

(TRANSLATION OF ORIGINAL JAPANESE)

## FY2007 Half Year Results: Consolidated Financial Statements

October 30, 2007

(April 1, 2007 through September 30, 2007)

### Mitsubishi Motors Corporation

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

Code No.: 7211

(URL <http://www.mitsubishi-motors.co.jp/>)

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Scheduled date for submitting Semiannual Report: December 25, 2007

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

### 1. Financial highlights (April 1, 2007 through September 30, 2007)

#### (1) Consolidated financial results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2007 half year	1,313,408	30.6	18,830	—	6,632	—	-5,625	—
FY2006 half year	1,005,372	1.4	-5,517	—	-13,208	—	-16,101	—
FY2006 full year	2,202,869	—	40,237	—	18,542	—	8,745	—

	Net Income per Share-Basic	Net Income per Share-Diluted
	Yen	Yen
FY2007 half year	-1.02	—
FY2006 half year	-2.93	—
FY2006 full year	1.59	0.96

*Note: Equity income from affiliates:*

FY2007 half year  
¥2,392 million

FY2006 half year  
¥1,322 million

FY2006 full year  
¥2,166 million

#### (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million Yen	Million Yen	%	Yen
FY2007 half year	1,713,025	312,610	17.5	-26.00
FY2006 half year	1,635,053	263,551	15.5	-34.58
FY2006 full year	1,778,693	308,304	16.6	-26.73

*Note: Stockholders' equity:*

FY2007 half year  
¥299,809 million

FY2006 half year  
¥252,710 million

FY2006 full year  
¥295,782 million

#### (3) Consolidated cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash & Cash Equivalents at End of Term
	Million Yen	Million Yen	Million Yen	Million Yen
FY2007 half year	128,854	-19,239	-106,003	371,544
FY2006 half year	88,418	-37,018	-42,141	259,743
FY2006 full year	162,345	-46,017	-11,287	364,268

## 2. Cash dividends

Record Date	Cash Dividend per Share		
	Interim	Year-end	Full Year
FY2006	Yen 0.00	Yen 0.00	Yen 0.00
FY2007	0.00	—	
FY2007 (Forecast)	—	0.00	0.00

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

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
FY2007 full year	2,700,000	22.6	70,000	74.0	47,000	153.5	20,000	128.7	3.64

## 4. Others

- (1) Change to significant subsidiaries during the term (those changes resulting in change in scope of consolidation): No
- (2) Change to accounting policy, procedure, and method of presentation for preparing consolidated financial statements (those to be described in the section of the *Change of Significant Accounting Policies on the Preparation of Consolidated Financial Statements for Half Year*)
  - i. Change due to amendment of accounting standard: No
  - ii. Change due to other reasons: No
- (3) Outstanding shares (common shares)
  - i. Shares outstanding at term-end (including treasury stock)

	FY2007 half year	FY2006 half year	FY2006 full year
	5,491,524,544 shares	5,491,516,544 shares	5,491,516,544 shares
  - ii. Treasury stock

	FY2007 half year	FY2006 half year	FY2006 full year
	78,478 shares	76,713 shares	76,934 shares

**Note:** For details on the number of shares as a basis of computing net income per share (consolidated), please refer to *Per share information* on page 18.

## Reference: Summary of Non-consolidated Results

### Financial highlights (April 1, 2007 through September 30, 2007)

(1) Non-consolidated financial results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY2007 half year	878,541	50.3	5,813	—	-1,621	—	7,518	—
FY2006 half year	584,521	1.0	-20,405	—	-21,674	—	-25,891	—
FY2006 full year	1,457,016	—	-12,140	—	-20,725	—	-24,541	—

	Net Income per Share-Basic
	Yen
FY2007 half year	1.37
FY2006 half year	-4.71
FY2006 full year	-4.47

(2) Non-consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share – Basic
	Million Yen	Million Yen	%	Yen
FY2007 half year	1,151,805	223,286	19.4	-39.94
FY2006 half year	1,062,188	203,105	19.1	-43.61
FY2006 full year	1,166,216	208,533	17.9	-42.62

*Note: Stockholders' equity:*

*FY2007 half year  
¥223,286 million*

*FY2006 half year  
¥203,105 million*

*FY2006 full year  
¥208,533 million*

\*Disclaimer regarding forward-looking information including appropriate use of forecasted financial results

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# 1. Management Results

## (1) Analysis of management results

### Overview of consolidated results for the first half of fiscal 2007

During the first half of fiscal 2007, the Japanese economy entered a lull after a long period of slow growth due to decreased business investment, stagnation of personal consumption, and delays in new housing construction because of the amended building standard law. In terms of the global economy, although the U.S. economy slowed against the backdrop of housing market adjustments, young markets including some European regions and China remained healthy. However, this summer's subprime loan problem in the U.S. resulted in worries concerning liquidity surplus in the Euro-American financial market, making prospects for the world economy rather unclear. Despite these negative conditions, Mitsubishi Motors Corporation and its group of related companies (hereinafter MMC or the company) were able to exceed the initial profit forecast announced on April 26, 2007, in all areas, including sales, operating income, ordinary income and net income. This was due to favorable currency movements as well as to an increased number of units sold, mainly outside Japan.

The period's consolidated retail unit volume in Japan decreased by about 10 percent due to a downturn in the Japanese market. However, in overseas markets, regional launches of global models such as the new Pajero, Outlander and Lancer models since the second half of the last fiscal year contributed to sales which surpassed those of the same period last year in North America, Europe, Asia and other areas. As a result, overseas consolidated retail unit volume reached 589,000 (104,000 units, or a 21.5 percent year-on-year increase) and consolidated retail unit volume worldwide was 690,000 (91,000 units, or a 15.1 percent year-on-year increase).

In Japan, MMC sold 13,000 units less than in the first half of the previous fiscal year (a 11.7 percent decrease) for a total of 101,000 vehicles (total market demand: 7.4 percent decrease). MMC's sales of registered vehicles rose 13.2 percent year-on-year due largely to the new Delica D:5 minivan (total market demand for registered vehicles: 7.9 percent decrease). However, sales of minicars declined by 21.7 percent year-on-year (total market demand for minicars: 6.8 percent decrease).

In North America, the introduction of new Lancer and Outlander models helped sales to grow by 14,000 units year-on-year (up 17.2 percent) to 98,000 units.

In Europe, Russia and Ukraine propped up the market, while Germany and the U.K. were down. As a result, overall volume was 167,000 units, up 25,000 units year-on-year (a 17.7 percent increase).

In Asia and other areas, in addition to steady growth in the Latin America, Middle East and Africa regions, the increased import of built-up vehicles in China and Australia, increased sales in ASEAN countries including Indonesia where the market is recovering helped to raise sales. Therefore, the total units sold in these areas increased by 65,000 units year-on-year (a 24.9 percent increase), amounting to 324,000 vehicles.

Consolidated sales for the first half were one trillion 313.4 billion yen (a year-on-year increase of 308 billion yen, up 30.6 percent) due to increased sales in overseas markets, the commencement of SUV supply for PSA Peugeot Citroën, and foreign exchange gains.

With regard to regional sales, Japan, North America, Europe, and Asia and other areas saw year-on-year sales growth of 1.7 billion, 17.8 billion,

155.6 billion and 132.9 billion yen respectively.

MMC moved into profitability with an operating income of 18.7 billion yen, an improvement of 24.3 billion yen year-on-year. Despite an increase of 7 billion yen in sales costs resulting from higher advertising costs spent for the new launches in North America, higher unit volumes and better model profitability mix as well as foreign exchange gains contributed to 19.5 billion and 15.3 billion yen increases, respectively.

Ordinary income moved into black at 6.6 billion yen, although non-operating losses increased 4.5 billion yen year-on-year, mainly due to foreign exchange losses.

MMC showed a net loss of 5.6 billion yen for the first half of fiscal year 2007 (an improvement of 10.5 billion yen year-on-year) with a profit of 4.6 billion yen from anonymous union payouts, a loss of 3.3 billion yen for reorganization cost of consolidated sales companies in Japan, and a loss of 2 billion yen for PCB waste processing, as well increased corporate taxes for consolidated subsidiary companies outside Japan.

#### Fiscal 2007 earnings outlook (toward March 2008)

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

Sales	2,700 billion yen
Operating income	70 billion yen
Ordinary income	47 billion yen
Net Income	20 billion yen

The forecast for consolidated retail unit volume is as follows:

(1000 units)

Region	Fiscal Year 2007 Forecast	Fiscal Year 2006 Results
Japan	231	247
North America	178	164
Europe	334	282
Asia & Others	619	537
Total	1,362	1230

\* 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.

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#### Progress of medium-term management strategy

MMC adopted the Mitsubishi Motors Revitalization Plan on January 28, 2005 as its 3-year business plan covering fiscal years 2005 through 2007.

The main objectives of the plan are "Regaining Trust" and "Business Revitalization."

#### Key Points in the Mitsubishi Motors Revitalization Plan

> Customers First – rebuilding trust

- 1) Placing customers first throughout the operational chain
- 2) Thoroughly increasing the trustworthiness of products

> Business strategy

- 1) Sales plans which reflect downside risks
- 2) Promotion of operational alliances with other automakers
- 3) Rationalization of production capacity and sales networks

> Strengthening capital

- 1) Rebuilding and strengthening the capital base

> Boosting management's effectiveness

- 1) Strong leadership from a new management team
- 2) Establishing up a thorough follow-up system

> Effective and transparent compliance

#### Progress of the Mitsubishi Motors Revitalization Plan

In fiscal year 2007, the third year of the three year revitalization plan, with the aim of realizing these objectives, corporate culture was being reformed, capital strengthened, administrative functions strengthened, and strategies implemented. These actions are steadily bringing results to the company's earnings.

Concerning regaining trust, policies announced in March 2005 to prevent recall-related problems from occurring again are being implemented. Regaining trust is a long, ongoing process and MMC is deeply committed to this issue. We believe the best method of regaining consumers' trust is to provide safe and reliable vehicles that owners can use with confidence and satisfaction.

In regard to business revitalization, the company's efforts in strengthening administrative functions and capital, implementing strategies, and other activities have resulted in profitability in the three areas (operating income, ordinary income, and net income), exceeding the amounts originally announced. The following is a list of the policies implemented in this first half period.

<Customers First' - Regaining Trust>

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

In October 2006, MMC's board of directors consulted the Mitsubishi Motors Corporation Business Ethics Committee, a body of external experts established in June 2004, concerning the Organization of trust recovery activities and assessment and proposals and received its report in May 2007. The report praises MMC's efforts to date, stating, "Trust recovery activities are sincerely and steadily progressing under the firm attitude of the top executives, thus we determine that the first step has been taken." Based on this evaluation, they gave us further advice and recommendations for expediting the recovery. According to this report, MMC is determined to further enforce and promote its efforts to establish compliance.

- A new quality information system for collecting quality issue reports from customers and sharing them among dealers was completed last year, in order to speed up quality improvement and provide better satisfaction to our customers, and has been instituted nationwide. This system will be distributed to overseas dealers from March 2008 so that they can better collect and analyze customer information.

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

- MMC established the Pajero Forest & Local Mountain Restoration Initiative, which aims at conserving and cultivating Japan's forests and woodlands which are deteriorating on a wide scale. The Initiative is based in the town of Hayakawa-cho that lies in the foothills of the Southern Japanese Alps in Yamanashi Prefecture.

#### <Business Strategies>

- Regarding the co-development of new-generation diesel engines with Mitsubishi Heavy Industries, Ltd., development is already underway, and plans call for a launch in Europe in 2009, where the demand for diesel engines is high. MMC will promote the expansion of diesel-powered vehicles in other markets sequentially by assessing market trends. This is one year ahead of schedule. MMC considers this engine, along with a forthcoming electric vehicle, to be the core of its environmentally directed technology. The company will respond to needs of environmentally-oriented consumers by bringing it to market at an early date.

- in April 2007, MMC and Nissan agreed to expand their current business collaboration by enhancing the scope of their OEM contract. Besides the Clipper light commercial van (called Minicab by MMC) and the Otti minicar (called eK Wagon by MMC) that are currently supplied to Nissan, the companies signed an agreement whereby MMC will supply Nissan with the Townbox minicar, and Nissan will supply MMC with the AD and AD Expert light commercial vehicles.

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

- Also in May 2007, MMC started specific discussions with GS Yuasa Corporation and Mitsubishi Corporation concerning the establishment of a joint venture company to manufacture large capacity and high performance lithium-ion batteries that can be used in electric vehicles. The three partners plan to complete the details and set up a new company.

- In this first half period, the reconstruction of the domestic sales network was accelerated and consolidated sales companies and parts sales companies were widely integrated. The basic policies will be increasing network efficiency, improving operating efficiency at the showroom level and strengthening corporate governance. MMC will strive to achieve the highest customer satisfaction level in the industry and to promptly restore profitability in our domestic business.

- MMC launched a flex-fuel vehicle (FFV) in the Brazilian market in July 2007, in collaboration with its local manufacturing and sales partner. An FFV model will also be under close consideration for the U.S. market, depending on market trends.

- In September 2007, MMC decided to move Outlander production for European markets in fiscal year 2008 to our European manufacturing base, Netherlands Car B.V., in order to ease production conditions at the overloaded Mizushima plant as well as to prevent loss of sales opportunities. At the same time, production of an SUV for PSA Peugeot Citroën will be moved to the Nagoya plant.

#### <Strengthening Capital>

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

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

- In fiscal 2007, MMC is planning to make new borrowing arrangements while monitoring the cash reserve situation.

#### <Strengthening Administrative Functions>

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

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

- In May 2007, in order to improve profitability in after sales service as well as to promote efficient operation from the planning of parts and accessories through their sales and logistics, the Parts and Accessories Development Department and the Parts and Accessories Logistics Department in the Overseas Operation Administration Office were integrated into the After Sales Service Office.

- In May 2007, the Cost Reduction Initiative Office was established directly under the Product Development General Management Division for the planning of material cost reductions as well as for instruction and follow up to related departments.



- In September 2007, with the aim of establishing a stronger organization to push forward the MiEV project, the MiEV Product Development Group became independent from the Technology MiEV Project Department in Development Office and the MiEV Product Development Project was established directly under the Product Strategy, Environment Affairs and Corporate Affairs Group HQ. In addition, the MiEV Project Department was renamed the MiEV Engineering Department, and by concentrating its efforts into technological development, further gains in efficiency are expected.

## (2) Financial standing

### Analysis of assets, debt, net assets and cash flow

Total assets at the end of the period decreased compared to the end of last fiscal year by 65.7 billion yen to one trillion 713.0 billion yen.

Interest-bearing debt decreased 102.3 billion yen to 401.5 billion yen. Net assets increased 4.3 billion yen over the figure for the end of the previous fiscal year to 312.6 billion yen.

Cash flow from operating activities came to an inflow of 128.9 billion yen, an increase of 40.4 billion yen from the previous year.

Cash flows from investing activities came to an outflow of 19.2 billion yen (a decrease in outflow of 17.8 billion year-on-year).

Finally, cash flow from financing activities totaled an outflow of 106 billion yen (a 63.9 billion increase over that for the previous period).

The balance of cash and cash equivalents at the end of the fiscal year 2006 thus stood at 371.5 billion yen, an 7.3 billion yen improvement over the balance at the beginning of the period.

### Trends in key ratios

	FY2004 First Half	FY2004 Full Year	FY2005 First Half	FY2005 Full Year	FY2006 First Half	FY2006 Full Year	FY2007 First Half
Ratio of shareholders' equity (%)	18.1	20.4	17.1	17.2	15.5	16.6	17.5
Ratio of market value to assets (%)	16.2	37.7	67.5	87.8	65.8	56.8	56.1
Debt repayment coverage (years)	-	34.9	17.0	8.2	5.6	3.1	3.1
Interest coverage ratio	-	0.5	2.6	2.9	8.7	7.8	11.1

(Notes)

Definitions:

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

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

Debt repayment coverage: Interest bearing liabilities / cash flow from operating activities

Interest coverage ratio: Cash flows from operating activities / interest payments

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

### **(3) Dividend policy and dividends for fiscal year 2007**

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

MMC regrets to inform shareholders that in the present financial situation, it must refrain from paying dividends in the first half of the year. The company asks for understanding in this matter.

### **(4) Business-related risks**

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

#### 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, MMC would find it difficult to achieve the goals of our revitalization plan and to restore our business back to health.

#### Legal Proceedings for Product Liability and Other Matters

Mitsubishi Motors is involved in several product liability and other legal proceedings, however one suit was resolved. MMC was amongst those included in a Tokyo air pollution suit (first - sixth proceedings) that targeted the Japanese National Government, the Tokyo Metropolitan Government, the Metropolitan Expressway Public Corporation, and seven diesel automobile manufacturers, but a settlement was reached and the lawsuit was terminated as of August 8, 2007.

#### 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.

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

#### Issuance of common and preferred shares and effect on share price

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

#### Effect of foreign exchange rate fluctuations

Overseas sales accounted for 82.8 percent of the consolidated sales of MMC for the period. The company endeavors to minimize the risk involved in foreign currency receivables and payables through foreign currency derivative contracts. However, fluctuations in the foreign exchange markets still may have an impact on MMC results.

#### Effect of socioeconomic situations

The breakdown of the above ratio of overseas sales is 17.4 percent for North America, 34.6 percent for Europe, and 30.8 percent for Asia and other regions. There is a possibility that changes in the socioeconomic situation in Japan or any of these regions will impact the results of the company.

#### Effect of fluctuations of interest rates on borrowings

The balance of MMC's consolidated interest-bearing liabilities stood at 401.5 billion yen at the end of September 2007. There is a possibility that fluctuations in interest rates on borrowings resulting from a change in financial market conditions in the future will impact the results of the company.

#### Effect of fluctuations in materials prices

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

#### Natural and other disasters

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

#### Changes in laws & regulations

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

## 2. The Mitsubishi Motors Corporation Group of Companies

Mitsubishi Motors Corporation and its group of related companies (referred to herein as 'MMC', or the 'company') is comprised of MMC and 59 consolidated subsidiaries, 4 equity method non-consolidated subsidiaries and 22 equity method affiliates (as of September 30, 2007).

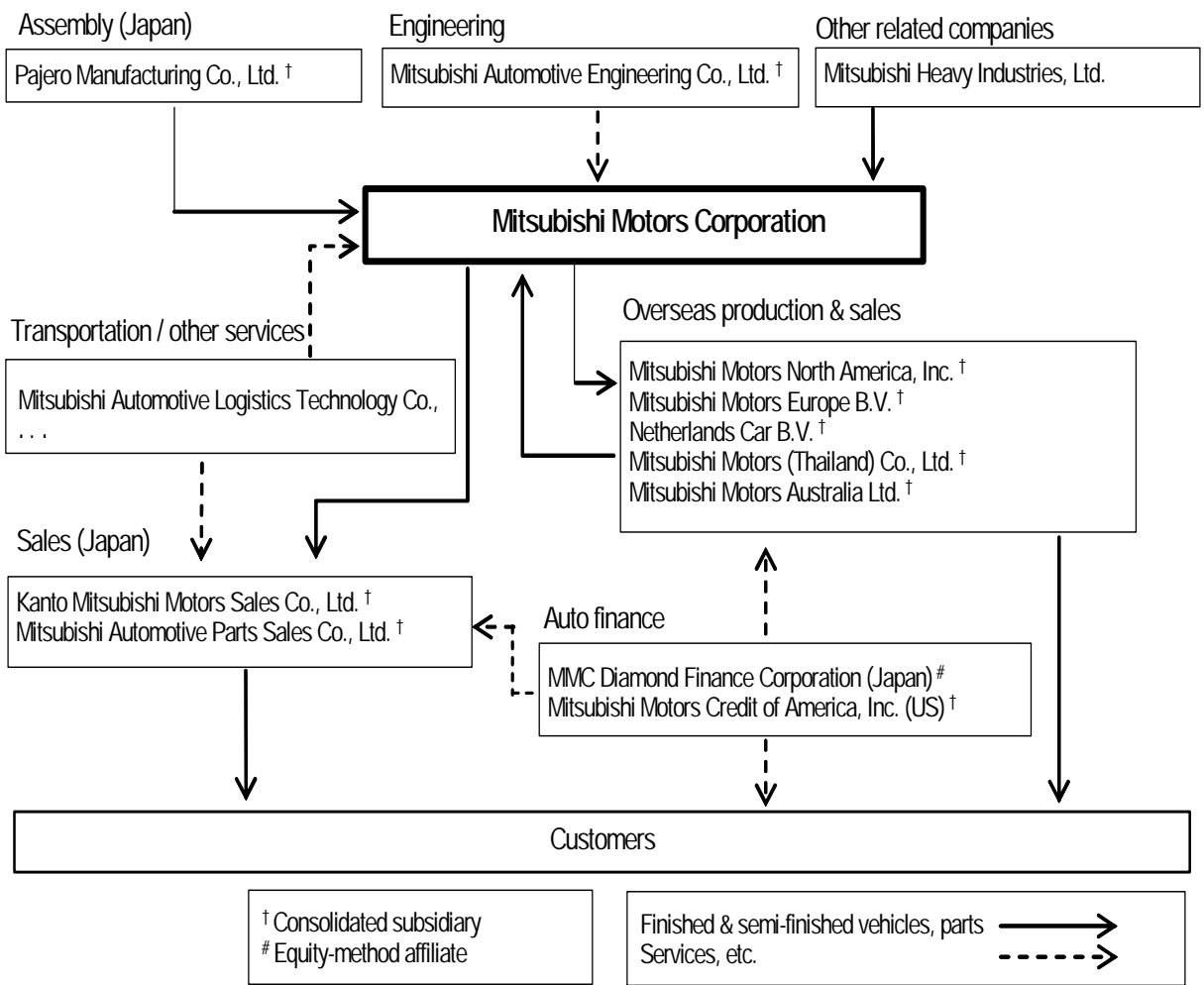
The MMC Group is engaged in the development, production and sales of passenger vehicles, as well as automotive components. MMC is responsible for most of the development work.

In Japan, Mitsubishi standard sized vehicles, compacts and minicars are produced by MMC, with some sport utility models (including the Pajero) being produced by Pajero Manufacturing Co., Ltd. Mitsubishi Motors sales companies such as Kanto Mitsubishi Motors Sales Co., Ltd. sell these automobiles in the domestic market. Mitsubishi Automotive Engineering Co., Ltd. undertakes some of the development of MMC automotive products, which are distributed by Mitsubishi Automotive Logistics Technology Co., Ltd. which also performs inspection and maintenance of some new vehicles. Replacement parts and accessories for the Japanese market are manufactured by MMC and are sold not only by the previously mentioned sales companies, but also by parts sales companies such as Mitsubishi Motor Auto Parts Sales Co., Ltd.

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

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

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



### 3. Management Policies

#### (1) Basic management policy

Together with the 'Mitsubishi Motors Revitalization Plan,' announced on January 28, 2005, the Company adopted a new corporate philosophy, "We are committed to providing the utmost driving pleasure and safety for our valued customers and our community. On these commitments we will never compromise. This is the Mitsubishi Motors way." Mitsubishi Motors strives to be a company trusted by all stakeholders including customers, trading partners and employees. All corporate activities are based on this philosophy.

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

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

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

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

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

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

"Committed to providing" = Emphasizing continuity

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

#### (2) Targets for performance measurements

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

#### (3) Medium and long-term management strategy

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

#### (4) Issues Mitsubishi Motors must face

As the subprime loan problem spread to the Euro-American financial market, provoking concerns about liquidity, the future of the world economy became rather unclear. As a result, we must take precautions to ensure corporate earnings in the face of negative factors such as an economic decline in many countries including the U.S., the steep rise of material prices, and the rapid rise of the yen. In this environment, with the support of

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

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

[Additional initiatives for fiscal year 2007]

- Further increase operating efficiency in all regions, especially Japan and North America, to meet sales/profitability targets.
- Thorough cost reductions in all operational areas including sales, production, and development.
- Rationalization of the global production network.
- Strengthen corporate governance based on internal control systems.
- Promptly restore profitability in domestic sales.
- Expand sales to new markets, especially BRIC areas.
- Promote the development of environmental technologies.

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

## 4. Consolidated financial statements

### (1) Consolidated balance sheet

Millions of yen

	9/30/2006	9/30/2007	Change	Reference 3/31/2007
<b>Assets</b>				
<b>Current assets</b> .....	<b>909,607</b>	<b>996,238</b>	<b>86,631</b>	<b>1,059,633</b>
Cash and cash deposits.....	260,392	371,687	111,295	358,058
Trade notes and accounts receivable.....	149,399	190,759	41,360	195,021
Finance receivables.....	68,642	23,079	-45,563	40,480
Marketable securities.....	5,966	4,328	-1,638	12,225
Inventories.....	287,335	302,035	14,700	351,991
Short-term loans receivable.....	2,012	426	-1,586	3,277
Deferred tax assets.....	1,413	300	-1,113	846
Other.....	157,674	119,538	-38,136	124,825
Allowance for doubtful accounts.....	-23,229	-15,915	7,314	-27,092
<b>Non-current assets</b>	<b>725,446</b>	<b>716,786</b>	<b>-8,660</b>	<b>719,060</b>
Property, plant and equipment.....	519,795	503,204	-16,591	517,464
Intangible fixed assets.....	25,049	33,792	8,743	38,530
Long-term finance receivables.....	10,157	12,648	2,491	18,872
Investment securities.....	76,638	88,448	11,810	71,460
Long-term loans receivable.....	12,200	13,087	887	13,262
Retained interests in securitized assets.....	45,202	11,003	-34,199	9,358
Deferred tax assets.....	8,260	10,593	2,333	8,468
Other.....	70,611	60,939	-9,672	59,545
Allowance for doubtful accounts.....	-42,469	-16,931	25,538	-17,903
<i>Total assets</i>	<b>1,635,053</b>	<b>1,713,025</b>	<b>77,972</b>	<b>1,778,693</b>



Millions of yen

	9/30/2006	9/30/2007	Change	Reference 3/31/2007
<b>Liabilities</b>				
Current liabilities.....	<b>998,544</b>	<b>1,061,142</b>	<b>62,598</b>	<b>1,110,874</b>
Trade notes and accounts payable.....	356,159	456,635	100,476	451,053
Short-term loans payable.....	322,869	275,575	-47,294	352,044
Accrued expenses and other payable .....	163,047	186,419	23,372	194,941
Accrued income taxes.....	6,467	7,446	979	7,220
Allowance for warranty claims .....	51,108	57,077	5,969	53,213
Other .....	98,893	77,986	-20,907	52,400
Non-current liabilities .....	<b>372,957</b>	<b>339,272</b>	<b>-33,685</b>	<b>359,514</b>
Bonds.....	49,780	51,490	1,710	53,490
Long-term loans payable .....	119,457	74,474	-44,983	98,316
Deferred tax liabilities.....	20,909	31,600	10,691	24,259
Accrued retirement benefits.....	103,603	103,030	-573	105,881
Accrued retirement benefits for executives.....	1,021	919	-102	1,005
Other .....	78,186	77,757	-429	76,561
<i>Total liabilities</i>	<b>1,371,502</b>	<b>1,400,414</b>	<b>28,912</b>	<b>1,470,389</b>
<b>Net assets</b>				
<b>Stockholders' equity</b>				
Common and preferred stock .....	657,342	657,343	1	657,342
Capital surplus .....	432,654	432,654	0	432,654
Retained earnings .....	-765,300	-742,768	22,532	-740,454
Treasury stock.....	-13	-13	0	-13
<i>Total stockholders' equity</i>	<b>324,682</b>	<b>347,215</b>	<b>22,533</b>	<b>349,528</b>
<b>Valuation, translation adjustments and others</b>				
Unrealized gains/losses on securities .....	8,773	16,584	7,811	10,132
Deferred gains/losses on hedging activities.....	-1,382	1,249	2,631	1,393
Translation adjustments.....	-79,362	-65,239	14,123	-65,272
<i>Total valuation, translation adjustments and others</i>	<b>-71,971</b>	<b>-47,406</b>	<b>24,565</b>	<b>-53,746</b>
Minority interest.....	<b>10,840</b>	<b>12,801</b>	<b>1,961</b>	<b>12,522</b>
<i>Total net assets</i>	<b>263,551</b>	<b>312,610</b>	<b>49,059</b>	<b>308,304</b>
<i>Total liabilities and net assets</i>	<b>1,635,053</b>	<b>1,713,025</b>	<b>77,972</b>	<b>1,778,693</b>

**(2) Consolidated statement of income/loss**

Millions of yen

	4/1/'06-9/30/'06	4/1/'07-9/30/'07	Change	Reference 4/1/'06-3/31/'07
Net sales.....	<b>1,005,372</b>	<b>1,313,408</b>	<b>308,036</b>	<b>2,202,869</b>
Cost of sales.....	823,868	1,105,428	281,560	1,788,897
Gross profit before reversal of deferred profit on installment, sales.....	181,503	207,979	26,476	413,971
Reversal of deferred profit on installment, sales.....	0	0	0	0
<b>Gross profit.....</b>	<b>181,504</b>	<b>207,979</b>	<b>26,475</b>	<b>413,972</b>
Selling, general and administrative expenses.....	187,022	189,149	2,127	373,735
<b>Operating income/loss.....</b>	<b>-5,517</b>	<b>18,830</b>	<b>24,347</b>	<b>40,237</b>
Non-operating income.....	7,344	8,206	862	11,351
(Interest and dividend income).....	(4,658)	(4,681)	(23)	(8,098)
(Other income).....	(2,686)	(3,525)	(839)	(3,253)
Non-operating expenses.....	15,034	20,404	5,370	33,046
(Interest expense).....	(9,876)	(11,512)	(1,636)	(20,777)
(Other expenses).....	(5,158)	(8,891)	(3,733)	(12,268)
<b>Ordinary income/loss.....</b>	<b>-13,208</b>	<b>6,632</b>	<b>19,840</b>	<b>18,542</b>
Extraordinary gains.....	9,743	7,879	-1,864	23,401
Extraordinary losses.....	6,270	9,786	3,516	18,839
<b>Net income/loss before income taxes.....</b>	<b>-9,735</b>	<b>4,725</b>	<b>14,460</b>	<b>23,104</b>
Income taxes.....	5,846	9,002	3,156	12,303
Minority interest.....	-518	-1,349	-831	-2,055
<b>Net income/loss</b>	<b>-16,101</b>	<b>-5,625</b>	<b>10,476</b>	<b>8,745</b>

## (3) Consolidated statements of changes in net assets

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

Millions of yen

	Stockholders' equity				
	Common and preferred stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2006	657,336	432,648	-749,198	-12	340,774
Changes of items during the period					
Issuance of stock	5	5			11
Acquisition of treasury stock				-0	-0
Net loss			-16,101		-16,101
Decrease due to new consolidation			-1		-1
Net changes in items other than stockholders' equity					
Total changes in items during the period	5	5	-16,102	-0	-16,092
Balance as of September 30, 2006	657,342	432,654	-765,300	-13	324,682

	Valuation, translation adjustments and others				Minority interest	Total net assets
	Unrealized gains/losses on securities	Deferred gains/losses on hedging activities	Translation adjustments	Total valuation, translation adjustments and others		
Balance as of March 31, 2006	9,046	—	-81,142	-72,095	12,580	281,259
Changes of items during the period						
Issuance of stock						11
Acquisition of treasury stock						-0
Net loss						-16,101
Decrease due to new consolidation						-1
Net changes in items other than stockholders' equity	-273	-1,382	1,779	124	-1,739	-1,615
Total changes in items during the period	-273	-1,382	1,779	124	-1,739	-17,708
Balance as of September 30, 2006	8,773	-1,382	-79,362	-71,971	10,840	263,551

	Stockholders' equity				
	Common and preferred stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2007	657,342	432,654	-740,454	-13	349,528
Changes of items during the period					
Issuance of stock	0	0			1
Net loss			-5,625		-5,625
Acquisition of treasury stock				-0	-0
Gain due to addition of new subsidiaries to scope of consolidation			3,311		3,311
Net changes in items other than stockholders' equity					
Total changes in items during the period	0	0	-2,314	-0	-2,313
Balance as of September 30, 2007	657,343	432,654	-742,768	-13	347,215

	Valuation, translation adjustments and others				Minority interest	Total net assets
	Unrealized gains/losses on securities	Deferred gains/losses on hedging activities	Translation adjustments	Total valuation, translation adjustments and others		
Balance as of March 31, 2007	10,132	1,393	-65,272	-53,746	12,522	308,304
Changes of items during the period						
Issuance of stock						1
Net loss						-5,625
Acquisition of treasury stock						-0
Gain due to addition of new subsidiaries to scope of consolidation						3,311
Net changes in items other than stockholders' equity	6,452	-144	32	6,340	279	6,619
Total changes in items during the period	6,452	-144	32	6,340	279	4,306
Balance as of September 30, 2007	16,584	1,249	-65,239	-47,406	12,801	312,610

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

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

**(4) Consolidated statement of cash flows**

Millions of yen

	4/1/'06-9/30/'06	4/1/'07-9/30/'07	Change	Reference 4/1/'06-3/31/'07
<b>I Cash flows from operating activities</b>				
Net income/loss before taxes .....	-9,735	4,725		23,104
Depreciation.....	33,945	38,299		75,035
Loss on impairment of fixed assets .....	2,416	1,175		7,465
Amortization of goodwill.....	169	79		294
Allowance for doubtful accounts, net of reversal .....	-15,441	-12,151		-15,201
Accrued retirement benefits, net of reversal.....	-211	1,551		-650
Interest and dividend income.....	-4,658	-4,681		-8,098
Interest expense .....	9,876	11,512		20,777
Foreign exchange gain/ loss.....	1,370	-1,570		119
Loss/gains from affiliates accounted for by the equity method .....	-1,322	-2,392		-2,166
Loss/gain on sales and disposal of property, plant and equipment, net .....	907	1,451		2,003
Loss/gain on sales of investments in securities, net..	-156	107		-5,036
Loss on devaluation of investments in securities .....	431	499		451
Gain on liquidation of anonymous association .....	-7,014	-4,636		-13,885
Change in trade notes and accounts receivable .....	30,879	8,025		5,618
Change in inventories .....	-22,996	64,882		-55,334
Change in finance receivables.....	12,705	21,160		58,249
Change in trade notes and accounts payable .....	15,184	-8,505		69,297
Other .....	1,182	22,808		1,465
<i>Sub total</i>	<b>47,531</b>	<b>142,341</b>	<b>94,810</b>	<b>163,511</b>
Interest and dividends received .....	5,148	5,155		10,135
Interest paid .....	-10,193	-11,635		-20,914
Compensation based on stock transfer contract paid.....	—	—		-5,000
Compensation for joint consignment .....	50,650	—		52,042
Payment for early retirement .....	—	—		-19,476
Payment for shift to external pension fund	—	—		-10,070
Income tax paid .....	-4,719	-7,007		-7,881
<i>Cash flows from operating activities</i>	<b>88,418</b>	<b>128,854</b>	<b>40,436</b>	<b>162,345</b>

	4/1/'06-9/30/'06	4/1/'07-9/30/'07	Change	Reference 4/1/'06-3/31/'07
<b>II Cash flows from investing activities</b>				
Increase/decrease in investments in term deposits...	10,491	1,846		12,085
Increase/decrease in marketable securities	0	9		—
Acquisition of property, plant and equipment.....	-67,881	-44,709		-111,594
Proceeds from sales of property, plant and equipment .....	17,147	16,421		40,274
Acquisition of investments in securities .....	-2,780	-385		-3,914
Proceeds from sales of investments in securities ...	3,416	307		9,872
Acquisition of capital investments in affiliates.....	-8,750	—		-8,750
Increase/decrease in short-term loans receivable....	-1,272	3,089		-2,646
Loans made .....	-46	-338		-68
Collection of loans receivable .....	1,117	777		1,974
Proceeds from liquidation of anonymous association .....	11,229	4,957		19,451
Other .....	308	-1,215		-2,703
<b><i>Cash flows from investing activities</i></b>	<b>-37,018</b>	<b>-19,239</b>	<b>17,779</b>	<b>-46,017</b>
<b>III Cash flows from financing activities</b>				
Increase/decrease in short-term borrowings and commercial papers .....	-9,552	-41,812		-13,564
Proceeds from issuance of long-term debt.....	1,765	1,591		68,823
Repayment of long-term debt .....	-30,463	-56,073		-61,530
Redemption of bonds.....	-3,829	-8,700		-4,934
Dividend paid to minority interest .....	—	-90		-79
Other .....	-61	-919		-3
<b><i>Cash flows from financing activities</i></b>	<b>-42,141</b>	<b>-106,003</b>	<b>-63,862</b>	<b>-11,287</b>
<b>IV Effect of exchange rate changes on cash and cash equivalents.....</b>	<b>2,477</b>	<b>3,664</b>	<b>1,187</b>	<b>11,326</b>
<b>V Net change in cash and cash equivalents .....</b>	<b>11,736</b>	<b>7,275</b>	<b>-4,461</b>	<b>116,367</b>
<b>VI Cash and cash equivalents at beginning of year .</b>	<b>248,069</b>	<b>364,268</b>	<b>116,199</b>	<b>248,069</b>
<b>VII Change in cash and cash equivalents due to inclusion and exclusion of subsidiaries in consolidation .....</b>	<b>-61</b>	<b>—</b>	<b>61</b>	<b>-167</b>
<b>VIII Cash and cash equivalents at end of year .....</b>	<b>259,743</b>	<b>371,544</b>	<b>111,801</b>	<b>364,268</b>

## Events or conditions which may cause substantial doubt about the premise of a going concern

### For the first half of the previous fiscal year (from April 1, 2006 to September 30, 2006)

In the fiscal years 2003, 2004, and 2005, the Mitsubishi Motors Corporation (MMC) group reported net losses of ¥215,424 million, ¥474,785 million, and ¥92,166 million respectively. In addition, in the first half of fiscal year 2006, the group reported a net loss of ¥16,101 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 its operating base, the MMC group formulated the "Business Revitalization Plan" (covering FY2004 to FY2006) in May 2004. In June 2004, the MMC group outlined additional measures to its "Business Revitalization Plan" that focus on three areas: all-out cost cutting, restoring customer trust, and across-the-board compliance.

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

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

In order to revitalize all operations globally and to rebuild the MMC group's capital base, with the support of three Mitsubishi group companies (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 the 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 proceeding steadily.

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

### For the first half of the fiscal year under review (from April 1, 2007 to September 30, 2007)

In fiscal years 2003, 2004, and 2005, the Mitsubishi Motors Corporation (MMC) group reported net losses of ¥ 215,424 million, ¥474,785 million, and ¥92,166 million respectively. By contrast, in fiscal year 2006, the group reported a net income of ¥8,745 million. However, the group incurred a net loss of ¥5,625 million in the first half of fiscal year 2007.

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

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

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

In order to revitalize all operations globally and to rebuild the MMC group's capital base, with the support of three 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 the original plan in fiscal year 2005, and also posted a net income in fiscal year 2006. Fiscal year 2007 is the final year of the "Mitsubishi Motors Revitalization Plan." In the first half of fiscal year 2007, the group posted an operating income for the first time in five years, and also returned to the black at the ordinary income level. As outlined above, the "Mitsubishi Motors Revitalization Plan" is proceeding steadily.

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



### **For the previous fiscal year (from April 1, 2006 to March 31, 2007)**

Though the Mitsubishi Motors Corporation (MMC) group reported a net income of ¥8,745 million in the fiscal year 2006, it had reported net losses of ¥215,424 million, ¥474,785 million, and ¥92,166 million for the fiscal years 2003, 2004, and 2005, respectively.

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

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

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

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

In order to revitalize all operations globally and to rebuild the MMC group's capital base, with the support of three 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 the original plan in fiscal year 2005. In the fiscal year 2006, the MMC group again posted net income in the black. Thus, the "Mitsubishi Motors Revitalization Plan" is proceeding steadily.

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

### **Significant Accounting Policies on the Preparation of Consolidated Financial Statements for Half Year**

Disclosure is omitted as there is no significant change to the most recent semiannual report (submitted on December 22, 2006).

### **Change in Method of Presentation**

## Notes to consolidated financial statements

### Consolidated balance sheet

Millions of yen

9/30/07	
1) Guarantee liabilities	
Guarantee liabilities	6,343
Liabilities similar to guarantee liabilities	2,149

### Consolidated statement of income/loss

Millions of yen

4/1/07-9/30/07	
1) Extraordinary gains	
Gain on liquidation of anonymous association	4,636
Reversal of allowance for doubtful accounts	2,825
Other gains	417
2) Extraordinary losses	
PCB waste disposal cost	1,963
Provision for accrued retirement benefits	1,920
Retirement pension fund withdrawal premium	1,223
Impairment loss	1,175
Loss on disposal of fixed assets	998
Other	2,504
3) Total R&D expenditure included in selling, general and administrative expenses	14,639

### Consolidated statements of net assets

#### Outstanding shares and treasury shares (4/1/07-9/30/07)

Thousands of shares

	Number of shares 3/31/2007	Increase	Decrease	Number of shares 9/30/2007
Outstanding shares				
Common shares           Note 1	5,491,516	8	—	5,491,524
Class A # 1 preferred shares	73	—	—	73
Class A # 2 preferred shares	30	—	—	30
Class A # 3 preferred shares	1	—	—	1
Class G # 1 preferred shares	130	—	—	130
Class G # 2 preferred shares	168	—	—	168
Class G # 3 preferred shares	10	—	—	10
Class G # 4 preferred shares	30	—	—	30
Total	5,491,959	8	—	5,491,967
Treasury shares				
Common shares           Note 2	76	1	—	78
Total	76	1	—	78

Notes: 1. Increase in common shares outstanding of 8,000 is the result of an exercise in stock acquisition rights.

2. Increase in treasury common shares of 1,000 is the result of purchases of stock lots not meeting the minimum trading lot (1000 shares).

## Consolidated statement of cash flows

Millions of yen

4/1/07-9/30/07	
Reconciliation between cash and cash equivalents and the amounts reported in the consolidated balance sheet is as follows:	
Cash and cash deposits	371,687
Time deposits with maturities greater than three months	- 4,471
Short-term investments maturing within three months from the acquisition date	4,328
Cash and cash equivalents	<u>371,544</u>

## Segment information

### (1) Business segments (4/1/07-9/30/07)

Millions of yen

FY2007 half year	Automobiles	Financial services	Total	Corporate and eliminations	Consolidated
Net sales					
(1) External customers	1,297,517	15,890	1,313,408	—	1,313,408
(2) Intersegment sales & transfers	(112)	—	(112)	112	—
Total	1,297,405	15,890	1,313,296	112	1,313,408
Operating expenses	1,287,126	7,451	1,294,577	—	1,294,577
Operating income	10,279	8,438	18,718	112	18,830

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

2. Major products by business segment

(1) Automobiles..... Passenger cars

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

### (2) Geographical segment (4/1/07-9/30/07)

Millions of yen

FY2007 half year	Japan	North America	Europe	Asia	Other areas	Total	Corporate and eliminations	Consolidated
Net sales								
(1) External customers	649,023	212,799	295,136	53,378	103,070	1,313,408	—	1,313,408
(2) Intersegment sales & transfers	287,548	7,765	23,559	131,751	195	450,822	(450,822)	—
Total	936,572	220,565	318,696	185,130	103,266	1,764,230	(450,822)	1,313,408
Operating expenses	926,361	218,687	314,560	174,943	104,995	1,739,548	(444,970)	1,294,577
Operating income/loss	10,210	1,877	4,136	10,186	(1,729)	24,682	(5,851)	18,830

Notes: 1. National and regional groupings are by geographical proximity and mutual relevance of business activities.

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

(1) North America..... United States, Puerto Rico

(2) Europe..... The Netherlands

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

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

(3) Overseas sales (4/1/07-9/30/07)

Millions of yen

FY2007 half year	North America	Europe	Asia	Other areas	Total
. Overseas sales	228,103	454,952	109,344	295,563	1,087,963
. Consolidated sales					1,313,408
. Overseas sales as a percentage of total sales	17.4	34.6	8.3	22.5	82.8

Notes: 1. National and regional groupings are by geographical proximity and mutual relevance of business activities.

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

(1) North America.....United States, Puerto Rico

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

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

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

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

## Per share information

Yen

4/1/07-9/30/07	
Net assets per share	-26.00
Net income/loss per share-basic	-1.02

*Note: Net income per share-diluted is not presented as the group recorded a net loss in the fiscal year under review, despite the existence of dilutive shares.*

Millions of yen

4/1/07-9/30/07	
<b>Net income/loss per share-basic</b>	
Net loss as shown on the statement of income	-5,625
Loss not attributable to ordinary stockholders	—
Net loss related to common stock	-5,625
Average number of shares of common stock outstanding during the period (Unit: Thousands of shares)	5,491,443

## Significant subsequent events

None.

## Other notes

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

- Lease transactions
- Marketable securities
- Derivative financial instruments
- Stock option, etc.
- Business combinations etc.

## 5. Non-consolidated financial statements

### (1) Non-consolidated balance sheet

Millions of yen

	9/30/2006		9/30/2007		Reference 3/31/2007	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash deposits.....	173,177		244,961		219,758	
Trade notes receivable .....	1,599		502		843	
Accounts receivable.....	134,682		220,084		255,577	
Inventories .....	180,006		164,601		159,174	
Short-term loans receivable.....	44,373		26,176		59,265	
Accounts receivable–other.....	44,536		51,438		55,098	
Other .....	25,795		11,666		17,059	
Allowance for doubtful accounts.....	-25,209		-52,204		-71,776	
<b>Total current assets</b>	<b>578,961</b>	<b>54.5</b>	<b>667,227</b>	<b>57.9</b>	<b>695,001</b>	<b>59.6</b>
<b>Non-current assets</b>						
<b>Property, plant and equipment</b>						
Buildings.....	43,194		40,976		42,136	
Machinery and equipment.....	75,436		77,165		78,016	
Land.....	44,043		43,409		43,567	
Others.....	38,748		28,532		30,651	
<b>Total property, plant and equipment</b>	<b>201,422</b>		<b>190,084</b>		<b>194,372</b>	
Intangible fixed assets	13,867		11,917		13,065	
<b>Total intangible fixed assets</b>	<b>13,867</b>		<b>11,917</b>		<b>13,065</b>	
<b>Investments and other assets</b>						
Investment securities.....	43,594		54,043		43,296	
Investments in affiliated companies .....	176,299		187,938		181,737	
Long-term loans receivable.....	913		754		827	
Other.....	54,418		45,550		44,429	
Allowance for doubtful accounts.....	-7,288		-5,711		-6,514	
<b>Total investments and other assets</b>	<b>267,937</b>		<b>282,575</b>		<b>263,776</b>	
<b>Total non-current assets</b>	<b>483,226</b>	<b>45.5</b>	<b>484,577</b>	<b>42.1</b>	<b>471,214</b>	<b>40.4</b>
<b>Total assets</b>	<b>1,062,188</b>	<b>100.0</b>	<b>1,151,805</b>	<b>100.0</b>	<b>1,166,216</b>	<b>100.0</b>

	9/30/2006		9/30/2007		Reference 3/31/2007	
	Amount	%	Amount	%	Amount	%
<b>Liabilities</b>						
<b>Current liabilities</b>						
Trade notes payable .....	18,249		24,036		24,671	
Accounts payable.....	261,348		390,968		365,819	
Short-term loans payable.....	124,658		147,860		184,880	
Accounts payable - other .....	66,176		69,487		70,029	
Accrued income taxes.....	615		832		781	
Deferred tax liabilities	—		997		453	
Allowance for warranty claims .....	22,404		26,415		22,933	
Other .....	64,804		51,894		51,765	
<i>Total current liabilities</i>	<u>558,257</u>	<u>52.6</u>	<u>712,492</u>	<u>61.9</u>	<u>721,334</u>	<u>61.9</u>
<b>Non-current liabilities</b>						
Bonds.....	27,600		25,600		27,600	
Long-term loans payable .....	81,145		45,988		63,924	
Accrued retirement benefits.....	83,219		85,613		84,313	
Accrual for retirement benefits for directors and corporate auditors.....	696		696		696	
Guarantee liability reserve .....	66,898		29,206		23,303	
Long-term accrued accounts payable.....	22,715		—		16,889	
Deferred tax liabilities.....	12,554		17,841		13,491	
Other .....	5,995		11,080		6,130	
<i>Total non-current liabilities</i>	<u>300,825</u>	<u>28.3</u>	<u>216,025</u>	<u>18.7</u>	<u>236,349</u>	<u>20.2</u>
<i>Total liabilities</i>	<u>859,083</u>	<u>80.9</u>	<u>928,518</u>	<u>80.6</u>	<u>957,683</u>	<u>82.1</u>



Millions of yen

	9/30/2006		9/30/2007		Reference 3/31/2007	
	Amount	%	Amount	%	Amount	%
<b>Net assets</b>						
<b>Stockholders' equity</b>						
Common and preferred stock .....	657,342	61.9	657,343	57.1	657,342	56.4
<b>Capital surplus</b>						
Legal reserve.....	433,189		433,190		433,189	
<i>Total capital surplus</i>	433,189	40.7	433,190	37.6	433,189	37.1
<b>Retained earnings</b>						
Other retained earnings						
Retained earnings carried forward to the following term.....	-893,366		-884,497		-892,016	
<i>Total retained earnings</i>	-893,366	-84.1	-884,497	-76.8	-892,016	-76.5
Treasury stock .....	-13	-0.0	-13	-0.0	-13	-0.0
<i>Total stockholders' equity</i>	197,152	18.5	206,021	17.9	198,501	17.0
<b>Valuation, translation adjustments and others</b>						
Unrealized gains/losses on securities ..	8,483	0.8	16,314	1.4	9,871	0.9
Deferred gains/losses on hedging activities.....	-2,530	-0.2	950	0.1	159	0.0
<i>Total valuation, translation adjustments and others</i>	5,953	0.6	17,265	1.5	10,031	0.9
Stock acquisition rights	—	—	—	—	—	—
<i>Total net assets</i>	203,105	19.1	223,286	19.4	208,533	17.9
<i>Total liabilities and net assets</i>	1,062,188	100.0	1,151,805	100.0	1,166,216	100.0

## (2) Non-consolidated statement of income/loss

Millions of yen

	4/1/'06-9/30/'06		4/1/'07-9/30/'07		Reference 4/1/'06-3/31/'07	
	Amount	%	Amount	%	Amount	%
Net sales.....	584,521	100.0	878,541	100.0	1,457,016	100.0
Cost of sales.....	526,976	90.2	796,707	90.7	1,314,501	90.2
<i>Gross profit</i>	<u>57,545</u>	<b>9.8</b>	<u>81,833</u>	<b>9.3</b>	<u>142,515</u>	<b>9.8</b>
Selling, general and administrative expenses	77,951	13.3	76,020	8.6	154,655	10.6
<i>Operating income</i>	<u>-20,405</u>	<b>-3.5</b>	<u>5,813</u>	<b>0.7</b>	<u>-12,140</u>	<b>-0.8</b>
Non-operating income						
Interest income .....	3,865		3,750		6,951	
Dividend income .....	3,650		5,374		7,078	
Other income .....	68	7,584	94	9,219	408	14,438
Non-operating expenses						
Interest expense .....	5,101		7,022		10,793	
Loss on foreign exchange.....	268		6,575		6,221	
Other expenses.....	3,482	8,852	3,056	16,654	6,008	23,023
<i>Ordinary income</i>	<u>-21,674</u>	<b>-3.7</b>	<u>-1,621</u>	<b>-0.2</b>	<u>-20,725</u>	<b>-1.4</b>

	4/1'06-9/30'06		4/1'07-9/30'07		Reference 4/1'06-3/31'07	
	Amount	%	Amount	%	Amount	%
Extraordinary gains						
Gain on reversal of allowance for doubtful accounts	—		13,771		—	
Gain on liquidation of anonymous association .....	7,014		4,636		13,885	
Gain on reversal of the provision for directors retirement benefits .....	1,639		—		—	
Other gains .....	201	8,855	962	19,370	9,185	23,070
						1.6
Extraordinary losses						
Loss on appraisal of investments in affiliated companies .....	8,362		5,825		15,600	
PCB waste disposal cost	—		1,963		—	
Loss on disposal of fixed assets	—		742		—	
Other losses .....	5,114	13,477	923	9,455	12,469	28,070
						2.0
<b>Net income before income taxes</b>		<b>-26,296</b>		<b>8,293</b>		<b>-25,724</b>
		<b>-4.5</b>		<b>0.9</b>		<b>-1.8</b>
Income tax, current.....	-405		774		-1,183	
Income tax, deferred (-indicates reduction) .....	—	-405	—	774	—	-1,183
						-0.1
<b>Net income</b>		<b>-25,891</b>		<b>7,518</b>		<b>-24,541</b>
		<b>-4.4</b>		<b>0.9</b>		<b>-1.7</b>

## (3) Non-consolidated statements of changes in net assets

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

Millions of yen

	Stockholders' equity						
	Common and preferred stock	Capital surplus		Retained earnings		Treasury stock	Total stockholders' equity
		Legal reserve	Total capital surplus	Other retained earnings Retained earnings carried	Total retained earnings		
Balance as of March 31, 2006	657,336	433,184	433,184	-867,475	-867,475	-12	223,033
Changes of items during the period							
Issuance of stock	5	5	5				11
Net loss				-25,891	-25,891		-25,891
Acquisition of treasury stock						-0	-0
Net changes in items other than stockholders' equity							
Total changes in items during the period	5	5	5	-25,891	-25,891	-0	-25,880
Balance as of September 30, 2006	657,342	433,189	433,189	-893,366	-893,366	-13	197,152

	Valuation, translation adjustments and others			Total net assets
	Unrealized gains/losses on securities	Deferred gains/losses on hedging activities	Total valuation, translation adjustments and others	
Balance as of March 31, 2006	8,719	—	8,719	231,752
Changes of items during the period				
Issuance of stock				11
Net loss				-25,891
Acquisition of treasury stock				-0
Net changes in items other than stockholders' equity	-235	-2,530	-2,766	-2,766
Total changes in items during the period	-235	-2,530	-2,766	-28,647
Balance as of September 30, 2006	8,483	-2,530	5,953	203,105

	Stockholders' equity						
	Common and preferred stock	Capital surplus		Retained earnings		Treasury stock	Total stockholders' equity
		Legal reserve	Total capital surplus	Other retained earnings	Total retained earnings		
Balance as of March 31, 2007	657,342	433,189	433,189	-892,016	-892,016	-13	198,501
Changes of items during the period							
Issuance of stock	0	0	0				1
Net income				7,518	7,518		7,518
Acquisition of treasury stock						-0	-0
Net changes in items other than stockholders' equity							
Total changes in items during the period	0	0	0	7,518	7,518	-0	7,519
Balance as of September 30, 2007	657,343	433,190	433,190	-884,497	-884,497	-13	206,021

	Valuation, translation adjustments and others			Total net assets
	Unrealized gains/losses on securities	Deferred gains/ losses on hedging activities	Total valuation, translation adjustments and others	
Balance as of March 31, 2007	9,871	159	10,031	208,533
Changes of items during the period				
Issuance of stock				1
Net income				7,518
Acquisition of treasury stock				-0
Net changes in items other than stockholders' equity	6,443	790	7,233	7,233
Total changes in items during the period	6,443	790	7,233	14,753
Balance as of September 30, 2007	16,314	950	17,265	223,286

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

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

## Events or conditions which may cause substantial doubt about the premise of a going concern

### For the first half of the previous fiscal year (from April 1, 2006 to September 30, 2006)

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 net 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 its 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 focus 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 three 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 the 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 proceeding steadily.

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

### For the first half of the fiscal year under review (from April 1, 2007 to September 30, 2007)

In the first half of the fiscal year under review, Mitsubishi Motors Corporation (MMC) reported a net income of ¥7,518 million. However, in fiscal years 2003, 2004, 2005, and 2006, MMC reported net losses of ¥213,097 million, ¥526,225 million, ¥128,152 million, and ¥24,541 million respectively.

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

To address this situation as well as strengthen its 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 focus 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 three 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 MMC group returned to the black on an operating income level one year ahead of the original plan in fiscal year 2005, and also posted a net income in fiscal year 2006. Fiscal year 2007 is the final year of the "Mitsubishi Motors Revitalization Plan." In the first half of fiscal year 2007, MMC posted a non-consolidated operating income for the first time in five years on a half-year basis, and also recorded a net income for the first time in ten years. As outlined above, the "Mitsubishi Motors Revitalization Plan" is proceeding steadily.

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

### For the previous fiscal year (from April 1, 2006 to March 31, 2007)

In the fiscal years 2003, 2004, and 2005, Mitsubishi Motors Corporation (MMC) reported net losses of ¥213,097 million, ¥526,225 million and ¥128,152 million respectively. In addition, in fiscal year 2006, MMC reported a net loss of ¥24,541 million.

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

To address this situation as well as strengthen its 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 focus 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 three 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 the original plan in fiscal year 2005. In fiscal year 2006, the MMC group again posted consolidated net income in the black. Thus, the "Mitsubishi Motors Revitalization Plan" is proceeding steadily.

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