

(TRANSLATION OF ORIGINAL JAPANESE)

FY2006 Half Year Results: 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

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Promotion Office and General Manager of Public Relations Department.

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

Name of parent and affiliates: Mitsubishi Heavy Industries, LTD.(Code:7011) Raito of voting share by parent and affiliates 15.8%

United States accounting standards applied: No

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

(1) Consolidated financial results

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

	Sales		Operating Income		Ordinary Income	
	Million Yen	%	Million Yen	%	Million Yen	%
FY2006 half year	1,005,372	1.4	-5,517	-	-13,208	-
FY2005 half year	991,257	-7.4	-19,794	-	-33,625	-
FY2005 full year	2,120,068		6,783		-17,780	

	Net Income		Net Income per Share-Basic		Net Income per Share-Dilute	
	Million Yen	%	Yen	Yen	Yen	Yen
FY2006 half year	-16,101	-	-2.93		-	
FY2005 half year	-63,771	-	-14.87		-	
FY2005 full year	-92,166		-19.75		-	

Note 1: Income from equity-method affiliates.

FY2006 half year	FY2005 half year	FY2005 full year
1,322 Million yen	1,509 Million yen	1,453 Million yen

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

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 3: Accounting policy changes: Yes

Note 4: Sales, Operating Income, Ordinary Income and Net Income percentages indicate changes over same half-year period in the previous fiscal year.

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

(2) Consolidated financial position

	Total Assets	Net Assets	Ratio of Shareholders' Equ	Net Assets per Share
	Million Yen	Million Yen	%	Yen
FY2006 half year	1,635,053	263,551	15.5	-34.58
FY2005 half year	1,514,061	259,007	17.1	-58.82
FY2005 full year	1,557,570	268,678	17.2	-31.67

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

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
Treasury stock 76,713	61,535	73,191

(3) Consolidated cash flows

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

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash & Cash Equivalents at End of Ter
	Million Yen	Million Yen	Million Yen	Million Yen
FY2006 half year	88,418	-37,018	-42,141	259,743
FY2005 half year	25,923	-46,673	-43,927	230,775
FY2005 full year	54,430	-84,811	-18,955	248,069

(4) Scope of consolidation and equity method

Consolidated subsidiaries: 92 Equity method subsidiaries: 11 Equity method affiliates: 20

(5) Changes in scope of consolidation and equity method

Consolidation:	Include	1	Equity method:	Include	1
	Exclude	7		Exclude	8

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

	Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
FY2006 full year	2,230,000	21,000	8,000

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

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

I The Mitsubishi Motors Corporation Group of Companies

Mitsubishi Motors Corporation and its group of related companies (referred to herein as 'MMC', or the 'company') is comprised of MMC and 92 consolidated subsidiaries, 11 equity method non-consolidated subsidiaries and 20 equity method affiliates (as of September 30, 2006).

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

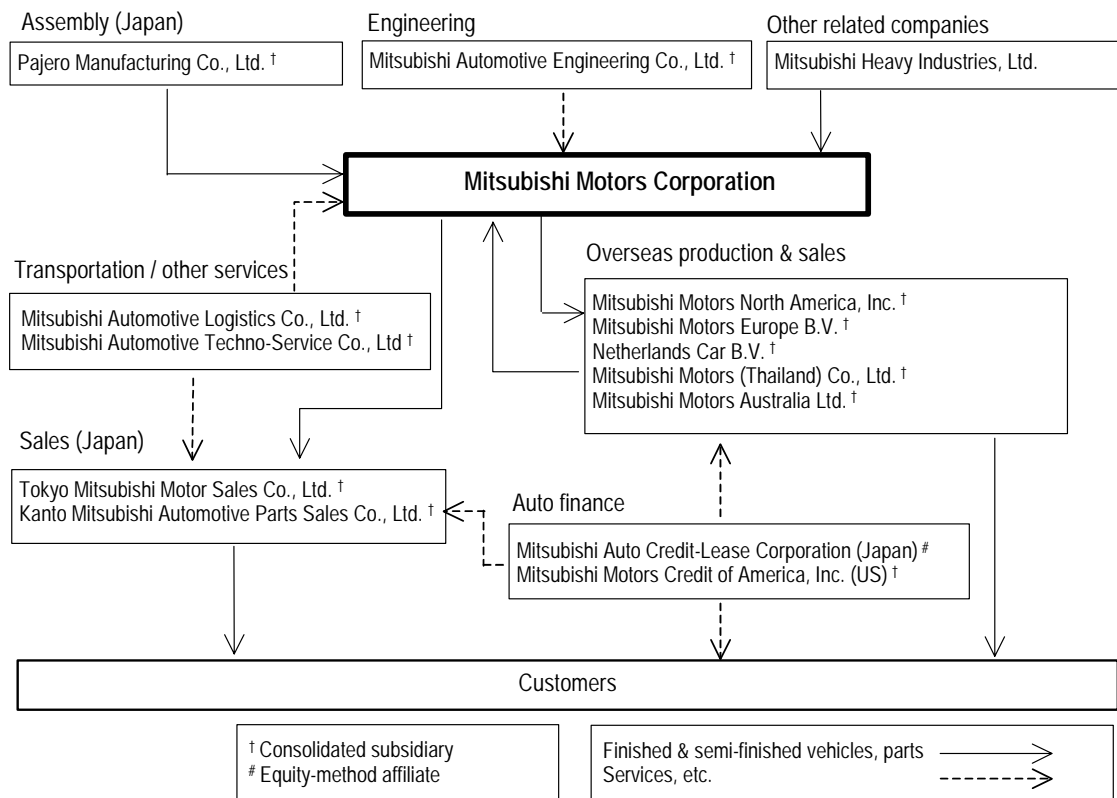
In Japan, Mitsubishi standard sized vehicles, compacts and minicars are produced by MMC, with some sport utility models (including the Pajero) being produced by Pajero Manufacturing Co., Ltd. Tokyo Mitsubishi Motor Sales Co. and other Mitsubishi Motors sales companies sell these automobiles in the domestic market. Mitsubishi Automotive Engineering Co., Ltd. undertakes some of the development of MMC automotive products, which are distributed by Mitsubishi Automotive Logistics Co., Ltd. throughout Japan, and Mitsubishi Automotive Techno-Service Co., Ltd. is responsible for the inspection and servicing of certain new Mitsubishi vehicles.

Replacement parts and accessories for the Japanese market are manufactured by MMC and are sold not only by the previously mentioned sales companies, but also by Kanto Mitsubishi Automotive Parts Sales Co., Ltd. and other parts sales companies.

Overseas, 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 Mitsubishi Auto Credit-Lease Corporation in Japan (On March 17, 2006 Diamond Lease Co. Ltd., Mitsubishi Corporation, and MMC reached a basic agreement regarding Japanese sales-finance operations. A new structure will be implemented in 2007), also by Mitsubishi Motors Credit of America, Inc. in the United States.

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



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

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

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

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

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

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

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

- **“Committed to providing” = Emphasizing continuity**

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

(2) Dividend policy

MMC considers the returning of profits to shareholders one of the most important goals of management. The financial needs for sustaining and growing the enterprise are large due to the ever-increasing intensity of the fierce competition in the global automotive industry today, as well as demands for the development of environmentally friendly technologies. It is the basic policy of MMC to return the fruits of efforts to shareholders in a stable fashion, after taking the state of earnings and cash flow into account.

The company is making the greatest effort to achieve its revitalization targets in the Mitsubishi Motors Revitalization Plan, strengthen its financial position, and return to profitability.

(3) Medium and Long-Term Management Strategy

MMC adopted the ‘Mitsubishi Motors Revitalization Plan’ on January 28, 2005 as its 3-year business plan covering fiscal 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
 - Placing customers first throughout the operational chain
 - Thoroughly increasing trustworthiness of products
- Business strategy
 - Sales plans which reflect downside risks
 - Promotion of operational alliances with other auto makers
 - Rationalization of production capacity and sales networks
- Strengthening capital
 - Rebuilding and strengthening the capital base
- Boosting management's effectiveness
 - Strong leadership from a new management team
 - Establishing up a thorough follow-up system
- Effective and transparent compliance

Progress of the Mitsubishi Motors Revitalization Plan

In the second year of this three year plan, fiscal year 2006, with the aim of realizing these objectives, corporate culture is 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 for the prevention of recall related problems from occurring again are being implemented. Regaining trust is a long, ongoing process and MMC is continuously tackling this issue. As an automaker, the company believes the best method of regaining trust is to provide safe and reliable vehicles that owners can use with confidence and satisfaction.

In regard to business revitalization, the company's efforts in strengthening administrative functions and capital, implementing strategies, and other activities has resulted in profitability at all levels (operating, ordinary, and net) coming in better than forecast announced on April 27, 2006 for the period.

The following is a list of the policies implemented in the first half of fiscal year 2006.

'Customers First' - Regaining Trust

- With the aim of placing trust regaining activities at the highest priority in order to revitalize the MMC group, corporate culture is continuously being revamped to three themes of 'Compliance First', 'Safety First', and 'Customers First.' Leading the way in these activities is the CSR (Corporate Social Responsibility) Promotion Office.
- With the aim of providing better service to customers and speeding up quality improvements, a new information system built across Japan was completed in October 2006. The system can share quality related information in real time with dealers through the country, and features a larger database that can be used for faster analysis of quality issues.
- MMC has become a partner company in Kidzania Tokyo, the first place in Japan where children can get a taste of working life and being a member of society. The concept of Kidzania Tokyo is to provide children, future bearers of society, with the place and opportunity to discover their dreams and goals, and enjoy working to obtain those goals. This is an embodiment of the corporate philosophy of aiming to be a company that places customers first and contributes to society.

Business Strategies

- In June 2006, MMC signed an agreement with Mitsubishi Heavy Industries, Ltd. for the co-development of new-generation diesel engines for the European market. Development will begin in earnest with an aim of starting mass production in 2010.
- To strengthen the company's after market business, Mitsubishi Motors Car Life Products was established on July 1, 2006. The company is handling planning, development, and sales of automotive parts and components based on market information. It will shorten lead times for new products and introduce products that meet market needs.
- MMC signed an agreement with Nissan Motor Co. Ltd. in August 2006 for the continued supply of minicars to Nissan on an OEM basis. The new eK Wagon model will be supplied starting the second half of fiscal year 2006.
- Investment in Chinese partner South East (Fujian) Motor Corporation, Ltd. was completed in September 2006. This investment will strengthen MMC's brand strategy in China and expand the model lineup.

Strengthening Capital

- Equity capital increases as laid out in the Mitsubishi Motors Revitalization Plan were completed by January 2006. Going forward, the company will continue to raise funds as needed to strengthen the capital base and secure revitalization.

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 progress 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 progress of the revitalization plan, the Business Revitalization Monitoring Committee was established. This committee is comprised of outside experts and representatives of main shareholders from the Mitsubishi group. The committee follows the progression of the revitalization plan and provides advice as needed.
- In April 2006, the Technical Service Office was established as part of the Quality Affairs Office. This move strengthens MMC's ability to provide high quality products and services. It also better allows customer opinions gained through services to be reflected in products.

(4) Issues Mitsubishi Motors must face

The current outlook for the world economy calls for slower but still positive growth in the United States and continued relatively high growth in China and the EU. Also, the Japanese economy has found the proper balance of exports, investment, and consumer consumption to fuel continued growth. However, current economic conditions are dependant on the large deficits in the US being supported by global economic strength, and continued export growth due to weakness in the Yen. Thus the current recovery is fragile and weakness caused by any rapid deterioration in the US or rapid appreciation of the Yen would not be offset both healthy domestic demand.

In this environment, with the support of three Mitsubishi group companies (Mitsubishi Heavy Industries, Ltd., Mitsubishi Corporation, and the Bank of Tokyo-Mitsubishi UFJ, Ltd.) MMC adopted the Mitsubishi Motors Revitalization Plan on January 28, 2005 to revitalize the company's business globally and to rebuild the capital base. All MMC executives and staff are placing all efforts into accomplishment of the revitalization plan.

To overcome the unparalleled hardships faced by MMC and regain the trust of the market, the company placed the accomplishment of the revitalization plan as an utmost priority.

Fiscal year 2006 is the true measure of progress in the revitalization plan. The plan calls for net income to return to the black, and all administrative efforts are being placed into this objective. The following is a list of initiatives the company is taking in addition to the key points of the revitalization plan listed in the previous section.

- Further increase operating efficiency in all regions, especially Japan & North America, to meet sales/profitability targets
- Thorough cost reductions in all operational areas including sales, production, and development
- Rationalization of the global production network
- Strengthen corporate governance based on internal control systems

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

(5) Parent company related information

In order to revitalize the company, across all business units globally and rebuild the capital base,

with the cooperation of three Mitsubishi group companies (Mitsubishi Heavy Industries, Ltd., Mitsubishi Corporation, and The Bank of Tokyo-Mitsubishi UFJ, Ltd.) MMC announced the Mitsubishi Motors Revitalization Plan. Currently, all company executives and employees are placing all efforts into the progress of the revitalization plan. In addition, the three Mitsubishi group companies are providing strong support and guidance for MMC by dispatching executives and statutory auditors, and through membership in the Business Revitalization Monitoring Committee. This committee provides a thorough check, both qualitative and quantitative, from an outside viewpoint on the progress of the revitalization plan, and provides advice on request. Going forward, the three Mitsubishi group companies will continue to play a critical role in the success of the plan.

The revitalization plan calls for the three Mitsubishi group companies to hold a combined 34 percent of outstanding MMC common shares by the end of fiscal year 2005, and for MMC to become an equity-method affiliate of Mitsubishi Heavy Industries, Ltd. On December 12, 2005, through the conversion of convertible preferred shares, the holdings of MMC common shares of Mitsubishi Heavy Industries, Ltd. surpassed 15 percent of outstanding, thus making MMC an equity method affiliate.

Company name	Mitsubishi Heavy Industries, Ltd. (MHI)
MMC shares held by MHI (as of September, 30 2006)	Common Shares: 868,660,259 (15.8% of voting rights) <i>Included in this amount is 28,718,000 shares held by MHI subsidiaries</i> Preferred Shares: Class A, 1st series: 12,000 Class G, 2nd series: 12,475
Listed	Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange, Fukuoka Stock Exchange, and Sapporo Securities Exchange
Transactions related to normal operations	Automotive parts and accessories
Executives serving dual roles	MHI's chairman concurrently serves as MMC's chairman; An MHI managing director serves as an external statutory auditor
Executives and staff dispatched to MMC	Directors, Statutory Auditor, Corporate General Manager: 4 people Others (mostly in accounting roles): 17 people

III Management results and financial position

(1) Management results

Overview of consolidated results for the first half of fiscal year 2006

In the first half of fiscal year 2006, the Mitsubishi Motors Corporation group registered global unit sales (retail) of 599 thousand vehicles, 60 thousand units less than the corresponding period in fiscal year 2005 (a 9.1 percent year-on-year decline).

Regionally, in Japan MMC has seen 17 consecutive months of year-on-year growth in unit volume (since May 2005) despite overall market volume being down 4.3 percent in the period. In particular, the *Outlander* SUV and *i* minicar continued to push volume higher; Japanese volume for the period totaled 114 thousand vehicles (6 thousand units higher year-on-year, 5.6 percent growth). Minicar volume was up 9.9 percent over the first half of fiscal year 2005 (up 4.9 percent for the overall market) and registered vehicle volume declined 1.5 percent from last year's level (down 9.6 percent for the overall market).

In North America, strong sales of the *Eclipse* coupe launched last fiscal year, along with sales of the new *Eclipse Spyder* beginning in earnest in the period, and the effect of policies to strengthen dealers' sales capabilities pushed unit volume higher. In a backdrop of overall auto sector volume in the United States falling 5.0 percent year-on-year, MMC posted volume for the North American region of 84 thousand units (3 thousand units higher than the year ago period, up 3.7 percent). This marked the first half fiscal year period with year-on-year growth since the first half of fiscal year 2002 (eight periods).

The European region saw steady sales in all markets, with high growth in the *Lancer* sedan in Russia and the Ukraine. Volume for the first half of fiscal year 2006 came to 142 thousand units (up 11 thousand units year-on-year, an 8.4 percent increase) for the seventh consecutive half year period with a year-on-year volume increase (since the first half of fiscal year 2003).

Finally in Asia and other regions, the Latin America, the Mid East and Africa regions saw growth, but the China & Taiwan, Malaysia, and Indonesia regions saw a sharp drop in sales. Overall volume for the region fell to 259 thousand vehicles, (a year-on-year decline of 80 thousand units, 23.6 percent).

Revenue for the period totaled 1,005.4 billion yen, an increase of 14.1 billion yen over the first half of fiscal year 2005 (1.4 percent up). Regional sales were the following: Japan, North America, and Europe saw revenue growth of 14.9 billion, 14.2 billion, and 15.9 billion yen, respectively, while in Asia and other regions sales fell 30.9 billion yen.

MMC posted an operating loss of 5.5 billion yen, an improvement of 14.3 billion yen year-on-year. Major factors contributing to this improvement were as follows. Higher unit volume and better model profitability mix contributed 3.9 billion yen. Lower selling expenses, primarily in the form of lower advertising spending in North America, brought operating income higher by 700 million yen. Foreign currency exchange gains due to a weaker yen resulted in an improvement of 5.8 billion yen. Finally the effect of restructuring efforts and other reasons brought operating income higher by 3.9 billion yen.

Non-operating losses totaled 7.7 billion yen, an improvement of 6.1 billion yen over the same period last year. The main reason for the improvement was the non-reoccurrence of charges related to legal actions settled in the year ago period.

Ordinary loss thus totaled 13.2 billion yen, an improvement of 20.4 billion over the year ago period.

Extraordinary loss came in at 2.9 billion yen, a 27.3 billion year-on-year improvement. Main contributing factors to the improvement include the non-reoccurrence of restructuring charges taken in fiscal year 2005, as well as significantly lower asset impairment charges than that taken in the year ago period. The liquidation of anonymous association related to the monetization of real estate assets, resulting in a 7.0 billion yen gain, was another factor.

Net loss for the first half of fiscal year 2006 came to 16.1 billion yen, a 47.7 billion year-on-year improvement.

MMC regrets to inform shareholders that under current conditions, it must refrain from paying dividends. The company asks for understanding in this matter.

Segment Information
(Business Segment Information)

First half revenues for the company's automotive business totaled 980.9 billion yen, a 0.9 percent rise over the same period last year, producing an operating loss of 15.5 billion yen, a year-on-year improvement of 7.7 billion yen.

Revenues from MMC's financial services business came to 24.4 billion yen, an increase of 27.4 percent year-on-year. Operating income totaled 9.9 billion yen, an improvement of 7.8 billion yen over the previous period.

Fiscal Year 2006 Earnings Outlook

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

	<u>Consolidated</u>	<u>Non-consolidated</u>
Sales	2,230 billion yen	1,360 billion yen
Ordinary income	21 billion yen	1 billion yen
Net Income	8 billion yen	- 20 billion yen

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

Region	Fiscal Year 2006 Forecast	Fiscal Year 2005 Actual
Japan	281	257
North America	188	156
Europe	280	267
Asia & Others	573	664
Total	1,322	1,344

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

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.

(2) Financial standing

Total assets at period end came to 1,635.1 billion yen, 77.5 billion yen higher than that for the end of fiscal year 2005. Interest-bearing debt rose 44.3 billion yen to 492.1 billion yen, and net assets fell 17.7 billion yen over the figure for the end of fiscal year 2005 due to the net loss to 263.6 billion yen.

Cash flow from operating activities during the period came to an inflow of 88.4 billion yen, an increase of 62.5 billion yen from the year ago period. Cash flows from investing activities came to an outflow of 37.0 billion yen (a decrease in outflow of 9.7 billion year-on-year). Finally, for cash flow from financing activities totaled a cash outflow of 42.1 billion yen (a 1.8 billion decrease in outflow over that for the year ago period). The balance of cash and cash equivalents at the end of the period thus stood at 259.7 billion yen, an 11.7 billion improvement over the balance at the beginning of the period.

Trends in key ratios

	FY2006 First Half	FY2005 Full Year	FY2005 First Half	FY2004 Full Year	FY2004 First Half	FY2003 Full Year	FY2003 First Half
Ratio of shareholders' equity (%)	15.5	17.2	17.1	20.4	18.1	1.5	7.8
Ratio of market value to assets (%)	65.8	87.8	67.5	37.7	16.2	19.2	16.8
Debt repayment coverage (years)	5.6	8.2	17.0	34.9	-	-	-
Interest coverage ratio	8.7	2.9	2.6	0.5	-	-	-

(Notes)

Definitions:

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

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

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

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

All figures are calculated based on consolidated financial data.

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) Business-related risks

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

Support for Mitsubishi Motors Revitalization Plan from Mitsubishi Group Companies

Mitsubishi Group companies, especially Mitsubishi Heavy Industries, Ltd, Mitsubishi Corporation, and Bank of Tokyo Mitsubishi UFJ, Ltd, substantially support MMC's financial status and administrative efforts, as well as play a critical role in the realization of the Mitsubishi Motors Revitalization Plan. If this support were to be removed, the MMC would find it difficult to achieve the items set out within this revitalization plan and difficult to restore the business back to health.

Legal Proceedings for Product Liability and Other Matters

Mitsubishi Motors is involved in the following product liability and other legal proceedings.

MMC is amongst those included in a Tokyo air pollution suit (first - fifth proceedings) that targets the Japanese National Government, the Tokyo Metropolitan Government, the Metropolitan Expressway Public Corporation, and seven diesel automobile manufacturers. Residents and commuters of the Tokyo City area (23 wards) who are afflicted with respiratory ailments such as bronchial asthma as well as bereaved family members (the total number of plaintiffs is more than 400 up through the fifth proceeding) have launched this suit. The plaintiffs contend that the emission of NO₂ and SPM (Suspended Particulate Matter) exceeded fixed standards and that the plaintiffs have the right to demand damages and force an injunction on the defendants to reduce pollution. The total financial exposure up through the fifth proceeding amounts to approximately 9.1 billion yen. The suit claims that automobile exhaust emissions are the source of the air pollution that caused the health problems. For the first proceeding, the Tokyo District Court ruled in October 2002 that the automakers were not liable, but against Japanese National Government, the Tokyo Metropolitan Government, and the Metropolitan Expressway Public Corporation the court awarded compensation of approximately 80 million yen to seven plaintiffs. The injunction against pollution was rejected by the court. Appeals in this case are currently pending at the Tokyo Superior Court and the proceedings closed in September 2006. A date for announcement of court decision has not yet been set. The second to fifth proceedings are currently being tried at the Tokyo District Court. While it is difficult to predict the outcome of this, if the automakers were to lose their suits, or if the number of suits were to increase, the possibility exists that the company's financial condition will be affected.

In January 2002, a front wheel of a truck that was manufactured by the MMC's truck and bus division (now Mitsubishi Fuso Truck and Bus Corporation) detached while the truck was in motion, resulting in a fatal accident. One legal proceeding is currently in progress in relation to this accident. The suit was filed in March 2003 by the mother of the deceased. The suit seeks product liability damages amounting to 165.5 million yen (including punitive damages) from MMC, the Japanese National Government, and both the driver and his employer. On April 18, 2006, the Yokohama District Court ordered MMC to pay 5.5 million yen (plus interest) to the plaintiff in compensatory damages, no punitive damages were awarded. On April 21, 2006, MMC paid the 5.5 million (plus interest) amount to the plaintiff. However, the plaintiff is appealing the ruling.

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

Effect of foreign exchange rate fluctuation

Overseas sales accounted for 77.8 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 impact on the results of MMC.

Effect of socioeconomic situations

The breakdown of the above ratio of the overseas sales is 20.9 percent for North America, 29.8 percent for Europe, and 27.1 percent for Asia and other regions. The remaining 22.2 percent thus represents sales in the Japanese market. There is a possibility that a change in the socioeconomic situation in any of these regions will impact the results of the company.

Effect of fluctuations of interest rates on borrowings

The balance of consolidated interest-bearing liabilities of MMC stood at 492.1 billion yen at the end of September 2006. There is a possibility that fluctuations in interest rates on borrowings resulting from a change in financial market conditions in the future will impact the results of the company.

Effect of fluctuations in materials prices

The MMC group purchases materials and finished parts & components from many partners. Increased demand and other changes in market conditions may cause materials & components prices to increase, thus raising the company's manufacturing costs and resulting in an impact on 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 & regulations regarding the environment, product safety, etc. in its various markets of operation. If any laws & regulations were to be changed, or new rules issued, costs associated with implementing these changes would have an impact on the results of the company.

. Consolidated financial statements

(1) Consolidated balance sheet

in millions of Yen

	At 9/30/2006	At 9/30/2005	Change	Reference At 3/31/2006
Assets				
Current assets	(909,607)	(763,064)	(146,543)	(842,306)
Cash and cash deposits	260,392	229,074	31,318	259,045
Trade notes and accounts receivable	149,399	139,318	10,081	179,101
Finance receivables	68,642	30,240	38,402	39,278
Marketable securities	5,966	12,026	-6,060	5,365
Inventories	287,335	260,629	26,706	257,946
Short-term loans receivable	2,012	2,260	-248	2,047
Deferred tax assets	1,413	1,487	-74	1,206
Others	157,674	104,057	53,617	124,120
Allowance for doubtful accounts	-23,229	-16,030	-7,199	-25,805
Non-Current assets	(725,446)	(750,996)	(-25,550)	(715,263)
Tangible fixed assets	519,795	530,555	-10,760	506,007
Intangible fixed assets	25,049	27,076	-2,027	25,836
Long-term finance receivables	10,157	2,313	7,844	8,365
Investment securities	76,638	68,860	7,778	74,126
Long-term loans receivable	12,200	12,348	-148	12,900
Residual interest in securitized assets	45,202	104,171	-58,969	69,751
Deferred tax assets	8,260	7,594	666	7,413
Others	70,611	75,626	-5,015	65,841
Allowance for doubtful accounts	-42,469	-77,550	35,081	-54,979
Total assets	(1,635,053)	(1,514,061)	(120,992)	(1,557,570)

	At 9/30/2006	At 9/30/2005	Change	Reference At 3/31/2006
Liabilities, minority interest, & shareholders' equity				
Current liabilities	(998,544)	(878,675)	(119,869)	(867,160)
Trade notes and accounts payable	356,159	318,383	37,776	333,842
Short-term loans payable	322,869	270,022	52,847	244,362
Accrued expenses and other payables	163,047	190,216	-27,169	181,553
Accrued income taxes	6,467	3,792	2,675	7,371
Allowance for warranty claims	51,108	48,824	2,284	49,589
Others	98,893	47,437	51,456	50,441
Non-current liabilities	(372,957)	(365,647)	(7,310)	(409,150)
Bonds	49,780	37,500	12,280	57,640
Long-term loans payable	119,457	133,292	-13,835	145,749
Deferred tax liabilities	20,909	15,017	5,892	18,251
Accrued retirement benefits	103,603	102,764	839	102,787
Accrued retirement benefits for executives	1,021	1,771	-750	1,958
Others	78,186	75,301	2,885	82,762
Total liabilities	(1,371,502)	(1,244,323)	(127,179)	(1,276,311)
Minority interest	(-)	(10,730)	(-)	(12,580)
Shareholders' equity				
Common and preferred stock	-	642,300	-	657,336
Capital surplus	-	417,612	-	432,648
Retained earnings	-	-720,784	-	-749,198
Unrealized gains/losses on securities	-	6,076	-	9,046
Foreign currency translation adjustments	-	-86,187	-	-81,142
Treasury stock	-	-9	-	-12
Total shareholders' equity	-	(259,007)	-	(268,678)
Total liabilities, minority interest, & shareholders' equity	-	(1,514,061)	-	(1,557,570)
Net assets				
Common and preferred stock	657,342	-	-	-
Capital surplus	432,654	-	-	-
Retained earnings	-765,300	-	-	-
Treasury stock	-13	-	-	-
Total owners' equity	(324,682)	(-)	(-)	(-)
Unrealized gains/losses on securities	8,773	-	-	-
Deferred gains/losses on hedge activities	-1,382	-	-	-
Foreign currency translation adjustments	-79,362	-	-	-
Total unrealized gains/losses, foreign currency translation adjustments, & others	(-71,971)	(-)	(-)	(-)
Minority interest	10,840	-	-	-
Total net assets	(263,551)	(-)	(-)	(-)
Total liabilities & net assets	(1,635,053)	(-)	(-)	(-)

(2) Consolidated statement of income

in millions of Yen

					Reference
	4/1/06-9/30/06	4/1/05-9/30/05	Change	% Change	4/1/05-3/31/06
Sales	1,005,372	991,257	14,115	1.4	2,120,068
Cost of sales	823,868	809,341	14,527	1.8	1,700,524
Gross profit before provision for unrealized profit on installment sales	181,503	181,916	-413	-0.2	419,543
Provision for unrealized profit on installment sales	0	2	-2		0
Gross profit	181,504	181,919	-415	-0.2	419,544
Selling, general and administrative expenses	187,022	201,713	-14,691		412,760
Operating income	-5,517	-19,794	14,277	-	6,783
Non-operating income	7,344	6,805	539		9,689
(Interest and dividend income)	(4,658)	(3,190)	(1,468)		(5,105)
(Others)	(2,686)	(3,614)	(-928)		(4,584)
Non-operating expenses	15,034	20,636	-5,602		34,253
(Interest expense)	(9,876)	(10,118)	(-242)		(19,580)
(Others)	(5,158)	(10,517)	(-5,359)		(14,672)
Ordinary income	-13,208	-33,625	20,417	-	-17,780
Extraordinary gains	9,743	2,983	6,760		9,153
Extraordinary losses	6,270	30,733	-24,463		74,119
Net income before income taxes	-9,735	-61,375	51,640	-	-82,745
Income taxes	5,846	1,915	3,931		7,909
Income to minority interest	-518	-479	-39		-1,511
Net income	-16,101	-63,771	47,670	-	-92,166

(3) Changes in net assets and Consolidated surplus statements

Changes in net assets

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

in millions of Yen

	Owners' equity					Unrealized gains/losses, Foreign currency translation adjustments, & others				Minority interest	Total net assets
	Common and preferred stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity	Unrealized gains/losses on securities	Deferred gains/losses on hedge activities	Foreign currency translation adjustments	Total unrealized gains/losses, foreign currency translation adjustments, & others		
Balance at the end of the previous period	657,336	432,648	-749,198	-12	340,774	9,046	-	-81,142	-72,095	12,580	281,259
Changes in items during the period											
Issuance of stock	5	5			11						11
Acquisition of treasury stock				-0	-0						-0
Net income			-16,101		-16,101						-16,101
Decrease due to new consolidation			-1		-1						-1
Net change in items other than owners' equity						-273	-1,382	1,779	124	-1,739	-1,615
Total change in items during the period	5	5	-16,102	-0	-16,092	-273	-1,382	1,779	124	-1,739	-17,708
Balance at the end of the period	657,342	432,654	-765,300	-13	324,682	8,773	-1,382	-79,362	-71,971	10,840	263,551

Consolidated surplus statements

in millions of Yen

	Reference	
	4/1/'05-9/30/'05	4/1/'05-3/31/'06
Capital surplus		
Capital surplus at beginning of term	417,612	417,612
Increase in capital surplus	-	15,035
(Issuance of common stock)	(-)	(15,035)
Capital surplus at end of term	417,612	432,648
Retained earnings		
Retained earnings at beginning of term	-656,068	-656,068
Decrease in retained earnings	64,715	93,129
(Net loss for term)	(63,771)	(92,166)
(Change in accounting standard in an Australian subsidiary)	(944)	(962)
Retained earnings at end of term	-720,784	-749,198

(4) Consolidated statements of cash flows

in millions of Yen

	4/1/06-9/30/06	4/1/05-9/30/05	Change	Reference 4/1/05-3/31/06
Cash flows from operating activities				
Net income / loss before taxes	-9,735	-61,375	51,640	-82,745
Depreciation	33,945	33,303	642	69,486
Impairment loss	2,416	21,943	-19,527	45,084
Amortization of goodwill	169	-379	548	-767
Change in allowance for doubtful accounts	-15,441	4,338	-19,779	-9,345
Change in accrued retirement benefits	-211	3,321	-3,532	1,763
Interest and dividend income	-4,658	-3,190	-1,468	-5,105
Interest expense	9,876	10,118	-242	19,580
Foreign exchange gain / loss	1,370	-532	1,902	-227
Income / loss from equity method affiliates	-1,322	-1,509	187	-1,453
Gain / loss on sale and disposal of tangible assets	907	1,916	-1,009	-1,862
Gain / loss on sale of investments	-156	2	-158	-391
Loss on devaluation of investments	431	87	344	335
Gain on liquidation of anonymous association	-7,014	-	-7,014	-
Loss compensation based on stock transfer contract	-	359	-359	1,186
Change in trade notes and accounts receivable	30,879	12,303	18,576	-19,550
Change in inventories	-22,996	-16,907	-6,089	-5,881
Change in finance receivables	12,705	7,346	5,359	15,790
Change in residual interest on sold receivables	-	1,360	-1,360	16,853
Change in trade notes and accounts payable	15,184	22,685	-7,501	30,210
Others	51,833	-2,322	54,155	1,754
	<i>Sub total</i>	<i>98,182</i>	<i>32,870</i>	<i>65,312</i>
Interest and dividends received	5,148	4,129	1,019	6,444
Interest paid	-10,193	-10,161	-32	-19,048
Compensation based on stock transfer contract paid	-	-	-	-5,000
Income tax paid	-4,719	-914	-3,805	-2,680
	<i>Cash flows from operating activities</i>	<i>88,418</i>	<i>25,923</i>	<i>62,495</i>
Cash flows from investing activities				
Change in term deposits	10,491	7,988	2,503	3,045
Change in marketable securities	0	-9	9	-
Acquisition of investments	-2,780	-1,353	-1,427	-3,156
Proceeds from sales of investments	3,416	1,000	2,416	2,990
Acquisition of tangible fixed assets	-67,881	-69,527	1,646	-133,924
Proceeds from sales of tangible fixed assets	17,147	15,842	1,305	45,839
Change in short-term loans receivable	-1,272	82	-1,354	741
Newly issued long-term loans receivable	-46	-1,398	1,352	-2,017
Collection of long-term loans receivable	1,117	729	388	1,584
Income from liquidation of anonymous association	11,229	-	11,229	-
Others	-8,441	-28	-8,413	86
	<i>Cash flows from investing activities</i>	<i>-37,018</i>	<i>-46,673</i>	<i>9,655</i>
Cash flows from financing activities				
Change in short-term loans payable and commercial papers	-9,552	-24,199	14,647	-48,192
Proceeds from long-term loans payable	1,765	1,565	200	21,957
Repayment of long-term loans payable	-30,463	-19,840	-10,623	-40,471
Issuance of bonds	-	200	-200	19,729
Redemption of bonds	-3,829	-1,587	-2,242	-1,596
Issuance of new shares	-	-	-	29,704
Dividends paid to minority shareholders	-	-33	33	-33
Others	-61	-32	-29	-53
	<i>Cash flows from financing activities</i>	<i>-42,141</i>	<i>-43,927</i>	<i>1,786</i>
Effect of exchange rate changes on cash and cash equivalents	2,477	550	1,927	2,557
Net change in cash and cash equivalents	11,736	-64,127	75,863	-46,779
Cash and cash equivalents at beginning of term	248,069	294,903	-46,834	294,903
Reduction in cash and cash equivalents due to changes in scope of consolidation	61	-	61	54
Cash and cash equivalents at end of term	259,743	230,775	28,968	248,069

Basis of preparation of consolidated financial statements

Premise of Going Concern

In the fiscal years 2003, 2004, and 2005, the Mitsubishi Motors Corporation (MMC) group reported net losses of 215,424 million yen, 474,785 million yen, and 92,166 million yen respectively. In addition, in the first half of fiscal year 2006, the group reported a new loss of 16,101 million yen.

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, 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 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 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 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 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.

Scope of consolidation

Consolidated subsidiaries	92 companies
Consolidated subsidiaries in Japan	44 companies
Tokyo Mitsubishi Motor Sales Co., Ltd., Kanto Mitsubishi Motor Parts Sales Co., Ltd., Pajero Manufacturing Co., Ltd. and others.	
Consolidated subsidiaries outside Japan	48 companies
Mitsubishi Motors North America, Inc., Mitsubishi Motors Europe B.V., Mitsubishi Motors Australia Ltd., and others.	
Newly consolidated	1 company
Nagoya Mitsubishi Motor Sales Co., Ltd.	
<i>Notes: Nagoya Mitsubishi Motor Sales Co., Ltd. has been reorganized the trade name from MMC Management Co., Ltd. at May 1, 2006.</i>	
Deconsolidated	7 companies
MMC Automoviles Espana S.A. and others.	
Application of equity method	
Non-consolidated subsidiaries	11 companies
DAW Frankfurt GmbH and others.	
Affiliates	20 companies
Mitsubishi Auto Credit-Lease Corporation and others.	
New application of equity method	1 company
MMC Automoviles Espana S.A.	
Excluded for this closing	8 companies
MDC Power GmbH and others.	

Accounting Policies

(1) Accounting standard for valuation of major assets

Marketable securities

Held-to-maturity bonds..... Amortized cost method (Straight-line method).

Other marketable securities

With market value At market, based on market value at period end (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.

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

Inventories: basis and method of valuation

MMC and consolidated subsidiaries in Japan

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

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

(2) Depreciation of fixed assets

Tangible fixed assets

MMC and consolidated subsidiaries in Japan

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

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

(Additional information)

In prior periods, it 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 stabilization of production and the reduction in number and sharing of platform which are part of the Mitsubishi Revitalization Plan, it becomes 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 consideration, it applies estimated useful life in tooling of fixed assets from this period.

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

Intangible fixed assets

MMC and consolidated subsidiaries in Japan

..... Straight-line method. However, internally created software is computed using the straight-line method over the useful life of the product (5 years).

Overseas consolidated subsidiaries..... Primarily straight-line method based on useful life of asset.

(3) Allowances

Doubtful accounts

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

Warranty claims

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

Accrued retirement benefits

Accrued retirement benefits for employees at the end of the period are calculated from the estimated amounts for the retirement benefits obligation and fair value of the pension plan assets at year end. The full amount of the transition difference arising from the adoption of a new accounting standard for retirement benefits was expensed entirely in the year when the new accounting standard was adopted (FY2000). Prior service cost is being amortized using the straight-line method over a constant number of years that is within the estimated average remaining service years of the employees.

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

Accrued severance payments to directors

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

(4) Significant foreign currency transactions

Foreign currency cash claims and obligations are translated into Yen at the exchange rate prevailing on the day of book-closing; translation differences are included in the statement of income / loss. Foreign currency assets and liabilities of overseas consolidated subsidiaries are translated into Yen at the exchange rate prevailing on the day of book-closing, and the foreign currency revenues and expenses of these companies are translated into Yen at the average exchange rate for the period. Differences arising in consolidation of overseas subsidiaries are booked as Translation Adjustments and Minority Interest in the Net Assets section of the balance sheet.

(5) Significant lease transactions

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

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

(6) Major hedge accounting policies

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

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

(7) Other significant accounting policies

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

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

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

Assets included in consolidated statements of cash flows

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

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

(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 254,093 million yen.

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.

Notes to consolidated financial statements

1. Notes to consolidated balance sheet

in millions of Yen

At 9/30/2006		At 9/30/2005		At 3/31/2006	
Accumulated depreciation of tangible fixed assets	1,264,947	Accumulated depreciation of tangible fixed assets	1,313,204	Accumulated depreciation of tangible fixed assets	1,260,506
Assets pledged as collateral (excluding assets groups pledged subject to floating charge)		Assets pledged as collateral (excluding assets groups pledged subject to floating charge)		Assets pledged as collateral (excluding assets groups pledged subject to floating charge)	
Trade notes & accounts receivable	15,760	Trade notes & accounts receivable	17,309	Trade notes & accounts receivable	14,129
Short-term & long-term sales finance receivables	62,516	Short-term & long-term sales finance receivables	24,159	Short-term & long-term sales finance receivables	32,080
Inventory	58,684	Inventory	59,359	Inventory	55,956
Tangible fixed assets	195,278	Tangible fixed assets	212,235	Tangible fixed assets	202,777
Long-term residual interest in securitized assets	19,998	Short/long term residual interest in securitized assets	39,462	Long-term residual interest in securitized assets	28,182
Other	111,926	Other	63,728	Other	56,767
Asset groups pledged subject to floating charge Secured liabilities		Asset groups pledged subject to floating charge Secured liabilities		Asset groups pledged subject to floating charge Secured liabilities	
Tangible fixed assets	117,823	Tangible fixed assets	98,882	Tangible fixed assets	99,539
Obligation secured by collateral		Obligation secured by collateral		Obligation secured by collateral	
Short-term & long-term loans payable	334,267	Short-term & long-term loans payable	303,407	Short-term & long-term loans payable	296,692
Non-consolidated subsidiaries and affiliates included in "investments" and "other non-current assets"		Non-consolidated subsidiaries and affiliates included in "investments" and "other non-current assets"		Non-consolidated subsidiaries and affiliates included in "investments" and "other non-current assets"	
Investments	28,596	Investments	29,432	Investments	27,092
Other non-current assets	18,787	Other non-current assets	9,152	Other non-current assets	9,302
Guarantee liabilities		Guarantee liabilities		Guarantee liabilities	
Guarantee liabilities	5,205	Guarantee liabilities	10,106	Guarantee liabilities	5,274
Other guarantee liabilities	3,080	Other guarantee liabilities	3,367	Other guarantee liabilities	3,215
Outstanding balance of securitized assets		Outstanding balance of securitized assets		Outstanding balance of securitized assets	
Notes and account receivable	6,390	Notes and account receivable	7,075	Notes and account receivable	12,359
Short-term & long-term finance receivables	65,422	Short-term & long-term finance receivables	200,844	Short-term & long-term finance receivables	115,214
Goodwill including "Other non-current liabilities"	1,979	Consolidation adjustment amount included in other non-current liabilities adjustment amount	347	Negative goodwill included in intangible fixed assets	361
<p>The date of book closing for the period fell on a non-business day. As such, transactions scheduled to settle on the day of closing were carried forward to the following business day. These amounts are thus included in balance sheet accounts, and details are as follows.</p>					
Trade notes & accounts receivable	7,205				
Trade notes & accounts payable	38,739				

2. Notes to consolidated statement of income

in millions of Yen

4/1/06-9/30/06	4/1/05-9/30/05	4/1/05-3/31/06																																																																								
<p>Extraordinary gains</p> <p>Gain on liquidation of anonymous association 7,014</p> <p>Reversal of the provision for directors retirement benefits 1,898</p> <p>Gain on sales of fixed assets 175</p> <p>Other gains 654</p> <p>The extraordinary profit from the anonymous association is the dividends and similar to investors following the closure in September of the anonymous association relating to the securitization of land by MMC in December 2001.</p> <p>Further, the reversal of the provision for directors retirement benefits 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 921 million yen and the retirement benefits provision (executives portion) of 976 million yen.</p> <p>Extraordinary losses</p> <p>Impairment loss 2,416</p> <p>Early retirement costs 1,988</p> <p>Loss on disposal of fixed assets 1,083</p> <p>Other losses 781</p> <p>R&D expenditure included in sales and general administration costs 26,670</p> <p>The assets group which reported impairment loss</p> <table border="1"> <thead> <tr> <th>Location</th> <th>Application</th> <th>Assets</th> <th>Impairment loss</th> </tr> </thead> <tbody> <tr> <td>Tochigi, Nagano, and others - 22 loc.</td> <td>Assets held for operating branch</td> <td>Land, Bldg, and others</td> <td>1,831</td> </tr> <tr> <td>Niigata, Tochigi, and others - 18 loc.</td> <td>Idle assets</td> <td>Land, Bldg, and others</td> <td>585</td> </tr> </tbody> </table> <p>Summary of impairment loss (in millions of Yen)</p> <table border="1"> <tbody> <tr> <td>Land</td> <td>1,491</td> </tr> <tr> <td>Building</td> <td>775</td> </tr> <tr> <td>Other</td> <td>149</td> </tr> <tr> <td>Total</td> <td>2,416</td> </tr> </tbody> </table>	Location	Application	Assets	Impairment loss	Tochigi, Nagano, and others - 22 loc.	Assets held for operating branch	Land, Bldg, and others	1,831	Niigata, Tochigi, and others - 18 loc.	Idle assets	Land, Bldg, and others	585	Land	1,491	Building	775	Other	149	Total	2,416	<p>Extraordinary gains</p> <p>Gain on fixed asset sales 1,112</p> <p>Reversal of expense for doubtful accounts 1,549</p> <p>Other gains 321</p> <p>Extraordinary losses</p> <p>Impairment loss 21,945</p> <p>Loss on disposal of fixed assets 2,276</p> <p>Restructuring charges 3,233</p> <p>Other losses 3,277</p> <p>R&D expenditure included in sales and general administration costs 32,058</p> <p>The assets group which reported impairment loss</p> <table border="1"> <thead> <tr> <th>Location</th> <th>Application</th> <th>Assets</th> <th>Impairment loss</th> </tr> </thead> <tbody> <tr> <td>Aichi, Osaka, and others - 74 loc.</td> <td>Dealership assets</td> <td>Land, Bldg, and others</td> <td>16,884</td> </tr> <tr> <td>Miyagi, Nara, and others - 9 loc.</td> <td>Leased assets</td> <td>Land, Bldg, and others</td> <td>2,555</td> </tr> <tr> <td>Tokyo - 24 loc.</td> <td>Idle assets</td> <td>Land, Bldg, and others</td> <td>2,505</td> </tr> </tbody> </table> <p>Summary of impairment loss (in millions of Yen)</p> <table border="1"> <tbody> <tr> <td>Land</td> <td>18,846</td> </tr> <tr> <td>Buildings</td> <td>2,310</td> </tr> <tr> <td>Other</td> <td>788</td> </tr> <tr> <td>Total</td> <td>21,945</td> </tr> </tbody> </table>	Location	Application	Assets	Impairment loss	Aichi, Osaka, and others - 74 loc.	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Idle assets	Land, Bldg, and others	2,505	Land	18,846	Buildings	2,310	Other	788	Total	21,945	<p>Extraordinary gains</p> <p>Gain on fixed asset sales 5,997</p> <p>Gain on sales of investments in securities 2,269</p> <p>Other gains 886</p> <p>Extraordinary losses</p> <p>Impairment loss 45,084</p> <p>Extraordinary measure expenses 14,766</p> <p>Loss on disposal of fixed assets 4,135</p> <p>Other losses 10,132</p> <p>R&D expenditure included in sales and general administration costs 60,345</p> <p>The assets group which reported impairment loss</p> <table border="1"> <thead> <tr> <th>Location</th> <th>Application</th> <th>Assets</th> <th>Impairment loss</th> </tr> </thead> <tbody> <tr> <td>Aichi, Osaka, and others - 95 loc.</td> <td>Dealership assets</td> <td>Land, Bldg, and others</td> <td>20,266</td> </tr> <tr> <td>Miyagi, Nara, and others - 9 loc.</td> <td>Leased assets</td> <td>Land, Bldg, and others</td> <td>2,563</td> </tr> <tr> <td>Tokyo, Hokkaido, and others - 31 loc.</td> <td>Idle assets</td> <td>Land, Bldg, and others</td> <td>3,346</td> </tr> <tr> <td>Illinois (US), Adelaide (AUS)</td> <td>Assets held for production</td> <td>Property, Plant and Equipment</td> <td>18,908</td> </tr> </tbody> </table> <p>Summary of impairment loss (in millions of Yen)</p> <table border="1"> <tbody> <tr> <td>Land</td> <td>20,665</td> </tr> <tr> <td>Buildings</td> <td>3,944</td> </tr> <tr> <td>Other</td> <td>20,474</td> </tr> <tr> <td>Total</td> <td>45,084</td> </tr> </tbody> </table>	Location	Application	Assets	Impairment loss	Aichi, Osaka, and others - 95 loc.	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3.Changes in Shareholder Capital

4/1/06-9/30/06

Outstanding shares and treasury shares

thousand shares

	At 3/31/2006	Increase in shares	Decrease in shares	At 9/30/2006
Outstanding shares				
Common shares Note 1	5,491,452	64	-	5,491,516
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	5,491,895	64	-	5,419,959
Treasury shares				
Common shares Note 2	73	3	-	76
Total	73	3	-	76

Notes: 1. Increase in common shares outstanding is the result of exercise of employee stock options.

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

4. Consolidated statement of cash flows

The relationship between cash and cash equivalents and the amounts reported in the consolidated balance sheet is as follows

	4/1/06-9/30/06	4/1/05-9/30/05	(in millions of Yen) 4/1/05-3/31/06
Cash deposits	260,392	229,074	259,045
Term deposits of more than three months	-6,604	-10,316	-16,331
Trading securities with original maturities of three months or less	5,956	12,016	5,355
Cash and cash equivalents	<u>259,743</u>	<u>230,775</u>	<u>248,069</u>

Lease transactions

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

Marketable securities

1.Held-to-maturity securities with market value

Not applicable

2.Other securities with market value

in millions of Yen

	FY2006 half year At 9/30/2006			FY2005 half year At 9/30/2005			FY2005 full year At 3/31/2006		
	Acquisition cost	Carrying amount	Valuation gain / loss	Acquisition cost	Carrying amount	Valuation gain / loss	Acquisition cost	Carrying amount	Valuation gain / loss
Shares	10,843	25,681	14,838	9,858	20,355	10,496	9,870	25,110	15,239
Total	10,843	25,681	14,838	9,858	20,355	10,496	9,870	25,110	15,239

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

After the write-down of the impairment, a new book acquisition cost is established.

Losses on devaluation of the marketable securities classified as other securities as a result of permanent decline totaled 39 million yen for the year ended September 30, 2006 respectively.

3.Other securities without market value (non-marketable securities)

in millions of Yen

	FY2006 half year At 9/30/2006	FY2005 half year At 9/30/2005	FY2005 full year At 3/31/2006
Other securities			
Non-marketable securities		22,360	21,922
Other		5,966	5,365

Note: Significant declines in net book value of non-marketable securities are recognized as impairment losses.

Losses on devaluation of the non-marketable securities classified as other securities as a result of the decline in net book value totaled

214 million yen, 106 million yen and 9 million yen for the half year ended September 30, 2006, September 30, 2005, and the year ended March 31, 2006, respectively.

Derivative financial instruments

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

Business combinations

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

(Segment information)

(1) Business segment

in millions of Yen

FY2006 half year	Automotive	Financial Services	Total	Eliminations for Consolidation	Consolidated
Sales & operating income					
Sales					
(1) External customers	980,955	24,417	1,005,372	-	1,005,372
(2) Intersegment sales & transfers	-19	-	-19	19	-
Total	980,935	24,417	1,005,352	19	1,005,372
Operating expenses	996,406	14,483	1,010,890	-	1,010,890
Operating income	-15,471	9,933	-5,537	19	-5,517

in millions of Yen

FY2005 half year	Automotive	Financial Services	Total	Eliminations for Consolidation	Consolidated
Sales & operating income					
Sales					
(1) External customers	972,092	19,165	991,257	-	991,257
(2) Intersegment sales & transfers	-58	-	-58	58	-
Total	972,034	19,165	991,199	58	991,257
Operating expenses	995,171	17,010	1,012,181	-1,129	1,011,051
Operating income	-23,136	2,154	-20,981	1,187	-19,794

[Reference]

in millions of Yen

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

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

2. Major products by business segment

(1) Automotive Passenger cars

(2) Financial Services Financial Services products

(2) Geographical segment

in millions of Yen

FY2006 half year	Japan	North America	Europe	Asia	Others	Total	Eliminations for Consolidation	Consolidated
Sales & operating income								
Sales								
(1) External customers	397,867	195,270	298,469	39,197	74,568	1,005,372	-	1,005,372
(2) Intersegment sales & transfers	235,863	10,987	7,650	85,887	182	340,571	-340,571	-
Total	633,731	206,258	306,119	125,084	74,750	1,345,943	-340,571	1,005,372
Operating expenses	653,825	203,151	302,707	115,736	78,573	1,353,994	-343,104	1,010,890
Operating income	-20,094	3,106	3,411	9,347	-3,822	-8,051	2,533	-5,517

in millions of Yen

FY2005 half year	Japan	North America	Europe	Asia	Others	Total	Eliminations for Consolidation	Consolidated
Sales & operating income								
Sales								
(1) External customers	380,437	188,504	282,898	55,345	84,071	991,257	-	991,257
(2) Intersegment sales & transfers	243,260	4,101	7,411	50,391	811	305,976	-305,976	-
Total	623,698	192,605	290,310	105,736	84,883	1,297,234	-305,976	991,257
Operating expenses	646,717	198,952	285,863	96,712	87,646	1,315,893	-304,841	1,011,051
Operating income	-23,019	-6,347	4,446	9,024	-2,763	-18,659	-1,134	-19,794

[Reference]

in millions of Yen

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

Note: 1. Sales figures for geographical segments are classified by the region of the consolidated Mitsubishi Motors entity primarily involved in the transaction, both local sales and exports. The figures are not classified by the region of the wholesaler or end user. National and regional groupings are by geographical proximity.

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

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

(3) Overseas sales

in millions of Yen

FY2006 half year	North America	Europe	Asia	Others	Total
. Overseas sales	210,307	299,341	88,729	183,348	781,727
. Consolidated sales					1,005,372
. Overseas sales as a percentage of total sales	20.9%	29.8%	8.8%	18.3%	77.8%

in millions of Yen

FY2005 half year	North America	Europe	Asia	Others	Total
. Overseas sales	196,071	283,384	124,228	178,749	782,434
. Consolidated sales					991,257
. Overseas sales as a percentage of total sales	19.8%	28.6%	12.5%	18.0%	78.9%

[Reference]

in millions of Yen

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

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

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

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

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

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

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

3. Overseas sales are classified by the region of the wholesaler and end user. The figures include both local sales of consolidated subsidiaries and export sales from Japan and consolidated subsidiaries.