

(TRANSLATION OF ORIGINAL JAPANESE)

## FY2006 Half Year Results: Non-consolidated Financial Statements

(April 1, 2006 through September 30, 2006)

October 30, 2006

### Mitsubishi Motors Corporation

(Code: 7211 1st Section, TSE & OSE)

Code No.: 7211

Head office: Tokyo (URL <http://www.mitsubishi-motors.com>)

Representative: Osamu Masuko; President

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Meeting of Board of Directors for FY2006 half year results: October 30, 2006

Dividend day: -

Unit stock system adopted:

Yes (1 block = 1,000 shares)

### 1. Financial highlights (April 1, 2006 through September 30, 2006)

#### (1) Non-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	%
FY2006 half year	584,521	1.0	- 20,405	-	- 21,674	-
FY2005 half year	578,747	2.4	- 20,617	-	- 21,010	-
FY2005 full year	1,259,981		- 14,374		- 23,644	

	Net Income		Net Income per Share-Basic
	Million Yen	%	Yen
FY2006 half year	- 25,891	-	- 4.71
FY2005 half year	- 64,185	-	- 14.97
FY2005 full year	- 128,152		- 27.47

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

	FY2006 half year	FY2005 half year	FY2005 full year
Common stock	5,491,430,466	4,287,398,118	4,666,017,812
Preferred stock	442,593	523,909	494,828

Note 2: Accounting policy changes: Yes

Note 3: Sales, Operating Income, Ordinary Income and Net Income percentages indicate changes over same half-year period in the previous fiscal year.

#### (2) Non-consolidated financial position

	Total Assets	Net Assets	Ratio of Shareholders' Equity	Net Assets per Share
	Million Yen	Million Yen	%	Yen
FY2006 half year	1,062,188	203,105	19.1	- 43.61
FY2005 half year	1,039,322	262,749	25.3	- 57.97
FY2005 full year	1,044,783	231,752	22.2	- 38.39

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

	FY2006 half year	FY2005 half year	FY2005 full year
Common stock	5,491,439,831	4,385,687,484	5,491,379,353
Preferred stock	442,593	516,993	442,593

Note 2: Treasury stock at term end:

	FY2006 half year	FY2005 half year	FY2005 full year
	76,713	61,535	73,191

### 2. FY2006 Non-consolidated financial results forecast (April 1, 2006 through March 31, 2007)

	Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
FY2006 full year	1,360,000	1,000	- 20,000

Note: Forecast net income per share for full year: ¥-3.64

### 3. Cash dividends

	Cash Dividend per Share (Yen)
	Full year
FY2005	-
FY2006 (actuality)	-
FY2006 (forecast)	-

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

# 1.Sales figures

## (1)Sales volume

Units

	April 1, 2006 - September 30, 2006			April 1, 2005 - September 30, 2005			Change in total
	Domestic	Export	Total	Domestic	Export	Total	
Passenger cars (regular & small-size)	30,736	216,360	247,096	32,424	204,194	236,618	10,478
Mini vehicles	82,713	214	82,927	72,108	-	72,108	10,819
Total	113,449	216,574	330,023	104,532	204,194	308,726	21,297

## (2)Sales amount

in millions of Yen

	April 1, 2006 - September 30, 2006			April 1, 2005 - September 30, 2005			Change in total
	Domestic	Export	Total	Domestic	Export	Total	
Vehicle sales	121,666	287,225	408,891	107,619	279,181	386,800	22,091
Parts for overseas production	-	59,609	59,609	-	74,602	74,602	- 14,993
Parts, accessories & others	53,168	62,853	116,021	57,159	60,186	117,345	- 1,324
Total	174,834	409,687	584,521	164,778	413,969	578,747	5,774

## 2. Balance sheets

in millions of Yen

	At 9/30/2006	At 3/31/2006	Change
<b>Assets</b>			
<b>Current assets</b>	<b>578,961</b>	<b>588,203</b>	<b>- 9,242</b>
Cash and cash deposits	173,177	183,701	- 10,524
Trade notes receivable	1,599	439	1,160
Accounts receivable	134,682	147,915	- 13,233
Inventories	180,006	141,615	38,391
Short-term loans receivable	44,373	96,300	- 51,927
Accounts receivable-other	44,536	47,177	- 2,641
Others	25,795	22,904	2,891
Allowance for doubtful accounts	- 25,209	- 51,850	26,641
<b>Non-Current assets</b>	<b>483,226</b>	<b>456,579</b>	<b>26,647</b>
Tangible fixed assets	201,422	196,832	4,590
Buildings	43,194	43,713	- 519
Machinery and equipment	75,436	73,345	2,091
Land	44,043	42,164	1,879
Other tangible fixed assets	38,748	37,608	1,140
Intangible fixed assets	13,867	14,638	- 771
Investments and others	267,937	245,108	22,829
Investment securities	43,594	43,237	357
Investments in subsidiaries and affiliated companies	176,299	155,757	20,542
Long-term loans receivable	913	1,297	- 384
Others	54,418	48,249	6,169
Allowance for doubtful accounts	- 7,288	- 3,433	- 3,855
<b>Total assets</b>	<b>1,062,188</b>	<b>1,044,783</b>	<b>17,405</b>
<b>Liabilities</b>			
<b>Current liabilities</b>	<b>558,257</b>	<b>487,275</b>	<b>70,982</b>
Trade notes payable	18,249	15,537	2,712
Accounts payable	261,348	235,265	26,083
Short-term loans payable	124,658	78,367	46,291
Other accounts payable	66,176	75,046	- 8,870
Accrued income taxes	615	770	- 155
Allowance for warranty claims	22,404	22,933	- 529
Others	64,804	59,354	5,450
<b>Non-current liabilities</b>	<b>300,825</b>	<b>325,755</b>	<b>- 24,930</b>
Bonds	27,600	36,300	- 8,700
Long-term loans payable	81,145	121,747	- 40,602
Accrued retirement benefits	83,219	82,842	377
Accrued retirement benefits for executives	696	1,359	- 663
Guarantee liability reserve	66,898	39,097	27,801
Long-term other accounts payable	22,715	25,428	- 2,713
Deferred tax liabilities	12,554	12,714	- 160
Others	5,995	6,265	- 270
<b>Total liabilities</b>	<b>859,083</b>	<b>813,030</b>	<b>46,053</b>

in millions of Yen

	At 9/30/2006	At 3/31/2006	Change
<b>Shareholders' equity</b>			
<b>Common and preferred stock</b>	-	657,336	-
<b>Capital surplus</b>	-	433,184	-
Capital reserve	-	433,184	-
<b>Retained earnings</b>	-	- 867,475	-
Unappropriated retained earnings at end of half year period	-	- 867,475	-
<b>Unrealized gains/losses on securities</b>	-	8,719	-
<b>Treasury stock</b>	-	- 12	-
<i>Total shareholders' equity</i>	-	231,752	-
<i>Total liabilities &amp; shareholders' equity</i>	-	1,044,783	-
<b>Net assets</b>			
<b>Owners' equity</b>	197,152	-	-
Common and preferred stock	657,342	-	-
Capital surplus	433,189	-	-
Capital reserve	433,189	-	-
Retained earnings	- 893,366	-	-
Retained earnings brought forward	- 893,366	-	-
Treasury stock	- 13	-	-
<b>Unrealized gains/losses &amp; others</b>	5,953	-	-
Unrealized gains/losses on securities	8,483	-	-
Deferred gains/losses on hedge activities	- 2,530	-	-
<i>Total net assets</i>	203,105	-	-
<i>Total liabilities &amp; net assets</i>	1,062,188	-	-

### 3. Statements of income

in millions of Yen

	FY2006 half year (4/1/06-9/30/06)	FY2005 half year (4/1/05-9/30/05)	Change
Sales	584,521	578,747	5,774
Cost of sales	526,976	516,688	10,288
<b>Gross profit</b>	<b>57,545</b>	<b>62,058</b>	<b>- 4,513</b>
Selling, general and administrative expenses	77,951	82,675	- 4,724
<b>Operating income</b>	<b>- 20,405</b>	<b>- 20,617</b>	<b>212</b>
Non-operating income	7,584	7,942	- 358
( Interest income)	( 3,865)	( 4,423)	( - 558)
( Dividend income)	( 3,650)	( 3,286)	( 364)
( Others)	( 68)	( 233)	( - 165)
Non-operating expenses	8,852	8,336	516
( Interest expense)	( 4,480)	( 4,940)	( - 460)
( Interest on corporation bonds)	( 620)	-	( 620)
( Loss on foreign exchange)	( 268)	-	( 268)
( Others)	( 3,482)	( 3,396)	( 86)
<b>Ordinary income</b>	<b>- 21,674</b>	<b>- 21,010</b>	<b>- 664</b>
Extraordinary gains	8,855	6,998	1,857
( Gain on liquidation of anonymous association)	( 7,014)	-	( 7,014)
( Gain on reversal of the provision for directors retirement benefits)	( 1,639)	-	( 1,639)
( Gain on reversal of allowance for doubtful receivables)	-	( 6,668)	( - 6,668)
( Other gains)	( 201)	( 329)	( - 128)
Extraordinary losses	13,477	45,180	- 31,703
( Loss on appraisal of investments in affiliated companies)	( 8,362)	( 14,968)	( - 6,606)
( Impairment loss)	( 306)	( 21,732)	( - 21,426)
( Provision for loss on restructuring)	-	( 3,233)	( - 3,233)
( Other losses)	( 4,808)	( 5,245)	( - 437)
<b>Net income before income taxes</b>	<b>- 26,296</b>	<b>- 59,191</b>	<b>32,895</b>
Income taxes	- 405	- 812	407
Income taxes, deferred (-indicates reduction)	-	5,806	- 5,806
<b>Net income</b>	<b>- 25,891</b>	<b>- 64,185</b>	<b>38,294</b>
Retained earnings brought forward from previous period	-	- 739,322	-
<i>Unappropriated retained earnings at end of period</i>	-	- 803,508	-

## 4.Changes in net assets

FY2006 half year 4/1/'06-9/30/'06

in millions of Yen

	Owners' equity						
	Common and preferred stock	Capital surplus		Retained earnings		Treasury stock	Total owners' equity
		Capital reserve	Total capital surplus	Retained earnings brought forward	Total retained earnings		
Balance at the end of the previous period	657,336	433,184	433,184	- 867,475	- 867,475	- 12	223,033
Change in items during the period							
Issuance of stock	5	5	5				11
Net income				- 25,891	- 25,891		- 25,891
Acquisition of treasury stock						0	0
Net change in items other than owners' equity							
Total change in items during the period	5	5	5	- 25,891	- 25,891	0	- 25,880
Balance at the end of the period	657,342	433,189	433,189	- 893,366	- 893,366	- 13	197,152

	Unrealized gains/losses & others			Total net assets
	Unrealized gains/losses on securities	Deferred gains/losses on hedge activities	Total unrealized gains/losses & others	
Balance at the end of the previous period	8,719	-	8,719	231,752
Change in items during the period				
Issuance of stock				11
Net income				- 25,891
Acquisition of treasury stock				0
Net change in items other than owners' equity	- 235	- 2,530	- 2,766	- 2,766
Total change in items during the period	- 235	- 2,530	- 2,766	- 28,647
Balance at the end of the period	8,483	- 2,530	5,953	203,105

## Notes on accounting policies

### Premise of going concern

In the fiscal years 2003, 2004, and 2005, Mitsubishi Motors Corporation (MMC) reported net losses of ¥213,097 million, ¥526,225 million and ¥128,152 million respectively. In addition, in the first half of fiscal year 2006, MMC reported a new loss of ¥25,891 million.

As a result of these recurring losses, significant doubt arises as to the company's ability to continue as a going concern.

To address this situation as well as strengthen the operating base, MMC formulated the "Business Revitalization Plan" (covering FY2004 to FY2006) in May 2004. In June 2004, MMC outlined additional measures to its "Business Revitalization Plan" that focused on three areas: all-out cost cutting, restoring customer trust, and across-the-board compliance.

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

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

In order to revitalize all operations globally, and to rebuild the MMC group's capital base, with the support of 3 Mitsubishi group companies (Mitsubishi Heavy Industries, Ltd., Mitsubishi Corporation, and The Bank of Tokyo-Mitsubishi UFJ, Ltd.), all executives and staff are placing all efforts into the "Mitsubishi Motors Revitalization Plan". The group returned to the black on an operating income level one year ahead of original plan in fiscal year 2005. In the first half of fiscal year 2006, the MMC group posted results that were better than the forecast made as part of the fiscal year 2005 results announcement on April 27, 2006. Thus, the "Mitsubishi Motors Revitalization Plan" is preceding steadily.

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

### Significant accounting policies

(1) Marketable securities: basis and method of valuation

Shares in subsidiaries and affiliates

At cost using the moving-average 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 net assets. Selling cost is computed by the moving-average method.)

Without market value

At cost using the moving-average method

(2) Derivative instruments

Valued at market (excluding swaps meeting the special provisions of the accounting standard.)

(3) Inventories: basis and method of valuation

Finished products

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

Raw materials

At cost using the overall average method

Work in process

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

Supplies

At cost on the last invoice method.

(4) Depreciation of fixed assets

Tangible fixed assets

Declining balance method. Buildings (excluding related fixtures and facilities) acquired after April 1, 1998 are computed using the straight-line method.

(Additional information)

In prior period, MMC calculated depreciation using the same useful life of fixed assets as specified in corporate tax law.

Due to the business environment changes including such things as the stabilization of production through the rationalization of production and the reduction in number and sharing of platform which are part of the "Mitsubishi Revitalization Plan", it became clear that the tooling in Machinery and Equipment has a discrepancy between estimated useful life and useful life in corporate tax law.

As the results of this changes operating income, ordinary income and net income before income taxes increased by ¥2,456 million compared to the method which had been used in prior periods.

Intangible fixed assets

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

Low value fixed assets

Assets with an acquisition cost of over JPY 100,000 but less than JPY 200,000 are amortized using the straight-line method over a 3-year period .

Deferred charges

Straight line method within the charge period.

(5) Allowances

Doubtful accounts

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

Warranty claims

To provide against 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 warranty terms.

Accrued retirement benefits

Accrued retirement benefits for employees at the end of the period have been provided at an amount calculated based on 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 charged to expenses in the first year the new accounting standard was adopted. Prior service cost is being amortized by the straight-line method over a 10-year period that is within the estimated average remaining service years of the employees.

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

Accrued retirement benefits for executives

Directors and statutory auditors retirement benefits have been provided at amounts estimated at year end based on internal regulations of the company. However as of the first half of fiscal year 2006, new policy for these retirement benefits has been adopted and amounts provided have been reduced. Amounts under the old policy have not been carried forward and figures listed on the balance sheet for this account reflect amounts provided under the new policy.

Guarantee liabilities

To provide against losses arising on the execution of guarantees, a guarantee liability allowance calculated on a rational estimate basis is included in the Balance Sheet.

(6) Foreign currency transactions

Foreign currency assets and liabilities are translated into yen at the exchange rate prevailing on the last day of the period. Differences are booked in the profit and loss statement.

(7) Lease transactions

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



(8) Hedge accounting

Hedge accounting basis

Booked using deferral accounting or in accordance with the special provisions of the Accounting Standard for Financial Instruments.

Means of hedging and coverage

Means for hedging

Coverage

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

Interest swaps..... Interest on loans from banks

Interest swaps..... Interest on bond

Hedging policy

Hedge transactions are carried out in order to avoid the fluctuation risk of foreign exchange rates and interest rates on borrowings arising on ordinary operations.

Estimation method of hedging effectiveness

Forward-exchange contract is necessary to fix the cash flow.

Hedging effectiveness of interest rate swaps is estimated through the comparison of change cash flows from the hedging instrument and the hedge item during the period.

Effectiveness of interest rate swaps using the special provisions is monitored in the same way as described above.

(9) Consumption tax

Consumption tax and regional consumption taxes are excluded from the income and expenses figures.

(10) Consolidated tax system

The consolidated tax system is applied.

## Change of significant accounting policies

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

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

The amount that represents the previously presented Shareholders' Equity is ¥205,635 million.

Net Assets in the semi-annual financial statements for this period have been presented in accordance with the new standard for semi-annual financial statements following the revision of those rules.



## Statements of income

	FY2006 half year <u>(in millions of Yen)</u>	FY2005 half year <u>(in millions of Yen)</u>	FY2005 full year <u>(in millions of Yen)</u>
(1) Depreciation charged			
Tangible fixed assets	10,855	10,164	23,478
Intangible fixed assets	1,993	1,739	3,658
Total	<u>12,849</u>	<u>11,904</u>	<u>27,136</u>

### (2) The assets group which reported impairment loss in the First Half of FY2006

(Location)	(Application)	(Assets)	(in millions of Yen) (Impairment loss)
Niigata, Asahikawa(Hokkaido), and others	Idle assets	Land, Building, Structure	306
		Summary of impairment loss	
		Land	208
		Building	96
		Structure	1
		Total	<u>306</u>

### (3) Gain on liquidation of anonymous association

It is the dividends and similar to investors following the closure in Sept. 2006 of the anonymous association relating to the securitization of land by MMC in Dec. 2001.

### (4) Gain on reversal of the provision for directors retirement benefits

It is a result of the decision to reverse a part of the provision. It consists of the reversal of the directors retirement benefits provision of ¥662 million and the retirement benefits provision (executives portion) of ¥976 million.

## Lease transactions

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

## Marketable securities

MMC had no shares in subsidiaries or affiliates with a market value for either the previous year, the current half year or the previous half year.

## Earnings per share

	FY2006 half year <u>(Yen)</u>	FY2005 half year <u>(Yen)</u>	FY2005 full year <u>(Yen)</u>
Book value per share	- 43.61	- 57.97	- 38.39
Net income per share - basic	- 4.71	- 14.97	- 27.47
Net income per share - diluted	-	-	-

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

	FY2006 half year <u>(in millions of Yen)</u>	FY2005 half year <u>(in millions of Yen)</u>	FY2005 full year <u>(in millions of Yen)</u>
Net income per share - basic			
Net income (in millions of Yen)	- 25,891	- 64,185	- 128,152
Net income for common stock (in millions of Yen)	- 25,891	- 64,185	- 128,152
Average number of shares issued and outstanding during term (1000)	5,491,430	4,287,398	4,666,018