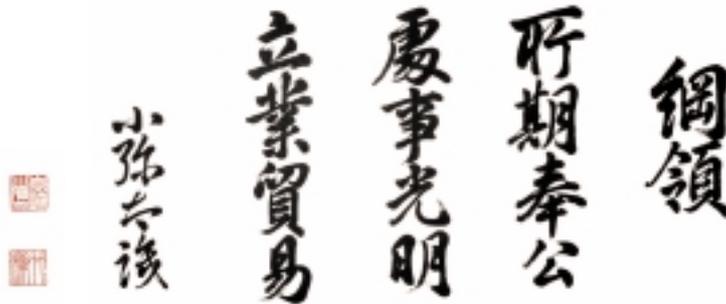


# Social and Environmental Report 2006

MITSUBISHI MOTORS  
Corporation



## 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.”**

#### 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 strive 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.

## Mitsubishi Motors Social & Environmental Report 2006

### 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 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 stakeholder 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)
- Economic data: MMC, consolidated subsidiaries and affiliates

### Reporting Period

- Fiscal 2005 (FY2005: April 1, 2005-March 31, 2006)  
(Note: The report also includes some recent information from April 2006 onward)

Please also refer to:

Web-based information on MMC's social activities

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

Web-based information on MMC's environmental activities

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



"i"



"Outlander"

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# Promoting In-house Penetration of Corporate Social Responsibility and Striving for Harmony with Society and the Environment



**Osamu Masuko**  
President

## Measures Based on the Mitsubishi Motors Revitalization Plan

The Mitsubishi Motors Revitalization Plan, which was announced on January 28, 2005, entered its second year in fiscal 2006. Fortunately, we were able to achieve profitability in terms of consolidated operating profit one year earlier than planned. This fiscal year, we aim to achieve profitability at the level of operating income, ordinary income, and net income, and we will endeavor to strengthen our competitiveness as we aim for higher sales targets.

If companies are to maintain their competitiveness, they naturally need to strengthen their earnings bases. However, it is also essential for them to fulfill their responsibilities to society and exist in harmony with society and the environment. In response to the recall problems that occurred in 2000 and 2004, Mitsubishi Motors has continually implemented initiatives aimed at restoring the trust of society. P.4

## Environmental Initiatives

As regards achieving harmonious co-existence with the environment, we recently formulated the Mitsubishi Motors Environment Initiative Program 2010 (EIP 2010) aimed at fiscal 2010. This program succeeds and was developed from the fiscal 2002-2005 Environment Sustainability Plan (ESP). EIP 2010 is designed to expand our global group management framework to include overseas factories and affiliated companies.

In addition, to prevent global warming, we aim to achieve the 2010 Japanese Fuel Consumption Standards in fiscal 2007, and we will push forward with the development of clean diesel engines and high-efficiency transmissions, which are core next-generation technologies. In order to reduce dependence on oil, we will also promote the commercialization of technologies compatible with ethanol and other bio-fuels as well as the development of next-generation electric cars, the ultimate environmentally friendly vehicle.

## Corporate Social Responsibility (CSR) Initiatives

In addition to promoting business revitalization, I am director in charge of corporate ethics. I have endeavored to ensure that the company thinks and acts in a manner consistent with CSR. If MMC is to continue to survive in the 21st century, I believe it is essential that we ensure thorough compliance, which we can also call the basis of CSR, and enhance management transparency through information disclosure to our stakeholders. We will therefore continue to exert our utmost efforts to this end.

I look forward to your continued support and would like to hear your unreserved opinions regarding the company's endeavors.

## Initiatives Aimed at Restoring Trust

During the past two years, we have taken the necessary steps regarding the recall problem that eroded trust in the company.

- On September 28, 2004, we completed the filing of necessary recall documentation for past Repair Directives.
- In March 2005, we announced the causes of recalls concealment and measures to improve the prevention of reoccurrence. This was a milestone for the company.
- We implemented a total of seven improvement measures through the key groupings of "Compliance First," "Safety First," and "Customers First." We reported the implementation status of these measures to the Ministry of Land, Infrastructure and Transport (MLIT) every three months.
- We reported the status of all measures aimed at restoring trust to the Business Ethics Committee, which is composed of external (non-MMC) experts, and received guidance and advice from that committee.

With regard to repair work in the 41 past Repair Directives for which we had filed the necessary recall documentation by September 28, 2004, there were many older vehicles and it was difficult to determine the locations of the vehicles concerned.

However, as of June 30, 2006, excluding vehicles

that have already been scrapped, we had completed repairs on the majority of vehicles that are currently on the road.

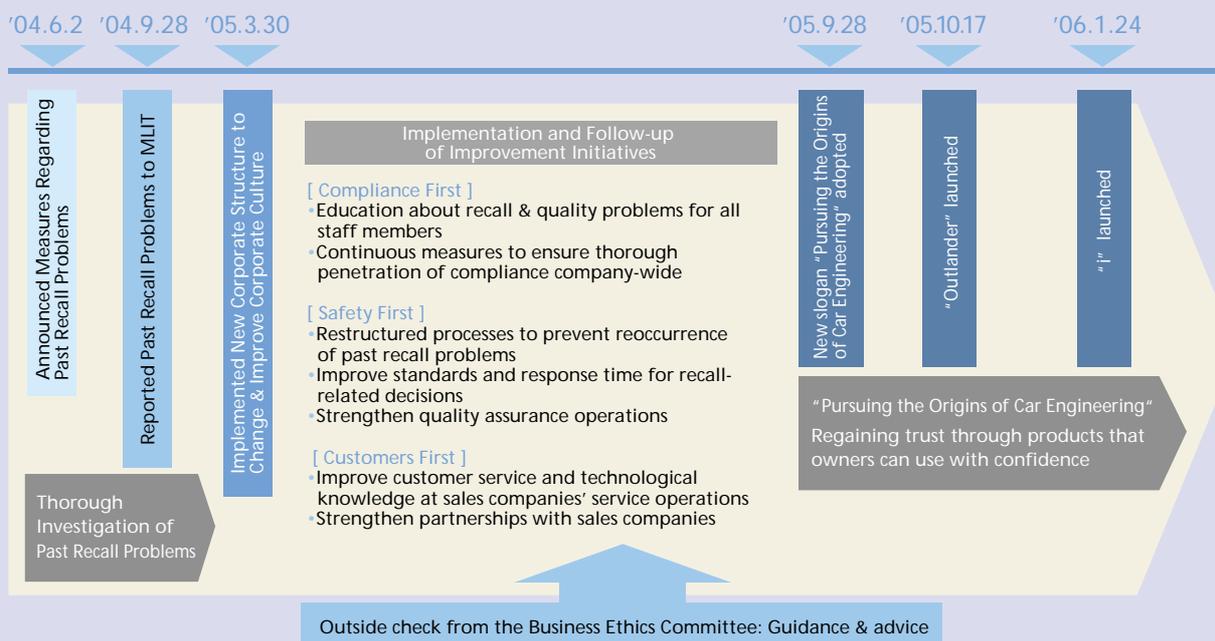
To ensure safety based on the Road Trucking Vehicle Law, we will continue to repair as many of the target vehicles as possible.

## Pursuing the Origins of Car Engineering

While it is important to follow up on each of these measures, if we are to succeed in restoring the genuine trust of society, it is most important to convince customers that we are a company with integrity. We can do this by producing safe and reliable cars and providing appropriate service. In September 2005, we therefore formulated "Pursuing the Origins of Car Engineering" as a new corporate slogan that expresses this concept. In addition to clarifying our promise to every stakeholder, we have made everyone within the company and its implications thoroughly aware of this slogan.

As an embodiment of the spirit and principles of this slogan, we launched the "Outlander" SUV in October 2005 and the "i" next-generation minicar in January 2006. However, we have not yet completed our endeavors to restore customer trust. We intend to continue to carefully evaluate the needs of society, which change with the times, and to fulfill the social responsibility that the times demand.

### Efforts to Regain Trust



# Working to Ensure Observance of Business Ethics by Practicing “Compliance First”

To restore the trust of society and be recognized as a company with integrity, MMC is endeavoring to ensure that all staff members comply with business ethics.

## Business Ethics

### Organizational Framework for Promoting Business Ethics

In fiscal 2004, following the reoccurrence of recall-related problems, MMC established CSR Promotion Office to ensure thorough compliance and promote a new corporate culture, while restructuring the compliance framework. We have strengthened the organization to ensure that awareness of compliance spreads to every single employee. We appointed a compliance officer at each major 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.

In June 2004, we established the Business Ethics Committee as an advisory body to the Board of Directors. It is made up exclusively of outside experts, and through it, MMC directors receive guidance and advice from an external perspective.

### Program to Promote Observance of Business Ethics

In fiscal 2005, under the theme of “From Awareness to Action,” we worked to ensure the observance of business ethics by more thoroughly implementing the initiatives of fiscal 2004. Fiscal 2006 will see the continuance of these measures as follows:

#### Training of Directors

We held training sessions for all directors at executive officer level and above. They received guidance regarding the “legal responsibility of directors and compliance as well as recall legislation” from specialized lawyers as well as guidance concerning “MMC’s compliance from the Business Ethics Committee’s viewpoint” from Noboru Matsuda, the Chairman of the Business Ethics Committee.

#### Business Ethics Seminars

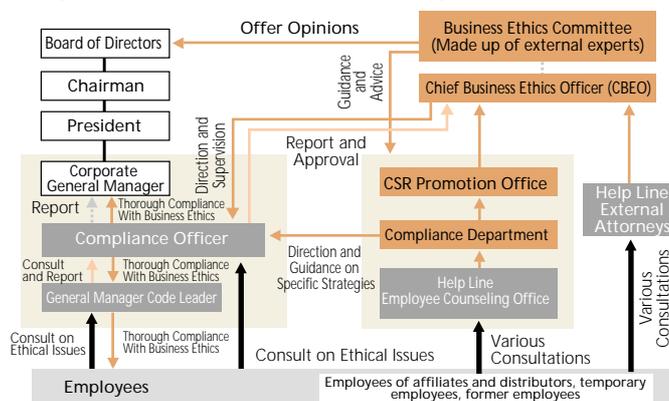
Seminars were conducted three times a year for 629 code leaders, who play a central role in the observance of workplace business ethics. External lecturers provided training relating to code leaders’ obligations, crisis management in the workplace, and legal problems concerning power harassment, sexual harassment, and labor-management relations. The training was aimed at educating code leaders as key figures in the observance of business ethics and the resolution of problems in the workplace.

#### Meetings to Review Business Ethical Problems in Each Workplace

Meetings were held three times a year in each workplace and led primarily by code leaders. Familiar business ethical problems were examined, and solutions reached by discussions. In fiscal 2005, we promoted the study of recall legislation to prevent the reoccurrence of recall problems, and

this was discussed in each workplace.

Organizational Framework for Promoting Business Ethics



### Other Initiatives

#### Safety Pledge Days

To prevent the regrettable recall concealment problem from being forgotten as time passes, we designated January 10 and October 19 as “Safety Pledge Days,” as two fatal accidents occurred on those days involving large trucks manufactured by Fuso, which is MMC’s former division. All employees will observe a moment of silence on these days, and we will also hold meetings to review business ethics problems around these times.

#### Improvement of Internal Reporting System

MMC has been developing its internal reporting system. After establishing the Employee Counseling Office in 2000, we set up external counseling channels through external attorneys in 2004. In April 2006, we established “Standards for Dealing with Employee Counseling About Compliance,” which are operational criteria related to the internal reporting system, for the enforcement of the Whistleblower Protection Act.

#### Measures to Safeguard Personal Information

MMC formulated a policy for the protection of personal information in April 2005, and built a management framework to establish internal regulations as well as appoint 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. In fiscal 2005, to check the operational status in each department, we carried out audits on 13 departments that manage customer information. In fiscal 2006, we will carry out audits on 25 internal departments that possess more than 1,000 items of personal information regarding employees, business clients, and affiliated companies, excluding customer information.

## External assessments provided by the Business Ethics Committee

# To Establish True Compliance



**Noboru Matsuda**

Chairman,  
Business Ethics Committee

The Business Ethics Committee was established in June 2004 as an advisory body to the Board of Directors to restore trust in Mitsubishi Motors Corporation (MMC). The committee is composed exclusively of outside experts and it reports to the Board of Directors toward the establishment of compliance. In addition, it provides guidance and advice to the CSR Promotion Office, which promotes the reform of business ethics and corporate culture as well as quality audits.

As the committee chairman, I regard the many measures aimed at the implementation of “Compliance First,” “Safety First,” and “Customers First,” which MMC is currently undertaking, as earnest initiatives on which the company’s survival will depend. I intend to continue to carry out checks and provide guidance regarding these measures from the viewpoint of external oversight and “common sense,” and together with other committee members, I will continue to strive to restore trust in MMC.

Two years have passed since the first Business Ethics Committee meeting was held in July 2004. Up to July 2006, the committee met 26 times, offered MMC constructive criticism regarding each report issued by the company, and oversaw factories and sales companies. In such ways, the committee has promoted and followed up on reform moves aimed at strengthening compliance. During that period, MMC has earnestly reviewed the recall-related problems that triggered a decline in confidence in the company, filled the necessary recall documentation, and investigated and clarified the factors that caused the recall concealment as well as the associated responsibility. MMC then announced specific measures aimed at preventing reoccurrence of similar problems and the revitalization of the company. MMC has been endeavoring to implement those measures, and this series of resolute moves makes me feel that the current management team has a strong commitment to

reform and revitalization.

I believe that MMC is making steady progress, a step at a time, toward revitalization. Nevertheless, the penetration of compliance awareness within the company, and restoring society’s trust in the company, will not be achieved in just one day. I believe that compliance means not only the observance of laws and regulations, but also “honestly fulfilling the expectations and demands that society places on companies.” In other words, for Mitsubishi Motors, which is a company that manufactures cars, compliance does not only mean “making safe cars that perform well and providing them to society.” It also means that “through these activities, Mitsubishi Motors itself should be trusted by society as a company with integrity.” I think this means being recognized as a sincere corporate citizen and being granted a position within society. Moreover, establishing compliance for Mitsubishi Motors will lead to great competitiveness in the form of a “brand of integrity” and end up strongly supporting the Company’s revitalization.

Furthermore, this integrity as a company can only be achieved by the integrity of the actions of each staff member. This is the origin of compliance, and efforts to this end as well as developing personnel with this aim are indispensable. MMC plants have established 5s—*seiri* (organization), *seiton* (orderliness), *seisou* (cleaning), *seiketsu* (cleanliness), and *shitsuke* (discipline). Recently, another “S” has been added, and that is *seijitsusa* (integrity), so we can say that 5S has become 6S. I hope that this will be used as an opportunity to see compliance as an everyday thing, rather than a high-minded ethical principle.

I hope that all staff will correctly understand the current situation and act united as one in the manner of “Compliance First.” I intend to continue to provide guidance and advice regarding MMC’s endeavors from an external perspective.

## 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 Framework

MMC employs the Corporate Auditor System laid down in the Japanese Commercial Code. In addition to mandatory organizations and governance systems, we are improving and strengthening our corporate governance in various ways. These include introducing an executive officer system and setting up advisory committees.

MMC's Board of Directors is responsible for making decisions concerning important management issues and overseeing business execution. In addition, the adoption of the executive officer system clarified the separation of the roles and responsibilities of directors and executive officers.

Managing directors' meetings are composed of directors, executive officers, and auditors, and this internal organization makes decisions concerning Company matters. The meetings are held in principle every other week, with the aim of speeding up decision-making.

### Functions of Internal Audit and Statutory Auditors' Audit

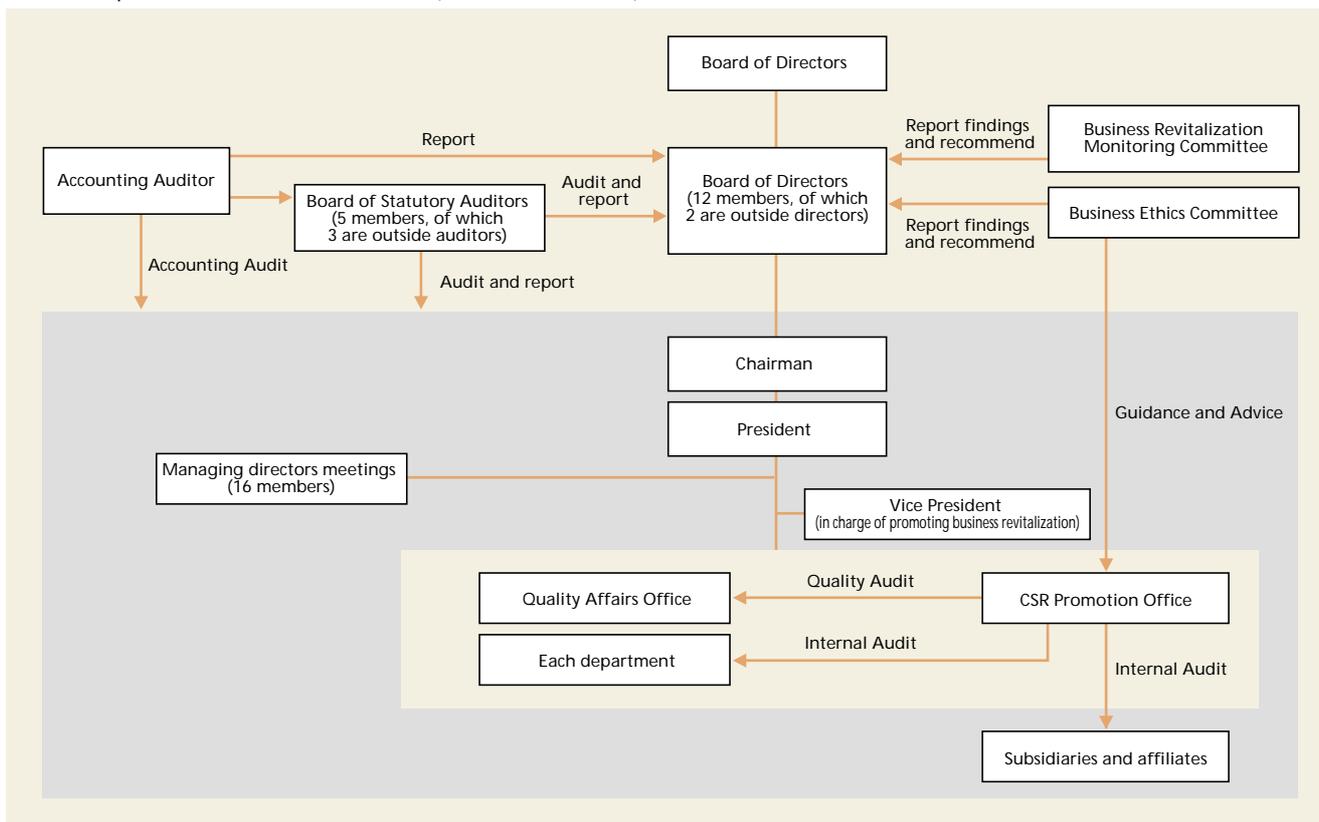
Members of the Board of Statutory Auditors attend meetings of the Board of Directors and other important meetings. They audit the operations of MMC and its subsidiaries, based on business reports received from directors, reviews of key internal business documents and interviews with the internal auditing groups, subsidiaries and independent auditors.

Separate from the Statutory Auditors' audit, MMC has also established two departments within the CSR Promotion Office—the Quality Audit Department and the Internal Audit Department—independent from other business functions, to conduct internal audits from an objective perspective.

The Quality Audit Department monitors whether the Quality Affairs Office is appropriately carrying out operations related to vehicle development and manufacturing based on various laws and regulations in various countries, including the Road Trucking Vehicle Law in Japan. It successively reports audit results to top management and also reports to the Business Ethics Committee twice a year.

The Internal Audit Department conducts regular audits company-wide, including subsidiaries and affiliates in Japan and overseas, to check the appropriateness of busi-

MMC's Corporate Governance Framework (As of June 23, 2006)



ness processes. These audits aim to verify the appropriateness and effectiveness of all internal control systems, including compliance and risk management. The results of internal audits are reported to the top management at MMC and its subsidiaries and affiliates.

During fiscal 2005, MMC established internal audit departments within major overseas subsidiaries and thus created a global internal audit framework. As a result, we will be able to respond to characteristics overseas that vary in each market, and we will strengthen the governance of the MMC Group and bolster internal control systems. In addition, the Statutory Auditors, Internal Audit Department, Quality Audit Department and independent auditors work to strengthen cooperation by regularly exchanging information.

In addition to this internal corporate governance, in June 2004, MMC established the Business Ethics Committee as an advisory body to the Board of Directors. The committee is made up of outside experts. With the aim of spreading awareness of compliance, members of this committee provides MMC directors with guidance and advice from the external perspective.

To ensure the accomplishment of business revitalization, MMC also established the Business Revitalization Monitoring Committee in April 2005. This committee, which is made up of outside experts and five shareholders, monitors the progress of the Mitsubishi Motors Corporate Revitalization Plan.

### Development Status of Internal Control Systems

In May 2006, MMC adopted a resolution at a Board of Directors' meeting regarding the "Basic Policy Concerning the Establishment of Internal Control Systems." It is mandatory for this resolution to be put forward at a meeting of the Board of Directors, in accordance with the Company Law.

With regard to the development of internal control systems, MMC will endeavor to further strengthen governance. We will constantly carry out reviews according to changes in the internal and external environments, and attempt to improve and expand systems with the aim of ensuring the appropriateness and efficiency of legal compliance, risk management, and business execution.

In particular, with regard to ensuring the reliability of financial reporting, we are working to develop a framework centered on the Internal Control Promotion Committee, which we established in March 2006. This includes responding to "Evaluation by Executives Relating to the Effectiveness of Internal Control Associated with Financial Reporting," which is scheduled to become legislation.

### "Basic Policy Concerning the Establishment of Internal Control Systems"



**Hiizu Ichikawa**

Managing Director in Charge of Finance Group Headquarters (Chairman, Internal Control Promotion Committee)

As a result of the implementation of the Company Law on May 1, 2006, MMC resolved to adopt the "Basic Policy Concerning the Establishment of Internal Control Systems" at a meeting of the Board of Directors in May. We interpret the recently implemented Company Law to mean that "for companies, while the freedom of management will increase, it will become mandatory to develop systems to prevent scandals." "systems to avoid scandals" refers to "internal control systems." We therefore need to develop such systems not only in theory, but also ensure that the systems suit our actual capabilities so that they work in practice. Moreover, we need to manage them reliably.

Developing internal control systems simply means promoting the visibility of business processes (documentation), preparing company systems in which the PDCA (Plan, Do, Check, Act) cycle runs properly, and implementing them. By starting to implement things that are obvious, including ensuring that all staff members follow "determined rules," we will build a foundation for further growth. Since MMC is in the process of revitalizing its business operations, this will also support that revitalization.

It is only natural that the management team should undertake these measures as their own responsibility, and I believe it is important that every single employee understands these measures well and proactively implements them.

In these circumstances, and based on a strong determination to prevent the occurrence of another scandal, all the directors including myself have resolved to adopt this basic policy after gaining an understanding of the purpose of the law and our own responsibility. In advance, we established the Internal Control Promotion Committee in March 2006, and we will now promote measures to develop these systems on a company-wide basis, primarily through this committee.

# “Safety First,” Engaging in Quality Improvement Activities.

In light of the past recall-related problems, we are promoting quality at the development and manufacturing stages. This is aimed at optimizing recall operations, speeding up quality improvements, and further raising the quality of the vehicles themselves.

## Optimizing Recall Operations and Speeding up Quality Improvements in the Marketplace

### Activities to Restore Trust in MMC’s Quality

With industrial products, even if you make every effort, defects will still occur in some form. Therefore, we give the highest priority to deciding on the need to conduct campaigns such as recalls appropriately and promptly, thinking of the customer, and reliably preventing the recurrence of defects.

We believe that resolutely implementing these activities based on remorse with regard to the recall problems is the only way to restore trust in MMC’s quality. We are undertaking the following improvement measures.

### Abolition of Repair Directives (so-called secret repairs)

MMC has not carried out any Repair Directives since the recall problem in 2000. After we discovered measures relating to past Repair Directives were inadequate in 2004, we again informed dealers of the abolition of Repair Directives and reformed processes to abolish Repair Directives.

The Quality Audit Department within the CSR Promotion Office continually audits the process of issuing technical information to dealers.

### Review of Decision Processes, Including Recalls

MMC has included the customer relations department in meetings that determine the necessity of campaigns such as vehicle recalls. We have created a system that reflects the opinions of customers in decisions on the need for market measures.

Through these meetings, we produce product quality reports, not only about defects from dealers, but also about defects directly reported by customers to MMC. We use

these reports as the basic documents for deciding on market measures.

The Quality Audit Department within the CSR Promotion Office monitors campaigns, and audits the validity of their decisions on a daily basis. 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, and they work together to optimize recall operations.

The activities’ results are regularly reported to the Business Ethics Committee.

MMC has also strengthened the checking function of top management. Previously, only cases requiring campaigns such as recalls were reported to the Board of Directors, but from fiscal 2005, even cases not requiring campaigns have also been reported.

### Expediting Quality Improvements in the Marketplace

#### Introduction of New System (SQM-BC<sup>\*1</sup>)

By introducing the new SQM-BC system, to be installed nationwide in October 2006, it will be possible to obtain market defect information from dealers via electronic media in real time. By using SQM-BC, we are shortening the time taken to obtain information, promote verification on actual vehicles when defects arise, and rapidly investigate the causes of defects.

#### Establishment of New Team of Technical Specialists

In June 2005, MMC formed a “Primary Inspection Team” made up of technical specialists in the areas of product development and manufacturing. This system will highlight high-risk cases as soon as information on defects is received from dealers, and immediately launch an investigation.

Flow of Quality Information from Customers



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

### Speeding up First-stage Decisions

To speed up first-stage decisions, we have increased the frequency of Judgement Meetings and Quality Meetings.

### Promoting Investigation of Important Cases

With regard to particularly important cases among those presented at Quality Meetings, we are making quicker decisions by launching task teams with a high-powered leader of general manager or above.

### Strengthening the Functions of Technical Centers

MMC has strengthened the functions of its network of ten Technical Centers across Japan to bolster technical support offered to dealers and encourage verification on actual vehicles when defects arise. Specifically, we increased the number of staff by 19 from June 2004, and in November 2005 we established a new technical support department within the Quality Affairs Office to reinforce support provided to dealers and on-site investigation capabilities.

## Recent Examples of Quality Improvement in the Launch of New-model Vehicles

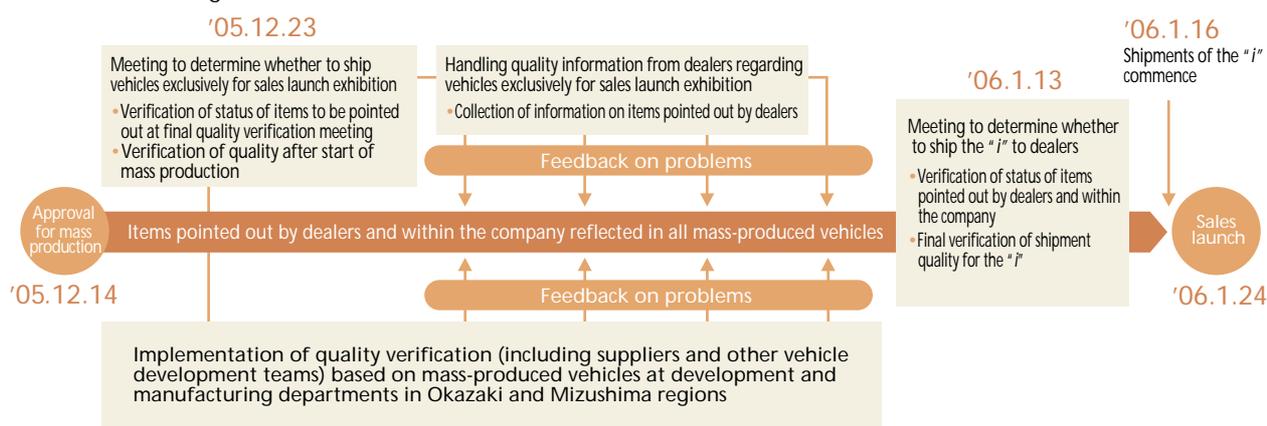
### Ensuring Quality in the Launch of "i"

In the case of MMC's "i", the new model minicar launched in January 2006, MMC carried out initiatives on a company-wide basis to improve initial quality before the launch. We implemented quality check activities based on mass-production vehicles equivalent to the vehicles that would be delivered to customers rather than the "test" vehicles traditionally used for quality checks, including those of dealers, suppliers, women's evaluation teams within the company, and market quality information management members. As a result, we were able to improve quality right up to the last moment before delivering the first vehicles for sale to dealers.

### Rapid Resolution of Market Problems

In tandem with the launch of the "Outlander" SUV, in October 2005 and the "i", a new minicar in January 2006, MMC sent one engineer from the development departments of both vehicles to MMC's 10 Technical Centers across the country, making a total of 20 engineers. We also collected market information provided by customers across Japan via dealers to rapidly resolve problems in the following manner: The dispatched engineers verified the information on-site and provided feedback to development and manufacturing headquarters, which led to the rapid resolution of problems. By this, we were able to experience the customer's viewpoint more directly. We will make good use of this experience in future development operations.

Activities to Strengthen Initiatives for the "i"



Toshio Kishida  
Interior Design Dept.  
Development Engineering Office

### R&D engineer experiences service first hand

After one week's training, I worked mainly at the Shinagawa and Atsugi technical centers from November 2005. This temporary assignment made me experience the gap between what we as a manufacturer think is acceptable and what the customer thinks is acceptable. This gap is not merely a quality problem, and it can have an impact on MMC's credibility. From this, I learned to think from the viewpoint of the customer more than before. I will make use of this experience in design work in the future, and I believe that my mission is to increase customer trust in MMC.

## Building in Design Quality

### MMDS (Mitsubishi Motors Development System)

In 2001, MMC 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 comprehensively checking and assessing the degree of attainment of predetermined standards that must be met by all products and processes at every stage leading up to market launch.

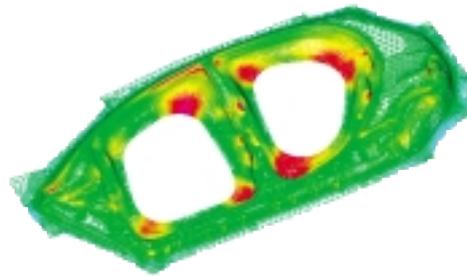
MMC also used this system from the product concept stage for the “Outlander” and the “i”. With the aim of “building in quality,” we aim to create cars that are selected for their quality and commended for their quality.



The rear and midship layout platform for the “i”

### Digital Processes

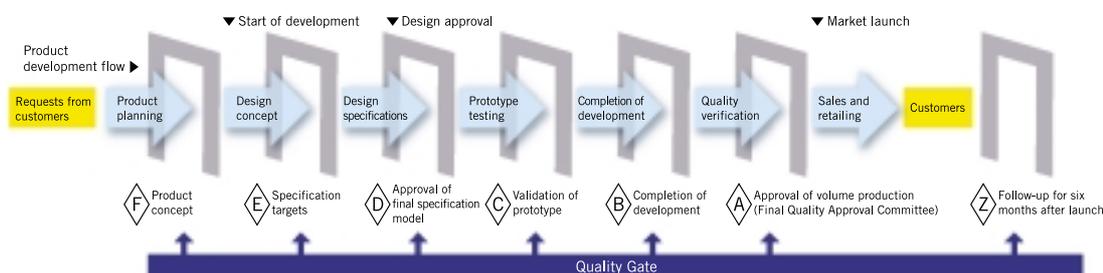
At the development stage of the “Outlander” and the “i”, we used even more advanced digital processes than those introduced for the “Colt” and the “Colt Plus”. Digital processes refer to the creation of digital data for all the components that make up a car. From the start of development, when there is still no prototype vehicle, we can check by computer both the degree of ease of assembly of components and whether there is any interference between components. Thus, digital processes greatly contributed to quality improvement at the design stage for the “Outlander” and the “i”.



Press molding simulation for a side panel of the “i”

### Pursuing Quality with Suppliers

Similarly, with regard to the components that MMC purchases from suppliers, all kinds of factors, not only the development stage, but also delivery and the actual precision of components, are contained in a centralized database and rigorous checks are carried out. Based on the premise that major defects should not arise after vehicles have been delivered to the customer, and that they should be eradicated at all stages of development, we are thoroughly pursuing the enhancement of development quality.



## Building in Manufacturing Quality

### ISQC (In Stage Quality Creation)

MMC calls activities to build in quality during production processes ISQC, and ISQC has been introduced at all production plants.

ISQC is a system that involves not only inspecting the quality of finished vehicles, but also verifying quality in each of the various processes entailed in manufacturing. Specifically, on welding, painting, and assembly lines, ISQC staff members are deployed for each important process. If a vehicle does not pass checks by these staff, it is not permitted to proceed to the next process. MMC selects employees with extensive experience and knowledge as ISQC staff.

MMC has also adopted a unit leader system that is aimed at building in high quality. Each group (unit) has ten members or less and a leader is allocated to each unit. Because it is easy to gain mutual understanding and verify the details of operations, this system enables the manufacture of even higher quality cars.



Checks by an ISQC staff member

This ISQC does not merely entail carrying out rigorous quality checks during production processes. Indeed, the greatest objective is to examine defects that we have identified in ISQC processes and develop design and production equipment aimed at producing cars that have no defects.



Fitting the rear engine in the "i"



Tadahiyo Ohtake  
("i" production line)  
Minicar Assembling Section  
Mini & Commercial Car  
Assembling Production Dept.  
Mizushima Plant

### Making Cars that Customers Can Ride in with Assurance

The "i" minicar has its engine in the rear and midship position to satisfy the demand for safety, comfort, and driving performance. Consequently, although there were many operations that differed from the previous assembly method, all employees worked together to build high quality into these vehicles.

At the production preparation stage, we become comfortable with the attractive structure of the "i" and developed a feeling of affection toward it, which raised our motivation. We also received sufficient training regarding the substantial process changes and new operations. At the mass production stage, MMC deployed ISQC staff and equipment to determine the degree of quality within the assembly line, and thanks to a system where defects did not pass on to the next process, we were able to produce high-quality cars in a consistent manner.

Based on the motto "We will regain trust lost due to quality with quality," we are endeavoring to improve manufacturing quality and raise production efficiency.

# Implementing “Customers First” to Enhance Customer Satisfaction

We are providing feedback within the company on the valuable opinions received from customers, and reflecting customers’ voices in products and services.

## Initiatives Aimed at Enhancing Customer Satisfaction

### Strengthening After-sales Service

MMC believes that strengthening after-sales service is indispensable for regaining customer trust and achieving customer satisfaction. Consequently, we have reinforced systems to convey customer opinions and comments that customers have provided directly to the company, and to recognize problems that arise on-site at dealers. In addition, we are reinforcing after-sales service across the organizational structure through sales, quality, and CSR operations.

### Reinforcing Service Operations at Dealers

#### Improving service technology capabilities

To continually improve the technical capabilities of service staff, MMC has reviewed the Mitsubishi Service Technical Skill Qualification System. We have made it compulsory for service staff with even the highest qualifications to undergo follow-up training every three years. In addition, we have introduced a practical skill evaluation for staff who have achieved medium-level and upper-level qualifications through academic study. In such ways, we aim to maintain and enhance technical skill levels.

At the same time, we have reviewed the technical skill training system. By simplifying the selection of training courses required to obtain qualifications and increasing the percentage of staff that attend courses, we will encourage the acquisition of high-level qualifications and promote the improvement of technical capabilities at various levels.

#### Service Technology Contest (Regional Competitions and National Competition)

MMC held technical contests for service staff at dealers across the country in an effort to raise the level of technical capability and customer service. In 2005, we held regional competitions by dividing Japan into eight blocks, and 371 people took part. In the national competition, in which 81 people that passed the regional heats took part, a female service staff member won in the Personal Advisor Contest Section.



Service technology contest



### Activities to Disseminate the Mitsubishi Standard Vehicle Maintenance Reception Style

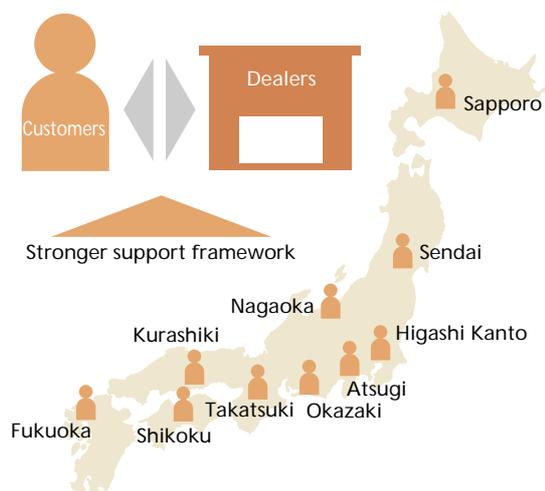
MMC established the Mitsubishi Standard Vehicle Maintenance Reception Style in fiscal 2004 to ensure a standardized style in the process of vehicle maintenance reception, customer handover and subsequent follow-up. To disseminate this standard vehicle maintenance reception style, training sessions for dealers were held across the country. In fiscal 2004, we conducted 69 training sessions and 1,186 people received training. In fiscal 2005, we conducted 265 training sessions and 4,975 people underwent training. We are continuing to conduct training in fiscal 2006 as well.

In addition, to follow up on actual practice at dealers, we are carrying out surveys on the degree of penetration based on an “in-store 10-item checklist” every three months. We compile and analyze these results in the After-Sales Department, and they lead to further improvements.

### Strengthening Technical Support Capabilities at Dealers

To develop an advanced nationwide system for vehicle maintenance, MMC has established Technical Centers in 10 locations across Japan. This system provides support for customers and dealers. In the case of vehicle failures where it is difficult to diagnose problems at dealers and advanced technology is required, the Technical Centers support dealers. To speed up response time and ensure greater precision, we added 19 extra staff at Technical Centers from June 2004 onward. Moreover, in November 2005, we established the Technical Support Division with the aim of strengthening dealer support and on-site investigation capabilities. We continue to work to bolster the functions of Technical Centers. P.10

Technical Centers (10 locations)



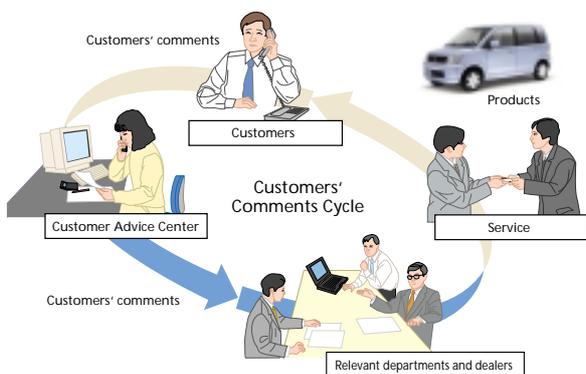
## Customer Advice Center

MMC established the Customer Advice Center in 1968 as a point of contact for directly receiving customer opinions. Since then, we have implemented a variety of initiatives 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 Advice Center is extremely convenient for customers.

### Relaying Customers' Comments

MMC provides feedback on customer opinions and comments to the departments concerned via the company intranet and an e-mail magazine that is issued to all employees. Depending on content of the information, we also provide feedback to relevant departments in the company, and we reflect customers' opinions in improvements to products and services.

For example, we provide detailed information to development departments, and they use it as a reference for improving design and testing. In addition, we produce quality information reports based on information on defects that has been directly provided by customers to the company, and we use these reports to support documents for deciding on market measures such as vehicle recalls.



Customer Advice Center

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

### Aiming to Improve Counseling Capabilities

At the Customer Advice Center, MMC is improving the skills of consultants so that they can respond accurately to customer inquiries.

Specifically, we regularly carry out quantitative evaluations of the skills of telephone consultants. In addition, we compare the response level of the Customer Advice Center

to that of our competitors. By returning these results to our consultants, we are working to enhance the service level of the Customer Advice Center.

### Striving to Rapidly Resolve Problems

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

## Other Initiatives

### Basic Training for Dealers

To make customers glad that they have bought a Mitsubishi vehicle, MMC is endeavoring to improve not only the level of products, but also the level of customer service.

At dealers across Japan, we continually conduct training regarding in-store service, product explanation, receiving vehicles, and treating customers who are waiting during operations. Through these activities we are striving to ensure that customers feel satisfied and content when they visit our dealer stores. P.9



Aiming to build long-term relationships with customers

### Measures to Renovate Dealer Stores

MMC is 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 2005, we renovated 29 dealer stores.

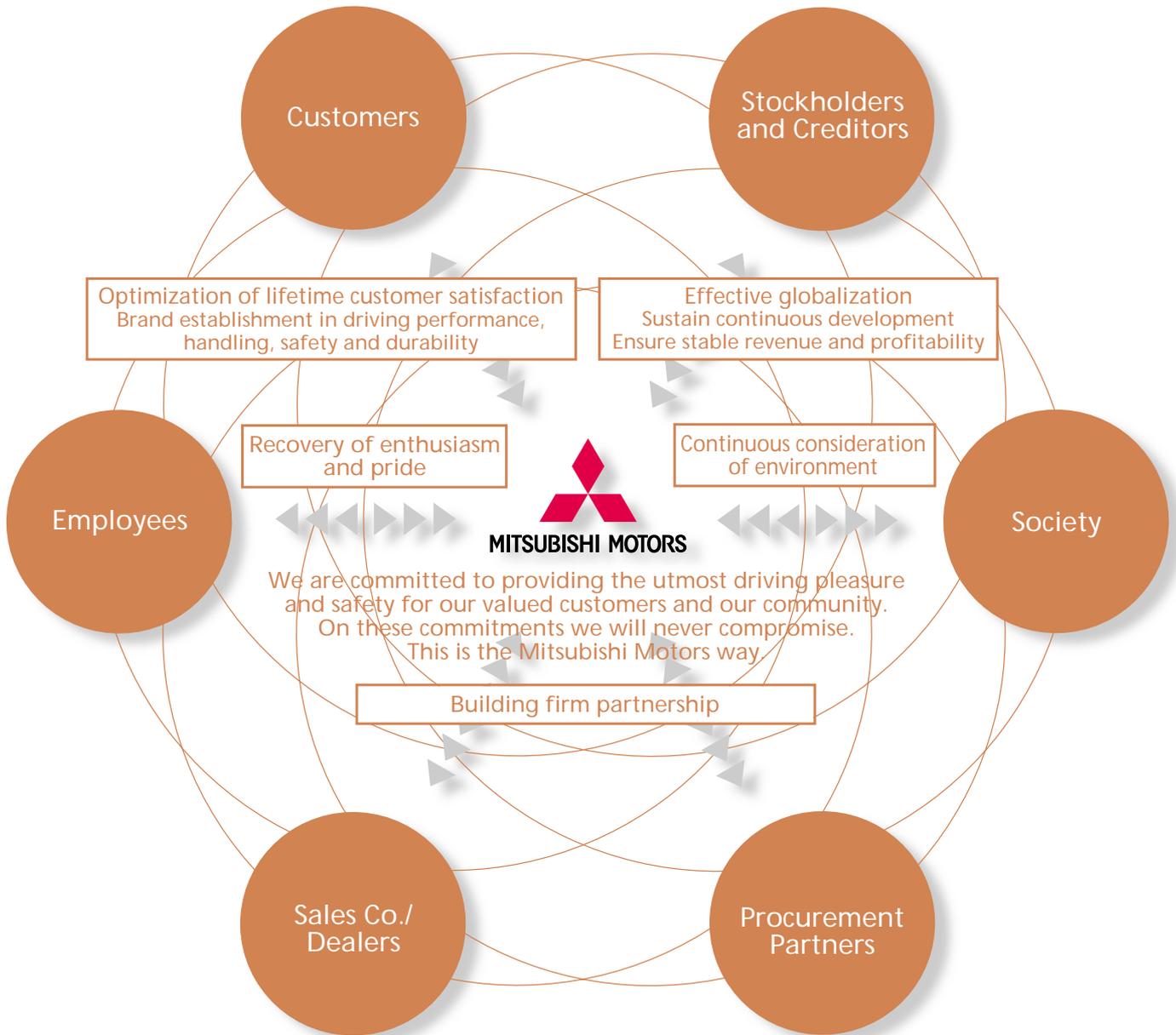


Dealer store renovation

# Emphasizing Stakeholders Involvement

MMC regards customers, stockholders 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.

## Relationships between Our Stakeholders



## With Our Customers

To provide customers with a safe and comfortable driving environment, we are undertaking various initiatives.

### 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 together, learn together, and enjoy driving together with all the participants.

To ensure that we respond to every single participant’s concerns and questions, learning events involve a small number of participants and we put great emphasis 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, useful basic driving advice to avoid being flustered in emergencies such as taking care of flat tires and using emergency flares, as well as equipment to be carried in vehicles for handling emergency situations.

Through the “Car School,” MMC will continue to

**Web** <http://www.kurumano-gakko.com/> (Japanese Only)



“Car School”

conduct these activities in order to convey to as many people as possible the pleasure of driving.

### “Hearty Run” Series of Welfare Vehicles

Based on the desire to provide more people with convenience and comfort when moving from one place to another by car, MMC announced the “Hearty Run” series of welfare vehicles from 1991. These welfare vehicles embody the concept of driving in close companionship with others.

MMC currently offers a lineup of various models and types 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 *Mitsubishi Barrier-Free Lounge in Tama* and *Mitsubishi Barrier-Free Lounge in Osaka* permanent showrooms, and we are actively exhibiting these vehicles at welfare exhibitions in various locations.

**Web** <http://www.mitsubishi-motors.co.jp/heartyrun/> (Japanese Only)



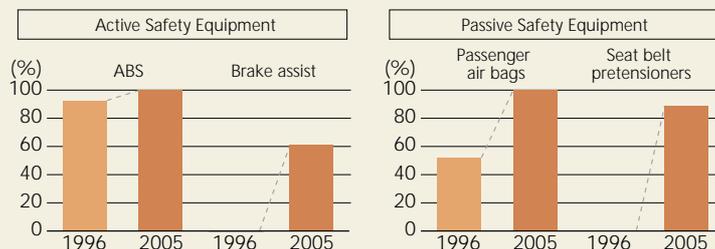
“Grandis” vehicle equipped with a movable passenger seat

## Traffic Safety Initiatives—For a Secure, Accident-free Society—

The number of traffic deaths in Japan has been on the decline, but during the calendar year 2005, 6,871 precious lives were lost due to traffic accidents. Moreover, as the number of deaths combined with those injured has been running at a high level of nearly 1.2 million people, it has become imperative to adopt safety measures to prevent accidents before they occur.

MMC recognizes that traffic accidents are the greatest negative legacy that has been brought about by motor vehicles, and while aiming for an accident-free society, we will continue to strive to reduce the number of traffic accidents.

MMC’s Increasing Use of Safety Equipment (Passenger-car Production Unit Basis)



## With Society and Local Communities

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

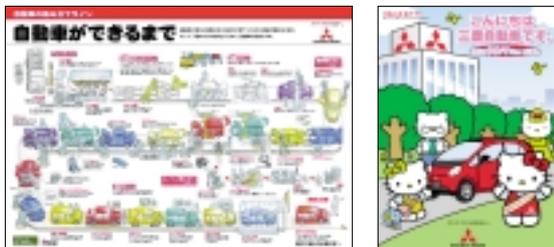
### Donations and Contributions

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 fiscal 2005, MMC also made contributions of cash and goods, and raised funds from all staff members, to assist the areas struck by Hurricane Katrina in the United States and the major earthquake in Pakistan.

### 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.



Automobile information service for 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.



Automobile Information Service for Elementary School Children’s “Children’s Car Museum” website

Web [http://www.mitsubishi-motors.com/corporate/about\\_us/kids/e/index.html](http://www.mitsubishi-motors.com/corporate/about_us/kids/e/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 cut-away engine models. We also give lessons that enable children to experience the work involved in car manufacturing through workshops involving design sketches and clay models (1,100 students at 11 schools in fiscal 2005), 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 2005, 55 students visited us from 12 schools.

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



Work place experience lesson for junior high school students



Junior high school newspaper

## Mizushima Plant

MMC is carrying out the “Japanese Version of the Dual System,” an occupational training system combining on-the-job training and education that has been introduced through cooperation with the Ministry of Health, Labour and Welfare and the Ministry of Education. In fiscal 2005, we accepted 11 trainees from Okayama Prefecture. They undertook basic training for three months as automobile production line workers and spent two months learning manufacturing in practice. They are currently playing an active role as good employees at MMC.

Through these activities, we allow young people to enjoy working toward a goal and learn the importance of colleagues. We also communicate with participants regarding Japanese manufacturing and MMC’s manufacturing activities.

Looking ahead, we will continue a variety of activities that contribute to society as well as continuing this “Japanese Version of the Dual System.”



Training scene

## Nagoya Plant

As a result of a tie-up with the Okazaki Educational Committee, the MMC Okazaki Baseball Club is holding baseball classes by making use of the off season. In fiscal 2005, 75 students from 15 junior high schools took part in these classes. The Nagoya Plant is also working to develop relationships with the local community by allowing the community to use company facilities such as the recreation ground, tennis courts and gymnasium, and through other activities.



Baseball tuition by the MMC Okazaki Baseball Club

## Powertrain Plant

MMC employees at the Baton Cheer Club in Kyoto Powertrain Plants use their days off work to carry out voluntary social service activities.

They visit homes for the elderly and participate in events such as regional festivals and sporting events, thereby deepening social interaction with the regional community.

The MMC Baton Cheer Club conducts at least 20 public performances a year and all the participants have greatly enjoyed themselves.

Numerous events are planned this year as well. When there are requests for performances from the local community, the club will happily oblige. The group aims to conduct activities that are rooted in the culture of the local community.



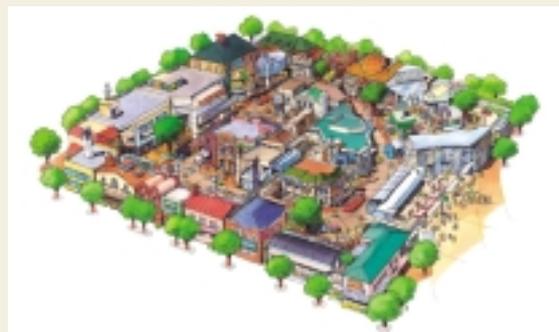
Visit to a home for the elderly

## Exhibiting at Kidzania Tokyo

When completed, Kidzania Tokyo will be an exhibition site that creates opportunities for children to discover their dreams, life goals and the satisfaction to be gained from work. MMC supports this concept, and plans to stage an exhibition in a pavilion at Kidzania Tokyo.

The MMC pavilion will enable children to enjoyably learn more about cars by understanding how they are sold, the functions they possess and how they are used. At the same time, children can learn about the qualities needed to play a full role in society: the spirit of cooperation, activeness and the ability to communicate with people.

In this way, as well as showing children the pleasure to be derived from cars, MMC will contribute to their education by introducing them to future work experiences.



Kidzania Tokyo to open in October 2006

## With Stockholders and Creditors

MMC is disclosing information by improving its publications and other actions. Through these initiatives, we aim to ensure that stockholders and creditors are even more satisfied with MMC.

### Information Disclosure Policy

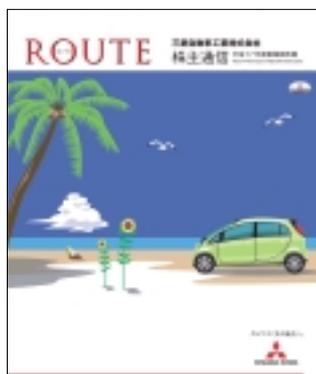
At MMC, we believe it is important to disclose company information in a timely and precise manner in order to receive the support of all our stockholders and investors. In particular, the number of MMC stockholders has risen rapidly from approximately 46,000 at the end of March 2004 to approximately 429,000 as of the end of March 2006.

In light of this situation, it has become increasingly important to provide information to all individual stockholders and individual investors and to inform them of new developments at MMC. We will continue to disclose information to ensure the transparency of the company.

### ROUTE, a Stockholder Bulletin

In December 2005 and June 2006, MMC published ROUTE, a short-form bulletin for stockholders. This publication has incorporated the role of the “Interim Report” that we previously distributed to stockholders on a regular basis. Compared to the previous reports, ROUTE is easier to read, more accessible, and more familiar.

We hope that the content will ensure as many individual stockholders as possible support MMC, and we plan to continue to publish this bulletin twice a year.



ROUTE, a stockholders' magazine

### General Shareholders' Meetings

MMC regards general shareholders' meetings as an opportunity for all stockholders 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 stockholder questions as possible.

After the conclusion of the General Shareholders' Meeting held on June 23, 2005, we provided a briefing regarding the “Outlander” and the “i” before their market launches.

### Other Measures to Strengthen Information Disclosure

- Upgrading of content on the MMC website, including the addition of an investor-directed FAQ
- Publication of annual reports in Japanese and English
- Publication of fact books in Japanese and English



Annual Report



Fact Book

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

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

With Sales Companies, Dealers and Procurement Partners

**With Sales Companies and Dealers**

In August 2005, we invited staff within the company to be sent to sales companies and dealers to work temporarily as sales representatives. The objective is to support the sales companies in tandem with the launch of the “Outlander” and the “i”, which will drive the revitalization of MMC.

Among the applicants, there was one employee who said directly to MMC President Masuko: “Let me tell our customers how good Mitsubishi Motors cars are.”

We interviewed that person, Ms. Ritsuko Kaneko, at the Takaido store of Tokyo Mitsubishi Motors Sales Co., Ltd.

**—Why did you consider undertaking a temporary sales job assignment?**

When I joined MMC, I was assigned to the Customer Relations Department and I was handling customers on the phone every day. From that time on, I felt that I wanted to deal with customers not only on the phone, but also when they buy vehicles through after-sales service. I also felt that I wanted to make as many customers as possible become fans of MMC.

**—Did you have any particular impressions when seeing MMC from the outside?**

I feel that the “Customers First” principle has penetrated MMC more than before. However, if all employees can keep the customer’s viewpoint in mind as they work, I think MMC will be able to regain customer trust even more.

**—What do you honestly feel about your time at the dealer?**

I realized again that there are many customers who support MMC. This made me feel encouraged, and I think constantly that it must be possible to do something better to meet customers’ expectations.

**—Has MMC changed?**

In the past, female employees were never sent to work in actual sales operations. The fact that I was sent to work at a dealer, without being bound by this precedent, is one example showing that things have changed.



MMC takes commemorative photos of all staff members and customers at car delivery ceremonies.

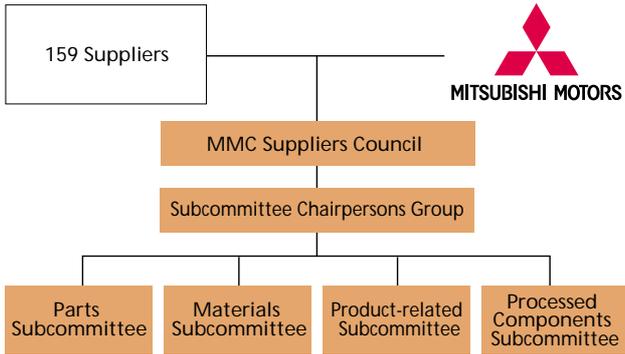
**With Procurement Partners**

Strengthening trust and cooperation with suppliers is a vital part of developing and producing cars. MMC procurement is shifting its emphasis from purchasing by volume to purchasing by quality. MMC works with suppliers to determine the optimum cost and quality of components right from the design stage.

One concrete example of how we do this is our Plant Performance Improvement, an initiative implemented last year with suppliers. This initiative involves the participation of specialists from various MMC departments including purchasing. These personnel visit suppliers’ plants and work with them to develop proposals for improving the entire plant’s performance. In fiscal 2005, 15 suppliers participated in this improvement initiative, and MMC plans to expand this to 46 suppliers in fiscal 2006.

In June 2005, MMC established a new Suppliers Council to build new trust relationships with suppliers, foster a feeling of solidarity, and realize strong partnerships. The Council is broadly composed of four subcommittees: the Parts Subcommittee, the Materials Subcommittee, the Product-related Subcommittee, and the Processed Components Subcommittee. The Council is managed by a Subcommittee Chairpersons Group that brings these subcommittees together. The Council consists of 159 suppliers, primarily major business customers.

Organization of MMC Suppliers Council



The MMC Suppliers Council

## 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.

The Personnel Department, which is responsible for promoting these initiatives, executes a PDCA<sup>\*1</sup> cycle with respect to all personnel policies and also supports staff.

#### Employee System

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.

#### 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 to refine specialized knowledge skills, “quality training,” and “professional and manufacturing training” designed to enhance and pass on technology. Support also extends to job rotation to promote the sharing of information and foster the career development of individuals.

### Employment of Elderly Staff

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.

### In-house Communication

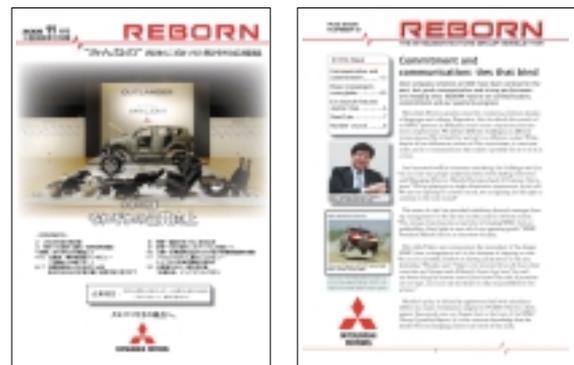
Seamless execution of our business revitalization plan demands that the company and employees share the same goals. In-house communication that keeps employees informed has a vital role to play here. At MMC, we use internal newsletters, intranets, meetings with top management and other means to share 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 September 2004, MMC’s internal newsletter was completely revamped. This effort culminated in the publication of a journal to encourage employees to support the revitalization plan through the sharing of related information.

First issued in September 2005, the new journal combined local newsletters that had previously been published independently at each MMC worksite. From June 2005, a special website was set up that allows employees to access the newsletter from home. Among other benefits, this website has proven useful in stimulating communication among MMC employees and their families. Meanwhile, an overseas edition of the newsletter was first published and distributed electronically in October 2004 to MMC Group employees worldwide.



REBORN, MMC’s internal newsletter

\*1 PDCA cycle

A management technique for promoting continuous improvement in business activities that involves a cycle (Plan, Do, Check and Act) that is repeated over and over.

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

Since May 2005, MMC has been using 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.

Both the newsletter version of REBORN and its video incarnation are planned, researched, written and edited entirely by employees. REBORN is popular throughout the company with employees also cooperating in supplying information, contributing articles, requesting articles and in numerous other ways.

#### 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.



Intranet

### Meetings With the President (FLAT)

FLAT is the name MMC has given to a series of face-to-face meetings between top management and employees, in which top management visit the workplace. The aim of these meetings is to create a workplace atmosphere in which everyone, whether president or employee, can speak frankly about issues that concern them in an equal exchange of opinions. 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 the expression of workplace problems.



FLAT sessions

### 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. Submissions are used to change various aspects of the company.

### 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.

#### Road Safety

Automaker employees have a particular obligation to follow traffic rules. To ensure this happens, we offer all employees safe-driving courses and general inspections of commuting vehicles, as well as undertaking 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 dieticians, disease prevention education and physical examinations

#### 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

## Mitsubishi Motors' Environmental Activities

As a tool for transporting ourselves, automobiles are an indispensable element of our rich and varied modern lifestyles. However, they also have a significant impact on the environment throughout all stages of their life cycles.

I believe that minimizing the overall impact of automobiles on the environment is one of the major social responsibilities of Mitsubishi Motors (MMC). This means minimizing the environmental impact of the product itself as well as the business processes involved, such as production, logistics, and sales.

To enable us to pass on a bountiful environment to future generations and to build a sustainable society, we have formulated a new Environment Initiative Program 2010 to guide us through to the fiscal year ending March 31, 2011. This plan carries on from the Environmental Sustainability Plan that we have pursued in the past.

Our action plan not only calls for preserving the environmentally friendly functions of our cars, it also calls for a reduction in the impact of all our business activities on the environment. To steadily achieve these goals, the plan categorizes all our business activities into environmental management, the prevention of global warming, the prevention of environmental pollution, and recycling and resource conservation. Our action plan then sets targets which will be achieved through the repetition of a plan-do-check-act (PDCA) cycle.

As a company dedicated to the craft of manufacturing, MMC sets ambitious goals for itself, particularly in the development of new proprietary technologies. Continually challenging ourselves to attain these goals, we seek to contribute to the preservation of the global environment and to the realization of a sustainable automobile-oriented society.



### Heki Kasugai

Executive Vice President

In Charge of Business Revitalization Promotion

In Charge of Corporate Planning, Product Strategy, Environment, and Corporate Affairs

Group Headquarters

24	Environmental Activities Framework
29	Environmental Management
37	Prevention of Global Warming
43	Prevention of Environmental Pollution
51	Recycling and Resource Conservation

## Environmental Policy (formulated August 1999)

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:

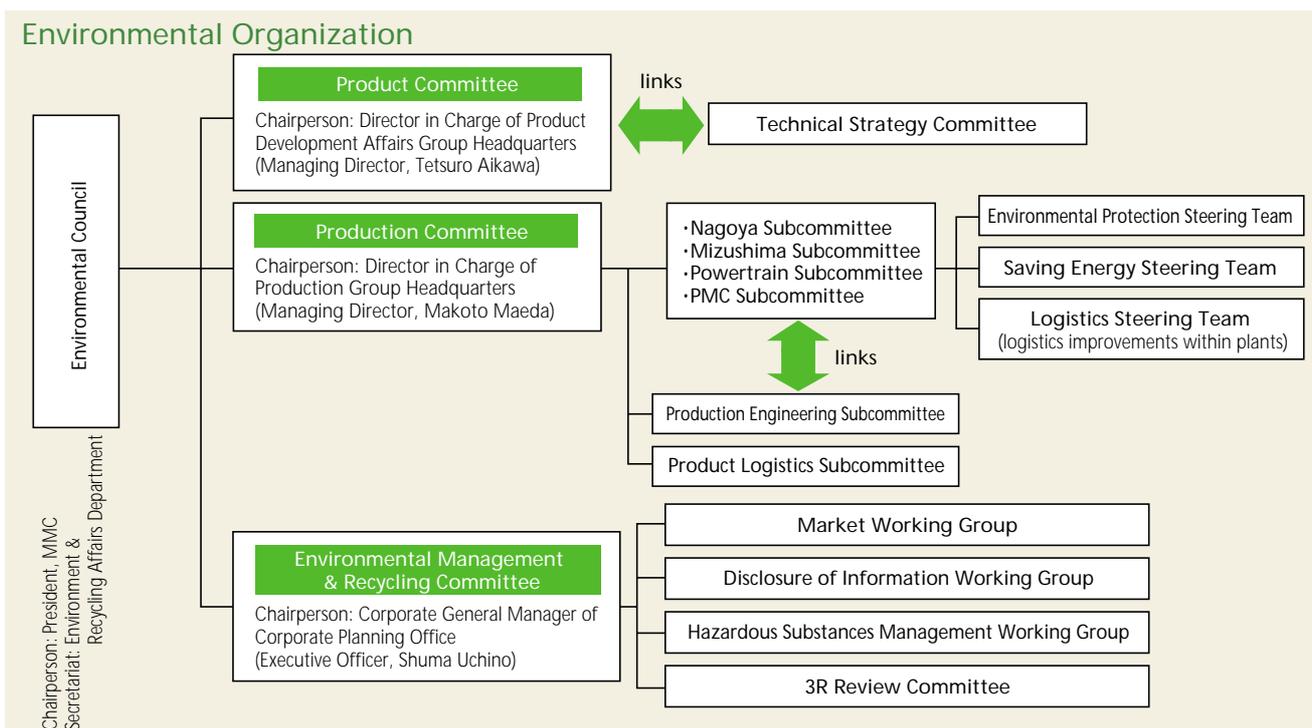
1. Taking a global perspective, we are committed to harnessing all our resources to achieve continuous reductions in the environmental impact of all our corporate activities, spanning development, procurement, production, sales, and aftersales servicing of vehicles.
2. As a good corporate citizen, we 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 pursues environmental protection activities throughout its operations under the guidance of the Environmental Council, our core environmental management body that 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 and decide on proposals made by the committees under it. Environmental goals decided through this process are reviewed on a quarterly basis and steps 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 medium-term environmental plan covering MMC's environmental activities up to fiscal 2010. P.25,26



# Environment Initiative Program 2010

MMC has created an Environment Initiative Program covering its environmental activities up to fiscal 2010. This new plan picks up where the previous Environmental Sustainability Plan left off. Taking into account past results and issues, the new plan aims for MMC to co-exist with the environment while also achieving revitalization and growth in its operations, thereby contributing to the building of a sustainable society.

## Results of Environmental Sustainability Plan (Five-year plan started in fiscal 2002)

### Environmental Management

Category	Midterm Target	Results up to Fiscal 2005	Assessment	Related Pages
Environmental Management System	<ul style="list-style-type: none"> <li>Expansion of scope of ISO 14001 certification.</li> <li>Pursue the environmental plan by holding regularly scheduled liaison meetings with domestic production-related companies, and publication of information magazines.</li> <li>Strengthen exchange with major overseas plants on environmental activities and grasp of trends in regulations.</li> </ul>	Development Division and affiliates newly certified.	☺	<a href="#">P.30,31</a>
		Regularly scheduled liaison meetings of MMC Group, regular publication of information magazines.	☺	<a href="#">P.31</a>
		Good grasp of environmental activities of major overseas plants.	☺	<a href="#">P.32</a>
Collaboration with sales companies	<ul style="list-style-type: none"> <li>Build and implement environmental management system for all sales companies.</li> </ul>	Thorough production of environmental reports, improved instructions for disposal of industrial waste. Management system construction delayed.	☹	<a href="#">P.33</a>
Collaboration with suppliers (Green procurement)	<ul style="list-style-type: none"> <li>Promoting environmental certification by all suppliers, including new ones.</li> </ul>	388 of 409 companies have acquired certification (95%)	☺	<a href="#">P.33</a>
Application of design for environment (DfE*1)	<ul style="list-style-type: none"> <li>Complete DfE system, apply to product development.</li> </ul>	Introduced adjustment of assessment process, LCA*2 assessment of production cars. Application of system to product development insufficient.	☹	<a href="#">P.34</a>
Expanding and improving training/increasing awareness, information disclosure, social contribution activities.	<ul style="list-style-type: none"> <li>Continuous publication of Environmental Report, expansion and improvement of ongoing distribution of environmental information.</li> </ul>	Continuous publication of social and environmental reports.	☺	<a href="#">P.35</a>
		Introduction of lecture program at elementary schools.	☺	<a href="#">P.17</a>

### Prevention of Global Warming

Category	Midterm Target	Results up to Fiscal 2005	Assessment	Related Pages
Improving automobile fuel economy	<ul style="list-style-type: none"> <li>Early attainment of Japan's 2010 fuel economy standard (By end of fiscal 2007).</li> <li>Start drive to reach voluntary 2009 European fuel economy targets.</li> </ul>	Achieved 2010 standard for 4 of 7 classes of gasoline-fueled vehicles.	☺	<a href="#">P.38,39</a>
Air conditioner refrigerant reduction measures	<ul style="list-style-type: none"> <li>Expand use of low-refrigerant air conditioners (20% or greater reduction in refrigerant than 1995) in new models.</li> <li>Promote development of air conditioners that do not use chlorofluorocarbon substitutes.</li> </ul>	Progressing with efforts to reach voluntary fuel economy standard.	☺	<a href="#">P.38,39</a>
		Attained greater than industry average in reduction of refrigerant volume.	☺	<a href="#">P.39</a>
Reduction in CO <sub>2</sub> emissions from production and logistics	<ul style="list-style-type: none"> <li>At least 20% reduction in CO<sub>2</sub> emissions compared with 1990 through energy conservation in factories (By fiscal 2010).</li> <li>At least 6% reduction in CO<sub>2</sub> emissions compared with 2000 through greater distribution efficiency for finished vehicles.</li> </ul>	Developing low-heat multiple-refrigerant air conditioner.	☺	<a href="#">P.39</a>
		29% reduction in total CO <sub>2</sub> emissions compared with 1990.	☺	<a href="#">P.41</a>
		7% reduction in CO <sub>2</sub> emissions per unit shipped compared with 2000.	☺	<a href="#">P.42</a>

### Prevention of Environmental Pollution

Category	Midterm Target	Results up to Fiscal 2005	Assessment	Related Pages
Development of next-generation electric vehicles	<ul style="list-style-type: none"> <li>R&amp;D of various automotive technologies using in-wheel motors (EV, HEV, FCV).</li> <li>Fuel cell R&amp;D.</li> </ul>	Started R&D of next-generation electric vehicle based on minicar platform.	☺	<a href="#">P.44,46</a>
		Participated in practical tests of hydrogen and fuel cell-based batteries.	☺	<a href="#">P.44,46</a>
Promoting boost of low emission vehicles	<ul style="list-style-type: none"> <li>Increase proportion of vehicles eligible for the new preferential vehicle tax in automobile sales (At least 75% of registered vehicles, 55% if minicars).</li> <li>Low-emission vehicles to account for at least 85% of domestically registered vehicle unit sales.</li> </ul>	Registered vehicles: 69% /Minicars: 54% (Fiscal 2005).	☹	<a href="#">P.45</a>
		Low emission vehicle proportion of domestically registered vehicle unit sales: 71% (Fiscal 2005).	☹	<a href="#">P.45</a>
Improvement of cabin environment	<ul style="list-style-type: none"> <li>Reduction in VOC*3 in cabins.</li> </ul>	Starting with the <i>i</i> model launched in January 2006, have exceeded JAMA targets.	☺	<a href="#">P.47</a>
Reduced use of substances with an adverse environmental impact.	<ul style="list-style-type: none"> <li>Comply with domestic and EU restrictions on substances with an adverse environmental impact: lead, mercury, hexavalent chromium, cadmium.</li> </ul>	Eliminated use of mercury in 2003 (excluding commissioned components).	☺	<a href="#">P.48</a>
		Also have exceeded JAMA targets for lead use. Started efforts to eliminate use of all substances with an adverse environmental impact within EU deadline.	☺	<a href="#">P.48</a>
Reduction of environmentally-impacting substances in production	<ul style="list-style-type: none"> <li>VOC emissions: Reduction of VOC use on passenger car paint lines to 35g/m<sup>2</sup> or less, and to an average 42g/m<sup>2</sup> or less for overall production (By fiscal 2010).</li> </ul>	Pursuing target through introduction of water-based paints, etc.	☺	<a href="#">P.49,50</a>

### Recycling and Resource Conservation

Category	Midterm Target	Results up to Fiscal 2005	Assessment	Related Pages
Recycling of ELVs	<ul style="list-style-type: none"> <li>Japan: Comply with Japan's automobile recycling law and support smooth recycling process.</li> <li>EU: Promote activities aimed at achieving 95% recycling efficiency, build network capable of meeting obligation to collect ELVs, provide information, etc.</li> </ul>	Legal 2010 ASR*4 resource recovery ratio standards surpassed.	☺	<a href="#">P.52,55-57</a>
		Still determining whether midterm recycling efficiency ratio (Fiscal 2005) reached. Proceeding with efforts to meet ELV collection obligation and steadily provide information, etc.	☺	<a href="#">P.52,55-57</a>
Production process recycling	<ul style="list-style-type: none"> <li>Maintain zero emissions of landfill waste at all manufacturing sites.</li> <li>Achieve a waste recycling rate of at least 98%.</li> <li>Reduce emissions of such by products as metal scrap and waste casting sand (reduction of emissions to net sale ratio by 1.7% compared with fiscal 2001, by fiscal 2006).</li> <li>Reduction of water use through efficient recycling (5% reduction compared with fiscal 2000).</li> </ul>	Maintained zero landfill waste since fiscal 2002.	☺	<a href="#">P.53</a>
		Attained since fiscal 2001 (Parent company 99.8%)	☺	<a href="#">P.53</a>
		1.8% reduction compared with fiscal 2001 (Fiscal 2005)	☺	<a href="#">P.53</a>
		Achieved since fiscal 2001.	☺	<a href="#">P.54</a>

## Environment Initiative Program 2010 (New plan covering period to fiscal 2010)

### Environmental Management

Category	Activities and Goals	Related Pages
Build up global environmental management framework	• Expand environmental management system to cover non-production subsidiaries and affiliates, including overseas companies.	P.31-33
	• Promote acquisition of EA21*5 environmental management certification for domestic sales companies.	P.33
Collaboration with suppliers	• Promote acquisition of ISO 14001 and other environmental management certification by suppliers.	P.33
Establish DfE promotional organization	• Establish LCA data collection system at domestic production bases.	P.34
	• Establish system to collect LCA data from suppliers.	P.34
Expanding and improving training/increasing awareness and information disclosure.	• Expand environmental training programs including consolidated companies	P.35
	• Continuously expand and improve information disclosure through social and environmental reports, website, etc.	P.35
Expanding and improving social contribution activities and environmental activities	• Expansion of lecture program at elementary schools.	P.17

### Prevention of Global Warming

Category	Activities and Goals	Related Pages
Improve automobile fuel economy	• Progressively enhance fuel economy by incorporating low-fuel consumption technology into new vehicles	P.38,39
	Japan: Achieve domestic fuel economy standard targets for 2010 in all vehicle categories ahead of schedule by 2007	
Development of next generation of low-fuel consumption core technologies	• Develop and commercialize next-generation clean diesel engines.	P.40
	• Develop and commercialize next-generation high-efficiency transmissions.	
Compatibility with diverse energy sources	• Develop and launch bio-fuel compatible vehicles.	P.40
Development and practical application of plant-based resin	• Develop and practically apply "green plastic" derived from proprietary vegetable-oil based resin .	P.39
Development of air conditioners using refrigerants with low global-warming factors	• Develop and practically apply air conditioners using substitute refrigerants instead of HFC-134a.	P.41
Reduction in CO <sub>2</sub> emissions from production and logistics	• Total CO <sub>2</sub> emissions from production: At least 20% lower than fiscal 1990.	P.42
	• CO <sub>2</sub> emissions per unit shipped from logistics: Annual reduction of at least 1%.	P.42

### Prevention of Environmental Pollution

Category	Activities and Goals	Related Pages
Development of next-generation electric vehicles	• Target R&D with a view to launching a next-generation electric vehicle based on the minicar platform by 2010.	P.44,46
Promoting propagation of low emission vehicles	• Raise most registered passenger automobiles to the "4-star" level by 2010.	P.44,45
Reduction of VOCs in cabins	• Achieve JAMA standards (April 2007) early by successively introducing higher standards in new vehicles being sold starting in 2006.	P.47
Strengthen management and reduce use of substances with an adverse impact on the environment used in products	• Improve management of information on adverse-impact substances used in components and materials.	P.48
	• Achieve early elimination of use of restricted adverse-impact substances, such as hexavalent chromium.	P.48
	• Convert to lead-free solder.	P.48
Reduce use of environmentally-impacting substances in production.(VOCs, PRTR*6)	• Reduction of VOC emission unit use by at least 30% compared with fiscal 2000	P.49
	• Substantial reduction in emissions and transfers of PRTR-listed substances.	P.50
	• Promote proper disposal of waste containing PCBs.	P.50
	• Prevention of asbestos-caused damage to people's health.	P.50

### Recycling and Resource Conservation

Category	Activities and Goals	Related Pages
Automobile recycling	• Japan: Early achievement of fiscal 2015 statutory minimum SR recycling rate of 70%.	P.55-58
	Promote total recycling (End of fiscal 2009: total recycling rate of at least 20%)	P.55-57
Development and increased application of 3R technology	• Europe: Build ELV recovery system. Respond to recyclability directives.	
	3R in context of production process.	• Increase ease of removing wire harness types of motors.
3R in context of production process.	• Landfill disposal: Continue to work towards a zero landfill disposal rate at all manufacturing plants.	P.53
	• In-process recycling: Maintain recycling rate in excess of 98%	P.53
	• Waste reduction: Continue to reduce quantities of spent waste casting sand and metal scrap requiring disposal.	P.53
	• Water resources: Continue to reduce water use by more than 5% over 2000 levels.	P.54

\*1. DfE : Design for Environment.

\*2. LCA : Lifecycle Assessment. The method of evaluating impact on environment from raw materials extraction to vehicle scrapping and recycling.

\*3. VOC : Volatile Organic Compound

\*4. ASR : Automobile Shredder Residue. The waste residue remaining after the vehicle has been broken down by the shredder, and metals and other useable materials have been separated out.

\*5. EA21 : EcoAction21 (Environmental Management System established by the Ministry of Environment).

\*6. PRTR : Pollutant Release and Transfer Register, a reporting system for use and transfer of specified chemical substances.

# Environmental Activity Map

Automobiles impact on the environment in various forms as they go through their lifecycle of production, use, and recycling. This environmental activity map horizontally follows the lifecycle while vertically showing the different environmental categories, helping to give an overall view of MMC's environmental activities.

	Planning & Development	Procurement	Production
Environmental Management	<p><b>Design for Environment</b> P.34 By sharing the concept of design for environment (DfE), we are improving the environmental aspects of products.</p> <p><b>ISO Certification Efforts</b> P.32 We upgraded our ISO 14001 certification to the 2004 version. Also, we expanded the scope of certification to our development divisions.</p> <p><b>Employee Training</b> P.35 We conduct employee training/awareness activities, such as new employee training and engineer training programs, publication of email magazines, and environmental activity explanation meetings. Environment Month activities are held on a companywide basis.</p> <p><b>Communications</b> P.37 We are building an organization to produce social and environmental reports, provide information disclosure on our website, and communicate with local communities.</p>	<p><b>Green Procurement</b> P.33 We require suppliers to acquire ISO 14001 and other certification. In fiscal 2005, another 9 companies acquired ISO 14001 certification, bringing the overall certification percentage to 94.9%.</p>	<p><b>MMC Group Meetings</b> P.31 We hold various types of meetings with major associated companies.</p> <p><b>ISO Certification Efforts</b> P.31,32 All major production-related companies in Japan and overseas have acquired ISO 14001 certification.</p>
Prevention of Global Warming	<p><b>Improving Fuel Economy</b> P.38 In Japan, we are aiming for an early achievement of the 2010 fuel economy standard. Our efforts to improve fuel economy include developing high-efficiency engines, greater use of CVTs, and making lighter vehicles.</p> <p><b>Air Conditioner Refrigerant</b> P.39 Since 1997, we have been using refrigerant conservation-type air conditioners in our new models.</p> <p><b>Developing Low-Emission Vehicles</b> P.44,45,46 In fiscal 2005, 71% of the gasoline-fueled passenger automobiles sold by MMC were certified as low-emissions vehicles. We are developing an electric vehicle that emits no carbon dioxide when running with the goal of quickly producing a practical application.</p>	<p><b>Idling Stop</b> We ask our employees and our suppliers not to idle their vehicle engines.</p> <p><b>Milk Run</b> In Japan, we have commenced tests to enable MMC to switch its parts procurement system from a direct delivery system used by parts manufacturers to a milk run system for automobile manufacturers, in which parts for multiple companies are transported together.</p>	<p><b>Energy Conservation</b> P.41 We conduct target-based activities to reduce use of electricity, fuel, and other types of energy.</p> 
Prevention of Environmental Pollution	<p><b>Improving Cabin Environment</b> P.47 We are taking steps to make the cabins of vehicles comfortable and safe by reducing the VOC emissions and by using Bio-clear Filters.</p>	<p><b>Management of Hazardous Substances</b> P.33 We require suppliers to follow our management of hazardous substances guidelines and to disclose data on their use.</p>	<p><b>Management of Substances with Environmental Impact</b> P.49,50 In addition to complying with laws related to air, water, noise, and vibration, we are working on meeting the new regulations on reducing VOCs and properly disposing of materials containing PCBs.</p>
Recycling and Resource Conservation	<p><b>3R Design</b> P.52 We promote reuse and recycling by using easily recycled materials.</p>  		<p><b>3R Promotion</b> P.53 While endeavoring to maintain a zero-volume final disposal record, we are also reducing the volume of waste generated and converting from thermal recycling to material recycling.</p>

Logistics

Sales

Use

Recycling

ISO Certification P.31

Logistics subsidiary Mitsubishi Motors Logistics acquired ISO 14001 certification in November 2003.



EcoAction21 Certification P.33

In the past, sales companies renewed environmental activities based on their own management system. However, starting in 2005, two sales companies commenced programs aimed at receiving EcoAction21 certification.



Environmental Audit

We periodically audit approved ASR facilities and complete resource recovery operators.



Improving Transport Efficiency P.42

We seek to increase the transport efficiency of the logistics systems for built-up vehicles by promoting modal shifts, higher loading efficiency on car trailers, and other measures.

Idling Stop

We target greater vehicle operational efficiency using digital tachography and thorough adherence to no idling requirements.

Greater Awareness of Eco Driving

We run an awareness activity that aims to increase awareness by printing such comments as "Slow down. Go easy on the environment through Eco Driving" on catalogs and other publications sent to customers.



Information Disclosure of Environmental Features

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

Collecting Chlorofluorocarbons P.56

In fiscal 2005, we collected and disposed of through degradation 63 tons of chlorofluorocarbons, the equivalent of 200 thousand air conditioner units.



Returnable Packaging P.54

We proactively promote the return of packaging by designing racks and boxes used to ship maintenance and repair parts so that they can be compressed from one-third to one-tenth their size after delivery. We are also actively converting to steel containers for shipment of KD parts to reduce the use of wood materials in containers.

Collection of Bumpers P.57

Since 1997, our sales companies have collected used polypropylene bumpers that are being replaced because of accidents, etc. In fiscal 2005, we collected 66,998 bumpers.

Separation of Waste

We promote the recycling of the large amount of waste generated during maintenance and repairs by finely separating and storing it, and actively selling metal scrap and other useful materials, etc.

ASR Recycling P.55,56

Starting with fiscal 2010, laws in Japan will require that at least 50% of vehicles be recycled—a figure we have already achieved. Now we are preparing for an increase in this figure to at least 70% in fiscal 2015.

Air Bag Collection P.56

Our resource recycling goal is 85%, but we achieved 93.5% in fiscal 2005.

# Environmental Management

MMC strives through various aspects of its corporate activities to reduce the impact of its business on the environment. Our efforts apply of course to reducing the environmental impact of our products, but also to R&D, production, logistics, sales, and disposal of end-of-life vehicles. Moreover, we are strengthening our environmental management to enable MMC to also promote environmental protection activities at its overseas plants, affiliates, and suppliers.

## Our Environmental Stance

Environmental issues have no borders. Manufacturers around the world are required to address the environmental impact of their products throughout the lifecycle, from product planning to final disposal. For that reason, we have to proactively conduct environmental management on a global scale, including not only our domestic and overseas plants, but also our sales companies and non-production subsidiaries and affiliates.

MMC already has in place the core environmental management system (EMS) needed for that purpose for the parent company and major subsidiaries and affiliates. Based on that EMS, we are conducting a range of activities to reduce the impact of our business on the environment.

Looking ahead, we plan to expand this system reach to cover our global operations, including our non-production subsidiaries and affiliates. Compared with production companies, non-production companies have a much smaller impact on the environment. Therefore, we do not insist that these companies acquire ISO 14001 environmental management certification. Instead, we determine environmental management items suitable to their operations, and pursue appropriate environmental activities to reduce those companies' impact on the environment.

## Our Environmental Activities

MMC has established an Environmental Council, chaired by the president, to serve as its decision-making body for environmental management. The council sets medium-term and annual environmental management goals, which are then steadily pursued through repetition of the plan-do-check-action (PDCA) cycle.

In terms of ISO 14001 certification, the international standard for environmental management, we completed certification of all of our domestic plants in 1998. Following that achievement, we obtained certification for our development divisions in October 2005, and are encouraging our major affiliated companies in Japan and overseas to also obtain certification. For the future, we plan to achieve certification for all head office sections and to build a consolidated environmental management organization that will include overseas operations.

In our promotion of eco-friendly design (DfE), we established assessment processes and indicators to be assessed, while also making life cycle assessments of all vehicles currently being sold. We intend to continue this process, widening our application of these methods to new car development.

We are improving the environmental information disclosed in our Social and Environmental Report and on our website. Moreover, we are extending our communications activities to include lecture programs supporting environmental education at elementary schools.

## Environment Initiative Program 2010 (New plan covering the period to fiscal 2010)

### Environmental Management

Category	Activities and Goals	Comments	Related Pages
Build global environmental management organization	• Expand environmental management system to cover non-production companies, including overseas companies.		<a href="#">P.31-33</a>
	• Target introduction of EA21 environmental management certification for domestic sales companies.	EA21 certification to be achieved by all domestic consolidated sales companies by fiscal 2007.	<a href="#">P.33</a>
	• Achieve ISO certification for all head office sections.	Certification to be obtained by January 2008.	<a href="#">P.30</a>
Collaboration with suppliers	• Promote acquisition of ISO 14001 and other environmental management certification by suppliers.	Either ISO 14001 or EA21	<a href="#">P.33</a>
Establish DfE promotional organization	• Establish LCA data collection system at domestic production bases.		<a href="#">P.34</a>
	• Establish system to collect LCA data from suppliers.		<a href="#">P.34</a>
Expanding and improving training/increasing awareness and information disclosure.	• Expand environmental training programs including consolidated companies		<a href="#">P.35</a>
	• Continuously expand and improve information disclosure through social and environmental reports, website, etc.		<a href="#">P.35</a>
Expanding and improving social contribution activities and environmental activities	• Expansion of lecture program at elementary schools.		<a href="#">P.17</a>



ISO 14001 registration certificate

## Internal Environmental Management

### **Plan!** Fiscal 2005 Goals

- Upgrade certifications to revised 2004 standard for production bases
- Expand ISO 14001 certification program to include development divisions.

### **Do!** Fiscal 2005 Activities and Results

#### ISO 14001: Acquiring 2004 version certification.

All of our domestic plants have acquired ISO 14001 environmental management certification. In fiscal 2005, the development division (Okazaki) received certification along with the expanded inspection of the Nagoya Plant, while other plants upgraded to the 2004 version of ISO 14001 at the time of their regular inspections. As a result, the only major base yet to be certified is the head office.

#### Environmental Audit

Each of our manufacturing sites undergoes an internal environmental audit at least once annually, and an annual third-party environmental audit by an independent organization. Internal auditors undergo internal and external training in line with MMC's accreditation scheme for internal auditing qualifications. Once accredited, auditors check the environmental operations of sites against checklists of about 700 items. Any items designated as requiring further investigation are submitted for checking and review by a senior authority. Appropriate corrective measures are implemented if this review identifies such a need.

No third-party environmental audits conducted at an MMC manufacturing site in fiscal 2005 discovered any major problem. There were 5 minor issues, however, and 11 items were flagged for further review. As a result, corrective measures were applied immediately.

#### Environmental Incidents, Complaints, and Litigation

There were no environmental incidents at MMC sites during fiscal 2005. There were 15 complaints made by local residents, however, with the majority of them related to odorous emissions. In each case, we identified the causes of the problem and took measures to improve the situation.

We also undertake inspections in the vicinity of each site to enable early discovery of problems and prevent complaints.

Among ongoing litigation, MMC and other automotive companies are involved in a series of cases related to automobile emissions in Tokyo. In the first case, the court ruled in favor of the automobile companies in terms of responsibility and compensation. Because the plaintiff appealed the decision, the case is now before the Supreme Court. Four similar cases are current before the Tokyo District Court.

None of the recalls reported to the Ministry of Land, Infrastructure and Transport during fiscal 2005 were environment related.

### **Check!** Fiscal 2005 Self Evaluation

In the fiscal year under review, we expanded our ISO 14001 certification program to our development divisions and completed the conversion to the 2004 version of ISO 14001 certification at all MMC manufacturing sites as planned.

The third-party environmental audit conducted in fiscal 2005 indicated that our environmental management system was functioning appropriately.

### **Action!** Future Plans and Issues

Preparation for acquiring ISO 14001 certification for the head office will begin in early 2007 after the head office is moved from its current location in Shinagawa to Tamachi. Certification is scheduled for January 2008, signifying the completion of ISO 14001 certification by all major MMC bases.

Looking ahead, we plan on continuing efforts to strengthen our environmental management system through such measures as increasing collaborations by implementing ISO education programs for all sections.

#### Status of ISO 14001 Certification Program

• Nagoya Plant	November 1998
• Powertrain Plant	November 1998
• Mizushima Plant	December 1998
• Passenger Car Technology Center (Okazaki region)	November 2005
(Expansion of Nagoya Plant Inspection)	

Production subsidiaries and affiliates have all acquired ISO 14001 certification and are carrying out environmental protection activities. As a group, these companies are sharing a wide range of environmental information through regularly scheduled liaison meetings with domestic subsidiaries and affiliates and the publication of Plant Environmental Topics.

## Consolidated Environmental Management (Collaboration with Domestic Production Companies)

### Plan! Fiscal 2005 Goals

- Strengthen collaboration with production-related companies by holding regularly scheduled liaison meetings.
- Publish information magazines Plant Environmental Topics.

### Do! Fiscal 2005 Activities and Results

Collaborative framework with domestic production companies.

A major domestic production company, Pajero Manufacturing Co., Ltd. (PMC), collaborates with MMC in its environmental activities as a member (PMC subcommittee) of the Production Committee of the MMC Environmental Council.

MMC cooperates closely with other domestic production subsidiaries and affiliates on environmental activities through the Mitsubishi Motors Group Plant Environment Liaison Council. Over the past year, meetings were held in July and November 2005 at Mizushima Industries Co., Ltd., and Suiryo Plastics Co., Ltd., respectively. These events provided opportunities to discuss technical environmental issues and for MMC group companies to exchange information on environmental activities.

#### Publishing Plant Environmental Topics

MMC publishes Plant Environmental Topics twice a year for its 65 affiliated suppliers in Japan to provide information on regulatory trends and various environmental issues.

The 2005 editions covered revisions to the Air Pollution Control Law<sup>\*1</sup>, the Law Concerning the Promotion of Measures to Cope with Global Warming<sup>\*2</sup> and the Revised Energy Conservation Law<sup>\*3</sup>.

### Check! Fiscal 2005 Self Evaluation

The MMC Group Plant Environment Liaison Council met twice, and environmental information and issues were shared through the publication of Plant Environmental Topics.

### Action! Future Plans and Issues

Over the year ahead, we will maintain our collaborative structure by holding meetings and other activities. We will also strengthen our collaboration by utilizing our IT system and other methods to frequently exchange information.

### Environmental Activities of Production Subsidiaries and Affiliates in Japan

#### • Pajero Manufacturing Co., Ltd. (PMC)

A member of the Production Committee of the MMC Environmental Council, the subsidiary creates its own environmental management program based on the MMC Group Environment Initiative Program 2010. The program guides its efforts to reduce the environmental impact of its business through such measures as lowering carbon dioxide emissions (promote energy conservation activities), cutting emissions of VOCs, and achieving zero generation of landfill waste. The company's environmental activities are monitored through the exchange of information in the Environmental Protection Committee and the Energy Conservation Committee. Gifu Prefecture has certified Pajero Manufacturing's plant as an environmentally friendly plant (E Plant).

Web <http://www.pajero.co.jp/> (Japanese Only)

#### • Mizushima Industries Co., Ltd.

This subsidiary formulates its Fiscal Environmental Program based on the Mizushima Industries Medium-term Environmental Initiative Program. It carries out various activities to reduce the environmental impact of its operations, such as promoting energy conservation and recycling.

Web <http://www.mizushima-kogyo.co.jp/> (Japanese Only)

#### • Suiryo Plastics Co., Ltd.

Suiryo Plastics sets itself environmental goals based on the deliberations of three internal committees: Environmental Management, Resource Conservation/Recycling, and Prevention of Global Warming. It also proactively pursues these goals. The company's activities include reinforcing environmental management, decreasing landfill waste, lowering carbon dioxide emissions, and reducing environmental impact.

Web <http://www.suiryo.co.jp/> (Japanese Only)

### ISO 14001 Certification of Subsidiaries and Affiliates in Japan

• Pajero Manufacturing Co., Ltd.	July 1999
• Mitsubishi Automotive Engineering Co., Ltd.	February 2000
• Mizushima Industries Co., Ltd.	October 2001
• Suiryo Plastics Co., Ltd.	June 2002
• Mitsubishi Automotive Logistics Co., Ltd.	November 2003
• Mitsubishi Automotive Techno-Service Co., Ltd.	July 2005

\*1. Revision of Air Pollution Control Law : A revision aimed at restricting the emission of VOCs, which are said to be the cause of photochemical smog.

\*2. Law Concerning the Promotion of Measures to Cope with Global Warming : A law restricting emissions of six gases (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFC, PFC, and SF<sub>6</sub>) and others that cause global warming.

\*3. Revised Energy Conservation Law : A revision to the Law Concerning the Rational Use of Energy, that includes partial management of fuel and electricity use and measures for energy conservation in the transportation sector.



Plant tour during the Global Production Conference (MMTh).

Consolidated Environmental Management (Collaboration with Overseas Production Companies)

**Plan!** Fiscal 2005 Goals

- Strengthen collaboration with major overseas plants.

**Do!** Fiscal 2005 Activities and Results

Collaboration with major overseas plants

MMC exchanges information on environmental activities with its major overseas plants—MMNA, NedCar, MMAL, MMTh, and MMPC—twice a year. Through this process, we confirmed the state of environmental protection in each related country and of our efforts to comply with environmental laws in fiscal 2005. In 2006, we held an international production conference and during the environmental portion of the conference exchanged opinions on global environmental trends.

*Global Production Conference*

In June 2006, the MMC Group held its 5th Global Production Conference, chaired by MMC's managing director in charge of production. More than twenty directors in charge of production at subsidiaries and affiliates in each country attended the conference.



Global Production Conference

The conference focuses on increasing collaboration among the Group companies in production-related areas. In recent years, environmental measures have become an important topic at the conference because of the need to address such environmental issues as global warming. During this year's conference, the companies shared information on this area. A tour of a plant was also combined with the conference (see photograph at top right of this page).

The members of the conference decided to establish an Overseas Environmental Production Committee, and determined the following points of emphasis in their activities:

- Plant environmental protection
- Measures to prevent global warming
- Promotion of 3R activities (Reduce, Reuse, Recycle)

**Check!** Fiscal 2005 Self Evaluation

During the fiscal year, we achieved mutual understanding and transfer of information between overseas companies and MMC based on an exchange of opinions on the environmental preservation situation in each country as well as specific cases.

**Action!** Future Plans and Issues

Our major overseas plants have acquired ISO 14001 certification, and are proceeding with primarily independent environmental activities. In future, we will continue to collaborate with our overseas subsidiaries and affiliates, endeavoring to reduce the environmental impact of our operations on a global scale by setting unified goals for consolidated production companies and managing their achievement.

We will work to maintain collaboration among the overall MMC Group and strengthen our environmental activities. Among the steps we will take to achieve these goals are regularly holding international production conferences and encouraging mutual exchanges of information.

Overseas Subsidiaries and Affiliates' ISO 14001 Certification

• Netherlands Car B.V. (NedCar)	Sept. 1999
• Mitsubishi Motors North America, Inc. (MMNA)	March 2001
• Mitsubishi Motors (Thailand) Co., Ltd. (MMTh)	June 2001
• Mitsubishi Motors Philippines Corp. (MMPC)	July 2001
• Mitsubishi Motors Australia, Ltd. (MMAL)	March 2003

Our sales companies work with companies outside the Group by using an external network to provide environmental information and encouraging suppliers to attain ISO 14001 certification. Through this process, they aim to reduce the MMC Group's exposure to environmental risk. During the fiscal year, we established assessment processes and indicators for assessing eco-friendly design, while also making life cycle assessments of all production vehicles.

Consolidated Environmental Management (Collaboration with Sale Companies)

**Plan!** Fiscal 2005 Goals

- Build and implement an environmental management system for domestic sales companies.

**Do!** Fiscal 2005 Activities and Results

Introduction of an Environmental Management System

To upgrade the environmental management system of our sales companies, we introduced Eco Action 21 (EA21)\*1, the environmental management system created by Japan's Ministry of the Environment, at our domestic sales companies. Starting in October 2005, we began trials at Aichi Chuo Mitsubishi Motors Sales Co., Ltd., aimed at EA21 accreditation.

Environmental Compliance Activities

From April to June 2005, we held training seminars on Proper Commissioning of Industrial Waste Disposal in 13 districts throughout Japan, aimed at a thorough review of the following points:



Training Program

1. Proper storage of industrial wastes
2. The commissioned service agreement with the disposal contractor
3. Manifest management

Among other programs, we ran an overall check of compliance with environment-related laws and regulations as well as with the Automobile Recycling Law and the Personal Information Privacy Law at 29 consolidated subsidiaries.

**Check!** Fiscal 2005 Self Evaluation

The trial of the environmental management system got under way, but the environmental management system was not introduced in all sales companies.

**Action!** Future Plans and Issues

We will continue to introduce the Eco Action 21 system in our domestic sales companies. By successively increasing the number of companies certified under the EA21 system, we will strengthen our voluntary environmental activities.

Collaboration with Suppliers

**Plan!** Fiscal 2005 Goals

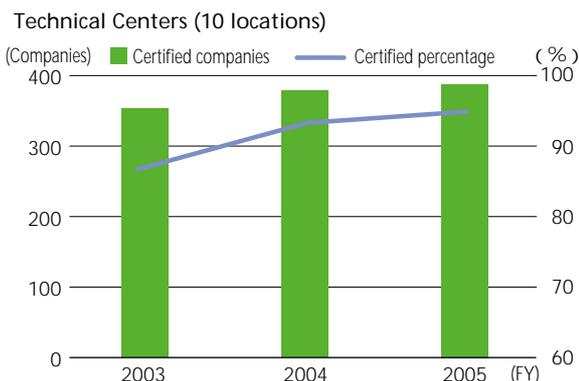
- Promote the acquisition of ISO 14001 certification to all suppliers, including new suppliers.

**Do!** Fiscal 2005 Activities and Results

Acquiring ISO 14001 Certification

In fiscal 2005, 9 suppliers were newly accredited, bringing the total number of ISO 14001 certified suppliers to 388 companies.

Furthermore, we introduced an Environmental Impact Self-Check system for suppliers that have not yet been accredited, to monitor their environmental performance until they become certified.



**Check!** Fiscal 2005 Self Evaluation

The percentage of ISO 14001 certified suppliers reached 95%, but still is not 100%.

**Action!** Future Plans and Issues

Taking into consideration the transactions with MMC and the transaction volume, we are proceeding to revise a portion of our Green Procurement activities.

By requiring suppliers to carry out an Environmental Impact Self-Check until they are formally certified, we are working to reduce MMC's exposure to environmental risk.

\*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.

## Design For Environment/Life Cycle Assessment Activities

### Plan! Fiscal 2005 Goals

- Completion of DfE<sup>\*2</sup> promotion management system
- Application to product development

### Do! Fiscal 2005 Activities and Results

#### Building a DfE system

MMC has continued to make progress with the use of eco-friendly design to reduce environmental impact. Taking the next step, we are aiming to achieve the following.

1. Target new environmental capabilities by setting goals and evaluating right from the first development stage.
2. In the case of trade off situations with multiple environmental capabilities, apply eco-friendly management indicators based on original thinking (Environmental capability integration index)
3. Manage the system using the already functioning MMDS<sup>\*3</sup> system.
4. Compile product environmental information and share it internally.

We worked on the following two functions as new environmental capabilities.

- Environmental equipment for calculating life cycle CO<sub>2</sub> emission volumes (LCA<sup>\*4</sup>).
- Promoting automobile development taking into consideration 3R<sup>\*5</sup>.

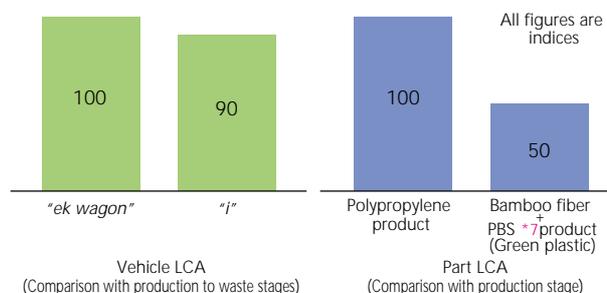
We surveyed auto dismantlers and others, narrowing down the items that would result in future improvement in recycling to those related to the ease of removal of the wiring harness and electric motor. For each item, we worked up issues, such as numerical targets and technical needs.

The idea of developing a management index for the trade off situation of dealing with environmental capabilities was put aside as an issue for future discussion.

#### LCA Activities

As previously mentioned, we are trying to position LCA as a DfE evaluation tool. As a new environmental capability, we are working on using it as a method of calculating life cycle CO<sub>2</sub> emissions.

Based on this system, it is steadily becoming possible to calculate the life cycle CO<sub>2</sub> emissions for vehicles and parts. In fiscal 2005, we ran tests on models now in production. We also did LCA values for Green plastic<sup>\*6</sup>, confirming its effectiveness in reducing environmental impact.



### Check! Fiscal 2005 Self Evaluation

The DfE Promotion Management System was not completed, and also the application to product development was postponed.

### Action! Future Plans and Issues

For the time being, we will promote the establishment of environmental capabilities and the internal sharing of environmental information.

- We will set up an improved LCA calculation system (data collection system) based on the environmental equipment used for the calculation of life cycle CO<sub>2</sub> emissions.
  - A system to collect LCA data from domestic production bases.
  - A system to collect LCA data from suppliers.
- Promoting automobile development taking into consideration 3R.

Continuing our technology development, we will share environmental information and spread the DfE concept throughout the Company.

\*2. DfE (Design for Environment) : Eco-friendly design that takes into consideration the entire life cycle.

\*3. MMDS (Mitsubishi Motors Development System) : Tool for managing the overall development project for new models **P.11**.

\*4. LCA (Life Cycle Assessment) : Method for evaluating the complete environmental impact of a product from raw material used to ELV disposal and recycling.

\*5. 3R : Reduce (waste generated), Reuse (resources), Recycle (resources).

\*6. Green plastic : General name for MMC-developed plant-based resin technology **P.40**.

\*7. PBS : Poly Butylene Succinate.

To further increase environmental awareness among our employees, we are reinforcing our Environment Month activities and expanding educational opportunities.

We also are establishing an internal system, expanding and strengthening communication tools, and taking other steps to increase our environmental communications with MMC's many stakeholders.

### Internal Education and Awareness Activities

#### **Plan!** Fiscal 2005 Goals

- Hold various training programs and events to promote understanding of environmental issues.

#### **Do!** Fiscal 2005 Activities and Results

##### Internal Environmental Training Programs

To increase environmental awareness among employees, we expanded the environment-related courses in our regular training course programs for new recruits, engineers, and other employees. We also continued the seminar on environmental activities that was begun in fiscal 2004. This seminar explains the global trends in environmental laws and regulations and other environmental information useful for daily work routines. In fiscal 2005, we also held an environmental activities information meeting at Mitsubishi Motor R&D of Europe GmbH (MRDE), MMC's development base in Europe.

Among other measures to increase environmental awareness, we distributed a Q&A pamphlet on environmental activities to all employees to promote understanding of the reasons behind MMC's environmental activities. In addition, we provided employees with timely environmental information through the distribution of an email magazine.

##### Environment Month Activities

In the past, Environment Month activities were conducted independently on a regional basis. In fiscal 2005, we solicited environment improvement proposals from employees and used other methods to introduce companywide Environment Month activities.

#### **Check!** Fiscal 2005 Self Evaluation

We successfully implemented actions to promote environmental education and awareness, such as the continued publication of our email magazine and the distribution of a Q&A pamphlet on environmental activities.

#### **Action!** Future Plans and Issues

One issue that MMC faces is that its internal education and awareness activities are usually on a nonconsolidated basis, resulting in a lack of knowledge about the state of such programs at subsidiaries and affiliates. As a first step toward a solution, we will establish an educational system covering MMC and subsidiaries and affiliates, including overseas operations. Based on this system, we will cooperate in conducting internal education and awareness activities.

### Environmental Communications Activities

#### **Plan!** Fiscal 2005 Goals

- Continue to publish an easy-to-understand, comprehensive environmental report.
- Establish environmental communications tools.

#### **Do!** Fiscal 2005 Activities and Results

##### Communicating Environmental Activities Information

In addition to this report, MMC communicates information on its environmental activities in a variety of forms, including information disclosure on its website, press releases, and by participating in events outside the Company.

We have taken care to make the Environment Section of the Social and Environmental Report 2006 easy to read and understand through such measures as using a PDCA format.

##### Environmental Communications

Each of our manufacturing sites produces their own environmental report, which is distributed to local citizens and others taking tours of the plant. Each facility also checks the quality of water, noise level, and other environmental indicators at the borders of the site to determine its environmental impact on the immediate vicinity.

#### **Check!** Fiscal 2005 Self Evaluation

During the fiscal year, we proactively conducted a variety of communications activities, such as disclosing information on our website and publishing the Social and Environmental Report and environmental reports for each manufacturing site.

#### **Action!** Future Plans and Issues

For the future, we intend to establish an expanded information disclosure system that includes subsidiaries and affiliates and promote disclosure of environmental information on a MMC Group basis.

Since the one-way communicating of information is not really communication at all, we will also create a place where we can conduct interactive communications with stakeholders and the public.



## Environmental Accounting

### **Plan!** Fiscal 2005 Goals

- Implement environmental accounting on a nonconsolidated basis.

### **Do!** Fiscal 2005 Activities and Results

#### Basic Concept for Environmental Accounting

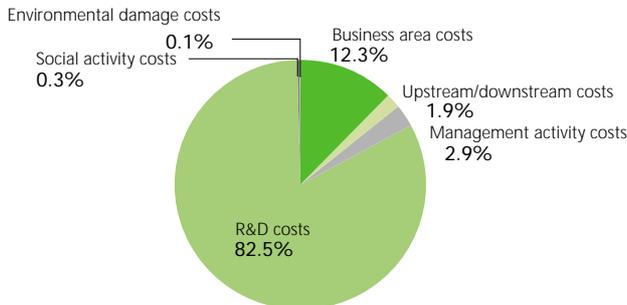
The following terms were set by MMC. Other terms are based on the Ministry of the Environment's Environmental Accounting Guidelines for 2002.

- The environment-related portion of combined costs, including spending on other than environmental activities, was calculated, using differential costing. Where impractical, costs were calculated by estimating the proportion contributing to environmental protection.
- For capital expenditures, depreciation expenses were used.

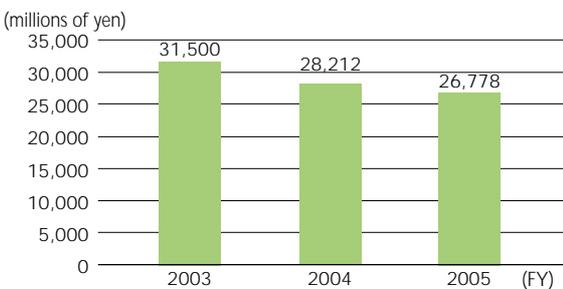
#### Environmental Protection Costs

R&D costs for reducing the environmental impact of products themselves account for the major portion of environmental protection costs. In line with reducing overall R&D expenses, environmental costs are also on the decline.

#### Breakdown of FY2005 Environmental Protection Costs



#### Total Environmental Protection Costs



#### Main Environmental Protection Costs in Each Breakdown Category

Business area costs : Costs of energy conservation, saving resources, waste disposal, and other environmental countermeasures.

Upstream/downstream costs : Costs of collecting used parts, etc.

Management activity costs : Costs of ISO 14001 certification and employee environmental education, etc.

R&D costs : Cost of R&D related to improving fuel efficiency, reducing exhaust emissions, recycling, and other activities.

Social activity costs : Cost of donations and membership fees paid to external environmental organizations, etc.

Environmental damage costs : Taxes and other charges paid to national and local governments, etc.

#### Environmental Protection Benefits

Benefits concerning the prevention of global warming	P.37-42
Benefits concerning the prevention of environmental pollution	P.43-50
Benefits concerning recycling and resource conservation	P.51-58

#### Economic Benefits from Environmental Protection Measures (Actual Benefits)

Income is mainly generated by the sales of metal scrap resulting from the production process. The waste disposal expenses category indicates the reduction in expenses from the previous year. In the year under review, such expenses significantly declined due to the substantial increase in collection and part disposal costs in the previous year caused by a temporary increase in recall part collections.

Economic benefits (benefits of avoiding environmental risk, etc.) resulting from hypothetical calculations are not included in this presentation of economic benefits.

	Benefit	Amount (Millions of yen)
Income	Income from the recycling of industrial wastes and/or recycling of used products	1,985
Expenditure reductions	Energy expense savings from conserving energy	262
	Reduction in expenses for waste disposal due to lower resource use and/or recycling	193
	Reduction in expenses for purchasing water	2

### **Check!** Fiscal 2005 Self Evaluation

As shown on this page, we successfully implemented environmental accounting on a nonconsolidated basis in 2005.

### **Action!** Future Plans and Issues

Since we have yet to fully achieve environmental accounting, we plan to take the following steps to establishing a system to build a foundation for the future.

1. Comply with the 2005 version of the Ministry of the Environment's Environmental Accounting Guidelines.
2. Implement aggregate environmental cost accounting, including at domestic and overseas consolidated subsidiaries.

# Prevention of Global Warming

The massive consumption of fossil fuels by human society is the major factor driving increases in carbon dioxide and other greenhouse gases—substances linked to a global warming trend that many believe is already under way. At MMC, we are combating this trend by incorporating ways to further reduce fossil fuel use into every stage of the life cycle of the vehicles we produce. Moreover, we are extending these efforts to MMC offices and to the homes of our employees.

## Our Global Warming Stance

In meeting targets stipulated by the Kyoto Protocol, MMC recognizes that global warming countermeasures are particularly critical for business divisions responsible for transport-related operations and consumer products, where emission levels have climbed steadily each year. Carbon dioxide emissions from transport-related divisions account for around 20% of all such emissions in Japan, and 90% of these emissions are from automobiles.

Making improvements to fuel economy is the first vital step to reducing carbon dioxide emissions. However MMC, with the view to making a break from petroleum, is focused on switching over to a new energy paradigm. This change will see MMC move away from fossil fuels in favor of bio-fuels and other renewable energy sources.

MMC is involved in a host of activities designed not only to lower greenhouse gas emissions at every stage of the automobile life cycle, from development through to production, use and recycling, but from its offices and the homes of MMC employees, as well.

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みんなで止めよう温暖化

チーム・マイナス6%

## Our Activities to Prevent Global Warming

MMC has traditionally viewed improving fuel economy as the most effective means of addressing global warming. This approach has led to innovation in MMC's lineup of passenger car engines and the growing uptake of continuously variable transmissions (CVTs). In 2005, actions by MMC translated into an average fuel economy for gasoline passenger cars for the Japanese market of 15.5km/ℓ, thereby achieving an improvement of 28% relative to the 1990 figure.

Where production and logistics are concerned, MMC cut the volume of carbon dioxide emissions from all its domestic plants in 2005 by 29% compared with 1990, largely through the introduction of energy-saving facilities and equipment, and by switching to alternative fuels. The company also met its CO<sub>2</sub> reduction target with respect to improving the transportation of finished vehicles.

MMC's ongoing development of the next generation of eco-friendly core technologies, including clean diesel and high-efficiency transmissions that will contribute to improving fuel efficiency, is one way in which it is striving to save energy. At the same time, MMC is working to reduce its use of fossil fuels. Ultimately, these efforts seek to realize a society in which petroleum is used as sparingly as possible.

## Environment Initiative Program 2010 (New plan covering the period to fiscal 2010)

### Prevention of Global Warming

Category	Activities and Goals	Comments	Related Pages
Improve automobile fuel economy	<ul style="list-style-type: none"> <li>Progressively enhance fuel economy by incorporating low-fuel consumption technology into new vehicles</li> <li>Japan: Achieve domestic fuel economy standard targets for 2010 in all vehicle categories ahead of schedule by 2007</li> </ul>	(Worldwide) (Gasoline passenger cars)	P.38,39
Development of next generation of low-fuel consumption core technologies	<ul style="list-style-type: none"> <li>Develop and commercialize next-generation clean diesel engines</li> <li>Develop and commercialize next-generation high-efficiency transmissions</li> </ul>		
Compatibility with diverse energy sources	<ul style="list-style-type: none"> <li>Develop and launch bio-fuel compatible vehicles</li> </ul>		
Development and practical application of plant-based resin	<ul style="list-style-type: none"> <li>Develop and practically apply "green plastic" derived from proprietary vegetable-oil based resin</li> </ul>		P.40
Development of air conditioners using refrigerants with low global-warming factors	<ul style="list-style-type: none"> <li>Develop and practically apply air conditioners using substitute refrigerants instead of HFC-134a</li> </ul>		P.39
Reduction in CO <sub>2</sub> emissions from production and logistics	<ul style="list-style-type: none"> <li>Total CO<sub>2</sub> emissions from production: At least 20% lower than fiscal 1990</li> <li>CO<sub>2</sub> emissions per unit shipped from logistics: Annual reduction of at least 1%</li> </ul>		P.41 P.42



CVT used in the "Outlander"

## Improving Fuel Economy

### Plan! Fiscal 2005 Goals

- Improve fuel economy to attain domestic fuel economy standards for 2010 ahead of schedule by fiscal 2007
- Improve fuel economy to attain voluntary 2009 European targets

### Do! Fiscal 2005 Activities and Results

#### Emergence of a New Generation of Engines

High performance, low fuel consumption, lower exhaust emissions, lighter engine weight and compactness, and lower cost together form the design concept shared by the new engines in MMC's innovative new lineup.

This new engine series uses a variable valve timing mechanism called MIVEC (Mitsubishi Innovative Valve timing Electronic Control), while the adoption of aluminum cylinder blocks in particular has made these engines substantially lighter and with better fuel economy than conventional engines.

In fiscal 2005, the introduction of two newly developed MIVEC engines—a 2.4L, 4-cylinder version installed in the "Outlander" and a 0.66L, 3-cylinder version found in the "i", are contributing to improved fuel economy in MMC vehicles.

#### Growing Uptake of CVT

MMC is involved in the development of compact and light-weight continuously variable transmissions (CVTs). These transmissions contribute to improved fuel economy by using a metal belt to transmit power at continuously non-step variable ratios. First used in the "Lancer" sold in May 2000, MMC has since progressively expanded the use of CVTs in its range of smaller vehicles. The "Outlander" is equipped with a CVT that can handle 2.0L and larger engines. (See top right photograph on this page.) In fact, vehicles equipped with CVTs accounted for roughly two-thirds of MMC-registered vehicles in fiscal 2005.

#### Improving Transmission Efficiency

MMC adopted a directly-connected torque converter for the "i"'s four-speed automatic transmission to prevent the loss of power transmitted from the engine when the vehicle accelerates. Directly connected when decelerating as well as when accelerating, the torque controller has achieved increased fuel reductions and improved fuel economy.

#### Reducing Power Loss from Auxiliary Equipment

The adoption of electric power steering in the "i" with its reduced power loss from auxiliary engine equipment compared with hydraulic models has improved fuel economy.

#### Lighter Body

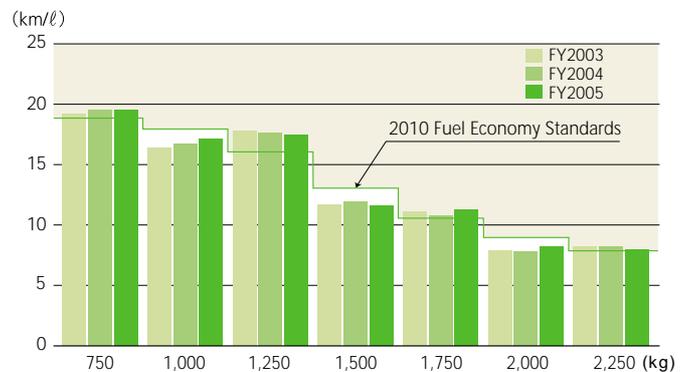
For the "Outlander", MMC obtained a lighter chassis by opting for an aluminum roof. This change led to a chassis roughly 5kg lighter than earlier steel-roofed models. Sitting atop the vehicle, a lighter roof not only improves fuel economy but significantly contributes to providing a lower center of gravity for the vehicle, enhancing maneuverability and stability.

#### Current Conditions in Japan

MMC is determined to meet domestic fuel economy standards for 2010 ahead of schedule by timing engine and drive train-related improvements, lighter vehicle weight, reduction of rolling resistance and aerodynamic drag, and other efforts to enhance fuel economy in new models sold.

In fiscal 2005, MMC achieved these standards in four of its seven gasoline passenger car categories, five of its seven categories of gasoline commercial vehicles with automatic transmissions, and six of its eight categories of gasoline commercial vehicles with manual transmissions. The share of production units meeting fuel economy standards rose from 69% to 76% for gasoline passenger cars, from 92% to 98% for gasoline commercial vehicles with automatic transmissions, and from 82% to 98% for gasoline commercial vehicles with manual transmissions.

Average Fuel Economy for Gasoline Passenger Car Categories (10-15 mode)



As part of an aggressive stance against global warming, MMC is improving fuel economy to reduce carbon dioxide emissions and cutting the amount of refrigerant used in air conditioners.

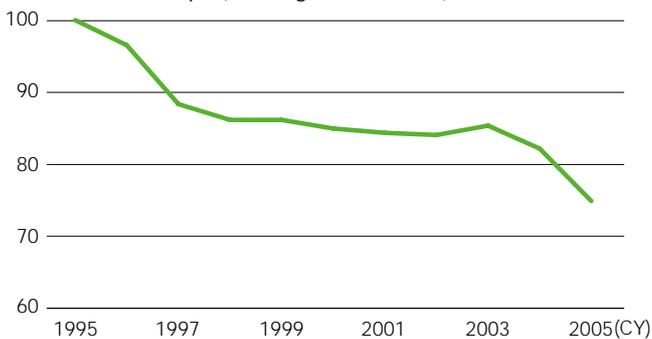
### Improving Fuel Economy

#### Current Conditions in Europe

MMC took strides toward meeting a voluntary target\*1 of 140g/km in average CO<sub>2</sub> emissions overall from the sale of new cars in Europe in 2009 set forth by the Japan Automobile Manufacturers Association (JAMA).

In tandem with efforts to improve the fuel economy of new vehicle models, MMC launched the fuel-efficient compact “*Colt*” in the European market, and expanded its range of diesel vehicles. In fiscal 2005, these actions led to an approximately 25% reduction in average CO<sub>2</sub> emissions overall relative to 1995 levels.

Improvements in Average CO<sub>2</sub> Emissions Overall from New Car Sales in Europe (1995 figure set as 100)



#### Check! Fiscal 2005 Self Evaluation

In Japan, MMC improved average fuel economy with the launch of the “*Outlander*” and “*i*” models. All variants of these new models meet domestic fuel economy standards for 2010. Steady progress was also made on raising fuel economy in the push to achieve the 2010 standards in all MMC vehicles by fiscal 2007.

In Europe, MMC contributed to voluntary JAMA measures by recording a substantial improvement in average CO<sub>2</sub> emissions overall.

#### Action! Future Plans and Issues

MMC will remain committed to improving fuel economy by incorporating low-fuel consumption technology as part of new vehicle models.

### Air Conditioner Refrigerants

#### Plan! Fiscal 2005 Goals

- Gradually adopt low-refrigerant air conditioners in new models
- Development of air conditioners free of HFC-134a
- Formulate plans for compliance with European Union directive on MAC refrigerant (complete elimination of HFC-134a)

#### Do! Fiscal 2005 Activities and Results

##### Introduction of low-refrigerant air conditioners

Since 1997, MMC has enacted initiatives targeting new car models of adopting small-size heat exchangers and high-efficiency condensers. These actions reflect efforts at MMC to minimize its use of HFC-134a, a substance that is even more of a cause of global warming than carbon dioxide. Low-refrigerant air conditioners were also adopted for MMC’s “*Outlander*” and “*i*” models sold in fiscal 2005.

##### Development of Air Conditioners Free of HFC-134a

In collaboration with air conditioner manufacturers, MMC is working to comply with European Union directives by developing air conditioners free of HFC-134a.

#### Check! Fiscal 2005 Self Evaluation

MMC adopted low-refrigerant air-conditioning systems for its new “*Outlander*” and “*i*” vehicle models, and achieved related targets.

#### Action! Future Plans and Issues

Looking ahead, MMC will progressively install low-refrigerant air conditioners in all new vehicle models and will pursue the development of air conditioners free of HFC-134a.

\*1. JAMA voluntary target: Cooperative agreement between government and the private sector to reduce average CO<sub>2</sub> emissions overall from new car sales by 25% compared to 1995.

Green Plastic

What is Green Plastic?



"Green plastic" is the name given to the plant-based resin for which MMC continues to promote the development directed toward increased practical applications.

Derived from plants, this plastic, in addition to conserving petroleum resources, will aid in the fight against global warming by making dramatic reductions in CO2 emissions possible as a carbon neutral.

Initiatives for Achieving Commercialization

1. Interior components made from combination of bamboo fiber and PBS

MMC has developed environmentally friendly automotive interior material that uses bamboo fiber and PBS (polybutylene succinate) for the first time in the world. Bamboo grows to its full height in just a few years, compared with the tens of years required for traditional timber, and as such may be called a potentially sustainable resource. Bamboo is available and can be grown in a wide variety of areas including Japan, China, and Southeast Asia. The use of Green plastics may lead to further breakthroughs in the use of bamboo. PBS is a plant-based resin created through the fermentation of sugar extracted from sugar cane or corn.

Based on the LCA conducted on these interior components, the test values for CO2 emissions represent a

roughly 50% reduction over polypropylene-based components. VOC (Volatile organic compound) emissions, meanwhile, are approximately 90% lower than those associated with the wood-based hardboard conventionally used.



2. PLA fiber floor mats

MMC has developed a high-durability car floor mat using a combination of the plant-based resin PLA (polylactic acid) and nylon fiber. Similar to PBS, PLA is also a plant-based resin made from sugar extracted from corn, etc. MMC adopted this resin for use in the pile carpeting on the surface of its floor mats. MMC has enhanced the material's durability of light resistance and wear resistance by adding a reforming agent into PLA resin and using nylon fiber in combination with PLA fiber.

Test values for CO2 emissions from the LCA conducted on the pile carpeting of the floor mats reveals an almost 40% reduction in emissions relative to conventional products composed largely of nylon fiber. Binding the front and back halves of the mat without the use of adhesives has also cut VOC emissions by roughly 60% versus conventional products.



Web <http://www.mitsubishi-motors.co.jp/corporate/technology/environment/green-plastics.html> (Japanese Only)

Completion of Latest Generation of Gasoline Engine Engine Offers Dramatic Improvement in Environmental Performance

Since 2004, MMC has moved to innovate its lineup of gasoline engines for passenger cars, guided by a common design concept underpinned by high performance, low fuel consumption, lower exhaust emissions, and lighter engine weight and compactness. At the New York International Auto Show in March 2006, MMC unveiled the newly developed 3.0L V6 MIVEC engine for the "Outlander". With this new engine, MMC has completed its innovation goals for its engine lineup.

The MIVEC system was incorporated into the design of all four engines in this new series, along with aluminum cylinder blocks. These and other innovations place these engines among the top in the industry in terms of power output. Another benefit is an upward shift in high performance, including one of the highest torque ratios among passenger car engines.

Furthermore, this new engine series is significantly lighter and has achieved better fuel economy than earlier MMC engines.

The new engine lineup will be successively installed in new car models to achieve increasingly high performance, while lower fuel consumption, lower exhaust emissions and other features will help MMC realize an improved environmental performance.

Furthermore, MMC is also turning attention to diesel engines for passenger cars. As a core technology for reducing

carbon dioxide emissions, MMC is developing a next-generation clean diesel engine compatible with stricter exhaust regulations in Japan and Europe.



3B2 engine for the "i"



4A9 engine for the "Colt"



4B1 engine for the "Outlander"



6B3 engine for the "Outlander"

Type	Cylinder layout	Exhaust volume (l)	Target vehicle	Installation date
3B2	Inline 3-cylinder	0.66	"i"	January 2006
3A9	Inline 3-cylinder	1.1	"Colt"	May 2004
4A9	Inline 4-cylinder	1.3, 1.5		
4B1	Inline 4-cylinder	1.8, 2.0, 2.4	"Outlander"	October 2005
6B3	V-type 6-cylinder	3.0	"Outlander" for North America	Fall 2006

Along with efforts to curtail CO<sub>2</sub> emissions during production, MMC is tackling the same problem in the area of logistics by promoting modal shifts and through more efficient loading. MMC offices, meanwhile, take part in “Team Minus 6%” activities. Furthermore, MMC is working to raise the environmental awareness of employees and implementing a host of initiatives to fight global warming.

## Production Initiatives

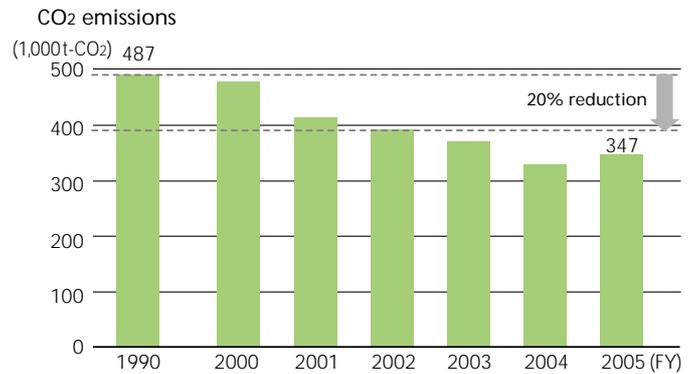
### **Plan!** Fiscal 2005 Goals

- Maintain reduction of more than 20% in CO<sub>2</sub> emissions from MMC plants compared with fiscal 1990

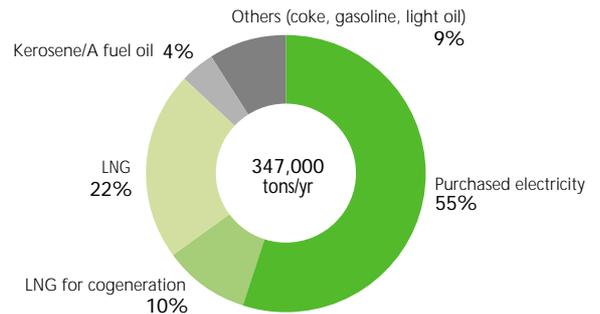
### **Do!** Fiscal 2005 Activities and Results

With a view to preventing global warming, MMC took the following steps to reduce its use of electricity, fuel and other forms of energy, and to curtail the generation of greenhouse gases, namely carbon dioxide:

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

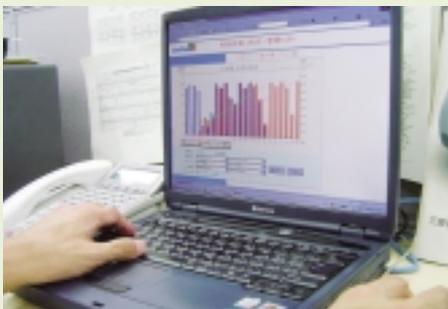


Breakdown of Fiscal 2005 Energy Consumption (CO<sub>2</sub> equivalent)



#### Real-time Plant Energy Management

MMC is supporting energy conservation by monitoring hourly energy use for each production line in real time. Although this system for visually tracking energy usage is presently available only at certain plants, MMC is planning to systematically expand installation of this system to other locations.



Monitoring energy use at an MMC plant

### **Check!** Fiscal 2005 Self Evaluation

MMC's reduction goal was met, with CO<sub>2</sub> emissions from its plants 29% lower than in fiscal 1990.

### **Action!** Future Plans and Issues

While MMC achieved its target, the total volume of emissions was higher than in the previous year due to higher production volumes. Because CO<sub>2</sub> emissions vary according to changes in production volume, facility upgrades and other factors, it is difficult to target and control the total volume of emissions. Nevertheless, MMC will take appropriate action to attain its goals.

三菱自動車は「チーム・マイナス6%」に参加しています。  
大切な地球環境を守るために！  
その一環として、ハンド・ドライヤーの使用を中止しています。  
ご協力をお願い致します。

総務部



Discontinuation of use of hand dryer

## Logistics Activities

### Plan! Fiscal 2005 Goals

- Reduce CO<sub>2</sub> emissions from transportation of finished vehicles by 6% per vehicle compared with fiscal 2000

### Do! Fiscal 2005 Activities and Results

#### Steps to Save Energy During Finished Vehicle Transport

MMC is working to reduce CO<sub>2</sub> emissions by enacting the following measures when transporting finished vehicles in Japan, in addition to promoting more efficient transport overall.

- Proactive use of low-impact transportation modes
  - Promotion of modal shifts\*1
- Improvement of transport and load efficiency
  - More efficient loading of trailers
  - Expand joint transportation initiatives with other automakers
  - Expand mixed transport of new and used vehicles
- Promotion of energy-conscious driving
  - Eliminate idling when stopped
  - Use digital tachographs\*2 to promote more efficient operational management

In fiscal 2005, these actions enabled MMC to exceed its target by reducing CO<sub>2</sub> emissions from transportation of finished vehicles in Japan by 7% per vehicle compared with fiscal 2000.

### Check! Fiscal 2005 Self Evaluation

As a result of activities conducted over a span of five years, MMC met its target of reducing CO<sub>2</sub> emissions from the transportation of finished vehicles by at least 6% per vehicle relative to the fiscal 2000 figure.

### Action! Future Plans and Issues

MMC will continue and enhance earlier activities aimed at lowering CO<sub>2</sub> emissions. In parallel, as a shipper\*3 of the type specified by Japan's amended Energy Conservation Law, MMC is determined to achieve an average annual improvement of at least 1% in energy consumption per production unit. This target not only applies to the transportation of finished vehicles but to other forms of commercial transport, including the transportation of production-use and KD\*4 components.

\*1. Modal shifts : Combined usage of different transportation modes (typically truckage and ocean or rail transport) for optimized transportation to reduce transportation costs and impact on the environment

\*2. A digital tachograph : A computer device fitted to trucks that collects detailed data on operational status (such as trip time, speed, distance and engine revolutions)

\*3. Specified shipper : Shipping firms (including those shipping their own products) responsible for transporting more than 30 million tons in commercial goods each year.

\*4. Knockdown (KD) parts : Parts shipped to overseas plants for local assembly of finished vehicles

## Office Activities

### Plan! Fiscal 2005 Goals

- Turn off unnecessary lighting and conserve electricity in other ways throughout MMC, and reduce the volume of paper used

### Do! Fiscal 2005 Activities and Results

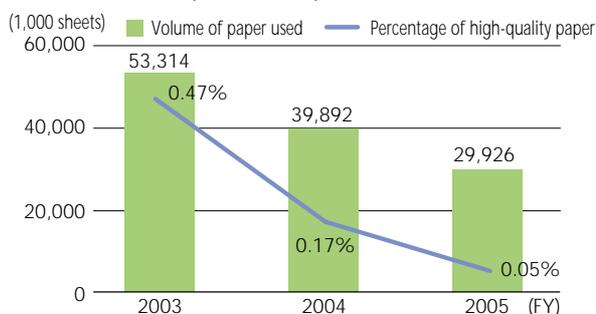
#### Measures to Conserve Electricity

MMC offices conserve electricity by government-backed conservation programs targeting the use of air conditioners during the summer and heating systems during the winter. Other everyday activities include shutting off all lights during lunch breaks and at the end of the business day.

#### Reducing the Volume of Paper Used

MMC promoted a move toward paperless operations by encouraging the use of as little paper as possible for meeting handouts and materials, and increased use of projectors. Prompting employees to use both sides of paper when printing, meanwhile, reduced paper use by 25% relative to the previous fiscal year.

Technical Centers (10 locations)



### Check! Fiscal 2005 Self Evaluation

Turning off lights during lunch breaks and other steps to conserve electricity were rigorously implemented throughout MMC, while the volume of paper used fell sharply.

### Action! Future Plans and Issues

MMC will implement further actions in the fight against global warming, including rigorously turning off unnecessary lights and reducing paper usage.

# Prevention of Environmental Pollution

As reflected by the October 2005 introduction of new automobile emissions regulations in Japan and the unveiling of voluntary cabin VOC emissions regulations to be implemented by the automotive industry by 2007, the level of activity aimed at the prevention of environmental pollution continues to rise. MMC also is proactively implementing activities to prevent environmental pollution, including achieving the standards set out in the previously mentioned regulations ahead of their deadlines.

## Our Stance on the Prevention of Environmental Pollution

Preventing environmental pollution by automobiles does not just mean reducing exhaust gas emissions, it requires diverse measures, such as ending the use of substances and materials in automobiles that have a negative impact on the environment as well as reducing the use of substances that have a negative environmental impact in the production process.

In addition to dealing with these issues for gasoline- and diesel-powered automobiles, developing and introducing new vehicles over the medium term that have a lower impact on the environment is one of our top priorities. Our efforts in this area include developing low-pollution electric vehicles (EVs) that achieve zero emissions even when running and increasing the number of low-emission and low-pollution vehicles we sell.

Moreover, we take the issues of ending the use of substances and materials in automobiles that are harmful to the environment and reducing the amount of VOCs generated in automobile production extremely seriously.

At MMC, we are proactively working to prevent environmental pollution by setting our own strict standards even before regulations emerge, thereby staying well ahead of official standards.

## Our Activities to Prevent Environmental Pollution

Our efforts to reduce emissions center on actively launching and increasing the overall sales proportion of “4 star” low-emission vehicles, which boast emission performances substantially better than official standards. Overseas, we are actively introducing low-emission vehicles in conformance with emission regulations, such as the Zero Emission Vehicle (ZEV) regulations in the United States.

In light of the need to address the issues of global warming and energy conservation, we are advancing the development of a next-generation EV. Our target is to launch an ELV based on a minicar platform by 2010.

With the introduction of our *i* model in January 2006, we achieved the voluntary cabin VOC emission standards set by JAMA ahead of their April 2007 deadline. We are working on reducing cabin VOC emissions throughout our product line up.

Among the steps being taken to reduce VOC emissions at plants, we installed water-based paint equipment at our Mizushima Plant in August 2004. We are also endeavoring to decrease the use of chemical substances specified by the PRTR Law, such as toluene.

Furthermore, we are implementing measures to eliminate the use of hazardous chemicals, such as mercury, cadmium, and hexavalent chromium, and to achieve an early conversion to lead-free solder. As part of that process, we are developing substitutes for these substances.

## Environment Initiative Program 2010

### Prevention of Environmental Pollution

Category	Activities and Goals	Comments	Related Pages
Development of next-generation EV	<ul style="list-style-type: none"> <li>Pursue R&amp;D aimed at achieving market launch of a next-generation EV based on a minicar platform by 2010.</li> </ul>		P.44, 46
Promote use of low-emission vehicles.	<ul style="list-style-type: none"> <li>Raise most registered vehicles to the “4 star” low-emission class by fiscal 2010.</li> </ul>		P.44, 45
Reduce cabin VOC emissions	<ul style="list-style-type: none"> <li>Step-by-step early achievement of the JAMA voluntary cabin VOC emission standards, starting with the introduction of new fiscal 2006 models.</li> </ul>		P.47
Strengthen management and reduce use of hazardous substances in products.	<ul style="list-style-type: none"> <li>Strengthen information management of hazardous substances used in parts and materials.</li> </ul>		P.48
	<ul style="list-style-type: none"> <li>Achieve early elimination of use of restricted hazardous substances, such as hexavalent chromium.</li> <li>Convert to lead-free solder.</li> </ul>		P.48
Reduce use of environmentally-impacting substances in production. (VOCs, PRTR)	<ul style="list-style-type: none"> <li>Reduction of VOC emission unit use by at least 30% compared with fiscal 2000</li> </ul>		P.49
	<ul style="list-style-type: none"> <li>Substantial reduction in emissions and transfers of PRTR-listed substances.</li> </ul>		P.50
	<ul style="list-style-type: none"> <li>Promote proper disposal of waste containing PCBs.</li> <li>Prevention of asbestos-caused damage to people's health.</li> </ul>		P.50 P.50

\* Lancer<sup>®</sup> Evolution MIEV

## Low-emission Vehicles

### Plan! Fiscal 2005 Goals

- R&D on technology for next-generation EV.
- Run test of fuel cell vehicle.
- Achieve targets for vehicles eligible for new preferential tax system Registered vehicles: at least 75%; Minicars: at least 55%.
- Achieve unit sales proportion targets for “3-star” and “4-star” vehicles.  
Registered vehicles: at least 85%.
- Comply with new U.S. and EU regulations.

### Do! Fiscal 2005 Activities and Results

#### Mitsubishi In-wheel Motor Electric Vehicle P.46

MMC is progressing with the development of a next-generation EV that incorporates two core technologies, in wheel motors and lithium-ion batteries. The in-wheel motor technology fits a motor compactly into the wheel of the vehicle, while the lithium-ion battery boasts outstanding energy density and other properties. The overall name given to these technologies is the Mitsubishi In-wheel Motor Electric Vehicle (MIEV). Development is proceeding with an eye to use of the technology in hybrid electric vehicles and fuel cell vehicles (FCVs). Targeting the market launch of an EV based on a minicar platform by fiscal 2010, we are moving forward with R&D, practical tests, and performance evaluations.

In May 2005, we unveiled this technology in a “Colt EV” at the JSAE Automotive Engineering Exhibition 2005 hosted by the Society of Automotive Engineers of Japan. The vehicle had in-wheel motors in two wheels. We followed up with the development of a prototype “Lancer” Evolution MIEV with in-wheel motors in all four wheels in summer 2005. (See photograph at the top right of this page.) This vehicle took part in an EV rally held in Shikoku in August 2005 and was exhibited at the Tokyo Motor Show at the end of October 2005 as one possible form of the next-generation EV. We also put our “Colt EV” in the Test Drive Exhibition at the Tokyo Motor Show, allowing visitors to experience driving an EV.

### Road Tests of Fuel Cell Vehicles



Starting ceremony of the FCV Caravan  
(Picture courtesy of JHFC)

In October 2003, MMC produced the Mitsubishi FCV<sup>\*1</sup> based on the “Grandis” minivan platform that was approved by the Minister of Land, Infrastructure and Transport. During fiscal 2005, MMC also partici-

parted in the Japan Hydrogen Fuel Cell (JHFC) Demonstration Project sponsored by the Ministry of Economy, Trade and Industry. Conducting tests on public roads, MMC continued to accumulate basic technology, aiming to develop a practical version of its FCV.

From September 8-10, 2005, MMC and other companies participated in the JHFC Fuel-Cell-Powered Vehicle Caravan, joining in a caravan ride by six FCVs from Tokyo to the Nagakute site of the Aichi 2005 World Exposition on highways and public roads.

#### Natural Gas Vehicles

Compared with conventional gasoline vehicles, natural gas (CNG<sup>\*2</sup>) vehicles produce fewer CO<sub>2</sub> emissions and almost no soot. However, their short operating range (distance per fuel tank) is an issue.

In May 2005, to achieve better operating range, MMC increased the number of tanks on its CNG “Minicab Van”, a commercial-use minicar, to three, expanding the total tank capacity to a class-leading 81 liters. Based on an innovative layout of the tanks, the minicab van can seat four people and has an operating range of 275 kilometers. Compared with previous vehicles, this represents a significant improvement in terms of space and driving distance.

In June 2005, the minicab van took part in the Bibendum Forum & Rally 2005, sponsored by Michelin, of France.

The vehicle traveled the approximately 170 kilometers from the Kyoto International Conference Hall to the Aichi Expo 2005 site without having to refuel.



Bibendum Forum & Rally 2005

\*1. FCV : Fuel Cell Vehicle

\*2. CNG : Compressed Natural Gas

Moving to comply with the latest emissions standards in Japan, the United States and Europe, and the preferential tax system for low-emission vehicle in Japan, MMC is endeavoring to increase the number of low-emission vehicles. For the future, MMC is conducting R&D on technology for electric and other eco-friendly vehicles.

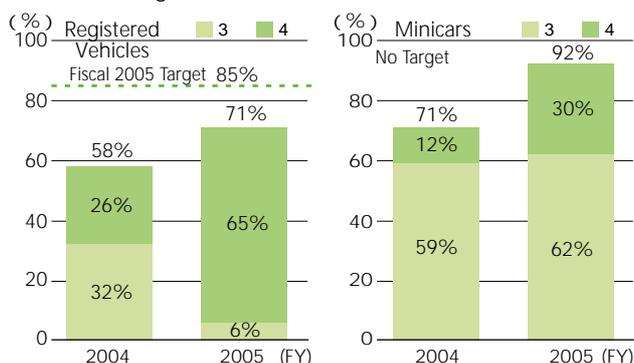
## Low-Emission Vehicles

### Activities in Japan

#### Low-Emission Certified Vehicles

New MMC models, such as the “*Outlander*” and “*i*”, launched in fiscal 2005, are all certified as low-emission vehicles. As a result, 14 models are now certified as “4 star” (75% reduction in emissions compared with official fiscal 2005 standards) and 15 models are certified as “3 star” (50% reduction in emissions compared with official fiscal 2005 standards). As a percentage of sales, low emission vehicles accounted for 71% of registered vehicle and 92% of minicar sales in fiscal 2005.

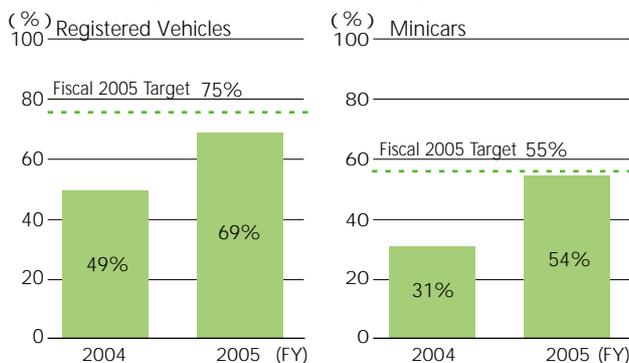
Sales Percentage of Low-emission Vehicles



#### Vehicles Eligible for Green Tax\*1

Of total sales, the proportion of vehicles eligible for the Green Tax system was 69% for registered vehicles and 54% for minicars. Many of MMC core models, such as the “*Outlander*”, “*Grandis*”, “*Colt*”, “*Colt Plus*”, “*Minica*”, and “*Minicab*”, are eligible for this tax system.

Sales Percentage of Green Tax System Eligible Vehicles



### Activities in the United States and Europe

MMC is actively working to meet emission regulations in overseas markets. To comply with the ZEV\*2 standards of the State of California that kick in for the 2005 models, MMC is selling its “*Gallant*” model, which was approved as a PZEV\*3 model by the California Air Resource Board (CARB) starting with the 2004 model. MMC is taking a long-term stance toward preparation for the expected introduction of stricter emissions regulations in Europe, such as EURO5, by pressing forward with development of technology for reducing emissions and its development of low-pollution vehicles for the global market.

#### Check! Fiscal 2005 Self Evaluation

We have almost completely reached our original goals regarding the development and increased use of low-pollution vehicles, such as the development of an EV with an eye to commercialization and the collection of test data on the running performance of FCVs on public roads. On the other hand, we did not achieve our fiscal 2005 targets for sales percentages of low-emission vehicles (“3-star” and “4-star”) because the sales of low-emission vehicles, such as the “*Colt*” and “*Grandis*”, fell below expected levels.

To meet emissions standards in overseas markets, we pushed forward with technology development to enable us to achieve standards well ahead of regulatory deadlines, keeping a close eye on the direction of the strengthening of emission regulations.

#### Action! Future Plans and Issues

We are proceeding with R&D for a next-generation EV with the goal of launching a model in the market based on a minicar platform by 2010. We intend to introduce “4 star” class low-emission vehicles for almost all our gasoline-powered models, and work to increase their proportion in sales.

\*1. Green tax system : A low-pollution vehicle preferential tax system that provides lower automobile purchase and annual automobile taxes for vehicles that are “4 star” and exceed the domestic fuel economy standards for 2010 by 5%, vehicles that are “4 star” and meet the 2010 fuel efficiency standard or vehicles that are “3 star” and exceed the domestic fuel economy standards for 2010 by 5%.  
 \*2. ZEV (Zero Emission Vehicle) regulation : A system being introduced in the United States commencing with California that requires automotive manufacturers to begin introducing zero emission vehicles in a specified proportion starting with 2005 models.  
 \*3. PZEV (Partial Zero Emission Vehicle) : An accreditation class of the ZEV system used for green gasoline automobiles. Five PZEV models are equivalent to one ZEV model under the system.

## Development of Electric Vehicles

### History of EV Development

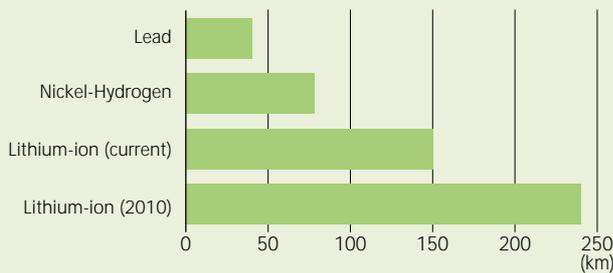


FTO-EV Challenge Run

MMC commenced development of EVs in the latter half of the 1960s. In the beginning, we were commissioned by an electric power company to manufacture an EV that had a lead battery and a direct current motor. The vehicle was heavy, had a short operating range, and was cramped because the battery took up most of the cabin space. It was not a practical model for general public use. To solve these problems, we focused on developing high-performance batteries, replacing the lead battery with a nickel-cadmium battery and later with a lithium-ion battery. At the end of 1999, we earned a place in the Guinness Book of Records with a sports-type FTO-EV mounted with a lithium-ion battery. Using repeated high-speed recharging, the vehicle ran a total of 2,142 kilometers in 24 hours on our high-speed test course.

Compared with the original batteries developed by MMC, battery performance has improved considerably. Our current lithium-ion batteries provide about four times the operating range as lead batteries. By around 2010, we expect that our lithium-ion batteries will provide about 1.6 times the operating range of current batteries. With this advance, we are beginning to see a clear possibility of developing a practical EV.

### Technical Centers (10 locations)

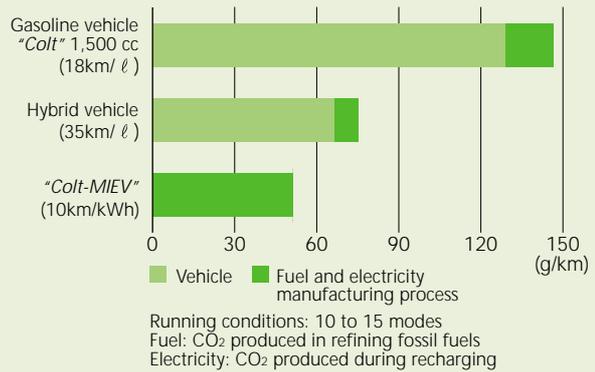


Currently, we are working on the development of an EV incorporating in-wheel motors (IWM) and a high-performance and high-safety manganese and lithium-ion battery. Among prototypes, we have manufactured a 5-seater "Colt EV" with IWM in both rear wheels that has an operating range of 150 kilometers and a four-seater "Lancer Evolution MIEV" that has IWM on all four wheels that each provide a maximum power output of 50 kilowatts. Through road tests and showcasing at exhibitions, we have explored the possibilities for introducing an EV model from various aspects, including market demand. As a result of this process, we are now proceeding with development of a vehicle with a goal of introducing a model based on the minicar platform by 2010.

### Advantages of Electric Vehicles

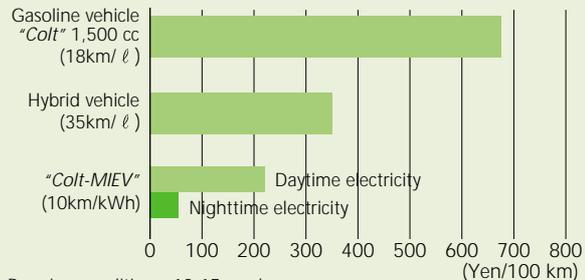
EVs are low-pollution vehicles that generate absolutely no emissions under running conditions. In addition, they also are extremely quiet. As shown in the chart below, their CO<sub>2</sub> emissions during running time and when recharging are substantially below those of gasoline or hybrid vehicles. EVs are clearly effective tools in the fight against global warming. Moreover, since EVs can use natural energy sources, such as solar power, wind power, and even bio-power, they have an advantage in terms of having a secure source of energy for the future.

### Comparative CO<sub>2</sub> Emissions



EV running costs also provide an advantage. According to our calculations, based on daytime electric power rates, EV running costs are about one third those of gasoline vehicles and about two third those of hybrid vehicles. If less expensive nighttime electric power is used, this advantage becomes even greater.

### Comparison of Fuel Costs



Market penetration by the EV remains a problem to be solved. However, we believe that its superior attributes regarding local and global environments and ability to cope with the expected energy problems of the future make it the ultimate low-pollution vehicle.

To provide users with healthy and reassuring cabin spaces, MMC is moving quickly to make its cabin environments more comfortable through such measures as deodorizing and reducing VOC emissions. In our efforts to meet the goals of the EU's End-of-Life Vehicles Directive and of the Japan Automobile Manufacturers Association (JAMA), we are planning on achieving some of the new standards ahead of time.

## Improving Cabin Environments

### Plan! Fiscal 2005 Goals

- Promote the development of technology to reduce VOCs\*1 in cabins and apply the technology in production of new domestic models.

### Do! Fiscal 2005 Activities and Results

#### Technology to Reduce VOCs in Cabins

VOC emissions in automobile cabins are mainly generated by the adhesives used in parts or by paints. As a result, our VOC reduction activities include measures to reduce the use of VOC generating materials and to reduce VOCs that have been generated.

Example of Improvements in VOC Reduction in "i" Model

Improvement Location		Improvement
Reduction of VOC generating materials	Center panel	Reduction of use of organic solvents in surface paint layer
	Carpet	Reduction in use of aldehydes in pile adhesives
	Seat	Use of non-solvent adhesives for attaching fabric
Reduction of generated VOCs	Roof	Absorption and decomposition of formaldehyde by use of deodorizing surface materials
	Air conditioner	Reduction of VOCs by use of clean air purifier with deodorizing function

Based on these measures, the "i" model, sales of which began in January 2006, surpasses the levels set for VOCs by the Ministry of Health, Labour and Welfare and achieve the JAMA voluntary goal\*2 ahead of schedule.

### Check! Fiscal 2005 Self Evaluation

We improved our VOC reduction technology and applied it in the new "i" model. We also achieved the JAMA voluntary goal one year ahead of schedule.

### Action! Future Plans and Issues

We plan to continue to implement measures to reduce VOCs in our new models to achieve the JAMA voluntary goal. We also plan to achieve these goals in our commercial models.

### Other Technologies to Improve Cabin Environment

#### Bio-clear Filter\*3

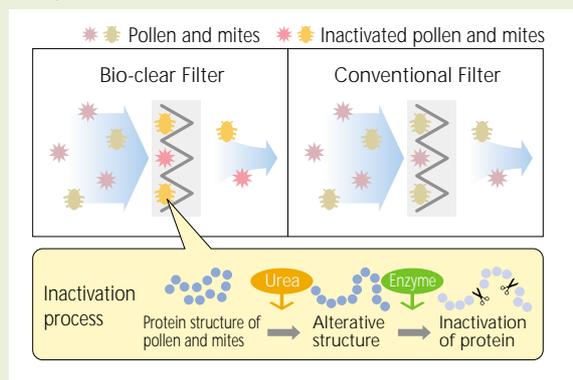
Dust, pollen, mites, etc. in the cabin air are deposited by the filter.

However, some of the deposited dust, pollen, mites, etc. are dispersed again in the cabin due to the wind that gets into the filter (especially when the wind volume is at maximum), or due to the vibration of the moving car.

The Bio-clear Filter not only collects pollen, mites, etc., but also inactivates them on the filter through the action of an enzyme and urea.

Even if part of the collected pollen and mites disperses again in the cabin, their pollen and mites has inactivated, and so the air quality in the cabin has improved.

#### Comparison of Bio-clear filter and Conventional filter



#### Öko-Tex Standard 100 Seat Fabric

The "i" model uses seat fabric that has cleared Öko-Tex Standard 100, the international safety standard for such harmful substances as cancer and allergy agents.

Öko-Tex Standard 100 seat fabric in "i" model.



\*1. VOC : Organic compounds that easily evaporate at room temperature, such as formaldehyde and toluene. In recent years, VOC emissions by new houses and buildings have been blamed for causing such complaints in people as itchy eyes and sore nose and throat—the so-called sick building syndrome.  
 \*2. Voluntary goal : JAMA has announced Voluntary Guidelines for Reducing Cabin VOC Concentration Levels for new models launched from fiscal 2007 onwards. The program aims to reduce the concentration levels of 13 substances specified by the Ministry of Health, Labour and Welfare below the official levels.  
 \*3. Bio-clear filter : The bio-clear filter is a jointly developed filter for car air-conditioners with Mitsubishi Heavy Industries, Ltd., It is designed, based on new technology developed by Mitsubishi Heavy Industries, Ltd., for residential air-conditioners. It is the world's first car air conditioner filter that inactivates pollen, mites, etc. using an enzyme and urea (as a result of our company's investigation, as of February 2005). The Bio-clear filter is available as an option on some MMC models.



## Reducing Substances With an Adverse Environmental Impact

### Plan! Fiscal 2005 Goals

- Implement survey of use of hazardous substances in new models.
- Cope with EU End-of-Life Vehicles Directive.
- Prepare proposal for replacement of hexavalent chromium.

### Do! Fiscal 2005 Activities and Results

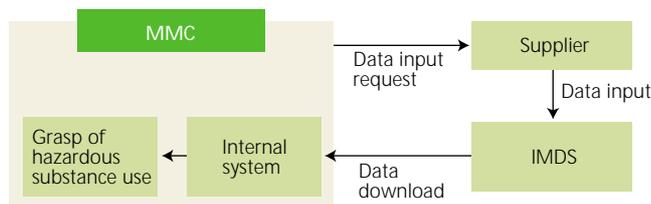
#### Reduction of Use of Hazardous Substances

In its End-of-Life Vehicles Directive, the EU in principle has forbidden the use of four substances: lead, mercury, cadmium, and hexavalent chromium starting in July 2003. In Japan, JAMA also has established reduction targets for these four substances, and each automobile manufacturer is working to reduce its use of these substances.

Targeted Substance	JAMA Reduction Targets (Passenger Vehicles)
Lead	Reduction of at least 90% from 1996 by January 2006
Mercury	Elimination from January 2005, with the following exceptions: <ul style="list-style-type: none"> <li>• Liquid crystal displays</li> <li>• Combination meters</li> <li>• Discharge lamps</li> <li>• Cabin fluorescent lighting</li> </ul>
Cadmium	Elimination by January 2007
Hexavalent chromium	Elimination by January 2008

As can be seen, the drive to reduce the use of hazardous substances is gaining momentum in Japan and overseas. Amid this trend, MMC has published Management of Hazardous Substances Guidelines, and is striving to decrease its use of these substances. To obtain a grasp of the use of hazardous substances in automobiles, MMC is utilizing IMDS<sup>\*4</sup>, an international system that collects data on materials, to collect information on the hazardous substances used in automobiles, starting with the items delivered by suppliers, on an as-needed basis commencing with new models.

The collected information on hazardous substances is managed internally on an integrated basis.



\*4. IMDS : International Material Data System

A hazardous substance use survey done of MMC's "Outlander", launched in October 2005, and the "i" model, launched in January 2006, confirmed that both models achieved the targets set by JAMA for use of the four hazardous substances. (For further details, please see the URL given at the bottom of the page.)

During the fiscal year, MMC achieved the elimination of the stabilizer for protective paints on time. Elimination under the EU End-of-Life Directive had been postponed until the end of June 2005.



Hazardous substances information meeting

Moreover, MMC confirmed that it does not use brominated fire retardants in the manufacture of vehicles in Japan or the United States. Use of these fire retardants is prohibited in certain U.S. states.

Hexavalent Chromium is included in anti-rust surface treatment chemicals and commonly used on nuts and bolts. For that reason, it is used in a variety of automotive parts. The cooperation of suppliers is essential in eliminating the use of hexavalent chromium. MMC aims to eliminate the use of this substance by the end of 2006, and to that end is proceeding with activities aimed at converting to substitutes, such as trivalent chrome. In April 2005, MMC held a hazardous substances information meeting for suppliers, explaining conversion methods and asking for their cooperation.

MMC completely eliminated the use of asbestos in its vehicles in 1997.

### Check! Fiscal 2005 Self Evaluation

We attained all goals according to plan.

### Action! Future Plans and Issues

In future, we will be collecting data on the use of hazardous substances for all new models as needed. In addition, we will endeavor to meet the goals set by JAMA and comply with the regulations of the EU End-of-Life Directive. Our activities regarding hexavalent chromium are aimed at full elimination of the use of this substance by the end of 2006.

In its production processes, MMC complies with laws and regulations regarding air, water, and soil pollution. MMC also implements appropriate measures to deal with environmental issues in the production process, carrying out various voluntary activities to reduce the impact of its operations on the environment and constantly striving to strengthen its environmental risk management system.

## Production Initiatives

### Plan! Fiscal 2005 Goals

- Promote activities to reduce companywide average VOC emissions to 42g/m<sup>2</sup> or less (By fiscal 2010).
- Comply with laws and regulations on hazardous substances and reduce their use.

### Do! Fiscal 2005 Activities and Results

#### Reducing VOCs

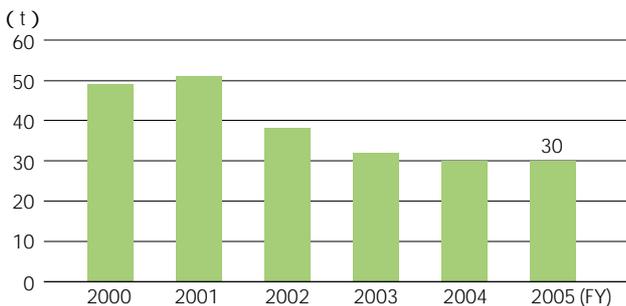
During the fiscal year, we took various steps toward reaching our 2010 goals. In the vehicle painting process, we introduced high-efficiency electro-deposition machinery (please see the photograph on the top right of the next page) and new painting methods, used lower quantities of solvent for cleaning paint guns, and improved recovery rates for washing thinners.

Among major activities to reduce VOCs in fiscal 2005, we decreased wasteful use of paint by reducing the amount of repainting and expanding the recycled volume of thinner. Furthermore, at the Mizushima Plant's new painting line, which began operations in August 2004, we started using water-based paints with lesser amounts of VOCs in order to reduce VOC emissions.

#### Restrictions on SOx (Sulfur oxides) Emission

We sought to restrict the emission of sulfur oxides to very low levels by changing the fuels used in boilers and other combustion facilities to low-sulfur kerosene or LNG gas.

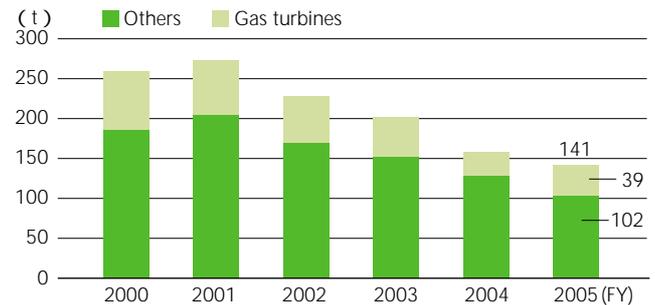
SOx Emissions



#### Restrictions on NOx (Nitrogen oxides) Emission

We sought to restrict the emission of nitrogen oxides by introducing low-NOx boilers and burners.

NOx Emissions

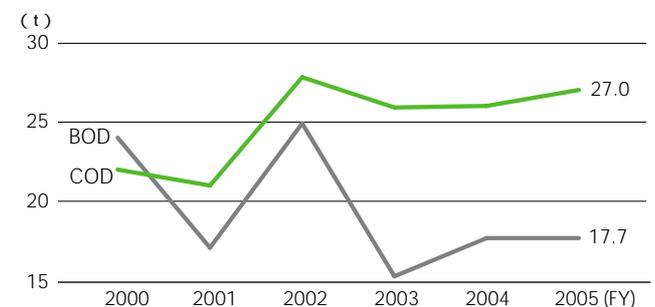


#### Management of Water Pollutants

We manage the quality of water discharged from MMC production sites into public water bodies using strict self-regulatory standards. These self-set standards for nitrogen, phosphorus, BOD<sup>\*1</sup>, and COD<sup>\*2</sup> are in excess of legal standards. MMC also maintains water storage tanks for use in emergency situations.

We try to use materials in production processes that do not generate by-products containing nitrogen or phosphorus, which are responsible for eutrophication of closed bodies of water, such as lakes, marshes, and ocean bays. We are also installing denitrification systems in MMC's water treatment facilities to combat this problem.

BOD and COD Emissions



\*1. BOD (Biochemical oxygen demand) : BOD is an indicator of water pollution, as measured by the amount of dissolved oxygen consumed during the degradation of organic matter (the pollutant) by aerobic microorganisms over a fixed period of time.

\*2. COD (Chemical Oxygen demand) : COD is an indicator of water pollution, as measured by the amount of dissolved oxygen consumed in the oxidation of organic matter in the water.

High-efficiency electro-deposition machinery



### Preventing Noise and Vibration Pollution

Stamping equipment, compressors, air blowers, and engine-testing equipment are all major potential sources of pollution due to noise and vibration. MMC installs equipment to minimize noise and vibration from such sources. Among other measures that we take to control pollution are careful location of this equipment and sound-insulating walls and buildings to reduce noise pollution. Before installing a new facility, we conduct simulations to predict levels of noise and vibration and take appropriate measures to minimize related pollution in the general vicinity of the facility.

### Reduction of Odorous Emissions

Bad odors most often come from casting equipment, paint shops, and wastewater treatment and other facilities. We install a variety of equipment to eliminate smells that is used appropriately in accordance with conditions. Methods of deodorization include adsorption onto activated carbon, burning off (by direct, catalyzed or regenerative combustion), and chemical treatment.

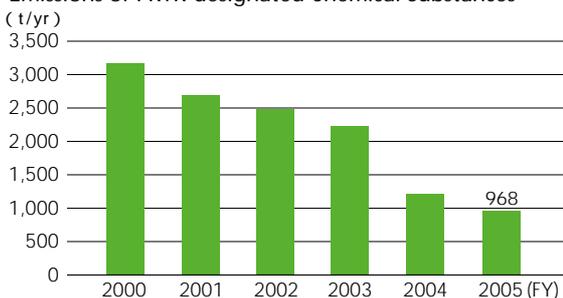
We monitor conditions at plants by making regular site patrols to check that bad smells do not reach the periphery of the site. We also conduct dispersal analysis to simulate the impact of odorous emissions within the site vicinity.

### Management of Chemical Substances (Reduction of emissions of PRTR<sup>\*3</sup>-listed 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. We prioritize our efforts to restrict emissions based on the level of risk that is established for each chemical.

In line with the potential hazard in terms of the toxicity of the chemical substance and handling conditions, daily inspections of facilities where chemicals are used are also carried out to ensure the safety of the workplace environment and the local vicinity.

Emissions of PRTR-designated Chemical Substances



\*3. PRTR : Pollutant Release and Transfer Register.

### Storage of PCBs

MMC is appropriately storing polychlorinated biphenyls (PCBs) contained in insulating oil within transformers and condensers in accordance with Japanese law.

We have completed early registration of its PCB-containing transformers and condensers with the Japan Environmental Safety Corporation, a PCB disposal company. We now expect to proceed with the disposal of these PCBs on a planned basis.

### Prevention of Soil and Groundwater Contamination

MMC is confident that there has been no contamination of soil or groundwater at our sites. We consistently monitor groundwater based on existing wells for noxious substances to prevent any adverse impact on human health from seepage of toxic chemicals. We have implemented various voluntary measures to guard against pollution, such as monitoring of groundwater quality and producing a manual regarding measures to prevent soil contamination.

### Use of Asbestos

Parts containing blow-in asbestos fibers are used in brake linings or packing materials in some of our production machinery. Measurement of the number of asbestos fibers in the air in our plants indicated that our levels are less than one tenth of the standard required by the Air Pollution Prevention Law. Nevertheless, we are proceeding with efforts to improve on these levels by the removal of blow-in asbestos fibers and by converting to equipment parts that do not contain any asbestos fibers.

### Check! Fiscal 2005 Self Evaluation

We are making progress toward our 2010 goals for VOC emissions reduction according to plan. During fiscal 2005, we complied with the legally established regulatory values for hazardous substances.

### Action! Future Plans and Issues

We are broadening our efforts to reduce VOC emissions to include bumpers as well as the vehicle body.

In our management of hazardous substances, we intend not only to continue the rigorous management of these substances at levels of use below official standards, but also to strengthen our management system and keep it prepared for the unlikely event of an accident.

# Recycling and Resource Conservation

Creating a recycling-oriented society that promotes waste reduction and effective resource utilization is a pressing issue. Playing its part in helping to create such a society, MMC designs and manufactures automobiles with the 3Rs (Reduce, Reuse and Recycle) in mind.

## Our Stance on Recycling and Resource Conservation

Promoting the creation of vehicles that generate as little waste as possible with the aim of reducing environmental impact from the development stage is part of the process for creating a recycling-oriented society. MMC thus believes that automakers have an important role to play in this regard.

The development of cars that are easy to recycle and the provision of information concerning materials and structures to facilitate recycling are statutory obligations for automakers under Japan's Automobile Recycling Law. As products that are used around the world, cars are also required to conform to the EU directive on End-of-Life Vehicles (ELVs) as well as Japanese laws. They must also be easy to dispose of after export and use as used vehicles and have minimal environmental impact.

At MMC, we adopt a comprehensive approach to environmental impact reduction. We start at the development stage by designing vehicles that are more compact and lighter so as to conserve resources. We make vehicles that are easier to recycle. We are reducing the use of lead, mercury and other substances with an adverse environmental impact. We conserve resources and recycle waste at the production stage. And we recycle shredder dust (ASR) and engage in other recycling activities at the use and disposal stages.

## Our Recycling and Resource Conservation Activities

In regards to the recycling of ELVs, we have responded to the Automobile Recycling Law in Japan, which came into force in January 2005. In fiscal 2005, we achieved a recycling rate for ASR of 64.2%, above the fiscal 2010 legal minimum rate of 50%.

Moving forward, we plan to review 3R approaches and engage in development that promotes materials recycling, the results of which will be incorporated in new vehicles. We are also removing copper from vehicle shells. This enables iron, which accounts for 70% of a vehicle's weight, to be returned to a high-quality recycled metal. To expand total recycling, a recycling method that produces no ASR as explained [P.58](#), we are improving the ease with which copper-containing wiring harnesses and electric motors can be removed, thereby enhancing the ease of dismantling.

Furthermore, we are expanding the range of parts made from recycled materials such as bumpers.

Additionally, we will continue to recycle resources in manufacturing processes and to aim for zero emissions of landfill waste.

## Environment Initiative Program 2010 (new plan covering the period to fiscal 2010)

### Recycling and Resource Conservation

Category	Activities and Goals	Comments	Related Pages
Automobile recycling	<ul style="list-style-type: none"> <li>Japan: Early achievement of fiscal 2010 statutory minimum SR recycling rate of 70%. Promote total recycling (End of fiscal 2009: total recycling rate of at least 20%)</li> <li>Europe: Build ELV recovery system</li> <li>Respond to recyclability directives</li> </ul>	December 2006 December 2008	<a href="#">P.55-58</a> <a href="#">P.55-57</a>
Development and increased application of 3R technology	<ul style="list-style-type: none"> <li>Increase ease of removing wire harness types of motors</li> <li>Use more parts made from recycled materials</li> </ul>		<a href="#">P.52,58</a> <a href="#">P.52,57</a>
3R in context of production process	<ul style="list-style-type: none"> <li>Landfill disposal: Continue to work towards a zero landfill disposal rate at all manufacturing plants</li> <li>In-process recycling: Maintain recycling rate in excess of 98%</li> <li>Waste reduction: Continue to reduce quantities of spent waste casting sand and metal scrap requiring disposal</li> <li>Water resources: Continue to reduce water use by more than 5% over 2000 levels</li> </ul>		<a href="#">P.53</a> <a href="#">P.53</a> <a href="#">P.53-54</a>



Removing wire harness

## 3R-Oriented Vehicle Designs

### Plan! Fiscal 2005 Goals

- Develop vehicles that incorporate 3R<sup>\*1</sup>-oriented design from the standpoints of reducing environmental impact and effectively utilizing resources

### Do! Fiscal 2005 Activities and Results

MMC actively incorporated 3R-oriented design based on internal guidelines that aid recycling in the “Outlander” and the “i,” which both went on sale in fiscal 2005.

The following showcases are derived mainly from the “i.”

#### Reduce: Design

<b>Reduce size and weight</b>
<ul style="list-style-type: none"> <li>• Switch from cast iron to aluminum cylinder blocks</li> <li>• Use of steel for exhaust manifold</li> <li>• Concentration and reduction in size of oil pumps and engine mounts</li> <li>• Switch to thinner, high-tensile steel sheet in body structural components</li> </ul>
<b>Use fewer parts</b>
<ul style="list-style-type: none"> <li>• Reduced use of wiring harnesses due to adoption of CAN<sup>*2</sup> communication</li> <li>• Use of modules for intake manifold, air cleaner, throttle body, etc.</li> </ul>
<b>Raising durability and resistance to corrosion</b>
<ul style="list-style-type: none"> <li>• Use of galvanized steel sheets and plastic undercover to raise rust-prevention performance of the underside of the vehicle</li> <li>• Longer-life belts and auto-tensioners</li> </ul>

Parts made from easily recyclable plastics (shown in green) in the “i”



#### Reduce: Design

<b>Use of easily recyclable materials</b>
<ul style="list-style-type: none"> <li>• Integration of multilayer material such as rubber with easily recyclable thermoplastic resin (hoses in part of fuel system, carpet)</li> <li>• Use of easily recyclable olefin resin (bumpers, instrument panel, internal trim, etc.)</li> </ul>
<b>Reuse of in-process waste materials</b>
<ul style="list-style-type: none"> <li>• Bumpers, instrument panels, internal trim, etc.</li> </ul>
<b>Recycling of other industrial waste materials</b>
<ul style="list-style-type: none"> <li>• Dashboard panel and roof liner sound-absorbing materials (using cotton clothing and textiles made from hemp sacks)</li> <li>• Floor carpets (using recycled PET<sup>*3</sup> bottles, etc.)</li> <li>• Tailgate trim (using recycled PET and PP<sup>*4</sup>)</li> </ul>
<b>Use of material markings</b>
<ul style="list-style-type: none"> <li>• Marking of all plastic and rubber parts exceeding 100g where possible</li> </ul>
<b>Simplified structural designs to promote dismantling and sorting</b>
<ul style="list-style-type: none"> <li>• Elimination of use of different materials (floor carpets)</li> <li>• Elimination of bolt connections and use of easily removed clips (bumpers, splash shields)</li> </ul>

### Check! Fiscal 2005 Self Evaluation

Incorporated 3R-oriented design in new cars and achieved development targets, including for recyclability rates conforming with ISO standards.

### Action! Future Plans and Issues

MMC will continue to create vehicles based on 3R-oriented design from the earliest stage of development as we actively work to make them easier to recycle, to conserve resources and to achieve other goals.

Furthermore, to recycle ELVs as raw iron material without generating shredder dust (P.58), copper must be removed prior to recycling. For this, we will simplify the dismantling of wiring harnesses containing copper wire. (Please see photograph at top right of this page.)

\*1. 3R : Reduce, Reuse, Recycle

\*2. CAN (Controller Area Network) : An ISO standard for connecting electronic devices in vehicles using communications.

\*3. PET (Polyethylene Terephthalate) is used in drink bottles, photographic film, magnetic tapes and other applications.

\*4. PP (Polypropylene) is used in food containers, household products, etc.

MMC is promoting the 3Rs such as by controlling the generation of waste in production and logistics and effectively utilizing waste that is generated as it plays its part in building a recycling-oriented society. MMC has maintained zero emission status since achieving zero emissions of landfill waste at all manufacturing sites in the fiscal year ended March 31, 2002.

## Production Initiatives

### Plan! Fiscal 2005 Goals

- Reduce emissions of metal scrap and waste casting sand (Reduce per unit of sales by 1.7% relative to FY2001 by end of FY2006)
- Achieve a waste recycling rate<sup>\*1</sup> of at least 98%
- Maintain zero emissions<sup>\*2</sup> of landfill waste at all manufacturing sites
- Rationalize water use to achieve reductions in total consumption (by 5% relative to FY2000 by end of FY2005)

### Do! Fiscal 2005 Activities and Results

#### Zero Emissions of Landfill Waste and Waste Recycling

In promoting the 3Rs, it is important first of all to control waste volumes. To this end, MMC is reducing waste by working to improve production methods and material yields. We also emphasize the elimination of defects, which in itself helps to reduce waste.

Metal scrap and waste casting sand represent a large majority of MMC's waste. For this reason, we endeavored to reduce this waste, aiming to achieve a separately established target.

But some waste will always be generated. We therefore also promote recycling wherever possible. Our approach includes material recycling<sup>\*3</sup> (the reuse of wastes as raw materials for other products) and thermal recycling<sup>\*4</sup> (the recovery of energy generated during incineration).

Moreover, using improved waste separation procedures, MMC is actively trying to upgrade its resource conservation activities by shifting further from thermal to material recycling. Although residual waste is sent to landfill for disposal, we also

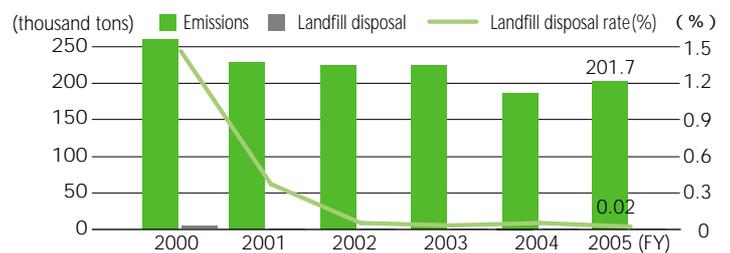
conduct activities that keeps this percentage at close to zero. Indeed, we have maintained zero emissions status since it was first achieved in fiscal 2002. In fiscal 2005, we worked to reduce the landfill disposal rate even further, with actions including recycling sheet glass into cullets.

As a result of these sorts of activities, we reduced the volume of landfill waste in fiscal 2005 to 50 tons, an approximate 40% reduction compared with fiscal 2004.

#### Example of recycling in production

MMC is using equipment to remove a proprietary sealing agent applied to plugs to prevent dirt attaching to the engine mounting hole. Whereas these plugs were discarded after being used only once, they can now be used 12 times as a result of using this equipment.

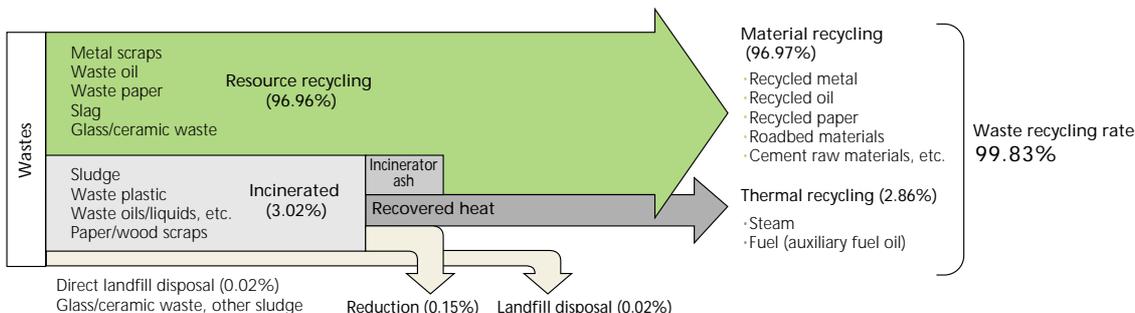
Total Waste Emissions/Landfill Disposal and Landfill Disposal Rate



#### Reducing Water Consumption

For production processes, MMC uses a mixture of industrial water, water from wells and tap water supplied by local utilities. MMC's policy is to rationalize water consumption wherever possible to help conserve resources. Each manufacturing site has its own action plan to reduce water usage.

#### Treatment of Waste in Fiscal 2005



\*1. Resource recycling rate : Recycled volume (tons)/total waste volume (tons)

Recycled volume is the sum of material recycling and thermal recycling volumes (excluding the volume reduced from simply incinerating, etc.)

\*2. Zero emissions of landfill waste is defined as the percentage of waste sent to landfill of total waste volume measured in tons and is a figure of less than 0.1% in terms of MMC's internal limit.

\*3. Material recycling is the reuse of rubbish as raw materials.

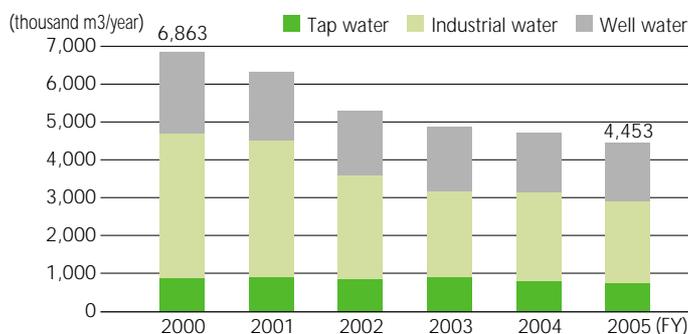
\*4. Thermal recycling is the use of heat recovery from incinerating rubbish as energy.



A returnable rack (folded down)

In fiscal 2005, MMC took steps to rationalize water used in cooling towers<sup>\*5</sup> and to prevent the leak of water. As a result of these and other efforts, total water consumption fell 6% year on year to 4,453 thousand cubic meters. Water consumption was 35% lower than in fiscal 2000, the result of production line integration and other actions.

Water Consumption



### Check! Fiscal 2005 Self Evaluation

Emissions of metal scrap and waste casting sand generated in fiscal 2005 were 135kg per million yen of production, a decrease of 1.7% from fiscal 2001, meaning that MMC achieved its target. The landfill disposal rate was reduced from 0.05% in fiscal 2004 to 0.02% in fiscal 2005. MMC thus maintained zero emission status. The waste recycling rate was 99.83%, as we maintained a high recycling rate.

Water consumption was reduced by more than 5% in line with our target.

### Action! Future Plans and Issues

We will maintain zero emissions of landfill waste and improve our waste recycling rate by stepping up efforts to apply the 3Rs in the production process. This will involve reducing the volume of waste and of waste disposed of in landfills as well as shifting further from thermal to material recycling.

Regarding water, we will formulate an action plan for reducing consumption as we work to rationalize our use further.

## Logistics Initiatives

### Plan! Fiscal 2005 Goals

- Reduce usage of wooden packing cases per knockdown (KD) unit of sales relative to fiscal 2000 levels by at least 15% by fiscal 2005.

### Do! Fiscal 2005 Activities and Results

#### Improvement of Packing and Packaging Specifications for Knockdown Units

MMC achieved a 23% reduction in fiscal 2005, compared with fiscal 2000, in wooden packing cases by implementing the following measures when shipping KD parts.<sup>\*6</sup>

- Switching to the use of steel instead of wood in cases for shipments to China
- Increasing the use of returnable racks for shipments to Australia. (See top right photograph on this page.)

Regarding packaging methods, we are reviewing specifications and changing materials. One initiative is adoption of stretch films<sup>\*7</sup> to simplify packaging and conserve resources.

### Check! Fiscal 2005 Self Evaluation

We achieved a reduction of 23% in usage of wooden packing cases per knockdown unit of sales relative to fiscal 2000 levels, thereby achieving the target of a reduction of at least 15%.

### Action! Future Plans and Issues

To achieve further reductions in the usage of wood, we plan to expand the utilization of returnable racks when shipping KD components to overseas production sites. By also using simple packaging, we aim to promote the simplification of packing and packaging and conserve resources.

\*5. Cooling tower : Equipment that uses the evaporation of water to cool warm water.

\*6. KD components are main components imported and used in the local assembly of vehicles outside Japan.

\*7. Stretch film is a self-adhesive packaging film requiring no adhesive that is used mainly to stop products on pallets from collapsing during shipment.

MMC is meeting its obligations under automobile recycling laws in Japan and Europe. We have already achieved a recycling rate for shredder dust (ASR) of more than the fiscal 2010 legal minimum rate of 50% specified by the Automobile Recycling Law in Japan. Although we have achieved this rate, we are determined to continue with initiatives to entirely recycle resources, which yield a reduction in ASR disposal costs and a higher recycling rate.

## Recycling of End-of-Life Vehicles

### Plan! Fiscal 2005 Goals

- Announce recycling fees for new models and the results of recycling three items from ELVs (Japan)
- Increase the ASR<sup>\*1</sup> recycling rate (Japan)
- Build a network for collecting ELVs (EU)
- Respond to revised directives for ELVs, provide disassembly data (EU)

### Do! Fiscal 2005 Activities and Results

**Responding to Japan's Automobile Recycling Law**  
Automobile recycling legislation came into full force in Japan at the start of 2005. As the Schematic for Automobile Recycling Law Processes below shows, vehicle recycling involves many interested parties. Despite the number of parties involved, the system has run smoothly without any major hitches for over one year.

As an automaker, MMC is fully committed to promoting the recycling and proper disposal of three items collected from ELVs: ASR, air bags and fluorocarbons.

The recycling fees that are charged to customers are set by vehicle type and are published on MMC's website and elsewhere. MMC also makes an effort to reply promptly to inquiries concerning recycling fees.

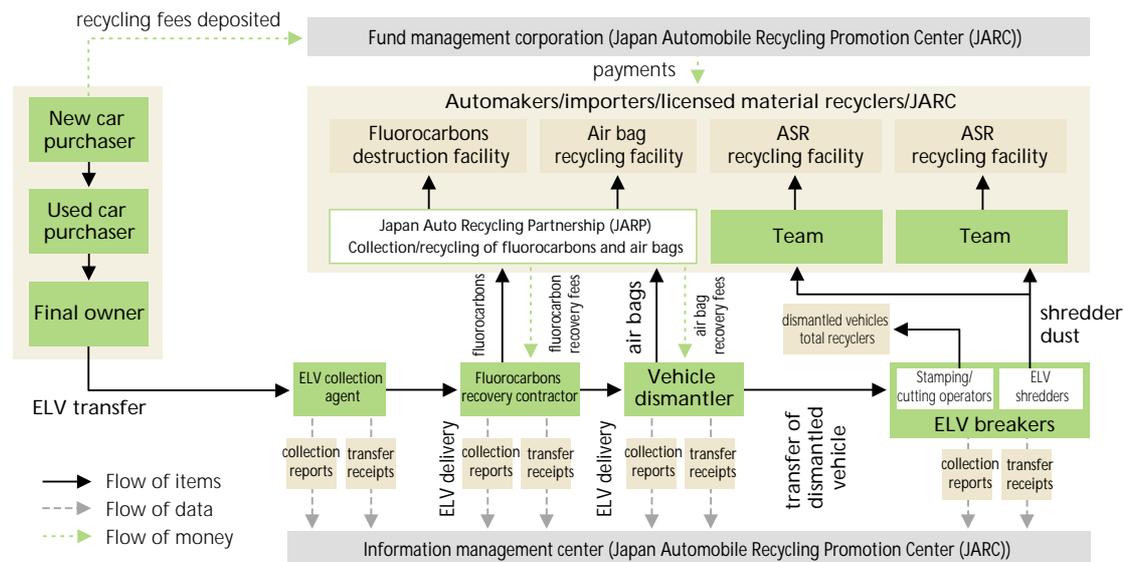
In June every year, MMC publishes the results of the recycling and proper disposal of the three aforementioned items along with income from recycling fees. In fiscal 2005, MMC collected approximately 260,000 ELVs and recorded negative income of approximately ¥0.1 billion from recycling fees.

#### ASR

MMC has teamed up with other automakers to participate in ART<sup>\*2</sup> with the goals of reducing disposal costs and achieving the recycling rate target as soon as possible. To minimize landfill disposal, participating automakers have signed contracts with many recycling facilities.

Furthermore, vehicle shells are dismantled and melted down in electric furnaces to produce iron raw material, as part of the approach to ensure that ELVs are entirely recycled into usable resources. P.58

The ASR recycling rate in fiscal 2005 was 64.2%. Not only was this higher than the statutory minima of 30% for fiscal 2005, it surpassed the fiscal 2010 statutory minima of 50%. In the past, almost all ASR was sent to landfill for disposal or incinerated. In fiscal 2005, only 35.2% of ASR was disposed of in these ways. Moreover, the percentage of ELVs totally recycled was 9.4% compared to the number of units collected.



\*1. Automobile Shredder Residue (ASR) is the residual waste once a vehicle has been cut up in an industrial shredder and all the metals and other valuable materials have been removed.

\*2. ASR Recycling promotion Team (ART) is a consortium that was formed in January 2004 to promote legal, smooth and efficient recycling of shredder dust. Including MMC, it has 11 domestic automaker members (the others being Isuzu Motors Ltd., Suzuki Motor Corp., DaimlerChrysler Japan Co., Ltd., Nissan Motor Co., Ltd., Nissan Diesel Motor Co., Ltd., Fuji Heavy Industries Ltd., PAG Import Inc., Ford Japan Ltd., Mazda Motor Corp. and Mitsubishi Fuso Truck and Bus Corporation). The Japan Automobile Recycling Promotion Center also joined the consortium in September 2004.



Recovering an air bag

### Air Bags

Japanese automakers and the Japan Automobile Importers' Association have jointly established the Japan Auto Recycling Partnership<sup>\*3</sup>, a limited liability entity that is under contract to recycle air bags. Recycling methods involve either activating the air bags inside the vehicle (deployment onboard) or using an extraction and removal process to recover intact air bag modules in an undeployed state. (See photograph at top right of this page.) Since 1999, MMC has fitted its vehicles with a system that enables all the air bags to be deployed easily onboard. The proportion of deployment onboard in fiscal 2005 was 77%.

In the case of the recovery of intact modules, air bags recovered by vehicle dismantlers are sent for neutralization of the inflation propellant at recycling centers via designated collection centers. Once this explosive substance has been neutralized, the gas generators inside the air bags can be recovered and the units recycled into metals. Air bag recycling rates reached 93.5% in fiscal 2005, against a statutory target of 85%.

Results of Recycling and Proper Disposal of Three Items From ELVs in FY2005

Item	Recycling	# ELVs/Amount	% of Total
ASR	Total # of ELVs/Total amount	261,038 ELVs/42,916t	100
	Recycled	186,270 ELVs/24,093t	71.4
	Landfill and incineration	50,298 ELVs/15,365t	19.2
	Total recycling	24,270 ELVs/3,458t	9.4
	Recycling rate <sup>*4</sup>	64.2%	—
Air bags	Total # of ELVs/Total amount	29,379 ELVs/52,463 air bags	100
	Recovery of intact modules	6,579 ELVs/10,773 air bags	22.4
	Deployment-onboard removal	22,610 ELVs/41,690 air bags	77.0
	Partial recovery of intact modules/deployment-onboard removal	190 ELVs	0.6
	Recycling facility volume handled	5,035kg	—
	Recycled volume	4,705kg	—
	Recycling rate <sup>*5</sup>	93.5%	—
Fluorocarbons	Total # of ELVs/Total Amount	196,809 ELVs/62,818kg	—

### Recycling fees and costs

(Yen)

Payment of deposited fees	1,856,685,617
Recycling costs	1,971,317,413
Balance	(114,631,796)

\*3. Under the Automobile Recycling Law, automakers and vehicle importers are legally responsible for the recovery and destruction of fluorocarbons as well as the collection and recycling of air bags from ELVs in Japan. The Japan Auto Recycling Partnership is a limited liability entity that was established in January 2004 with funds supplied by automakers and vehicle importers to undertake these two tasks in an integrated fashion.

\*4. The ASR recycling rate is defined as (recycling weight + total recycling weight)/total ASR weight. The legal minimum is 30% from fiscal 2005 to fiscal 2009 and 50% for fiscal years thereafter.

\*5. The air bag recycling rate is defined as recycling volume/volume of waste handled at recycling facilities. The legal minimum is 85%.

\*6. IDIS, or International Dismantling Information System, provides disassembly information. It requires this information to be provided within six months of a new vehicle going on sale.

MMC supplies vehicle dismantlers with disassembly manuals for all models in printed and electronic form to enable the proper disposal of air bags.

### Fluorocarbons

In Japan, the enforcement of the Automobile Recycling Law in January 2005 superseded a law mandating the recovery and destruction of fluorocarbons, which had come into force in October 2002. Prior to 2005, JARC oversaw the collection of fluorocarbons from recovery operators and their destruction at designated facilities. Since January 2005, the Japan Auto Recycling Partnership has taken over the contract to destroy fluorocarbons, as it also does for air bags.

In fiscal 2005, 63 tons of fluorocarbons were destroyed in approximately 200,000 ELVs.

### Responding to Overseas Vehicle Recycling Laws

The ELV Directive that came into force in October 2000 is now on the statute books of most EU member countries. This makes it mandatory for manufacturers, importers and distributors to collect and recycle ELVs. Local sales and production subsidiary Mitsubishi Motors Europe B.V. (MME) is at the forefront of efforts to develop efficient ELV collection and recycling systems based on the conditions in each market.

It is also mandatory in the EU to provide disassembly information for new models. Consequently, MMC is participating in IDIS<sup>\*6</sup>, which was established and built collectively by automakers. IDIS enables MMC to provide the required information on a timely basis.

In December 2005, a directive concerning recyclability came into force. Compliance with the specified recyclability rate is necessary to obtain approval for new vehicles. MMC has already begun responding to this directive.

With moves also afoot to enact recycling laws in South Korea, China and elsewhere, MMC has begun surveys in these countries.

## End-of-Life Vehicle Recycling

### Parts Collection and Recycling

#### *Collection and recycling of bumpers and glass*

As part of efforts to reduce waste and use resources more effectively, MMC's dealers initiated a program in fiscal 1997 to recover and recycle waste bumpers generated during repairs. MMC dealers in Japan recovered a total of 66,998 bumpers in fiscal 2005. Once the metal brackets and other extraneous parts have been removed, the recovered bumpers are processed into pellets at resin recyclers. Automotive parts manufacturers can then use the recycled resin to make new parts. Presently, battery cases, filler neck protectors and other automotive parts are made from these recycled plastics. Studies carried out by development divisions in the previous fiscal year found many parts where these plastics can be used. Plans now call for the progressive expansion in use of these recycled plastics in more parts.

Almost none of the waste glass from ELVs is presently reused as raw material for making glass. However, in conjunction with eight ART participating companies, glass manufacturers and some vehicle dismantlers, MMC in fiscal 2005 began studying the effective use of waste glass as a resource. Work is continuing toward the creation of an economically feasible framework and technologies with studies looking at aspects such as methods for first recovering glass from the dismantling process and then transporting it as well as various methods for reuse.

#### *Collection and sale of parts at dealers*

With the dual aims of responding to customer needs and reducing dealer waste, some of the parts exchanged at dealers, including engines, transmissions, power steering units and turbochargers, are reused and sold as new.

#### *Promotion of resource conservation at dealers*

MMC dealers are selling reconditioned reusable parts recovered from ELVs in conjunction with leading networks for recycled auto parts.

### **Check!** Fiscal 2005 Self Evaluation

MMC responded to vehicle recycling laws in Japan and Europe. We also achieved the legal minimum recycling rate for ASR specified in Japan's Automobile Recycling Law ahead of time.

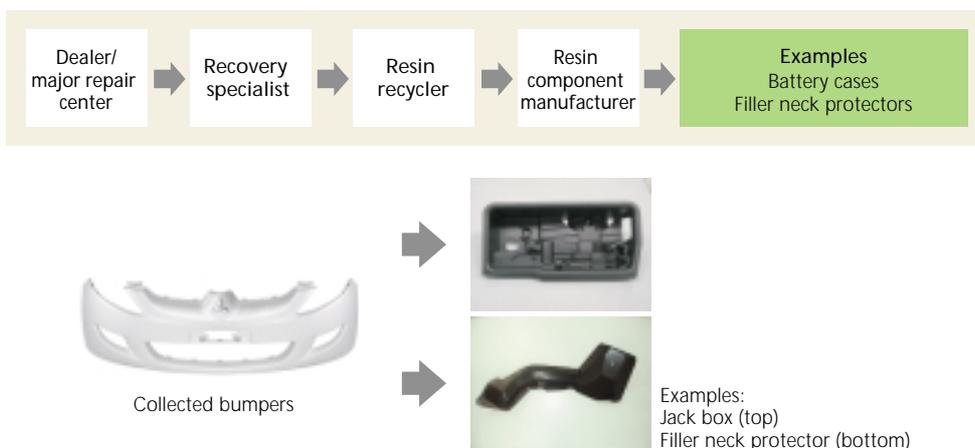
### **Action!** Future Plans and Issues

MMC will work to achieve the fiscal 2015 legal minimum recycling rate for ASR of 70% as early as possible.

We will also actively promote total recycling to reduce disposal costs further and raise the recycling rate.

We plan to expand the application of materials from recovered bumpers and other parts in automotive parts.

Further, efforts will continue to respond to the EU directive concerning recyclability.



## Total Recycling

Total recycling is a recycling method whereby wiring harnesses and electric motors containing copper, which affects the quality of iron scrap, are first removed from vehicle shells before they are pressed into a cube-like shape, along with plastic and rubber parts that would normally become shredder dust, and then later melted down to raw materials in an electric furnace or converter. It is thus a recycling method that does not generate any shredder residue.

Automakers that implement this recycling method after receiving certification from the Ministry of Economy, Trade and Industry and the Ministry of the Environment are able to deduct the cost of removing these copper-containing items from ASR recycling fees before payment to vehicle dismantlers.

By using this method to obtain metal cubes of a high quality with little copper content, vehicle dismantlers can increase the value transferred to operators of electric furnaces and converters. In turn, these operators can receive stable and reasonable prices for quality metal materials derived from the cubes. Furthermore, because almost all the slag generated from electric furnaces and converters is effectively used as roadbed material and in other applications, a high recycling rate is achievable.

Every time scrap iron with a high copper content is recycled the copper constituent builds up in steel products, raising concerns that scrap iron will become unusable in the future. With related industries requesting scrap iron with a copper content of no more than 0.3%, we are making exhaustive efforts to achieve this level in our activities to make all parts and components totally recyclable.

### Simplifying the Dismantling of Wiring Harnesses and Other Parts

Wiring harnesses contain more copper than any other part of a vehicle. They are run under floor carpet and the back of dashboards to hide them from view and are firmly fixed to the vehicle body to prevent any noise being generated as the vehicle moves. Each automaker uses different placements and methods for fixing wiring harnesses depending on the model, meaning that considerable time and effort is required for dismantling.

To shorten dismantling time, MMC is preparing to create disassembly manuals detailing the placement and fixation methods of wiring harnesses and electric motors for distribution to vehicle dismantlers.

### Reducing Recycling Fees

Japan's Automobile Recycling Law imposes an obligation on automakers to collect and recycle ASR.

The cost of disposing of ASR is creeping up as are industrial waste disposal expenses. Furthermore, automakers are being required every year to improve their recycling rate and are thus compelled to sign contracts with high-cost processing facilities such as for the gasification of ASR at high temperatures to reduce the volume disposed of in landfills or incinerators, which isn't regarded as being recycled in calculating the recycling rate.

The total recycling approach uses existing infrastructure, namely electric furnaces and converters, meaning that large investments are not required in facilities and running costs are cheaper than ASR gasification facilities. This helps to lower recycling fees.

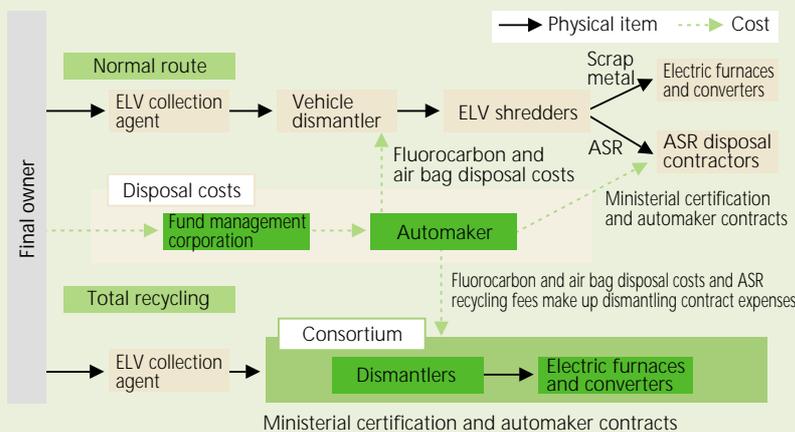
### Future Initiatives

Total recycling doesn't generate waste such as ASR, making it an environmentally friendly recycling method. What's more, it doesn't require heavy investment in facilities, running costs are low and it produces a high recycling rate. To expand total recycling, owners of electric furnaces must also make improvements. Some facilities are switching to new furnaces and more than tripling output of metal. MMC is helping to promote this switch.

To promote greater reuse of resins, glass and other materials recovered from recycling activities in the future, automakers will use total recycling to make it easier to elicit the cooperation of vehicle dismantlers in trying out various new approaches.

Expanding total recycling requires easier removal of wiring harnesses and motors to reduce the time it takes contractors to dismantle vehicles. Looking ahead, we will work on ways to improve the ease with which new vehicles can be dismantled.

ELV Disposal Route and Expense Flow



Corporate Data

Corporate Profile (As of March 31, 2006)

Company name:  
 MITSUBISHI MOTORS CORPORATION  
 Established:  
 April 22, 1970  
 Head office:  
 2-16-4, Konan, Minato-ku, Tokyo 108-8410, Japan  
 Capital:  
 ¥657,336 million  
 Shares of common stock issued:  
 5,491,895,137 (including preferred stock)

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

Purpose of incorporation

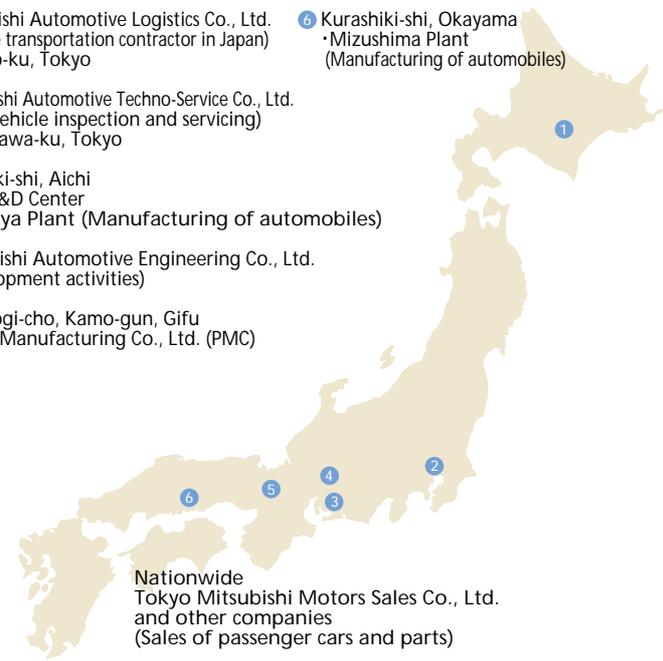
1. Development, design, manufacture, assembly, sales and purchase, export and import and other transactions relating to automobiles and to related component parts, replacement parts and accessories.
2. Development, design, manufacture, assembly, sales and purchase, export and import and other transactions 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, 98 subsidiaries and 38 affiliates (as of March 31, 2006), 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
- Mitsubishi Automotive Logistics Co., Ltd.  
 (Vehicle transportation contractor in Japan)  
 Minato-ku, Tokyo
- Mitsubishi Automotive Techno-Service Co., Ltd.  
 (New vehicle inspection and servicing)  
 Shinagawa-ku, Tokyo
- ③ Okazaki-shi, Aichi  
 ·The R&D Center  
 ·Nagoya Plant (Manufacturing of automobiles)
- Mitsubishi Automotive Engineering Co., Ltd.  
 (Development activities)
- ④ Sakahogi-cho, Kamo-gun, Gifu  
 Pajero Manufacturing Co., Ltd. (PMC)
- ⑤ Kyoto-shi, Kyoto  
 ·The R&D Center  
 ·Powertrain Plant (Manufacturing of engines and transmissions)
- ⑥ Kurashiki-shi, Okayama  
 ·Mizushima Plant (Manufacturing of automobiles)



Nationwide  
 Tokyo Mitsubishi Motors Sales Co., Ltd.  
 and other companies  
 (Sales of passenger cars and parts)

Nationwide  
 Kanto Mitsubishi Motors Parts Sales Co., Ltd.  
 and other companies  
 (Sales of components and spare parts in Japan)



- ⑤ Netherlands  
 Netherlands Car B.V. (NedCar)  
 (Production)
- ⑥ Europe  
 Mitsubishi Motors Europe B.V. (MME)  
 (Sales)
- ③ Australia  
 Mitsubishi Motors Australia Limited (MMAL)  
 (Production and sales)
- ④ Thailand  
 Mitsubishi Motors (Thailand) Co., Ltd. (MMTh)  
 (Production and sales)

## Fiscal 2005 Results

In fiscal 2005, consolidated net sales totaled ¥2,120.1 billion, 0.1% down from fiscal 2004. Operating profit amounted to ¥6.8 billion, an improvement of ¥135.3 billion over the loss in the previous year. Ordinary loss came to ¥17.8 billion, an improvement of ¥161.4 billion, and net loss for fiscal 2005 totaled ¥92.2 billion, a ¥382.6 billion year-on-year improvement.

Sales were ¥99.9 billion short of the ¥2,220.0 billion forecast, due mainly to a decreased OEM supply overseas. However, operating profit moved into the black one year earlier than projected, exceeding the forecast of an operating loss of ¥14.0 billion by ¥20.8 billion. Despite not achieving unit sales forecasts, the higher-than-expected operating profit was due to lower selling expenses such as advertising, a turnaround in warranty expenses, mainly in Japan, and other cost reductions, as well as the benefit of foreign currency exchange gains. The ordinary loss bettered the forecast of a loss of ¥40.0 billion by the same amount as in operating profit.

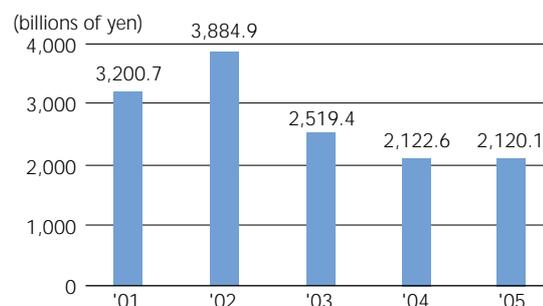
The net loss for fiscal 2005 exceeded the projected loss of ¥64.0 billion by ¥28.2 billion. This was mainly due to additional asset impairment charges totaling ¥18.9 billion caused by the slow recovery in North America and Europe, and a newly reported loss of ¥14.7 billion due to restructuring charges. MMC believes that these measures will lead to an improved earnings structure from fiscal 2006.

	Non-consolidated	Consolidated
Net sales	¥1,260.0 billion	¥2,120.1 billion
Operating profit (loss)	(¥14.4 billion)	¥6.8 billion
Ordinary loss	(¥23.6 billion)	(¥17.8 billion)
Net loss	(¥128.2 billion)	(¥92.2 billion)
Total assets	¥1,044.8 billion	¥1,557.6 billion
Total shareholders' equity	¥231.8 billion	¥268.7 billion
Unit sales	685 thousand units	1,306 thousand units
Number of employees	12,109	34,911

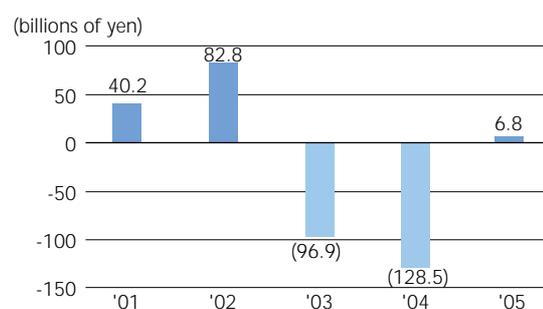
Please refer to Annual Report 2006 for more details about our performance.

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

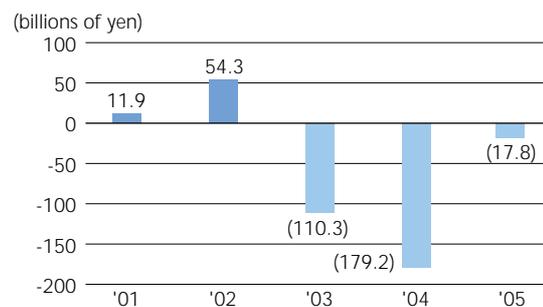
### Net Sales



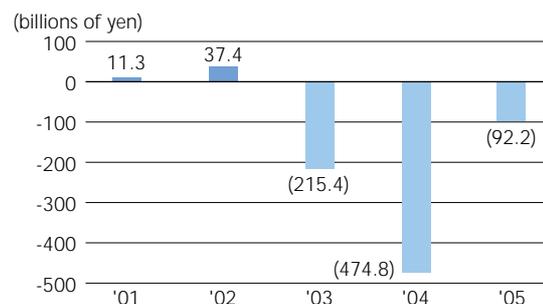
### Operating Profit (Loss)



### 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.

## Additional Information Regarding This Report

### 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 eco-system 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" (FY2003 Version)

Items in Guidelines	Relevant Major Pages
<b>Basic items</b>	
Preface by CEO	P3-4, P23
Basic requirements in reporting	P2, P61-62, Questionnaire
Business outline	P1, P59-60
<b>Summary of policies, goals and results of environmental considerations in business activities</b>	
Policies on environmental considerations in business activities	P24
Summary of targets, plans and results for environment-related initiatives in business activities	P25-26, P27-28
Material balance of business activities	(P27-28)
Summary of environmental accounting information	P36
<b>Status of environmental management</b>	
Status of environmental management system	P24, P30-32, P35
Status of supply chain management, etc., friendly to the environment	P33
Status of research and development of new technologies, etc., friendly to the environment	P34, P38-40, P44-48, P52
Status of disclosure of environmental information and environmental communications	P35, P62, Questionnaire
Status of observance of environment-related regulations	P30, P49-50, P53-57
Status of environmental contributions to society	P17-18
<b>Environmental impact from business activities and status of activities to reduce it</b>	
Total amount of energy input and measures to reduce it	P41
Total amount of materials input and measures to reduce it	P53-54
Total amount of water input and measures to reduce it	P54
Emissions of greenhouse gases and measures to reduce them	P41-42, P49
Amounts emitted and movement of chemical materials, and status of control efforts	P49-50
Total production of products or sales	P60
Total emissions of waste, etc., final disposal of waste, and measures to reduce it	P53
Total amount of wastewater discharged and measures to reduce it	P53-54
Status of environmental impact involved in transport and measures to reduce it	P42, P54
State of green purchasing and measures to promote it	P33, P42
Environmental impact of products and services through their lifecycles, and measures to reduce it	P34, P38-39, P55-56
<b>State of social activities</b>	
State of social activities	P5-22

## Key Sources of Information about MMC

### Websites

#### Corporate Information

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

#### Investor Relations

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

#### Press Releases

 <http://media.mitsubishi-motors.com/pressrelease/e/allcategory/all/>

#### CSR

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

#### Environmental Activities

 <http://www.mitsubishi-motors.com/corporate/environment/e/>

#### Social and Environmental Report (PDF)

 <http://www.mitsubishi-motors.com/corporate/environment/report/e/>



### Other reports

#### Annual Report

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

#### Fact Book

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



### Inquiries

**Publishing Department:** Mitsubishi Motors Corporation: Environment & Recycling Affairs Department  
2-16-4 Konan, Minato-ku, Tokyo 108-8410, Japan\*

Tel : +81-3-6719-4207

Fax : +81-3-6719-0042

**Published:** August 2006

**Next issue:** To be published in summer 2007

\*In January 2007, MMC's Head Office will move to the following address: 5-33-8 Shiba, Minato-ku, Tokyo 108-8410, Japan

## Questionnaire Results for the MMC Social and Environmental Report 2005

The following is a summary of the opinions, impressions and suggestions submitted in response to a questionnaire about Mitsubishi Motors Corporation's Social and Environmental Report 2005.

### Opinions on information disclosure by MMC

1. It was difficult to get a complete overall picture of MMC's information disclosure because there was a lack of data and only a few concrete examples of initiatives.
2. There was insufficient disclosure of negative information (data about recalls, targets not met).
3. Other information should be included such as a dialogue with stakeholders, and customer feedback.
4. MMC needs to look at ways to guarantee the reliability of data.
5. I was favorably impressed by the messages from senior management: the interview format was easy-to-read and conveyed senior management's thinking.

### Opinions on MMC's activities

1. It is apparent that all employees are conscious of quality and are committed to MMC's technological and quality activities.
2. I would like MMC to implement further recycling and other environmental activities, as well as to build safer vehicles.
3. I want MMC to renew its efforts to rapidly develop electric and other new types of vehicles that give even greater consideration to the environment.
4. MMC should focus on R&D activities that will support the environment in the future.
5. Posters, catalogs and other printed materials should be environmentally friendly.

MMC values feedback from readers as it helps us improve future social and environmental reports. Due to space restrictions, we have not been able to reflect all our readers' opinions, impressions and suggestions in the above. However, we will endeavor to incorporate them all in future disclosures of information, including not only social and environmental reports but also MMC websites, press releases and annual reports. In the future, we hope you will take the time to visit our websites and read our annual reports. Furthermore, we will redouble our efforts to meet the expectations expressed in our readers' opinions through improved activities.

### Websites

Corporate Information

Web

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

Investor Relations

Web

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

Press Releases

Web

<http://media.mitsubishi-motors.com/pressrelease/e/allcategory/all/>

CSR

Web

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

Environmental Activities

Web

<http://www.mitsubishi-motors.com/corporate/environment/e/>

Questionnaire

**MMC Social and Environmental Report 2006 Questionnaire**  
We would appreciate your opinions, impressions and suggestions.

Thank you for your interest in our Social and Environmental Report 2006.

We value your comments as they help us to improve future reports.

We would be grateful, therefore, if you would complete the short questionnaire below and post or fax it to us.

**Mitsubishi Motors Corporation Environment & Recycling Affairs Department**  
2-16-4 Konan, Minato-ku, Tokyo 108-8410, Japan FAX: +81-3-6719-0042

In January 2007, MMC's Head Office will move to the following address: 5-33-8 Shiba, Minato-ku, Tokyo 108-8410, Japan

**Q1. What is your overall opinion of this report?**

Well done                      Good                      Average                      A little poor                      Poor

- Understandability
- Comprehensiveness
- Level of detail
- Accuracy and veracity

**Q2. Which sections were you interested in or you felt needed to be improved?**

Interesting      Need to be improved

- President's Message ( Please specify )
- Compliance First/Safety First/Customers First ( Please specify )
- Together with Stakeholders ( Please specify )
- Environmental Activities Organization ( Please specify )
- Environmental Management ( Please specify )
- Prevention of Global Warming ( Please specify )
- Prevention of Environmental Pollution ( Please specify )
- Recycling and Resource Conservation ( Please specify )
- Corporate Profile ( Please specify )

**Q3. What is your evaluation of our activities explained in this report?**

Well done                      Good                      Average                      A little poor                      Poor

- Compliance First/Safety First/Customers First
- Together with Stakeholders
- Environmental Management
- Prevention of Global Warming
- Prevention of Environmental Pollution
- Recycling and Resource Conservation

**Q4. Please use the space below to provide your opinions and suggestions about our future activities.**

( )

Thank you for your cooperation. We would also be grateful if you would provide the following information.

Name		Gender	Male Female	Age	
Address					
E-mail		Tel. Fax.			
Occupation	Customer    Supplier/business partner    Shareholder/investor    Environmental officer at a company or other organization Environmental NGO/NPO    Research and educational institute    Student    Media    Government agency    Financial institution Resident close to an MMC business location    MMC Group employee/family member of employee    Other (Please specify )				

Your feedback and personal information provided via this questionnaire will not be used for any purpose other than to create a better report in the future or for replying to questions, and will be properly managed. Furthermore, the results of this questionnaire will not be made public in a way that identifies individuals.

Mitsubishi Motors  
Social and Environmental Report 2006

Published: October 2006

Inquiries

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Affairs Department  
2-16-4 Konan, Minato-ku, Tokyo 108-8410, Japan  
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Fax: +81-3-6719-0042

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of the Forest Stewardship Council.

