

Social and Environmental Report 2007

MITSUBISHI MOTORS
Corporation



MITSUBISHI MOTORS

The Three Principles of the Mitsubishi Group



Shoki Hoko

Corporate Responsibility to Society:
Strive to enrich society, both materially
and spiritually, while contributing
towards the preservation of the global
environment.

Shoji Komei

Integrity and Fairness: Maintain
principles of transparency and
openness, conducting business with
integrity and fairness.

Ritsugyo Boeki

International Understanding Through
Trade: Expand business, based on an
all-encompassing global perspective.

In January 2005, Mitsubishi Motors drew up a new corporate philosophy that adheres to the spirit of “The Three Principles” of the Mitsubishi group of companies. It also clearly states the purpose of the company’s existence and its future direction. All corporate activities will be based on this 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 Social and Environmental Report 2007

Note to Readers

Mitsubishi Motors Corp. (MMC) has published an environmental sustainability report for six years from its inaugural publication in September 1999 through 2004. In 2005, the title was changed to the Mitsubishi Motors Social and Environmental Report to reflect a sharper focus on the reporting of matters related to the social aspects of MMC's activities.

The aim of this report is to provide all stakeholders with a full and honest account of MMC's environmental and social activities, and to deepen stakeholders understanding of MMC's initiatives in these areas.

Scope of Report

- Social and environmental activities: MMC in Japan
(Note: The report also includes the activities of some MMC affiliates both in Japan and overseas)
- Economic data: MMC, consolidated subsidiaries and affiliates

Reporting Period

- Fiscal 2006 (FY2006: April 1, 2006-March 31, 2007)
(Note: The report also includes some recent information from April 2007 onward)

Publication Date

- September 2007 (last published October 2006)

Coordination with Website content

Creating an easy-to-read report was a key consideration in compiling the Mitsubishi Motors Social and Environmental Report 2007. For this reason, certain content previously printed in the report through last year is now included on the MMC website.

At Mitsubishi Motors, we recognize the importance of consistent environmental and social reporting, which is why we intend to make a more robust range of data available on our corporate website. We invite all of our readers to take full advantage of what the website has to offer. See page 61 of this report for an overview of the website, and refer to the specific Web addresses on pages throughout the report for more detailed information on the topics listed.

Please also refer to:

Web-based information on MMC's social and environmental activities

 <http://www.mitsubishi-motors.co.jp/social/>
(Japanese only)

Cover: Photo of Kenjin No Taki, a waterfall near "The Pajero Forest"
P.20 in Hayakawa-cho, Yamanashi Prefecture

C o n t e n t s

Note to Readers — Mitsubishi Motors' Corporate Philosophy	01
Contents	02
President's Message	03
Progress and Issues in Rebuilding Trust	05

Close-up

Close-up 01: For Our Customers and for Our Employees What MMC Aims to Be	11
Close-up 02: Concepts in MMC's Car Manufacturing Responsibility to Our Environment	15
Close-up 03: As a Corporate Citizen Responsibility to Society	19

Mitsubishi Motors' Social Initiatives

Corporate Governance	24
Corporate Governance and Internal Control Systems	24
Compliance	25
Risk Management	26
Together with Stakeholders	27
With Our Customers	27
With Shareholders and Creditors	29
With Procurement Partners	30
With Society and Local Communities	31
With Sales Companies and Dealers	33
With Employees	35

Mitsubishi Motors' Environmental Initiatives

Environmental Policy	38
Environmental Organization	39
Environmental Impact Over Vehicle Lifecycle	40
Environment Initiative Program 2010	41
Environmental Management	43
Global Environmental Management	44
Design for Environment (DfE)	46
Environmental Communications	46
Prevention of Global Warming	47
Improving Fuel Economy	48
Production Initiatives	49
Logistics Initiatives	50
Office Initiatives	50
Prevention of Environmental Pollution	51
Low-pollution and Low-emission Vehicles	52
Production Initiatives	53
Reduction of Hazardous Substances	54
Recycling & Resource Conservation	55
Development of 3R Technologies	56
Production Initiatives	57
Recycling of End-of-Life Vehicles	58

Corporate Data	59
References	61

As a Global Citizen, Mitsubishi Motors Aims to Work with Society and for the Environment

Progress of the Mitsubishi Motors Revitalization Plan

Fiscal 2007 is the last year of the Mitsubishi Motors Revitalization Plan, which was announced on January 28, 2005. In the first year of the plan, we achieved profitability in terms of consolidated operating income one year earlier than planned. In fiscal 2006, the second year of the plan, we posted consolidated operating income of ¥40.2 billion, ordinary income of ¥18.5 billion, and net income of ¥8.7 billion. We thus achieved profitability at all levels of profit, as promised. In fiscal 2007, we aim to establish an earnings base for future growth by building solid profitability. Consequently, we have raised the bar for net income to ¥20 billion, and are endeavoring to strengthen our sales capabilities on a worldwide basis. In addition, we are formulating a new mid-term business plan, which will establish the foundation for sustainable future growth. We intend to publicly announce the new plan during fiscal 2007.

On the product front, we have supplied vehicles imbued with Mitsubishi's signature quality to customers based on the corporate slogan of "Pursuing the Origins of Car Engineering."^{*1} We have launched distinctive new products not offered by other companies. In fiscal 2005, the *Outlander* and the "i" went on sale. These were followed by the *eK series*, the new *Pajero*, and the *Delica D:5* in fiscal 2006. We have won recognition in various quarters. The "i", in particular, has now won more than 20 awards, including the Good Design Grand Prize 2006 and the RJC Car of the Year 2007. More new models will be rolled out in fiscal 2007. We will launch the *Galant Fortis*,^{*2} an all-new sedan, and the *Lancer Evolution X*, an all-new 4WD sports sedan, in Japan. Overseas, we will expand sales of the new *Lancer*, a global strategic vehicle, on a worldwide basis.

Corporate Social Responsibility (CSR) Initiatives

The Mitsubishi Motors Revitalization Plan is not aimed merely at restoring our earning capability. It is also a commitment to reform our corporate structure. Through sincere reflection regarding the recall problems, we are striving to regain society's trust. The most important objective is to become a more trustworthy company that is accepted by society.

To that end, we have developed a framework to improve the quality of products and ensure high reliability and, at the same time, we have made the maximum efforts to ensure thorough compliance. Moreover, we have devoted our efforts to enhancing the transparency of management through the disclosure of information to stakeholders, and to educating employees so as to ensure that they all follow the laws of the land, and of commonsense.

Furthermore, Mitsubishi Motors has pledged to fulfill its social responsibility as a company not only in its core business of manufacturing and selling automobiles, but also in various other fields. We have been running the "Car School," a low-cost safe driving clinic aimed at MMC customers, in the hope of reducing traffic accidents. Our "Hands-on Lesson Program," meanwhile, teaches elementary school students about the relation between cars and the environment in part by giving them the opportunity to ride in electric vehicles. Another initiative is the "Pajero Forest & Local Mountain Restoration Initiative," which was launched as part of activities to conserve and cultivate Japan's declining forests and woodlands. In these and other ways, we are undertaking corporate activities to make a contribution as a member of society.

*1 Translation of Japan-market corporate slogan: *Kuruma zukuri no genten e*
*2 *Lancer* in other markets

Environmental Initiatives

Driving Pleasure, Safety and Environmental Responsibility. These are the concepts that we aim to build into our cars. Indeed, to harmoniously coexist with the environment and pass on a bountiful natural environment to future generations, we have adopted Environmental Responsibility as one of the most important themes for corporate management and car manufacturing.

Based on our Environment Initiative Program 2010 (EIP 2010), which we formulated in fiscal 2006, we are enhancing our global consolidated environmental management system and developing future core environmental technologies.

To prevent global warming, Mitsubishi Motors is engaged in joint research with electric power companies in various areas, with the aim of quickly launching next-generation electric vehicles, the ultimate environmentally friendly vehicle. We also plan to launch clean diesel engines in 2009, one year ahead of schedule. In addition, we are already offering vehicles compatible with bioethanol fuel, and developing future core environmental technologies such as engines featuring continuously variable valve timing and high-efficiency transmissions.

We will continue to fulfill our responsibility to the environment in a whole host of ways. Our initiatives will encompass not only the development and popularization of environmental technologies, but also the reduction of environmental impact in all our business activities, including manufacturing and sales, and social contribution activities, such as the cultivation of forests and woodlands.

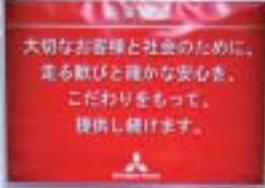
Mitsubishi Motors' Commitment

Mitsubishi Motors aims to be a company that is recognized as a member of society that continuously contributes to the improvement of society and the environment. To that end, we will ensure that all employees understand the way in which Mitsubishi Motors should coexist in harmony with society and the environment as a global citizen in all its corporate activities. Thank you for your continued support and I look forward to hearing your unreserved opinions regarding our endeavors.

益子 修

Osamu Masuko
President





Nobuyuki Yamamoto Konoe Kawagishi Noboru Matsuda (Chairman) Kazuko Miyamoto Takahiro Fujimoto Kazuo Mura
Members of the Business Ethics Committee

MMC seen from the outside: Progress and Issues in Rebuilding Trust

In June 2004, MMC formed the Mitsubishi Motors Business Ethics Committee, which is made up exclusively of external experts, as an advisory body to the Board of Directors.

After the committee had been active for about three years, the Board of Directors of MMC consulted the committee with regard to MMC's activities toward restoring trust in the company and requested their evaluation and proposals. MMC received a report on the committee's findings concerning this issue on May 21, 2007.

The report generally gave high marks to MMC activities in this regard. For example, looking back on measures that MMC had taken so far, the report concluded that earnest and steady progress had been made in activities to restore trust in the company, based on the unwavering stance of top executives, and that the initial stage had been accomplished. The external experts also pointed out issues and made proposals aimed at providing further support for MMC's revitalization.

Based on this report, MMC will further bolster and promote measures aimed at establishing compliance.

MMC has posted the full report on its website. However, in order to provide a greater understanding of MMC's initiatives and other matters, committee members were asked to share their opinions for publication in this annual report.

The entire report is published on the Mitsubishi Motors website.

 http://www.mitsubishi-motors.co.jp/social/ethics_com/index.html (Japanese only)

The functions of the Business Ethics Committee

The Business Ethics Committee was established in June 2004. At that time, the recall problem had reignited following an incident that occurred in 2000. Trust in Mitsubishi Motors' general level of quality declined, while the confidence and trust of society in relation to the company itself, which had been built up over many years, also plummeted. We believe that the Business Ethics Committee was established as one of the critical steps to restore trust in MMC and ensure its revitalization, in the midst of this unprecedented crisis concerning the company's survival.

The aims of this committee are to conduct monitoring, guidance and consultation from the viewpoint of external oversight and "common sense" with respect to MMC's overall activities to restore trust, especially in terms of the establishment of compliance.

Furthermore, as the committee is positioned as an advisory body to the Board of Directors, its roles (special characteristics) are as follows:

- Made up of external experts only
- Does more than issue reports and make proposals to the Board of Directors; also fulfills the role of providing guidance and advice to the CSR Promotion Office
- Scope of activity not limited to business ethics; also includes matters broadly related to quality problems and corporate culture
- Works to ensure transparency in its actions, including public disclosure of the committee's opinions

The committee is notable in terms of such qualities as independence and transparency. In particular, it is very distinctive in that its members comprise experts and specialists from various areas outside MMC, and so they are able to exchange unreserved opinions from differing perspectives.

Review of the committee's activities during the past three years

Since the committee convened its first meeting in July 2004, it has held a total of 37 meetings, including four inspections of factories and sales companies through the end of June 2007. It has considered as many as 90 issues in total. The members of the committee have raised frank questions and expressed candid opinions regarding each of these issues from the standpoint of external oversight and common sense.



Business Ethics Committee, May 21, 2007

Noboru Matsuda (left), Chairman of the Business Ethics Committee, presents a report to Shuma Uchino (right), Corporate General Manager of the Corporate Planning Office and Secretary of the Board of Directors

In addition, based on the views and specialized knowledge of each committee member, the committee has provided guidance and advice relating to the activities of the CSR Promotion Office, as well as cooperation and support in relation to these activities. The CSR Promotion Office promotes business ethics and corporate culture reforms as well as quality audits, cooperation with training and research, and other issues.

On October 30, 2006, the Business Ethics Committee was asked by MMC's Board of Directors to carry out a review of MMC's activities to restore trust in the company and to provide an evaluation and related proposals.

The committee accepted that consultation had taken place in a timely manner. While reviewing various past activities, including those aimed at restoring trust in the company, the committee strove to evaluate them from an objective standpoint, summarized the current situation, and decided to compile a report. On May 21, 2007, this report was submitted to the Board of Directors.



The Business Ethics Committee in session

Actions MMC has taken to deal with the past recall problems

The first initiative that the committee undertook was to summarize the series of recall problems that triggered the loss of confidence in MMC. Our view was that it would be impossible to restore MMC's compliance if this step were omitted.

We believe that this problem unfolded in the following chain of events:

- (1) Triggered by internal accusations in 2000, MMC revealed that it had adopted a two-tier defect information and repair directive management system (recall concealment). MMC was severely criticized by the public for its systematic recall concealment and suppression of information. At that time, MMC filed the necessary recall documentation after checking defect information from April 1998 onward, carried out an internal investigation into the reasons why recall concealment had occurred, and formulated improvement measures to prevent any recurrence.
- (2) However, the investigation and response at that time were inadequate. This became crystal clear in 2004 with the hub and clutch housing problems involving large trucks manufactured by Mitsubishi Fuso (a former MMC division), as well as the problems concerning past repair directives for passenger cars. Consequently, MMC was severely criticized for the recurrence of problems stemming from recall concealment, to the point where MMC's existence itself was threatened.
- (3) This time around, MMC adopted a more earnest stance regarding this problem. To restore the trust it had lost, MMC's top executives resolved to completely excise this "infection" from its past. Based on this decision, MMC mobilized a total of 4,000 staff from all divisions within MMC, carried out an expanded investigation with no deadline imposed, verified and carefully examined the quality of all kinds of vehicles that had already been sold, and completed measures such as the re-filing of necessary recall documentation by September 28, 2004.
- (4) In addition, MMC hired external lawyers to conduct an investigation into the facts and fundamental causes regarding the past recall problems. MMC disclosed the results of this investigation, and after putting together these results and improvement initiatives, issued a report to the Ministry of Land, Infrastructure and Transport (MLIT) on March 30, 2005. Moreover, punitive action was taken against the parties involved, such as demands for compensation for damages from former directors, and this was also

disclosed. As a result, a clear line was drawn to separate the past recall problems from the MMC of today.

- (5) MMC subsequently adopted the policies of "Compliance First," "Safety First" and "Customers First." Based on these policies, the company steadily implemented and tracked improvement initiatives aimed at preventing recurrence and rebuilding trust, such as ensuring thorough compliance and appropriate recall operations. It also reports on the status of implementation to MLIT every three months.

The series of measures that MMC has adopted, including the company-wide investigation that delved deeply into the past defect cases, was outstandingly thorough; those concerned with recall concealment were rigorously disciplined. Therefore, we can highly commend the fact that a consistent stance has become apparent, namely, that a clear line has been drawn to separate the past recall problems from the MMC of today.



Noboru Matsuda, Committee Chairman
Lawyer; former Governor of the Deposit Insurance Corporation of Japan; former senior public prosecutor

Compliance First initiatives

The major cause of the series of recall problems was a lack of compliance. This fact became the foundation stone for MMC's conviction that the company cannot survive without complying with business ethics. Moreover, MMC is undertaking activities to entrench compliance in the minds of every single employee so that it can regain society's trust and again be known and recognized as an honest company. The committee has continued to provide guidance and advice aimed at the establishment of compliance, mainly to the CSR Promotion Office, which is responsible for promoting these activities.

The committee highly commends the fact that top executives, in particular, have attempted to thoroughly ensure "Compliance First" based on an unshakeable, consistent standpoint. For example, starting with the "Corporate Ethics



The Business Ethics Committee engaged in discussion

Compliance First” declaration, the top executives themselves set an example worth following by promising inside and outside MMC to implement compliance first. In addition, the fact that they make a direct appeal for thorough compliance by addressing the topic in messages to company employees, for example, is highly effective. I hope that senior management will remain vigilant as they continue to carry out these actions.

Other initiatives are a business ethics compliance promotion program, which MMC formulates and implements every year, and Business Ethics of Mitsubishi Motors Corporation, a set of guidelines for business practices, which were revised in April 2007. These are explained to the Business Ethics Committee in advance and the opinions of committee members are reflected in them, thereby ensuring that they are easy to read and use.

Activities to spread compliance at Group companies have also been proactively undertaken in general within the scope of what we have observed so far, and a rise in the level of awareness has become apparent.

Overall we believe that the organization and systems to establish compliance and corporate ethics have been developed. The challenge from here on is to enhance related content. For example, there are many cases where the current compliance officers and code leaders [P.25](#) also occupy such positions as vice corporate general manager and general manager. Thus, considering their original job function, namely, to handle problems that workplace supervisors are unable to resolve; establishing a specialized staff would probably be the best option.

Furthermore, no matter what organizations or rules one creates for compliance, if these are not actually implemented, one ends up with a case of having compliance in form, but not in spirit. Here, it is vital to promote the cultivation of people that will implement compliance. One such option would be to consider making work in the Compliance Department a career path, building up experience by regularly rotating compliance officers, assigning them a specialist staff, and clearly positioning compliance-related roles as part of business operations. This understanding would also be reflected in individual personnel evaluations. At any rate, it is crucial to recognize the vital importance of compliance work.

Safety First initiatives

MMC gives the highest priority to determining the need for market measures – such as recalls – appropriately and swiftly from the customer’s perspective, reliably preventing the recurrence of defects and aiming to improve the quality of vehicles themselves. MMC recognizes that the only way to restore trust regarding quality is to steadily and continuously carry out activities under the policy of “Safety First,” based on intense reflection on the series of recall problems.

The Quality Affairs Office, which was established in June 2004, is an organization that examines quality in an integrated manner from product development to sales and after-sales service. No other company appears to have anything similar in place, which is why the committee commends this move on the part of MMC.

When handling market measures such as recalls, the principle to follow is that defects won’t be hidden, can’t be hidden, and must be openly acknowledged. We believe that rigorous implementation of recalls and the awareness that defects must not be concealed under any circumstances have become firmly entrenched at MMC in recent years. Furthermore, there has been a striking improvement in systems for the handling of



Konoe Kawagishi, Committee Member
Former member of the Securities and Exchange Surveillance Commission; former Vice Chairman of the Editorial Committee at the Yomiuri Shimbun newspaper

recalls. For example, there is a system for reporting cases in which recalls have been deemed unnecessary to the Board of Directors, as well as a system where the CSR Promotion Office audits the recall determination process. In addition, MMC has established a new system called SQM-BC [P.13](#), which enables defect information provided by customers to be shared with dealers in real time.



Takahiro Fujimoto, Committee Member
Professor, Graduate School of Economics at the
University of Tokyo; Executive Director of the
University of Tokyo Manufacturing Management
Research Center

On the other hand, MMC still needs improvement in its Mitsubishi Motors Development System (MMDS) [P.27](#) to build in quality at the development stage. Although effective in the sense of being able to double- or triple-check defects, the system creates seven gates that form multiple and rigorous barriers in terms of the design quality required. In practice, however, the development period takes too long, so the gates end up becoming little more than a facade. One possible improvement that MMC should consider is strictly controlling a smaller number of gates, and then adopting gates to focus on the detection of problems.

The Business Ethics Committee has the opportunity to attend MMC “market measure” (recall, etc.) meetings as an observer, and our impression at these meetings was that recalls were unavoidably overlooked due to a worrisome gap between engineers at manufacturing firms and the general consumer when it comes to recognizing the signs of a possible defect. It is therefore necessary to thoroughly ensure that defects are determined through the eyes of the general consumer.

In fact, many people within MMC foresaw that the clutch housing problem involving large Mitsubishi Fuso trucks might be a serious defect, but a recall was postponed — eventually causing fatal accidents. Ultimately, this was probably due to a mistaken spirit of dedication to the company, namely, the fear that a recall would damage confidence in MMC and put pressure on business by requiring a huge amount of manpower and expenses. “Compliance First” and “Safety First” mean a constant battle with this misguided spirit of dedication to the

company. With the top executives taking the initiative, MMC should maintain its current efforts to question all employees on “Compliance First” and “Safety First,” and at the same time commission experts who are familiar with safety problems as external directors or special consultants. MMC should seek proposals and evaluations from these consultants regarding the overall system for handling defects based on a standpoint outside the company’s logic.

Customers First initiatives

MMC is undertaking various activities to restore trust in the company, and it recognizes that it is extremely important not only to satisfy users of MMC’s products, but also to enable the general consumer to broadly understand MMC’s corporate activities and standpoint. These activities fall broadly under the concept of “Customers First.” MMC is undertaking activities that range from improving customer service on the front line at dealers, to cooperation with school education programs and activities that contribute to local communities.

The committee believes that the “Customers First” spirit is becoming more widespread and that organizational reforms are gaining momentum in the value chain that extends from development to after-sales service at MMC. We hope that MMC will continue to pursue these initiatives, and to a greater extent than its competitors, to ensure that these improvements never become “window dressing.”

In that sense, if market measures such as a recall are necessary, we believe it is vital to carry them out as quickly as possible and to disclose the situation to consumers. For example, MMC should consider *proactively* using systems such as SQM-BC with regard to major defects that could endanger people’s lives. That is, it should first verify whether such information is factual or not. If found to be factual, MMC should consider proactively



Kazuko Miyamoto, Committee Member
Director, Japan Consumers’ Association; former
Professor at Kawamura Gakuen Women’s
University; Supreme Advisor to the Nippon
Association of Consumer Specialists



Kazuo Mura, Committee Member
Lawyer, Professor of Graduate School of Law,
Kokugakuin University; former Managing Director
of the Resolution and Collection Corporation

disclosing the information by issuing a notice that the matter is “under investigation,” and considering whether it should also issue a warning.

The committee understands that MMC has been sincerely and steadily carrying out activities to restore trust in the company. The reality, however, is that the Japanese public (here, the general consumer) still has a harsh view of MMC. What we hope is that MMC will go a step further in its proactive approach to ensure that the public recognizes some, if not all, of its initiatives. Compared with other companies that are in frequent contact with consumer groups, MMC’s initiatives are still somewhat lacking. While aiming higher, MMC might also consider actively engaging local communities and consumers, exchanging viewpoints, and feeding the results back to company management.

Toward avoiding a second crisis

There are several points that have come up over the course of committee activities so far, and we would like to emphasize them again. They are not particularly novel, but we believe they should help MMC to avoid encountering again the kind of severe management crisis that it has recently faced.

The first point involves matters to keep in mind regarding crisis response. Ultimately, it is crisis response – the extent to which one can minimize impact once risks materialize – that determines the true value of establishing compliance. It is vital to ensure the accuracy and speed with which information is communicated to the top executives. It is also crucial for senior management to be equipped with the sensibility to keenly perceive the changes that society demands of the company, and to make accurate decisions and take swift action.

The second point is to have a shared sense of crisis. MMC’s efforts to ensure its revitalization are bearing fruit. However, the company should recognize the fact that the crisis has not passed but is ongoing, and it must not relax its efforts.

In terms of compliance as well, we believe that all directors and employees need to share a sense of crisis in feeling that the company has its back against the wall after the two scandals, and that MMC must continue working to steadily entrench and perpetuate this sense of crisis. Efforts to establish and maintain compliance must be a constant.

Conclusion

To summarize MMC’s initiatives after looking back over the course of events as we have done above, we can say that the company has made sincere and steady progress in activities for restoring trust in MMC. The unwavering commitment of the company’s top management has undoubtedly been crucial in this regard. The committee has concluded that MMC has accomplished the initial stage of this work, and it can commend MMC’s overall activities and efforts here. We believe this has resulted from every director and employee carrying out initiatives diligently and with a sense of crisis. The fact that MMC managed to turn a profit in fiscal 2006 despite a harsh business environment likely proves that it is making reasonably good progress in restoring trust.

However, the job of restoring trust in MMC is still only half complete, given reactions within and outside the company. Restoring trust and spreading and establishing compliance, which are at the root of restoring trust, have yet to be accomplished. It is still necessary to stay fully committed to activities to restore trust, and MMC must not neglect that fact or let its efforts wane.

Restoring trust is a task that undoubtedly takes time. Nevertheless, based on the changes in mindset we have seen, and the work being done by all directors and employees, the committee believes that MMC’s efforts to achieve its revitalization and restore trust will definitely meet with success.



Nobuyuki Yamamoto, Committee Member
Lecturer, Toin University of Yokohama
Compliance Research Center; Director,
Compliance Research Center Co., Ltd.; former
Counselor to the Industrial Bank of Japan, Ltd.

Close-up
01



What MMC Aims to Be

—— For Our Customers and for Our Employees

In 2004, MMC faced a crisis that threatened the company's very survival. First, MMC was shaken by poor financial performance in North America due to mistakes in the sales finance operation. Next, DaimlerChrysler AG, MMC's parent company at the time, did not go through with an expected financial injection – severely impacting MMC's liquidity. This was closely followed by another recall scandal, which dealt a third major blow to MMC.

Currently, having adopted "Customers First" as one of the slogans for the company's revitalization, MMC is aiming to become a company that creates new value and enables customers to appreciate the special qualities of Mitsubishi Motors. Furthermore, MMC is attempting to reform its once stifling corporate culture, the real culprit behind its past recall problems, to reemerge as a company that offers its employees a dynamic environment in which to work.

Pursuing the Origins of Car Engineering

Triggered by the management crisis, MMC has taken another look at itself, asking what it should do and what kind of value it should provide to customers and society. As described below, MMC has chosen certain words and phrases that best express this sentiment.

In 2004, MMC gathered together its younger employees, who will play the major roles at the company in the future, and asked them to consider what MMC should do to rebuild itself. One issue they were asked to consider was "What kind of value will we provide to customers?" In addition to considering the product lineup, MMC expressed this value in words and formulated a corporate philosophy in order to spread this concept within the company. The new corporate philosophy is: "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." These words contain the following promises by MMC to its customers and society.

Customer-centric approach

MMC will give the highest priority to earning the satisfaction of its customers, and by doing so, become a company that enjoys the trust and confidence of the community at large. To that end, MMC will do its utmost to tackle environmental issues, raise the level of passenger and road safety and to address other issues of concern to car owners and the general public.

A clear direction for the development and manufacturing of MMC's vehicles

The cars that MMC will manufacture will embody two major concepts: "driving pleasure" and "safety." MMC will manufacture cars that deliver superior driving performance and superior levels of safety and durability, and as such, those who use them will enjoy peace of mind.

Going the extra mile

MMC will pay close attention to even the smallest details in the belief that this approach will lead customers to discover new value in their cars, giving them a richer and more rewarding motoring experience.

Importance of continuity

MMC will continue to manufacture distinctive cars with the passion and conviction to overcome all challenges.

Furthermore, to communicate these concepts to customers and society in a way that is easy to understand, MMC also renewed its corporate slogan in Japan. Roughly translated as: "**Pursuing the Origins of Car Engineering**," MMC is currently using this slogan in television commercials and newspaper and magazine advertisements. The slogan was selected from among more than 1,000 entries submitted by employees, whose votes also decided the winning slogan. The employee who submitted this slogan incorporated the following concept: "By returning to the origins of car engineering and continuing to produce cars with confidence, the hope is that we will derive confidence and pleasure from this work, both as individuals and as an organization." Every single MMC employee intends to continue to provide satisfaction to customers by building cars that treasure the qualities traditionally associated with the Mitsubishi Motors brand – the ideals of driving pleasure and safety in the MMC corporate philosophy – and the distinctive quality of Mitsubishi Motors vehicles.



A poster showing the new corporate philosophy, for a dealer's store



The Lancer Evolution X, a next-generation global 4WD sports sedan



The solid "rib bone" frame body of the Delica D:5

The Unending Pursuit of Higher Quality

MMC incorporates the concepts established in our corporate philosophy and corporate slogan in our new products, wholeheartedly building quality into every vehicle delivered to customers.

MMC's first new car after the announcement of the Mitsubishi Motors Revitalization Plan was the *Outlander* (launched in October 2005), and was followed by the "*i*" (launched in January 2006).



The "*i*" (casual edition shown)

The "*i*" successfully overcomes the tradeoffs traditionally associated with the category – design versus comfortable interior space; comfortable interior space versus impact safety – and has offered new value to customers. Its product strengths have been recognized from various sources, and have won the car numerous awards. Its greatest honor from the viewpoint of quality improvement was to share first place in the 2006 Japan Mini-Car Initial Quality Study (IQS) and to rank top in the Japan Mini-Car Automotive Performance, Execution and Layout (APEAL) Study.^{*1}



2006 Best Mini-Car in Initial Quality in a Tie



2006 Most Appealing Mini-Car

MMC believes that what underlies these awards is the desire of employees to eliminate design defects or manufacturing

defects, as well as the systems and new initiatives that support that desire.

In 2001, MMC introduced a system called the Mitsubishi Motors Development System (MMDS) to check quality at each step of the product development stage. In addition, at the manufacturing stage, MMC is carrying out activities called In Stage Quality Creation (ISQC) to build in quality during the manufacturing process.

In fiscal 2006, MMC advanced one step further from these initiatives at the development and manufacturing stages by initiating a system to quickly check and deal with problems that could occur in the process of using vehicles that have been already delivered to customers.

At the core of this system is the **Strategic Quality Management-Backward Chain (SQM-BC) system**. This system fulfills various functions. It provides service-related information such as repair methods and repair estimates from MMC to dealers; collects information regarding customer dissatisfaction relating to matters such as breakdowns, defects, or products; shares information with relevant parties such as dealers in real time; and carries out necessary analysis. This system has enabled MMC to detect defects at an early stage. Naturally, it is expected that the system will enable decisions on measures such as recalls to be carried out accurately and swiftly. Through fiscal 2005, it took a longer time than the industry average for MMC to submit information on recalls and improvements to the Ministry of Land, Infrastructure and Transport (MLIT) after obtaining initial information regarding defects. Although this is not entirely attributable to the introduction of the new system, MMC met the industry average in fiscal 2006, and expects to achieve a further improvement in the future.

In addition, using this system, MMC has also initiated measures to identify customers' hidden needs and thereby improve product appeal through the analysis of general warranty claims regarding noise, vibration, and ease of use.

Employee Message

There was a time when people said that Mitsubishi Motors had no future, but two years later the "*i*" was ranked top among mini-cars in initial quality in Japan. Of course, we are not so conceited as to think that our products are perfect! Above all, we regard this as a sign of restored confidence in the company on the part of our customers, particularly those that once moved away from Mitsubishi Motors.

Norio Fukui, Product Executive



^{*1} Source: J.D. Power Asia Pacific 2006 Japan Mini-Car Initial Quality StudySM and J.D. Power Asia Pacific 2006 Japan Mini-Car Automotive Performance, Execution and Layout StudySM. Studies based on a total of 3,164 responses from owners of new passenger mini-cars whose ownership is from the first two to seven months. Initial quality is measured based on problems experienced by owners, and owner satisfaction is measured about their vehicle's performance and design. www.jdpower.co.jp

Creating a Dynamic Working Environment for Employees

MMC is striving to create a dynamic working environment for its employees.



President Osamu Masuko (third from right, center image) talking to employees who joined MMC a year ago

MMC's management executives proactively talk with employees. For example, President Osamu Masuko frequently goes to manufacturing and sales facilities and listens to issues in the workplace. He also receives proposals regarding improvement to business processes via e-mail, and if they are good, he presents them to the department in charge for consideration. In such ways, MMC aims to invigorate communication within the company.

MMC is also reviewing the "rotation system" with the aim of reforming its corporate culture, which has been criticized for being "stifling" and "lacking in information sharing due to its vertical organizational structure." To cultivate strong management personnel, MMC systematically carries out rotation among departments, and to enhance customer-oriented operations, the company dispatches marketing staff to dealers, which are the front line of customer service. In this way, MMC is striving to create a personnel system that fosters human resources and invigorates the organization. To enable employees to combine work and childrearing, MMC has also established various systems related to childcare, including systems that allow employees to take childcare leave, to shorten working hours around childrearing, and to avoid working overtime. Moreover, MMC provides support for childrearing by encouraging employees to take annual paid leave and through the

expansion of options for assistance with expenses. These initiatives were certified as complying with the Next Generation Education and Support Promotion Act by the Ministry of Health, Labour and Welfare and received a "Next Generation Certification Mark" (popularly known as "kurumin" in Japan) in June 2007.

To prepare for the outflow of skills when the baby boomer generation leaves the company, MMC has established "manufacturing training halls" at each production site as in-house educational facilities to pass on manufacturing skills to younger employees. These also play a role in enhancing the motivation of younger and middle-aged employees.

Moreover, to make sure that female employees' skills do not go untapped, MMC is also endeavoring to create empowering workplaces that utilize women's distinctive sensibilities and skills and allow female employees to do work that they find both challenging and rewarding. For example, a project team comprising female employees, called "FM Seeds," is engaged in planning, making proposals for, and implementing sales promotions and other promotional campaigns founded on points of view unique to women.

MMC continues to enhance employees' skills through the creation of dynamic working environments, and aims to create products and services that satisfy customers.



"Next Generation Certification Mark" ("kurumin")



A "manufacturing training hall" that passes on the skills of craftsmanship



The eK Wagon Marble Edition, planned in part by FM Seeds

Employee Message

When launching the "i" and the new eK Wagon, we produced a casual brochure without difficult car terminology. We also took part in the development of the *Marble Edition*, an eK Wagon with special features that includes convenient equipment for mothers with small children. Here, we were able to carry out a survey on the opinions of mothers and actually reflect them in this vehicle. In these activities, it was necessary to propose viewpoints unique to women in a convincing way. After seeing our own plan come to life following all our hard work, all the team members not only gained hands-on experience of really working at a car company, but also a new appreciation of cars.

Chiaki Yokokawa, FM Seeds Leader and Advertising Department Employee



Close-up
02



Responsibility to Our Environment

— Concepts in MMC's Car Manufacturing



Driving Pleasure, Safety and Environmental Responsibility: These are the concepts that MMC aims to build into the cars it manufactures. MMC has long been committed to driving performance and road ability – the essential qualities that make cars attractive – as well as safety and durability to ensure that drivers can ride with confidence. In addition to this traditional focus, MMC adopts Environmental Responsibility as one of the most important themes for corporate management and car manufacturing; so that we may harmoniously coexist with the environment and pass on a bountiful natural environment to future generations.

With the aim of reducing CO₂ emissions, MMC is engaged in various initiatives such as saving energy in manufacturing and distribution processes and improving the fuel efficiency of vehicles. For instance, electric vehicles emit no carbon dioxide – no exhaust gases at all, in fact – while in operation. From the viewpoint of moving away from fossil fuel as well, they have become highly promising as next-generation vehicles. Therefore, while positioning electric vehicles as the pinnacle of its environmental technology, MMC is giving priority to promoting the development of these vehicles.

A New Challenge, the **i MiEV**

Based on the highly acclaimed and uniquely designed "i" minicar, MMC is developing the environmental-friendly **i MiEV** (Mitsubishi innovative Electric Vehicle) with the aim of achieving commercialization in the near future. The **i MiEV** is a research vehicle that is equipped with MMC's innovative technologies, including large-capacity lithium-ion batteries and a compact and high-performance motor.

Features of the **i MiEV**

Strong Acceleration

Strong acceleration is achieved through a compact and highly efficient permanent magnet synchronous motor that generates high torque from a low speed.



Halting Global Warming

The car emits absolutely no CO₂ while operating. Even when taking into account CO₂ emissions at the power plants that generate the power needed for charging the car, it emits only one-third of the CO₂ of gasoline vehicles in the same class.



Easy on the Wallet

As the vehicle uses low-cost electric power, the cost of electric power when driving the same distance as in a gasoline-powered vehicle is roughly one-third* that of the cost of gasoline during the daytime, and roughly one-ninth* at nighttime, which is extremely reasonable.



Charge the Battery Anywhere

Using the on-board charger, the vehicle can be charged with a 100V or 200V power source in the home. In addition, if high-speed chargers currently being developed by power companies are used, it will be possible to charge the vehicle in a short time.



CO₂ Emissions Per Kilometer (well to wheel, 10-15 mode)



Quietness That Does Not Disturb Sleep

Because the vehicle uses an electric motor free of the vertical vibration associated with gasoline engines, it runs extremely quietly.



*Figures calculated by MMC based on Japan-market fuel and energy costs.

Working to Commercialize the **i MiEV**

MMC initiated joint research on the **i MiEV** with power companies in November 2006 and research is progressing well. MMC has delivered research vehicles to several power companies, and they are evaluating the performance and commercial viability of these vehicles by driving them in the city and performing high-speed battery charging. In addition, from autumn 2007, MMC will further increase the number of vehicles and launch a fleet monitor test in which experimental driving will be conducted.

However, MMC still has to resolve a number of issues before the vehicle can be launched on the market. One major issue is to reduce the cost of the vehicle and the batteries; another is to further extend the distance that can be traveled on a single battery charge.

MMC will continue to carry out research and development so that customers can experience the outstanding environmental performance of the **i MiEV** as soon as possible.



Research vehicle under joint development with Kyushu Electric Power Co., Inc. (Oranda-zaka, Nagasaki)

Research vehicle under joint development with Tokyo Electric Power Company (Roppongi, Tokyo)

Employee Message

My own preconception of electric vehicles was that "they are quiet but not much fun to drive." I've always liked cars, but I thought that electric vehicles were unappealing because they had poor power performance (another of my preconceptions). One ride in the *i MiEV* was enough to convince me otherwise. The *i MiEV* is a vehicle that not only makes little vibration or noise, but also has sufficient power performance to allow you to enjoy driving. At present, MMC is promoting the good qualities of the *i MiEV* at various test-ride events, but I think it is a vehicle to which the saying "one ride is worth a thousand words" really applies.

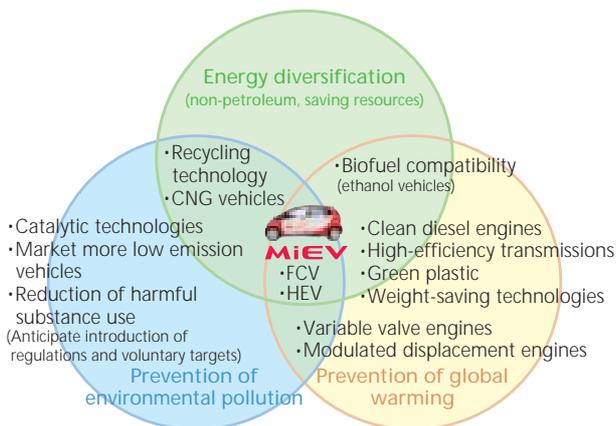
Right now, MMC is in the process of developing this vehicle so that it appeals to the general public. I highly recommend that you not only have a look at it, but also give it a test drive, if you have the chance!



Osamu Takamatsu, MiEV Promotion Department

Developing Technology Aimed at the Prevention of Global Warming

Environmental problems that vehicle manufacturers have to resolve include the prevention of environmental pollution and global warming and, recently, the diversification of energy resources with regard to using fuels other than petroleum. Among these issues, breaking our dependence on fossil fuels such as petroleum is an issue that needs to be resolved through vehicle technology as a matter of the highest priority. It is necessary both because reserves are limited and as a means to curb emissions of greenhouse gases such as carbon dioxide (CO₂) to prevent global warming.



Development of Next-generation Clean Diesel Engines

As diesel engines have excellent fuel efficiency, they improve fuel consumption by 20-30% compared to gasoline engines.

In an effort to ensure clean exhaust gases, which is an issue for diesel engines, MMC is promoting the development of clean diesel engine technology that scrubs exhaust gases to levels achieved by gasoline engines.



A clean diesel engine for a passenger car

Having met the standards imposed by EURO5, Europe's next-generation emission regulations, MMC has also focused its attention on the North American and Japanese markets and aims to realize top-ranking output and fuel efficiency levels for diesel engines in these markets.

Development of Ethanol Fuel-compatible Vehicles

Ethanol fuel, which is produced from plants that absorb CO₂ in the atmosphere as they grow, has been designated a zero-emission, or "carbon neutral" fuel according to the Kyoto Protocol-based method of calculating carbon dioxide emissions.

MMC is engaged in the development of flexible fuel vehicles (FFVs), which can run on gasoline, ethanol, and fuels that are a combination of the two. In June 2007, we launched an FFV in the Brazilian market.

This FFV system achieves optimal fuel combustion by estimating the ratio of ethanol in the fuel based on the output of an exhaust gas density sensor fitted in the exhaust system. As a result, the engine can handle gasoline-ethanol fuel mixtures

with proportions of ethanol between 0% and 100%, while achieving performance and exhaust emissions on a par with gasoline vehicles.



The "Pajero TR4 Flex" FFV

Development of the Twin Clutch SST – A Next-generation High-efficiency Transmission

MMC has developed the Twin Clutch SST (Sport Shift Transmission). This next-generation high-efficiency transmission combines the sportiness of a manual transmission (a more "hands-on" driving experience and responsive acceleration) with the convenience of an automatic transmission (easy driving). It also achieves fuel efficiency on a par with a manual transmission. Plans call for the Twin Clutch SST to be fitted in new high-performance sport sedans.



Twin Clutch SST

Improving Gasoline Engine Efficiency

Since 2004, MMC has promoted innovations in its gasoline engine lineup for passenger cars, guided by common design concepts underpinned by high performance, low fuel consumption, lower exhaust emissions, and lighter engine weight and compactness. MMC completed these innovations to its lineup with the 3.0L V6 MIVEC (Mitsubishi Innovative Valve timing Electronic Control system) engine, newly developed for the *Outlander* and launched in the U.S. market in fall 2006.

This new engine series achieves a high level of performance, including top-class maximum power output and maximum torque, mainly through the adoption of the MIVEC system and the use of an aluminum cylinder block. MIVEC engines are also substantially lighter than conventional engines and boast improved fuel efficiency.



This system surpassed the 30% improvement in air conditioner system efficiency called for under the Improved Mobile Air Conditioning (I-MAC) research program launched by the Society of Automobile Engineers (SAE) and the EPA in 2004. MMC will expand sales of these systems, starting with an *Outlander* model to be launched in the North American market in the fall of 2007.

Green Plastic

“Green Plastic” is the generic name given to the plant-based resin which MMC is in the process of developing with a view to increasing its practical applications. Since it is made from plant matter, this plastic conserves petroleum resources and, as a carbon-neutral material, it can help in the fight against global warming by enabling reductions in CO₂ emissions.



MMC is developing commercial applications such as automotive interior components that use bamboo fiber and PBS (polybutylene succinate) as well as car floor mats that use PLA (polylactic acid) fiber, two types of Green Plastic.

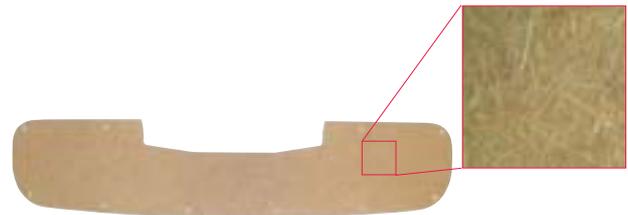
Reduction in Power Consumption of Automotive Air Conditioning

Reducing the power consumption of automotive air conditioners helps to improve fuel efficiency while driving and thereby reduces CO₂ emissions.

The Power-saving Automotive Air Conditioning Unit that MMC jointly developed with Mitsubishi Heavy Industries has been commended for achieving a reduction in air conditioning system power consumption. This product won the U.S. Environmental Protection Agency (EPA) Climate Protection Award 2007.



Climate Protection Award 2007



An automotive interior component made from bamboo fiber and PBS (polybutylene succinate)



PLA (polylactic acid) fiber car floor mat

Employee Message

I feel that I want to do what little I can to reduce the current burden on our earth's environment. That's why I focused on sustainable resources such as plant-based resin and fast-growing plant fibers and became involved in R&D relating to Green Plastic. I am responsible in particular for creating automotive interior components made from bamboo fiber and PBS, and working out the right way to blend the two materials proved to be extremely challenging. What we have achieved so far is only a small step, but I intend to keep on pursuing R&D, looking into all the types of plant-based material available, so that one day we will be able to achieve a big advance. I think it is now our duty to provide people with materials and cars that are kind to the environment as well as to people.



Kazunori Tsuneoka, Material Engineering Department

Close-up
03



Ceremony held on June 14, 2007 to mark the start of Pajero Forest tree-planting activities

Responsibility to Society

— As a Corporate Citizen

For our valued customers and our community, MMC will continue to tackle environmental problems and improve safety. In this way, MMC will keep its promise to its stakeholders and show itself to be a sustainable company and deserving of their trust.

At the same time, MMC will fulfill the following responsibilities. Firstly, we will promote activities to preserve the environment, including contributions to regional communities. We will also contribute to society through activities such as contact with local communities and environmental education targeting improvements for future generations. We will continue to undertake such activities by asking ourselves constantly what each one of us can do to contribute as a corporate citizen.

Contributing to the Prevention of Global Warming

The scientific consensus is that the impact of human economic and social activities on the global environment has reached an unacceptable level. Now that global climate change has become more apparent, people realize that we face a very serious problem, and it has become a matter of urgency for the international community to cooperate in reducing atmospheric CO₂, for example by promoting the conservation of forests and woodlands. For its part, MMC plays a role in protecting the environment by maintaining and cultivating forests and woodlands not only in Japan, but also in Australia and the U.S.

The Pajero Forest

As part of our endeavors to deal with environmental problems, we have named an area of mountain forest the "Pajero Forest," and launched an initiative to conserve and cultivate the forest and woodlands over a period of at least seven years from fiscal 2007. We have also made a commitment to deepen exchanges with local residents through volunteer activities and other events. The area, which covers about three hectares, is located at Hayakawa-cho in Yamanashi Prefecture, which extends to the base of the Southern "Japan Alps." Environmental conservation and social contribution activities by MMC employees will entail mixing with the local community through participation in tree-planting and other activities. In addition, using this activity as a springboard, we are planning to hold events in Hayakawa-cho together with MMC customers that will promote closer contact with the natural environment.

On June 14, 2007, MMC held a ceremony to mark the start of its tree-planting activities, called the "Pajero Forest & Local Mountain Restoration Initiative," during which the Mayor of Hayakawa-cho, MMC President Osamu Masuko and others planted commemorative trees.



President Osamu Masuko planting a commemorative tree

Environmental Conservation Activities in Australia
In 2006, Mitsubishi Motors Australia, Ltd. (MMAL) held an

Employee Message

The clear air in forests is very important for human beings. When you are in the forest, your tiredness goes away and you feel that your spirit has been cleaned. Although we are not often consciously aware of it, we are part of nature, and I believe that it is thanks to the blessings of nature that we are alive. Even if I can only do something small, I would like to give something back in return to the natural world and the forests.

Yukie Suehiro, Indirect Materials Procurement Department, Pajero Forest Executive Committee Member



event in cooperation with the ACBI^{*1} where employees and volunteers took part in planting about 7,000 trees^{*2} along MMAL's test track. The aim was to plant trees corresponding to the number of corporate vehicles sold to the South Australian state government (280 vehicles in total), and it will result in 22 hectares of land being turned into forest.

*1 Australian Carbon Biosequestration Initiative: an organization that promotes CO₂ reduction in Australia

*2 In general, the total volume of CO₂ emitted by a single passenger car is said to be equivalent to the total volume of CO₂ absorbed by 25 fully-grown trees.



Tree-planting at the MMAL test track

North American Prairie Restoration Project

Since 1999 Mitsubishi Motors North America, Inc. (MMNA) has promoted prairie restoration activities through participation in the Illinois Department of Natural Resources' Prairie Restoration Project. Involving the cultivation of warm season wild grasses and 26 types of wild flowers, the project covers 3.9 acres (about 1.6 hectares) around the MMNA factory, and has resulted in natural prairie in the surrounding region being substantially restored.



Restored prairie near the MMNA factory

Contributing to Traffic Safety

As part of providing “driving pleasure and safety” to our valued customers, MMC carries out activities to reduce traffic accidents and educate children about traffic safety. MMC’s activities are aimed not only at drivers, but at all people in motorized societies.

Car School

Since 1995, MMC has been running Car School, a safe driving program, mainly for beginners, at various locations across Japan. Car School is a program in which the instructors think, learn and enjoy driving together with all the participants. To ensure that we respond to each participant’s concerns and questions, learning events involve a small number of participants and great emphasis is placed on communication. In particular, the highly experienced team of instructors provides wide-ranging advice that includes parking in a garage and parallel parking, which many drivers find difficult. In addition, they offer useful basic driving advice such as taking care of flat tires and using emergency flares, as well as other ways to handle emergency situations.



In a relaxed and enjoyable atmosphere, the participants can master driving techniques, as well as discuss car safety and the relationship between cars and the environment. MMC will continue to take a proactive approach to conducting these activities through the Car School to communicate the pleasures of driving to as many people as possible. So far, MMC has continued to hold these classes at a rate of around 20 a year, mainly at Mitsubishi Motors dealers throughout Japan, and a grand total of more than 2,000 students have taken part over a period of more than ten years.

Going forward, MMC intends to conduct new courses that suit customers’ specific needs and driving levels, including a seniors’ course, to address Japan’s aging society, and a family course, which will be aimed at families.



Activities in the U.S. to Continue to Protect Children from Vehicle Accidents

Employees at Mitsubishi Motors North America, Inc. founded Kids Safety First, a national, non-profit organization dedicated to promoting automotive child safety. Kids Safety First accepts funds from MMC and other parties and produces easy-to-understand educational materials regarding car safety in English and Spanish. In fiscal 2006, it distributed these materials free of charge to police stations, fire stations, hospitals, elementary schools, and other places in all 50 U.S. states. A total of more than 500,000 sets were distributed.

As part of activities connected with National Child Passenger Safety Week, Kids Safety First planned awareness-raising activities at radio stations nationwide and also distributed educational materials at Lifesavers events in various locations sponsored by the National Highway Traffic Safety Administration and other parties.



Kids Safety First sticker

Employee Message

Since Car School was launched in 1995 I have been teaching there, as well as being involved in planning and supervision, but I have learned a lot as well. From the start I provided instruction on various subjects, including car maintenance, urban driving, parking in a garage, parallel parking, and environmentally friendly driving. I will continue working to enable as many people as possible to take part in Car School and join me in learning about the pleasures of driving.

Yoshito Kumazawa, Ralliart Inc. driving instructor



For the Future of Our Children

Children are the future of societies everywhere, and MMC believes that promoting educational and social contribution activities for them is one of the social responsibilities of any company. MMC will continue to help foster the sensibilities and cultivate the healthy minds of future generations, while cooperating with schools, non-profit organizations (NPOs), and industry organizations.

Mitsubishi Motors Hands-on Lesson Program

From July to November every year since 1993, we have provided the Automobile Information Service for Elementary School Children, which involves receiving and responding to various questions from elementary school children through a toll-free phone number and letters. However, in fiscal 2005, in order to encourage a better understanding of the automobile industry, MMC employees actually visited schools to offer lessons about cars. This initiative has helped to raise awareness regarding the environment, with 98% of students replying that they ended up becoming interested in the environment through the hands-on learning offered, which mainly involved test driving electric vehicles.



Hands-on lesson (electric vehicles)

In addition, practical courses in design led by MMC designers are all extremely popular and have led some students to aspire to becoming designers. MMC has now started courses at each manufacturing site, and a total of 1,489 children took lectures at 24 schools in fiscal 2006, compared to 1,145 children at 11 schools in fiscal 2005.



Hands-on lesson (design)



Letter of gratitude from elementary school students

Kidzania Nurtures Children's Creativity

From October 2006, MMC has been exhibiting at Kidzania Tokyo, where Japanese children can get a taste of working life and being a full member of society. The concept of Kidzania Tokyo is to provide children – society's next generation – with a place and opportunity to discover their dreams and goals, and somewhere to enjoy working to realize those goals. This embodies our corporate philosophy of placing customers first and contributing to society. At the MMC pavilion, children are able to have fun, while learning how cars – something they are all familiar with – are used and sold, as well as how they function. They can also learn such essential social skills as cooperation, assertiveness, and the ability to communicate with others. In this way, we aim to enable children to enjoy cars, as well as to contribute in some small way to their education by offering them a taste of working life.



Experiencing the car dealing and rental businesses at Kidzania Tokyo

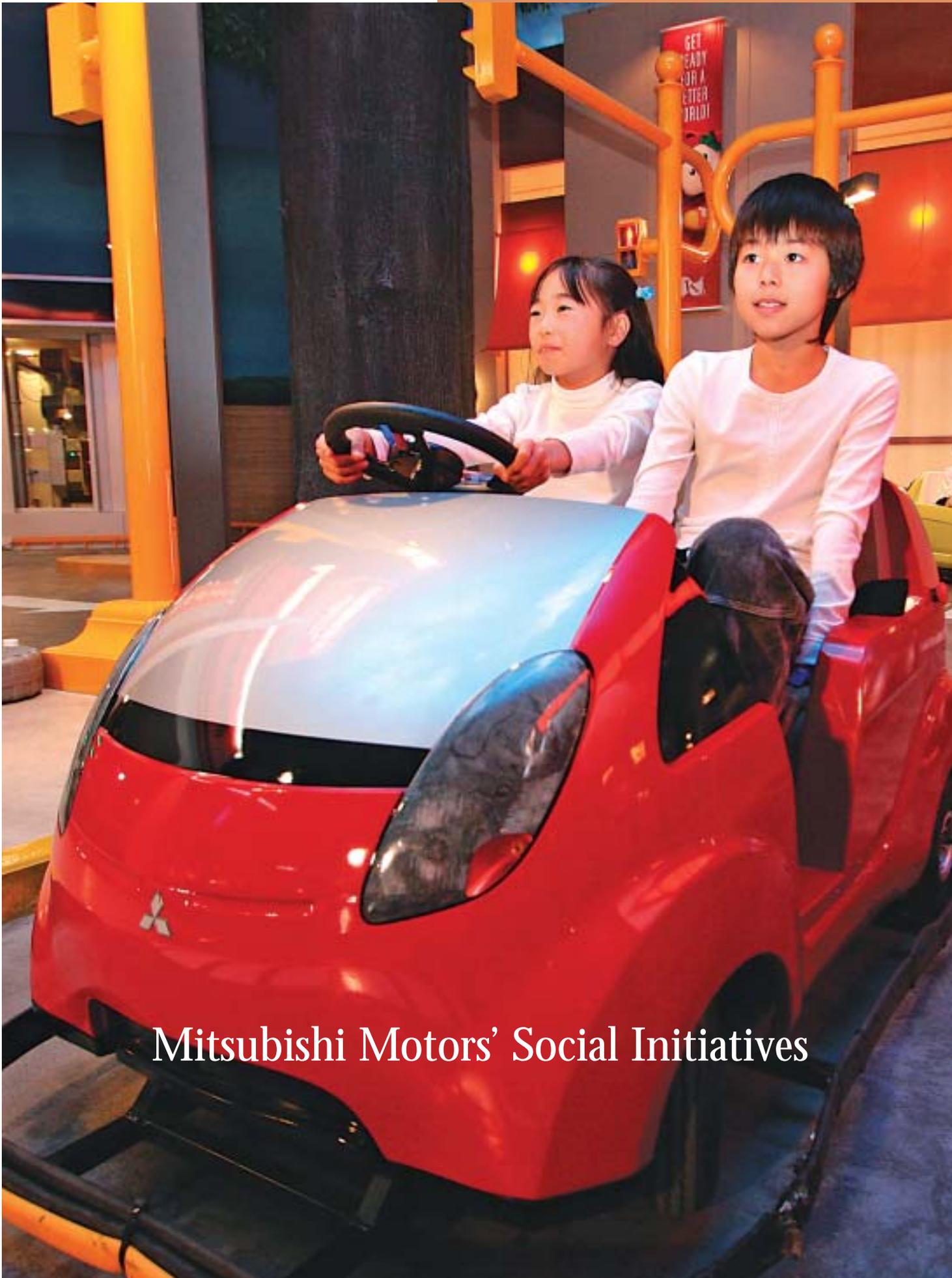
Employee Message

During the hands-on lessons for elementary school students, I have been surprised every time at the degree of interest children have in the environment and how freely they think compared with adults. Above all, just watching how their eyes shine when they are taking the courses, I feel really energized and motivated. If the children remember even part of what they learned in these classes and it helps them in their studies, then I will be delighted.

I intend to continue working to improve MMC's educational support activities to offer enjoyment to as many children as possible.

Takako Matsui, Customer Relations Department





Mitsubishi Motors' Social Initiatives

Corporate Governance

MMC is strengthening its corporate governance primarily by implementing compliance in practice, improving transparency through proactive information disclosure to stakeholders, and clarifying management responsibility.

Corporate Governance and Internal Control Systems

Corporate Governance Framework

MMC employs the Statutory Auditor System pursuant to Japanese Corporate Law. In addition to mandatory organizations and governance systems, we are improving our corporate governance by adding an executive officer system and advisory committees.

MMC's Board of Directors is responsible for making decisions concerning important management issues and overseeing execution. In addition, the executive officer system clarifies the roles and responsibilities of directors and executive officers. Managing directors' meetings composed of directors, executive officers, and statutory auditors make decisions concerning company matters in bi-weekly meetings aimed at speedy decision-making.

Status of Internal Audit and Statutory Auditors' Audit

Statutory auditors audit operations of MMC and its subsidiaries by attending important meetings such as the Board of Directors Meeting. They also review key internal documents, as well as reports received from the internal auditing groups, subsidiaries and accounting auditors. In June 2006, MMC strengthened its auditing systems by adding one statutory auditor.

Separate from the statutory auditors, MMC has also established two departments within the CSR Promotion Office: the Quality Audit Dept. and the Internal Audit Dept. Both are independent from operating units and conduct internal audits from an objective perspective.

The Quality Audit Dept. monitors whether the Quality Affairs Office is appropriately carrying out operations related to vehicle development and manufacturing based on laws and regulations in various countries. The audit results are successively reported to the top management and to the Business Ethics Committee twice a year.

The Internal Audit Dept. conducts regular company-wide audits, covering areas including subsidiaries and affiliates in Japan and overseas, to verify the appropriateness and effectiveness of internal control systems including compliance and risk

management. The results are reported to the top management at MMC, its subsidiaries and affiliates. In fiscal 2006, the Internal Audit Dept. conducted audits on 25 internal departments, new audits on 15 domestic dealers and affiliates, and follow-up audits on 12 companies.

The Internal Audit Dept. audited 9 companies overseas, including 4 joint investigations with local Internal Audit Departments.

The statutory auditors, Internal Audit Dept., Quality Audit Dept., Compliance Dept. and accounting auditors regularly exchange information to strengthen cooperation.

Guidance and Advice from Advisory Committees

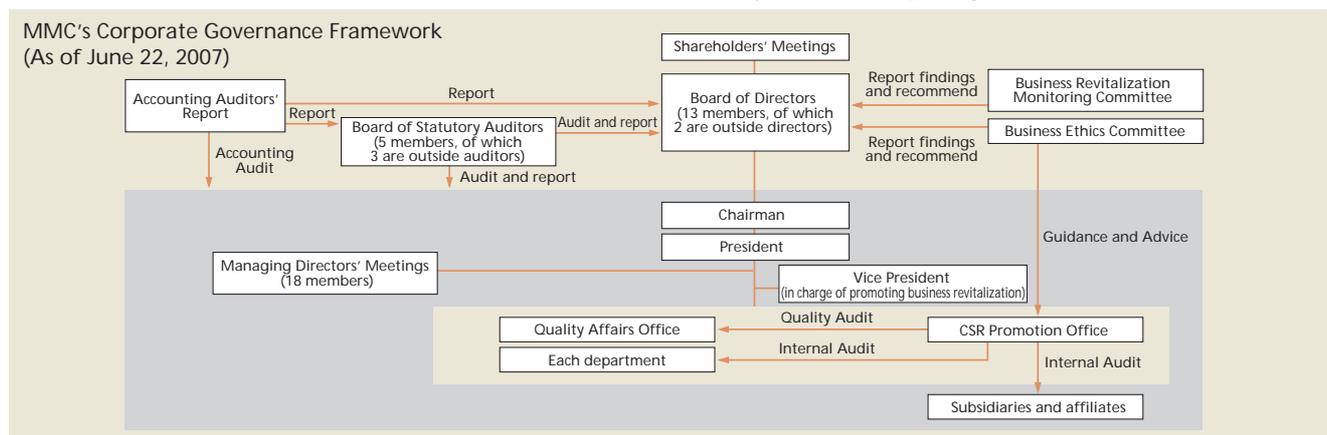
The Business Ethics Committee is an advisory body to the Board of Directors made up of 6 outside experts. The committee aims at spreading an awareness of compliance, and it provides MMC directors with guidance and advice from an external perspective. **P.05**

In addition, MMC directors receive advice from the Business Revitalization Monitoring Committee, made up of 3 outside experts and 3 shareholders, to ensure the achievement of the Mitsubishi Motors Revitalization Plan.

Development of Internal Control Systems

MMC has formulated a document called the "Basic Policy on the Establishment of Internal Control Systems" and is developing its internal control systems. The company reviews these systems according to changes in the internal and external environments. In August 2006, MMC revised the "Principles on Audits by Statutory Auditors" to ensure the smooth operation and greater efficiency of audits, and will continue to ensure the appropriateness and efficiency of legal compliance, risk management, and business execution in a drive to further strengthen corporate governance.

In particular, the Internal Control Promotion Committee is taking the lead in establishing a framework to ensure the reliability of financial reporting.



Compliance

To restore society's trust in the company and be recognized as an enterprise with integrity, MMC believes it is essential to ensure that all staff members thoroughly comply with business ethics.

Development of an Organizational Framework for Promoting Business Ethics

In June 2004, MMC established the CSR Promotion Office to ensure thorough compliance and promote a new corporate culture, while restructuring the compliance framework (diagram on right.) MMC has strengthened the organization to ensure that awareness of compliance spreads to every single employee. The company appointed 18 compliance officers (as of fiscal 2006) at each department to ensure compliance, under the direction of the Chief Business Ethics Officer (CBEO), and appointed department managers as code leaders in each department under the compliance officers.

Initiatives to Implement Compliance

In fiscal 2006, under the theme of "Shifting from a passive to proactive, self-reliant mindset" MMC continued to implement existing company-wide compliance measures and promoted autonomous initiatives by individual staff members.

Awareness-Raising Activities

MMC held training sessions three times during the year for compliance officers and code leaders, who play a central role in the observance of business ethics, with a total of 816 people taking part.

Meetings are held three times a year in each workplace at which familiar business ethics problems are examined, and solutions reached through discussion. These meetings provide a good opportunity to enhance ethical awareness and improve communication through discussion using actual examples.

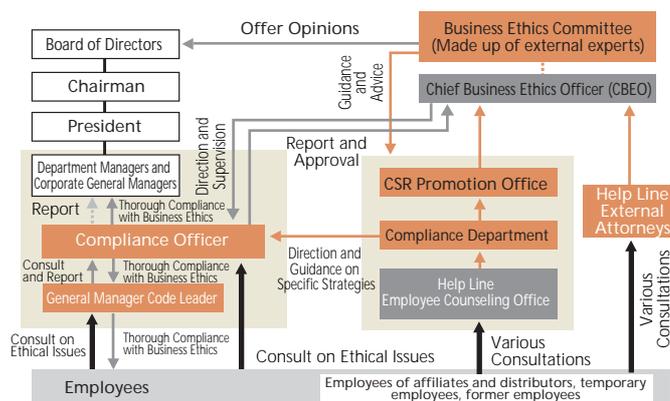
Establishment and Dissemination of Regulations

MMC is giving priority to its internal reporting system in order to create a highly transparent workplace environment that is not conducive to scandals and promotes their early detection as well as self-correction. MMC has already established the Employee Counseling Office and external consulting channels through outside attorneys. In April 2006, in line with the enforcement of the Whistleblower Protection Act, MMC established operational criteria related to the internal reporting system, as well as internal regulations, including those prohibiting the disadvantageous treatment of whistleblowers. In fiscal 2006, there were 113 consultations.

Furthermore, to create a framework that facilitates internal reporting, MMC is endeavoring to disseminate regulatory information within the company by holding briefings, including information in the company newsletter, and adopting other measures.

In April 2007, MMC fully revised its "Business Ethics of Mitsubishi Motors Corporation" – MMC's corporate ethics standards – to turn them into more practical guidelines for informing employees' actions. We distributed this booklet to all staff members, and by making use of it on a daily basis, we aim to ensure thorough compliance with business ethics.

Organizational Framework for Promoting Business Ethics



Activities to Spread Compliance among MMC Group Companies

MMC believes that restoring trust in the company requires a concerted effort by the entire MMC Group. To this end, domestic Group companies (including exclusive dealers) have taken the lead in carrying out initiatives since fiscal 2005. In fiscal 2006, almost all companies completed the establishment of systems to ensure compliance with business ethics. They regularly conduct training on resolving corporate ethics problems and the development of precedents.

In addition, major overseas affiliated companies have evaluated the status of their compliance systems and activities. Going forward, they will establish concrete systems to promote compliance.

Other Initiatives

To prevent past errors such as the regrettable recall problems from being forgotten over time, January 10 and October 19 have been designated "Safety Pledge Days," since two fatal accidents occurred on those days involving large trucks manufactured by Mitsubishi Fuso, a former MMC division. All employees observe a moment of silence on these days, and the previously mentioned meetings to review business ethics problems are held around these times.

MMC reports on the status of these activities to the Business Ethics Committee, which acts as an advisory body to the Board of Directors and is made up of external experts. MMC directors receive objective, common-sense guidance and advice regarding these matters. In fiscal 2007, MMC will continue and further develop the initiatives adopted in fiscal 2006, based on the theme of "From revitalization, to the future."

MMC is firmly committed to continuing measures to establish, further strengthen and promote compliance.

Risk Management

Development of Risk Management Framework

MMC is engaged in establishing infrastructure for company-wide risk management systems centered on risk management promotion teams in administrative divisions, and is also promoting the sharing of risk information within the company. To promote risk management systems more systematically and make initiatives continuous, MMC formulated the "Risk Management Rules" and appointed a total of 17 risk management officers (as of May 31, 2007) to each operational group. Based on the core role of these officers, MMC is working to establish and bolster its risk management systems.

In addition, to prepare for unforeseen contingencies, MMC has developed systems that enable the rapid communication of information to directors and other key personnel, as well as a swift and accurate response.

Information Security Management

MMC recognizes that the protection of important information assets in business activities (information as well as information systems, machines, media, and equipment used to handle that information) is vital to fulfilling its social responsibility and earning the trust of stakeholders. Accordingly, we are striving to maintain a high level of information security management.

In April 2006, MMC established an information security policy and internal rules that conform to ISO 27001. We are also providing continued employee education through training sessions, e-learning and other methods, in an effort to achieve progressive improvements.

Protection of Personal Information

MMC formulated a policy for the protection of personal information in April 2005, and built a management framework to establish internal rules. The company also appointed a person responsible for personal information management at each department under the direction of the Personal Information Officer. MMC educates staff on the subject through e-learning seminars and other programs, and makes efforts to safeguard personal information in practice.

Security Trade Control

From the viewpoint of maintaining international peace and security, MMC profoundly believes in the importance of strict trade controls to prevent the proliferation of weapons of mass destruction and the excessive accumulation of conventional weapons.

In order to ensure the appropriate trade control, MMC has established an Internal Security Trade Control Standard as a management regulation. In accordance with the standard and in order to ensure compliance with laws and regulations regarding security trade control the "Supervisory Committee for Security Trade Control" was established under the direction of the president, who acts as Chief Security Trade Control Officer. Legality of export transactions is guaranteed by a management system centered on the committee.

Together with Stakeholders

MMC regards customers, shareholders and creditors, society at large, procurement partners, sales companies and dealers, and employees as its stakeholders. MMC is conducting business activities that pay consideration to the environment and society.

With Our Customers

Aiming to Provide High-quality Products

In light of the past recall problems, MMC regards determining the need for market measures, such as appropriate and swift recalls based on the viewpoint of customers, as the most important management issue, in tandem with reliably preventing the recurrence of defects and taking steps to prevent such defects in advance. To this end, MMC has undertaken the initiatives outlined below.

Decision-making Processes, Including Recalls

Initial Response System Based on Specialists and Making Decisions from the Customer's Perspective

MMC has developed a system in which a Primary Inspection Team, made up of technical specialists in the areas of product development and manufacturing, is able to immediately launch an investigation as soon as information on defects is received from dealers. Moreover, the Customer Relations Department voices the opinions of customers at meetings to determine whether a campaign to repair the vehicles is necessary.

Checks by Top Management and the CSR Promotion Office

All cases, whether or not they have been determined to require campaigns, are reported to the Board of Directors. In this way, top management checks all cases. In addition, the Quality Audit Department within the CSR Promotion Office attends all meetings associated with the determination of market measures and audits the decision process, checking the validity of decisions. Recall audit meetings, which are held by the CSR Promotion Office every three months, bring together representatives from quality, development, purchasing, manufacturing, and sales departments, who work together to optimize and expedite recall operations.

Expediting Quality Improvements in the Marketplace

Introduction of New System (SQM-BC)^{*1}

MMC completed the nationwide development of the SQM-BC system in October 2006. As a result, it has now become possible to obtain market defect information from dealers via electronic media in real time. Through the use of SQM-BC, MMC is striving to shorten the time taken to obtain information, share information with dealers, promote verification on actual vehicles when defects arise, and rapidly investigate the causes of defects.

Building in Development and Manufacturing Quality

MMDS (Mitsubishi Motors Development System)

MMC has introduced the Mitsubishi Motors Development System (MMDS) to assure and improve the quality of all product development processes. This system is based on a total of seven quality gates. Quality gates are a decision-making system for checking and assessing the degree of attainment of predetermined standards that must be met by every development and manufacturing process at every stage.

ISQC (In Stage Quality Creation)

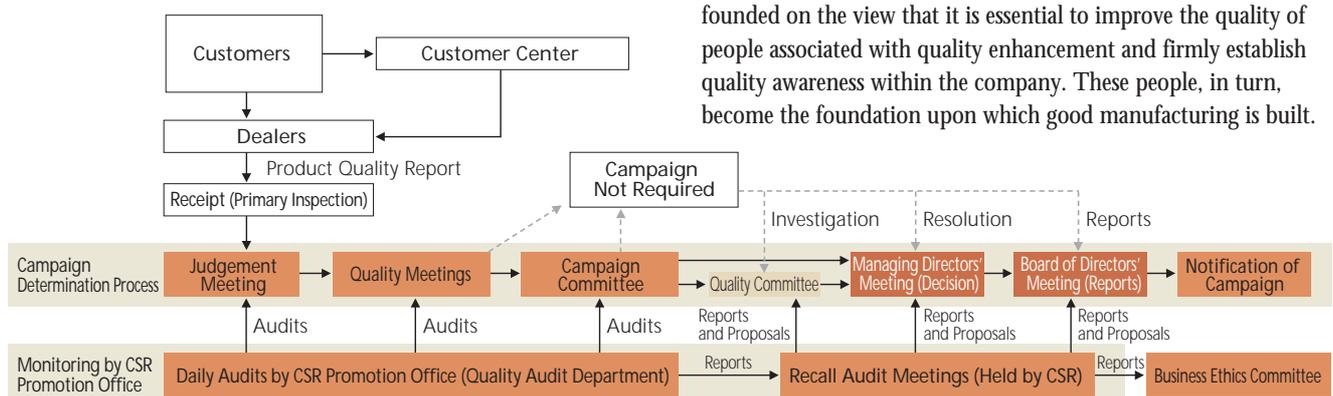
ISQC is a system that involves not only inspecting the quality of finished vehicles, but also verifying quality in each process on manufacturing lines. MMC operates this system at all of its manufacturing sites. ISQC staff members with extensive experience and knowledge are deployed for each important process of welding, painting, and assembly, and if a vehicle does not pass checks by these staff, it does not proceed to the next process.

The objective of ISQC is not merely to carry out rigorous quality checks during production processes. It is also used to examine defects that we have identified through ISQC processes and thereby improve design and production equipment.

Cultivating Our Workforce

Taking a page from improvement measures for enhancing quality, MMC is providing practical internal training based on the themes of quality engineering and FMEA/FTA^{*2}. Activities are founded on the view that it is essential to improve the quality of people associated with quality enhancement and firmly establish quality awareness within the company. These people, in turn, become the foundation upon which good manufacturing is built.

Flow of Quality Information from Customers



*1:SQM-BC: Strategic Quality Management-Backward Chain

*2:FMEA: Failure Mode Effect Analysis, FTA: Fault Tree Analysis

To Ensure Communication with Customers

MMC established the Customer Center in 1968 as a point of contact for directly receiving customer opinions. Since then, a variety of initiatives have been implemented based on the desire to respond to customers speedily, precisely and kindly. Open all year round except for the December 31 – January 3 national holidays, the Customer Center aims to be an extremely convenient resource for customers.



Customer Center

☎ 0120-324-860
 (Toll free in Japan)
 Open 09:00–17:00
 (Saturdays 09:00-12:00
 Sundays 13:00-17:00)

Relaying Customers' Comments

MMC provides feedback on customer opinions and comments within the company via the company intranet and an e-mail newsletter issued to all employees. Depending on the content of the information, the company provides individual feedback to relevant departments, and reflects customers' opinions in improvements to products and services.

For example, customers' real opinions are relayed in detail to development departments, and they use these as a reference for improving products and developing subsequent vehicles. In addition, MMC produces Product Quality Reports based on information on defects that has been directly conveyed by customers to the company, and we use these reports to support documents for deciding on market measures such as vehicle recalls.

Providing Information on the MMC Website

MMC has set up an inquiry page on its corporate website for customers that use the Internet. This is designed to enhance convenience outside telephone service hours. For example, cus-



Inquiry page

tomers can check matters that are unclear to them in the FAQ section, and can send in questions by e-mail.

<http://www.mitsubishi-motors.co.jp/reference/index.html> (Japanese only)

Bringing Mobility to as Many Customers as Possible

Based on the desire to bring the convenience and comfort of traveling by car to as many people as possible, MMC started sales of the "Hearty Run" series of welfare vehicles in Japan in 1991. MMC currently offers a lineup of various models and types tailored to the driver that includes wheelchair, boarding assistance and assisted-driving models. We are also providing opportunities for people to actually experience and easily select "Hearty Run" vehicles. We have established *the Mitsubishi Barrier-Free Lounge in Tama* and *Mitsubishi Barrier-Free Lounge in Osaka* as permanent showrooms, and we are actively exhibiting these vehicles at welfare exhibitions in various locations.

<http://www.mitsubishi-motors.co.jp/heartyrun/index.html> (Japanese only)



"eK Wagon" vehicle equipped with a movable passenger seat

Mitsubishi Motors Deutschland GmbH, MMC's German sales company, sells vehicles customized for disabled customers; also providing various programs to support the participation of disabled people in society. It is also a sponsor of the German Wheelchair Sports Association.



With Shareholders and Creditors

MMC discloses information by improving its publications and other actions. Through these initiatives, MMC aims to ensure that shareholders and creditors gain a deeper understanding of MMC.

Publishing Guidelines Concerning Timely Disclosure of Important Information

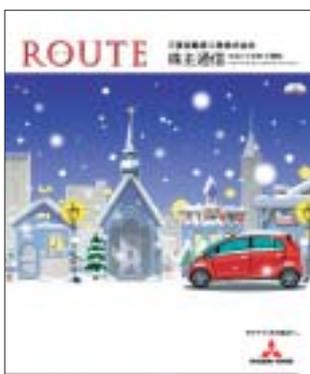
In December 2006, MMC formulated and published guidelines concerning the timely disclosure of important information. These guidelines clarify the types of information for disclosure, the basic principles of disclosure, personnel responsible, relevant departments, and disclosure processes. MMC believes it is important to disclose information to stakeholders in a timely and precise manner, and to meet its duty to explain the company's business activities, and fulfill its responsibility to society.

Going forward, MMC will continue to disclose information to ensure the transparency of the company's activities.

ROUTE, a Shareholders' Magazine

In June 2006 and December 2006, MMC published ROUTE, a short-form magazine for shareholders. By explaining such matters as the company's business performance, corporate activities, and targets in a way that is easy to understand, the company hopes to maintain and enhance shareholders' interest in MMC.

MMC has adopted a format with enhanced product information to encourage as many individual shareholders as possible to support MMC and Mitsubishi vehicles; the company plans to publish this magazine twice a year.



December 2006 edition of ROUTE, a shareholders' magazine

<http://www.mitsubishi-motors.co.jp/corporate/ir/irlibrary/index.html> (Japanese only)

General Shareholders' Meetings

MMC regards general shareholders' meetings as an opportunity for all shareholders and investors to gain a better understanding of MMC's activities. We are attempting to provide highly accessible meetings by avoiding holding them on traditional meeting days and choosing venues that accommodate as many people as possible. Furthermore, we are striving to answer as many shareholder questions as possible.

The General Shareholders' Meeting held on June 23, 2006, was attended by 1,570 shareholders, and we conducted a vigorous question and answer session in an effort to deepen understanding regarding MMC.

Other Measures to Strengthen Information Disclosure

- Publication of annual reports in Japanese and English
- Publication of fact books in Japanese and English
- Upgrading of investor information on the MMC Japanese domestic website, improvement of content, and enhancement of ease of use in June 2007.



Annual Report



Fact Book

<http://www.mitsubishi-motors.com/corporate/ir/irlibrary/e/index.html>

With Procurement Partners

Procurement Policy and Systems to Foster Trust and Cooperation

Strengthening trust and cooperation with suppliers is a vital part of developing and producing cars.

MMC is working to establish relationships of trust through a variety of activities, based on its procurement policy of "Establishing greater mutually cooperative relationships based on the assumption of long-term business transactions."

One specific activity is Plant Performance Improvement, an initiative we began with suppliers two years ago. This initiative involves the participation of specialists from various MMC departments including purchasing. The personnel visit suppliers' plants and work with them to develop proposals for improving the plant's performance. In fiscal 2006, more than 40 suppliers participated in this improvement initiative.

MMC established a Suppliers Council to build new trust relationships, foster a feeling of solidarity, and realize strong partnerships. The Council has four vigorously active subcommittees: the Subcommittee of Commodity Suppliers, the Subcommittee of Raw Materials Suppliers, the Subcommittee of Production Facility Suppliers, and the Subcommittee of Processed Components Suppliers.

In fiscal 2006, the Council consisted of 166 major suppliers.

Through mutual brainstorming amid the work being performed by each subcommittee, MMC intends to deepen mutual understanding with these suppliers and strengthen its systems to foster trust and cooperation.

Collaboration with Suppliers in Environmental Activities

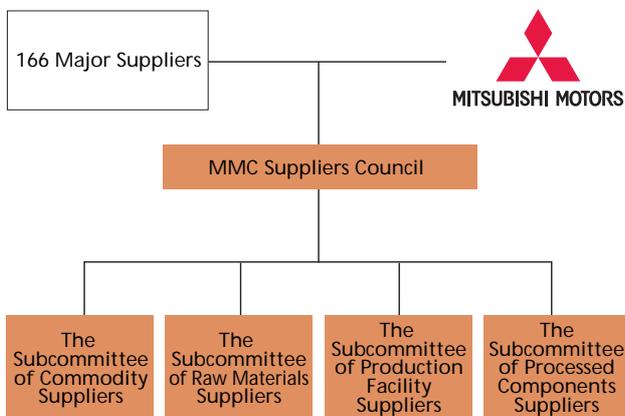
Green Procurement *1

Since November 2000, MMC has been engaged in environmental conservation activities in procurement, otherwise known as "Green Procurement."

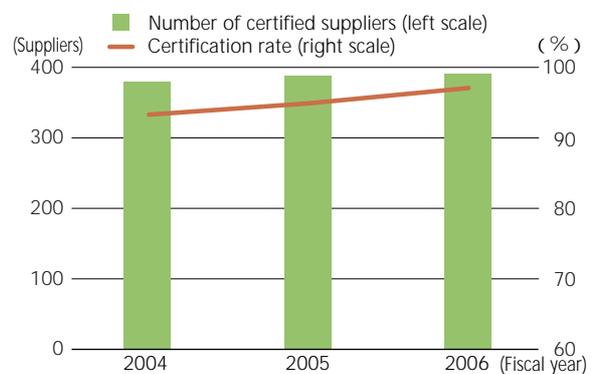
As part of this initiative, MMC asks all of its suppliers of components and products to acquire ISO 14001 certification (the international standard for environmental management systems). Our target is a 100% rate of certification.

It takes more than one year to carry out the activities to acquire certification, and as a result of our efforts to encourage suppliers to understand the value of certification and carry out the necessary activities, the rate of certification stood at 96.8% at the end of fiscal 2006.

Organization of MMC Suppliers Council



Status of ISO 14001 Certification (number of suppliers)



*1 Green Procurement: Defined here as environmental conservation activities at the procurement stage, and does not include environmental conservation activities associated with purchasing office supplies and equipment and other such functions.

With Society and Local Communities

Through donations and education and activities such as factory tours, MMC is deepening exchange with local communities.

Donations and Contributions

MMC endorses the activities of the Foundation for Orphans from Automobile Accidents, which is operated mainly for the purpose of supporting children orphaned by traffic accidents. MMC also contributes financially to the Foundation. In addition, MMC provides assistance for regions that have been hit hard by natural disasters and other incidents. In fiscal 2006, MMC made a contribution to assist the area struck by a major earthquake in central Java, Indonesia.

MMC's North American subsidiary Mitsubishi Motors North America, Inc. has also made contributions to various charity organizations. For example, it contributed about \$120,000 collected from employees to the U.S. non-profit organization United Way. It has also donated vehicles to neighboring schools and fire stations.

Automobile Information Service for Elementary School Children

Every year since 1993, we have provided a toll-free telephone information service for elementary school children – an initiative that is unique in the auto industry. We also publish a pamphlet targeted at elementary school children that explains the car-making process using illustrations and explains our environmental initiatives.



Pamphlet provided to elementary school children

On a website specifically for children called Children's Car Museum, we have also added an environmental page called Let's Protect the Global Environment! that explains in simple terms the relationship between cars and the environment.



Children's Car Museum website for children

Web <http://www.mitsubishi-motors.co.jp/social/exchange/kids/index.html>

Cooperating With Local Schools

MMC visits the nearest elementary schools to each factory, and gives lessons that enable children to learn about our environmental initiatives using electric vehicles and cutaway engine models. We also give lessons that allow children to experience the work involved in car manufacturing through workshops involving design sketches and clay models (1,489 students at 24 schools in fiscal 2006), for example. These lessons have gained a very high reputation.



Hands-on lesson (electric vehicle)



Hands-on lesson (design)

In addition, we allow junior high school students to visit MMC on their school excursions. In fiscal 2006, 63 students visited us from 14 schools.

During these visits, we let students look at our show-rooms, and hold workshops to deepen their understanding of the auto industry via presentations of MMC's environmental and safety initiatives. We also answer various questions from our student visitors.



Workplace experience lesson for junior high school students

Initiatives by Mizushima Plant (Okayama Prefecture)

The Mizushima Plant is taking part in the “Mizushima Flower Road Program.” This is a local initiative based on a tie-up between the Kurashiki Mizushima Lions Club, companies and local organizations located along the Hachiken River in the Mizushima area of Kurashiki, and the Kurashiki Municipal Government. It arose from the Okayama National Athletic Meet and has continued since 2004.

When the rainy season arrives every year, about 200 employees take part in planting cosmos and zinnia beside the Hachiken River in front of the Mizushima Plant. In the fall, these seeds produce beautiful flowers in full bloom.



Employees sowing seeds to produce flowers

Initiatives by Nagoya Plant (Aichi Prefecture)

As a result of a tie-up with the Okazaki Educational Committee, in what has become a tradition, the MMC Okazaki Baseball Club holds baseball classes during the off season. In fiscal 2006, about 100 students from 19 junior high schools took part in these classes.

The Nagoya Plant is also working to develop relationships with the local community by allowing it to use company facilities such as the recreation ground, tennis courts and gymnasium, and through other activities.



Baseball mentoring by the MMC Okazaki Baseball Club

Initiatives by Powertrain Plant (Kyoto Prefecture)

The Powertrain Plant provides the parking lot in front of its main building as part of “Park and Ride.” This policy initiative, carried out by the Kyoto Municipal Government during the season when leaves change color in the fall, aims to reduce the number of cars traveling to Arashiyama and other tourist sites for this annual event. Through this initiative, MMC is helping to ease traffic congestion in the region.

This initiative started in 2005 in an attempt to resolve problems such as traffic jams that occur mainly at tourist sites. As part of the initiative, companies in the vicinity of tourist site railway stations provide parking lots, from which tourists can get on shuttle buses and transfer to public transport, which takes them to the sites they wish to visit. This service has been operated on Saturdays and Sundays in November every year.

The Powertrain Plant has also cooperated in this initiative since 2006 as one of its regional contribution activities.



Parking lot used for tourists' vehicles.

Handling of Tokyo Air Pollution Lawsuits

On August 8, 2007, the settlements were reached regarding the Tokyo Air Pollution Lawsuits at the Tokyo District Court and the Tokyo High Court.

We have decided, together with the other six automobile manufacturers, to pay for the settlements as well as making a financial contribution to the medical assistance program to be established by the Tokyo Metropolitan Government.

With Sales Companies and Dealers

MMC is undertaking measures such as renewing dealer stores and enhancing the capabilities of sales companies and dealers. The aim of these measures is to provide greater satisfaction to customers in a variety of aspects, including new vehicle sales, repairs, inspections, and the handling of inquiries and complaints.

Creating Stores Where Customers Feel Comfortable

MMC is successively renovating dealer stores throughout Japan to ensure that they have an atmosphere that facilitates discussion between staff and customers, making them feel inclined to visit the stores at any time. In fiscal 2006, MMC renovated 29 dealer stores.



Training to Enhance the Comprehensive Capabilities of Stores

MMC provides various kinds of training programs for the sales and service departments of sales companies and dealers that are aimed at enhancing their deal negotiating capabilities and technical capabilities.

In fiscal 2006, we conducted the “National Role Play Contest,” which entailed competing in the comprehensive capabilities of basic customer service, product knowledge, and deal negotiation skills, with the aim of ensuring customer service that results in customer satisfaction.



National Role Play Contest

Strengthening After-sales Service

On October 1, 2006, MMC reviewed its domestic service system with a view to enhancing customer service, and concentrated its after-sales service functions, which had previously been dispersed, within the Quality Affairs & Technical After-sales Service Group Headquarters. While aiming to construct a solid value chain of new cars, service, and used cars, MMC is striving to further enhance customer satisfaction.

Improving Service Technology Capabilities and Customer Response Capabilities

In fiscal 2005, MMC revised the Mitsubishi Service Technical Skill Qualification System, MMC's qualification system for service staff, in order to maintain and improve the technical capabilities of service staff. In fiscal 2006, MMC established a new qualification called Master Advisor to promote human resource development at sales companies and dealers. This qualification has two objectives. The first is to certify the qualifications of service staff with excellent customer service capabilities in areas such as basic maintenance skills and explaining maintenance details to customers. The second is to raise the overall service levels of dealer stores and improve customer satisfaction by teaching younger staff. As of the end of March 2007, 282 staff members had obtained certification.

In addition, in fiscal 2006, 44 staff members acquired the First Class Vehicle Mechanic certificate, the highest public vehicle maintenance qualification in Japan, bringing the total number of staff holding this qualification to 76.

Activities to Disseminate and Firmly Establish the Mitsubishi Standard Vehicle Maintenance Reception Style

MMC established the Mitsubishi Standard Vehicle Maintenance Reception Style in fiscal 2004 to ensure a standardized style in the process of vehicle maintenance reception, customer handover and subsequent follow-up. To disseminate and firmly establish this standard vehicle maintenance reception style, training sessions for dealers have been held across the country. So far, a total of 8,967 people have undergone training.

In addition, to follow up on actual practice at dealers and thereby ensure customer satisfaction, MMC carries out surveys on the degree of penetration based on an in-store 10-item checklist every three months. The company compiles and analyzes these results, leading to further improvements.

Improvement in Customer Service Index (CSI)

MMC ranked equal second with two other domestic manufacturers in the J.D. Power Asia Pacific 2006 Japan Customer Service Index (CSI) StudySM. This was the highest ranking among Japanese manufacturers.

We believe this result recognizes the fact that customer service at MMC dealer stores by all staff, including the store managers of each dealer store, has steadily improved. Through the continued implementation of the Mitsubishi Standard Vehicle Maintenance Reception Style on a slow but steady basis, we will continue to strive to improve customer service.



Training in the Mitsubishi Standard Vehicle Maintenance Reception Style (role plays, including exchanging business cards and listening)

Strengthening Technical Support Capabilities and Supporting Customer Service at Dealers

In November 2005, MMC established the Technical Support Dept., which oversees the newly established Technical Centers, with the aim of strengthening dealer support and on-site investigation capabilities. However, in October 2006, MMC changed the name of the division to the "Domestic Service Support & Engineering Dept." and transferred it from the Quality Affairs Office to the Aftersales Service Office. Through this move, MMC intends to further strengthen dealer guidance and the assistance in technical service capabilities provided to sales companies and dealers while supporting customer service.

Striving to Rapidly Resolve Complaints

Close cooperation with dealers is important in terms of rapidly resolving customer complaints. We regularly conduct training sessions with the Customer Centers of dealers and we are endeavoring to strengthen cooperation with dealers.

Cooperation Aimed at Environmental Conservation

To upgrade the environmental management system of its domestic sales companies, MMC promotes the introduction of Eco Action 21 (EA21^{*1}), the environmental management system established by Japan's Ministry of the Environment, at its domestic sales companies. Preparations began in fiscal 2005, and Aichi Chuo Mitsubishi Motors Sales Co., Ltd. (currently Chubu Mitsubishi Motors Sales Co., Ltd.) acquired accreditation of EA21 in July 2006, followed by Saitama Mitsubishi Sales Co., Ltd. (currently Kanto Mitsubishi Motors Sales Co., Ltd.) in February 2007.

With the aim of introducing this system at all our domestic sales companies, MMC will proactively promote environmental conservation and a reduction in environmental impact throughout the entire MMC Group by cutting CO₂ emissions and the disposal of industrial waste, and promoting recycling.

*1 Eco Action 21 (EA21) : Guidelines from the Ministry of the Environment for environmental management systems based on the ISO 14001 standard. A registration system using third-party certification started in October 2004.

With Employees

At MMC, we are creating a framework so that employees can get fulfillment from their work.

Personnel Policies

At MMC, we believe that a workplace should enable an employee to realize their full potential and allow them to express creativity. Based on this belief, since 2002, we have reformed the personnel system for managerial and ordinary employees based on the stance of treating employees as independent individuals who share equal relationships and the same lofty aspirations for the company. At the same time, we place emphasis on staff education, and the Human Resources Department, which is responsible for promoting these initiatives, executes a PDCA cycle with respect to all personnel policies and also supports staff.

Employee System and Assignment

MMC evaluates, remunerates and promotes employees on the basis of market principles, not age or past achievements. The basis of this system is the concept that there is a role expected of each position and job, and employees are rewarded according to their performance and achievement of targets within that role.

Furthermore, based on the aim of “personnel liquidity” for the purpose of reforming the corporate culture, MMC implements personnel transfers and rotation that will lead to the company’s future growth. In fiscal 2006, about 400 people were transferred (out of approximately 6,000 applicable employees).

MMC is also promoting increasingly active roles for female employees to create a workplace where female employees can work dynamically and for a long time while making use of their special characteristics and abilities.

Professional Development Policy

MMC supports employees in their professional development with the aim of fostering self-reliant professionals. We offer numerous training programs in this regard. These include “leadership training” to nurture future strategic business leaders, “management training” to equip employees with systematic managerial skills, “engineering training” aimed at refining specialized knowledge skills, “quality training,” and “professional and manufacturing training” designed to enhance and pass on technology.

Employment of Elderly Staff and Disabled People

Today, the demand to employ elderly staff in Japan is growing. Recognizing that an increasing number of its employees are

reaching retirement age, MMC adopted a re-employment system for elderly staff on April 1, 2006. The aim of this system is to pass on important skills and technology, as well as to secure valuable human resources. During a period of one year until the end of March 2007, MMC re-employed 66 people.

MMC is also focusing its efforts on employing disabled people. For example, as we have stepped up cooperation with nearby welfare facilities, organizations, and public employment security offices, we are proactively hiring disabled people.

In April 2007, MMC established a subsidiary called MMC Wing to create a new opportunity for intellectually disabled people to play an active role.

Employee Welfare

MMC, guided by a basic policy of creating environments that help employees realize their potential, offers a “menu” of welfare services, including dormitories for singles and company housing, that employees can select freely according to their particular requirements. For employees with children and dependent family members, MMC provides support including childcare leave and family-care leave, as part of efforts to develop systems that make allowance for flexible working hours and other needs.

Health and Safety

Occupational Safety

Safety comes first at MMC. With this fundamental philosophy in mind, MMC pursues initiatives that enable every employee to work side by side with their colleagues in workplaces conducive to their health and safety. In fiscal 2006, the rate of lost time injuries (LTI)*¹ was 0.06.

Road Safety

Automaker employees have a particular obligation to follow traffic rules. To ensure this happens, we offer all employees safe-driving courses and undertake hazard-awareness tests for new employees. Furthermore, employees are required to report any traffic accidents or infringements to share information and raise awareness of safety.

We take a hard line on serious infringements and accidents and all members of MMC are working toward their elimination.

Positive Health

We conduct ongoing activities based on the concept that individual health is an individual responsibility.

- We offer voluntary proactive health-management campaigns
- We offer health guidance and consultation with hygienists and dietitians, disease prevention education and physical examinations

*1 Rate of lost time injuries (LTI): Number of people taking leave due to labor accidents per million hours worked

Mental Health

Communication with others has an important role to play in the early detection and treatment of mental health problems. We have therefore created an environment that makes it easy for employees to seek advice on these issues.

- On-site visits by psychiatrists and counselors
- Telephone counseling with a health insurance society
- Mental health education for managerial employees

In-house Communication

Seamless execution of our business revitalization plan demands that the company and employees share the same goals. In-house communication that keeps employees informed has a vital role to play here. MMC uses internal newsletters, intranets, meetings with top management and other means to share internal and external information and top management policy, thereby ensuring healthy communication between employees and top management.

Internal Newsletter (REBORN: Domestic and Overseas Editions)

In April 2006, MMC made some changes in its internal newsletter REBORN, which it had published every month to keep employees up to date on the status of the business revitalization, with the new catch-phrase “the Mitsubishi Motors Group Newsletter.” By publishing the same feature articles in the Japanese edition and overseas edition, MMC has shared information on the business revitalization globally. MMC distributes a hard copy version or an electronic version to employees in Japan and an electronic version (in English) to employees that are working at MMC Group companies overseas.



REBORN, MMC's internal newsletter

In-house Intranet Streaming Video (REBORN Video News Edition)

MMC uses its in-house intranet to post carefully selected information and news that cannot be communicated by print and photographs alone. This includes comments from customers and dealers and measures taken to improve manufacturing lines.

Thanks partly to the cooperation of employees in providing material, 37 editions were distributed in fiscal 2006.

Intranet

A wide range of information is posted on MMC's intranet that is compiled from internal and external sources, from recent events to basic information such as company work standards. In this way, the company's intranet provides multifaceted support to employees in the work that they do.

Meetings With the President (FLAT)

Top MMC management, including the president, proactively hold meetings with employees. For example, FLAT is the name MMC has given to a series of face-to-face meetings between the president and employees, in which the president visits the workplace.

MMC believes that this opportunity for face-to-face communication both enables top management to directly convey to employees their convictions and ideas, and employees to say what they really think, including expressing workplace problems.

P.14



President Osamu Masuko (second from left) engaged in a face-to-face meeting with employees at the Shiga Plant



President Osamu Masuko (seventh from left) visiting Lingfa Car Technical Consulting (Shanghai) Ltd.

The “Ear” of the President

All MMC employees have the “ear” of the president. MMC has a hotline that allows employees to present ideas and opinions directly to the president. The president and relevant department respond to these opinions and ideas, and submissions are used to change various aspects of the company.

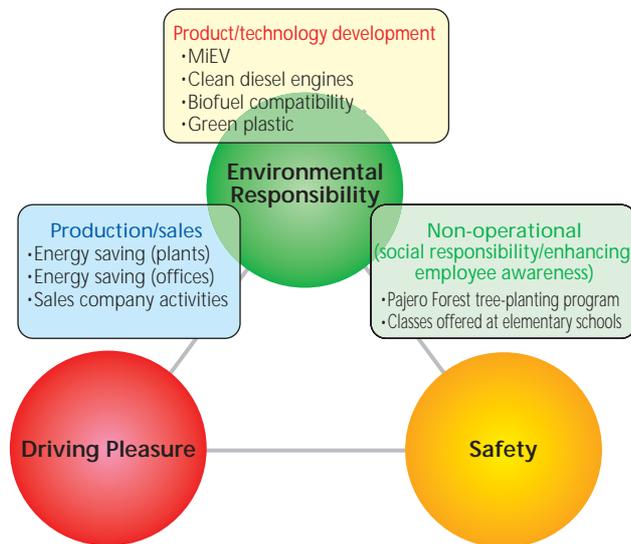
Mitsubishi Motors' Environmental Initiatives

The promise of early summer on Mount Okaramatsu (Hayakawa-cho, Yamanashi Prefecture)

The scenery shots in this environmental activities section and on the cover of this report were taken in the Southern Alps region of Yamanashi Prefecture around Hayakawa-cho, which is the location of the Pajero Forest.

Photos provided by Sannichi Printing.

MMC aims to fulfill its responsibility toward the environment, contributing to a sustainable society.



The basic appeal of any car are its sustained driving performance and the safety and resilience needed to give peace of mind to those traveling in it. MMC's goal is to realize such "driving pleasure and safety" while ensuring that our activities are compatible with the environment so that future generations can also enjoy our natural world. Environmental responsibility is regarded as an issue of paramount importance at MMC.

The company's program of environmental activities is only partly about adopting and developing a variety of eco-friendly technologies. More than that, it also encompasses all of the company's operations, including production and sales, as well as environmental activities designed to contribute to society outside the scope of its core business operations.

Environmental Policy

MMC formulated a specific Environmental Policy in 1999 to clarify the aims of environmental protection activities. This policy affirms environmental protection as one of the most important issues for management and declares MMC's commitment to undertake environmental protection activities on a continuous basis while adopting a proactive stance on environmental management and performance issues.

Basic Policy

Mitsubishi Motors recognizes that protection of the global environment is a priority for humanity and as such makes the following pledges:

1. Taking a global perspective, we are committed to harnessing all our resources to achieve continuous reductions in the environmental impact of all our corporate activities, spanning development, procurement, production, sales, and aftersales servicing of vehicles.
2. As a good corporate citizen, we are committed to take actions that protect the environment at the level of local communities and society as a whole.

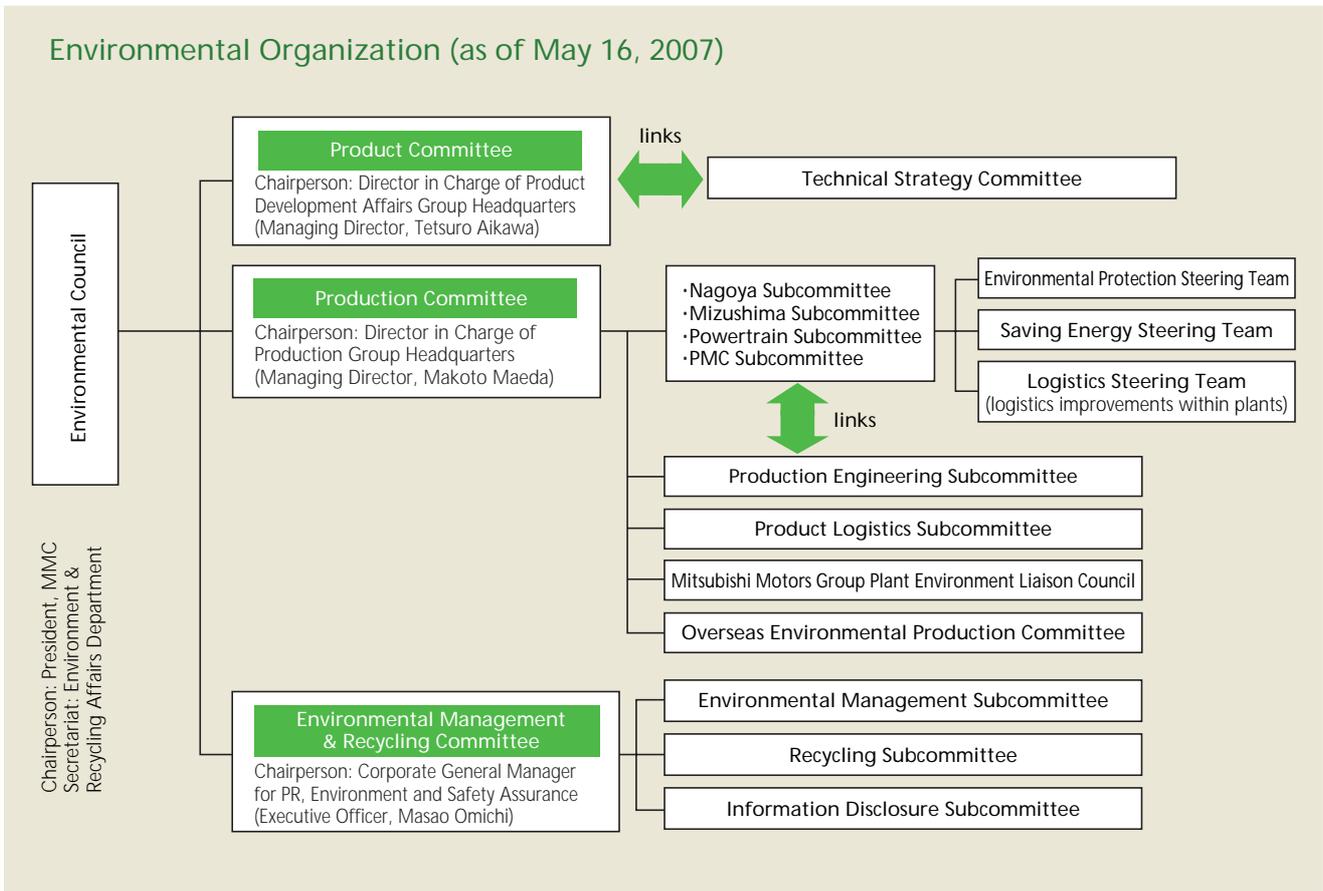
Behavioral Standards

1. We will endeavor to protect the environment by forecasting and assessing the environmental impact of our products at all stages in their life cycle. Priority is given to the following areas:
 - Prevention of global warming by reducing emissions of greenhouse gases
 - Prevention of pollution by restricting emissions of substances harmful to the environment
 - Reduction of waste and maximizing efficient use of resources by promoting conservation of resources and recycling
2. We will endeavor to improve our environment management practices as part of ongoing efforts to ameliorate the impact on the environment.
3. We will comply with environmental regulations and agreements, and will work to protect the environment by establishing voluntary management targets.
4. We will encourage our affiliates and suppliers, both in Japan and overseas, to cooperate in working to protect the environment.
5. We will actively disclose environment-related information and will seek the understanding of local communities and of society at large.

Environmental Organization

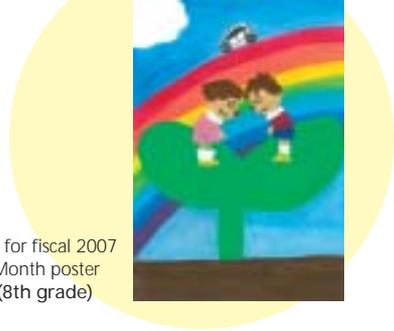
MMC's Environmental Council was formed in 1993 and is chaired by the President. The council meets once a year to determine basic corporate policies on measures to protect the environment and to consider proposals made by the committees under it. Environmental goals decided through this process are reviewed on a quarterly basis and steps are taken to manage progress toward achieving those goals.

In a meeting held in May 2006, the council considered and decided on the Environment Initiative Program 2010, the new plan covering MMC's environmental activities up to fiscal 2010. This plan will also be reviewed by the Environmental Council every year from fiscal 2007. The Environmental Management & Recycling Committee now consists of three subcommittees. This reorganization was undertaken to upgrade the activities' functionality.



Environmental Council held in May 2007

The pieces of artwork featured at the top-right of each page in this section are some of the remarkable works submitted by children of MMC employees as poster entries for an internal campaign to raise awareness during the fiscal 2007 Environment Month.

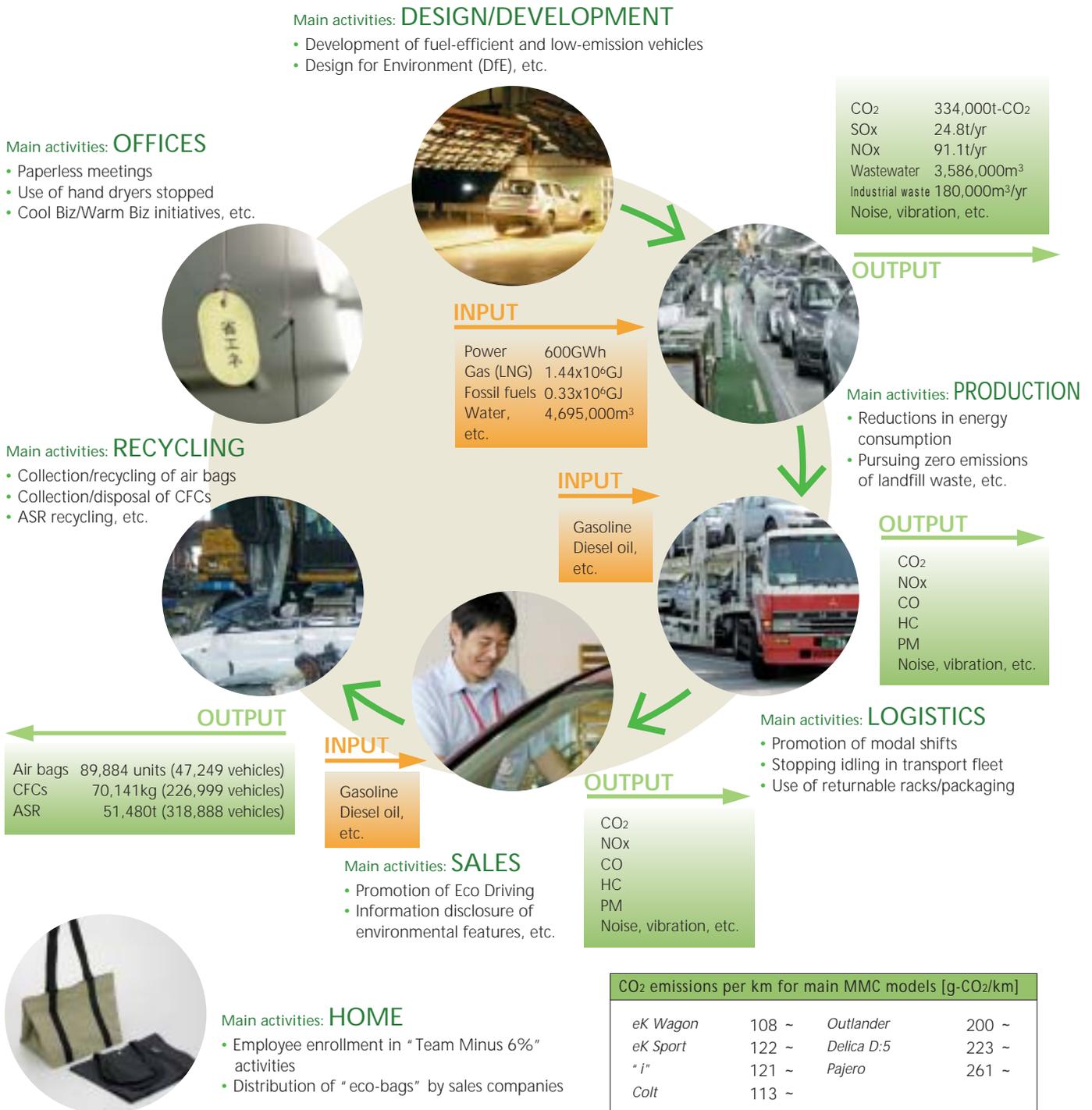


Winning entry for fiscal 2007 Environment Month poster
Mai Tazawa (8th grade)

Environmental Impact Over Vehicle Lifecycle

Environmental impact varies with each stage of a vehicle's lifecycle, whether during production, use or eventual recycling and disposal. Like most companies, MMC is concerned about this impact in terms of the problems caused from the local to the global level. The company has adopted a comprehensive approach to achieve sustained long-term reductions in environmental impact that are as broad in scope as possible.

The diagram below illustrates the principal inputs (such as energy) and outputs (environmental emissions) for each lifecycle stage. The following pages detail the environmental impact of each stage along with the specific measures that MMC is taking to reduce this impact.



CO ₂ emissions per km for main MMC models [g-CO ₂ /km]			
eK Wagon	108 ~	Outlander	200 ~
eK Sport	122 ~	Delica D:5	223 ~
"i"	121 ~	Pajero	261 ~
Colt	113 ~		

Mitsubishi Motors Environment Initiative Program 2010

In July 2006, MMC announced the Mitsubishi Motors Environment Initiative Program 2010 (EIP 2010) to guide its environmental initiatives until fiscal 2010. This program succeeds the fiscal 2002-2005 Environmental Sustainability Plan (ESP). EIP 2010 is designed to achieve harmonious co-existence with the environment in conjunction with corporate rejuvenation and growth, ultimately contributing to the establishment of a sustainable society. During fiscal 2006, the first year of this plan, MMC addressed a number of new issues. Progress was largely in line with the plan and the company achieved the results it had set for itself.

Category	Activities and Goals (Target deadline is 2010 unless otherwise specified)	Fiscal 2006 Results	
Environmental Management	Build up global environmental management framework	<ul style="list-style-type: none"> Expand environmental management system to cover non-production subsidiaries and affiliates, including overseas companies. Promote acquisition of EA21 environmental management certification for domestic sales companies. 	Established environmental management guidelines Two sales companies obtained EA21 certification on a trial basis
	Collaboration with suppliers	<ul style="list-style-type: none"> Promote acquisition of ISO 14001 and other environmental management certification by suppliers. 	Certification acquired by 97% of suppliers
	Establish DfE promotional organization	<ul style="list-style-type: none"> Establish LCA data collection system at domestic production bases. Establish system to collect LCA data from suppliers. 	Data collection methods investigated —
	Expanding and improving training/increasing awareness and information disclosure	<ul style="list-style-type: none"> Raise environmental awareness throughout MMC Group. Continuously expand and improve information disclosure through social and environmental reports, website, etc. 	Employees enrolled in "Team Minus 6%" program Environment-related website revamped
	Expanding and improving social contribution activities and environmental activities	<ul style="list-style-type: none"> Expansion of lecture program at elementary schools. 	Hands-on lessons offered at 24 schools
Prevention of Global Warming	Improve automobile fuel economy	<ul style="list-style-type: none"> Progressively enhance fuel economy by incorporating low-fuel consumption technology into new vehicles. Japan: Achieve domestic fuel economy standard targets for 2010 in all vehicle categories ahead of schedule by 2007. 	Roll out more new generation gasoline engines Met target in 2,000kg vehicle category for the first time
	Development of next generation of low-fuel consumption core technologies	<ul style="list-style-type: none"> Develop and commercialize next-generation clean diesel engines. Develop and commercialize next-generation high-efficiency transmissions. 	Developing for commercialization Developing for commercialization
	Compatibility with diverse energy sources	<ul style="list-style-type: none"> Develop and launch biofuel compatible vehicles. 	Launched in Brazil
	Development and practical application of plant-based resin	<ul style="list-style-type: none"> Develop and practically apply "Green Plastic" derived from proprietary vegetable-oil based resin. 	Mass production technology due to be developed
	Development of air conditioners using refrigerants with low global-warming factors	<ul style="list-style-type: none"> Develop and practically apply air conditioners using substitute refrigerants instead of HFC-134a. 	In-vehicle assessment of air conditioners using refrigerants with low global-warming factors completed
Reduction in CO ₂ emissions from production and logistics	<ul style="list-style-type: none"> Total CO₂ emissions from production: At least 20% lower than fiscal 1990. CO₂ emissions per unit shipped from logistics: Annual reduction of at least 1%. 	Progressing toward achievement of 2010 targets Establish a system to assess results and pursue further reductions	
Prevention of Environmental Pollution	Development of next-generation electric vehicles	<ul style="list-style-type: none"> Target R&D with a view to launching a next-generation electric vehicle based on the minicar platform by 2010. 	Commenced joint research with electric power companies
	Promoting propagation of low emission vehicles	<ul style="list-style-type: none"> Raise most registered passenger automobiles to the "four-star" level by 2010. 	Launched new "four-star" vehicles in line with plan
	Reduction of VOCs in cabins	<ul style="list-style-type: none"> Step-by-step achievement of the JAMA voluntary cabin VOC emission standards ahead of target deadline of April 2007, starting with the introduction of new fiscal 2006 models. 	All vehicles launched in fiscal 2006 met targets
	Strengthen management and reduce use of substances with an adverse impact on the environment used in products	<ul style="list-style-type: none"> Improve management of information on adverse-impact substances used in components and materials. Achieve early elimination of use of restricted adverse-impact substances, such as hexavalent chromium. Convert to lead-free solder. 	Compiled additional hazardous substance data for new models Completed elimination of hexavalent chromium in vehicles for European market —
	Reduce use of environmentally impacting substances in production (VOCs, PRTR)	<ul style="list-style-type: none"> Reduction of VOC emission unit use by at least 30% compared with fiscal 2000. Reduce emissions and transfers of PRTR-listed substances. Promote proper disposal of waste containing PCBs. Prevention of asbestos-caused damage to people's health. 	Achieved 12% year-on-year reduction; progress in line with plan Limited emissions in order of priority Drew up a long-term disposal plan Measures progressed in line with plan
Recycling and Resource Conservation	Automobile recycling	<ul style="list-style-type: none"> Japan: Early achievement of fiscal 2015 statutory minimum ASR recycling rate of 70%. Promote total recycling (End of fiscal 2009: total recycling rate of at least 20%). Europe: Build ELV recovery systems. Respond to recyclability directives. 	Achieved 70% recycling rate for ASR Almost completed building systems tailored to the needs of each country
	Development and increased application of 3R technology	<ul style="list-style-type: none"> Increase ease of removing wire harness types of motors. Use more parts made from recycled materials. 	Drew up guidelines on methods for assessing ease of removal Increased from 23 recycled parts in fiscal 2005 to 40 in fiscal 2006
	3R in context of production process	<ul style="list-style-type: none"> Maintain zero emissions of landfill waste at all manufacturing sites. Maintain a waste recycling rate of at least 98%. Reduce emissions of such by-products as metal scrap and waste casting sand (reduce ratio of emissions to net sales by 1.7% in fiscal 2006 compared with fiscal 2001). Reduction of water use through efficient recycling (5% reduction compared with fiscal 2000). 	Maintained zero landfill waste since fiscal 2002 Maintained since fiscal 2001 Achieved ratio of 112 tons/¥ billion (18% reduction since fiscal 2001) Achieved since fiscal 2001

EA21 : EcoAction21
DfE : Design for Environment
LCA : Life Cycle Assessment
VOC : Volatile Organic Compounds

"four-star" : Denotes 75% reduction in emissions compared to official fiscal 2005 standards
PRTR : Pollutant Release and Transfer Register
PCBs : Polychlorinated biphenyls
ASR : Automobile Shredder Residue

Ayane Tsuji (8th grade)



Environmental Activities

Planning & Development

Procurement, Production & Logistics

Sales & After-sales Services

Global Environmental Management

P.44,45

Meetings of the Plant Environment Liaison Council are held twice a year to encourage production-related companies in Japan to share information. Production-related companies outside Japan decide on priority initiatives and targets during Overseas Environmental Production Committee meetings.

Green Procurement

P.30

Promoted acquisition of ISO 14001 by suppliers, 97% of whom have now acquired certification.

Collaboration With Sales Companies

P.34

Promoted introduction of EcoAction21 certification.

Design for Environment

P.46

- Shared Life Cycle Assessment data in response to the spread of LCA.
- Assessed lifecycle CO₂ emissions during development of certain automotive parts.



Environmental Audit

Conducted periodical auditing of certified ASR recycling facilities and complete resource recovery operators.

Improving Fuel Economy

P.17,18,48

- Developed the Twin Clutch SST, a highly efficient next-generation transmission.
- Commenced sales in Brazil of a flexible fuel vehicle that can run on bioethanol.
- Pursued further practical applications for Green Plastic.
- Power-saving Automotive Air Conditioning Unit won the U.S. EPA Climate Protection Award 2007.

Energy Conservation in Plants

P.49

Introduced highly efficient equipment including welding machines featuring electric pressurization.

Greater Awareness of Eco Driving

Conducted initiative aimed at increasing awareness by printing such comments as "Slow down. Go easy on the environment through Eco Driving" on catalogs and other publications sent to customers.

Energy Conservation in Logistics

P.50

- Developed systems to assess and compile data relating to the transport of vehicles and parts.
- Promoted employee awareness of energy conservation.

Information Disclosure of Environmental Features

Disclosed information about environmental features of our products by including environmental information in our catalogs and on our website, etc.



Low-emission Vehicles

P.16,52

- Pursued development of the i MIEV next-generation electric vehicle with the goal of finding practical applications, and started tests to assess its performance under real-life conditions.
- Expanded ratio of "four-star" LEVs sold within gasoline-fueled passenger cars.



Appropriate Management and Reduction of Chemical Substances

P.53

- Controlled emissions of substances designated under PRTR legislation.
- Promoted reductions in VOCs through initiatives including the introduction of water-based paint.
- Ensured that PCBs and asbestos are managed properly and disposed of.



Reduction of Substances With Environmental Impact

P.54

- Used the International Material Data System to compile information on hazardous substances.
- Pursued elimination of hexavalent chromium in nuts and bolts.



3R Technology

P.56

- Pursued 3R-oriented design in new models such as the Delica D-5.
- Set assessment standards regarding ease of removal for wiring harnesses.
- Increased the range of parts made by recycling collected bumpers.

Curtail Generation of Waste

P.57

- Limited emissions of metal scrap and waste casting sand, which account for 90% of waste generated.
- Reduced amount of adhesive residues left in drums.

Promote Recycling

P.58

Recovered ASR, air bags and fluorocarbons from ELVs for recycling.

Environmental Management

Besides reducing the environmental impact of its products, MMC is also working from a variety of angles to reduce the impact of business operations, from development and production to logistics, sales and end-of-life disposal. At the same time, the company is trying to strengthen its environmental management practices on an ongoing basis in order to shrink its total environmental foot print, including that of suppliers and overseas production bases, subsidiaries and affiliates.

Global Environmental Management	44
Design for Environment (DfE)	46
Environmental Communications	46
Environmental Education and Awareness	
http://www.mitsubishi-motors.co.jp/social/environment/management/education.html	(Japanese only)
Environmental Accounting	
http://www.mitsubishi-motors.co.jp/social/environment/management/account.html	(Japanese only)

The spring verdure in Narada (Hayakawa-cho, Yamanashi Prefecture)

Program Overview

Cars have an environmental impact over their entire lifecycle—in the development and production stages, during use by the customer, and also in end-of-life disposal. This means that environmental management activities must consider each stage.

It is also important to look at environmental management from a global viewpoint because MMC's development, production and sales activities are based around the world.

MMC's focus is therefore on a program of global environmental management activities to promote integrated improvements across all consolidated subsidiaries and affiliates in the MMC Group. This includes sales companies and non-production operations in addition to manufacturing bases around the world.

For instance, all MMC production subsidiaries worldwide have now introduced an environmental management system (EMS) and completed certification to the relevant international standard (ISO 14001). In addition, efforts are underway at domestic sales companies to complete EMS certification based on the EcoAction21 (EA21) guidelines published by the Japanese Ministry of the Environment.

The next step in MMC's global environmental management program is to establish and manage integrated performance targets for each MMC Group firm worldwide.

The aim is to promote the assessment and reduction of environmental impact through such activities.

Eco-friendly design, which MMC refers to as Design for Environment (DfE), is a critical part of determining environmental impact over the entire vehicle lifecycle. MMC's DfE activities are intended to improve environmental performance in terms of two parameters: first, the quantity of lifecycle CO₂ emissions; second, the ease of application of the "3R" processes (waste reduction, reuse and recycling) to the vehicle during the end-of-life disposal stage.

MMC uses environmental accounting techniques to calculate the costs and benefits of its efforts to improve environmental performance. Due to the lack of any agreed global definitions or methodology in this area, at present the company only compiles data for the parent company using internal standards based on guidelines issued by the Ministry of the Environment. It plans to study how to expand its environmental accounting efforts to include global operations in the future. Separately, MMC is also promoting various environmental education and awareness activities to raise levels of environmental awareness and self-motivation among MMC employees, thereby cultivating a more eco-conscious corporate culture. The company is also looking at ways to develop these activities across the MMC Group.

Web <http://www.mitsubishi-motors.co.jp/social/environment/management/> (Japanese only)



Miho Ando (3rd grade)

Global Environmental Management (Collaboration with Affiliates)

Plan! Fiscal 2006 Goals

- Develop activities through the Plant Environment Liaison Council (Japan) and Overseas Environmental Production Committee (overseas)
- Select non-production affiliates targeted for consolidated environmental management program
- Formulate environmental guidelines

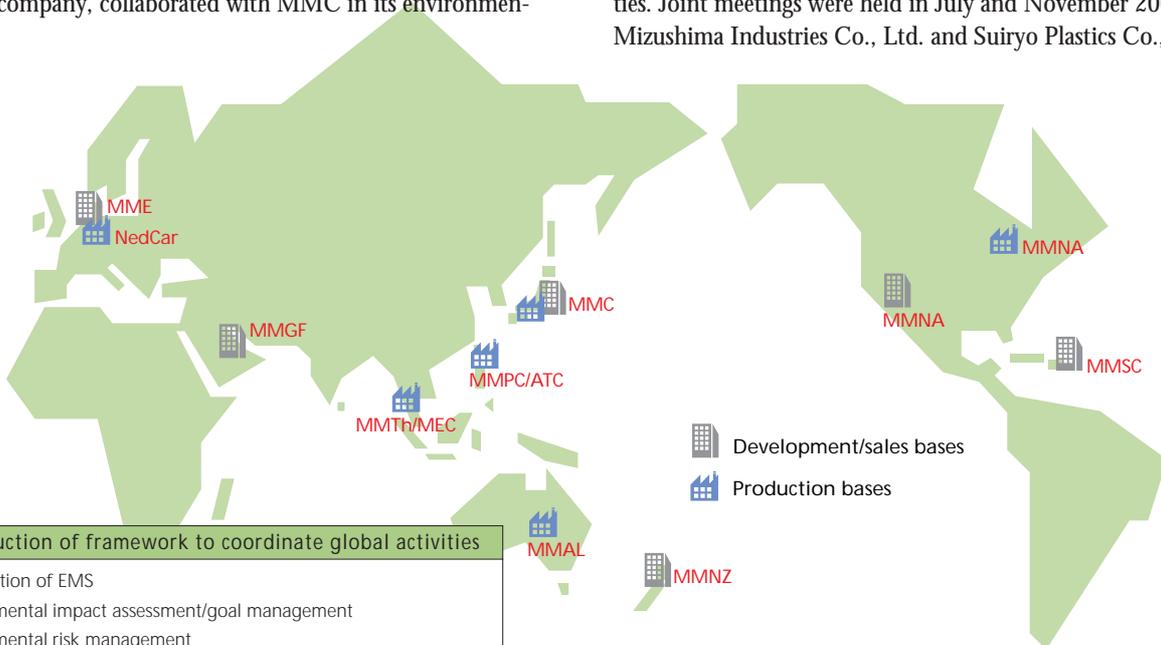
Do! Fiscal 2006 Activities and Results

Collaborative framework with domestic production companies

Pajero Manufacturing Co., Ltd. (PMC), a major domestic production company, collaborated with MMC in its environmen-

tal activities as a member of the Production Committee of the MMC Environmental Council (the PMC subcommittee). From 2006, MMC also formed a 3R Promotion Team and began collaborating with PMC on efforts to restrict waste generation (for more information on 3R activities [P.57](#)).

MMC cooperates closely with other domestic production subsidiaries and affiliates on environmental activities through the Mitsubishi Motors Group Plant Environment Liaison Council. Meetings during fiscal 2006 provided opportunities to discuss the establishment of common MMC Group environmental performance targets along with related technical issues, and to exchange information on environmental activities. Joint meetings were held in July and November 2006 by Mizushima Industries Co., Ltd. and Suiryo Plastics Co., Ltd.



Construction of framework to coordinate global activities	
Introduction of EMS	
Environmental impact assessment/goal management	
Environmental risk management	
Environmental education/awareness	
Expanded consolidated environmental accounting	

Companies in fiscal 2006 global environmental management program

	Development	Production	Logistics	Sales	Service
Domestic	<ul style="list-style-type: none"> • Mitsubishi Automotive Engineering 	<ul style="list-style-type: none"> • Pajero Manufacturing • Suiryo Plastics • Mizushima Industries 	<ul style="list-style-type: none"> • Mitsubishi Automotive Logistics 	<ul style="list-style-type: none"> • Mitsubishi Automotive Accessories & Products • Sales companies (29) • Automotive parts sales companies (9) 	<ul style="list-style-type: none"> • Mitsubishi Automotive Techno-Service
Overseas		<ul style="list-style-type: none"> • MMNA (North America) • NedCar (Netherlands) • MMAL (Australia) • MMTh (Thailand) • MMPC (Philippines) 		<ul style="list-style-type: none"> • MMNA (North America) • MME (Europe) • MMNZ (New Zealand) • MMSC (Puerto Rico) • MMGF (U.A.E.) 	

Global Environmental Management (Collaboration with Affiliates)

Collaboration with overseas production companies
 MMC exchanges information on the status of environmental protection measures through twice-yearly meetings with all the major production plants located outside Japan (MMNA, NedCar, MMAL, MMTh and MMPC). The company also uses these opportunities to assess environment-related initiatives in each country and to confirm compliance with all relevant environmental legislation.

This year's international production conferences included meetings of the Overseas Environmental Production Committee at MMTh (June 2006), at the engine plants in Kyoto and Shiga (February 2007) and at MMPC (July 2007). The meetings were used to exchange opinions on environmental activities and to discuss MMC's global policies.



An international production conference in progress

The Overseas Environmental Production Committee determined the priority activities for plants (listed below) and established related targets for the MMC Group.

1. Plant environmental protection
2. Prevention of global warming
3. Promotion of 3R (Reduce, Reuse, Recycle)

As part of joint activities with overseas plants, in June 2007 MMC held meetings with local personnel at MMTh to discuss promotion of global warming countermeasures and 3R activities. These meetings also dealt with any related matters of concern and the activity promotion framework.



Employees from MMC meet with MMTh employees at the MMTh plant.

*1. MEC (MMTh Engine Co., Ltd.) is a consolidated subsidiary based in Thailand that manufactures car engines.

*2. ATC (Asian Transmission Corp.) is a Philippines-based consolidated subsidiary that manufactures car transmissions.

Formulation of environmental management guidelines

MMC continues to make progress in expanding the scope of environmental management activities to non-production subsidiaries and affiliates to reduce environmental impact across all of its operations, including automotive development, production, sales and service. During fiscal 2006 the company formulated a set of environmental management guidelines for non-production subsidiaries and affiliates. It presented these in February 2007 and requested that companies actively begin implementing the guidelines.

Check! Fiscal 2006 Self Evaluation

MMC shared information on environmental activities and related issues with domestic production companies through the twice-yearly meetings of the Mitsubishi Motors Group Plant Environment Liaison Council.

Through the Overseas Environmental Production Committee, the company identified priority activities for overseas production subsidiaries and affiliates, set related performance targets for the MMC Group and exchanged information and opinions on matters related to environmental management. It also jointly constructed an activity promotion framework.

For non-production subsidiaries and affiliates, the company identified common themes for environmental activities to target reductions in CO₂ emissions and waste generation (in Japan). It established management indicators for these activities and introduced measures to monitor and control performance in numerical terms.

Action! Future Plans and Issues

MMC will maintain close cooperation with domestic production companies through the continued exchange of information.

Thailand-based MEC^{*1} and Philippines-based ATC^{*2} will join the company's global environmental management program from fiscal 2007. MMC plans to hold meetings with local staff at both companies to exchange information and assess environmental activity status.

In future, MMC will continue cooperating with non-production subsidiaries and affiliates both in Japan and around the world to set and manage targets relating to the reduction of environmental impact. The company plans to publish the results of these activities.

<http://www.pajero.co.jp/> (Japanese only)
<http://www.mizushima-kogyo.co.jp/> (Japanese only)
<http://www.suiryo.co.jp/en/>



Saki Nakaoka (aged 3)

Design for Environment (DfE)

Plan! Fiscal 2006 Goals

- Share information internally on lifecycle CO₂ emissions for finished vehicles and parts based on LCA (Life Cycle Assessment)
- Study data-compilation methods for domestic MMC production sites

Do! Fiscal 2006 Activities and Results

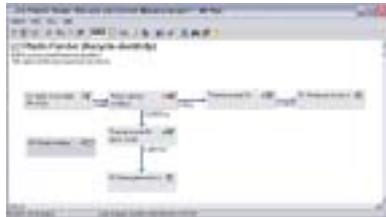
LCA analysis and information sharing

LCA is a method for quantifying the environmental impact of a product over its entire lifecycle, from production to final disposal. MMC aims to use this method in its product development processes to better create vehicles that exert less environmental impact.

During fiscal 2006 MMC shared results derived using LCA methods within the company and made further progress in developing techniques to assess lifecycle CO₂ emissions for some automotive parts.



LCA analysis



Study of LCA data-compilation methods

Making LCA calculations model reality more closely requires the compilation of data relating to CO₂ emissions from as broad a variety of sources as possible.

During fiscal 2006 MMC studied methods of compiling data from its domestic production bases. Next the company plans to study practical applications so that it can start gathering actual data.

Check! Fiscal 2006 Self Evaluation

MMC performed LCA evaluations, shared this information internally and studied methods to compile LCA-related data from different sites.

Action! Future Plans and Issues

Going forward, MMC will study ways to improve the precision of LCA-based analyses while working to promote the spread of the LCA approach. The company will also try to reduce the environmental impact of its products by expanding the scope of LCA application.

Environmental Communications

Plan! Fiscal 2006 Goals

- Release information on environmental activities on an ongoing basis
- Distribute environmental communications tools

Do! Fiscal 2006 Activities and Results

Publication of information on environmental activities

Besides this report, MMC publishes environment-related information in a variety of formats, including press releases and other information available from the company website. The company also participates in a number of external events.



Environmental communications

Each of MMC's major production sites in Japan produces an environmental report. These documents are distributed to local residents and people visiting the factory. The company also measures water quality and noise levels at each site to confirm that its activities do not cause any local environmental pollution. This data is also disclosed.

Accidents and complaints

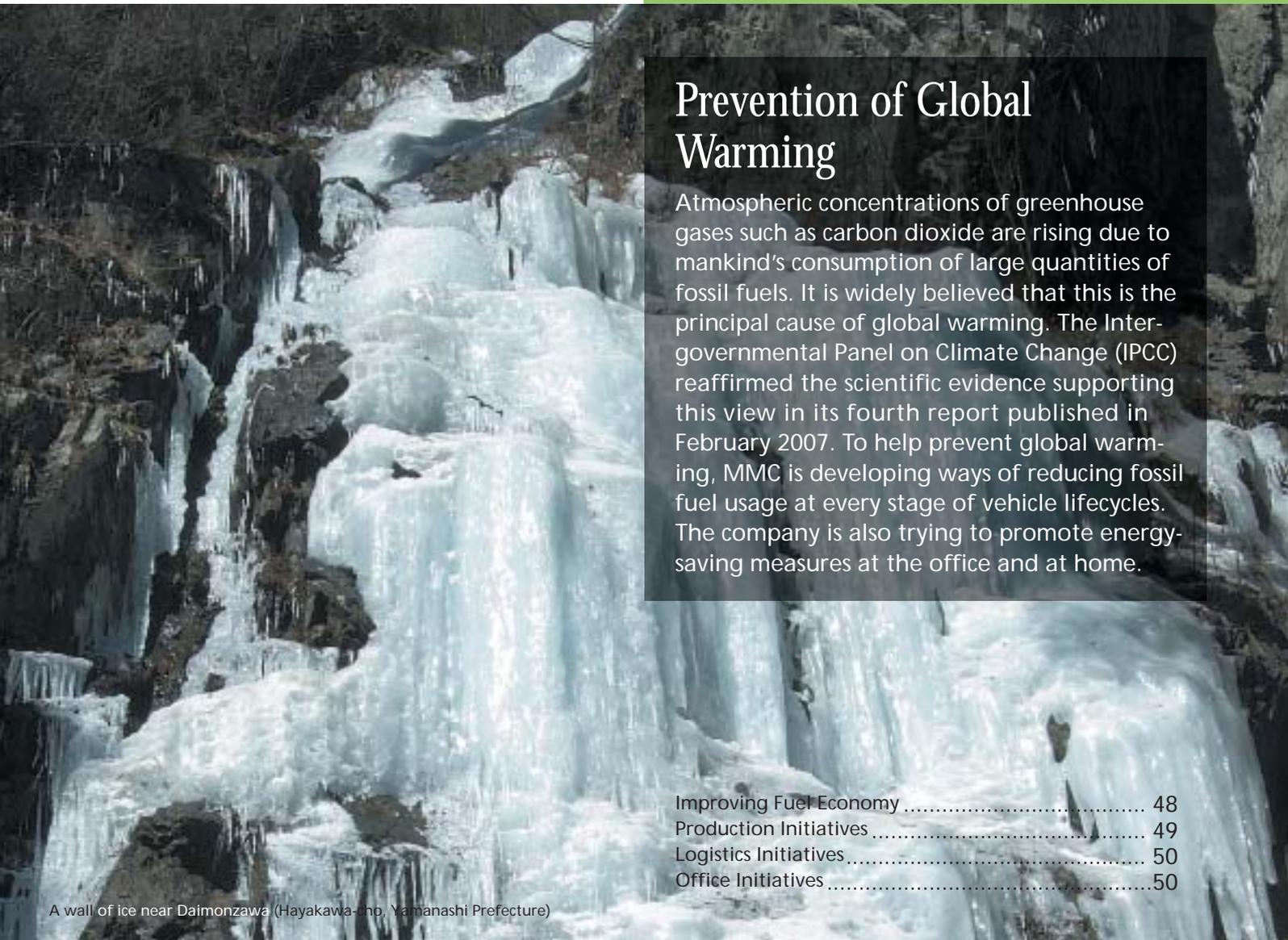
There were no incidents at MMC Group sites during fiscal 2006 with any significant environmental impact. A total of 13 complaints relating to bad odors, noise or other types of pollution were made to MMC production sites. In each case MMC investigated the cause and implemented remedial measures. The company also conducted site inspections in an attempt to detect possible problems and prevent further complaints.

Check! Fiscal 2006 Self Evaluation

While MMC accomplished its goal of releasing environment-related information on an ongoing basis, there remains a gap in disclosure at the consolidated level. There are also differences between production sites in terms of environmental communications activities. Going forward, MMC sees a need to promote increased cooperation across the company and between consolidated subsidiaries and affiliates.

Action! Future Plans and Issues

MMC plans to release more information at the consolidated level and to improve its communications tools to promote increased two-way communication.



A wall of ice near Daimonzawa (Hayakawa-shi, Yamanashi Prefecture)

Prevention of Global Warming

Atmospheric concentrations of greenhouse gases such as carbon dioxide are rising due to mankind's consumption of large quantities of fossil fuels. It is widely believed that this is the principal cause of global warming. The Intergovernmental Panel on Climate Change (IPCC) reaffirmed the scientific evidence supporting this view in its fourth report published in February 2007. To help prevent global warming, MMC is developing ways of reducing fossil fuel usage at every stage of vehicle lifecycles. The company is also trying to promote energy-saving measures at the office and at home.

Improving Fuel Economy	48
Production Initiatives	49
Logistics Initiatives	50
Office Initiatives	50

Program Overview

The transport sector accounts for approximately 20% of CO₂ emissions in Japan. Of this, around 90% is due to automobile emissions. Improvements in fuel economy and related measures have had an effect, and transport sector CO₂ emissions are now on a downward trend since peaking in 2001. However, further reductions in the quantities of CO₂ emitted are required if Japan is to meet the targets established in the Kyoto Protocol, which acquired legal force in 2005.

MMC has promoted improvements in fuel economy by switching to newly developed engines incorporating technologies such as variable valve timing and by expanding adoption of models with continuously variable transmission (CVT). As a result of these efforts, the average fuel consumption of its domestic gasoline models in fiscal 2006 was 15.6 km/liter, an improvement of 29% compared with fiscal 1990.

Taking the long-term view, MMC is also developing a global response to the problem. The company is ensuring that all its automobile models conform to new exhaust emissions standards in Japan, Europe and the United States. It is also working to develop and commercialize clean diesel engines that can realize significant cuts in CO₂ emissions, along with next-generation high-efficiency sport shift transmissions such as the Twin Clutch SST that com-

bine low fuel consumption with sporty driving performance.

Moreover, responding to the development of alternative fuels, MMC has developed a flexible fuel vehicle (FFV) capable of running on ethanol. The company began selling this model in Brazil in July 2007.

In other areas of future technical development, MMC is road testing the *MiEV* (Mitsubishi innovative Electric Vehicle) with the help of three electric utilities in Japan to which it has provided prototypes. The *MiEV* is a next-generation electric vehicle that emits no CO₂ whatsoever while the car is running. Also, MMC continues to conduct R&D on Green Plastic, a plant-based resin that it developed in-house.

MMC is steadily reducing CO₂ emissions from production and logistics operations by introducing energy-saving installations and equipment and by switching to cleaner fuels. The CO₂ emissions from its plants in Japan in fiscal 2006 were 31% less than in fiscal 1990 as a result of these efforts. The company has also achieved CO₂ emissions-reduction targets in the logistics sector by making transport of finished vehicles more efficient.

Lastly, MMC continues to undertake various environmental awareness activities to raise awareness among employees about reducing CO₂ emissions in the office and at home.



Chihiro Shimakura (4th grade)

Improving Fuel Economy

Plan! Fiscal 2006 Goals

- Achieve goal of meeting 2010 domestic fuel economy standards in all categories during fiscal 2007, ahead of target deadline
- Reduce average CO₂ emissions for new models sold in Europe
- Develop next-generation technologies (clean diesel engines and high-efficiency transmissions)

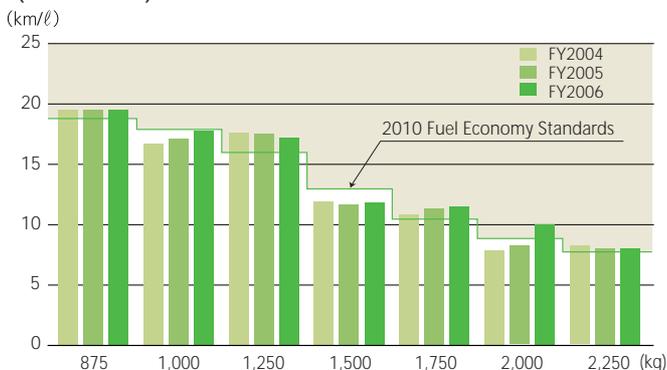
Do! Fiscal 2006 Activities and Results

Status of activities in Japan

MMC introduced various fuel economy improvements with the launch of new models to try to meet the domestic fuel economy standards for 2010 ahead of schedule. These included improved engines and drive trains and reductions in weight, rolling resistance and aerodynamic drag.

The launch of the *Delica D:5* in fiscal 2006 enabled the company to meet the 2010 standard in the 2,000kg vehicle category. MMC's domestic gasoline passenger car models now meet the standards in five out of seven categories.

Average fuel economy for gasoline passenger car categories (10·15 mode)

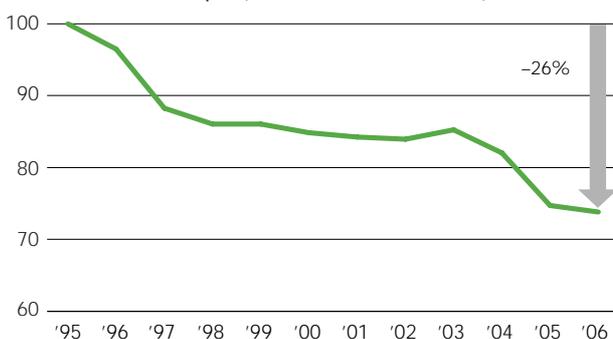


Status of activities in Europe

In Europe, MMC is working towards a voluntary target set by the Japan Automobile Manufacturers Association (JAMA) of average overall CO₂ emissions for all new models sold of 140g/km by 2009 (the JAMA target was part of an environmental cooperation agreement made by the industry with the Japanese government and equals a 25% reduction in overall average emissions relative to 1995).

Besides progressively improving the fuel economy of new models, the company is also trying to hit the target by developing and expanding its range of diesel models. The average overall CO₂ emissions of MMC models in 2006 marked an improvement of roughly 26% compared with 1995.

Improvements in overall average CO₂ emissions for new models sold in Europe (Value for 1995 set at 100)



Development of fuel-efficient technologies

Alongside improvements in fuel economy due to the development of next-generation gasoline engines, MMC is also seeking to boost engine efficiency by developing better valve systems. The company has positioned clean diesel engines and the Twin Clutch SST^{*1} high-efficiency transmission as core next-generation environmental technologies. Efforts continue to bring these improved technologies to market.



MMC is developing clean diesel engines.

Check! Fiscal 2006 Self Evaluation

In Japan, MMC improved average fuel economy with the launch of new *eK Wagon*, *Pajero* and *Delica D:5* models and the addition of a new "i" model with a naturally aspirated engine. The company made steady progress in attaining the domestic fuel economy standards for 2010 during fiscal 2007, ahead of the target deadline.

In Europe, MMC achieved a substantial improvement in average CO₂ emissions overall.

Action! Future Plans and Issues

MMC plans to continue making steady progress in terms of fuel economy improvements through the introduction of low fuel consumption technologies in new models.

*1: The Twin Clutch SST is a manual transmission that uses an automatic shifting mechanism to achieve sporty gear changes without the need for a clutch pedal. It already features on the *Lancer Evolution*.

Production Initiatives

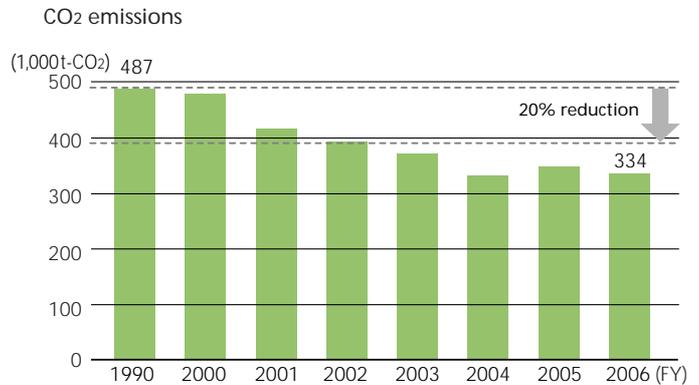
Plan! Fiscal 2006 Goals

- Maintain reduction of more than 20% in (energy-related) CO₂ emissions from MMC plants compared with fiscal 1990

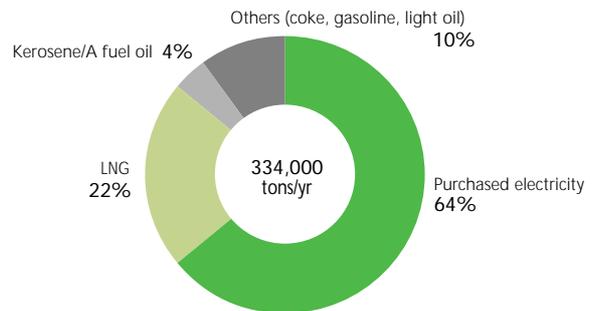
Do! Fiscal 2006 Activities and Results

MMC conducted the following global warming countermeasures to reduce consumption of power and fuels and to restrict related emissions of greenhouse gases such as CO₂.

1. Switching to clean fuels (expanded use of LNG, others)
2. Reductions in outlet pressure with motive power sources (air, steam)
3. Minimization of energy consumption outside production hours (stoppage of intake and exhaust fans, etc.)
4. Installation of high-efficiency equipment
5. Revision of operational and operating conditions (temperature settings, firing times for drying ovens, etc.)
6. Thermal recycling of waste heat from incinerators (steam recovery)
7. Promotion of real-time energy management at plants



Breakdown of FY2006 energy consumption (CO₂ equivalents)

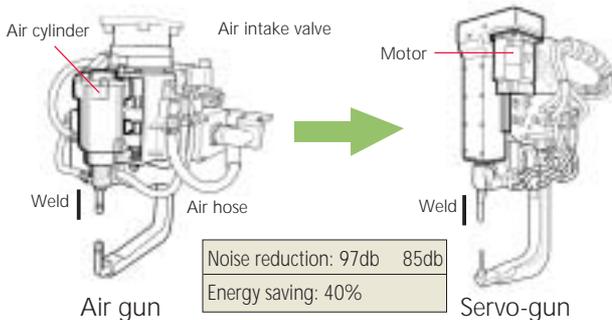


Check! Fiscal 2006 Self Evaluation

MMC achieved its target using a variety of energy-saving initiatives, despite increased production in volume terms relative to fiscal 2005. CO₂ emissions due to production activities were 31% lower than in fiscal 1990.

Action! Future Plans and Issues

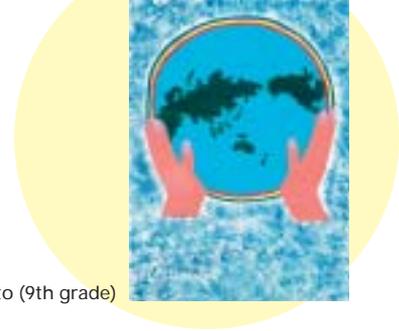
Assessing the CO₂ emissions-reduction target in total volume terms will be difficult due to higher unit production levels, planned increases in capacity and other changes. MMC plans to continue its program of activities with the aim of maintaining an overall reduction of at least 20% relative to the reference year of fiscal 1990.



Power reduced using electric pressurization rather than compressed air in welding machine



Fuel saved by controlling number of boilers in operation



Miki Nishimoto (9th grade)

Logistics Initiatives

Plan! Fiscal 2006 Goals

- Create system to comply with designated shipper^{*1} regulations under the amended Energy Conservation Law (in force from April 2006)

Do! Fiscal 2006 Activities and Results

Response to the amended Energy Conservation Law In Japan, the amended Energy Conservation Law came into force in April 2006.

MMC is a designated shipper under the new regulations, which require such firms to submit a CO₂ emissions reduction plan and report energy consumption and related data to the Ministry of Economy, Trade and Industry every year. Going forward, MMC is targeting an annual reduction in CO₂ emissions per unit of output of at least 1%. In fiscal 2006 the company developed an internal framework through the following activities:

- It developed systems to assess and compile actual data relating to the transport of finished vehicles, parts for production, spare parts and knockdown parts.^{*2}
- It held meetings to raise employee awareness of ongoing efforts to reduce CO₂ emissions per unit of output.

Check! Fiscal 2006 Self Evaluation

MMC achieved the designated goal of constructing a framework that will enable it to comply with new energy conservation legislation in Japan.

Action! Future Plans and Issues

MMC will implement measures to achieve annual reductions of at least 1% in freight transport-related CO₂ emissions per unit of output to comply with the amended Energy Conservation Law.

Office Initiatives

Plan! Fiscal 2006 Goals

- Reduce paper consumption and save electricity by turning off lights
- Expand employee enrollment in "Team Minus 6%" program

Do! Fiscal 2006 Activities and Results

Reduction of paper consumption and use of FSC-approved paper^{*3}

MMC made further progress in reducing paper consumption by asking employees not to use paper handouts at meetings to promote paperless operations. Other measures included encouraging double-sided printing and copying. Total paper consumption was 4.6% lower than in Fiscal 2005.

As part of promoting greater internal use of recycled paper, the company completed a switch to FSC-approved paper for all product catalogs and pamphlets distributed to customers.



Employee enrollment in "Team Minus 6%" program

MMC encouraged employees to enroll in "Team Minus 6%" activities to raise internal awareness of environmental protection activities. Some 12,000 employees (including MMC affiliates) signed up for the program, which is voluntary. Program members offered numerous useful suggestions on ways to save electricity.

Check! Fiscal 2006 Self Evaluation

MMC made further steady progress in cutting paper consumption. The company gave a boost to paper recycling through the adoption of FSC-approved paper stock.

Action! Future Plans and Issues

MMC will continue promoting steady decreases in paper consumption along with the use of FSC-approved paper. To save electricity, the company plans to focus on activities that promote greater environmental awareness among individual employees.

*1: Under the new rules, a designated shipper is any firm that transports at least 30 million tons of commercial freight per year (including both freight shipping outsourced to other companies and freight they ship themselves).

*2: Knockdown parts are those shipped to overseas plants for local assembly of finished vehicles.

*3: FSC-approved paper refers to paper stock made from lumber that has been taken from forests certified as "responsibly managed" under standards set and managed by the Forest Stewardship Council (FSC). Responsible management aims to promote the natural forest cycle by stimulating new tree growth through the use of sustainable logging methods.

Oasis in the sky: view of Mt. Fuji during ascent of Ainotake
 (Hayakawa-cho, Yamanashi Prefecture)
 Photograph by Yoshihiro KOIKE

Prevention of Environmental Pollution

Preventing pollution of the air, ground and water has been a basic concern for many years because it directly impacts human health. For automobiles, besides trying to cut the amounts of pollutants emitted in exhaust gases, environmental initiatives have focused on reducing and eliminating the use of hazardous substances in raw materials and production.

Recently, in addition to lessening the usage of substances that are already known to be hazardous, the global emphasis has shifted toward trying to prevent environmental pollution by registering all known chemicals and by conducting research to determine related environmental effects in advance.

Low-pollution and Low-emission Vehicles..... 52
 Production Initiatives..... 53
(VOCs, chemical substance management, PCBs, asbestos, soil contamination)
 Reduction of Hazardous Substances..... 54
 Production Initiatives
(SOx, NOx, water pollution, pollution due to noise, vibration and bad odors)
<http://www.mitsubishi-motors.co.jp/social/environment/pollution/factory/>
(Japanese only)

Program Overview

A broad range of measures is demanded to prevent environmental pollution due to automobiles. MMC's initiatives in this field fall into four main categories: cutting exhaust gas emissions; restricting usage of hazardous substances in automobiles; reducing the amounts of environmental pollutants generated in vehicle production processes; and ensuring proper compliance with laws to prevent soil contamination.

MMC treats environmental pollution as a serious matter. Its approach is to anticipate regulatory developments by establishing its own performance targets to ensure that operations are always in full regulatory compliance.

In Japan, MMC is trying to bring to market and expand sales of "four-star," low-emission vehicles (LEVs), whose exhaust emissions are at least 75% less than Japan's official emissions standards for fiscal 2005 or better. In markets outside Japan, the company is introducing LEV models that meet strict exhaust-emissions criteria such as the PZEV (partial zero-emission vehicle) standards adopted in certain U.S. states.

MMC has also made progress in improving cabin environments in automobiles through reductions in volatile organic compounds (VOCs). In Japan, the company's introduction of the "i" model in January 2006 enabled it to meet the voluntary

target set by the JAMA on cabin VOC emissions more than a year ahead of the compliance deadline.

Elsewhere, MMC has eliminated the use of environmentally hazardous substances such as mercury, cadmium and hexavalent chromium in its automobile lineup. The company is also developing lead-free solder for use in electronic components.

MMC has moved to reduce VOC emissions through measures such as installing water-based paint facilities at the Mizushima Plant (in August 2004) and other production sites. The company is also working to reduce emissions of hazardous substances such as toluene, which is a designated hazardous substance under Japan's Pollutant Release and Transfer Registry (PRTR) Law.

Development of next-generation electric vehicles is another aspect of MMC's efforts to counter environmental pollution. EVs also promise to help solve issues such as global warming and the need to move away from fossil fuels as energy sources. MMC is pursuing joint research with electric utilities on the *i MiEV*, a research prototype based on the same platform as its "i" minicar. The company aims to develop a commercially viable EV through this research program, which involves testing the vehicle for use in commercial applications, confirming the practicality of a rapid battery-charging infrastructure and assessing the potential benefits of EVs for consumers.

Web <http://www.mitsubishi-motors.co.jp/social/environment/pollution> (Japanese only)

Akiyo Goto (7th grade)



Low-pollution and Low-emission Vehicles (LEVs)

Plan! Fiscal 2006 Goals

- Continue development of next-generation electric vehicle *i MiEV*
- Promote increased percentage of LEVs
Boost ratio of sales from four-star (75% less than Japan's 2005 emissions standard) models to achieve target of deriving majority of new sales of registered vehicles from four-star models by fiscal 2010

Do! Fiscal 2006 Activities and Results

Next-generation electric vehicle *i MiEV*

The *i MiEV* prototype is a next-generation EV based on the "i" minicar platform that is powered by a high-performance lithium-ion battery and a small, lightweight motor. As part of a joint research program, in March 2007 MMC delivered one prototype each to two Japanese power utilities (Tokyo Electric Power and Kyushu Electric Power) to begin road-testing the vehicle under real-life conditions. The test program aims to see whether the *i MiEV* would be suitable as a commercial fleet vehicle for these utilities. The program will also assess the feasibility of a rapid battery-charging infrastructure (a third prototype vehicle was delivered to Chugoku Electric Power in June 2007).



Main specifications for *i MiEV*

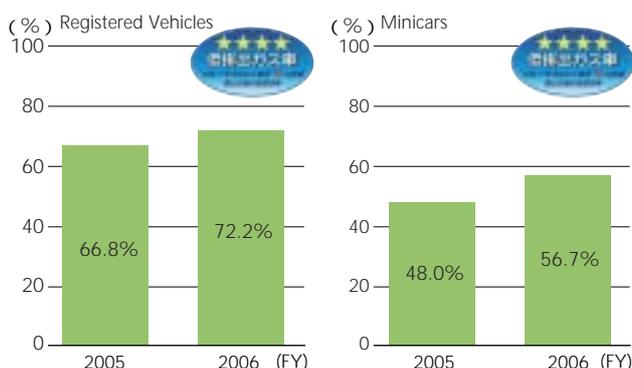
Dimensions (LxWxH)	3,395 x 1,475 x 1,600 mm	
Weight	1,080 kg	
Seating capacity	4 persons	
Top speed	130 km/h	
Range on single charge (10-15 mode)	130 km	
Motor	Type	Permanent magnet synchronous
	Maximum output	47 kW
	Maximum torque	180 N · m
Drive train	Rear-wheel drive	
Battery	Type	Lithium-ion
	Voltage	330 V
	Power output	16 kWh

Low-emission vehicles

Models launched in fiscal 2006 that received certification as LEVs in Japan included the *Pajero*, the "i" and the *Delica D:5*. Of these, the "i" and *Delica D:5* were certified as "four-star" models. This extended MMC's total roster of "four-star" vehicles to 18 models.

In terms of MMC's fiscal 2006 unit sales of gasoline-powered passenger cars, "four-star" models accounted for 72.2% of registered vehicles and 56.7% of minicars.

Sales ratios of MMC low-emission vehicles (gasoline passenger cars)



Check! Fiscal 2006 Self Evaluation

MMC achieved its FY2006 targets in terms of the development of the next-generation electric vehicle *i MiEV*, delivering research prototypes to electric utilities for testing. Its sales ratio of "four-star" LEVs continued to increase, and the company made further steady progress toward achieving its fiscal 2010 target.

Action! Future Plans and Issues

MMC will push ahead with its EV-related R&D activities with the aim of launching a commercial version of a next-generation EV based on a minicar platform by 2010. The company aims to have other electric utilities test the *i MiEV* as a commercial fleet vehicle for salespeople so that it can assess performance under realistic driving conditions.

MMC will also try to boost the sales ratio of "four-star" models by actively introducing new LEVs that meet these emissions criteria.

Production Initiatives

Plan! Fiscal 2006 Goals

- Promote measures to achieve fiscal 2010 target of reducing per-unit VOC emissions by at least 30% compared with fiscal 2000 levels
- Apply proper controls for PRTR (Pollutant Release and Transfer Register) -designated chemical substances
- Reduce use of hazardous substances and ensure related regulatory compliance

Do! Fiscal 2006 Activities and Results

VOCs (volatile organic compounds)

A considerable part of MMC's efforts to reduce VOC emissions has involved the major revision of painting methods to cut paint consumption along with a program to boost the volume of thinner compounds recycled during production. These moves resulted in a 12% year-on-year reduction in per-unit VOC emissions as measured on an entire vehicle basis (including bumpers). Reduction of VOC emissions is therefore proceeding smoothly.

To achieve its fiscal 2010 target MMC also began planning various other improvements, including the introduction of high-efficiency equipment and new painting methods, use of lower quantities of solvent for cleaning paint guns, and improving recovery rates for washing thinners.



Use of water-based paints

Management of chemical substances

For some time MMC has operated a chemical management system whereby any compound that is due to be introduced into production processes is pre-screened for toxicity, with the results determining whether or not it can be used. MMC prioritizes its efforts to restrict emissions based on the level of risk established for each chemical.

Prevention of soil and groundwater contamination

MMC has consistently monitored the quality of groundwater at its production sites using observation wells. The company applies various measures to prevent any toxic chemicals from causing soil contamination.

Handling of PCBs

In line with a special legislative measure in Japan, MMC is applying the proper controls for storage of PCBs (polychlorinated biphenyls) contained in insulating oil in devices such as transformers and capacitors. Going forward, the company expects to proceed with the disposal of these PCBs.

Asbestos countermeasures

MMC is surveying all production facilities and buildings where asbestos fibers may have been dispersed via airborne diffusion. Based on the results, the company is switching to non-asbestos alternatives across its production sites while seeking to eliminate the risk of fiber dispersion from existing equipment.

Check! Fiscal 2006 Self Evaluation

MMC remains on course to attain its VOC emissions-reduction target for fiscal 2010. By applying proper chemical management controls, the company was also able to reduce amounts of PRTR-designated substances that were emitted or transferred. The company maintained full compliance with regulatory limits for environmentally hazardous substances.

Action! Future Plans and Issues

MMC plans to apply management controls to reduce emissions of hazardous substances further below regulatory limits. The company also plans to upgrade its framework of controls to bolster preparedness against unexpected events.



Mayuko Kotaki (3rd grade)

Reduction of Hazardous Substances

Plan! Fiscal 2006 Goals

- Research the amounts of hazardous substances used in new models
- Eliminate use of hexavalent chromium to comply with the EU's end-of-life vehicle (ELV) directive

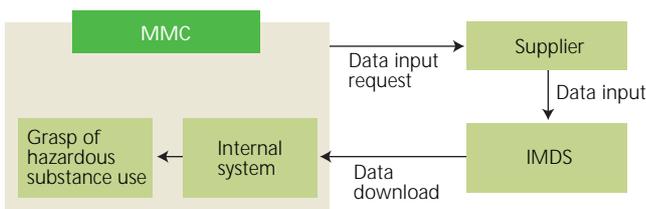
Do! Fiscal 2006 Activities and Results

Reducing use of hazardous substances

The EU directive on end-of-life vehicles (ELVs) has in principle banned the use of four substances (lead, mercury, cadmium and hexavalent chromium) in EU markets since July 2003. The JAMA (Japan Automobile Manufacturers Association, Inc.) has set voluntary targets for the elimination of these four substances. Efforts are underway in Japan to reduce the use of hazardous substances.

With interest rising worldwide in curtailing the use of hazardous substances, MMC has undertaken initiatives to restrict their use. To assess the use of hazardous substances in any new models, the company uses the international database available through the IMDS (International Material Data System) to compile information on hazardous substances contained in parts provided by suppliers.

MMC manages the hazardous substance-related data collected centrally by using an internal system. The company's research on the amounts of hazardous substances used in the *Delica D:5* model, launched in January 2007, confirmed that it had achieved the JAMA targets for this model.



Hexavalent chromium is used extensively in automotive applications because it is contained in anti-rust surface coatings for nuts, bolts and other parts. MMC launched a program to eliminate it in April 2005, first holding meetings with suppliers to explain regulatory compliance requirements for hazardous substances.

An exemption from the ELV directive permitted the use of hexavalent chromium in anti-rust surface coatings until the end of June 2007. MMC successfully eliminated its use in all the models that it sells in EU markets by this deadline.



Hexavalent chromium-coated parts

Hexavalent chromium-free parts

Check! Fiscal 2006 Self Evaluation

MMC achieved its targets for the year. Besides assessing the use of environmentally hazardous substances in all new models launched in fiscal 2006, the company also completed the elimination of hexavalent chromium from all models sold in EU markets.

Action! Future Plans and Issues

Going forward, MMC plans to compile hazardous substance data for all new models while also ensuring that such models are compliant with the JAMA usage reduction targets as well as EU rules on hazardous substance usage from the ELV directive.

Data on prohibited substances

Targeted substance	JAMA reduction target (passenger cars)	ELV directive (EU)
Lead	Reduction to less than 10% of 1996 level by January 2006	Eliminate in principle by July 2003, except in following: <ul style="list-style-type: none"> • Free cutting steels, copper alloys, batteries (unlimited exemption) • Bearings, aluminum alloys (limited exemption)
Mercury	Eliminate by January 2005, except in following: <ul style="list-style-type: none"> • LCD units in car navigation systems • Combination meters • Discharge headlamps • Cabin fluorescent lighting 	Eliminate in principle by July 2003, except in following: <ul style="list-style-type: none"> • Discharge headlamps • Dashboard displays
Cadmium	Eliminate by January 2007	Eliminate in principle by July 2003, except in following: <ul style="list-style-type: none"> • Batteries used in EVs
Hexavalent chromium	Eliminate by January 2008	Eliminate in principle by July 2003, except in following: <ul style="list-style-type: none"> • Nuts and bolts for chassis parts treated with anti-rust coating • Freezers in recreational vehicles

Recycling & Resource Conservation

Today, we face the pressing issue of shifting society from an economic model based on mass production, mass consumption and mass disposal toward a recycling-oriented paradigm that leaves a much smaller environmental footprint.

MMC is promoting end-of-life vehicle (ELV) recycling and is engaged in a number of initiatives to make more efficient use of resources from production to disposal.

Development of 3R Technologies	56
Production Initiatives	57
Recycling of End-of-Life Vehicles	58
Logistics Initiatives	

<http://www.mitsubishi-motors.co.jp/social/environment/recycle/logistic.html>

Collection/recycling of Automotive Parts

http://www.mitsubishi-motors.co.jp/social/environment/recycle/p_recycle.html

The starry night keeps time: view from the lodge on Mount Notori (Hayakawa-cho, Yamanashi Prefecture)

Program Overview

ELV (end-of-life vehicle) recycling is a key issue for the realization of a recycling-oriented society. Moreover, the valuable economic role that recycling can play in helping to maintain stable supplies of materials has also been reaffirmed recently.

In Japan, the Automobile Recycling Law, which came into effect in January 2005, aims to promote development of easily recyclable automobiles and ELV recycling. It requires automakers to provide information relating to materials and vehicle structure.

Promoting recycling requires action at each stage of the life-cycle, from development and production to use and disposal. MMC is working to promote environmental impact reduction from a full-lifecycle perspective.

- Development stage
 - Promotion of resource conservation and recyclability
 - Reduced use of hazardous substances such as lead and mercury
- Production stage
 - Resource conservation; recycling of waste materials
- Use/disposal stages
 - Recycling of automobile shredder residue (ASR, or "shredder dust"), etc.

MMC is actively engaged in initiatives to comply with Japan's Automobile Recycling Law. In fiscal 2006, the company's recycling rate for automobile shredder residue (ASR) reached 70.4%. This exceeded the minimum of 70% imposed by the law nine years ahead of the statutory deadline.

MMC's "3R-oriented design" program tries to factor in the 3Rs of Reduce (to restrict emissions of waste), Reuse (to reuse parts) and Recycle (to recycle resources) from the vehicle development stage.

MMC is also expanding its use of total recycling, an ELV recycling method that does not generate ASR. Rather than shredding, total recycling involves compressing the dismantled vehicle shells and melting down these cubes in an electric-arc furnace to recover the iron. This method results in higher material recycling rates.

Reduction of the environmental impact of automobiles demands a global response because they are global products. Besides domestic compliance, MMC is also taking action to respond to ELV recycling legislation in the EU and other markets. For instance, making a vehicle easier to dismantle and recycle generates additional benefits whenever secondhand vehicles are exported.

Sayuki Nakagawa (6th grade)



Development of 3R Technologies

Plan! Fiscal 2006 Goals

- Promote 3R-oriented design for new models (Reduce/Reuse/Recycle)
- Establish standards to assess ease of removal for wiring harnesses and motors
- Expand use of parts made from recycled materials

Do! Fiscal 2006 Activities and Results

3R-oriented design

All of the new models that MMC launched in fiscal 2006 (the *Pajero*, *Triton*, *eK Wagon* and *Delica D:5*) included various 3R-oriented design features, which were based on its in-house 3R-oriented design guidelines.



Many plastic fittings in the *Delica D:5* are made from easily recyclable thermoplastic resin (green areas)

Promoting easy removal of wiring harnesses and motors

To facilitate the complete recycling of an ELV as a source of high-grade iron for making steel, the wiring harnesses, motor and other parts containing a lot of copper must first be removed. This is because copper contamination reduces the value of iron scrap, raising the prospect of it being rendered unsuitable for re-use. Through communications with vehicle dismantlers and based on actual disassembly tests, MMC has formulated standards to assess ease of removal for wiring harnesses and motors. This in turn allows the company to take these factors into account from the vehicle development stage. MMC has also published a manual for the ELV dismantling industry on how to remove parts that contain copper from its automobiles (see URL below).

<https://www.asrrt.jp/elv/step1.html>



Wiring harnesses must be removed at an early stage of dismantling.

Parts made from recycled materials

In fiscal 2006, MMC expanded the range of parts made from recycled bumper materials to 40 items, up from 23 a year earlier. MMC's sales companies collect these materials for recycling at the time vehicles are repaired.



Jack box



Filler neck protector

Check! Fiscal 2006 Self Evaluation

All of the new models that MMC launched in fiscal 2006 met the company's development targets in terms of ISO-compatible recyclability and reduced hazardous substance usage. This confirmed that MMC is incorporating 3R-oriented design considerations at the vehicle development stage, based on its in-house 3R-oriented design guidelines.

As planned, MMC established standards to assess ease of removal for wiring harnesses and motors. The company also expanded the range of parts made from recycled materials.

Action! Future Plans and Issues

MMC will continue to make vehicles that factor in 3R considerations from the early development stages. This means actively promoting ease of recycling and resource conservation while also working to reduce hazardous substance usage.

MMC also plans to pursue initiatives to make wiring harnesses, motors and other parts easier to remove during ELV dismantling by studying structural redesign possibilities.

http://www.mitsubishi-motors.co.jp/social/environment/recycle/p_recycle.html (Japanese only)

Production Initiatives

Plan! Fiscal 2006 Goals

- Achieve zero landfill waste ^{*1}
- Achieve recycling rate ^{*2} of at least 98% for waste
- Reduce emissions of metal scrap and casting sand (Cut emissions per unit of sales by 1.7% from FY2001 levels by end of FY2006)

Do! Fiscal 2006 Activities and Results

Zero landfill waste and waste recycling

To promote the 3Rs it is first critical to restrict waste emissions. To achieve this goal MMC is working to cut waste through improved production methods and higher material yields.

Wherever possible MMC is also trying to recycle the waste that is inevitably generated. The company's approach includes material recycling ^{*3} (the reuse of waste as raw materials for other products) and thermal recycling ^{*4} (the recovery of energy generated during incineration). MMC is also trying to shift from thermal recycling to material recycling through improved waste separation procedures.

Any residual waste is sent to landfill for final disposal. The company is engaged in a number of activities to try to keep the proportion of such waste as close to zero as possible.

Reducing emissions of metal scrap and casting sand
Metal scrap and casting sand account for around 90% of production-related waste. MMC has set separate emission-reduction targets for these materials. From fiscal 2007, the company plans to set new targets and promote additional waste-reduction activities.

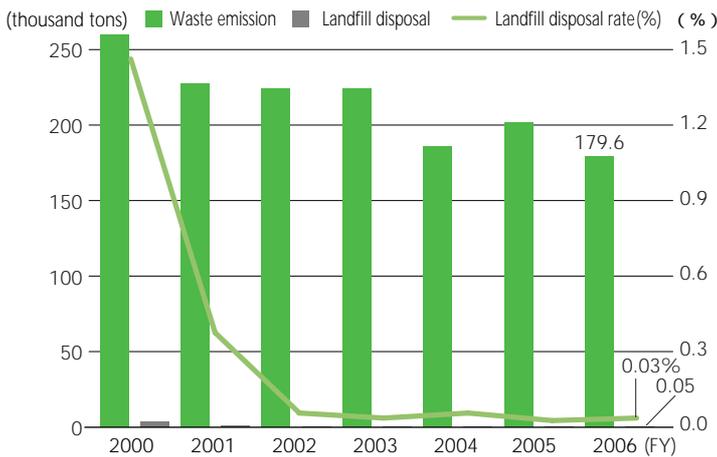
Example of 3R activity: reduction in adhesive drum residues

By improving the method it uses to get adhesive (for use with glass) out of storage drums, MMC has managed to reduce the amount of residual waste by about 40%.



MMC has devised ways to reduce the amount of residual adhesive left in drums.

Waste emission/landfill disposal and landfill disposal rate



Check! Fiscal 2006 Self Evaluation

At 0.03%, the landfill disposal rate remained close to zero. MMC also maintained its overall recycling rate at a high level (99.85%).

MMC significantly exceeded its targets for cutting emissions of metal scrap and waste casting sand per unit of sales. Emissions were around 20% lower than in fiscal 2001.

Action! Future Plans and Issues

Although its production-related 3R activities now operate at an extremely high level, MMC will restrict waste emissions further by promoting additional waste separation.

Another focus is to undertake similar 3R activities across the MMC Group so that the company can restrict waste emissions on a global basis.

*1: MMC defines zero emissions as a landfill disposal rate (the amount of waste sent to landfill as a proportion of total waste generated) of no more than 0.1%, as prescribed by internal regulations.

*2: The recycling rate equals the amount of recycled waste divided by the amount of total waste emissions, expressed as a percentage. Recycled waste is the sum of material recycling and thermal recycling (excluding any reductions due to simple incineration).

*3: Material recycling refers to the conversion of rubbish into usable materials.

*4: Thermal recycling refers to recovering energy from the heat generated by burning rubbish.

Recycling of End-of-Life Vehicles

Plan! Fiscal 2006 Goals

- Achieve automobile shredder residue (ASR) recycling rate of at least 70% (Japan)
- Build ELV recovery system (EU)
- Comply with new ELV directive on recyclability; provide dismantling data (EU)

Do! Fiscal 2006 Activities and Results

Compliance with Automobile Recycling Law (Japan)

MMC is engaged in the recycling of materials from three major items recovered from ELVs. These are ASR (recycled by ART^{*1}), air bags and fluorocarbons (whose recycling are both contracted out to the Japan Auto Recycling Partnership (JARP^{*2})). Because customers pay recycling fees for each ELV collected, the system provides an incentive for operators to achieve high recycling rates through efficient processing and recycling of these three items.

MMC has already achieved the statutory minimum of 70% for the ASR recycling rate ahead of the 2015 deadline through a combination of measures. Besides reducing the amount of ELV wastes sent for incineration or landfill disposal, the company has contracted out ASR processing to highly efficient recyclers while also increasing its use of total recycling methods.^{*3}

ELV recycling in fiscal 2006 (recycling and proper disposal)

Item	Performance criterion	#ELVs/amounts recycled
Shredder dust (ASR)	Total ELV collection	318,888 ELVs/51,480t
	Recycling by ASR recyclers	285,800 ELVs/31,310t
	Total recycling	33,088 ELVs/4,939t
	Recycling rate	70.4%
Air bags	Total air bag collection	47,249 ELVs/89,884 air bags
	Intact module recovery	8,758 ELVs/15,355 air bags
	Onboard deployment/removal	38,219 ELVs/74,529 air bags
	Mixed-method air bag recovery	272 ELVs
	Amount recycled by facilities	10,584kg
	Recycling rate	94.1%
Fluorocarbons	Total fluorocarbon collection	226,999 ELVs/70,141kg

Recycling fees and costs

	(yen)
Payment of deposited fees	2,253,121,410
Recycling costs	2,274,260,902
Balance	(21,139,492)

Compliance with ELV legislation in EU

The EU directive relating to ELV recycling came into force in October 2000, and is now on the statute books of most EU member countries. The law mandates collection and recycling of ELVs by manufacturers, importers and distributors. MMC's local sales and production subsidiary Mitsubishi Motors Europe (MME) is leading efforts to develop an efficient ELV collection and recycling system tailored to the situation in each country. Construction of this system is almost complete.

Provision of information on vehicle disassembly to importers and distributors is also mandatory in the EU. MMC is participating in the IDIS (International Dismantling Information System), a joint system established by automakers for disseminating such data on a timely basis. Following further regulatory developments, the approval of new models in the EU is now also dependent on demonstrating that vehicles are at least 95% recyclable. MMC is in the process of constructing a system to facilitate calculation of this ratio by compiling data on materials, including from production sites outside Japan.



Removal of air bags

Check! Fiscal 2006 Self Evaluation

MMC made steady progress in complying with ELV recycling legislation in Japan and the EU. The company achieved the statutory minimum recycling rate for ASR in Japan well ahead of the official deadline in 2015.

Action! Future Plans and Issues

MMC plans to make greater use of the total recycling method for ELVs to cut processing costs and increase recycling rates further. It also plans to make further progress in complying with the EU directive requiring certification of model recyclability.

*1:The ASR Recycling promotion Team (ART) is a consortium formed by Nissan, Mitsubishi, Mazda and other automakers in Japan to promote efficient ASR recycling.

*2:The JARP is a consortium composed of 12 Japanese automakers and the JAIA (Japan Automobile Importers Association).

*3:Total recycling is an ELV recycling method that involves removing the wiring harnesses, motors and other parts that contain copper from the vehicle shells before recovering the iron using an electric-arc furnace. This method does not produce ASR.

Corporate Data

Corporate Profile (As of March 31, 2007)

Company name:

MITSUBISHI MOTORS CORPORATION

Established:

April 22, 1970

Head office:

5-33-8, Shiba, Minato-ku, Tokyo 108-8410, Japan

Capital:

¥657,342 million

Shares of common stock issued:

5,491,516,544 (including preferred stock)

 <http://www.mitsubishi-motors.com/>

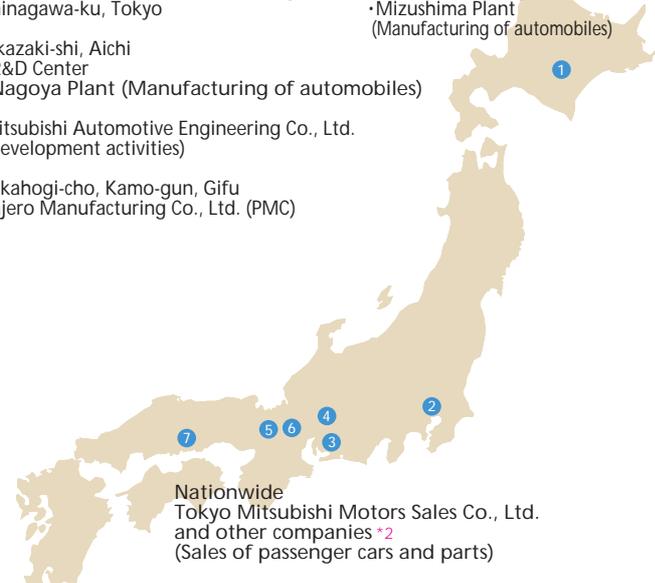
Purpose of incorporation

1. Development, design, manufacture, assembly, sales and purchase, export and import and other transactions relating to automobiles and to related component parts, replacement parts and accessories.
2. Development, design, manufacture, assembly, sales and purchase, export and import and other transactions relating to agricultural machinery and industrial engines and to related component parts, replacement parts and accessories.
3. Sales and purchase of used automobiles as well as related component parts, replacement parts and accessories.
4. Sales of measuring equipment.
5. Insurance agents in accordance with laws relating to property damage insurance and to automobile damage indemnity insurance.
6. Financing business.
7. Any other business related to the purposes set out above.

Note: MMC is not currently engaged in agricultural machinery-related business.

MMC Group

Made up of Mitsubishi Motors Corporation, 90 subsidiaries, 4 equity method subsidiaries, and 22 equity method affiliates (as of March 31, 2007), MMC Group develops, manufactures and sells passenger cars and related parts.

- 
- 1 Otofuke-cho, Kawato-gun, Hokkaido
Tokachi Proving Ground
 - 2 Minato-ku, Tokyo
Head Office
 - 3 Okazaki-shi, Aichi
R&D Center
Nagoya Plant (Manufacturing of automobiles)
 - 4 Sakahogi-cho, Kamo-gun, Gifu
Pajero Manufacturing Co., Ltd. (PMC)
 - 5 Kyoto-shi, Kyoto
R&D Center
Powertrain Plant (Manufacturing of engines and transmissions)
 - 6 Konan-shi, Shiga
Powertrain Plant (Manufacturing of engines and transmissions)
 - 7 Kurashiki-shi, Okayama
Mizushima Plant (Manufacturing of automobiles)
- Mitsubishi Automotive Logistics Co., Ltd.*1
(Vehicle transportation contractor in Japan)
Minato-ku, Tokyo
- Mitsubishi Automotive Techno-Service Co., Ltd.*1
(New vehicle inspection and servicing)
Shinagawa-ku, Tokyo
- Mitsubishi Automotive Engineering Co., Ltd.
(Development activities)
- Nationwide
Tokyo Mitsubishi Motors Sales Co., Ltd.
and other companies*2
(Sales of passenger cars and parts)
- Nationwide
Kanto Mitsubishi Motors Parts Sales Co., Ltd.
and other companies*3
(Sales of components and spare parts in Japan)

- 
- 1 U.S.A.
Mitsubishi Motors North America, Inc. (MMNA)
(1 Production and 2 sales)
 - 2 Australia
Mitsubishi Motors Australia Limited (MMAL)
(Production and sales)
 - 3 Thailand
Mitsubishi Motors (Thailand) Co., Ltd. (MMTh)
(Production and sales)
 - 4 Netherlands
Netherlands Car B.V. (NedCar)
(Production)
 - 5 Europe
Mitsubishi Motors Europe B.V. (MME)
(Sales)

*1: Integrated in FY2007 to form Mitsubishi Automotive Logistics Technology Co., Ltd. (Minato-ku, Tokyo)

*2: Regionally integrated in FY2007 to form Kanto Mitsubishi Motors Sales Co., Ltd. and others

*3: Regionally integrated in FY2007 to form Mitsubishi Motors Parts Sales Co., Ltd. and others

Fiscal 2006 Results

In fiscal 2006, consolidated net sales were ¥2,202.9 billion, an increase of ¥82.8 billion from fiscal 2005. In addition to the lower sales volume, OEM supply volume decreased due to the termination of production of the smart forfour. However, the weaker yen and a favorable model mix outweighed the sales unit decrease.

MMC posted operating profit of ¥40.2 billion, an improvement of ¥33.4 billion year on year. Despite increased sales costs in North America and raw material price hikes, favorable foreign exchange rates, a better model profitability mix, the effect of improvements in sales loan business losses in the United States, and cost reductions drove operating income significantly higher.

Ordinary profit totaled ¥18.5 billion, an improvement of ¥36.3 billion from the previous year due to an improvement in net interest income, in addition to the higher operating income. Net income for fiscal 2006 amounted to ¥8.7 billion, a ¥100.9 billion year-on-year improvement. This significant improvement is mainly attributable to the absence of the substantial extraordinary loss that was recorded in the previous year.

As a result, MMC attained profitability at all three income levels (operating, ordinary, and net) for the first time since FY2002.

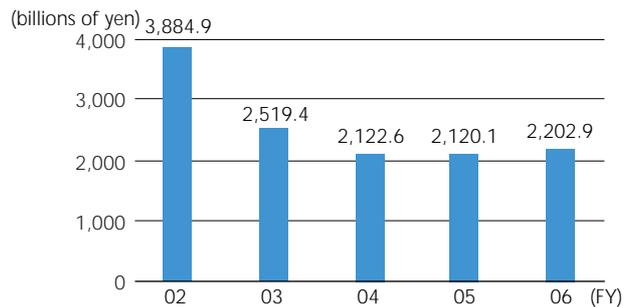
	Non-consolidated	Consolidated
Net sales	¥1457.0 billion	¥2,202.9 billion
Operating profit (loss)	(¥12.1 billion)	¥40.2 billion
Ordinary profit (loss)	(¥20.7 billion)	¥18.5 billion
Net income (loss)	(¥24.5 billion)	¥8.7 billion
Total assets	¥1,166.2 billion	¥1,778.7 billion
Total shareholders' equity	¥198.5 billion	¥349.5 billion
Unit sales	752 thousand units	1,217 thousand units
Number of employees	12,417	33,739

Figures in parentheses are negative totals.

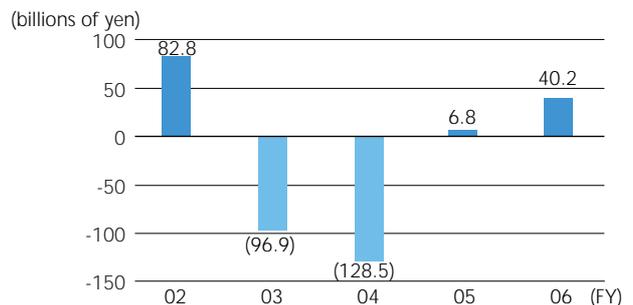
Please refer to Annual Report 2007 for more details about our performance.

Web <http://www.mitsubishi-motors.com/corporate/ir/irlibrary/e/annual.html>

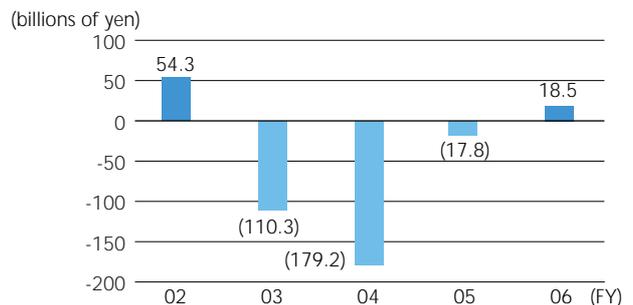
Net Sales



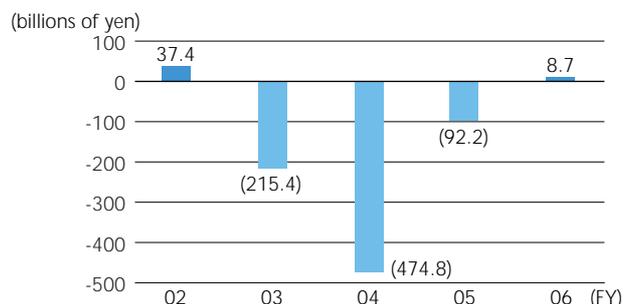
Operating Profit (Loss)



Ordinary Profit (Loss)



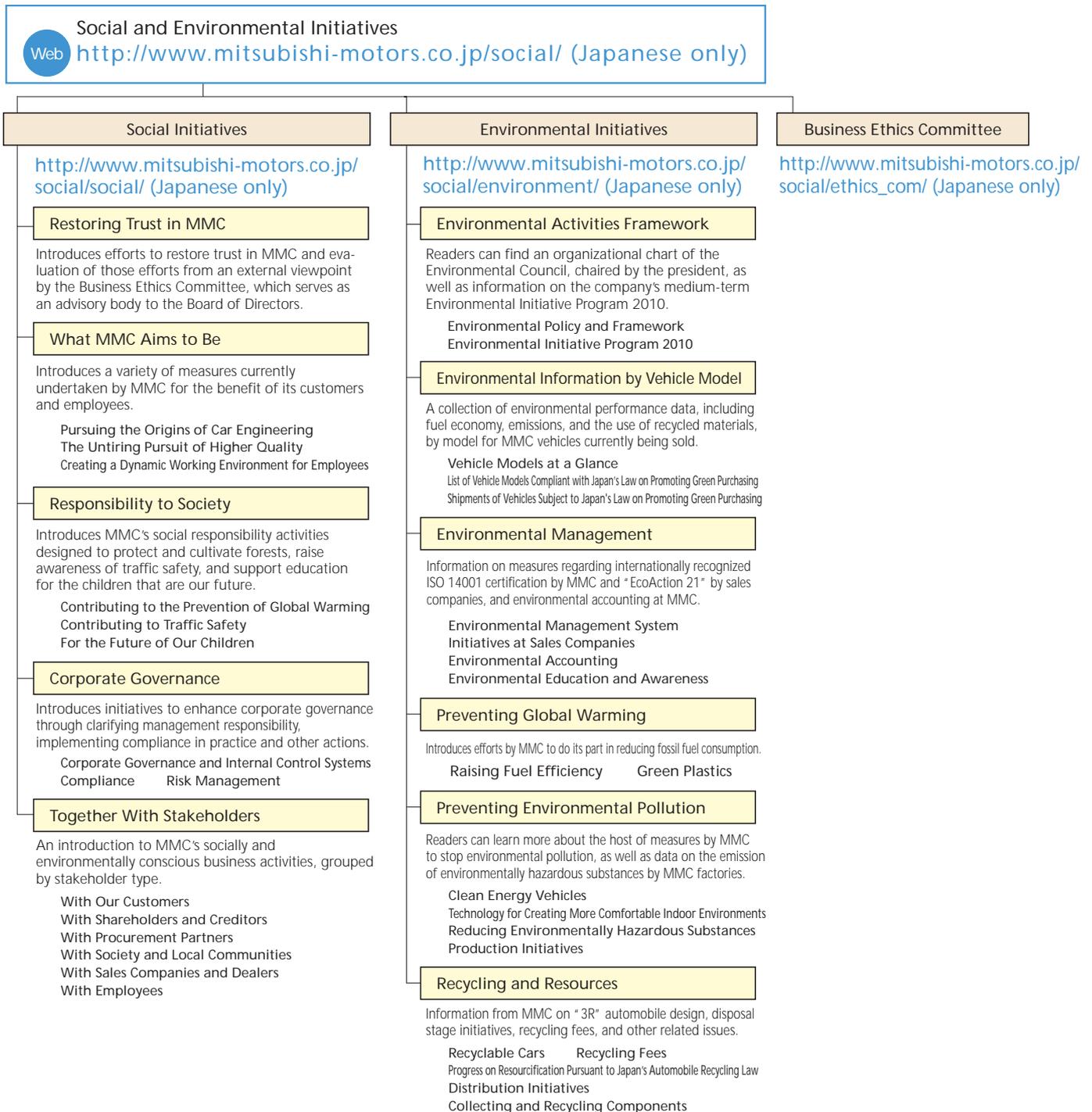
Net Income (Loss)



Note: Figures for fiscal 2002 include results from truck and bus operations. Fiscal 2002 figures reflect the effect of a change of accounting period at certain overseas subsidiaries.

MMC Websites

Interested readers can find related and more in-depth information on Mitsubishi Motors' "Social and Environmental Initiatives" website (available in Japanese only). Some information previously printed in MMC's Social and Environmental Reports (e.g., environmental accounting, recycling initiatives in distribution) is now made available online. We urge readers to visit the websites to find out more about specific MMC social and environmental initiatives.



MMC's Key Sources for Disclosure Online

- Web Corporate Information
<http://www.mitsubishi-motors.com/corporate/e/>
- Web Investor Relations
<http://www.mitsubishi-motors.com/corporate/ir/e/>
- Web Press Releases
<http://media.mitsubishi-motors.com/pressrelease/e/allcategory/all/>
- Web Social and Environmental Report (PDF)
<http://www.mitsubishi-motors.com/corporate/environment/report/e/>
- Web Annual Report (PDF)
<http://www.mitsubishi-motors.com/corporate/ir/irlibrary/e/annual.html>
- Web Fact Book (PDF)
<http://www.mitsubishi-motors.com/corporate/ir/irlibrary/e/fact.html>

*Some sites and information available in Japanese only

Environmental Considerations in the Preparation of This Report

Paper Certified by FSC

This report is printed on paper certified by the FSC (Forest Stewardship Council), an international NGO. Paper certified by the FSC is made from trees harvested from so-called "sustainable forests," which are well managed and protected from illegal cutting. Trees are cut only in the quantities necessary and the effects on the ecosystem around such forests are minimized.

MMC endorses such "sustainable forest" activities as it believes that the use of FSC-certified and recycled paper for appropriate purposes in a balanced way is a first step toward a sustainable society. Besides this report, MMC makes a point of using FSC-certified paper for its environmental pamphlets and vehicle catalogues. (ID No.: FSC-JPN-0008)

Ink and Printing

The printer of this report is ISO 14001-certified, uses soybean oil ink and prints without water.

Comparison With the Ministry of the Environment's "Environmental Reporting Guidelines" (FY2007 Version)

Items in Guidelines	Relevant Major Pages
Basic items	
BI-1: Preface by CEO	P3-4
BI-2: Basic requirements in reporting	P2,P61,P62,Back Cover
BI-3: Business outline (including business indicators)	P59-60
BI-4: Outline of environmental report	P41-42,P46,P49,P53,P57,P60,Web
BI-5: Material balance of business activities (impact, internal environment, output)	P40,P41-42
Environmental management indicators	
MP-1: Status of environmental management	P38,P39,Web
MP-2: Compliance with environmental regulations	P46,P53-54,P58
MP-3: Environmental accounting information	Web
MP-4: Status of environmentally friendly investments and loans	-
MP-5: Status of supply chain management, etc.	P30,P41-42
MP-6: Status of green purchasing and procurement	P30
MP-7: Status of research and development of new technologies, DfE, etc.	P15-18,P41-42,P46
MP-8: Status of environmentally friendly transport	P41,P50,Web
MP-9: Status of efforts to protect biodiversity and use bio-resources in a sustainable manner	-
MP-10: Status of environmental communications	P41,P46
MP-11: Status of environmentally related social contributions	P19-20,P31-32,P41
MP-12: Status of products and services for reducing environmental impact	P15-18,P41,P52,P54,P56,P58
Operational indicators	
OP-1: Total amount of energy input and measures to reduce it	P40,P41,P49
OP-2: Total amount of materials input and measures to reduce it	-
OP-3: Total amount of water input and measures to reduce it	P40,P41
OP-4: Amount of substances recycled for reuse within business areas	-
OP-5: Total production of products or sales	P60
OP-6: Emissions of greenhouse gases and measures to reduce them	P41,P47-50
OP-7: Air pollution, environmental load on living environments and efforts to reduce it	P41,P51-54,Web
OP-8: Amounts emitted and movement of chemical materials, and efforts to reduce it	P41,P51,P53-54,Web
OP-9: Total emissions of waste, etc., final disposal of waste, and measures to reduce it	P41,P55-P58
OP-10: Total amount of wastewater discharged and measures to reduce it	P40,P41
Environmental efficiency indicators	
Links between environmental considerations and business management	-
Social performance indicators	
State of social activities	P5-10,P13,P14,P19-22,P24-26,P27,P31-32,P35

Mitsubishi Motors
Social and Environmental Report 2007

Published: September 2007

Inquiries

Mitsubishi Motors Corporation: Environment & Recycling
Affairs Department

5-33-8 Shiba, Minato-ku, Tokyo 108-8410, Japan

Tel: +81-3-6852-4207

Fax: +81-3-6852-5526

This report is waterless-printed on FSC-certified
paper with soybean oil ink.

