ANNUAL REPORT 2016

For the year ended March 31, 2016

MITSUBISHI MOTORS CORPORATION

Drive@earth

MITSUBISHI MOTORS

Mitsubishi Motors 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

Mitsubishi Motors will give the highest priority to satisfying its customers, and by doing so, become a company that enjoys the trust and confidence of the community at large. To this end, Mitsubishi Motors will strive its utmost to tackle environmental issues, to 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 Mitsubishi Motors vehicles

The cars that Mitsubishi Motors will manufacture will embody two major concepts: driving pleasure and safety. Mitsubishi Motors 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

Mitsubishi Motors 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 driving experience.

Importance of continuity

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

Contents

Forward-looking Statements

This annual report contains forward-looking statements about Mitsubishi Motors Corporation's plans, strategies, beliefs and performance. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industries in which Mitsubishi Motors Corporation operates, as well as management's beliefs and assumptions. These expectations, estimates, forecasts and projections are subject to a number of risks and uncertainties that may cause actual results to differ materially from those projected. Mitsubishi Motors Corporation, therefore, cautions readers not to place undue reliance on forward-looking statements. Furthermore, Mitsubishi Motors Corporation undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments.

I offer my deepest apologies for the significant inconvenience and concern to stakeholders caused by our improper conduct in fuel consumption testing.

Improper Conduct in Fuel Consumption Testing

Our improper conduct in fuel consumption testing involved falsification of testing data and using a test method that is different from what is legally stipulated. We apologize sincerely to our stakeholders for the significant inconvenience and concern that we have caused. Mitsubishi Motors is clarifying the underlying causes of this improper conduct and putting in place measures to prevent recurrence (reported in detail on pages 4–5). Furthermore, we are drastically reforming our internal control, governance and compliance systems, and striving to make improvements and enhancements aimed at augmenting the appropriateness and efficiency of business execution.

Report on the Year Ended March 31, 2016

In the year ended March 31, 2016, our sales volume decreased 4% year on year, but consolidated net sales grew 4%, to ¥2,267.8 billion, thanks to increased sales of vehicles with higher unit prices. Due to the posting of ¥19.1 billion in loss on fuel economy test, profit attributable to owners of parent fell 39%, to ¥72.6 billion.

During the year, we made significant progress on optimizing our product sourcing strategy. In 2015, we discontinued operations at our U.S. plant for producing finished vehicles. We decided to close the plant because its small scale of production made operations inefficient and because the number of vehicles produced had dropped off substantially owing to a major downturn in exports to Russia. Conversely, we are stepping up production capacity in the ASEAN region, which we expect to grow. We began production at a new plant in the Philippines in 2015, and prepared to commence operations at a new plant in Indonesia in 2017. We expect these new plants to be important production facilities, following our Thai plant.

On the product front, we strengthened our lineup of SUVs and electric vehicles, which are at the core of our product strategies. In 2015, we released the new *Outlander* and *Outlander PHEV* models in Japan. We have also begun rolling out the new *Outlander PHEV* in

Europe and the other markets. In Thailand, we launched a new *Pajero Sport* model in 2015. Going forward, we will also release the *Pajero Sport* gradually in other countries and work to expand sales.

Alliance with Nissan Motor

In May 2016, Mitsubishi Motors concluded a strategic alliance agreement with Nissan Motor Co., Ltd. Under this agreement, Mitsubishi Motors will issue new shares through a third-party allotment. Through this allotment, Nissan Motor is expected to acquire a 34% stake of outstanding common shares of Mitsubishi Motors for ¥237.0 billion, as soon as certain terms and conditions are met.

By pursuing this broad-ranging alliance, we aim to improve our two companies' competitiveness and profitability. The alliance covers the following domains.

- Research and development in engines, transmissions, platforms and electric vehicles
- Joint development of products (including vehicles and spare parts, accessories)
- Purchasing of goods and services
- Effective utilization of production capacities
- Retail sales financing, after-sales services and other parts

In addition to reforming the development division through technological and human resource support from Nissan Motor with its perspectives and values, Mitsubishi Motors will overhaul its organizational structure and internal processes and enhance employee education.

Mitsubishi Motors recognizes its improper conduct in fuel consumption testing as a serious matter. Accordingly, under a new management structure we will implement drastic reforms of our governance, internal control and compliance systems, as well as undertaking initiatives aimed at achieving growth and enhancing corporate value.

O. Masuko

Osamu Masuko
Chairman of the Board and President
CEO

When Mitsubishi Motors experienced quality problems in the past, the Company put in place measures to prevent recurrence. However, improprieties in fuel consumption testing occurred. All executives and employees are united in their firm resolve to prevent such a situation from occurring again. We are mounting unremitting efforts to reconfigure our management structure to regain the trust of our customers and society as quickly as possible.

Recognizing the seriousness of its misconduct in fuel consumption testing, Mitsubishi Motors set up a special investigation committee composed solely of independent outside experts. This committee conducted an objective and thorough investigation and submitted its report, which we received on August 1, 2016. This report points out the fact that improper operations using these figures caused the situation to escalate. In particular, the report highlights the root cause as being that "the philosophy of automobile development was not shared, and it was not backed by initiatives to integrate all company directions." We recognize the seriousness of this finding.

Overview of the Special Investigation Committee's Report

1. Investigation Results

(1) Measurement of running resistance not using the legally required test method

For about 25 years, dating back to at least December 1991, Mitsubishi Motors submitted falsified or incorrect data when applying to the Japanese government for certification of its models. "Running resistance" data required for certification must be calculated according to a specific method, called the "coasting test." However, Mitsubishi Motors had been using a back-calculation program that created running resistance data records that appeared to have been measured using the mandatory coasting test but actually were measured by a different method called the "high-speed coasting test" for nearly all vehicles produced and sold in Japan over those approximately 25 years. Furthermore, records of load settings indicated tests that differed from the actual testing dates and testing locations, and the Company had submitted this data during the certification process.

(2) Arbitrary falsification and calculations of running resistance and desktop calculations

Mitsubishi Motors had been measuring running resistance at the development stage or had available running resistance figures calculated on rational assertions when actual vehicles had not been measured. However, rather than using this data, the Company had arbitrarily lowered running resistance figures and used that data for the certification process since at least December 2005 in order to meet fuel consumption targets.

Furthermore, although the certification process requires measurements taken during the running of actual test vehicles, Mitsubishi Motors had used existing running resistance measurements recorded from the past and used desktop calculations to adjust running resistance in response to changes in specifications and other factors. Then this running resistance data was used for the certification process.

(3) Arbitrary lowering of calculated running resistance levels for the *eK Wagon* and *eK Space*

The Company had arbitrarily lowered calculations of running resistance and the rolling resistance coefficient (μr) necessary for certification in order to meet fuel consumption targets on the following models: 2014-model *eK Wagon*, launched in June 2013, and later models that were developed and sold, including the 2014-model *eK Space*, the 2015-model *eK Wagon*, the 2015-model *eK Space* and the 2016-model *eK Wagon*. These fraudulently produced figures led to further escalation.

2. Root Causes of and Background for Improprieties in Fuel Consumption Testing

Seven factors are considered to be the root causes of and the background for this incident.

- The Performance Testing Department and the Certification Process Group were responsible for actually achieving fuel consumption targets.
- A chronic shortage in development man-hours existed.
- In the Performance Testing Department, the prevailing culture made it difficult for staff to point out that the department could not achieve management directives.
- Awareness of the fact that this activity was a legal violation was low, and little importance was placed on laws and regulations.
- The improper conduct had been undetected for many years, so was not changed.
- On the *eK Wagon* and *eK Space*, fuel consumption targets were set in the absence of sufficient technical discussion.
- A collective consciousness towards building and selling automobiles was lacking.

After analyzing these causes and background factors down to their root level, we believe that Mitsubishi Motors' management team and Development Engineering Office executives had a low level of appreciation for what was actually happening during the development process. Furthermore, we believe that departments within the Development Engineering Office were indifferent to anything beyond their own scope of activity. Ultimately we believe the true root of the problem stemmed from the lack of a united team mindset in automobile development, which resulted because fundamental principles of automobile development were not shared throughout the Company.

The problem is not simply one of the Performance Testing Department, the Certification Process Group and the Development Engineering Office. Rather, we view this as a problem for which Mitsubishi Motors as a whole is responsible, including the management team.

3. Measures to Prevent Recurrence

The various measures to prevent recurrence that Mitsubishi Motors has implemented to date failed to prevent this problem. To prevent recurrence, the committee considers it to be of utmost importance that the management team and all executives and employees engage in a thorough discussion to formulate a shared concept of the type of vehicles Mitsubishi Motors should be creating and ensure that the considerations of all people working at Mitsubishi Motors are in accordance. Rather than aimlessly engaging in initiatives identified by the committee as measures to prevent recurrence, the committee believes that all employees should work together to determine on their own and implement themselves the measures needed to prevent recurrence. For this reason, rather than identifying individual and specific measures to prevent recurrence, the committee has indicated an outline of items for Mitsubishi Motors to use as a guideline when considering its own measures to prevent recurrence.

- Revision of the development process
- Streamlining of superfluous systems, organizations and initiatives
- Creation of a personnel system that will alleviate the closed, "black-box" nature of the organization
- Understanding of the intent and purpose of laws and regulations
- Broad-ranging initiatives to detect and fix improprieties

Upon Receipt of the Special Investigation Committee's Report

Looking back, the use of improper measurement methods for running resistance that differed from the legally stipulated methods dates back to 1991—a time when Mitsubishi Motors was accelerating efforts to boost sales in Japan. The report identifies 16 different vehicle models that were launched the following year, suggesting that improper systems became entrenched as a way of streamlining procedures.

Furthermore, around that time Mitsubishi Motors' sales volume was at its peak, which placed a substantial burden on the development team. The report points out that for many years, conditions within the development team have been difficult as the Company has suffered from shortages of all resources—people, equipment and funds. Against this backdrop, we recognize that we went beyond our means and overexpanded our lineup.

In recent years, the development of automotive technologies has included the introduction of active safety, automatic driving and other new information technologies, making development increasingly difficult. Operating in this problematic environment, we expect to maximize the synergies gained through our alliance with Nissan Motor, optimize development plans and engage in truly "Mitsubishi-style" automaking.

We are taking to heart the guidelines we have been provided from a broad-ranging viewpoint that takes into account our corporate philosophy and other measures. From this perspective, we will steadily implement measures to prevent recurrence centering on the following key issues.

(1) Steady implementation of and follow-up on measures to prevent recurrence through the establishment of the Structure Reform Office that will serve as a monitoring organization

- **Led by our new Structure Reform Office, we will steadily implement measures to prevent recurrence and engage in drastic structural reforms.**
  - We will transfer responsibility for measuring running resistance to a department outside the Development Engineering Office.
  - To eliminate arbitrary operation, we will automate data processing and promote the use of IT for processes from running resistance measurement to fuel consumption measurement.
  - We will enhance the auditing function with respect to the product development section.
  - We will reassess the position of Mitsubishi Automotive Engineering, our subsidiary.

(2) Measures related to human resources and compliance

- **We will enhance human resources training and steadily implement and strictly adhere to regular inter-departmental rotation of employees.**

(3) Reinforcement of the management-level follow-up structure

- **A quarterly meeting will be held to ensure that the head office management team regularly obtains information concerning the product development section's activities.**
- **We will formulate product strategies and development plans that are within our means, with full awareness given to the limited resources in the product development section, concentrating on our strengths for efficiency.**

Taking the matters pointed out in the report firmly to heart, we will embark again on our path as a manufacturing company. All our employees and executives will return to the fundamentals of automobile development as we engage in a thorough discussion of our ideals and work together to achieve reforms.

We are implementing reforms in our corporate culture of development to restore trust in Mitsubishi Motors and restore the luster of the three diamonds.

Mitsuhiko Yamashita
Member of the Board [Representative Director]
Executive Vice President (Development)

I believe it is important to maximize our strengths in the ASEAN region, and in SUVs and electric vehicles to get back on track to sustainable growth.

Kozo Shiraji
Member of the Board [Representative Director]
Executive Vice President
(Overseas Operations, Global After Sales)

Focusing sincerely on our stakeholders, we will make every possible effort to regain their trust.

Koji Ikeya
Member of the Board [Representative Director]
Executive Vice President (Finance, Controlling & Accounting)
CFO

Building automobiles is about building trust. An automaker's mission, therefore, is to provide its customers with trusted products that are environmentally friendly and safe to drive. A host of laws and regulations are in place to ensure trustworthiness, and automakers themselves establish standards for ensuring reliability. Compliance with these laws, regulations and standards is the bedrock upon which automobiles are built.

For many years, Mitsubishi Motors has pursued internal reforms aimed at restoring trust. This trust has again been lost, due to our recent improper conduct. Regaining trust that has been lost repeatedly is no easy matter. There are no quick remedies for restoring trust, but throughout the Company all of our employees will work together to show the world that the behavior of Mitsubishi Motors' employees has changed, that Mitsubishi's cars have gotten better and that we have become a socially responsible company.

A number of factors are important to developing trusted products—organizations, structures, cultures and technologies among them. We have formulated measures to achieve reforms quickly in each of these areas. Recognizing that society is watching us with stern eyes, we are reflecting deeply on the past and stiffening our resolve to sincerely undertake initiatives to build cars that will put the spark back into the three diamonds emblem.

Mitsubishi Motors derives more than 80% of its sales overseas, and the Company's presence is particularly strong in the ASEAN region. Notably well-liked are our pickup trucks and SUVs such as the *Pajero Sport* and the *Outlander*. I believe that maximizing this strength will be important to achieving further growth.

Within the ASEAN region, in addition to a production facility in Thailand, we are building new plants and other facilities in Indonesia and the Philippines in the expectation of further market growth. We also operate a plant in Vietnam, a market where we look forward to future growth. The ASEAN region, centering on Thailand, Indonesia, the Philippines, Malaysia and Vietnam, is a geographic focus for Mitsubishi Motors. Accordingly, the Company is aggressively investing its management resources in this region.

Around the world, we have expanded by concentrating our energies on SUVs and electric vehicles. We will continue with this strategy going forward.

Recovering the trust we lost due to our recent improper conduct in fuel consumption testing will be no easy task. We know that tireless effort will be essential. We recognize that we have caused a great deal of trouble for the people who drive our products and many other related parties. Our foremost objective now is to satisfy their expectations by launching initiatives to prevent recurrence and restoring trust.

First, we will steadily make compensatory payments to our customers, while compensating and engaging in sincere consultations with our business partners. We have also caused major inconvenience to our shareholders and investors in the form of large-scale losses and uncertainty about the future. In addition to efforts to restore their trust, we will strive to ensure earnings and recover our standing in the market.

The only way to regain the trust of our stakeholders is through the steady accumulation of efforts on the part of each of the Company's executives and employees. To show our stakeholders how trust is being restored, we will earnestly communicate our initiatives and progress in preventing recurrence. We will disseminate information about our businesses even more proactively than in the past and promote active dialogue with the market. Focusing sincerely on our stakeholders, we will rebuild—one step at a time.

Management (As of August 1, 2016)

Members of the Board

Osamu Masuko
Chairman of the Board and President
[Representative Director]
CEO

Apr. 1972 Joined Mitsubishi Corporation
Apr. 2003 Senior Vice President, Division COO of Motor Vehicle Business Div., Mitsubishi Corporation
Jun. 2004 Managing Director, in charge of Overseas Operations Group Headquarters, MMC
Jan. 2005 President, Chief Business Ethics Officer, MMC
Oct. 2007 President, MMC
Jun. 2014 Chairman of the Board and CEO, MMC
Jun. 2016 Chairman of the Board and President, CEO, MMC (to the present)

Mitsuhiko Yamashita
Member of the Board
[Representative Director]
Executive Vice President
(Development, Quality)

Apr. 1979 Joined Nissan Motor Co., Ltd.
Apr. 2004 Senior Vice President (Officer) in charge of Research and Development, Nissan Motor Co., Ltd.
Apr. 2005 Executive Vice President (Officer) in charge of Research and Development, Nissan Motor Co., Ltd.
Jun. 2005 Member of the Board of Directors and Executive Vice President (Officer), Nissan Motor Co., Ltd.
Apr. 2014 Member of the Board of Directors, Nissan Motor Co., Ltd.
Jun. 2015 Retired from Member of the Board of Directors, Nissan Motor Co., Ltd.
Jul. 2015 Technical Advisor to Board, Nissan Motor Co., Ltd.
Jun. 2016 Member of the Board, Executive Vice President (Development, Quality), MMC (to the present)

Kozo Shiraji
Member of the Board
[Representative Director]
Executive Vice President (Overseas Operations, Global After Sales)

Apr. 1977 Joined Mitsubishi Corporation
Apr. 2009 Senior Vice President, Division COO of Motor Vehicle Business Div., Mitsubishi Corporation
Apr. 2013 Executive Vice President, Group CEO of Machinery Group, Mitsubishi Corporation
Apr. 2016 Senior Executive Officer, Assistant to President, MMC
Jun. 2016 Member of the Board, Executive Vice President (Overseas Operations, Global After Sales), MMC (to the present)

Koji Ikeya
Member of the Board
[Representative Director]
Executive Vice President
(Finance, Controlling & Accounting)
CFO

Apr. 1981 Joined The Mitsubishi Bank, Ltd.
Apr. 2008 Executive Officer and General Manager of Corporate Banking Credit Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
May 2011 Managing Executive Officer and Group Head of Osaka Corporate Banking Group, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
May 2012 Managing Executive Officer in charge of Corporate Banking Credit Division, Credit Division, Credit Supervision Division and CIB Credit Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
May 2014 Managing Executive Officer and Group Head of Corporate Banking Group No. 1, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
May 2015 Senior Managing Executive Officer and Group Head of Corporate Banking Group No. 1, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Jun. 2016 Member of the Board, Executive Vice President (Finance, Controlling & Accounting) CFO, MMC (to the present)

Toshihiko Hattori
Member of the Board
Senior Vice President
Head Officer of the Headquarters
Domestic Sales Group Headquarters

Apr. 1974 Joined MMC
Apr. 2008 Executive Officer, Corporate General Manager of Asia & ASEAN Office, MMC
Nov. 2008 Executive Officer, Corporate General Manager of North Asia Office, MMC
Jun. 2009 President, Kanto Mitsubishi Motor Sales Co., Ltd.
Apr. 2011 Senior Executive Officer, Head Officer of the Headquarters, Global After Sales Group Headquarters, MMC
Apr. 2013 Senior Executive Officer, Head Officer of the Headquarters, Domestic Sales Group Headquarters, MMC
Jun. 2013 Member of the Board, Head Officer of the Headquarters, Domestic Sales Group Headquarters, MMC
Jun. 2016 Member of the Board, Senior Vice President, Head Officer of the Headquarters, Domestic Sales Group Headquarters, MMC (to the present)

Takeshi Ando
Member of the Board
Senior Vice President
Head Officer of the Headquarters
Production Group Headquarters

Apr. 1982 Joined MMC
May 2007 Executive Vice President, Mitsubishi Motors (Thailand) Co., Ltd. ("MMTh")
Apr. 2011 Executive Officer, MMC, Executive Vice President, MMTh
Apr. 2012 Senior Executive Officer, MMC, Executive Vice President, MMTh
Jan. 2013 Senior Executive Officer, MMC, Executive Vice President and COO, MMTh
Jul. 2013 Senior Executive Officer, Plant General Manager of Nagoya Plant, MMC
Jun. 2014 Member of the Board, Head Officer of the Headquarters, Production Group Headquarters, MMC
Jun. 2016 Member of the Board, Senior Vice President, Head Officer of the Headquarters, Production Group Headquarters, MMC (to the present)

Harumi Sakamoto
Member of the Board
[Non-Executive Director]

- Apr. 1962 Joined Ministry of International Trade and Industry
- Jul. 1984 Head of Policy Planning Office of Minister’s Secretariat, Ministry of International Trade and Industry
- Jun. 1986 Chief of Sapporo Trade and Industry Bureau, Ministry of International Trade and Industry
- Aug.1987 Advisor, The Dai-Ichi Kangyo Bank, Ltd.
- May 1990 Managing Director, The Seiyu, Ltd.
- May 1993 Senior Managing Director, The Seiyu, Ltd.
- May 1997 Executive Vice President, The Seiyu, Ltd.
- May 1997 Director, The Seibu Department Stores, Ltd.
- Sep. 1997 Executive Vice President, The Seibu Department Stores, Ltd.
- Oct. 2000 Secretary General, Japan Association for the 2005 World Exposition
- Oct. 2003 Vice Chairperson, Japan Association for the 2005 World Exposition
- Jun. 2006 President, The Distribution Systems Research Institute
- Jun. 2010 Chairman, Japan Facility Management Promotion Association
- Jan. 2012 Chairperson, Japan Facility Management Association
- Jun. 2013 Member of the Board, MMC (to the present)

Shunichi Miyanaga
Member of the Board
[Non-Executive Director]

- Apr. 1972 Joined Mitsubishi Heavy Industries, Ltd.
- Jun. 2008 Member of the Board, Executive Vice President, Mitsubishi Heavy Industries, Ltd.
- Apr. 2011 Member of the Board, Senior Executive Vice President, Mitsubishi Heavy Industries, Ltd.
- Apr. 2013 Member of the Board, President, Mitsubishi Heavy Industries, Ltd.
- Apr. 2014 Member of the Board, President, CEO, Mitsubishi Heavy Industries, Ltd. (to the present)
- Jun. 2014 Member of the Board, MMC (to the present)

Takeshi Niinami
Member of the Board
[Non-Executive Director]

- Apr. 1981 Joined Mitsubishi Corporation
- Apr. 2001 General Manager, LAWSON Project Management Unit and Food Service Business Unit, Consumer Business Div., Mitsubishi Corporation
- May 2002 Executive Officer, President and CEO, Representative Director, Lawson, Inc.
- Mar. 2005 President and CEO, Representative Director, Lawson, Inc.
- May 2013 Chief Executive Officer, Representative Director, Lawson, Inc.
- May 2014 Chairman, Representative Director, Lawson, Inc.
- May 2014 Chairman, Member of the Board, Lawson, Inc.
- Jun. 2014 Member of the Board, MMC (to the present)
- Oct. 2014 President & Chief Executive Officer, Member of the Board, Representative Director, Suntory Holdings Limited (to the present)

Ken Kobayashi
Member of the Board
[Non-Executive Director]

- Jul. 1971 Joined Mitsubishi Corporation
- Apr. 2003 Senior Vice President, General Manager of Singapore Branch, Mitsubishi Corporation
- Jun. 2004 Senior Vice President, Division COO of Plant Project Div., Mitsubishi Corporation
- Apr. 2006 Senior Vice President, Division COO of Ship, Aerospace & Transportation Systems Div., Mitsubishi Corporation
- Apr. 2007 Executive Vice President, Group CEO of Industrial Finance, Logistics & Development Group, Mitsubishi Corporation
- Jun. 2007 Member of the Board, Executive Vice President, Group CEO of Industrial Finance, Logistics & Development Group, Mitsubishi Corporation
- Jun. 2008 Executive Vice President, Group CEO of Industrial Finance, Logistics & Development Group, Mitsubishi Corporation
- Apr. 2010 Senior Executive Vice President, Executive Assistant to President, Mitsubishi Corporation
- Jun. 2010 Member of the Board, President & CEO, Mitsubishi Corporation
- Apr. 2016 Chairman of the Board, Mitsubishi Corporation (to the present)
- Jun. 2016 Member of the Board, MMC (to the present)

Audit & Supervisory Board Members

Yoshikazu Nakamura
Audit & Supervisory Board Member (Full-time)

Katsunori Nagayasu
Audit & Supervisory Board Member [Outside Statutory Auditor]

Toshimitsu Iwanami
Audit & Supervisory Board Member [Outside Statutory Auditor]

Yaeko Takeoka
Audit & Supervisory Board Member [Outside Statutory Auditor]

Yoshitsugu Oba
Audit & Supervisory Board Member [Outside Statutory Auditor]

Senior Vice Presidents

Yoshihiro Kuroi
Corporate General Manager of Corporate Planning Office

Masao Omichi
Chief External and Government Relations Officer
Corporate General Manager of Corporate Affairs Office

Hiroshi Noda
Corporate General Manager of Controlling & Accounting Office

Kanenori Okamoto
Product Executive (C&D-Seg)
Corporate General Manager of E-Mobility Business Office

Yukihiro Hattori
Head Officer of the Headquarters Procurement Group Headquarters

Senior Executive Officers

Yoichi Yokozawa
Vice Corporate General Manager of Corporate Planning Office

Koichi Kitamura
Corporate General Manager of Business Administration Office

Hitoshi Inada
Chief Business Ethics Officer
Chief Environmental Strategy Officer, Corporate General Manager of CSR Promotion Office

Tohru Hashimoto
Corporate General Manager of Business Administration Office

Tsunehiro Kunimoto
Corporate General Manager of Design Office

Yoichiro Yatabe
Head Officer of the Headquarters, Global After Sales Group Headquarters

Jo Tsuji
Head Officer of the Headquarters Overseas Operations Group Headquarters A

Hiroo Kurihara
Head Officer of the Headquarters Overseas Operations Group Headquarters B

Morikazu Chokki
President, CEO- Mitsubishi Motors (Thailand) Co., Ltd.

Mitsunori Kitao
Executive Vice President, COO&CQO- Mitsubishi Motors (Thailand) Co., Ltd.

Executive Officers

Nobuaki Yonezawa
Corporate General Manager of Finance Office

Tetsuya Tamechika
Corporate General Manager of Product Strategy Office

Koji Yokomaku
Corporate General Manager of Development Engineering Office

Akinori Nakanishi
Assistant to Corporate General Manager of Design Office

Toshiyuki Aoike
Corporate General Manager of Procurement Communication Office

Shinya Toyokuni
Plant General Manager of Nagoya Plant

Takayuki Sue
Plant General Manager of Mizushima Plant

Yoshitaka Akamatsu
Plant General Manager of Powertrain Plant

Ryosuke Kagimoto
Head Officer of the Headquarters, Quality Affairs Group Headquarters

Kazuo Yanagimoto
Corporate General Manager of Service Office

Eiichi Kataoka
Corporate General Manager of Overseas Business Management Office

Tatsuo Nakamura
Corporate General Manager of ASEAN Office

Jun Miura
Vice President and COO - NMKV Co., Ltd.

Fumitaka Tomono
President - GAC Mitsubishi Motors Co., Ltd.

Tomonori Tanaka
Executive Vice President- Mitsubishi Motors (Thailand) Co., Ltd.

Kazuhiro Notani
Executive Vice President- Mitsubishi Motors (Thailand) Co., Ltd.

We are introducing strategic models globally by enhancing our sales network and optimizing our production system.

Outlander PHEV

Outlander

Pajero Sport

Triton/L200

North America

(Thousands of units)

	FY2014	FY2015
RVR/ASX/ Outlander Sport	41	45
Mirage/Space Star	24	31
Outlander	20	30
Lancer	26	26
Others	6	3
Total	117	135

Europe

(Thousands of units)

	FY2014	FY2015
RVR/ASX	62	51
Outlander	44	41
Mirage/Space Star	30	31
Outlander PHEV	25	30
Triton/L200	26	27
Others	40	26
Total	227	206

Asia

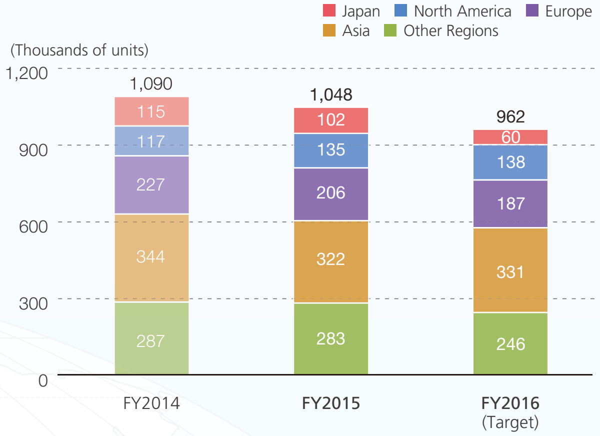
(Thousands of units)

	FY2014	FY2015
Pajero Sport	44	59
RVR/ASX	66	52
Triton/L200	50	46
Colt/L300	34	33
Attrage	23	24
Outlander	22	24
Colt T120SS	30	24
Mirage/Space Star	22	19
Others	53	41
Total	344	322

Sales Volume (Retail)

(Thousands of units)

	FY2014	FY2015	FY2016 (Target)
Japan	115	102	60
North America	117	135	138
Europe	227	206	187
Asia	344	322	331
Other Regions	287	283	246
Total	1,090	1,048	962



Japan

(Thousands of units)

	FY2014	FY2015
Registered Vehicles:		
Outlander PHEV	9	12
Delica D:5	11	12
Delica D:2	6	6
Others	14	13
Subtotal	40	43
Minicars:		
eK Wagon/ek Space	58	43
MINICAB	15	14
Others	2	2
Subtotal	75	59
Total	115	102

RVR/ASX/Outlander Sport

Mirage/Space Star

Other Regions (Australia, New Zealand, Latin America, Middle East and Africa)

(Thousands of units)

	FY2014	FY2015
Triton/L200	94	79
Lancer	54	72
Pajero	32	40
Outlander	24	31
RVR/ASX	33	30
Others	50	31
Total	287	283

Attrage/ Mirage G4

Overview

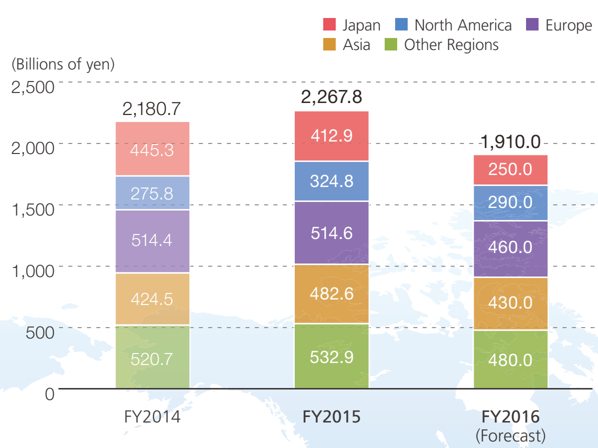
Looking at sales volume (retail) by region in the year ended March 31, 2016, sales increased in North America, centered on the *Outlander* and the *Outlander Sport*. Sales also grew in Western Europe, particularly in Germany and the United Kingdom. In Japan, sales of registered vehicles rose, while those of minicars declined. Furthermore, worsening economic conditions in Russia prompted a fall in sales volume in that country. In Asia, meanwhile, sales of the new-model *Pajero Sport* increased in Thailand, but sales decreased in China and Indonesia. As a result, total sales volume for all regions came to 1,048,000 units, down 42,000 units, or 4%, year on year.

In the year ending March 31, 2017, we expect sales volume to decline in Japan, affected by our discontinuation of minicar production and sales as a result of fuel efficiency issues. We do not anticipate a major decline in overseas sales as a result of the fuel efficiency issue, so we have not incorporated this factor into our operating performance forecasts. Overall, we anticipate sales increases in China, the Philippines and other parts of Asia, as well as in the United States, but expect sales to fall in Japan, Russia and Central and South America. Consequently, we expect sales volume will decline 86,000 units year on year, or 8%, to 962,000 units.

Net Sales

(Billions of yen)

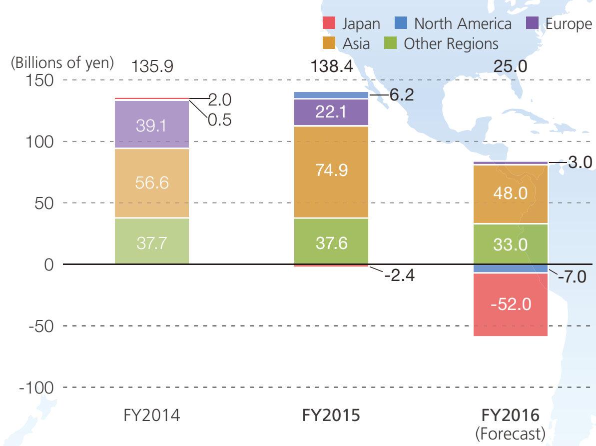
	FY2014	FY2015	FY2016 (Forecast)
Japan	445.3	412.9	250.0
North America	275.8	324.8	290.0
Europe	514.4	514.6	460.0
Asia	424.5	482.6	430.0
Other Regions	520.7	532.9	480.0
Total	2,180.7	2,267.8	1,910.0



Operating Income (Loss)

(Billions of yen)

	FY2014	FY2015	FY2016 (Forecast)
Japan	2.0	(2.4)	(52.0)
North America	0.5	6.2	(7.0)
Europe	39.1	22.1	3.0
Asia	56.6	74.9	48.0
Other Regions	37.7	37.6	33.0
Total	135.9	138.4	25.0



Japan

Performance in the year ended March 31, 2016

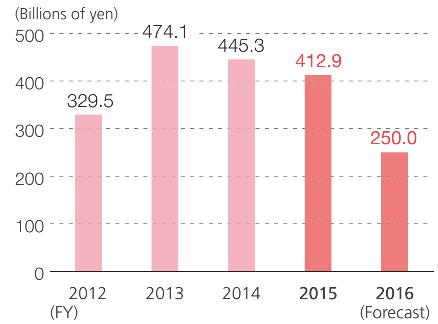
In the year ended March 31, 2016, our sales volume (retail) in the Japanese market decreased 13,000 units, or 11% year on year, to 102,000 units, as sales increased for registered vehicles but declined for minicars.

Due to the fall in unit sales, net sales dropped ¥32.4 billion, to ¥412.9 billion. On an operating basis, we recorded a loss of ¥2.4 billion (compared with operating income of ¥2.0 billion in the preceding year), due to lower sales volume and higher costs on quality measures in market.

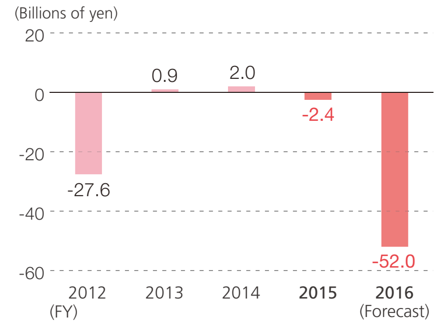
Outlook for the year ending March 31, 2017

In the year ending March 31, 2017, we expect sales volume to decrease due to our halt in production and sales of minicars, leading to sales of around 60,000 units, down 42,000 units, or 41%, from the year ended March 31, 2016. We expect net sales to fall ¥162.9 billion, to ¥250.0 billion, and forecast an operating loss of ¥52.0 billion.

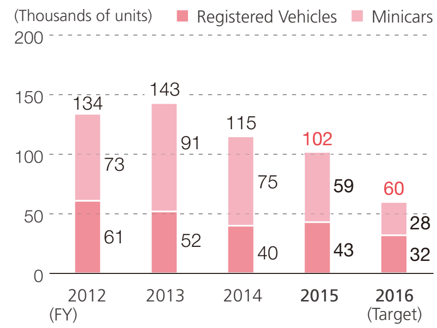
Net Sales



Operating Income (Loss)



Sales Volume (Retail)



Outlander PHEV

Delica D:5

Mirage

North America

Performance in the year ended March 31, 2016

In the North American market, sales volume in the year ended March 31, 2016 rose 18,000 units, or 16%, to 135,000 units, centered on the *Outlander* and the *Outlander Sport*.

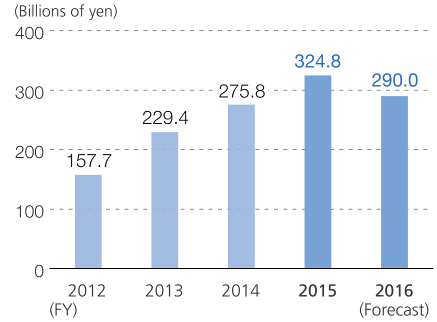
The rise in sales volume led to a ¥49.0 billion year-on-year increase in net sales, to ¥324.8 billion. Operating income expanded ¥5.7 billion, to ¥6.2 billion, due to the increase in net sales.

In November 2015, we discontinued production at our US factory. The plant's production of the *Outlander Sport* will be transferred to Japan, and the model will be exported to the United States.

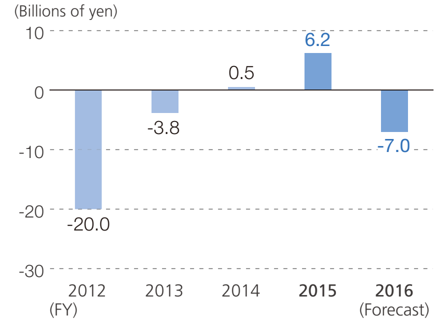
Outlook for the year ending March 31, 2017

We introduced the *Mirage G4* in North America in May 2016. Triggered by this launch, we anticipate a rise in sales volume across the region of 3,000 units, or 2% compared with the year ended March 31, 2016, to 138,000 units. Owing to the impact of exchange rates, we expect net sales to fall ¥34.8 billion, to ¥290.0 billion, and forecast an operating loss of ¥7.0 billion, compared with operating income of ¥6.2 billion in the year ended March 31, 2016.

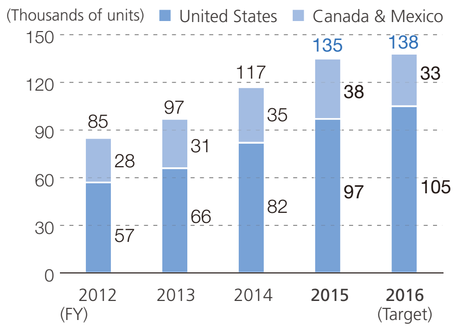
Net Sales



Operating Income (Loss)



Sales Volume (Retail)




Outlander


Outlander Sport


Mirage G4

Europe

Performance in the year ended March 31, 2016

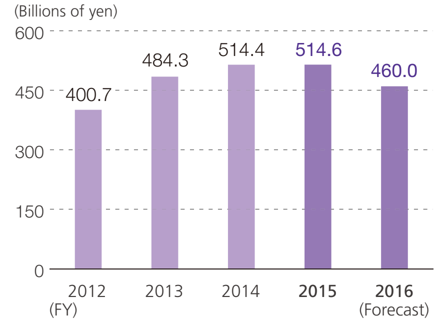
In the European market, sales volume in the year ended March 31, 2016 came to 206,000 units, down 21,000 units, or 9%. Higher sales centered on Germany and the United Kingdom pushed up sales volume in Western Europe by 19,000 units, or 11%, to 173,000 units. However, worsening economic conditions in Russia caused sales volume in that country to decrease.

Net sales grew ¥0.2 billion, to ¥514.6 billion, despite the lower sales volume in Russia, due to selling price revisions and an improved model mix in Western Europe. Affected by exchange rates and other factors, operating income declined ¥17.0 billion, to ¥22.1 billion.

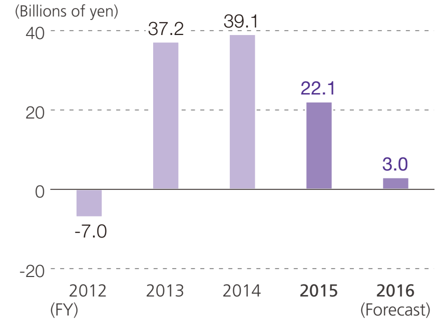
Outlook for the year ending March 31, 2017

We believe market conditions in Europe will remain difficult in the year ending March 31, 2017, with Russia continuing to be affected by economic stagnation. In Western Europe, we expect sales volume to be on a par with the year ended March 31, 2016, but expect a decrease in Russia to bring overall sales volume for Europe down 19,000 units, or 9% from the year ended March 31, 2016, to 187,000 units. Because of the impact of exchange rates and lower sales in Russia, we forecast net sales of ¥460.0 billion and operating income of ¥3.0 billion.

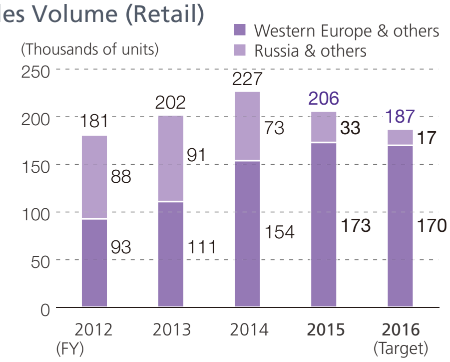
Net Sales



Operating Income (Loss)



Sales Volume (Retail)



L200

ASX

Outlander PHEV

Asia

Performance in the year ended March 31, 2016

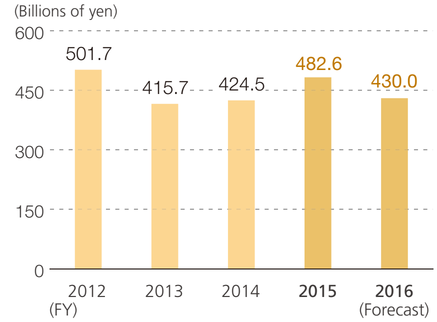
Sales volume in Asia was down 22,000 units, or 6%, in the year ended March 31, 2016, to 322,000 units. Launched in October 2015, the new-model *Pajero Sport* pushed up sales and led to a year-on-year increase in Thailand, but sales decreased in China and Indonesia.

Although affected by a decline in the overall sales volume for the region, net sales rose ¥58.1 billion year on year, to ¥482.6 billion, as the model mix improved thanks to the introduction of the new-model *Pajero Sport*. In line with the rise in net sales, operating income grew ¥18.3 billion, to ¥74.9 billion.

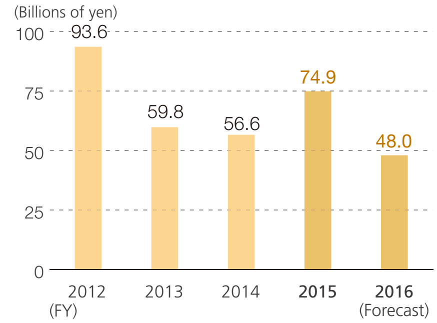
Outlook for the year ending March 31, 2017

In the year ending March 31, 2017, we believe sales volume will increase in China and the Philippines, pushing up the figure for the overall region 9,000 units, or 3%, from the year ended March 31, 2016 levels, to 331,000 units. We expect net sales to decrease ¥52.6 billion, to ¥430.0 billion, and believe operating income will drop ¥26.9 billion, to ¥48.0 billion.

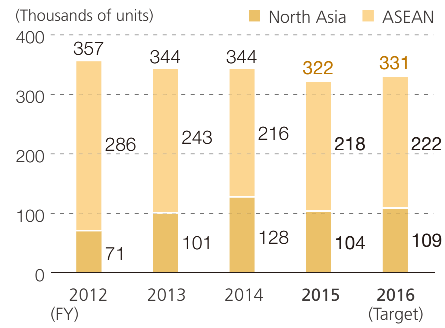
Net Sales



Operating Income



Sales Volume (Retail)




Pajero Sport


ASX


Triton

Other Regions (Australia, New Zealand, Latin America, Middle East and Africa)

Performance in the year ended March 31, 2016

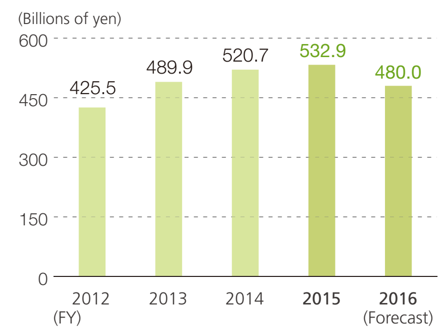
In the year ended March 31, 2016, sales volume in other regions declined by 4,000 units, or 1%, to 283,000 units. Although turning favorable in the Middle East, sales volume was down in Central and South America.

Net sales increased ¥12.2 billion year on year, to ¥532.9 billion. Operating income slipped ¥0.1 billion, to ¥37.6 billion.

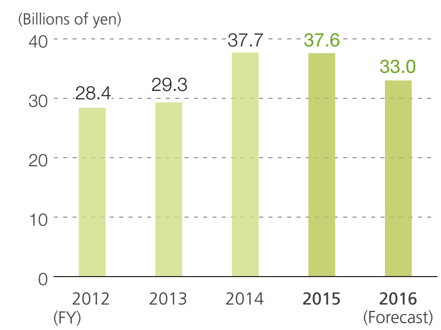
Outlook for the year ending March 31, 2017

In the year ending March 31, 2017, we forecast a decline in sales volume of 37,000 units, or 13%, from the year ended March 31, 2016, to 246,000 units, due to lower sales in Central and South America and the Middle East. We also expect net sales to decrease ¥52.9 billion, to ¥480.0 billion, and operating income to drop ¥4.6 billion, to ¥33.0 billion.

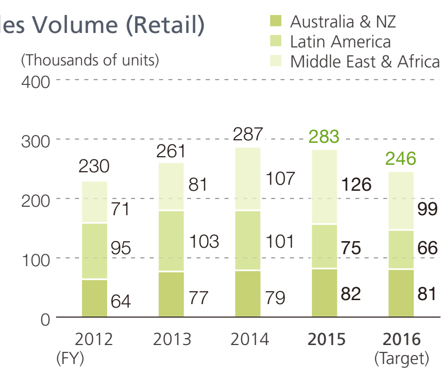
Net Sales



Operating Income



Sales Volume (Retail)




Triton/L200


ASX

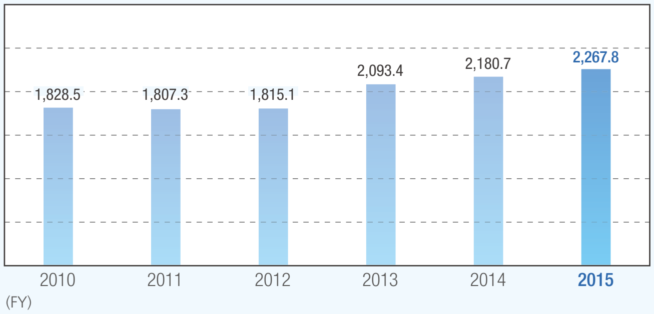

Outlander

Consolidated Financial Summary

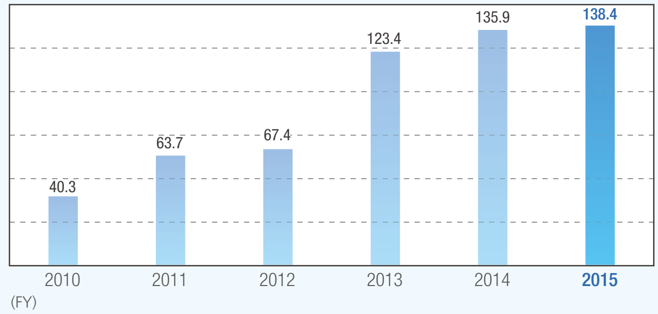
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2015
						In billions of yen	In millions of U.S. dollars
For the year:							
Net sales	¥1,828.5	¥1,807.3	¥1,815.1	¥2,093.4	¥2,180.7	¥2,267.8	$20,126
Operating income	40.3	63.7	67.4	123.4	135.9	138.4	1,228
Income (loss) before income taxes	30.4	41.6	69.4	117.2	129.5	108.8	966
Net income attributable to owners of parent	15.6	23.9	38.0	104.7	118.2	72.6	664
Sales volume (retail)	987	1,001	987	1,047	1,090	1,048	—
R&D expenses	49.4	55.0	59.9	67.5	74.6	78.7	698
Capital expenditures	52.5	71.0	51.4	72.2	68.0	69.0	612
Depreciation	62.7	53.4	50.3	52.7	53.3	53.6	476
Return on equity (ROE) (%)	6.7	9.7	12.7	23.8	19.7	10.9	—
						In yen	In U.S. dollars
Per share data:							
Earnings per share	¥2.82	¥4.32	¥66.05	¥156.60	¥120.16	¥73.80	$0.65
Diluted earnings per share	1.66	2.40	37.09	104.29	—	—	—
Dividends per share	—	—	—	25.00	16.00	16.00	0.14
						In millions of yen	In thousands of U.S. dollars
At year-end:							
Total assets	¥1,312.5	¥1,321.3	¥1,452.8	¥1,543.9	¥1,582.8	¥1,433.7	$12,724
Net assets	248.1	265.6	351.2	550.0	670.8	685.3	6,082
Cash and deposits	317.1	311.6	409.5	450.1	440.3	453.4	4,024
Interest-bearing debt	397.9	348.1	364.4	222.4	144.5	27.1	241
Equity ratio (%)	18.2	19.5	23.4	35.0	41.6	46.8	—

Notes:
1. U.S. dollar amounts in the accompanying consolidated financial statements are converted, solely for convenience, at a rate of ¥112.68 = U.S.$1.00, the exchange rate prevailing on March 31, 2016.
2. For fiscal 2014 and earlier, profit attributable to owners of parent refers to net income.
3. On August 1, 2013, the Company conducted a 1-for-10 reverse share split on its common stock. Indicated figures for basic net income per share and diluted net income per share are calculated as if this reverse share split had occurred at the beginning of fiscal 2012.
4. Diluted net income per share is not indicated for fiscal 2014 because no dilutive shares existed.

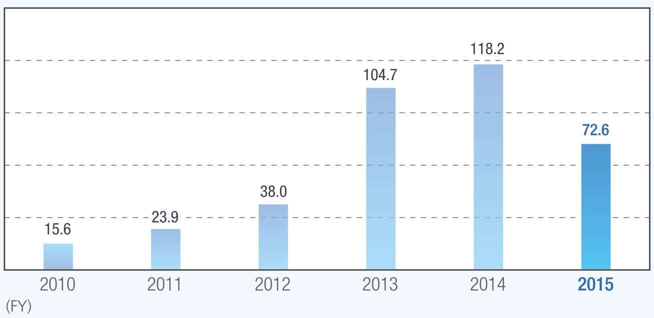
Net Sales
(Billions of yen)



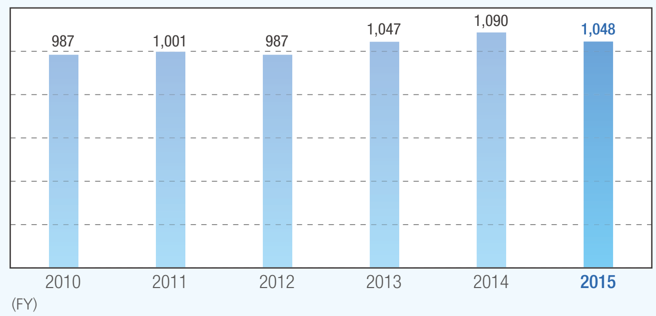
Operating Income
(Billions of yen)



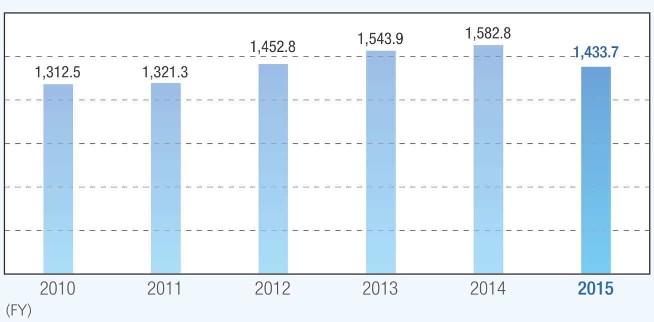
Net Income Attributable to Owners of Parent
(Billions of yen)



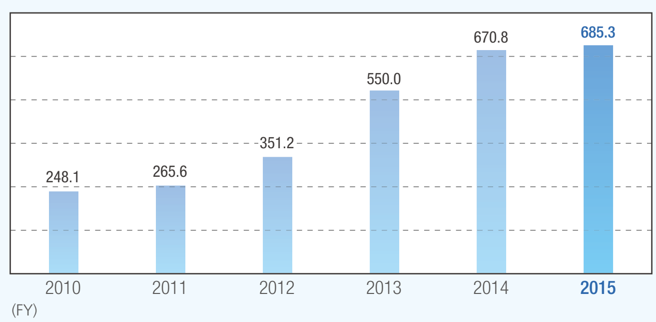
Sales Volume (Retail)
(Thousands of units)



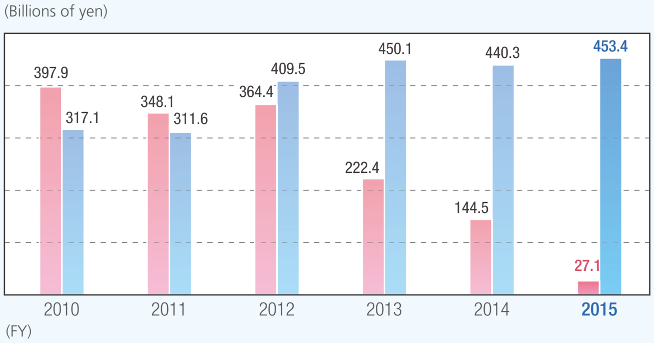
Total Assets
(Billions of yen)



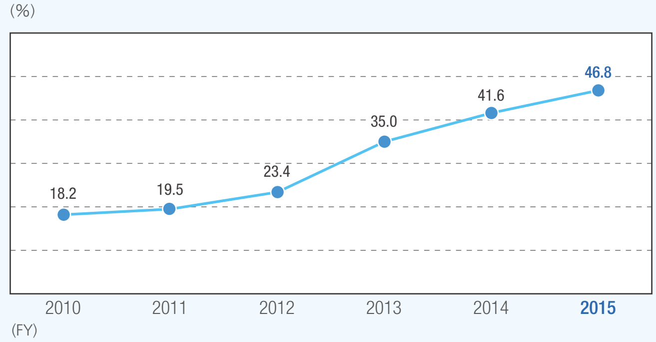
Net Assets
(Billions of yen)



Interest-Bearing Debt / Cash and Deposits
(Billions of yen)



Equity Ratio
(%)



Operational Review

The year ended March 31, 2016, saw great progress in streamlining the production structure. First, vehicle production at the US-based factory concluded in November 2015. Conversely, we moved forward with boosting production capacity in the ASEAN region, where we expect to grow in the future. Our new factory in the Philippines commenced production in the year ended March 31, 2015; in the year ended March 31, 2016, we began building a new factory in Indonesia. We are currently preparing for that facility to begin operations in April 2017. We expect these new factories to be become prominent production facilities, following our Thai plant in importance. On the product front, in Japan we released new *Outlander* and *Outlander PHEV* models featuring substantial improvements. In Thailand, we launched the new-model *Pajero Sport*, which we plan to roll out gradually in other countries.

Results of Operations

Global retail sales volume for the full year ended March 31, 2016, totaled 1,048,000 units, a decrease of 4% or 42,000 units over the year ended March 31, 2015.

By geographic region, although sales volume increased with a rise in registered vehicles, a decrease in minicars had a negative effect leading to sales of 102,000 units, a decrease of 13,000 units or 11% over the same period last year. In North America, sales volume totaled 135,000 units, an increase of 18,000 units or 16% over the same period last year. The increase was driven by an increase in sales of the *Outlander* and *Outlander Sport*. In Europe, sales volume in Western Europe totaled 173,000 units, a year-on-year increase of 11% or 19,000 units, due mainly to sales increases in Germany and the United Kingdom. However, this rise could not offset the drop in sales volume in Russia, where the economic environment worsened and prices rose due to a worsening currency situation, resulting in total sales of 206,000 units, a decrease of 9% or 21,000 units for the whole region. In Asia, sales volume totaled 322,000 units, a year-on-year decrease of 6% or 22,000 units. Although sales increased in Thailand, led by firm sales of the *Pajero Sport*, which debuted in October, 2015, sales decreases in China and Indonesia negatively affected total sales in the region. Sales volume in other regions totaled 283,000 units, a decrease of 1% or 4,000.

Net Sales and Income

The Mitsubishi Motors Group posted cumulative consolidated results for the year ended March 31, 2016 as follows. Net sales increased by ¥87.1 billion, or 4% year on year, to ¥2,267.8 billion. Operating income rose by ¥2.5 billion, or 2% year on year to ¥138.4 billion. Despite negative factors such as worsening foreign exchange rates and increases in costs on quality measures in the market, positive factors such as cost reductions and improvements in the volume/model mix contributed to the increase. Net income attributable to owners of the parent decreased by ¥45.6 billion, or 39% year on year, to ¥72.6 billion.

Business Segment Information

● Automobiles

In the automobile business sector, for the year ended March 31, 2016, net sales totaled ¥2,260.6 billion, up ¥94.4 billion or 4% over the previous year. Segment income of ¥139.0 billion was up ¥3.9 billion over the year ended March 31, 2015.

● Financial Services

In the automobile financing business sector, for the year ended March 31, 2016, net sales totaled ¥7.1 billion, down ¥7.5 billion or 51%. The segment loss was ¥0.7 billion, down ¥1.6 billion from the year ended March 31, 2015.

Geographical Segment Information

● Japan

Net sales totaled ¥1,868.6 billion, an increase of ¥29.0 billion or 2% from the year ended March 31, 2015, due to an increase in sales prices, despite a decrease in sales volume. However, operating income was ¥67.1 billion, a decrease of ¥18.9 billion or 22% from the year ended March 31, 2015, mainly due to lower unit sales and an increase in costs on quality measures in market.

● North America

Net sales totaled ¥303.2 billion, a decrease of 2.3 billion yen or 1%, mainly due to the effects of a decrease in production volume at U.S. plants and the transfer of U.S. financing services, despite higher unit sales. Operating income, on the other hand, totaled ¥8.3 billion, an increase of ¥5.8 billion or 227% due to higher in sales volume.

● Europe

Net sales was ¥118.7 billion, an increase of ¥39.1 billion or 49% from the year ended March 31, 2015, mainly due to a rise in sales prices despite a decrease in sales volume in Russia. Operating income, however, was ¥0.6 billion, down ¥7.4 billion or 92% from the year ended March 31, 2015, mainly due to lower unit sales in Russia and the impact of foreign exchange rates.

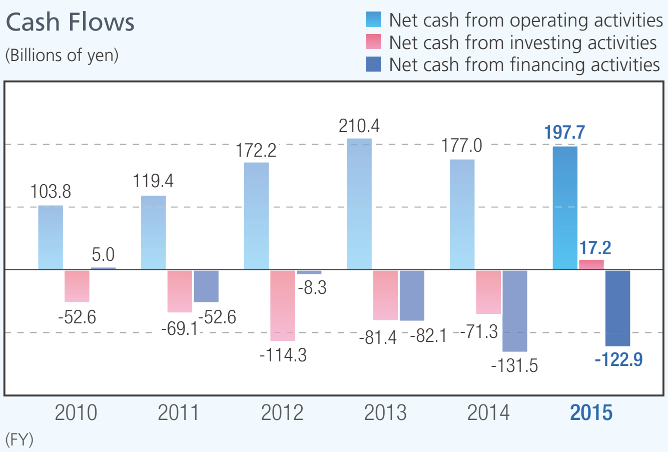
● Asia and Other Regions

Net sales were ¥970.1 billion, an increase of ¥88.8 billion or 10% from the year ended March 31, 2015, mainly due to higher unit sales and favorable foreign exchange rates. Operating income was ¥61.0 billion, up ¥21.5 billion or 54% from the year ended March 31, 2015.

Note: In the geographical segment information, Japan includes Mitsubishi Motors and its domestic consolidated subsidiaries. Explanations of overseas operating performance are provided for overseas consolidated subsidiaries in their respective regions. Information on the "Overview of Operations by Region" on pages 10–17 are principally divided according to the location of external customers. As a result, values are different.

Cash Flows

(Billions of yen)



Analysis of Financial Position

Analysis of Assets, Liabilities, Net Assets, and Cash Flows

Assets at the end of the period totaled ¥1,433.7 billion, a decrease of ¥149.1 billion from March 31, 2015, due to the transfer of sales credit receivable during the second quarter of the year. Liabilities totaled ¥748.4 billion, down ¥163.6 billion compared to March 31, 2015, due to reduction in debts payable resulting from the transfer of sales credit receivable during the second quarter of the year. Net assets totaled ¥685.3 billion, up ¥14.5 billion from March 31, 2015.

Cash flows from operating activities came to a net inflow of ¥197.7 billion. This compared to a net inflow of ¥177.0 billion in the year ended March 31, 2015.

Cash flows from investing activities came to a net inflow of ¥17.2 billion due to proceeds from sales of tangible fixed assets. This compared to a net outflow of ¥71.3 billion in the year ended March 31, 2015.

Cash flows from financing activities came to a net outflow of ¥122.9 billion, due to disbursements related to repayments of borrowings and payment of dividends. This compared to a net outflow of ¥131.5 billion in the year ended March 31, 2015.

As a result, the balance of cash and cash equivalents at March 31, 2016, stood at ¥462.4 billion. This compared to a balance of ¥395.5 billion at March 31, 2015.

Cash Flow Indicators

(FY)	2011	2012	2013	2014	2015
Shareholders' equity ratio (%)*	19.5	23.4	35.0	41.6	**46.8**
Shareholders' equity ratio* (fair value basis)	39.4	41.0	68.8	67.4	**57.8**
Cash flows/ Interest-bearing debt ratio	2.9	2.1	1.1	0.8	**0.1**
Interest coverage ratio	8.5	15.9	22.3	41.0	**120.2**

* The shareholders' equity ratio is shareholders' equity divided by total assets.
The shareholders' equity ratio (fair value basis) is market capitalization divided by total assets.
The cash flows/interest-bearing debt ratio is interest-bearing debt divided by cash flow.
The interest coverage ratio is cash flow divided by interest paid.

Notes:
1. Each indicator is calculated from consolidated financial figures.
2. Market capitalization is calculated based on the number of issued shares excluding treasury stock.
3. Cash flow refers to operating cash flow.
4. Interest-bearing debt includes all liabilities recorded on the balance sheet for which interest is paid.

Forecasts for the Year Ending March 31, 2017

We expect the losses stemming from our improper conduct on the fuel consumption testing of our vehicles to amount to around ¥225.0 billion. As we made a provision for these losses of approximately ¥20.0 billion in the year ended March 31, 2016, we expect the impact of these losses to be around ¥205.0 billion in the year ending March 31, 2017.

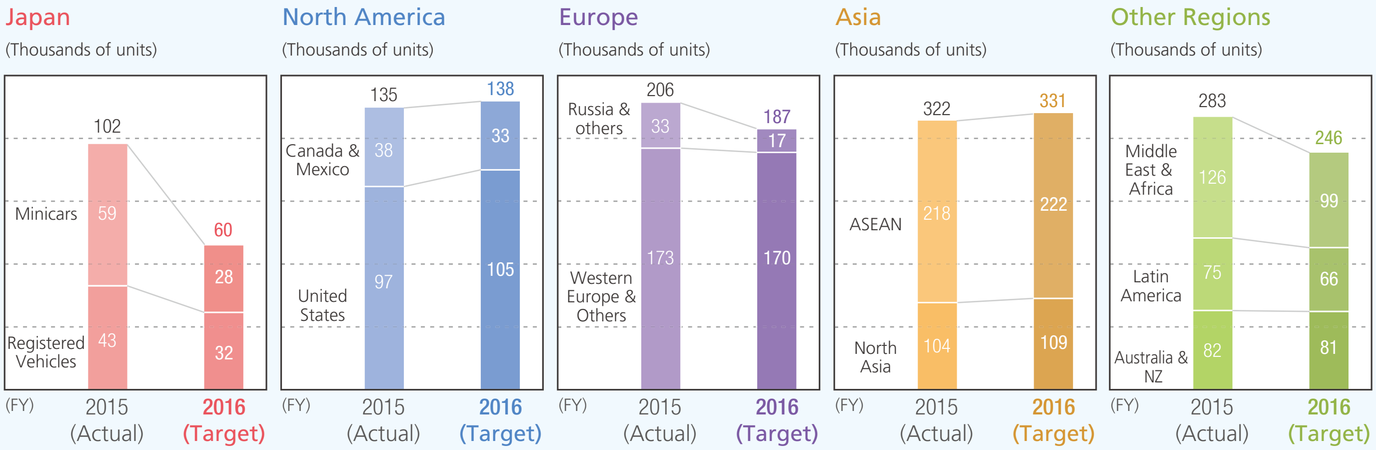
We believe the impact on operating income will be ¥55.0 billion. This figure includes the effect of lower sales volume and reduced parts sales in Japan, as well as the costs of free vehicle inspections and other domestic sales measures. We forecast an other loss of ¥150.0 billion, including ¥50.0 billion in payments to customers and ¥100.0 billion in payments to Nissan Motor, dealers and suppliers, and furlough expenses for the Mizushima Plant.

Meanwhile, our plans to aggressively pursue future growth strategies remain unchanged, so we intend to increase capital expenditure by 16% year on year, to ¥80.0 billion. We anticipate R&D expenses of ¥97.0 billion, up 23% year on year, going toward development of a new compact model SUV, the next-generation *Outlander* and enhanced pioneering research.

We expect sales volume to be 962,000 units, down 86,000 units, or 8% year on year. Although we forecast a decline of 42,000 units, or 41%, in Japan, to around 60,000 units, we have not incorporated a decrease in overseas sales into our forecast, as we do not expect the fuel consumption issue to have a major effect in these markets. Furthermore, although we are considering synergistic effects with Nissan Motor, including sales and financing, these factors have not been incorporated into our operating performance forecasts.

Taking these factors into account, we forecast net sales of ¥1,910.0 billion, operating income of ¥25.0 billion and a loss attributable to owners of parent of ¥145.0 billion.

Regional Sales Volume (Retail)



Operating Performance and Forecast

(Billions of yen, thousands of units)

	FY2014 (Actual)	FY2015 (Actual)	FY2016 (Forecast)
Sales volume (retail)	1,090	1,048	962
Net sales	2,180.7	2,267.8	1,910.0
Operating income	135.9	138.4	25.0
Operating income ratio	6.2%	6.1%	1.3%
Net income attributable to owners of parent*	118.2	72.6	(145.0)
Net income ratio	5.4%	3.2%	(7.6)%

* "Net income" in fiscal 2014.

Business-Related Risks

Risks that may seriously impact the operating results and/or financial standing of the MMC Group are outlined below.

Country risk

Overseas sales accounted for around 80% of the MMC Group's consolidated net sales for the period. Changes in the economic, political or social situation in Japan or in the regions and countries MMC trades with, and in particular the countries of the ASEAN region and other emerging nations that will be central to the Company's regional strategy, may seriously impact the MMC Group's operating results and/or financial standing.

In addition, conducting business operations in overseas markets exposes the Company to latent risks including, but not limited to, changes in laws and taxes, changes in the political and economic situation, deficiencies in infrastructure, difficulties in acquiring skilled personnel, acts of terrorism and other emergencies and the outbreak of epidemics. In the event risks such as these start to manifest themselves, they may seriously impact the operating results and/or financial standing of the MMC Group.

Intensifying competition

Overcapacity in the auto industry and other factors are seeing an intensification of competition on a global basis. Increasing price competition makes sales incentives and effective publicity campaigns indispensable in promoting sales and retaining market share. Such increases in price competition and marketing incentives may seriously impact the operating results and/or financial standing of the MMC Group.

Amid intensifying competition in the automotive industry and shorter new product development cycles, on April 20, 2016, the MMC Group announced that in the certification process for minicars manufactured by MMC, with respect to the fuel consumption testing data submitted to the Ministry of Land, Infrastructure, Transport, and Tourism (hereafter "MLIT"), MMC had conducted testing improperly to present better fuel consumption rates than the actual rates and that the testing method was also different from the one required by Japanese law. Concerning this improper conduct (hereafter, "Improper Conduct in Fuel Consumption Testing"), on April 25, 2016, MMC established a special investigation committee composed solely of independent outside experts to perform an objective and thorough investigation. This committee is conducting investigations to determine all the facts, analyze the root of the problem and consider measures to prevent recurrence. In addition to the above-mentioned minicars manufactured by MMC, the Company submitted additional reports to MLIT with regard to running resistance not having been calculated accurately, information stated in statutory documents that was inconsistent with the facts, desktop calculations having been used as calculations of running resistance, and measurement data from other vehicles arbitrarily having been used in combination. As a result of this Improper Conduct in Fuel Consumption Testing, the Company may be unable to meet customer needs for next-generation minicar models appropriately and in a timely manner, and the market may not be sufficiently receptive to the Company's new products due to deterioration of the Company's brand and trust in the Company. If further improprieties were to come to light in the future, the MMC Group's operating results and/or financial standing could be seriously affected. Furthermore, as a result of the Improper Conduct in Fuel Consumption Testing the Company may become unable to supply new products appropriately and in a timely manner that respond to customers' needs in terms of price, quality, safety and other factors, and the market may not be sufficiently receptive to the Company's strategic products. Such conditions may seriously impact the operating results and/or financial standing of the MMC Group.

In addition, the Improper Conduct in Fuel Consumption Testing could result in the substantial deterioration of the Company's brand and trust in the Company, rendering ineffective the MMC Group's measures to maintain or enhance competitiveness. As a result, product demand could fall and factory utilization rates could decline. Such conditions may seriously impact the operating results and/or financial standing of the MMC Group.

Natural and other disasters

The MMC Group maintains production and other facilities in Japan and many other parts of the world. The occurrence of a major natural or other disaster, including earthquakes, typhoons, fires and epidemics, in these areas may result in the suspension or other serious interruption in the operations of the MMC Group or of its suppliers. MMC has prepared and maintains plans and measures to keep operations going in areas and under situations where such risks are high and where they would have a serious impact on MMC Group operations. A disaster occurring on a scale larger than anticipated, however, may seriously impact the operating results and/or financial standing of the MMC Group.

Changes in laws and regulations

The MMC Group is subject to laws and regulations governing protection of the environment, product safety and other matters in the countries where it operates. In the event that the MMC Group fails to conform to or is unable to comply with such laws and regulations, or should such failure lead to sanctions against it, then large costs may be incurred for the purpose of conforming to or of complying with any revision, strengthening of or additions to, these laws and regulations and this may seriously impact the operating results and/or financial standing of the MMC Group.

The MMC Group is conducting objective and thorough investigations to identify affected vehicles and root causes of the Improper Conduct in Fuel Consumption Testing. However, the MMC Group could become subject to sanctions by the regulatory authorities as a result of these investigations or be subject to substantial expenses in relation to Improper Conduct in Fuel Consumption Testing. Such conditions may seriously impact the operating results and/or financial standing of the MMC Group.

Manufacturing cost

The MMC Group sources parts and raw materials from a large number of suppliers to manufacture its products. Any rise in the manufacturing cost of MMC's products due to changes in demand and other market conditions may seriously impact the operating results and/or financial standing of the MMC Group.

Foreign exchange rate fluctuations

Overseas sales accounted for around 80 percent of the MMC Group's consolidated net sales for the term under consideration. MMC endeavors to hedge risks involved in foreign currency receivables and payables through the prudent use of derivative contracts and other instruments but fluctuations in foreign exchange rates may still seriously impact the operating results and/or financial standing of the MMC Group.

Failure to achieve mid-term business plan targets

The MMC Group has drawn up a mid-term business plan setting out operational strategy for the medium term. However, in the event that differences arise between the premises on which the plan was drawn up and real-world conditions as a result of the Improper Conduct in Fuel Consumption Testing or should risks other than those described in this section become prominent, the operating results and/or financial standing of the MMC Group may be seriously impacted.

Product quality and safety

MMC endeavors to improve the quality and assure the safety of MMC Group products. However, in the event that MMC has to issue a recall or implement countermeasures on a large scale due to product defects or failures, or in the event that MMC is pursued in a large-scale product liability action, the large costs incurred and the damage to the Company's reputation and consequent drop in demand for its products may seriously impact the operating results and/or financial standing of the MMC Group.

For example, the MMC Group could be required to bear significant expenses in the event of demands for compensation or liability in relation to Improper Conduct in Fuel Consumption Testing from users of the Company's products, business partners, alliance partners, countries, regional government bodies or other third parties. The Improper Conduct in Fuel Consumption Testing could also cause deterioration in the reputation of and demand for the Company's products, and this situation could be prolonged. Such conditions may seriously impact the operating results and/or financial standing of the MMC Group.

Lawsuits

Any lawsuit brought against MMC by customers, trading partners or other third parties in the course of the MMC Group conducting its business operations may seriously impact the operating results and/or financial standing of the MMC Group.

In addition, in the event that a decision in a legal action currently under dispute goes against the MMC Group's claims or predictions, this may seriously impact the operating results and/or financial standing of the MMC Group.

In February 20, 2010, MASRIA CO., Ltd. (hereafter "Plaintiff"), a former MMC distributor in Egypt, filed a lawsuit against MMC for dissolution of a distributor agreement between MMC and the Plaintiff including a 900 million USD claim for damages. The judgments in both the courts of first and second instance found in favor of MMC on October 26, 2010, and July 3, 2012, respectively, based on the reasoning that the case was not within the Egyptian court's legal jurisdiction. The case is now before the final appellate court after the Plaintiff appealed on July 21, 2012, against the judgment of the court of second instance.

The case has been found to not be within the Egyptian court's jurisdiction, and the distributor agreement was spelled out clearly, as indicated above. Furthermore, MMC's notice to terminate the distributor agreement with the Plaintiff followed due legal process and the terms of the agreement, thus making the Plaintiff's claim irrational. For these reasons, at present MMC does not consider this legal case will result in any serious impact on the operating results and/or financial standing of the MMC Group.

In relation to the Improper Conduct in Fuel Consumption Testing, the MMC Group could also become the target of lawsuits from users of the Company's products, business partners, alliance partners, countries, regional government bodies or other third parties, resulting in demands for compensation by the MMC Group. Forecasting the outcome of such lawsuits is problematic, but resolving such lawsuits could involve substantial time and expense. As a result, the operating results and/or financial standing of the MMC Group may be seriously impacted.

Tie-ups and alliances

The MMC Group engages in a variety of activities through operational tie-ups and alliances with auto manufacturers and other companies both in Japan and overseas for the purpose of conducting and expanding its operations. In the event of a particular situation arising at, or of any breakdown in discussions with, a tie-up or alliance company which is beyond the control of MMC, the operating results and/or financial standing of the MMC Group may be seriously impacted.

Dependence on particular suppliers

MMC sources raw materials and parts from a large number of suppliers. The necessity to procure materials and parts characterized by higher quality or more advanced technologies at more competitive prices may bring about a situation in which orders are concentrated upon a specific supplier. There may also be only a limited number of suppliers able to supply parts for which a specific technology is required. Consequently, the operating results and/or financial standing of the MMC Group may be seriously impacted in the event that some unforeseen situation arises and interrupts deliveries from such suppliers.

Customer, trading partner credit

The MMC Group is exposed to credit risks in its dealings with customers and with dealers and other trading partners and in its automobile financing business. In the event that losses stemming from such credit risks exceed the Company's estimates, the operating results and/or financial standing of the MMC Group may be seriously impacted.

Infringement of intellectual property rights

In order to distinguish its products from those of other auto manufacturers MMC endeavors to protect its own technologies, know-how and other intellectual property as well as to prevent the infringement of third-party intellectual property rights. However, in the event that a third party unlawfully uses MMC Group intellectual property to manufacture and sell imitations of its products, or in the event that limitations in the legal system in certain countries in relation to the protection of intellectual property rights result in a fall in sales or in legal costs, or in the event that an unforeseen third-party intellectual property right requires a halt in manufacturing or sales or in the payment of compensation, the operating results and/or financial standing of the MMC Group may be seriously impacted.

IT and information security

The information technology and the networks and systems that the MMC Group uses in its management and its products are exposed to the possibility of attacks by hackers or computer viruses, to illegal or inappropriate use and to infrastructure breakdowns. In such an event, the operating results and/or financial standing of the MMC Group may be seriously impacted.

The MMC Group possesses confidential information relating to matters both within and outside the Group and including personal data. In the event such information is improperly leaked to the outside, the operating results and/or financial standing of the MMC Group may be seriously impacted.

Share value dilution

The MMC Group plans to issue 506,620,577 shares to Nissan Motor as a third-party allotment. As a result, the total number of shares issued and outstanding as of March 31, 2016—983,661,919 shares (9,833,737 total voting rights)—will be diluted to 51.5% (51.5% of voting rights). This situation could dilute the value of the Company's shares, such as by reducing dividends and voting rights per share, and substantially affect the share value and price.

Change in the largest shareholder and the alliance with Nissan Motor (hereinafter, the "Alliance")

If the third-party allotment to Nissan Motor is effected, voting rights related to the Company's common stock held by the prospective allottee will amount to 34% of total voting rights, and Nissan Motor will become the MMC Group's largest shareholder and an "other associated company." After the Alliance goes into effect, as a member of the Renault/Nissan alliance the MMC Group will engage in the integrated management of the product and technology development space. The Group expects this collaboration to make effective use of development resources and improve its purchasing efficiency of parts, centering on improved product viability and high-value-added parts. As a member of the Alliance, the prospective allottee's considerations of the MMC Group's management policies and exercise of voting rights in the Company may significantly affect the MMC Group's business operations. As a result, the operating results and/or financial standing of the MMC Group may be seriously impacted.

Under the Alliance, including the third-party allotment to Nissan Motor, there is no guarantee that the Company's policies on development department reform and making effective use of development resources and improving its purchasing efficiency of parts, centering on improved product viability and high-value-added parts, will be specifically realized by the Alliance in accordance with the Alliance agreement. Even if the Alliance is realized, the economic results may fall short of the Company's expectations. Furthermore, the MMC Group could lose the opportunity to take part in alliances or transactions with other corporate groups as a result of the Alliance, and could experience the cancellation of alliances with other corporate groups. As a result, the operating results and/or financial standing of the MMC Group may be seriously impacted.

Consolidated Balance Sheets

Mitsubishi Motors Corporation and Consolidated Subsidiaries

	(In millions of yen)		(In thousands of U.S. dollars) (Note 3)
	March 31,		
	2016	2015	2016
Assets			
Current assets:			
Cash and cash equivalents (Notes 13 and 15)	¥ 462,440	¥ 395,526	$ 4,104,019
Notes and accounts receivable – trade (Note 15)	172,119	184,653	1,527,511
Finance receivables (Notes 7 and 15)	—	37,702	—
Inventories	189,328	211,683	1,680,229
Short-term loans receivable	3,031	2,377	26,905
Deferred tax assets (Note 18)	14,883	24,742	132,083
Other (Note 7)	93,794	110,557	832,400
Allowance for doubtful accounts (Note 15)	(1,414)	(3,585)	(12,557)
Total current assets	914,183	963,658	8,113,098
Property, plant and equipment, net (Notes 4, 7 and 14)	341,124	406,310	3,027,374
Intangible assets	16,519	14,043	146,602
Investments and other assets:			
Investments (Notes 5, 7 and 15)	126,353	122,870	1,121,344
Long-term finance receivables (Notes 7 and 15)	—	40,446	—
Long-term loans receivable	7,185	6,953	63,772
Net defined benefit asset (Note 17)	3,408	4,823	30,248
Deferred tax assets (Note 18)	9,378	9,914	83,228
Other (Note 7)	21,547	20,543	191,229
Allowance for doubtful accounts (Note 15)	(5,975)	(6,763)	(53,034)
Total investments and other assets, net	161,897	198,789	1,436,790
Total assets	¥1,433,725	¥1,582,802	$12,723,866

	(In millions of yen)		(In thousands of U.S. dollars) (Note 3)
	March 31,		
	2016	2015	2016
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable – trade (Note 15)	¥ 362,066	¥ 353,862	$ 3,213,224
Electronically recorded obligations (Note 15)	27,093	21,018	240,444
Short-term loans payable (Notes 7 and 15)	12,379	90,907	109,863
Current portion of long-term debt (Notes 7 and 15)	14,155	27,643	125,627
Lease obligations (Notes 7 and 14)	1,820	3,338	16,157
Accounts payable – other and accrued expenses (Notes 6 and 15)	175,305	156,236	1,555,784
Income taxes payable (Note 18)	6,609	5,829	58,661
Other (Notes 18 and 19)	39,816	34,003	353,385
Total current liabilities	639,250	692,840	5,673,149
Long-term debt (Notes 7 and 15)	540	25,914	4,793
Lease obligations (Notes 7 and 14)	1,317	2,194	11,691
Deferred tax liabilities (Note 18)	26,663	29,970	236,627
Net defined benefit liability (Note 17)	34,002	106,821	301,761
Other (Note 19)	46,614	54,294	413,683
Total liabilities	748,387	912,035	6,641,710
Net assets:			
Shareholders' equity (Notes 8 and 23):			
Capital stock	165,701	165,701	1,470,547
Capital surplus	85,257	85,257	756,637
Retained earnings	488,590	432,241	4,336,086
Treasury stock	(220)	(220)	(1,955)
Total shareholders' equity	739,328	682,980	6,561,315
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	4,429	7,844	39,311
Deferred gains or losses on hedges	542	286	4,814
Foreign currency translation adjustment	(59,109)	(21,013)	(524,580)
Remeasurements of defined benefit plans	(14,043)	(11,445)	(124,630)
Total accumulated other comprehensive income	(68,181)	(24,327)	(605,088)
Non-controlling interests	14,189	12,113	125,928
Total net assets	685,337	670,766	6,082,155
Contingent liabilities (Note 9)			
Total liabilities and net assets	¥1,433,725	¥1,582,802	$12,723,866

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Mitsubishi Motors Corporation and Consolidated Subsidiaries

	(In millions of yen)		(In thousands of U.S. dollars) (Note 3)
	For the years ended March 31,		
	2016	2015	2016
Net sales	¥2,267,849	¥2,180,728	$20,126,462
Cost of sales	1,797,659	1,707,091	15,953,668
Gross profit	470,190	473,637	4,172,793
Selling, general and administrative expenses (Note 10)	331,812	337,724	2,944,736
Operating income	138,377	135,913	1,228,057
Interest and dividends income	6,523	7,248	57,895
Interest expenses	1,587	4,305	14,085
Other gain (loss), net (Notes 5 and 11)	(34,486)	(9,351)	(306,059)
Income (loss) before income taxes	108,827	129,504	965,808
Income taxes (Note 18):			
Current	23,070	17,179	204,740
Deferred	7,949	(7,698)	70,548
	31,019	9,481	275,288
Net income (loss)	77,807	120,023	690,519
Net income attributable to non-controlling interests	5,232	1,853	46,434
Net income (loss) attributable to owners of parent (Note 23)	¥ 72,575	¥ 118,170	$ 664,085

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Motors Corporation and Consolidated Subsidiaries

	(In millions of yen)		(In thousands of U.S. dollars) (Note 3)
	For the years ended March 31,		
	2016	2015	2016
Net income (loss)	¥ 77,807	¥120,023	$ 690,519
Other comprehensive income			
Valuation difference on available-for-sale securities	(3,400)	2,047	(30,180)
Deferred gains or losses on hedges	5	383	47
Foreign currency translation adjustment	(33,866)	30,750	(300,551)
Remeasurements of defined benefit plans	(2,726)	(7,942)	(24,201)
Share of other comprehensive income of associates accounted for using equity method	(5,336)	2,772	(47,360)
Total other comprehensive income (Note 12)	(45,325)	28,011	(402,246)
Comprehensive income	¥ 32,482	¥148,035	$ 288,273
Comprehensive income attributable to:			
Owners of the parent	¥ 28,721	¥144,787	$ 254,896
Non-controlling interests	¥ 3,760	¥ 3,247	$ 33,376

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Mitsubishi Motors Corporation and Consolidated Subsidiaries

(In millions of yen)

	For the year ended March 31, 2016				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	¥165,701	¥85,257	¥432,241	¥(220)	¥682,980
Cumulative effects of changes in accounting policies (Note 2)					—
Restated balance					
Changes of items during year:					
Dividends of surplus			(16,226)		(16,226)
Net income (loss) attributable to owners of parent			72,575		72,575
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during year	—	—	56,348	(0)	56,348
Balance at the end of year	¥165,701	¥85,257	¥488,590	¥(220)	¥739,328

(In millions of yen)

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of year	¥ 7,844	¥286	¥(21,013)	¥(11,445)	¥(24,327)	¥12,113	¥670,766
Cumulative effects of changes in accounting policies							—
Restated balance							
Changes of items during year:							
Dividends of surplus							(16,226)
Net income (loss) attributable to owners of parent							72,575
Purchase of treasury stock							(0)
Net changes of items other than shareholders' equity	(3,414)	255	(38,096)	(2,598)	(43,853)	2,075	(41,777)
Total changes of items during year	(3,414)	255	(38,096)	(2,598)	(43,853)	2,075	14,570
Balance at the end of year	¥ 4,429	¥542	¥(59,109)	¥(14,043)	¥(68,181)	¥14,189	¥685,337

(In thousands of U.S. dollars) (Note 3)

	For the year ended March 31, 2016				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	$1,470,547	$756,637	$3,836,008	$(1,954)	$6,061,238
Cumulative effects of changes in accounting policies					—
Restated balance					
Changes of items during year:					
Dividends of surplus			(144,007)		(144,007)
Net income (loss) attributable to owners of parent			644,085		644,085
Purchase of treasury stock				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during year	—	—	500,078	(1)	500,076
Balance at the end of year	$1,470,547	$756,637	$4,336,086	$(1,955)	$6,561,315

(In thousands of U.S. dollars) (Note 3)

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of year	$ 69,615	$2,546	$(186,487)	$(101,574)	$(215,899)	$107,506	$5,952,844
Cumulative effects of changes in accounting policies							—
Restated balance							
Changes of items during year:							
Dividends of surplus							(144,007)
Net income (loss) attributable to owners of parent							644,085
Purchase of treasury stock							(1)
Net changes of items other than shareholders' equity	(30,303)	2,267	(338,092)	(23,060)	(389,189)	18,422	(370,766)
Total changes of items during year	(30,303)	2,267	(338,092)	(23,060)	(389,189)	18,422	129,310
Balance at the end of year	$ 39,311	$4,814	$(524,580)	$(124,634)	$(605,088)	$125,928	$6,082,155

(In millions of yen)

	For the year ended March 31, 2015				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	¥165,701	¥85,257	¥340,714	¥(219)	¥591,453
Cumulative effects of changes in accounting policies			5,363		5,363
Restated balance	165,701	85,257	346,077	(219)	596,817
Changes of items during year:					
Dividends of surplus			(31,961)		(31,961)
Net income (loss) attributable to owners of parent			118,170		118,170
Purchase of treasury stock				(0)	(0)
Change of scope of equity method			(45)		(45)
Net changes of items other than shareholders' equity					
Total changes of items during year	—	—	86,163	(0)	86,163
Balance at the end of year	¥165,701	¥85,257	¥432,241	¥(220)	¥682,980

(In millions of yen)

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of year	¥5,786	¥(1,641)	¥(51,323)	¥ (3,742)	¥(50,921)	¥ 9,477	¥550,009
Cumulative effects of changes in accounting policies							5,363
Restated balance	5,786	(1,641)	(51,323)	(3,742)	(50,921)	9,477	555,373
Changes of items during year:							
Dividends of surplus							(31,961)
Net income (loss) attributable to owners of parent							118,170
Purchase of treasury stock							(0)
Change of scope of equity method							(45)
Net changes of items other than shareholders' equity	2,057	1,928	30,310	(7,703)	26,593	2,636	29,229
Total changes of items during year	2,057	1,928	30,310	(7,703)	26,593	2,636	115,393
Balance at the end of year	¥7,844	¥ 286	¥(21,013)	¥(11,445)	¥(24,327)	¥12,113	¥670,766

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Motors Corporation and Consolidated Subsidiaries

	(In millions of yen)		(In thousands of U.S. dollars) (Note 3)
	For the years ended March 31,		
	2016	2015	2016
Operating activities:			
Net income (loss) attributable to owners of parent	¥ 72,575	¥ 118,170	$ 644,085
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	58,717	62,447	521,099
Impairment loss (Notes 4 and 11)	2,188	20,145	19,421
Loss on fuel economy test	19,126	—	169,737
Loss on closing of plants	19,062	—	169,169
Gain on revision of retirement benefit plan	—	(2,448)	—
Increase (decrease) in allowance for doubtful accounts	(2,264)	(849)	(20,097)
Increase (decrease) in net defined benefit liability	(80,764)	(9,415)	(716,760)
Equity in (earnings) losses of affiliates	(10,993)	(10,613)	(97,561)
Income taxes – deferred	7,949	(7,698)	70,548
Net income (loss) attributable to non-controlling interests	5,232	1,853	46,434
Loss (gain) on sales and retirement of property, plant and equipment, net	(7,216)	2,623	64,041
Loss (gain) on sales of subsidiaries and affiliates' stocks	—	(200)	—
Decrease (increase) in notes and accounts receivable – trade	3,931	481	34,891
Decrease (increase) in inventories	10,153	14,382	90,112
Changes in finance receivables (Note 13)	65,208	2,824	578,702
Increase (decrease) in notes and accounts payable – trade	32,480	2,766	288,256
Other, net (Note 13)	2,307	(17,459)	(105,965)
Net cash provided by (used in) operating activities	197,691	177,008	1,754,446
Investing activities:			
Decrease (increase) in time deposits	40,694	(17)	361,155
Purchases of property, plant and equipment (Note 13)	(69,000)	(85,598)	(612,357)
Proceeds from sales of property, plant and equipment (Note 13)	64,024	16,353	568,200
Net decrease (increase) in investments in securities	104	53	923
Decrease (increase) in short-term loans receivable	(860)	423	(7,640)
Payments of long-term loans receivable	(2,526)	(870)	(22,420)
Collection of long-term loans receivable	1,487	1,343	13,201
Other, net	(16,753)	(3,015)	(148,684)
Net cash provided by (used in) investing activities	17,169	(71,327)	152,378
Financing activities:			
Increase (decrease) in short-term loans payable	(78,234)	(41,573)	(694,310)
Proceeds from issuance of long-term debt	2,705	28,613	24,006
Repayment or redemption of long-term debt	(26,957)	(83,064)	(239,239)
Cash dividends paid	(16,193)	(31,746)	(143,710)
Cash dividends paid to non-controlling interests	(1,615)	(507)	(14,333)
Other, net	(2,621)	(3,215)	(23,264)
Net cash provided by (used in) financing activities	(122,917)	(131,494)	(1,090,851)
Effect of exchange rate changes on cash and cash equivalents	(25,029)	9,643	(222,127)
Net change in cash and cash equivalents	66,914	(16,168)	593,844
Cash and cash equivalents at beginning of year	395,526	411,695	3,510,175
Cash and cash equivalents at end of year (Note 13)	¥ 462,440	¥ 395,526	$ 4,104,019

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Mitsubishi Motors Corporation and Consolidated Subsidiaries

1. Significant Accounting Policies

(a) Basis of preparation

MMC and its domestic consolidated subsidiaries maintain their books of account in conformity with the generally accepted accounting principles in Japan. The financial statements of foreign subsidiaries are prepared for consolidation purposes in conformity with generally accepted accounting principles in the United States or International Financial Reporting Standards, subject to the adjustments required by generally accepted accounting principles in Japan.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. These financial statements have been compiled from the consolidated financial statements filed with the Financial Services Agency as required by the Financial Instruments & Exchange Act of Japan.

In addition, the notes to the consolidated financial statements include information, which is not required under generally accepted accounting principles in Japan but which is presented herein as additional information.

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

As permitted, amounts of less than ¥1 million have been omitted. Consequently, the totals shown in the accompanying financial statements (both in yen and U.S. dollars) may not necessarily agree with the sum of the individual amounts presented.

(b) Principles of consolidation

All significant companies over which MMC has effective control are consolidated. Significant companies over which MMC has the ability to exercise significant influence have been accounted for by the equity method.

All significant inter-company transactions have been eliminated in consolidation.

(c) Cash and cash equivalents

All highly liquid and low risk investments with maturities of three months or less when purchased are considered to be cash equivalents.

(d) Inventories

Inventories of MMC and its domestic consolidated subsidiaries are principally stated at cost determined by the first in first out method or specific identification method (under either method, the balance sheet carrying value is reduced to recognize any deterioration of recoverability). Inventories of the overseas consolidated subsidiaries are principally stated at the lower of cost or market value. Cost is determined by the specific identification method.

(e) Investments

Investments in securities are classified either as held-to-maturity, as investments in unconsolidated subsidiaries and affiliates, or as other securities. Held-to-maturity securities are stated at their amortized cost. No investments classified as held-to-maturity were held during the years ended March 31, 2016 and 2015. Other securities with a readily determinable market value are stated at fair value and the cost of such securities sold is computed based on the moving average method. The difference between the acquisition cost and the carrying value of other securities, including unrealized gains and losses, is recognized in "Valuation difference on available-for-sale securities" in the accompanying consolidated balance sheets. Other securities without a readily determinable market value are stated at cost determined by the moving average method.

(f) Depreciation and amortization

Property, plant and equipment (excluding leased assets):
Depreciation of property, plant and equipment (excluding leased assets) is principally calculated using the declining balance method or the straight line method over the estimated useful life of the respective assets for MMC and domestic consolidated subsidiaries. Depreciation is principally calculated using the straight line method for the overseas consolidated subsidiaries.

The useful lives of the assets are based on the estimated lives of assets for MMC and are determined in accordance with the Corporation Tax Act for its domestic consolidated subsidiaries. The useful lives of the assets are determined based on the expected useful lives for the overseas consolidated subsidiaries.

Intangible fixed assets (excluding leased assets):
Intangible fixed assets (excluding leased assets) are amortized using the straight line method for MMC and its domestic consolidated

subsidiaries and using the straight line method primarily over the period for which each asset is available for use for the overseas consolidated subsidiaries. Software intended for use by MMC and its domestic consolidated subsidiaries is amortized using the straight line method over the period of 5 years.

Leased assets:
Assets recognized under finance leases that do not involve transfer of ownership to the lessee are depreciated using the straight line method based on the contract term of the lease agreement. If a guaranteed residual value is determined in the lease agreement, the said guaranteed residual value is deemed as the residual value of such leased assets. If the residual value is not determined, it is deemed to be zero.

(g) Allowance for doubtful accounts

The allowance for doubtful accounts is provided based on MMC and its consolidated subsidiaries' historical experience with respect to write-offs and an estimate of the amount of specific uncollectible accounts.

(h) Allowance for product warranties

The allowance for product warranty claims is calculated based on MMC and its consolidated subsidiaries' historical experience and estimations with respect to future costs relating to claims.

(i) Allowance for loss on fuel economy test

The allowance for loss on fuel economy test is provided as a reasonably estimable amount as at March 31, 2016.

(j) Retirement benefits

The retirement benefit obligation for employees is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

Prior service costs are amortized as incurred by the straight line method over periods (mainly 10 years), which are shorter than the estimated average remaining service years of the employees.

Actuarial gains or losses are amortized in the year following the year in which such gains or losses are recognized by the straight line method over the periods (mainly 10 years), which are shorter than the estimated average remaining service years of the employees.

Unrecognized actuarial gains and losses and unrecognized prior costs are recognized in remeasurements of defined benefit plans in accumulated other comprehensive income in net assets after adjusting for tax effects.

(Additional information)
MMC contributed ¥79,200 million ($702,875 thousand) in cash to the retirement benefit trust during the year ended March 31, 2016, aiming to improve the financial status of its retirement benefit plan. As a result, the balance of net defined benefit liability decreased by the same amount.

(k) Translation of foreign currency accounts

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are included in the statements of income.

The accounts of the consolidated foreign subsidiaries are translated into yen as follows:

a. Asset and liability items are translated at the rate of exchange in effect on March 31;
b. Components of shareholders' equity are translated at their historical rates at acquisition or upon occurrence; and
c. Revenues, expenses and cash flow items are translated at the average rate for the financial period.

Translation adjustments are included in "Net assets".

(l) Amounts per share of common stock

The computation of basic net income per share of common stock is based on the weighted average number of shares of common stock outstanding during each year. Diluted net income per share of common stock is computed based on the weighted average number of shares of common stock outstanding each year after giving effect to the dilutive potential of common stock to be issued upon the conversion of preferred stock.

(m) Derivative financial instruments

MMC and its consolidated subsidiaries are exposed to risks arising from fluctuations in foreign currency exchange rates and interest rates. In order to manage those risks, MMC and its consolidated subsidiaries enter into various derivative agreements including forward foreign exchange contracts and interest rate swaps.

Forward foreign exchange contracts are utilized to manage risks arising from forecast exports of finished goods and related foreign currency receivables. Interest rate swaps are utilized to manage interest rate risk for loans. MMC and its consolidated subsidiaries do not utilize derivatives for speculation or trading purposes.

Derivative financial instruments are recorded at fair value, excluding certain instruments described below which are recorded in accordance with the special hedge provisions of the accounting standard.

Forward foreign exchange contracts related to forecast exports of finished goods are accounted for using deferral hedge accounting. Deferral hedge accounting requires unrealized gains or losses to be deferred as liabilities or assets.

MMC and its consolidated subsidiaries have also developed a hedging policy to control various aspects of the derivative transactions including authorization levels and transaction volumes. Based on this policy, within certain limits, MMC and its consolidated subsidiaries hedge the risks arising from the changes in foreign currency exchange rates and interest rates. Forward foreign exchange contracts are designated to hedge the exposure to variability in expected future cash flows.

For interest rate swaps accounted for as special hedges, instead of measuring hedge effectiveness, confirmation of the conditions for special hedge accounting is carried out.

2. Accounting Changes

(a) Change in accounting policy

(Application of Accounting Standard for Business Combinations)
Effective from this fiscal year, MMC applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc. Under the new standards, any difference arising on changes in MMC's ownership interests in subsidiaries, which continue to be controlled by MMC, are recorded as capital surplus, and acquisition-related costs are recognized as expenses in the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after April 1, 2015, any adjustments arising on the finalization of the tentative acquisition cost allocation are reflected in the consolidated financial statements in the fiscal year in which the business combination occurs. In addition, minority interests have been represented as non-controlling interests, and the presentation thereof in the Consolidated Statement of Income has been changed.

MMC applied the Accounting Standard for Business Combinations, etc. in accordance with the transitional measures provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures applying the Standards prospectively from April 1, 2015.

These changes have no impact on the consolidated financial statements.

(b) Change in accounting method

(Change in the method of estimating the allowance for product warranties)
This year MMC changed its method for estimating future cash outflow from the method using a ratio of after-sales service costs to historical sales to the method analyzing historical after-sales service costs by products, model years and regions.

The method has been changed because, since April 2013, MMC has promoted a customer-oriented program called the "Customer First Program (CFP)", which includes product-quality activities to achieve "quality targets" (i.e. quality goals), and has also gathered and analyzed market quality information during this process. At the end of this fiscal year, it has been three years since the implementation of this program and this is the same period required for the initial vehicle inspection after the date of purchase. As a result, MMC is able to estimate future after-sales service costs more precisely.

As a result of this change, operating income and profit before income taxes decreased by ¥6,955 million ($61,723 thousand) respectively for the year ended March 31, 2016.

3. U.S. Dollar Amounts

The U.S. dollar amounts in the accompanying consolidated financial statements are included, solely for convenience, at ¥112.68 = U.S.$1.00, the exchange rate prevailing on March 31, 2016. This translation should not be construed as a representation that the yen amounts represent or have been, or could be, converted into U.S. dollars at that or any other rate.

4. Property, Plant and Equipment

Accumulated depreciation of property, plant and equipment at March 31, 2016 and 2015 were ¥865,429 million ($7,680,419 thousand) and ¥930,082 million, respectively.

Impairment losses were recognized in the following asset groups for the years ended March 31, 2016 and 2015:

			(In millions of yen)	(In thousands of U.S. dollars)
For the year ended March 31, 2016				
Location	Application	Assets	Impairment loss amount	
Kanazawa, Ishikawa and others (33 sites)	Assets used in sales operations	Buildings, land and others	¥ 847	$ 7,525
Kurashiki, Okayama Konan, Shiga and others (18 sites)	Idle assets	Buildings, land and others	1,263	11,211
Okazaki, Aichi (1 site)	Production facilities	Machinery and equipment, tools, furniture and fixture and others	77	684
			¥2,188	$19,421

			(In millions of yen)
For the year ended March 31, 2015			
Location	Application	Assets	Impairment loss amount
Sapporo, Hokkaido and others (46 sites)	Assets used in sales operations	Buildings, land and others	¥ 2,030
Kawaguchi, Saitama and others (6 sites)	Idle assets	Buildings, land and others	200
Okazaki, Aichi and Illinois, USA, others (8 sites)	Production facilities	Machinery and equipment, tools, furniture and fixture and others	17,913
			¥20,145

The groupings of assets are determined as follows:

Assets used in production are grouped either by manufacturing plants or by operational sites. Assets used in sales operations are generally grouped by operational sites. Assets leased to others and idle assets have their own asset groups.

As a result of the worsening market environment and other factors, the book value of some of the assets has been reduced to recoverable value.

The recoverable values of assets have been obtained by comparing and then taking the higher of: value in use, which is determined by estimating future cash flows with a 7% discount rate for the year ended March 31, 2016 and a 6% discount rate for the year ended March 31 2015, respectively; and net realizable value, which is based on an appraisal value obtained from a professional real estate appraiser or calculated on a reasonable basis by using the estate tax valuations through land assessments and similar methods. The recoverable value of the assets being idle is measured with their net sale value and that of the idle assets which are considered substantially difficult to be sold is estimated to be zero.

Loss on impairment of fixed assets amounted to ¥2,188 million ($19,421 thousand) and consisted of ¥841 million ($7,470 thousand) from buildings and structures, ¥347 million ($3,083 thousand) from tools, furniture and fixtures, ¥123 million ($1,095 thousand) from machinery and equipment, ¥773 million ($6,866 thousand) from land, and ¥101 million ($904 thousand) from other assets for the year ended March 31, 2016. Loss on impairment of fixed assets amounted to ¥20,145 million and consisted of ¥4,190 million from buildings and structures, ¥6,501 million from tools, furniture and fixtures, ¥6,084 million from machinery and equipment, ¥2,576 million from land and ¥791 million from other assets for the year ended March 31, 2015.

5. Investments

Other securities at March 31, 2016 and 2015 were as follows:

	(In millions of yen)			
	March 31, 2016			
	Carrying amount	Acquisition cost	Unrealized gains	Unrealized (losses)
Other securities:				
Securities with market value	¥16,342	¥9,093	¥7,251	¥(1)
Total	¥16,342	¥9,093	¥7,251	¥(1)

	(In thousands of U.S. dollars)			
	March 31, 2016			
	Carrying amount	Acquisition cost	Unrealized gains	Unrealized (losses)
Other securities:				
Securities with market value	$145,039	$80,698	$64,351	$(10)
Total	$145,039	$80,698	$64,351	$(10)

	(In millions of yen)			
	March 31, 2015			
	Carrying amount	Acquisition cost	Unrealized gains	Unrealized (losses)
Other securities:				
Securities with market value	¥21,151	¥9,226	¥11,925	¥(0)
Total	¥21,151	¥9,226	¥11,925	¥(0)

Proceeds from sales of other securities and the corresponding gross gains and losses that are included in other gain (loss), net in the accompanying consolidated statements of income for the years ended March 31, 2016 and 2015 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2016	2015	2016
Proceeds	¥116	¥53	$1,036
Gross gains	97	12	867
Gross losses	—	0	—

No notes are provided for losses recognized on the impairment of securities, as the amount is considered immaterial.

6. Accounts Payable – Other and Accrued Expenses

Accounts payable – other and accrued expenses at March 31, 2016 and 2015 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Accrued expenses and accounts payable	¥113,177	¥122,128	$1,004,413
Allowance for product warranties	41,561	34,108	368,845
Allowance for loss on fuel economy test	20,567	—	182,525
	¥175,305	¥156,236	$1,555,784

7. Short-Term Loans Payable, Long-Term Debt and Lease Obligations

Short-term loans payable at March 31, 2016 and 2015 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Loans, principally from banks	¥12,379	¥90,907	$109,863

The weighted average interest rates of short-term loans payable at March 31, 2016 and 2015 were 1.3% and 1.4%, respectively.

Long-term debt at March 31, 2016 and 2015 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Loans, principally from banks and insurance companies, due through 2023 at weighted average interest rates averaging 2.2% in 2016 and 2015:			
Secured	¥ 10,768	¥ 34,114	$ 95,565
Unsecured	3,927	19,443	34,855
	14,695	53,557	130,420
Less current portion	(14,155)	(27,643)	(125,627)
	¥ 540	¥ 25,914	$ 4,793

The maturities of long-term debt at March 31, 2016 are as follows:

Years ending March 31,	(In millions of yen)	(In thousands of U.S. dollars)
2017	¥14,155	$125,627
2018	299	2,656
2019	148	1,319
2020	90	802
2021	0	3
Thereafter	1	10
Total	¥14,695	$130,420

Lease obligations at March 31, 2016 and 2015 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Current	¥1,820	¥3,338	$16,157
Non-current	1,317	2,194	11,691

The weighted average interest rates of lease obligations due through 2030 at March 31, 2016 and 2015 were 3.9% and 4.0%, respectively.

The maturities of lease obligations at March 31, 2016 are as follows:

Years ending March 31,	(In millions of yen)	(In thousands of U.S. dollars)
2017	¥1,820	$16,157
2018	555	4,928
2019	339	3,015
2020	214	1,900
2021	50	448
Thereafter	157	1,398
Total	¥3,138	$27,849

Assets pledged as collateral for short-term loans payable, long-term debt and guarantees (excluding factory related groups of assets) at March 31, 2016 and 2015 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Finance receivables and Long-term finance receivables	¥ —	¥ 71,872	$ —
Property, plant and equipment, net	18,077	65,234	160,434
Other (*)	2,471	8,871	21,931
	¥20,548	¥145,978	$182,365

(*) ¥1,292 million ($11,473 thousand) and ¥1,209 million of other current assets were pledged based on a liability in a term lease contract relating to a building with Murata Medical Services, Ltd. at March 31, 2016 and 2015, respectively. ¥46 million ($408 thousand) and ¥46 million of investments were pledged as collateral for debt of Mizushima Eco-Works Co., Ltd. at 2016 and 2015, respectively.

The following groups of assets of MMC, the Okazaki factory, were pledged as collateral at March 31, 2016 and 2015, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Buildings and structures	¥13,416	¥13,098	$119,067
Land	985	985	8,748
	¥14,402	¥14,084	$127,816

The following groups of assets of MMC, the Mizushima factory, were pledged as collateral at March 31, 2016 and 2015, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Buildings and structures	¥—	¥6,359	$—
Land	—	2,008	—
	¥—	¥8,367	$—

The following groups of assets of MMC, the Kyoto factory, were pledged as collateral at March 31, 2016 and 2015, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Buildings and structures	¥—	¥4,176	$—
Land	—	2,235	—
	¥—	¥6,411	$—

The following groups of assets of MMC, the Shiga factory, were pledged as collateral at March 31, 2016 and 2015, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Buildings and structures	¥—	¥1,934	$—
Land	—	3,859	—
	¥—	¥5,794	$—

The following groups of assets of a consolidated subsidiary, Pajero Manufacturing Corporation, were pledged as collateral at March 31, 2016 and 2015, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Buildings and structures	¥2,326	¥2,357	$20,643
Machinery and equipment	3,477	2,363	30,858
Land	1,540	1,540	13,667
	¥7,343	¥6,261	$65,169

The obligations secured by such collateral at March 31, 2016 and 2015 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Short-term loans payable	¥ 7,885	¥ 84,457	$ 69,976
Current portion of long-term debt	10,276	12,765	91,202
Long-term debt	491	21,348	4,362
	¥18,653	¥118,571	$165,542

8. Net Assets

Under the Company Act, the amount available for distribution is calculated as of the effective date which is determined by the resolution of the shareholders at the shareholders' meeting. Such amount is calculated based on the amount of capital surplus, exclusive of additional paid-in capital, and retained earnings, exclusive of retained earnings appropriated for legal reserve. The Company Act provides that an amount equal to 10% of the amount to be disbursed as a distribution of earnings should be appropriated to a legal reserve until the sum of the legal reserve and capital surplus equals at least 25% of common stock. MMC and its domestic subsidiaries have provided these amounts in accordance with the Company Act.

(a) Shares issued and outstanding / Treasury stock

No significant items to be reported for the years ended March 31, 2016 and 2015.

(b) Dividends

(1) Dividends paid

For the year ended March 31, 2016

Resolution	Type of shares	Total dividends (In millions of yen)	Total dividends (In millions of U.S. dollars)	Dividends per share (In yen)	Dividends per share (In U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 24, 2015	Common stock	¥8,359	$74,185	¥8.5	$0.08	March 31, 2015	June 25, 2015
Board of Directors meeting held on October 27, 2015	Common stock	¥7,867	$69,821	¥8.0	$0.07	September 30, 2015	December 2, 2015

For the year ended March 31, 2015

Resolution	Type of shares	Total dividends (In millions of yen)	Dividends per share (In yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders held on June 25, 2014	Common stock	¥24,586	¥25.0	March 31, 2014	June 26, 2014
Board of Directors meeting held on October 29, 2014	Common stock	¥ 7,375	¥ 7.5	September 30, 2014	December 8, 2014

(Note) Dividends per share of 25 yen resolved by the Ordinary General Meeting of Shareholders held on June 25, 2014 included a special dividend of 10 yen per share.
No items to be reported for the year ended March 31, 2014.

(2) Dividends with the cut-off date falling within the current year and the effective date in the next fiscal year

Dividends with the cut-off date in the year ended March 31, 2016 and the effective date in the year ended March 31, 2017

Expected Resolution	Type of shares	Total dividends (In millions of yen)	Total dividends (In millions of U.S. dollars)	Source of dividends	Dividends per share (In yen)	Dividends per share (In U.S. dollars)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders to be held on June 24, 2016	Common stock	¥7,867	$69,821	Retained earnings	¥8.0	$0.07	March 31, 2016	June 27, 2016

Dividends with the cut-off date in the year ended March 31, 2015 and the effective date in the year ended March 31, 2016

Expected Resolution	Type of shares	Total dividends (In millions of yen)	Source of dividends	Dividends per share (In yen)	Cut-off date	Effective date
Ordinary General Meeting of Shareholders to be held on June 24, 2015	Common stock	¥8,359	Retained earnings	¥8.5	March 31, 2015	June 25, 2015

9. Contingent Liabilities

Loan guarantees given in the ordinary course of business amounted to ¥6,224 million ($55,241 thousand) and ¥9,562 million at March 31, 2016 and 2015, respectively.

10. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2016 and 2015 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2016	2015	2016
Advertising and promotion expenses	¥ 90,976	¥101,206	$ 807,386
Freightage expense	56,194	59,517	498,708
Allowance for doubtful accounts	207	(367)	1,842
Directors' compensations, salaries and allowances	68,542	67,539	608,291
Retirement benefit expenses	4,604	3,926	40,865
Depreciation	9,487	9,131	84,199
Research and development expenses	45,012	45,057	399,468
Other	56,787	51,712	503,974
Total	¥331,812	¥337,724	$2,944,736

11. Other Gain (Loss), Net

Other gain (loss), net for the years ended March 31, 2016 and 2015 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2016	2015	2016
Equity in earnings of affiliates	¥ 10,993	¥ 10,613	$ 97,561
Foreign exchange gains (losses)	(11,302)	4,119	(100,303)
Litigation expenses	(967)	(1,356)	(8,584)
Gain (loss) on sales and retirement of property, plant and equipment, net	7,216	(2,623)	64,041
Gain on sales of investment securities	97	12	867
Gain on sales of subsidiaries and affiliates' stocks	—	717	—
Loss on sales of subsidiaries and affiliates' stocks	—	(517)	—
Impairment loss	(2,188)	(20,145)	(19,421)
Gain on revision of retirement benefit plan	—	2,448	—
Loss on fuel economy test	(19,126)	—	(169,737)
Loss on closing of plants	(19,062)	—	(169,169)
Other	(148)	(2,620)	(1,313)
Total	¥(34,486)	¥ (9,351)	$(306,059)

12. Comprehensive Income

Reclassification adjustments to the Consolidated Statements of Income and tax effects related to other comprehensive income for the years ended March 31, 2016 and 2015 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2016	2015	2016
Valuation difference on available-for-sale securities:			
Amount arising in the year	¥ (5,017)	¥ 2,616	$ (44,531)
Reclassification adjustments for gains and losses included in net income (loss)	(97)	(12)	(867)
Before tax effect	(5,115)	2,604	(45,399)
Tax effect	1,714	(557)	15,218
Valuation difference on available-for- sale securities	(3,400)	2,047	(30,180)
Deferred gains or losses on hedges:			
Amount arising in the year	(2,696)	2,062	(23,933)
Reclassification adjustments for gains and losses included in net income (loss)	2,702	(1,487)	23,981
Before tax effect	5	575	47
Tax effect	—	(191)	—
Deferred gains or losses on hedges	5	383	47
Foreign currency translation adjustment:			
Amount arising in the year	(33,866)	30,750	(300,551)
Reclassification adjustments for gains and losses included in net income (loss)	—	—	—
Foreign currency translation adjustment	(33,866)	30,750	(300,551)
Remeasurements of defined benefit plans:			
Amount arising in the year	(3,079)	(5,938)	(27,331)
Reclassification adjustments for gains and losses included in net income (loss)	136	(2,177)	1,212
Before tax effect	(2,943)	(8,115)	(26,118)
Tax effect	216	173	1,917
Remeasurements of defined benefit plans	(2,726)	(7,942)	(24,201)
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising in the year	(5,307)	6,816	(47,099)
Reclassification adjustments for gains and losses included in net income (loss)	(29)	(4,043)	(261)
Share of other comprehensive income of associates accounted for using equity method	(5,336)	2,772	(47,360)
Total other comprehensive income	¥(45,325)	¥28,011	$(402,246)

13. Cash Flow Information

Cash and cash equivalents at March 31, 2016 and 2015 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Cash and bank deposits	¥453,371	¥440,272	$4,023,529
Time deposits with maturities of more than three months	(930)	(44,746)	(8,256)
Short-term investments maturing within three months from the acquisition date	10,000	—	88,746
Cash and cash equivalents	¥462,440	¥395,526	$4,104,019

Interest paid less interest received and dividends received included in other, net within operating activities in the consolidated statements of cash flows for the years ended March 31, 2016 and 2015 amounted to a net income of ¥11,721 million ($104,026 thousand) and to a net expense of ¥7,026 million, respectively. Income taxes paid included in other, net within operating activities in the consolidated statements of cash flows for the years ended March 31, 2016 and 2015 amounted to ¥21,122 million ($187,453 thousand) and ¥21,459 million, respectively.

Purchases of property, plant and equipment within investing activities in the consolidated statements of cash flows for the years ended March 31, 2016 and 2015 include payments for the acquisition of lease vehicles of ¥4,537 million ($40,270 thousand) and ¥22,059 million, respectively.

Proceeds from sales of property, plant and equipment within investing activities in the consolidated statements of cash flows for the years ended March 31, 2016 and 2015 include proceeds from the sale of lease vehicles of ¥46,756 million ($414,948 thousand) and ¥9,158 million, respectively.

Changes in finance receivables within operating activities in the consolidated statements of cash flows for the years ended March 31, 2016 and 2015 are primarily the net of payments amounting to ¥30,340 million ($269,260 thousand) and ¥126,049 million, respectively, and proceeds from collections amounting to ¥108,476 million ($962,694 thousand) and ¥128,874 million, respectively.

14. Leases

As lessee

(a) Finance lease transactions that do not involve transfer of ownership to the lessee

(1) Description of the leased assets:

Property, plant and equipment

Leased assets principally include, but are not limited to, production facilities for the automobile business (“machinery and equipment (net)” and “tool, furniture and fixtures (net)”).

(2) Depreciation method of leased assets

Leased assets under finance leases that do not involve transfer of ownership to the lessee, are depreciated using the straight line method based on the contract term of the lease agreement. If the guaranteed residual value is determined in the lease agreement, the said guaranteed residual value is deemed as the residual value of such leased assets. If the residual value is not determined, it is deemed to be zero.

(b) Operating lease transactions

Future minimum lease payments required under non-cancellable operating lease transactions entered into by MMC and its consolidated subsidiaries at March 31, 2016 and 2015 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Due within 1 year	¥1,590	¥ 2,116	$14,118
Due after 1 year	7,970	9,690	70,736
Total	¥9,561	¥11,806	$84,855

As lessor

Future minimum lease revenues from non-cancellable operating lease transactions entered into by MMC and its consolidated subsidiaries as lessor at March 31, 2016 and 2015 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Due within 1 year	¥ 684	¥ 9,472	$ 6,074
Due after 1 year	744	11,412	6,609
Total	¥1,429	¥20,885	$12,683

15. Financial Instruments

For the years ended March 31, 2016 and 2015

Overview of financial instruments

(a) Our policy to manage financial instruments

Capital management policy of MMC group (the "Group") is to limit its investments to low risk financial products and to obtain required funds mainly through bank borrowings. We use derivative instruments to hedge interest rate, foreign currency and similar risks, and we do not enter into any speculative transactions.

(b) Nature and risks of financial instruments and our risk management structure

Trade receivables, which include notes receivable and accounts receivable, are exposed to the credit risk of our customers. To manage this risk, in accordance with the Group's credit control rules, each group company monitors the financial condition of its major customers, as well as managing the maturity profiles and outstanding balances of the receivables by customer.

Trade receivables denominated in foreign currency are exposed to foreign currency risk. In principle, forward foreign exchange contracts are used to hedge the net position after offsetting foreign currency denominated payables.

Some investment securities are exposed to the risk of market price fluctuation. However, such securities are composed of mainly the stocks of companies with which the Group has business relationships.

Trade payables, which include notes payable and accounts payable, and electronically recorded obligations are mostly expected to be settled within one year. While trade payables include certain payables denominated in foreign currencies, in principle these are managed by netting against foreign currency denominated receivables.

Floating rate bank borrowings are exposed to interest rate risk. For some of our long-term bank borrowings, derivative transactions (interest rate swaps) are used as hedging instruments on an individual loan contract basis to hedge the interest payable fluctuation risk. Such transactions meet the criteria of special accounting provisions for interest rate swaps, and therefore hedge effectiveness assessment is not required.

Certain intercompany loans are exposed to foreign currency risk, however derivative transactions are used as hedging instruments for some of these loans.

In order to mitigate counterparty risks, the Group enters into derivative transactions only with highly rated financial institutions.

Trade payables and bank borrowings are exposed to liquidity risk. Each group company manages these risks, by preparing cash flow projections and other similar tools.

(c) Supplementary information about the fair value of financial instruments

The notional amount with respect to the derivative transactions presented in "Fair value of financial instruments" does not represent the amount of market risk associated with the relevant derivative transactions.

Fair value of financial instruments

The carrying amount, fair value, and the difference between the carrying amount and the fair value of the financial instruments at March 31, 2016 and 2015 were as follows. These financial instruments do not include any financial instrument for which it is extremely difficult to reasonably measure fair value. (Refer to Note 15.2)

	(In millions of yen)		
	March 31, 2016		
	Carrying amount	Fair value	Difference
Cash and bank deposits	¥453,371	¥453,371	¥—
Notes and accounts receivable–trade	172,119	172,119	—
Finance receivables	—		
Allowance for doubtful accounts (*1)	—		
	—		
Investment (*2)	16,342	16,342	—
Total assets	¥641,834	¥641,834	¥—
Notes and accounts payable–trade	¥362,066	¥362,066	¥—
Electronically recorded obligations	27,093	27,093	—
Short-term loans payable	12,379	12,379	—
Long-term loans payable	14,695	14,727	31
Accounts payable – other and accrued expenses (*3)	113,177	113,177	—
Total liabilities	¥529,411	¥529,443	¥31
Derivative transactions (*4)	(144)	(144)	—

	(In thousands of U.S. dollars)		
	March 31, 2016		
	Carrying amount	Fair value	Difference
Cash and bank deposits	$4,023,529	$4,023,529	$ —
Notes and accounts receivable–trade	1,527,511	1,525,511	—
Finance receivables	—		
Allowance for doubtful accounts (*1)	—		
	—		
Investment (*2)	145,039	145,039	—
Total assets	$5,696,079	$5,696,079	$ —
Notes and accounts payable–trade	$3,213,224	$3,213,224	$ —
Electronically recorded obligations	240,444	240,444	—
Short-term loans payable	109,863	109,863	—
Long-term loans payable	130,420	130,704	283
Accounts payable – other and accrued expenses (*3)	1,004,413	1,004,413	—
Total liabilities	$4,698,366	$4,698,650	$283
Derivative transactions (*4)	(1,280)	(1,280)	—

(*1) Allowance for doubtful accounts recognized for individual financial receivable is deducted from the carrying amounts directly.
(*2) Investments presented in the consolidated balance sheets consist of: investment securities of ¥83,075 million ($737,265 thousand), which include securities with market value of ¥16,342 million ($145,039 thousand) and non-listed stocks and stocks of unconsolidated subsidiaries and affiliates of ¥66,732 million ($592,226 thousand) (refer to Note 15.2); and other investments in unconsolidated subsidiaries and affiliates of ¥43,278 million ($384,079 thousand) at March 31, 2016.
(*3) Accounts payable – other and accrued expenses presented in the balance sheets consist of accrued expenses and accounts payable of ¥113,177 million ($1,004,413 thousand), allowance for product warranties of ¥41,561 million ($368,845 thousand), and allowance for loss on fuel economy test of ¥20,567 million ($182,525 thousand) at March 31, 2016.
(*4) The amount of the receivable/payable derived from derivative transactions is presented on a net basis.

	(In millions of yen)		
	March 31, 2015		
	Carrying amount	Fair value	Difference
Cash and bank deposits	¥440,272	¥440,272	¥ —
Notes and accounts receivable–trade	184,653	184,653	—
Finance receivables	78,149		
Allowance for doubtful accounts (*1)	(2,414)		
	75,734	76,350	615
Investment (*2)	21,151	21,151	—
Total assets	¥721,812	¥722,427	¥615
Notes and accounts payable–trade	¥353,862	¥353,862	¥ —
Electronically recorded obligations	21,018	21,018	—
Short-term loans payable	90,907	90,907	—
Long-term loans payable	53,557	53,539	(17)
Accounts payable – other and accrued expenses (*3)	122,128	122,128	—
Total liabilities	¥641,474	¥641,456	¥ (17)
Derivative transactions (*4)	50	50	—

(*1) Allowance for doubtful accounts recognized for individual financial receivable is deducted from the carrying amounts directly.
(*2) Investments presented in the consolidated balance sheets consist of: investment securities of ¥74,298 million, which include securities with market value of ¥21,151 million and non-listed stocks and stocks of unconsolidated subsidiaries and affiliates of ¥53,146 million (refer to Note 15.2); and other investments in unconsolidated subsidiaries and affiliates of ¥48,572 million at March 31, 2015.
(*3) Accounts payable – other and accrued expenses presented in the balance sheets consist of accrued expenses and accounts payable of ¥122,128 million and allowance for product warranties of ¥34,108 million at March 31, 2015.
(*4) The amount of the receivable/payable derived from derivative transactions is presented on a net basis.

(Note)

1. Method for measuring the fair value of financial instruments, other securities and derivative transactions

Assets

Cash and bank deposits

The carrying amounts are used as fair values as these items are settled within a short period of time and the fair values are nearly equal to the carrying amounts.

Notes and accounts receivable – trade

The carrying amounts are used as fair values as these items are generated in the normal course of business operations and principally settled within a short period of time and the fair values are nearly equal to the carrying amounts.

Finance receivables

Finance receivables are classified by certain terms to maturity, and their fair values are determined based on the present values of the respective future cash flows discounted using appropriate rates, such as the rates of government bonds after adding credit risk premiums based on the credit risk classes.

Investments

The fair values of investments are based on their respective market values. Refer to Note 5, "Investments", regarding the details of securities classified by purpose for holding.

Liabilities

Notes and accounts payable – trade, electronically recorded obligations, short-term loans payable and accounts payable – other and accrued expenses

The carrying amounts are used as fair values of these items as these items are settled within a short period of time and the fair values are nearly equal to such carrying amounts.

Long-term loans payable

Long-term loans payable are classified by certain terms to maturity, and their fair values are determined based on the respective present values of the total amount of principal and interest discounted using the prevailing interest rates that would be applied if similar loans were made at the valuation date.

Derivative transactions

Refer to Note 16, "Derivative Financial Instruments".

2. Financial instruments for which it is extremely difficult to reasonably measure fair value

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Non-listed stocks and stocks of unconsolidated subsidiaries and affiliates	¥66,732	¥53,146	$592,226

These financial instruments do not have any quoted market price and the future cash flow cannot be estimated, and consequently they are considered to be extremely difficult to reasonably measure fair value. Accordingly, such financial instruments are not included in measuring the fair value of Investments as described above.

3. Maturity profile of monetary receivables subsequent to March 31, 2016

	(In millions of yen)		(In thousands of U.S. dollars)	
	March 31, 2016			
	Bank deposits	Notes and accounts receivable–trade	Bank deposits	Notes and accounts receivable–trade
2017	¥453,034	¥172,119	$4,020,537	$1,527,511
2018	—	—	—	—
2019	—	—	—	—
2020	—	—	—	—
2021	—	—	—	—
Thereafter	—	—	—	—
Total	¥453,034	¥172,119	$4,020,537	$1,527,511

4. Maturity profile of the long-term loans payable subsequent to March 31, 2016

Refer to Note 7 "Short-term Loans payable, Long-term Debt and Lease Obligations".

16. Derivative Financial Instruments

Summarized below are the notional amounts and the estimated fair values (based on the prices provided by counterparty financial institutions) of the derivative positions at March 31, 2016 and 2015:

(a) Derivative transactions that are not subject to hedge accounting

Forward foreign exchange contracts

	(In millions of yen)			
	March 31, 2016			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Sell:				
Japanese ¥	¥4,831	¥—	¥ 24	¥ 24
Other	548	—	(15)	(15)
Buy:				
US $	9,670	—	18	18
Japanese ¥	1,877	—	(172)	(172)
Total	—	—	¥(144)	¥(144)

	(In thousands of U.S. dollars)			
	March 31, 2016			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Sell:				
Japanese ¥	$42,877	$—	$ 218	$ 218
Other	4,867	—	(138)	(138)
Buy:				
US $	85,820	—	165	165
Japanese ¥	16,662	—	(1,526)	(1,526)
Total	—	—	$(1,280)	$(1,280)

	(In millions of yen)			
	March 31, 2015			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Sell:				
Other	¥ 517	¥—	¥ 28	¥ 28
Buy:				
US $	5,403	—	7	7
Japanese ¥	1,610	—	(12)	(12)
Total	—	—	¥ 23	¥ 23

The determination of fair values is based on quotations obtained from counterparty financial institutions.

Interest rate options

No items to be reported for the years ended March 31, 2016.

	(In millions of yen)			
	March 31, 2015			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Interest rate options:				
Buy:	¥2,858	¥2,858	¥29	¥29
Total	—	—	¥29	¥29

The determination of fair values is based on quotations obtained from counterparty financial institutions.

(b) Derivative transactions that are subject to hedge accounting

Forward foreign exchange contracts

No items to be reported for the years ended March 31, 2016 and 2015.

Interest rate swaps

	(In millions of yen)			
	March 31, 2016			
	Hedged item	Notional amount	Due more than 1 year	Fair value
Pay-fixed, receive-floating (special hedge provisions):	Debt	¥185	¥95	(*)
Total		—	—	¥—

	(In thousands of U.S. dollars)			
	March 31, 2016			
	Hedged item	Notional amount	Due more than 1 year	Fair value
Pay-fixed, receive-floating (special hedge provisions):	Debt	$1,641	$843	(*)
Total		—	—	$—

(*) As interest rate swaps under the special hedge provisions are accounted together with the corresponding hedged item (debt), their fair values are reflected in the fair value of loans payable.

	(In millions of yen)			
	March 31, 2015			
	Hedged item	Notional amount	Due more than 1 year	Fair value
Pay-fixed, receive-floating (recorded as fair value):	Debt	¥8,328	¥8,328	¥(2)
Pay-fixed, receive-floating (special hedge provisions):	Debt	275	185	(*)
Total		—	—	¥(2)

(*) As interest rate swaps under the special hedge provisions are accounted together with the corresponding hedged item (debt), their fair values are reflected in the fair value of loans payable.

17. Retirement Benefits

MMC and its consolidated subsidiaries have defined benefit pension plans including contributory plans in accordance with the Welfare Pension Institute Law of Japan, defined benefit corporate pension plans and lump-sum payment plans, and defined contribution pension plans. Additional retirement benefits are paid in certain cases upon an employee's retirement and similar. Some of the consolidated subsidiaries adopt the simplified method for the calculation of retirement benefit obligation. MMC has a retirement benefit trust to cover lump-sum retirement payments.

Some of the consolidated subsidiaries have multi-employer pension plans and since the portion of plan assets belonging to a multi-employer pension plan could not be reasonably calculated, the required contribution amount is accounted as a defined contribution plan.

Defined benefit plan

The changes in the retirement benefit obligation during the year ended March 31, 2016 and 2015 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2016	2015	2016
Retirement benefit obligation at beginning of year	¥188,952	¥192,213	$1,676,893
Cumulative effects of changes in accounting policies	—	(6,168)	—
Restated balance	188,952	186,045	1,676,893
Service costs	9,243	8,733	82,036
Interest costs	4,002	3,687	35,521
Actuarial losses	537	9,251	4,771
Retirement benefit paid	(11,950)	(12,136)	(106,056)
Prior service cost	6,074	79	53,910
Exchange translation differences	(5,439)	9,870	(48,270)
Decrease due to transfer to defined contribution pension plan	—	(15,739)	—
Other	105	(838)	933
Retirement benefit obligation at end of year	¥191,526	¥188,952	$1,699,740

The changes in plan assets during the year ended March 31, 2016 and 2015 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2016	2015	2016
Plan assets at beginning of year	¥ 86,954	¥ 86,350	$ 771,692
Expected return on plan assets	5,711	4,982	50,687
Actuarial losses	(4,373)	5,683	(38,813)
Contributions by the Company	2,186	2,844	19,400
Retirement benefit paid	(4,525)	(6,093)	(40,165)
Exchange translation differences	(4,171)	8,989	(37,021)
Decrease due to transfer to defined contribution pension plan	—	(15,502)	—
Contributions to retirement benefit trust	79,200	—	702,875
Other	(48)	(299)	(428)
Plan assets at end of year	¥160,932	¥ 86,954	$1,428,226

The following table sets out the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2016 and 2015 for the MMC and consolidated subsidiaries' defined benefit plans:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Funded retirement benefit obligation	¥ 171,482	¥ 88,706	$ 1,521,855
Plan assets at fair value	(160,932)	(86,954)	(1,428,226)
	10,550	1,751	93,628
Unfunded retirement benefit obligation	20,044	100,246	177,885
Net liability for retirements benefits in the balance sheet	30,594	101,998	271,513
Net defined benefit liability	34,002	106,821	301,761
Net defined benefit asset	(3,408)	(4,823)	(30,248)
Net liability for retirement benefits in the balance sheet	¥ 30,594	¥101,998	$ 271,513

The components of retirement benefit expenses for the year ended March 31, 2016 and 2015 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Service costs	¥ 9,243	¥ 8,733	$ 82,036
Interest costs	4,002	3,687	35,521
Expected return on plan assets	(5,711)	(4,982)	(50,687)
Amortization of actuarial losses	1,433	796	12,718
Amortization of prior service costs (*1)	5,605	(1,576)	49,746
Gain due to transfer to defined contribution pension plan	—	(2,448)	—
Other	202	1	1,794
Retirement benefit expenses	¥14,775	¥ 4,212	$131,130

(*1) This includes ¥6,873 million ($61,001 thousand) of special termination benefits related to shutting down a U.S. subsidiary's plant reported as part of loss on closing plants for the year ended March 31, 2016.
(*2) In addition to pension expenses shown above, ¥9,242 million ($82,025 thousand) of additional severance payments related to shutting down a U.S. subsidiary's plant are reported as part of loss on closing plants for the year ended March 31, 2016.

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the year ended March 31, 2016 and 2015 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Prior service costs	¥1,342	¥4,282	$11,918
Actuarial losses	1,600	3,833	14,199
Total	¥2,943	¥8,115	$26,118

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2015 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Unrecognized prior service costs	¥ (3,675)	¥ (5,015)	$ (32,617)
Unrecognized actuarial losses	17,973	16,603	159,505
Total	¥14,297	¥11,587	$126,888

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 and 2015 were as follows:

	March 31,	
	2016	2015
Bonds	60%	61%
Short-term investments	22	—
Stocks	12	27
Cash on hand and in banks	2	4
Life insurance company accounts	3	5
Other	1	3
Total	100%	100%

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans were as follows:

		March 31,	
		2016	2015
Discount rates	Domestic subsidiaries	0.0% ~ 0.8%	0.3% ~ 0.8%
	Foreign subsidiaries	3.6% ~ 5.6%	2.4% ~ 5.4%
Expected rates of return on plan assets	Domestic subsidiaries	0.7% ~ 4.0%	0.7% ~ 4.0%
	Foreign subsidiaries	3.6% ~ 6.5%	2.4% ~ 7.2%
Rates of compensation increase	Domestic subsidiaries	1.0% ~ 5.3%	1.0% ~ 5.3%
	Foreign subsidiaries	3.0% ~ 6.5%	2.0% ~ 6.5%

Defined contribution plans

Contributions for defined contribution plans (including multi-employer pension plans that accounted as a defined contribution plan) for the year ended March 31, 2016 and 2015 were ¥3,006 million ($26,684 thousand) and ¥2,896 million, respectively.

Information of multi-employer pension plans which the required contribution has been accounted for as retirement benefit expenses were as follows at March 31, 2015 and 2014:

	(In millions of yen)	
	March 31,	
	2015	2014
Pension Plan assets	¥30,640	¥27,789
Total amount of actuarial pension obligations and the minimum reserve based on the pension funding calculation	32,918	28,594
Difference	¥ (2,278)	¥ (805)

The above difference was mainly due to unrecognized prior service costs of ¥933 million and ¥1,064 million at March 31, 2015 and 2014. Unrecognized prior service costs are amortized by the straight line method over periods of 20 years. The approximate ratio of the Group's share of accumulated contributions in the multi-employee plan obligation is 56.2% and 57.3% as of March 31, 2015 and 2014. This ratio does not necessarily match the amount of the Group's share of the actuarially estimated pension benefit obligation.

Regarding Mitsubishi motors sales welfare pension fund, the fund has received an approval for termination and is currently going through the liquidation process. No additional costs are expected from the termination.

18. Income Taxes

MMC and its domestic consolidated subsidiaries are subject to corporate, resident and enterprise taxes based on their taxable income. Income taxes of the foreign consolidated subsidiaries are generally calculated based on the tax rates applicable in their countries of incorporation. The consolidated tax payment system is applied in Japan for the years ended March 31, 2016 and 2015.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2016 and 2015 differ from the statutory tax rates for the following reasons:

	(%)	
	For the years ended March 31,	
	2016	2015
Statutory income tax rate for MMC	32.7	35.2
Equity in earnings of affiliates	(3.3)	(2.9)
Dividends received deduction	(1.7)	(0.9)
Difference in tax rate of overseas subsidiaries and others	(10.6)	(4.5)
Effect of valuation allowance changes	11.4	(19.6)
Income taxes as a percentage of income before income taxes	28.5	7.3

The significant components of deferred tax assets and liabilities as of March 31, 2016 and 2015 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Deferred tax assets:			
Net operating losses carried forward	¥ 251,266	¥ 116,015	$ 2,229,915
Net defined benefit liability	32,808	32,435	291,164
Allowance for doubtful accounts	1,270	2,278	11,275
Allowance for product warranties	13,648	12,074	121,124
Accounts payable – warranties	16,772	15,214	148,855
Fixed assets (incl. impairment losses)	17,583	39,799	156,051
Others	30,156	31,526	267,626
Less valuation allowance	(336,357)	(186,150)	(2,985,064)
Total deferred tax assets	27,150	63,193	240,948
Deferred tax liabilities:			
Unrealized holding gain on securities	(1,932)	(3,662)	(17,154)
Fair value adjustments relating to land	(3,174)	(3,365)	(28,176)
Reserves under the Special Taxation Measures Law	(192)	(207)	(1,709)
Accelerated depreciation in overseas consolidated subsidiaries	(624)	(24,855)	(5,538)
Others	(23,672)	(26,426)	(210,088)
Total deferred tax liabilities	(29,597)	(58,517)	(262,666)
Net deferred tax liabilities	¥ (2,447)	¥ 4,675	$ (21,718)

Deferred tax assets and liabilities at March 31, 2016 and 2015 are included in the accompanying consolidated balance sheets as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Current assets	¥ 14,883	¥ 24,742	$ 132,083
Non-current assets	9,378	9,914	83,228
Current liabilities	(45)	(11)	(402)
Non-current liabilities	(26,663)	(29,970)	(236,627)
Net deferred tax liabilities	¥ (2,447)	¥ 4,675	$ (21,718)

The "Act to partially revise the Income Tax Act and Others" (Act No. 15 of 2016) and the "Act to partially revise the Local Tax Act and Others" (Act No. 13 of 2016) were enacted on March 31, 2016. As a result, the effective statutory tax rate used to measure MMC's deferred tax assets and liabilities was changed from 31.9% to 30.6% and 30.3% for the temporary differences expected to be realized or settled in the year beginning April 1, 2016 and 2017, and for the temporary differences expected to be realized or settled from April 1, 2018, respectively. The effect of this change was immaterial.

19. Asset Retirement Obligations

(a) Overview

MMC and its consolidated subsidiaries have obligations associated with the restoration and removal of tangible fixed assets at the end of lease terms pertaining to certain property lease agreements, and have obligations associated with removal of hazardous substances.

(b) Method for measuring the amount of asset retirement obligations

The useful lives of assets from acquisition or construction date has been estimated ranging from 1 to 60 years, and the amount of asset retirement obligations has been measured using the discount rates ranging from 0.2% to 4.4%.

(c) Changes in the amount of asset retirement obligations

Changes in the amount of asset retirement obligations for the years ended March 31, 2016 and 2015 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the year ended March 31,		
	2016	2015	2016
Balance at beginning of year	¥5,197	¥5,247	$46,124
Increase due to the acquisition of property, plant and equipment	0	5	5
Discount accretion expense	112	109	996
Decrease due to the settlement of asset retirement obligations	(198)	(156)	(1,759)
Others (*)	(37)	(9)	(331)
Balance at end of year	¥5,074	¥5,197	$45,035

(*) Others include foreign currency translation adjustments and the effect of deconsolidation.

20. Investment and Rental Property

For the years ended March 31, 2016 and 2015, no disclosures are provided as investment and rental property is considered immaterial.

21. Segment Information

(a) Overview of reportable segments

The reportable segments of the Group are components for which discrete financial information is available, and for which operating results are regularly reviewed by MMC's decision making bodies including the Board of Directors to determine resource allocation to the segments and to assess their performance.

The main business of the Group is automobile business, involving development, design, manufacturing and sales of automobiles and component parts. In addition, as financial service business, we engage in sales finance and leasing services for Group products. Accordingly, based on the types of products and services offered, the Group determined "automobile business" and "financial service business" as two reportable segments.

(b) Basis of calculating net sales, income (loss), assets and other amounts of each reportable segment

The accounting policies of the segments are substantially the same as those described in Note 1.

(c) Net sales, income (loss), assets and others of reportable segments

	(In millions of yen)		(In thousands of U.S. dollars)
	For the year ended March 31,		
	2016	2015	2016
Net sales:			
Automobiles	¥2,260,603	¥2,166,214	$20,062,155
Financial services	7,117	14,640	63,161
Total	2,267,720	2,180,854	20,125,317
Adjustment	129	(126)	1,144
Grand total	¥2,267,849	¥2,180,728	$20,126,462
Segment income (loss):			
Automobiles	¥ 138,953	¥ 135,105	$ 1,233,171
Financial services	(705)	934	(6,259)
Total	138,248	136,039	1,226,912
Adjustment	129	(126)	1,144
Grand total	¥ 138,377	¥ 135,913	$ 1,228,057
Segment assets:			
Automobiles	¥1,372,989	¥1,422,733	$12,184,857
Financial services	11,960	141,579	106,147
Total	1,384,950	1,564,313	12,291,005
Adjustment	48,774	18,488	432,860
Grand total	¥1,433,725	¥1,582,802	$12,723,866
Depreciation: (Note (3))			
Automobiles	¥ 54,111	¥ 53,758	$ 480,225
Financial services	4,605	8,648	40,874
Grand total	¥ 58,717	¥ 62,406	$ 521,099
Investment accounted for using the equity method:			
Automobiles	¥ 82,853	¥ 85,790	$ 735,303
Financial services	10,344	9,010	91,802
Total	93,198	94,800	827,105
Adjustment	(602)	(731)	(5,351)
Grand total	¥ 92,595	¥ 94,068	$ 821,754
Increase in property, plant and equipment and intangible assets: (Note (3))			
Automobiles	¥ 71,586	¥ 69,868	$ 635,303
Financial services	4,086	23,774	36,269
Grand total	¥ 75,672	¥ 93,642	$ 671,573

(Note)
(1) Adjustment represents the elimination of intersegment transactions and others.
(2) Segment income (loss) agrees to the amount of operating income (loss) presented in the consolidated financial statements.
(3) Depreciation and increase in property, plant and equipment and intangible assets include long-term prepaid expenses and amortization thereof.

(Related information)

(a) Information by products and services

The information is not shown here, as the classification is the same as that of the reportable segments.

(b) Information by geographic region

(1) Net sales

Net sales are classified by the geographical location of the customers.

	(In millions of yen)		(In thousands of U.S. dollars)
	For the year ended March 31,		
	2016	2015	2016
Japan	¥ 412,914	¥ 445,255	$ 3,664,492
North America	324,867	275,837	2,883,096
(The United States)	(240,239)	(200,056)	(2,132,049)
Europe	514,569	514,388	4,566,643
Asia	482,563	424,509	4,282,597
(Thailand)	(193,971)	(127,212)	(1,721,434)
Oceania	213,417	217,840	1,894,016
Other	319,517	302,896	2,835,617
Total	¥2,267,849	¥2,180,728	$20,126,462

(Note)
Main countries and regions outside Japan are grouped as follows:
(1) North America ....The United States
(2) Europe ....Russia, the United Kingdom, Germany, France, the Netherlands
(3) Asia ....Thailand, the Philippines, China, Indonesia
(4) Oceania ....Australia, New Zealand
(5) Other ....Brazil, Puerto Rico, U.A.E.

(2) Property, plant and equipment

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2016	2015	2016
Japan	¥247,538	¥246,790	$2,196,828
North America	6,715	54,114	59,596
Thailand	73,544	88,115	652,688
Other	13,325	17,290	118,261
Total	¥341,124	¥406,310	$3,027,374

(Supplementary information)

Net sales and operating income (loss) classified by the geographic location of MMC and its consolidated subsidiaries

	(In millions of yen)		(In thousands of U.S. dollars)
	For the year ended March 31,		
	2016	2015	2016
Net sales:			
Japan	¥1,868,604	¥1,839,624	$16,583,280
North America	303,213	305,543	2,690,924
Europe	118,702	79,620	1,053,444
Asia	735,702	634,346	6,529,129
Oceania	213,567	218,009	1,895,347
Other	20,789	28,899	184,502
Total	3,260,579	3,106,045	28,936,629
Adjustment	(992,729)	(925,316)	(8,810,166)
Grand total	¥2,267,849	¥2,180,728	$20,126,462
Operating income (loss):			
Japan	¥ 67,055	¥ 85,982	$ 595,094
North America	8,317	2,543	73,810
Europe	619	7,954	5,497
Asia	55,123	28,189	489,201
Oceania	6,423	10,727	57,007
Other	(522)	630	(4,634)
Total	137,016	136,027	1,215,977
Adjustment	1,361	(113)	12,080
Grand total	¥ 138,377	¥ 135,913	$ 1,228,057

(Note)
Main countries and regions outside Japan are grouped as follows:
(1) North America .... The United States
(2) Europe .... The Netherlands, Russia,
(3) Asia .... Thailand, the Philippines
(4) Oceania .... Australia, New Zealand
(5) Other .... U.A.E., Puerto Rico

Information on major customers

	For the year ended March 31,	
	2016	2015
Customer:	Mitsubishi Corporation	Mitsubishi Corporation
Net sales:	¥266,744 million ($2,367,275 thousand)	¥300,086 million
Relevant segment	Automobiles	Automobiles

Information on impairment losses relating to property, plant equipment by reportable segments

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2016	2015	2016
Automobiles	¥2,188	¥20,145	$19,421
Financial services	—	—	—
Total	¥2,188	¥20,145	$19,421

Information on the amortization and balance of goodwill by reportable segments

Not applicable for the year ended March 31, 2016 and no significant items to be reported for the year ended March 31, 2015.

Information on gains due to negative goodwill by reportable segments

Not applicable for the years ended March 31, 2016 and 2015.

22. Related Party Transactions

MMC entered into the following transactions with related parties during the years ended March 31, 2016 and 2015:

Related Party Transactions

Transactions between MMC and the Related Parties

Transactions with the parent or major shareholders (major corporate shareholders) of the reporting company (MMC)

	March 31, 2016
Party type:	Major shareholder
Party name:	Mitsubishi Corporation
Address:	Chiyoda-Ku, Tokyo, Japan
Capital:	¥204,447 million ($1,814,403 thousand)
Business:	Wholesale trading
% of voting stock held:	Direct 10.07 Indirect 0.00
Relationship with the Related Party:	Sales of products; import of materials for production; mutual directorships
Detail of transaction:	Sales of products
Transaction amount:	¥266,738 million ($2,367,223 thousand)
Account title:	Accounts receivable
Balance at year end:	¥16,526 million ($146,664 thousand)

	March 31, 2015
Party type:	Major shareholder
Party name:	Mitsubishi Corporation
Address:	Chiyoda-Ku, Tokyo, Japan
Capital:	¥204,447 million
Business:	Wholesale trading
% of voting stock held:	Direct 10.07 Indirect 0.00
Relationship with the Related Party:	Sales of products; import of materials for production; mutual directorships
Detail of transaction:	Sales of products
Transaction amount:	¥300,078 million
Account title:	Accounts receivable
Balance at year end:	¥23,444 million

(Note)
1. Consumption tax is excluded from the transaction amount and included in the balance at year end.
2. Contract terms and the policy to determine the contract terms: Sales price of products is determined based on market price and overall cost.

Major affiliates

Summarized financial information of the major affiliates

MMC Diamond Finance Corp. is the major affiliate of reporting company (MMC) for the year ended March 31, 2016, and the summarized financial information for the same fiscal year is shown below:

Total current assets	¥312,764 million	($2,775,686 thousand)
Total non-current assets	¥ 14,320 million	($ 127,086 thousand)
Total current liabilities	¥219,174 million	($1,945,107 thousand)
Total non-current liabilities	¥ 85,931 million	($ 762,614 thousand)
Total net assets	¥ 21,978 million	($ 195,050 thousand)
Net sales	¥ 30,077 million	($ 266,931 thousand)
Income before income taxes	¥ 4,369 million	($ 38,780 thousand)
Net income	¥ 2,835 million	($ 25,164 thousand)

23. Earnings and Equity per Share

Earnings and equity per share of common stock for the years ended March 31, 2016 and 2015 are summarized as follows:

	(In yen)		(In U.S. dollars)
	March 31,		
	2016	2015	2016
Stockholders' equity per share of common stock	¥682.45	¥669.74	$6.06
Earnings per share of common stock:	73.80	120.16	0.65

(Note) Diluted earnings per share of common stock are not shown above because there are no diluted shares.

The computations of earnings per share of common stock for the years ended March 31, 2016 and 2015 are as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2016	2015	2016
Numerator for earnings per share of common stock:			
Net income(loss) attributable to owners of parent	¥72,575	¥118,170	$644,085
Income not available to common stockholders	—	—	—
Income available to common stockholders	¥72,575	¥118,170	$644,085
Denominator for earnings per share of common stock:			
Weighted average number of shares (in thousands)	983,439	983,440	

24. Business Combinations and Divestitures

No significant matters to disclose.

25. Subsequent Event

(a) Improper conduct in fuel economy test on vehicles manufactured by MMC

Regarding the acquisition of vehicle-type approvals from the Ministry of Land, Infrastructure, Transport and Tourism (the "Ministry"), MMC engaged in improper conduct related to the fuel economy test of vehicles it manufactured to indicate better fuel economy. MMC reported this fact to the Ministry on April 20, 2016.

The four applicable vehicle types are *eK Wagon* and *eK Space* manufactured by MMC since June 2013 and Dayz and Dayz Roox, which were supplied to Nissan ("Nissan Motor Co., Ltd."). The total number of these vehicles sold by MMC until the end of March 2016 was 157,000, while the total number of these vehicles produced by MMC for Nissan over the same period was 468,000.

Fuel economy test for all of these vehicle types was conducted by MMC; however, in connection with the development of the following car models, Nissan also measured fuel economy, and noticed that its measurement results differed from MMC's reported data. Subsequently, Nissan requested that MMC confirm this difference. As a result of conducting in-house investigations into this matter, MMC identified improper conduct in the use of favorable driving resistance data to show better fuel economy than the actual results for the above-mentioned vehicles.

In addition, MMC discovered alternation of the running resistance values for five other models: *RVR*, *Pajero*, previous model of *Outlander*, *Galant Fortis/Galant Fortis Sport Back*, and *Colt/Colt Plus* from conducting an in-house investigation and reported to findings to the Ministry on June 17, 2016.

Regarding the improper conduct in relating to fuel economy test, MMC determined and announced its plan to compensate owners of its vehicles on June 17, 2016.

With respect to the loss on fuel economy test (excluding those provided as provisions in for the period ended March 31, 2016), MMC expects to record a further loss of approximately ¥150,000 million (approximately ¥50,000 million for compensation to owners of its vehicles, approximately ¥100,000 million for compensation to Nissan and suppliers) for the year ending March 31, 2017.

(b) Capital and business alliance and issuance of new shares through third-party allotment

MMC passed resolutions at the board of directors meeting held on May 12, 2016 concerning the execution of a basic agreement (the "Basic Agreement") with Nissan for proceeding with discussions and studies towards completing a capital and business alliance between MMC and Nissan (the "Alliance") and the issuance of new shares to Nissan through a third-party allotment (the "Third-Party Allotment").

(1) Purpose and reasons for the Alliance

In the globalizing automobile industry, developed nations and regions are demanding both better fuel economy and exhaust purification, increasingly sophisticated accident-prevention and safety technology requiring advanced IT technology, and improved value-added functions, such as those available in connected cars. In this environment, further advances, further intensification of competition, and further prolongation in research and development are expected in the near future. Specifically, environmental regulations in particular are planned to be more stringent both in developed and emerging markets. MMC is also expecting increased research and development costs and capital expenditures for research and development of internal combustion engines (ICE) to satisfy environmental regulations, and to bolster its electric vehicle and plug-in hybrid vehicle product line-up. In the advanced accident-prevention and safety technology and connected car space, longer development cycles and large-scale purchases will be necessary to purchase high valued-added parts from large automotive parts and electronics manufacturers. MMC therefore seeks to build a constructive alliance relationship over the medium to long term with Nissan and to become a member of the Renault/Nissan group through the Alliance. In doing so, MMC believes that it can greatly restore MMC's credibility in regard to maintenance of profit-generating opportunities and future competitiveness with this medium- to long-term strategy.

MMC will raise capital from Nissan through the Alliance by executing the Third-Party Allotment. It will also endeavor to restore its brand and credibility as a member of the Renault/Nissan alliance by way of building a solid collaborative relationship that includes a capital tie-up. Furthermore, MMC believes it can effectively leverage development resources as part of the Renault/Nissan alliance through the integrated management of the product and technology development space, and improve its purchasing efficiency of parts centering on improved product viability and high value-added parts.

With that, MMC passed the resolutions at the board of directors meeting held on May 12, 2016 concerning execution of the Basic Agreement with Nissan and issuance of new shares to Nissan through the Third-Party Allotment.

Furthermore, when MMC carried out the public offering in 2014, Mitsubishi Heavy Industries, Ltd. ("MHI"), Mitsubishi Corporation, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. have confirmed together with MMC that they will not assign or otherwise dispose of the MMC common stock that they have come to directly or indirectly hold through the public offering until the end of June 2017, and that this arrangement will not change after the Alliance is formed. However, MMC will no longer be an equity-method company of MHI as a result of the dilution that will occur upon the execution of the Third-Party Allotment.

(2) Details of the Alliance

MMC will issue 506,620,577 shares of common stock through a Third-Party Allotment to Nissan, and Nissan will subscribe to all the new shares that are issued by MMC. After the Third-Party Allotment, Nissan's proportion of the total voting rights and Nissan's proportion of the total number of issued common stock will each be 34.0%. Nissan will also become a major shareholder, the largest shareholder that is also a major shareholder, and an affiliate of MMC through the Third-Party Allotment.

Details of the Business Alliance

MMC and Nissan have agreed to move forward with a business alliance with respect to the following matters. MMC and Nissan will discuss the specific policies and terms, etc. of the business alliance.

- Management exchanges;
- Cross sharing of engineering assets;
- Continue collaboration in developing minicars;
- Collaboration in the ASEAN region;
- Powertrain sharing in ICE and electric vehicle;
- Production facility utilization;
- Purchasing synergies; and
- Financial services and after sales.

(3) Alliance Schedule

- The resolution date of the Board of Directors meeting of MMC and Nissan: May 12, 2016
- Execution of the Basic Agreement: May 12, 2016
- Execution of the Alliance Agreement: By May 25, 2016
- Due diligence performed by Nissan: By August 2016 (planned)
- Payment for the Third-Party Allotment: Around October 2016 (planned) (*)

(*) Nissan will make the payment within 10 business days of the satisfaction of all terms and conditions.

(4) Outline of Issuance Registration

- Type of offered securities: MMC's common stock
- Planned issuance period: Until the day on which two years elapse from the planned effective date of the Issuance Registration (May 20, 2016 – May 19, 2018)
- Planned issuance amount: Up to 237,361,872,737 yen
- Offering method: Third-Party Allotment (planned)
- Purpose of raising funds
  The funds will be allocated to strengthening strategic product research and development, upgrading research and development equipment, and reforming IT systems
- Issuance conditions
  Type and number of offered shares: 506,620,577 shares of MMC common stock
- Amount to be paid for the offered shares: 468.52 yen per share
- Total amount to be paid: 237,361,872,737 yen
- Amount of capital and capital reserve to be increased
  Amount of capital to be increased: 118,680,936,369 yen
  Amount of capital reserve to be increased: 118,680,936,368 yen
- Payment period: September 1, 2016 – December 31, 2017

Independent Auditor's Report

Ernst & Young ShinNihon LLC
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Building a better working world

Independent Auditor's Report

The Board of Directors
Mitsubishi Motors Corporation

We have audited the accompanying consolidated financial statements of Mitsubishi Motors Corporation (the "Company"). and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Motors Corporation and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

1. As mentioned in Note 25, Subsequent Event, regarding the acquisition of vehicle-type approvals from Ministry of Land, Infrastructure, Transport and Tourism, the Company engaged in improper conduct and the Company expects to record a further loss of approximately 150,000 million yen for the following year ending March 31, 2017 with respect to the fuel economy test.
2. As mentioned in Note 25, Subsequent Event, the Company passed resolutions at the board of directors meeting held on May 12, 2016 concerning the execution of a basic agreement with Nissan Motor Co., Ltd. ("Nissan") for proceeding with discussions and studies towards completing a capital and business alliance between the Company and Nissan and the issuance of new shares to Nissan through a third-party allotment.

These events do not affect our audit opinion.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3, U.S. Dollar Amounts.

Ernst & Young ShinNihon LLC

June 24, 2016
Tokyo, Japan

Principal Production Facilities

Country/Region	Name	Major Products
Japan	1. Nagoya Plant–Okazaki	Outlander, Outlander PHEV, ASX (RVR)
	2. Mizushima Plant	i-MiEV, Lancer (Galant Fortis), eK Wagon, ek Space, MINICAB-MiEV
	3. Pajero Manufacturing Co., Ltd.	Pajero (Montero), Delica D:5, Outlander
	4. Powertrain Plant–Kyoto	Engines
	5. Powertrain Plant–Shiga	Engines
	6. Powertrain Plant–Mizushima	Engines, transmissions
Russia	7. PCMA Rus	Outlander, Pajero Sport
Thailand	8. Mitsubishi Motors (Thailand) Co., Ltd. (MMTh)	Mirage, Attrage, Triton, Pajero Sport
	9. MMTh Engine Co., Ltd. (MEC)	Engines
Philippines	10. Mitsubishi Motors Philippines Corporation (MMPC)	Adventure, L300 (Delica)
	11. Asian Transmission Corporation (ATC)	Transmissions
China	12. GAC Mitsubishi Motors Co., Ltd. (GMMC)	Pajero, Pajero Sport, ASX
	13. South East (Fujian) Motor Co., Ltd. (SEM)	Lancer, Zinger
	14. Shenyang Aerospace Mitsubishi Motors Engine Manufacturing, Co., Ltd. (SAME)	Engines
	15. Harbin Dongan Automotive Engine Manufacturing, Co., Ltd. (DAE)	Engines, transmissions
Taiwan	16. China Motor Corporation (CMC)	Colt Plus, Lancer Fortis, Outlander, Zinger, Delica
Vietnam	17. Vina Star Motors Corporation (VSM)	Zinger, Pajero Sport

Consolidated Subsidiaries and Affiliates As of March 31, 2016

	Company	Incorporated in
Consolidated subsidiaries		
	Hokkaido Mitsubishi Motor Sales Co., Ltd.	Japan
	Higashi Nihon Mitsubishi Motor Sales Co., Ltd.	Japan
	Kanto Mitsubishi Motor Sales Co., Ltd.	Japan
	Chubu Mitsubishi Motor Sales Co., Ltd.	Japan
	Nishi Nihon Mitsubishi Motor Sales Co., Ltd.	Japan
	Pajero Manufacturing Co., Ltd.	Japan
	Mitsubishi Automotive Logistics Technology Co., Ltd.	Japan
	Mitsubishi Automotive Engineering Co., Ltd.	Japan
	Suiryo Plastics Co., Ltd.	Japan
	Mitsubishi Motors North America, Inc. (MMNA)*2	U.S.A.
	Mitsubishi Motors R&D of America, Inc. (MRDA)	U.S.A.
	Mitsubishi Motor Sales of Canada, Inc. (MMSCAN)	Canada
	Mitsubishi Motor Sales of Caribbean, Inc. (MMSC)	Puerto Rico
	Mitsubishi Motors Europe B.V. (MME)	Netherlands
	Mitsubishi Motor R&D Europe GmbH (MRDE)	Germany
	Mitsubishi Motor Sales Netherlands B.V.	Netherlands
	MMC International Finance (Netherlands) B.V.	Netherlands
	Mitsubishi Motors Australia, Ltd. (MMAL)*2	Australia
	Mitsubishi Motors New Zealand Ltd. (MMNZ)	New Zealand
	Mitsubishi Motors (Thailand) Co., Ltd. (MMTh)*2	Thailand
	MMTh Engine Co., Ltd.	Thailand
	Mitsubishi Motors Philippines Corp. (MMPC)	Philippines
	Asian Transmission Corp. (ATC)	Philippines
	Mitsubishi Motors Middle East and Africa FZE	U.A.E.
	Note: MMC has 12 other subsidiaries outside Japan in addition to the above.	
Equity-method affiliates		
	Muroran Mitsubishi Motor Sales Co., Ltd.	Japan
	Tokachi Mitsubishi Motor Sales Co., Ltd.	Japan
	Ibaraki Mitsubishi Motor Sales Co., Ltd.	Japan
	Mie Mitsubishi Motor Sales Co., Ltd.	Japan
	Kagawa Mitsubishi Motor Sales Co., Ltd.	Japan
	Miyazaki Mitsubishi Motor Sales Co., Ltd.	Japan
	Higashi Kanto MMC Parts Sales Co., Ltd.	Japan
	NMKV Co., Ltd	Japan
	MMC Diamond Finance Corp.	Japan
	MMD Automobile GmbH	Germany
	Vina Star Motors Corporation	Vietnam
	GAC Mitsubishi Motors Co., Ltd. (GMMC)	China
	Note: MMC has 8 other affiliates outside Japan in addition to the above.	
Other associated company		
	Company	Incorporated in
	Mitsubishi Heavy Industries, Ltd. Japan*3	Japan

* 1 Figures in parentheses represent indirect shares.
* 2 Specified subsidiaries. (Mitsubishi Motors North America, Inc. (MMNA), Mitsubishi Motors Australia, Ltd. (MMAL), Mitsubishi Motors (Thailand) Co., Ltd. (MMTh))
* 3 At the end of the first quarter of the year ending March 31, 2017, Mitsubishi Heavy Industries was excluded as an associate of the Company accounted for using the equity method. Accordingly, Mitsubishi Heavy Industries is no longer counted as an "other associated company."

Capitalization (In millions)		Business Lines	MMC Share of Voting Rights (%)*[1]
JPY	100	Automobile sales	100.0
JPY	100	Automobile sales	100.0
JPY	100	Automobile sales	100.0
JPY	100	Automobile sales	100.0
JPY	100	Automobile sales	100.0
JPY	610	Automobile manufacture	100.0
JPY	436	Automobile transport, maintenance and sales of parts	83.2
JPY	350	Automobile engineering	100.0
JPY	100	Manufacture of automobile parts	100.0
USD	398.8	Automobile sales	100.0
USD	2.0	Product development, design, testing, certification	100.0 (100.0)
CAD	2.0	Automobile sales	100.0 (100.0)
USD	47.5	Automobile sales	100.0
EUR	107.2	Automobile parts sales	100.0
EUR	0.8	Product development, design, testing, certification	100.0
EUR	6.8	Automobile sales	100.0
EUR	0.1	Procurement of funds, group company financing	100.0
AUD	1,789.9	Automobile sales	100.0
NZD	48.0	Automobile sales	100.0
THB	7,000.0	Automobile assembly, sales	100.0
THB	20.0	Manufacturing of automobile engines and press parts	100.0 (100.0)
PHP	1,640.0	Automobile assembly, sales	51.0
PHP	770.0	Manufacturing of automobile transmissions	100.0 (10.0)
UAD	10.0	Automobile parts sales	100.0
JPY	100	Automobile sales	29.0 (29.0)
JPY	60	Automobile sales	35.0
JPY	30	Automobile sales	40.0
JPY	58	Automobile sales	24.8
JPY	50	Automobile sales	23.0
JPY	60	Automobile sales	38.8
JPY	100	Automobile parts sales	33.0 (10.0)
JPY	10	Automobile planning and engineering	50.0
JPY	3,000	Auto sales financing, leasing, rentals	47.0
EUR	30.0	Automobile sales	24.99
VND	410,812	Manufacture and marketing of automobiles	41.2
CNY	1,700.0	Manufacture and marketing of automobiles	33.0

Capitalization (In millions)		Business Lines	Share of Voting Rights in MMC (%)*[1]
JPY	265,608	Energy & environment, commercial aviation & transportation systems, integrated defense & space systems, machinery, equipment & infrastructure and others	20.3 (7.7)

Investor Information As of March 31, 2016

Company Name	MITSUBISHI MOTORS CORPORATION
Head Office	5-33-8, Shiba, Minato-ku, Tokyo 108-8410, Japan Telephone: +81-3-3456-1111
Established	April 22, 1970
Capital	¥165,701 million
Number of Employees	Consolidated: 29,555 Non-consolidated: 13,033
Stock Listing	Tokyo Stock Exchange
Securities Code	7211
Share Trading Unit	100 shares
Number of Shares Outstanding	983,661,919
Number of Shareholders	297,132

Major Shareholders

Name	Number of shares held	% of total
Mitsubishi Heavy Industries, Ltd.	124,293,855	12.63
Mitsubishi Corporation	99,044,251	10.07
MHI Automotive Capital LLC Stock Investment Silent Partnership 1	38,638,625	3.92
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	38,517,159	3.91
MHI Automotive Capital LLC Stock Investment Silent Partnership 2	33,968,253	3.45
Japan Trustee Services Bank, Ltd. (Trust account)	27,602,000	2.80
The Master Trust Bank of Japan, Ltd. (Trust account)	20,763,700	2.11
JP MORGAN CHASE BANK 385632	17,793,824	1.80
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	12,644,487	1.28
Japan Trustee Services Bank, Ltd. (Trust account 9)	10,782,700	1.09

(Note) The percentage of shares held is calculated in proportion to the number of issued shares excluding treasury stock (221,976 shares).

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Printed in Japan