

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2017 [Japan GAAP]

Company name: **Mitsubishi Motors Corporation**
 Listing: First Section, the Tokyo Stock Exchange
 Stock code: 7211
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 Scheduled date to file quarterly report: February 13, 2017
 Scheduled date to deliver cash dividends: -
 Quarterly earnings supplementary explanatory documents: Yes
 Quarterly earnings presentation: Yes

(Figures less than one million yen are rounded, unless otherwise noted)

1. Consolidated performance for the third quarter of fiscal year 2016 (from April 1, 2016 to December 31, 2016)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2016 3 rd quarter	1,341,771	(19.3)	(23,236)	-	(22,196)	-	(213,307)	-
FY2015 3 rd quarter	1,661,965	4.6	102,003	1.2	106,685	(11.2)	76,749	(22.2)

Note: Comprehensive income FY2016 3rd quarter: ¥(218,886) million -% FY2015 3rd quarter: ¥54,713 million (60.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
FY2016 3 rd quarter	(190.81)	-
FY2015 3 rd quarter	78.04	-

Note: Diluted net income per shares are not shown above because there are no diluted shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2016	1,556,160	689,351	43.5
March 31, 2016	1,433,725	685,337	46.8

Reference: Equity As of December 31, 2016: ¥676,604 million As of March 31, 2016: ¥671,147 million

2. Cash dividends

Record date	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2015	–	8.00	–	8.00	16.00
FY2016	–	5.00	–		
FY2016 (Forecast)				5.00	10.00

Note: Revisions to the forecasts of cash dividends in the current quarter: No

3. Consolidated earnings forecasts for fiscal year 2016 (from April 1, 2016 to March 31, 2017)

(Percentages indicate changes over the same period in the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,890,000	(16.7)	1,000	(99.3)	1,500	(98.9)	(202,000)	–	(166.99)

Note: Modifications in the consolidated earnings forecasts from the latest announcement: Yes

* Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of specific accounting treatments for preparing the quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - 1) Changes in accounting policies due to revisions to accounting standards: No
 - 2) Changes in accounting policies due to other reasons: No
 - 3) Changes in accounting estimates: No
 - 4) Restatement: No
- (4) Number of issued shares (common stock)
 - 1) Total number of issued shares and outstanding at the end of the period (including treasury stock)

As of December 31, 2016:	1,490,282,496 shares
As of March 31, 2016	983,661,919 shares
 - 2) Number of shares of treasury stock at the end of the period

As of December 31, 2016	222,136 shares
As of March 31, 2016:	221,976 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

FY2016 3 rd quarter:	1,117,924,589 shares
FY2015 3 rd quarter:	983,439,973 shares

* Quarterly review procedures:

As of when this summary of quarterly financial results have been released as flash report, we have not completed the review for the quarterly financial reporting required in accordance with the Financial Instruments and Exchange Act.

* Proper use of earnings forecasts, and other special matters:

(Note for the description about financial forecast)

Figures for financial forecasts are based on judgments and estimates that have been made on the basis of currently available information, and are subject to a number of risks, uncertainties and assumptions. Changes in the MMC group's business environment, market trends or exchange rates may cause actual results to differ materially from these forecasts for FY2016.

(How to obtain additional information materials / details of the earnings release conference)

Additional information materials are disclosed on the MMC web site on the same day as publication of the results.

In addition, an audio recording of the earnings release conference held on the same day will, together with the material used for the conference, be posted on the MMC website promptly following conference.

1. Qualitative Information and Financial Statements

(1) Summary of operating results

Net revenue during the cumulative three quarters in FY2016 (from April to December) resulted in 1 trillion 341.8 billion in Japanese yen, 19% lower than the same period of previous year. Operating profit was minus 23.2 billion yen due to the large loss through the second quarter. On a standalone basis for the third quarter (from October to December), profit recovered to 8.4 billion yen as a result of operational efficiency driven mainly by cost reduction, optimized sales expenses, and favorable exchange rates. Ordinary profit was the minus 22.2 billion yen and net income was minus 213.3 billion yen.

Global sales volume during the cumulative three quarters in FY16 declined to 673,000 units. This is 15% lower than the same period of last year.

Japan: The sales totaled 50,000 units, down by 24% year on year. The drop in sales in the first half coming from the overstated fuel economy issue did not recover fully. However, on a third quarter alone, sales rose by 1,000 units, compared to the same period of previous year.

North America: The sales of *Mirage* declined but *Outlander* contributed to the total sales, resulting in 101,000 units, in line as the previous year.

Europe: Sales resulted in 132,000 units, down by 16% year on year. This is coming mainly from the sales drop in Russia with lower than expected economy and lower sales of *Outlander PHEV* in Netherlands.

Asia: Total sales resulted in 229,000 units, which is lower by 5% year on year. Sales declined in ASEAN, in particular Thailand, where performance was lower than previous year. The affect of the new *Pajero Sport* launch and the Thai Government's tax incentives contributed more positively in the previous year. Sales in China is recovering gradually with the localization in production of the *Outlander*.

Other Regions: 161,000 units, down by 27% compared to the same period of last year as low commodity prices affected Middle East and Latin America.

(2) Summary of financial position

Total assets as at December 31, 2016 amounted to 1,556.2 billion yen: an increase of 122.5 billion yen over the end of FY2015. Cash and cash deposits amounted to 649.1 billion yen: an increase of 195.7 billion yen from the end of FY2015. Total liabilities amounted to 866.8 billion yen: an increase of 118.5 billion yen from the end of FY2015. Of total liabilities, the interest bearing debt balance was 108.3 billion yen, an increase of 81.2 billion yen from the end of FY2015. Net assets at the end of the second quarter of FY2016 amounted to 689.4 billion yen, a 4.0 billion yen increase from the end of FY2015. This was due to factors including the net loss attributable to owners of the parent booked for the first two quarters of FY2016 as well as to dividend payouts.

(3) Summary of earnings forecasts

Mitsubishi Motors Corporation has announced to revise the full-year earnings forecasts of the fiscal year 2016 (April 1, 2016 through March 31, 2017). The revision is outlined below, MMC has revised it based on currency exchange rates of 109JPY/USD and 118JPY/EUR (110JPY/USD and 117JPY/EUR for the fourth quarter of the fiscal year.)

Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2017

	Net sales	Operating profit	Ordinary profit	Net income attributable to owners of parent	Basic net income per share
Previously released forecast (A)	Millions of yen 1,840,000	Millions of yen - 27,600	Millions of yen - 28,200	Millions of yen -239,600	Yen -198.07
Revised forecast (B)	1,890,000	1,000	1,500	-202,000	-166.99
Variance (B –A)	50,000	28,600	29,700	37,600	
Variance (%)	2.7%	—	—	15.7%	
(Ref.) Previous Fiscal Year ended March 31,	2,267,849	138,377	141,027	72,575	73.80

Sales volume forecasts for the full-year are as follows:

Sales volume (retail): 921,000 units (12,000 units down from the previous forecast)

Sales volume (wholesale): 1,109,000 units (13,000 units up from the previous forecast)

2. Others

- (1) Application of specific accounting treatments for preparing the quarterly consolidated financial statements: Income tax expenses were calculated by multiplying income before income taxes by an effective tax rate that was reasonably estimated by applying tax effect accounting to a projected annual income before income taxes. In case where the estimated effective tax rate is unavailable, statutory effective tax rate is used.

3. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	453,371	649,147
Notes and accounts receivable-trade	172,119	127,809
Merchandise and finished goods	141,260	144,374
Work in process	19,601	17,422
Raw materials and supplies	28,467	30,360
Other	100,779	94,998
Allowance for doubtful accounts	(1,414)	(1,238)
Total current assets	914,183	1,062,874
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	80,205	76,429
Machinery, equipment and vehicles, net	123,157	101,514
Tools, furniture and fixtures, net	32,230	22,361
Land	91,752	90,320
Construction in progress	13,778	14,648
Total property, plant and equipment	341,124	305,275
Intangible assets	16,519	19,407
Investments and other assets		
Investment securities	83,075	89,729
Other	84,798	84,851
Allowance for doubtful accounts	(5,975)	(5,978)
Total investments and other assets	161,897	168,603
Total non-current assets	519,541	493,286
Total assets	1,433,725	1,556,160

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	362,066	366,162
Electronically recorded obligations	27,093	26,630
Short-term loans payable	12,379	96,621
Current portion of long-term loans payable	14,155	11,356
Accounts payable-other and accrued expenses	113,177	100,121
Income taxes payable	6,609	21,028
Provision for product warranties	41,561	50,736
Provision for loss on fuel economy test	20,567	44,746
Other	41,640	42,530
Total current liabilities	639,250	759,932
Noncurrent liabilities		
Long-term loans payable	540	309
Net defined benefit liability	34,002	34,323
Other	74,594	72,243
Total noncurrent liabilities	109,137	106,876
Total liabilities	748,387	866,809
Net assets		
Shareholders' equity		
Capital stock	165,701	284,382
Capital surplus	85,257	203,938
Retained earnings	488,590	262,498
Treasury stock	(220)	(220)
Total shareholders' equity	739,328	750,598
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,429	6,329
Deferred gains or losses on hedges	542	158
Foreign currency translation adjustment	(59,109)	(67,267)
Remeasurements of defined benefit plans	(14,043)	(13,214)
Total accumulated other comprehensive income	(68,181)	(73,994)
Non-controlling interests	14,189	12,747
Total net assets	685,337	689,351
Total liabilities and net assets	1,433,725	1,556,160

(2) Consolidated statements of income and Consolidated statements of comprehensive income

Consolidated statements of income	(Millions of yen)	
	FY2015 3 rd quarter (from April 1, 2015 to December 31, 2015)	FY2016 3 rd quarter (from April 1, 2016 to December 31, 2016)
Net sales	1,661,965	1,341,771
Cost of sales	1,313,669	1,135,461
Gross profit	348,296	206,309
Selling, general and administrative expenses		
Advertising and promotion expenses	68,071	57,760
Freightage expenses	42,080	33,642
Provision of allowance for doubtful accounts	139	(244)
Directors' compensations, salaries and allowances	51,481	48,823
Retirement benefit expenses	3,563	2,963
Depreciation	6,894	7,507
Research and development expenses	32,297	39,231
Other	41,764	39,862
Total selling, general and administrative expenses	246,292	229,546
Operating income (loss)	102,003	(23,236)
Non-operating income		
Interest income	3,800	2,685
Equity in earnings of affiliates	7,071	7,220
Other	1,958	1,981
Total non-operating income	12,830	11,887
Non-operating expenses		
Interest expenses	1,220	795
Foreign exchange losses	5,234	6,917
Other	1,692	3,134
Total non-operating expenses	8,148	10,846
Ordinary income (loss)	106,685	(22,196)
Extraordinary income		
Gain on sales of non-current assets	9,870	905
Compensation income for expropriation	-	1,481
Gain on sales of investment in capital of subsidiaries and affiliates	-	810
Other	713	721
Total extraordinary income	10,583	3,918
Extraordinary losses		
Loss on retirement of non-current assets	2,093	1,531
Impairment loss	573	532
Loss on fuel economy test	-	159,737
Loss on closing of plants	15,319	630
Other	811	3,448
Total extraordinary losses	18,797	165,880
Income (loss) before income taxes	98,471	(184,157)
Income taxes	16,776	15,973
Income taxes for prior periods	-	12,019
Net income (loss)	81,695	(212,150)
Net income (loss) attributable to non-controlling interests	4,945	1,157
Net income (loss) attributable to owners of parent	76,749	(213,307)

Consolidated statements of comprehensive income

(Millions of yen)

	FY2015 3 rd quarter (from April 1, 2015 to December 31, 2015)	FY2016 3 rd quarter (from April 1, 2016 to December 31, 2016)
Net income (loss)	81,695	(212,150)
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,387)	1,901
Deferred gains or losses on hedges	49	(218)
Foreign currency translation adjustment	(21,153)	859
Remeasurements of defined benefit plans	(48)	887
Share of other comprehensive income of associates accounted for using equity method	(2,442)	(10,167)
Total other comprehensive income	(26,981)	(6,736)
Comprehensive income	54,713	(218,886)
Comprehensive income attributable to:		
Owners of parent	50,738	(219,120)
Non-controlling interests	3,974	233

(3) Notes to consolidated financial statements

Notes on premise of going concern

N/A

Notes on significant changes in the amount of shareholders' equity

Mitsubishi Motors Corporation issued new shares by third-party allotment with the subscription payment by Nissan Motor Co., Ltd on October 20, 2016. As a result, the capital stock increased by 118,680 million yen and the capital surplus increased by 118,680 million yen.

Accordingly, at the end of December 31, 2016, the capital stock was 284,382 million yen, and the capital surplus was 203,938 million yen.

Segment information

FY2015 3rd quarter (from April 1, 2015 to December 31, 2015)

For information on reportable segment, please refer to “Change in reportable segments” in FY2016 3rd quarter.

(Supplementary information about geographic information)

1. Net sales to the external customers classified by the geographic location of the external customers

(Millions of yen)

	Japan	North America	Europe	Asia	Oceania	Other	Total
Net sales to external customers	283,912	254,371	378,972	343,877	161,001	239,830	1,661,965

Note: Main countries and regions outside Japan are grouped as follows:

- (1) North America..... The United States
- (2) Europe..... Russia, England, Germany, France, the Netherlands
- (3) Asia..... Thailand, the Philippines, China, Indonesia
- (4) Oceania..... Australia, New Zealand
- (5) Other..... Brazil, U.A.E., Puerto Rico

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

(Millions of yen)

	Japan	North America	Europe	Asia	Oceania	Other	Total	Adjustment	Grand total
Net sales									
(1) External customers	988,497	220,022	57,752	218,484	161,001	16,207	1,661,965	–	1,661,965
(2) Intersegment sales & transfers	359,796	13,746	6,043	313,379	83	–	693,049	(693,049)	–
Total	1,348,294	233,768	63,795	531,864	161,084	16,207	2,355,015	(693,049)	1,661,965
Operating income (loss)	41,889	8,908	950	40,796	8,267	525	101,338	664	102,003

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

FY2016 3rd quarter (from April 1, 2016 to December 31, 2016)

Information on reportable segment is omitted as the MMC group (the “Group”) has a single reportable segment which is “automobile business”.

(Change in reportable segments)

The Group’s reportable segments were previously classified as “automobile business” and “financial service business”. Effective FY2016 1st quarter, the Group changed its reportable segments to a single reportable segment which is “automobile business”.

As a result of the transferring finance receivables and leased vehicles of Mitsubishi Motors Credit of America Inc., a subsidiary in the United States in FY2015 2nd quarter, the scale of operations of “financial service business” have significantly decreased.

Accordingly, information on reportable segment is omitted for 3rd quarter of FY2015 and FY2016 as the Group now operates in a single reportable segment.

(Supplementary information about geographic information)

1. Net sales to the external customers, classified by the geographic location of the external customers

(Millions of yen)

	Japan	North America	Europe	Asia	Oceania	Other	Total
Net sales							
Net sales to external customers	188,449	205,722	328,564	305,315	147,622	166,097	1,341,771

Note: Main countries and regions outside Japan are grouped as follows:

- (1) North America..... The United States
- (2) Europe..... Russia, England, 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. Net sales and operating income (loss) classified by the geographic location of the company and its consolidated subsidiaries

(Millions of yen)

	Japan	North America	Europe	Asia	Oceania	Other	Total	Adjustment	Grand total
Net sales									
(1) External customers	789,987	183,338	42,516	160,409	147,622	17,896	1,341,771	–	1,341,771
(2) Intersegment sales & transfers	358,590	6,471	3,515	322,696	143	0	691,417	(691,417)	–
Total	1,148,577	189,810	46,032	483,105	147,766	17,896	2,033,188	(691,417)	1,341,771
Operating income (loss)	(75,235)	(1,311)	3,741	37,764	8,618	1,132	(25,289)	2,053	(23,236)

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