recall related actions**
- **Reviewing and speeding up processes related to recall decisions**
 - Proceed from customers' perspective
 - Making recall standards stricter and uniform
 - Speeding up repairs (Introduction of new information system SQM-BC, decision teams made up of development and production experts, response by critical events task team)
- **Strengthening quality assurance functions**
 - Establishment of Quality Affairs Office
 - Increasing staff in quality assurance functions
- **Strengthening audit functions**
 - Audits by the CSR Promotion Office
 - Top management audit functions (All quality related issues are reported to the Board of Directors, even those for which actions are deemed unnecessary.)



Safety First: Building in Quality

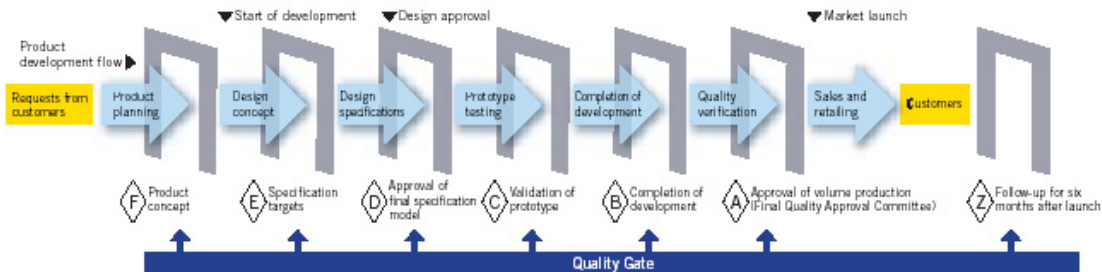
Promotion of building in of quality at all stages of development & production to bring vehicle quality to a higher level.

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

Since 2001, MMDS, a management system for ensuring and increasing quality in all processes, has been employed.

At each of 7 quality gates, representing the major steps leading to sales in the markets, development status is audited and evaluated to assess if all conditions have been met and if product and process has reached necessary quality levels before development moves to the next phase.

MMDS was employed from the product concept phase of *Outlander* and 'i' to build quality into the vehicles.



➤ **ISQC** (In Stage Quality Creation)

Not only entailing quality inspections for finished vehicles, ISQC involves quality checks at each major step in the production process. ISQC is being implemented at all productions facilities.

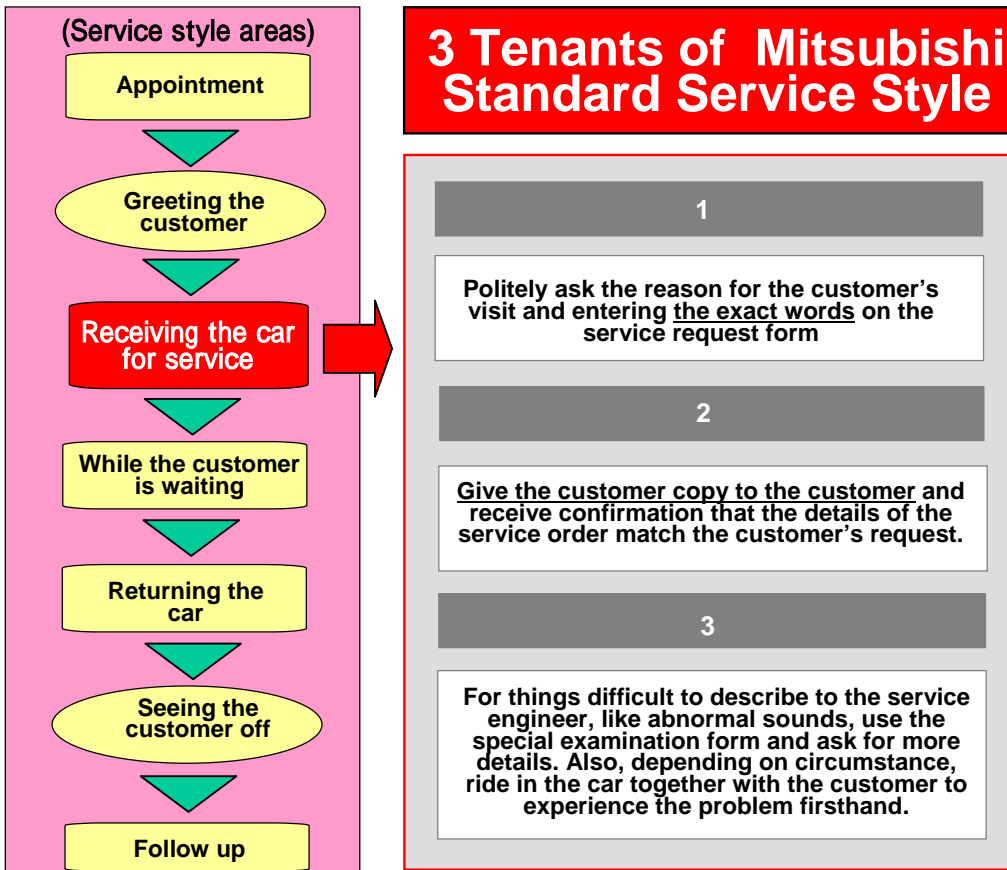
ISQC staff are placed at all major functions in the production line at welding, paint, and assembly lines. If a vehicle does not pass ISQC inspection, it does not move on to the next process.



Reinforcement of dealers' service functions to strengthen offerings in after market services.

➤ Promotion of Mitsubishi Standard Service Style

For the thorough promotion of a standard service style, from receiving maintenance orders to returning vehicles to customers and follow up, the Mitsubishi Standard Service Style was adopted in FY2004. Training is being conducted for dealers across Japan promotion of this standard.



➤ Improving technical skill levels

To continuously increase technical skill levels among service staff, the Mitsubishi Technical Service Certification System is being revised.

- To maintain and improve skill levels of staff holding the highest certification levels, follow up training every 3 years is being required.
- In a revision of certification testing, in addition to high skill level staff taking practical tests (in addition to paper ones), mid skill level staff will now be subject to practical tests.
- Master Advisor positions, focusing on customer service, have been established.

In a revision of the training system, participating in training needed for certifications is being made easier. This aims to increase training participation, increase holders of high skill level certifications, and raise the technical skill level of service staff.

➤ Technical service contest

All service staff at dealerships throughout Japan participate in a yearly technical service contest to increase skill levels and customer service abilities.



Strengthening the dealer support system to reinforce after sales services.

➤ Introduction of the new SQM-BC* information system

Introduction of a new IT system which connects MMC and dealers in quality and service related matters. The system is being rolled out throughout Japan in FY2006.

- At each dealer location, the system allows automatic calculation of parts & labor charges, and provides the latest service & quality information, so that service details & fees can be quickly and clearly explained to customers.
- The system allows information on quality issues to be obtained in real time, thus shortening investigation lead time, allowing real time examination of the affect vehicle, and making analysis faster.

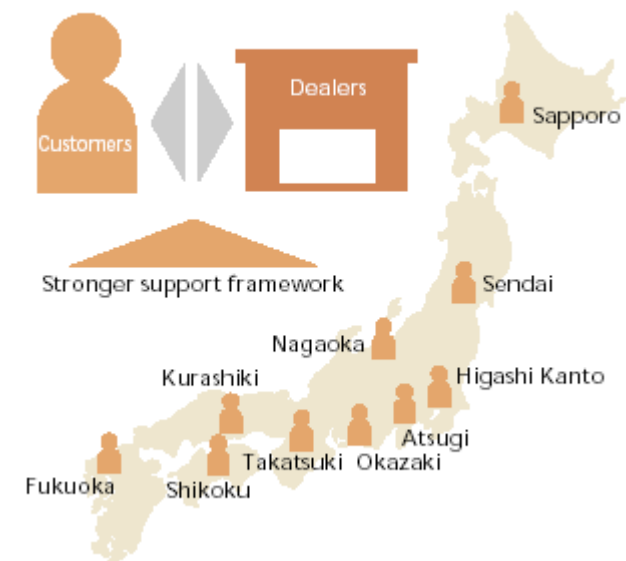
* SQM-BC: Strategic Quality Management Backward Chain

➤ Reinforcing the technical center network

Reinforce technical centers, 10 locations throughout Japan which feature technical service experts, to strengthen the support network for dealers and customers.

- Increased staff by 19 people from Jun 2004
- Establishment in Nov 2005 of the Technical Support Dept., as part of the quality affairs office, with the aim of strengthening technical audit functions and dealer support.

Technical Centers (10 locations)

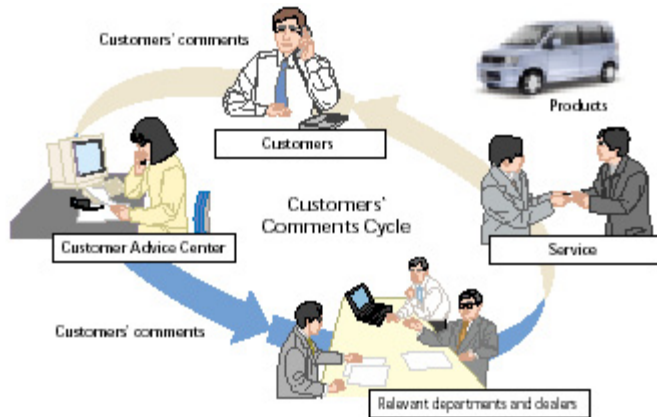


Customers First: Increasing Customer Satisfaction

Customer's valuable opinions are received internally and reflected in products and services. Also, dealer locations are being renovated to provide an enjoyable experience to customers.

➤ Customer call center (Customer Advice Center)

- Open even on weekends to provide convenient service to customers.



- Opinions and requests from customers is fed back to all employees via internal information systems. The opinions are then reflected in the operations of related operational areas to increase product and service quality.
- Quality information reports, which form the basis for documents related to recalls and other measures, are being produced based on quality issue information received directly from customers.
- Skill levels of center staff are being raised through period skill assessments.

➤ Dealership renovations

Based on the Mitsubishi Dealership Standard, which incorporates standards for dealership appearance, dealerships throughout Japan are being renovated. Beginning in FY2003, 154 locations (as of Sept 2006) have completed the renovations.

Attention is also being paid to making dealerships fully accessible the elderly or customers in wheel chairs.



From providing driving seminars to educational programs for school children, MMC is steadily contributing to society.

➤ Car academy

Since 1995, Car Academy seminars have been held across Japan focusing on beginning drivers. Seminars are held in small groups so that each participant's questions and concerns can be addressed.

From Parking and Parallel Parking to Dealing with Tire Punctures and Flare Use, the seminars provide a rich experience and useful knowledge on everything from convenient driving tips to handling emergency situations.



➤ Educational programs

Aiding elementary school children in social science studies, field trips focusing on car building and environmental issues are being held.

Classes focusing on environmental efforts, featuring electric vehicles and cutaway models, along with classes where students can experience car design through sketches clay models, are being held (11 schools, 1,100 students in FY2005).



Also, jr. high school students are taking field trips to MMC as part of their general studies curriculum. From experiencing cars at showrooms to explaining environmental and safety efforts, the events provide the venue to deepen understanding of the auto industry and answer students' questions.(12 schools, 55 students in FY2005).

Initiatives that are the embodiment of the corporate philosophy of aiming to be a company that places customers first and contributes to society.

➤ Participation in Kidzania Tokyo

MMC has opened a pavilion in Kidzania Tokyo, the first place in Japan where children can get a taste of working life and being a member of society. The concept of Kidzania Tokyo (opened in Oct 2006) is to provide children, future bearers of society, with the place and opportunity to discover their dreams and goals, and enjoy working to obtain those goals.

(Outline of Participation)

- Car dealer
Experience car sales as a sales staff member at a dealership.
- Driving school & licensing
Learning driving techniques and receiving a license with picture included.
- Electric kart rent-a-car
After receiving licenses, children can rent and drive electric cart replicas of *Outlander* & *i*



An *i* driver fills up the tank before returning the car.

➤ Pajero Forest & Local Mountain Restoration Initiative

The launch of new *Pajero* is being used as an opportunity to start an initiative; "Pajero Forest & Local Mountain Restoration Initiative", which aims at conserving and cultivating Japan's forests and woodlands, the condition of which is deteriorating on a wide scale. The Initiative will be based in the town of Hayakawa-cho that lies in the foothills of the Southern Japanese Alps in Yamanashi Prefecture. A three-hectare area of mountain forest is being named "The Pajero Forest". The project will extend for a period of at least seven years, during which time trees will be planted and thinned out, undergrowth cleared, and the forest otherwise maintained and cared for.

MMC will provide human support in the form of volunteer employee groups and will also invite owners of Mitsubishi cars to participate in the activity as it plans and holds events that make "The Pajero Forest" a center for education and learning about environmental protection.



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- **feasibility of each target and initiative as laid out in this presentation;**
- **fluctuations in interest rates, exchange rates and oil prices;**
- **changes in laws, regulations and government policies;**
- **regional and/or global socioeconomic changes**

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