

Financial Information as of March 31, 2018

(The English translation of the
“Yukashoken-Houkokusho” for
the year ended March 31, 2018)

**MITSUBISHI MOTORS
CORPORATION**

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Company name: 三菱自動車工業株式会社 (*Mitsubishi Jidosha Kogyo Kabushiki Kaisha*)
Company name in English: MITSUBISHI MOTORS CORPORATION
Title and name of representative: Osamu Masuko, Member of the Board and CEO
Address of registered headquarter: 5-33-8, Shiba, Minato-ku, Tokyo, Japan
Telephone number: +81-3-3456-1111 (Main telephone number)
Name of contact person: Natsushi Okino, General Manager, Financial Accounting Dept.
(Yoshiko Fujikura, General Manager, General Administration & External Affairs Dept. for matters concerning A. IV. Information about Reporting Company)
Nearest place of contact: 5-33-8, Shiba, Minato-ku, Tokyo, Japan
Telephone number: +81-3-3456-1111 (Main telephone number)
Name of contact person: Natsushi Okino, General Manager, Financial Accounting Dept.
(Yoshiko Fujikura, General Manager, General Administration & External Affairs Dept. for matters concerning A. IV. Information about Reporting Company)
Place for public inspection: Tokyo Stock Exchange, Inc.
2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan

A. Company Information

I. Overview of the Company

1. Summary of business results

(1) Transition of summary of business results for the five most recent fiscal years

Fiscal year		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Fiscal year ended		March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Net sales	Millions of yen	2,093,409	2,180,728	2,267,849	1,906,632	2,192,389
Ordinary profit (loss)	Millions of yen	129,472	151,616	141,027	8,944	110,127
Profit (loss) attributable to owners of parent	Millions of yen	104,664	118,170	72,575	(198,524)	107,619
Comprehensive income	Millions of yen	121,808	148,035	32,482	(204,740)	110,713
Net assets	Millions of yen	550,009	670,766	685,337	703,463	796,562
Total assets	Millions of yen	1,543,890	1,582,802	1,433,725	1,484,413	1,655,299
Net assets per share	Yen	549.63	669.74	682.45	463.37	524.12
Basic earnings (loss) per share	Yen	156.60	120.16	73.80	(164.11)	72.23
Diluted earnings per share	Yen	104.29	–	–	–	72.20
Equity-to-asset ratio	%	35.01	41.61	46.81	46.51	47.18
Return-on-equity ratio	%	23.77	19.71	10.92	(29.16)	14.63
Price/earnings ratio	Times	6.90	9.03	11.42	–	10.54
Net cash provided by (used in) operating activities	Millions of yen	210,443	177,008	197,691	(45,829)	119,624
Net cash provided by (used in) investing activities	Millions of yen	(81,352)	(71,327)	17,169	(73,119)	(97,093)
Net cash provided by (used in) financing activities	Millions of yen	(82,083)	(131,494)	(122,917)	210,377	(23,161)
Cash and cash equivalents	Millions of yen	411,695	395,526	462,440	555,906	559,036
Number of employees [Number of temporary employees not included in the above figures]	Number	30,280 [5,425]	30,498 [5,324]	29,555 [4,515]	29,604 [3,892]	30,507 [7,122]

- (Notes)
1. Net sales do not include consumption taxes.
 2. The number of employees is the number of employees currently on duty.
 3. Ten shares of common stock were consolidated into one share on August 1, 2013, and calculated net assets per share, earnings (loss) per share, and diluted earnings per share on the assumption that the share consolidation was conducted at the beginning of the FY 2013.
 4. Diluted earnings per share for the FY 2014, FY 2015 and FY 2016 are not shown because there are no potential shares.
 5. Price/earnings ratio for the FY 2016 is not shown because there is loss per share.

(2) Transition of significant non-consolidated business indicators for the five most recent fiscal years

Fiscal year		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Fiscal year ended		March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Net sales	Millions of yen	1,671,622	1,774,489	1,806,047	1,567,436	1,721,054
Ordinary profit (loss)	Millions of yen	102,831	123,058	102,685	40,521	23,306
Profit (loss)	Millions of yen	93,641	121,918	42,272	(157,387)	44,301
Common stock	Millions of yen	165,701	165,701	165,701	284,382	284,382
Total number of issued shares	Thousands of shares	983,661	983,661	983,661	1,490,282	1,490,282
Total net assets	Millions of yen	349,699	447,458	470,184	540,427	566,625
Total assets	Millions of yen	1,035,396	964,905	938,787	1,073,008	1,088,312
Net assets per share	Yen	355.59	454.99	478.10	362.69	380.20
Dividend per share (Interim dividend per share included in the above amount)	Yen (Yen)	25.00 (-)	16.00 (7.50)	16.00 (8.00)	10.00 (5.00)	17.00 (7.00)
Basic earnings (loss) per share	Yen	140.11	123.97	42.98	(130.11)	29.73
Diluted earnings per share	Yen	93.31	-	-	-	29.72
Equity-to-asset ratio	%	33.77	46.37	50.08	50.37	52.06
Return-on-equity ratio	%	35.98	30.59	9.21	(31.15)	8.00
Price/earnings ratio	Times	7.71	8.75	19.61	-	25.60
Dividend payout ratio	%	17.84	12.91	37.22	-	57.18
Number of employees [Number of temporary employees not included in the above numbers]	Number	12,698 [1,404]	12,848 [1,473]	13,033 [1,743]	13,222 [1,793]	13,693 [3,065]

- (Notes)
1. Net sales do not include consumption taxes.
 2. Ten shares of common stock were consolidated into one share on August 1, 2013, and calculated net assets per share, earnings (loss) per share, and diluted earnings per share on the assumption that the share consolidation was conducted at the beginning of the FY 2013
 3. Diluted earnings per share for the FY 2014, FY 2015 and FY 2016 are not shown because there are no potential shares.
 4. Price/earnings ratio and dividend payout ratio for the FY 2016 are not shown because there are losses per share.

2. Company history

Date	Outline
April 1970	Mitsubishi Motors Corporation (MMC) incorporated as wholly-owned subsidiary of Mitsubishi Heavy Industries, Ltd. (MHI)
June 1970	MMC started business taking over MHI motor vehicle division operations. MHI's certain facilities of Kyoto Works (presently Kyoto Works Kyoto Plant), Nagoya Motor Vehicle Works, Mizushima Motor Vehicle Works (presently Mizushima Plant) and one other Vehicle Works transferred from MHI to MMC
August 1977	MMC commissioned Nagoya Motor Vehicle Works (presently Nagoya Plant) - Okazaki Plant
December 1979	MMC commissioned Kyoto Works - Shiga Plant
October 1980	MMC and Mitsubishi Corporation jointly established Mitsubishi Motors Australia Ltd. (MMAL) (MMC subsequently acquired all MMAL shares in December 2001)
December 1981	MMC and Mitsubishi Corporation jointly established Mitsubishi Motors Sales of America, Inc. (MMSA)
October 1984	MMC took over management of Mitsubishi Motor Sales Co., Ltd. (established in October 1964)
October 1985	MMC established Diamond-Star Motors Corporation (DSM) as a joint venture company with Chrysler Corporation (MMC subsequently acquired all DSM shares in October 1991 and renamed "Mitsubishi Motor Manufacturing of America, Inc." (MMMA) in July 1995)
December 1988	MMC shares listed on First Section of Tokyo, Osaka and Nagoya stock exchanges (MMC shares delisted from Nagoya Stock Exchange in November 2003 and delisted from Osaka Stock Exchange in November 2009)
March 1995	MMC acquired the majority of shares in Toyo Koki Co. Ltd. (renamed "Pajero Manufacturing Co., Ltd." (PMC) in July 1995 and MMC subsequently acquired all PMC shares in March 2003)
November 1996	MMC commissioned Tokachi Proving Ground in Hokkaido.
August 1997	MMC acquired the majority of shares in MMC Sittipol Co., Ltd. (renamed "Mitsubishi Motors (Thailand) Co., Ltd." (MMTh) in November 2003 and MMC subsequently acquired all MMTh shares in August 2008)
February 1999	MMC acquired shares in Netherlands Car B.V. bringing its equity interest up to 50% (15% stake held by MMC associates included) (MMC additionally acquired shares in Netherlands Car B.V. in March 2001, thereby increasing its equity interest to 100% (15% stake held by MMC associates included))
March 2000	MMC signed basic agreement on business alliance for overall passenger vehicle operations including capital participation with DaimlerChrysler AG (DaimlerChrysler AG acquired 34% of shares in MMC in October 2000 and subsequently sold all shares in November 2005)
December 2002	Mitsubishi Motors Europe B.V. (MME) (established in January 1977) implemented an absorption-type merger with Mitsubishi Motors Sales Europe B.V. (established in March 1993)
January 2003	MMSA, MMMA and one other company merged to form Mitsubishi Motors North America, Inc. (MMNA)
January 2003	MMC spun off truck and bus operations into a separate company, incorporating them as Mitsubishi Fuso Truck and Bus Corporation (MFTBC).
March 2003	MMC transferred a 43% stake in MFTBC to DaimlerChrysler AG and a collective 15% stake to 10 Mitsubishi group firms, leaving it with a shareholding of 42% in MFTBC (MMC transferred all remaining MFTBC shares to DaimlerChrysler AG in March 2005)
May 2003	MMC moved its head office to 2-16-4, Konan, Minato-ku, Tokyo
January 2007	MMC moved its head office to 5-33-8, Shiba, Minato-ku, Tokyo
March 2008	Car production terminated at MMAL
April 2010	Established a new plant in Russia under the agreement between MMC and France's PSA Peugeot Citroen
December 2012	MMC and MME transferred all shares in Netherlands Car B.V. to VDL Groep B.V. in the Netherlands
March 2015	MMC and Mitsubishi Corporation jointly established PT Mitsubishi Motors Krama Yudha Indonesia (MMKI)
November 2015	Car production terminated at MMNA
May 2016	MMC and Nissan Motor Co., Ltd. signed Strategic Alliance Agreement regarding Capital and Business Alliance (Nissan Motor Co., Ltd. acquired 34% of shares in MMC in October 2016)

3. Description of business

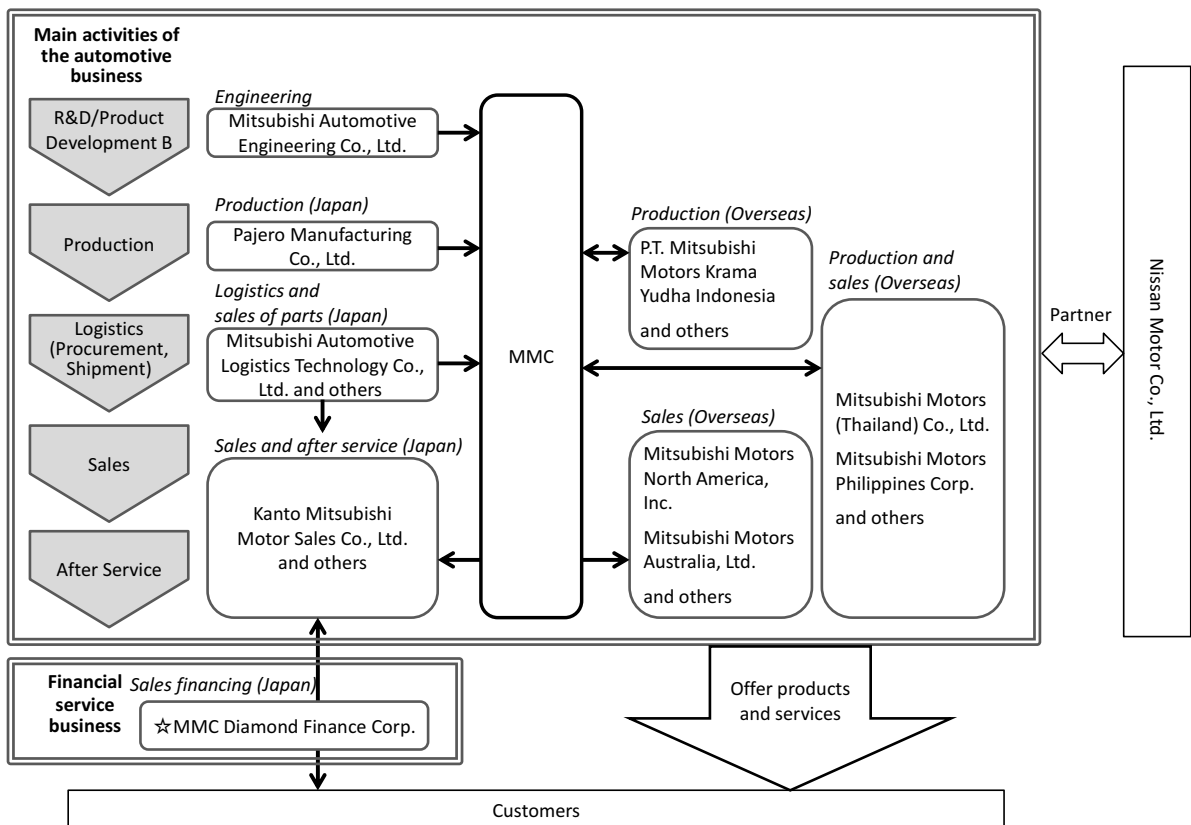
The MMC Group comprises MMC, 34 consolidated subsidiaries and 21 equity-method associates (as at March 31, 2018). The MMC Group is engaged in the development, production and sales of passenger vehicles and their parts and components, as well as in auto financing operations. MMC conducts most of the development work.

In Japan, MMC produces standard and small passenger vehicles and Kei-cars, while Pajero Manufacturing Co., Ltd. produces some Mitsubishi-brand sport utility vehicles (including the PAJERO). Mitsubishi-brand vehicles are sold in Japan by Kanto Mitsubishi Motors Sales Co., Ltd. and other Mitsubishi Motors sales companies. Mitsubishi Automotive Engineering Co., Ltd. undertakes some of the development of MMC products. Mitsubishi Automotive Logistics Technology Co., Ltd. is responsible for the transport of Mitsubishi-brand cars throughout Japan and also for some predelivery inspection and maintenance work.

Outside Japan, Mitsubishi-brand cars are produced and sold in Thailand by Mitsubishi Motors (Thailand) Co., Ltd. In the financial service business, auto lease and sales financing services are provided by MMC Diamond Finance Corp.

In addition to the above, MMC and Nissan Motor Co., Ltd. have forged strategic alliance to cooperate in areas including purchasing, common vehicle platforms, technology-sharing, joint plant utilization and growth markets in May 2016.

The MMC Group structure and constituent company products and services outlined above are shown in the diagram below. (only main companies are shown).



No marks: Consolidated subsidiaries

☆: Entities accounted for using equity method

→: Flow of products and services

(Note) MMC Diamond Finance Corp. became MMC's consolidated subsidiary on April 2, 2018.

(Major products)

(i) SUVs and pickup trucks

RVR / OUTLANDER SPORT / ASX, ECLIPSE CROSS, OUTLANDER, OUTLANDER PHEV, TRITON / L200 / L200 SPORTERO / STRADA,⁽¹⁾ PAJERO / MONTERO, PAJERO SPORT / MONTERO SPORT⁽¹⁾

(ii) Passenger vehicles and minivans

ATTRAGE / MIRAGE G4,⁽¹⁾ DELICA D:2,⁽²⁾ DELICA D:3,⁽²⁾ DELICA D:5, DELICA VAN,⁽²⁾ MIRAGE / SPACE STAR, LANCER CARGO,⁽²⁾ XPANDER⁽¹⁾

(iii) Kei-cars

i-MiEV, eK SPACE, eK WAGON, TOWN BOX,⁽²⁾ MINICAB TRUCK,⁽²⁾ MINICAB VAN,⁽²⁾ MINICAB MiEV

Notes (1) Vehicle models that are exclusively available outside Japan

(2) Vehicle models provided by OEM

4. Status of subsidiaries and associates

(1) Parent company

Not applicable.

(2) Consolidated subsidiaries

Company name	Location	Capital stock (million JPY)	Business lines	Percentage of voting stock holding (%)	Relationship
Hokkaido Mitsubishi Motor Sales Co., Ltd.	Chuo-ku, Sapporo-shi	100	Automobile sales	100.0	Sales of MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
Higashi Nihon Mitsubishi Motor Sales Co., Ltd.	Fukushima-shi, Fukushima	100	Automobile sales	100.0	Sales of MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
Kanto Mitsubishi Motor Sales Co., Ltd.	Meguro-ku, Tokyo	100	Automobile sales	100.0	Sales of MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
Chubu Mitsubishi Motor Sales Co., Ltd.	Higashi-ku, Nagoya-shi	100	Automobile sales	100.0	Sales of MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
Nishi Nihon Mitsubishi Motor Sales Co., Ltd.	Yodogawa-ku, Osaka-shi	100	Automobile sales	100.0	Sales of MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
Pajero Manufacturing Co., Ltd.	Kamo-gun, Gifu	610	Automobile manufacture	100.0	Manufacturing of some MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
Mitsubishi Automotive Logistics Technology Co., Ltd.	Takatsu-ku, Kawasaki-shi	436	Automobile transport and maintenance Sales of automobile parts	83.2	Transport and maintenance of MMC products Sales of parts of MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
Mitsubishi Automotive Engineering Co., Ltd.	Okazaki-shi, Aichi	350	Automobile development	100.0	Development of some of MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
Suiryo Plastics Co., Ltd.	Kurashiki-shi, Okayama	100	Manufacture of automobile parts	100.0	Manufacturing of parts of some MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes

Company name	Location	Capital stock	Business lines	Percentage of voting stock holding (%)	Relationship
Mitsubishi Motors North America, Inc. *2 *3	Cypress, California, the United States	398,812 thousand USD	Automobile sales	100.0	Sales of the MMC Group products Concurrent positions of corporate officers: Yes
Mitsubishi Motors R&D of America, Inc.	Ann Arbor, Michigan, the United States	2,000 thousand USD	Investigation, testing and research related to automobiles	100.0 (100.0)	Development base of the MMC Group automobile in the United States Concurrent positions of corporate officers: Yes
Mitsubishi Motor Sales of Canada, Inc.	Mississauga, Ontario, Canada	2,000 thousand CAD	Automobile sales	100.0 (100.0)	Sales of the MMC Group products Concurrent positions of corporate officers: Yes
Mitsubishi Motor Sales of Caribbean, Inc.	Toa Baja, Puerto Rico	47,500 thousand USD	Automobile sales	100.0	Sales of the MMC Group products Concurrent positions of corporate officers: Yes
Mitsubishi Motors Europe B.V.	Born, the Netherlands	107,165 thousand EUR	Automobile parts sales	100.0	After sales service in Europe Concurrent positions of corporate officers: Yes
Mitsubishi Motor R&D Europe GmbH	Trebur, Germany	767 thousand EUR	Investigation, testing and research related to automobiles	100.0	Development base of the MMC Group automobile in Europe Concurrent positions of corporate officers: Yes Loans: Yes
Mitsubishi Motor Sales Netherlands B.V.	Amstelveen, the Netherlands	6,807 thousand EUR	Automobile sales	100.0	Sales of the MMC Group products Concurrent positions of corporate officers: Yes Loans: Yes

Company name	Location	Capital stock	Business lines	Percentage of voting stock holding (%)	Relationship
Mitsubishi Motors Australia, Ltd.* ²	Clovelly Park, Australia	1,789,934 thousand AUD	Automobile sales	100.0	Sales of the MMC Group products Concurrent positions of corporate officers: Yes
Mitsubishi Motors New Zealand Ltd.	Porirua, New Zealand	48,000 thousand NZD	Automobile sales	100.0	Sales of the MMC Group products Concurrent positions of corporate officers: Yes Loans: Yes
Mitsubishi Motors (Thailand) Co., Ltd.* ²	Pathumthani, Thailand	7,000,000 thousand THB	Automobile assembly, sales	100.0	Assembly, sales of the MMC Group products Concurrent positions of corporate officers: Yes
MMTh Engine Co., Ltd.	Chonburi, Thailand	20,000 thousand THB	Manufacturing of automobile engines and press parts	100.0 (100.0)	Manufacturing of automobile engines and press parts for MMTh products Concurrent positions of corporate officers: Yes
Mitsubishi Motors Philippines Corp.	Santa Rosa, Philippines	1,640,000 thousand PHP	Automobile assembly, sales	51.0	Assembly, sales of the MMC Group products Concurrent positions of corporate officers: Yes
Asian Transmission Corp.	Calamba, Philippines	770,000 thousand PHP	Manufacturing of automobile transmissions	100.0 (10.0)	Manufacturing of automobile transmissions for the MMC Group products Concurrent positions of corporate officers: Yes
Mitsubishi Motors Middle East and Africa FZE	Dubai, U.A.E.	10,000 thousand AED	Automobile parts sales	100.0	Sales of parts of MMC products Concurrent positions of corporate officers: Yes
P.T. Mitsubishi Motors Krama Yudha Indonesia	Bekasi, Indonesia	2,200,000,000 thousand IDR	Automobile assembly	51.0	Assembly of the MMC Group products Concurrent positions of corporate officers: Yes Loans: Yes
10 other subsidiaries in addition to the above					

(3) Equity-method associates

Company name	Location	Capital stock	Business lines	Percentage of voting stock holding (%)	Relationship
Tokachi Mitsubishi Motor Sales Co., Ltd.	Obihiro-shi, Hokkaido	60 million JPY	Automobile sales	35.0	Sales of MMC products Concurrent positions of corporate officers: Yes
Ibaraki Mitsubishi Motor Sales Co., Ltd.	Mito-shi, Ibaraki	30 million JPY	Automobile sales	40.0	Sales of MMC products Concurrent positions of corporate officers: Yes
Nagano Mitsubishi Motor Sales Co., Ltd.	Nagano-shi, Nagano	40 million JPY	Automobile sales	49.86	Sales of MMC products Concurrent positions of corporate officers: Yes
Mie Mitsubishi Motor Sales Co., Ltd.	Yokkaichi-shi, Mie	58 million JPY	Automobile sales	24.8	Sales of MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
Kagawa Mitsubishi Motor Sales Co., Ltd.	Takamatsu-shi, Kagawa	50 million JPY	Automobile sales	23.0	Sales of MMC products Concurrent positions of corporate officers: Yes
Miyazaki Mitsubishi Motor Sales Co., Ltd.	Miyazaki-shi, Miyazaki	60 million JPY	Automobile sales	38.8	Sales of MMC products Concurrent positions of corporate officers: Yes
Higashi Kanto MMC Parts Sales Co., Ltd.	Mihama-ku, Chiba	100 million JPY	Automobile parts sales	33.0 (10.0)	Sales of parts of MMC products Concurrent positions of corporate officers: Yes
NMKV Co., Ltd.	Minato-ku, Tokyo	10 million JPY	Automobile planning and development	50.0	Development of some of MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
MMC Diamond Finance Corp.	Minato-ku, Tokyo	3,000 million JPY	Auto sales financing, leasing, and rentals	47.0	Auto sales financing, leasing, and rentals of MMC products Concurrent positions of corporate officers: Yes
MMD Automobile GmbH	Friedberg, Germany	30,000 thousand EUR	Automobile sales	24.99	Sales of the MMC Group products Concurrent positions of corporate officers: Yes
Mitsubishi Motors Vietnam Co., Ltd.	Binh Duong, Vietnam	410,812,000 thousand VND	Automobile assembly, sales	41.2	Assembly, sales of the MMC Group products Concurrent positions of corporate officers: Yes
GAC Mitsubishi Motors Co., Ltd.	Changsha, China	1,947,000 thousand CNY	Automobile assembly, sales	30.0	Assembly, sales of the MMC Group products Concurrent positions of corporate officers: Yes
P.T. Mitsubishi Motors Krama Yudha Sales Indonesia	Jakarta, Indonesia	1,300,000,000 thousand IDR	Automobile sales	30.0	Sales of the MMC Group products Concurrent positions of corporate officers: Yes
8 other associates in addition to the above					

(4) Other subsidiary and associate

Company name	Location	Capital stock (million JPY)	Business lines	Percentage of voting stock held (%)	Relationship
Nissan Motor Co., Ltd.*4	Kanagawa-ku Yokohama-shi	605,814	Automobile assembly, sales and related business	34.0	Mutual sale of products, etc. and sharing technology Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
Mitsubishi Corporation*4	Chiyoda-ku, Tokyo	204,447	Wholesale trade	20.0 (10.76)	Sales of products, etc. and purchase of raw materials Concurrent positions of corporate officers: Yes

(Notes) 1. Figures in parentheses in the “Percentage of voting stock holding/held” column represents the percentage of indirect holding/indirect held.

*2. These companies are classified as “Specified subsidiaries.”

*3. Net sales (excluding consolidated intercompany sales within the MMC Group) of Mitsubishi Motors North America, Inc. exceeded 10% of consolidated net sales. Key profit and loss information is shown below.

Mitsubishi Motors North America, Inc. (Consolidated)

(1) Net sales	311,837	million yen
(2) Ordinary profit (loss)	15,264	
(3) Profit (loss)	24,791	
(4) Net assets	6,801	
(5) Total assets	100,991	

*4. Nissan Motor Co., Ltd. is a company that is obliged to file an annual securities report.

5. “Concurrent positions of corporate officers” shown in the “Relationship” column include concurrent positions of corporate officers of the respective companies held by corporate officers or employees dispatched from MMC or other consolidated subsidiaries, as well as secondments and work transfers.

5. Employees

(1) Number of employees at consolidated companies

(As of March 31, 2018)

Name of business segment	Number of employees	
Automobile	30,507	(7,122)
Total	30,507	(7,122)

- (Notes)
1. The number of employees is the number of employees currently on duty (excluding corporate officers).
 2. The number of temporary employees (part-time employees, fixed-term employees, dispatched employees, etc.) as of March 31, 2018 is presented in parentheses and not included in the figures on the left.

(2) Number of employees at reporting company

(As of March 31, 2018)

Name of business segment	Number of employees			Average age (Year-old)	Average number of years employed (Years)	Average annual salary (Yen)
	Administrative/engineering employees	Shop floor employees	Total			
Automobile	7,423 (1,082)	6,270 (1,983)	13,693 (3,065)	41.1	15.9	7,209,000

- (Notes)
1. The number of employees is the number of employees currently on duty (excluding corporate officers).
 2. "Shop floor employees" refers to employees directly involved in production activities, employees that assist production activities and employees that provide instruction and supervision related to production activities. "Administrative/engineering employees" refers to employees other than shop floor employees.
 3. The number of temporary employees (part-time employees, fixed-term employees, dispatched employees, etc.) as of March 31, 2018 is presented in parentheses and not included in the figures on the above.
 4. Average annual salary (including tax) includes bonuses and surplus wages.

(3) Workers Unions

Workers' unions associated with MMC and its domestic consolidated subsidiaries are affiliated with Japan Automobile Workers' Unions through the Federation of All Mitsubishi Motors and Mitsubishi Fuso Workers Unions.

II. Overview of Business

1. Management policy, business environment and issues to be addressed

Any future forecasts included in the following descriptions are based on the best estimates or judgment of the MMC Group as of March 31, 2018.

(1) Basic management policy

In light of the drastically changed business environment, MMC has newly established its “Vision” and “Mission” as follows.

[Vision] (the society we want to create)

Create vibrant society by realizing the potential of mobility

[Mission] (the ways to realize the Vision)

1. Provide new experiences for our customers with creative products and service excellence
2. Make positive contributions to the sustainable development of our society
3. Act sincerely as a trusted company
4. Enhance stakeholder value by leveraging the Alliance

The automobile industry faces an era of unprecedented substantial transformation. Like in electrification, autonomous driving or connectivity, the competition in development is expected to differ completely, both in quality and in quantity. To address the drastic changes in environment and to continue to exist as a company desired by society, MMC endeavors to materialize our “Vision” through the activation of our “Mission.”

(2) Business environment and issues to be addressed

MMC has formulated the DRIVE FOR GROWTH mid-term business plan covering the three years to FY2019 in FY2017.

With this mid-term business plan, MMC aims to build the foundations for profitable and sustainable growth, with an emphasis on the following three priorities.

The first priority is to restore trust, which was damaged by the improper conduct in fuel consumption test.

MMC will continue to drive thorough reforms and strengthening of the internal control and governance systems making use of IT and other means, and prioritizing compliance. MMC will make ceaseless efforts to swiftly regain the trust of customers and society.

The second priority is to keep MMC firmly on track for a V-shaped recovery in operating results.

By FY2019 MMC aims to increase its sales volume from around 1.0 million units to 1.3 million units, and net sales increasing to 2.5 trillion yen, up 30% from FY2016. At the same time, MMC will implement thorough cost controls, aiming to increase the operating margin to 6% or more, in line with the previous peak.

FY2017, the first year of the mid-term business plan, was a steady first step towards achieving the targets for FY2019, with sales volume increasing by 18.9% year on year to 1,101,000 units, net sales growing by 15.0% year on year to 2,192.4 billion yen and the operating margin recovering to 4.5%.

Additionally, to achieve for both volume growth and stronger earning capability in this way, MMC will invest more than 600.0 billion yen in development and facilities during the three-year period in order to launch new models and establish its business foundation. Meanwhile, while conducting this aggressive investment program, MMC will strive to secure positive free cash flow each year, and to maintain a sound financial condition.

The third priority is to ensure the successful launch of new models.

MMC will further strengthen its product lineup in areas where it can leverage its strengths, such as 4WD and pickup trucks, mainly focusing on the SUV segment, where growth is expected. Specifically, MMC's plan is to launch 11 new models during the mid-term business plan period, starting with new models, the XPANDER and the ECLIPSE CROSS, which commenced production and sales in FY2017.

MMC will focus not only sales in its strongest market, ASEAN, as well as on core markets such as Japan, Oceania, the U.S., and China to achieve success for these new models. This approach should build MMC's brands and lead to growth in scale.

As MMC implements initiatives to deal with these issues, it will make full use of its alliance with Nissan Motor. In April 2018, MMC integrated some of its purchasing functions with those of the Renault-Nissan alliance. From FY2019, MMC will accelerate initiatives aimed at a full-scale alliance that includes the areas of research and development, production, after sales service and business development.

[Establishment of a joint venture company "Nissan-Mitsubishi B.V."]

In June 2017, MMC and Nissan Motor established "Nissan-Mitsubishi B.V." ("NMBV") in the Netherlands as a 50-50 joint venture with the remit of seeking for, promoting, adjusting and encouraging synergies at both companies. At the time NMBV was established, the Board of Directors consisted of Carlos Ghosn (Chairman and CEO of NMBV), Hiroto Saikawa and Osamu Masuko.

As consideration for its contributions to generating synergies, NMBV receives a fee from MMC and Nissan Motor, and in addition to operational expenses and the compensation of the above-mentioned directors and the employees, it is responsible for paying incentives to employees of Group companies who contribute to the creation of synergies.

2. Business-related risks

Risks that may seriously impact the operating results and/or financial position, and the like of the MMC Group are outlined below. Matters concerning the future are judged as of the filing date of this securities report unless otherwise stated.

(1) Impact of the economic and social situation in Japan and overseas

Overseas sales accounted for around 80% of the MMC Group's consolidated net sales for the previous fiscal year. Changes in the economic and social situation in Japan or in the regions and countries the MMC Group trades with, and in particular the countries of the ASEAN region and other emerging nations that will be central to the MMC Group's regional strategy, may seriously impact the MMC Group's operating results and/or financial position. In addition, conducting business operations in overseas markets exposes the MMC Group 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 starts to manifest themselves, they may seriously impact the operating results and/or financial position of the MMC Group.

(2) Impact of intensifying competition in the automotive industry

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 position of the MMC Group.

Amid intensifying competition in the automotive industry and shorter new product development cycles, MMC 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, or the market may not be sufficiently receptive to MMC's strategic products. Such conditions may seriously impact the operating results and/or financial position of the MMC Group. In addition, the MMC Group may render ineffective its measures to maintain or enhance competitiveness, and as a result, product demand could fall. Such conditions may seriously impact the operating results and/or financial position of the MMC Group.

(3) Impact of 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, floods, 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. The MMC Group has prepared and maintains plans to keep operations going and disaster measures in areas and under situations where such risks are high and where they would have a serious impact on the MMC Group's operations. A disaster occurring on a scale larger than anticipated, however, may seriously impact the operating results and/or financial position of the MMC Group.

(4) Impact of laws and regulations, etc.

The MMC Group is subject to various laws and regulations, etc. governing protection of the global 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 position of the MMC Group.

Other than the above laws and regulations, the MMC Group's business activities are also subject to a wide range of laws and regulations in Japan and overseas. For example, the business activities are under restrictions by consumer protection regulations, approvals and licenses for businesses and investments, labor regulations, environmental protection regulations, foreign exchange regulations, import-export trade regulations including those for security purposes, various tax laws, anti-monopoly laws, anti-bribery laws and the like. In some cases, the MMC Group's businesses may be conducted based on a legislative foundation that has not been developed sufficiently, or the burden of expenses may increase for responding to lack of comprehensive system of laws and regulations, application and interpretation of inconsistent laws and regulations, unilateral changes made by supervisory authorities in regulatory measures, and others. In addition, any unexpected change may be made in rates of taxes imposed on products or services supplied by these businesses, technical requirements for environmental restrictions, income taxes and tariffs, a broad range of laws and regulations including exchange restrictions on investment principals and dividend reflux, and others.

In order to deal with these legal and regulatory risks, the MMC Group has taken preventive measures with regard to compliance with laws and regulations, etc. Moreover, the MMC Group has also improved a structure to respond promptly when it detects any compliance-related matter to prevent an effect on its social credibility and reputation. However, the possibility that a law violation may be committed in the future is not zero. If there is a fact of law violation, or the content, promptness and others of its response are insufficient, the fact or insufficiency may have a

negative impact on the MMC Group's social credibility and reputation, and furthermore, on its operating results and financial position.

(5) Impact of changes in manufacturing cost

The MMC Group sources parts and raw materials, etc. 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 position of the MMC Group.

(6) Impact of foreign exchange rate fluctuations

Overseas sales accounted for around 80 percent of the MMC Group's consolidated net sales for the previous fiscal year. MMC closely monitors the market trend of Thai baht for foreign currency denominated receivables and US dollars and Euros for foreign currency denominated payables to take necessary measures in a timely manner, but significant fluctuations in the foreign currency rates may still seriously impact the operating results and/or financial position of the MMC Group.

(7) Impact of failure to achieve mid-term business plan targets mainly due to differences between the premises on which the plan was drawn up and real-world conditions

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 or should risks other than those described in this section become prominent, the operating results and/or financial position of the MMC Group may be seriously impacted.

(8) Impact of product quality and safety

The MMC Group endeavors to improve the quality and assure the safety of the MMC Group's products. However, in the event that MMC has to issue a recall or implement countermeasures, etc. 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 reputation of the MMC's products and consequent drop in demand, etc. for its products may seriously impact the operating results and/or financial position of the MMC Group.

(9) Impact of lawsuits, etc.

Any lawsuit brought against the MMC Group 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 position of the MMC Group.

In addition, in the event that decisions, etc. in legal actions, etc. currently under dispute go against the MMC Group's claims or predictions, these may seriously impact the operating results and/or financial position 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 position of the MMC Group.

(10) Impact of dependence on particular suppliers

The MMC Group sources raw materials and parts, etc. 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, etc. for which a specific technology is required. Consequently, the operating results and/or financial position of the MMC Group may be seriously impacted in the event that some unforeseen situation arises and interrupts deliveries from such suppliers or in the event that it is not possible to procure materials and parts at competitive prices in a timely manner.

(11) Impact of credit risks of customer, trading partner and others

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 MMC Group's estimates, the operating results and/or financial position of the MMC Group may be seriously impacted.

(12) Impact of infringement of intellectual property rights

In order to distinguish its products from those of other auto manufacturers the MMC Group 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 the MMC Group's 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 the MMC Group's 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, or causes damage to reputation of the MMC's products and a consequent drop in demand, the operating results and/or financial position of the MMC Group may be seriously impacted.

(13) Impact of IT and information security

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

3. Management analysis of financial position, operating results and cash flows

An overview of the financial position, operating results and cash flows (“operating results, etc.”) of the MMC Group (MMC, its consolidated subsidiaries and its entities accounted for using equity method) during the current fiscal year follows. Any forward-looking statements expressed below are based on the judgment of the MMC Group as of March 31, 2018.

(1) Overview and analysis of financial position and operating results, etc.

MMC has commenced the DRIVE FOR GROWTH mid-term business plan, aiming to build the foundations for profitable and sustainable growth. In the current fiscal year, which was the first year of the plan, MMC successfully launched two new vehicles, which contributed to sales volumes exceeding previous-year levels in all regions, such that global sales volume reached 1,101,000 units, up 19% year on year.

Sales in the ASEAN region, which has been designated a core market in the mid-term business plan, increased by 33% year on year to 275,000 units, driven by the strong performance of the XPANDER next-generation crossover MPV, which was launched in Indonesia in October 2017. In addition to a recovery in overall demand in Thailand, sales in that country, primarily of pick-up trucks, were strong, and grew year on year. In the Philippines, demand also rose due to the PAJERO SPORT and the MIRAGE, for which local production has been started. In Indonesia, in order to respond to demand for the XPANDER, operations at the Bekasi Plant moved to a two-shift system in October 2017, and in April 2018 exports to the Philippines began, after which the MMC Group will move ahead with plans to export to other ASEAN countries.

China has been designated a priority market, and here the continued steady growth in sales of the OUTLANDER, local production of which began the year before last, was the driver behind a 55% year-on-year increase in sales to 136,000 units. In addition, in preparation for growth in MMC’s market share, the local sales network is scheduled to be expanded to 400 branches as of March 31, 2020, a process that continued steadily in the current fiscal year, which saw an increase to 302 branches.

In Japan, which is designated a recovery market, sales posted a solid turnaround, increasing 23% year on year to 98,000 units due to the return to form of the eK WAGON and eK SPACE Kei-car models, and the strength of the “ACTIVE GEAR” series.

The new ECLIPSE CROSS compact SUV also had a steady launch. Following on from Europe at the end of last year, this year the model was expanded to markets in Oceania and North America, with sales also beginning in Japan in March 2018.

i) Net sales

Net sales for the current fiscal year were 2,192.4 billion yen (an increase of 285.8 billion yen year on year, or up 15% year on year), mainly due to an increase in sales volume described above. Moreover, sales volume and value by region are as presented in “(3) Production, orders and sales (iii) Sales.”

ii) Operating profit

Operating profit improved significantly from the 5.1 billion yen posted in the previous fiscal year, to 98.2 billion yen (an increase of 93.1 billion yen year on year). This increase in profit was caused mainly by the impact of higher sales volumes, to which were added the effects of cost cutting and reductions in expenses for market quality measures, but it was partially offset by a rise in selling expenses.

iii) Ordinary profit and profit attributable to owners of parent

Ordinary profit was 110.1 billion yen (an increase of 101.2 billion yen year on year). Profit attributable to owners of parent was 107.6 billion yen (an improvement of 306.1 billion yen year on year), putting the MMC Group back in the black after posting a loss of 198.5 billion yen in the previous year due primarily to a loss on fuel consumptions test.

(2) Cash flow

Cash and cash equivalents (“funds”) during the current fiscal year grew by 3.1 billion yen compared to the end of the previous fiscal year, to 559.0 billion yen, primarily as a result of profit before income taxes of 103.0 billion yen, although this was partially offset by factors such as outflows resulting from purchase of property, plant and equipment, and cash dividends paid. Free cash flow for the current fiscal year was 22.5 billion yen.

Cash flows during the current fiscal year and their causes are as follows.

Cash flows from operating activities

Net cash provided by operating activities was 119.6 billion yen (compared to cash used in operating activities of 45.8 billion yen in the previous fiscal year). This was primarily due to profit before income taxes reaching 103.0 billion yen (compared to a loss of 158.7 billion yen for the previous fiscal year), due to the consolidated accounts swinging back into the black after the loss on fuel consumption test that was posted in the previous fiscal year, and representing a steady departure on the road to the planned V-shaped recovery.

Cash flows from investing activities

Net cash used in investing activities was 97.1 billion yen (an increase of 24.0 billion yen year on year). This was caused primarily by increases in capital expenditures used for purchase of property, plant and equipment in preparation for building a foundation for sustainable growth, as described in the mid-term business plan.

Cash flows from financing activities

Net cash used in financing activities was 23.2 billion yen, (compared to cash provided of 210.4 billion yen in the previous fiscal year). The main uses of cash for the current fiscal year were decreases in short-term loans payable and cash dividends paid. Furthermore, the main factors behind the cash provided in the previous fiscal year were proceeds from issuance of common shares of 236.3 billion yen.

Note: The following formula is used to calculate free cash flow.

The sum of cash flows from operating activities and cash flows from investing activities.

(3) Production, orders and sales

i) Production

Production for the current fiscal year is as follows.

	Current fiscal year Quantity (Units)	Year on year (%)
Japan	589,663	110.9
Overseas	680,607	124.2
Asia	660,832	124.0
Other	19,775	131.8
Total	1,270,270	117.7

- (Notes) 1. Figures for production quantity in the table above are totals of built-up vehicles produced by MMC and its consolidated subsidiaries (knockdown production is also included in the quantity in Japan) which include the OEM production for other companies and jointly-developed vehicle production conducted by MMC.
2. Beginning from the fiscal year ended March 31, 2013, locally branded models produced in China, which to date had been included in the output figure for China, are now excluded from the overseas production figure.

(ii) Orders

MMC generally operates on a make-to-stock basis, except for special cases such as when dealing with large-lot demand.

(iii) Sales

Sales results during the current fiscal year are as follows.

	Current fiscal year		Year on year (%)	
	Quantity (Units)	Amount (Millions of yen)	Quantity	Amount
Japan	225,197	349,406	124.7	117.5
Overseas	1,034,868	1,842,982	111.7	114.5
North America	182,151	352,529	108.0	113.7
Europe	212,706	454,808	94.7	104.9
Asia	433,876	591,662	137.0	136.5
Oceania	96,117	240,961	114.8	118.9
Other Regions	110,018	203,020	83.0	88.4
Total	1,260,065	2,192,389	113.8	115.0

(Notes) 1. Sales results represent the sales quantity of built-up vehicles and knockdown kits produced by MMC and its consolidated subsidiaries, classified by the geographic location of the external customers.

2. The sales results by major customer and their ratios against total sales are as follows.

Customer	Previous fiscal year		Current fiscal year	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Mitsubishi Corporation	271,865	14.3	295,138	13.5

3. Above stated amounts do not include consumption taxes.

(4) Significant accounting policies and estimates

The MMC Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan (Japan GAAP). The preparation of consolidated financial statements requires that estimates and assumptions be made that affect the recorded amounts of assets and liabilities, disclosed amounts of contingent assets and liabilities at the end of the current fiscal year, as well as recorded amounts of revenue and expenses during the reporting period. Although the estimates were made based on the past results and methods deemed reasonable, because of uncertainty unique to estimates, actual results could differ from these estimates.

The significant accounting policies applied by the MMC Group in the preparation of the consolidated financial statements are explained in "Material basis of the preparation of consolidated financial statements" of "V. Financial Information, 1. Consolidated financial statements." The MMC Group considers the following significant accounting policies could materially affect the estimates made in the consolidated financial statements:

i) Provision for loss on fuel consumption test

To provide for losses relating to fuel consumption test, provision is calculated to the extent that can be reasonably projected and estimated at the end of the current fiscal year.

ii) Provision for product warranties

The MMC Group calculates the provision for product warranties after taking into account, future warranty forecasts based on past results in accordance with warranty contracts in order to provide for the products' after-service costs. The estimates of after sales service cost may need to be revised when actual product defect rate or repair cost differ from the estimates.

iii) Allowance for doubtful accounts

To prepare for losses from bad debts for trade receivables, loans, etc., allowance for doubtful accounts is provided based on the historical default rate for ordinary receivables, and taking into account individual collectability for specific receivables such as doubtful receivables. An estimate of the amount of specific uncollectible accounts is calculated. In cases where a customer's ability to pay decreases because of financial deterioration due to factors such as changes in economic conditions, recording of the additional allowance for doubtful accounts may be required.

iv) Retirement benefit expenses and retirement benefit obligation

The retirement benefit expenses and retirement benefit obligations are calculated based on certain actuarial assumptions, including discount rates, expected rate of bonuses, employee turnover rate, as well as mortality rate and long-term rate of return on pension plan assets calculated based on the latest statistical figures. When the actual results differ from assumptions, or when the assumptions are amended, the effect thereof will be accumulated and recognized regularly going forward; thereby affecting the amount of expenses to be recognized and amount of liabilities to be recorded in the future period.

v) Evaluation of deferred tax assets

The MMC Group deducts a valuation allowance from its deferred tax assets in order to reduce the amount to an amount considered to be highly recoverable, then records the net amount. The valuation allowance is calculated giving consideration to future taxable income, tax planning, and other factors. Where all or part of the deferred tax assets are judged to be unrecoverable in the future, an adjustment to deferred tax assets is recognized as an expense in the period during which the judgment was made. Furthermore, where the amount of deferred tax assets recoverable in the future is judged to exceed the recognized amount of deferred tax assets, an adjustment to deferred tax assets is recognized as profit in the period during which the judgment was made.

vi) Evaluation of investment securities

The MMC Group retains shares of publicly traded companies with high price volatility and shares of not publicly traded companies for which it is difficult to determine their stock prices. The MMC Group periodically reviews the evaluation of investment securities and conducts impairment accounting if the evaluation falls below the acquisition cost or the carrying amount after impairment by a certain rate or more. Worsening market conditions or unstable performance at invested companies in the future may require the implementation of impairment in the event that losses are not reflected in the current carrying amount or the carrying amount becomes irrecoverable.

vii) Impairment loss of non-current assets

When applying impairment accounting to non-current assets, the MMC Group groups the assets by plant or business site, and so forth, and estimates the future cash flows for each Group. If the recoverable amounts of the future cash flows are less than their carrying amounts, the carrying amount is reduced to the recoverable amount. If the recoverable amount is decreased, impairment loss may be incurred and may affect profit or loss.

(5) Analysis of capital resources and liquidity of funds

In the fiscal year ending March 31, 2019 also, MMC will steadily move forward with investments aimed at building a foundation for sustainable growth, and capital expenditures are scheduled to be implemented for new products, and for strengthening investments in production and IT. With regard to research and development, in addition to strengthening development for new model types that will be launched going forward, MMC will continue to augment our development resources in order to refine our SUV and electrification technology. During the same fiscal year, it is planned that capital expenditures and research and development will be funded mainly out of cash in hand and cash equivalents, as well as cash provided by operating activities, but MMC will tackle investments individually, subject to the discipline of maintaining a healthy cash flow.

4. Critical contracts for operation

Company which entered into agreement	Counterparty		Agreement	Date on which agreement entered into
	Name	Country		
Mitsubishi Motors Corporation (MMC)	China Aerospace Automotive Industry Group Co. Shenyang Jianhua Motors Engine Co., Ltd. Mitsubishi Corporation MCIC Holdings Sdn. Bhd.	China China Japan Malaysia	Agreement on the establishment of Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. regarding automobile engine business in China	May 15, 1997
Mitsubishi Motors Corporation (MMC)	Harbin Dong-An Engine Manufacturing Company Harbin Aircraft Manufacturing Corporation Harbin Dongan Auto Engine Co., ltd. Mitsubishi Corporation MCIC Holdings Sdn. Bhd.	China China China Japan Malaysia	Agreement on the establishment of Harbin Dongan Automotive Engine Manufacturing Co., Ltd. regarding automobile engine business in China	June 16, 1998
Mitsubishi Motors Corporation (MMC)	Nissan Motor Co., Ltd. Suzuki Motor Corporation	Japan Japan	Agreement on the rights, obligations, etc. between the shareholders concerning Jatco Ltd.	March 15, 2007
Mitsubishi Motors Corporation (MMC)	Fujian Motor Industrial Corporation China Motor Corporation	China Taiwan	Joint venture agreement with South East (Fujian) Motor Co., Ltd. regarding sales and production of vehicles	March 27, 2006
Mitsubishi Motors Corporation (MMC)	Peugeot Citroen Automobiles SA	France	Joint venture agreement to produce vehicles in Russia	May 19, 2008
Mitsubishi Motors Corporation (MMC)	Guangzhou Automobile Group Company, Ltd. Mitsubishi Corporation	China Japan	Joint venture agreement on the establishment of GAC Mitsubishi Motors Co., Ltd. regarding sales and production of vehicles, etc. in China	September 5, 2012
Mitsubishi Motors Corporation (MMC)	PT Krama Yudha Mitsubishi Corporation	Indonesia Japan	Joint venture agreement to produce vehicles in Indonesia	March 24, 2015
Mitsubishi Motors Corporation (MMC)	Nissan Motor Co., Ltd.	Japan	Strategic Alliance Agreement regarding Capital and Business Alliance with Nissan Motor Co., Ltd.	May 25, 2016
Mitsubishi Motors Corporation (MMC)	Mitsubishi UFJ Lease & Finance Company Limited Tokio Marine & Nichido Fire Insurance Co., Ltd.	Japan	Agreement on the acquisition of shares of MMC Diamond Finance Corp.	March 27, 2018

5. Research and development activities

In order to realize the newly established corporate vision, “Create a vibrant society by realizing the potential of mobility,” MMC has designated SUV NEW VALUE, EV NEW VALUE, and SYSTEM NEW VALUE as the direction of next-generation technology, and is pushing forward with research and development. In terms of research and development establishments, in Japan, MMC has the “Technology Development Center” and the “EV Research & Development Center,” which conduct early research, design, and testing of designs and technologies. These facilities also maintain links with MMC’s overseas R&D bases in North America, Europe, China, and Thailand, through which MMC conducts global technology and product development attuned to market characteristics. Looking ahead, as well as taking steps to ensure that sufficient synergy effects are derived from cooperative efforts within the Nissan alliance, such as the sharing of basic technology, MMC will promote technology and product development that more clearly emphasizes the special characteristics of Mitsubishi Motors.

As initiatives in response to environmental concerns and to contribute to the development of a sustainable motorized society, MMC has been working to develop next-generation electric vehicle technologies and next-generation engines (downsized fuel-injected turbo engines and clean diesel engines), and technologies that improve fuel efficiency, which includes reducing the weight of chassis and components. In particular, with regard to electric vehicle technologies, the OUTLANDER PHEV, featuring MMC’s original plug-in hybrid EV system (PHEV) that achieves both long-distance travel and environmental performance, has been highly rated by customers. MMC continues to work on development with the goal of being a leader in electric vehicle technology.

Additionally, MMC has been conducting ongoing development of next-generation engines to achieve both driving performance and environmental performance, and further advancing MMC’s unique technology, the S-AWC^{*1} four-wheel integrated vehicle dynamics control system. MMC will continue to utilize and develop these technologies in its next generation models, including electric vehicles. In particular, MMC has positioned the combination of motor drive and S-AWC as “e-EVOLUTION,” and has continued their development with the goal of providing both driving pleasure and environmental performance. MMC continues to work to realize the safety that will enable its customers to drive its cars with peace of mind by developing its advanced preventative safety technology, e-Assist^{*2}, and its collision safety technology, “RISE^{*3} (Realized Impact Safety Evolution)” advanced safety body. As a result of continued efforts related to these safety technologies, MMC’s new ECLIPSE CROSS compact SUV, was awarded five-star ratings in each of the following car assessments: The 2017 EURO NCAP (European New Car Assessment Programme), the 2017 Australia and New Zealand ANCAP (The Australasian New Car Assessment Program) and the 2018 ASEAN NCAP (New Car Assessment Program for Southeast Asian Countries). This demonstrated the high safety performance of MMC’s latest compact SUV.

In other areas, MMC is developing technologies for providing a comfortable cabin environment (improving ride, quietness, convenience, etc.) as well as developing technologies for connecting with information devices such as a smartphone onboard.

*1: S-AWC: Super All Wheel Control

*2: e-Assist: e-Assist comprises the functions below to support safer driving

- Forward Collision Mitigation System (FCM)
This radar-based system automatically applies the brakes when there is a risk of collision with the vehicle in front and helps to avoid a collision or reduce impact damage in the event of a collision.
(Pedestrian detection function featured on the OUTLANDER, OUTLANDER PHEV and ECLIPSE CROSS)
- Low Speed Zone Forward Collision Management System (FCM-City)
This radar-based system automatically applies the brakes when there is a risk of collision with the vehicle in front at low speed (from approx. five to approx. 30 km/h) and helps to avoid a collision or reduce impact damage in the event of a collision.
- Lane Departure Warning System (LDW)
This system alerts the driver when the vehicle starts to drift from its lane while driving.
- Adaptive Cruise Control System (ACC)
This system maintains a preset distance with the vehicle in front, even in congested traffic.
- Blind Spot Warning System (Lane Change Assist) (BSW/ LCA)
This system uses an indicator on the door mirror to notify drivers of the presence of other vehicles in the rear-diagonal position, which can easily be a blind spot. If in such situations the indicator is activated on the side

on which there is a vehicle, a buzzer sounds and an indicator flashes in the door mirror to draw the driver's attention more strongly.

- Rear Cross Traffic Alert (RCTA)
When an approaching vehicle is detected while reversing in parking lots etc., the driver's attention is drawn by means of the sounding of a buzzer and an indicator flashing in the door mirror, as well as the display of a warning message in the instruments.
- Ultrasonic Misacceleration Mitigation System (forward)
Controls sudden acceleration caused by mistakes in the operation of the gear lever and acceleration pedal when moving forward.
- Ultrasonic Misacceleration Mitigation System (UMS) (forward and backward)
Controls sudden acceleration caused by mistakes in the operation of the gear lever and acceleration pedal when moving forward or backward.

*3: RISE: Reinforced Impact Safety Evolution

Research and development spending by the MMC Group in the current fiscal year (automobile business) totaled 102.5 billion yen.

The main new products sold between April 2017 and March 2018 were as follows.

1. Launched the XPANDER next-generation crossover MPV. Combining the comfort and versatility that only an MPV can provide with the driving feel and styling of an SUV, the XPANDER is a signature MMC model, as well as a next-generation crossover that has evolved to a level that transcends previous MPVs. The main product features are as follows.
 - (1) Class-leading interior space derived from the wide body
This next-generation crossover MPV uses a wide body that is larger all round than previous small MPVs, resulting in class-leading interior space and a passenger layout optimized for multi-passenger use, while also realizing sufficient load space. In addition, while securing sufficient head clearance for all seats and sufficient space between passengers, MMC has realized superior comfort and ease of getting in and out for the third row of passengers.
 - (2) Crossover design that combines elements of both MPV and SUV
 - As well as creating an MPV-like form with the elegant roofline and the flowing window shape created by omitting the upper part of the rear quarter pillar, the design combines the dynamism of an SUV by means of the powerfully sculpted lines along the sides of the body, and the thrusting muscularity of the front and rear fenders.
 - As part of the further evolution of the "DYNAMIC SHIELD" concept that emphasizes its function of protecting both people and the vehicle itself, in addition to distributing LED position lights along the upper section in order to increase visibility, functionality has been improved through such measures as lowering the headlight position (to the front bumper).
 - (3) Superior driving performance and comfort
 - Using a 1.5 L engine equipped with continuously variable intake valve timing (MIVEC) technology, MMC sought to achieve high performance and low fuel consumption. The transmissions offered are a five-speed manual and a four-speed automatic.
 - Through the use of a highly rigid body and by careful optimization of the suspension, MMC achieves class-leading clearance of 205 mm*4, while realizing class-beating ride comfort and high dimensional handling stability. Superior noise reduction within the passenger compartment to a level that does not prevent conversations helps occupants to enjoy a pleasant drive.
*4: For vehicle using 16-inch tires
 - (4) Comes equipped with smart and convenient functionality
Carrying the keyless operation fob allows users to unlock and lock the doors simply by pressing the door handle switch, while the engine can be started or stopped just by pressing the engine switch while holding down the brake pedal. Also, when using the keyless operation fob, if the vehicle is unlocked using the remote control, the position lights come on for 30 seconds, and welcome lights and are provided to greet the driver for their convenience.
2. New ECLIPSE CROSS compact SUV is launched. As a signature MMC model that fuses an unprecedentedly stylish coupe form with the dynamic mobility of an SUV, the special features of the

ECLIPSE CROSS are an individualistic design that inspires the driver to get out and go, connectivity that allows new forms of entertainment, and the reassurance and enjoyable driving feel enabled by four-wheel control technology. The main product features are as follows.

(1) Individualistic design that inspires the driver to get out and go

Without permitting any compromise in the SUV functionality derived from the commanding view allowed by the high waistline and the roomy interior, MMC realized a dynamic coupe style with a dynamic presence that stands out in the city. The new model boasts powerful performance, and is equipped with a further evolution of the “DYNAMIC SHIELD” front design concept that expresses the reassurance conveyed by its protection of people and vehicle.

(2) Connectivity that allows new forms of entertainment

The Smartphone-link Display Audio (SDA) that provides connections between the display audio unit and smart phones, and the touch panel controller, are standard equipment on the highest “G Plus Package.” (SDA is compatible with Apple CarPlay*⁵ and Android Auto^{TM*6})

A head-up display (HUD) is also used to allow information such as the vehicle speed and preventive safety measures to be recognized accurately with minimal eye movement. (Standard equipment on “G,” “G Plus Package” grades)

*5: Apple CarPlay is a trademark of Apple Inc., registered in the U.S. and other countries.

*6: Android Auto is a trademark or a registered trademark of Google, Inc.

(3) Reassurance and enjoyable driving feel enabled by four-wheel control technology

The four-wheel vehicle uses an electronically controlled four-wheel-drive system that takes into account the degree to which the accelerator is open, the vehicle speed and other vehicle driving conditions to continually and appropriately distributes the torque transferred to the back wheels. In addition, the vehicle is equipped with the Super All Wheel Control (S-AWC) integrated vehicle control system, which includes Active Yaw Control (AYC), realizing vehicle behavior that responds faithfully to driver inputs. Moreover, the use of a newly developed 1.5 L downsized, direct injection gasoline turbocharged engine creates low and mid-range torque superior to that of a conventional 2.4 L naturally aspirated engine (compared to MMC models) while only having an engine displacement of 1.5 L.

3. In addition to the above, MMC launched certain models with enhanced safety or functional equipment, differentiated the interior and exterior, and improved fuel efficiency.

III. Information about Facilities

1. Outline of capital expenditure

The MMC Group (MMC and its consolidated subsidiaries) invested a total of 99.9 billion yen, mainly in development and research equipment for new products and technologies and production equipment for new products and sales equipment.

Company name	Segment	Details of capital expenditure	Amount of investment (Millions of yen)
MMC	Automobile	Production equipment of automobiles	34,216
		Development and research equipment of automobiles	19,224
		Equipment of automobile sales outlets	1,261
		Other	12,270
	Sub total		66,972
Automobile sales companies (five companies)	Automobile	Equipment of automobile sales outlets	9,905
Other domestic subsidiaries (four companies)	Automobile	Production equipment of automobiles and parts, design and testing equipment of automobiles and parts, and transport and storage equipment of automobiles, etc.	1,635
Mitsubishi Motors North America, Inc. and two other companies	Automobile	Equipment of automobile sales outlets, etc.	438
Mitsubishi Motors Europe B.V.	Automobile	Equipment of parts sales outlets, etc.	298
Mitsubishi Motors Australia, Ltd.	Automobile	Equipment of automobile sales outlets, etc.	404
Mitsubishi Motors (Thailand) Co., Ltd. and another company	Automobile	Equipment of automobile sales outlets and production equipment of automobiles, etc.	5,563
Mitsubishi Motors Philippines Corp. and another company	Automobile	Equipment of automobile sales outlets and production equipment of automobiles, etc.	5,875
P.T. Mitsubishi Motors Krama Yudha Indonesia	Automobile	Production equipment of automobiles, etc.	8,142
Other overseas subsidiaries (15 companies)	Automobile	Equipment of automobile sales outlets and production equipment of parts, etc.	652
Total			99,887

- (Notes) 1. Consumption taxes are excluded from the amount of investment.
2. Intangible assets and long-term prepaid expenses are in the amount of investment.

2. Information about Major Facilities

Major facilities of the MMC Group (MMC and its consolidated subsidiaries) are as follows.

(1) Information about reporting company

Classification	Office and factory name (Location)	Segment	Description	Carrying amount (Millions of yen)						Number of employees
				Buildings and Structures	Machinery, equipment and vehicles	Land		Others	Total	
						Size (thousands of m ²)	Amount			
Production equipment	Okazaki Plant (Okazaki-shi, Aichi, etc.)	Automobile	Production equipment of automobiles	10,292	11,507	(4) [14] 458	418	26,270	48,488	2,943
	Kyoto Plant (Ukyo-ku, Kyoto-shi, etc.)	Automobile	Production equipment of automobile engines	5,771	14,897	(11) [16] 453	4,845	2,169	27,683	1,633
	Mizushima Plant (Kurashiki-shi, Okayama)	Automobile	Production equipment of automobiles	5,471	5,136	(50) [1] 853	2,822	5,936	19,367	3,737
Other equipment	Research & Development Center (Okazaki-shi, Aichi, Ukyo-ku, Kyoto-shi, etc.) (Note) 4	Automobile	Development and research equipment of automobiles	11,502	9,241	(1) [0] 10,612	11,085	16,704	48,534	3,374
	Parts Center (Takatsuki-shi, Osaka, Ama-gun, Aichi, etc.)	Automobile	Supply of parts and management equipment	1,836	836	(257) [-] 14	1,066	124	3,862	67
	Motor Pool (Minato-ku, Nagoya-shi, Kurashiki-shi, Okayama, etc.)	Automobile	Storage equipment of automobiles	1,026	16	(440) [81] 242	5,030	37	6,110	-
	Welfare Facility (Okazaki-shi, Aichi, etc.)	Automobile	Company dormitory, company condominium, etc.	2,783	60	(201) [7] 111	5,335	650	8,829	-
	Sales company (Neyagawa-shi, Osaka, Atsuta-ku, Nagoya-shi, etc.)	Automobile	Sales company	1,266	0	(20) [90] 90	6,894	3	8,163	-
	Others (Takatsu-ku, Kawasaki-shi, etc.)	Automobile	Training facility, etc.	3,981	1,322	(72) [11] 122	9,756	2,873	17,933	1,939

(Notes) 1. The figure in parentheses is the size of leased land.

2. The figure in square brackets is the size of rented out land (including sublet land).

3. The carrying amount of “Others” assets are tools, furniture and fixtures, and construction in progress. Consumption taxes are excluded from the amount of the carrying amount.
4. Within the Research & Development Centers, the size and amount of the land in Ukyo-ku, Kyoto-shi is included within the Kyoto Plant.

(2) Domestic subsidiaries

Office and factory name (Location)	Segment	Description	Carrying amount (Millions of yen)						Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Land		Others	Total	
					Size (thousands of m ²)	Amount			
Kanto Mitsubishi Motor Sales Co., Ltd. and four other sales companies (Meguro-ku, Tokyo, etc.)	Automobile	Equipment of automobile sales outlets	11,896	7,320	(368) [95] 463	18,546	418	38,181	4,084
Pajero Manufacturing Co., Ltd. (Kamogun, Gifu)	Automobile	Production equipment of automobiles and parts, etc.	3,006	3,954	(60) 163	1,987	678	9,626	943
Mitsubishi Automotive Engineering Co., Ltd. (Okazaki-shi, Aichi)	Automobile	Design and testing equipment of automobiles and parts, etc.	120	3	(13) 1	323	43	491	876
Mitsubishi Automotive Logistics Technology Co., Ltd. (Takatsu-ku, Kawasaki-shi)	Automobile	Transport and storage equipment of automobiles and parts, equipment of parts sales outlets, etc.	395	86	(3) [0] 27	1,443	128	2,052	569
Suiryo Plastics Co., Ltd. (Kurashiki-shi, Okayama)	Automobile	Production equipment of parts, etc.	1,418	1,305	(5) [0] 98	1,184	4,858	8,766	584

- (Notes)
1. The figure in parentheses is the size of leased land.
 2. The figure in square brackets is the size of rented out land (including sublet land).
 3. The carrying amount of "Others" assets are tools, furniture and fixtures, and construction in progress. Consumption taxes are excluded from the amount of the carrying amount.

(3) Overseas subsidiaries

Office and factory name (Location)	Segment	Description	Carrying amount (Millions of yen)						Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Land		Others	Total	
					Size (thousands of m ²)	Amount			
Mitsubishi Motors North America, Inc. (U.S.A.) and two other companies	Automobile	Equipment of automobile sales outlets, etc.	773	2,337	(174) [9] 219	1,389	349	4,850	533
Mitsubishi Motors Europe B.V. (Netherlands)	Automobile	Equipment of parts sales outlets, etc.	1	104	–	–	112	218	199
Mitsubishi Motors Australia, Ltd. (Australia)	Automobile	Equipment of automobile sales outlets, etc.	851	538	–	–	41	1,431	182
Mitsubishi Motors (Thailand) Co., Ltd. (Thailand) and another company	Automobile	Equipment of automobile sales outlets, production equipment of automobiles, etc.	13,493	42,013	(1,181) 251	1,878	2,526	59,913	5,256
Mitsubishi Motors Philippines Corp. (Philippines) and another company	Automobile	Equipment of automobile sales outlets, production equipment of automobiles, etc.	3,858	3,969	233	1,680	600	10,108	1,513
P.T. Mitsubishi Motors Krama Yudha Indonesia (Indonesia)	Automobile	Production equipment of automobiles, etc.	9,275	8,366	509	7,051	16,956	41,650	1,201
Other overseas subsidiaries (15 companies)	Automobile	Equipment of automobile sales outlets, production equipment of parts, etc.	1,663	1,681	(47) [19] 19	2,177	448	5,971	874

- (Notes) 1. The figure in parentheses is the size of leased land.
2. The figure in square brackets is the size of rented out land (including sublet land).
3. The carrying amount of “Others” assets are tools, furniture and fixtures, and construction in progress.

3. Plans for acquisition and disposal of facilities

The capital expenditure plan of the MMC Group (MMC and its consolidated subsidiaries) is determined separately by the consolidated companies in principle. However, to ensure against overlap or excessive expenditure across the whole Group, adjustments are made, primarily by MMC.

The MMC Group's main capital expenditures are new equipment and upgrades for production equipment of automobile and automobile parts in the automobile business. For the following fiscal year (FY2018), the MMC Group is planning to make capital investments totaling 135.0 billion yen (new equipment and upgrades) for the year. The capital expenditure plan for MMC and each of its consolidated subsidiaries in the automobile business are presented in the table below.

(Note) The above amounts are the amounts planned as of March 31, 2018. They do not include consumption tax and so forth.

Company name	Segment	Description	Planned amount (Millions of yen)	Method of financing
MMC	Automobile	Production equipment of automobiles	36,400	Own capital and loans payable
		Development and research equipment of automobiles	21,080	
		Equipment of automobile sales outlets	1,860	
		Other	46,460	
	Sub total		105,800	
Automobile sales companies (five companies)	Automobile	Equipment of automobile sales outlets	1,470	Own capital and loans payable
Other domestic subsidiaries (four companies)	Automobile	Production equipment of automobiles and parts, design and testing equipment of automobiles and parts, and transport and storage equipment of automobiles, etc.	5,150	Own capital and loans payable
Mitsubishi Motors North America, Inc. and two other companies	Automobile	Equipment of automobile sales outlets, etc.	550	Own capital and loans payable
Mitsubishi Motors Europe B.V.	Automobile	Equipment of parts sales outlets, etc.	130	Own capital and loans payable
Mitsubishi Motors Australia, Ltd.	Automobile	Equipment of automobile sales outlets, etc.	270	Own capital and loans payable
Mitsubishi Motors (Thailand) Co., Ltd. and another company	Automobile	Equipment of automobile sales outlets and production equipment of automobiles, etc.	12,010	Own capital and loans payable
Mitsubishi Motors Philippines Corp. and another company	Automobile	Equipment of automobile sales outlets and production equipment of automobiles, etc.	3,270	Own capital and loans payable
P.T. Mitsubishi Motors Krama Yudha Indonesia	Automobile	Production equipment of automobiles, etc.	5,060	Own capital and loans payable
Other overseas subsidiaries (15 companies)	Automobile	Equipment of automobile sales outlets and production equipment of parts, etc.	1,290	Own capital and loans payable
Total			135,000	

IV. Information about Reporting Company

1. Information about shares, etc.

(1) Total number of shares, etc.

i) Total number of shares

Class	Total number of issuable shares
Common stock	1,575,000,000
Total	1,575,000,000

ii) Issued shares

Class	Number of issued shares (As of March 31, 2018) (Shares)	Number of issued shares (As of the filing date: June 22, 2018) (Shares)	Name of stock listing or the name of authorized financial instruments firms association	Description
Common stock	1,490,282,496	1,490,282,496	Tokyo Stock Exchange (First Section)	Number of shares for share unit: 100 shares
Total	1,490,282,496	1,490,282,496	—	—

(2) Share acquisition rights

i) Details of stock option program

MMC has adopted a stock option program. The program is operated by means of issuing share acquisition rights in accordance with the Companies Act. The details of the program are as below.

MMC resolved that it will issue its share acquisition rights to its Members of the Board (excluding Outside Directors) for stock options as equity-linked compensation, in accordance with the Companies Act.

Share acquisition rights based on the resolution of the Board of Director's meeting held on April 24, 2017 (First series share acquisition rights)

Resolution date	April 24, 2017
Number of share acquisition rights *	9,800
Category and number of participant	Five Members of the Board (excluding Outside Directors)
Type of shares that will be issued upon exercise of share acquisition rights *	Common stock
Number of shares to be issued upon the exercise of one share acquisition right *	79 (Note) 1
Total number of shares that will be issued upon exercise of share acquisition rights *	780,331 shares (Note) 1
Amount of contribution (issue price) per share acquisition right *	JPY 1 per share
Fair value for one share acquisition right *	JPY 517.42 (Note) 1
Exercise period *	<p>The exercise period will commence on the earliest of the following dates and end on April 30, 2070.</p> <p>i) May 1, 2020</p> <p>ii) If a shareholders' meeting of MMC (or, where no shareholder approval is required, the Board of Directors of MMC) approves a merger agreement that provides that MMC shall cease to exist, or a share exchange agreement for a statutory share exchange (<i>kabushiki koukan</i>) agreement or a plan for a statutory share-transfer (<i>kabushiki iten</i>) that will result in MMC becoming a wholly-owned subsidiary, the date of such approval.</p> <p>iii) If a shareholders' meeting of MMC (or, where no shareholder approval is required, the Board of Directors of MMC) approves a transfer of all or substantially all of MMC's business, or a spin-off agreement or spin-off plan (<i>kaisha bunkatsu</i>) that results in all or substantially all of MMC's business being assumed by a successor company, the date of such approval.</p>
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights *	<p>Issue price: JPY 518.42 (Note) 2</p> <p>Additional paid-in capital per share shall be the amount obtained by multiplying the maximum limit of capital increase (as calculated in accordance with the provisions of Article 17, paragraph 1 of the Company Accounting Regulation) by 0.5, and any fraction of less than JPY 1 arising as a result of such calculation shall be rounded up to the nearest yen.</p>
Conditions to exercise of share acquisition rights *	(Note) 3
Matters concerning transfer of share acquisition rights *	MMC and each of the grantees will enter into a share acquisition right grant agreement. Under such agreement, the grantees will be prohibited from transferring any Share Acquisition Rights to a third party.
Matters concerning treatment of the replacement share acquisition rights in a corporate reorganization by the successor *	(Note) 4

* These details are based on the end of the current fiscal year (March 31, 2018). As of the end of the month before the month of the filing date (May 31, 2018) there has been no change in the details required to be described since the end of the current fiscal year, so the description related to the end of the month before the month of the filing date has been omitted.

- (Notes) 1. Number of shares to be issued upon the exercise of share acquisition right, the number of shares to be issued upon exercise of share acquisition rights, and fair value for one share acquisition right
 Number of shares to be issued upon exercise of one Share Acquisition Right (the “Number of Issued Shares”) shall be calculated by dividing JPY 41,200 (the “Issue Price”) by the fair value of a Share Acquisition Right for one share. If a grantee simultaneously exercises his/her multiple share acquisition rights, the Number of Issued Shares shall be calculated by (i) multiplying the Issue Price by number of the Share Acquisition Rights that are exercised and (ii) dividing the multiplied number by the fair value of a Share Acquisition Right for one share.
 The fair value of a Share Acquisition Right for one share shall be calculated on the grant date by using the following Black-Scholes formula:

$$C = Se^{-\lambda t} N(d_1) - e^{-rt} XN(d_2)$$

Where:

$$d_1 = \frac{\ln\left(\frac{S}{X}\right) + \left(r - \lambda + \frac{\sigma^2}{2}\right)t}{\sigma\sqrt{t}}, d_2 = d_1 - \sigma\sqrt{t}$$

- (i) Option price per share: (C)
- (ii) Share price (S): Closing price of the regular trading of the shares of common stock (*futsū kabushiki*) of MMC on the Tokyo Stock Exchange on the day on which share acquisition rights are granted (if there is no such closing price, the base price of the immediately following trading day)
- (iii) Exercise price: (X): one (1) yen
- (iv) Expected time to maturity: (t): 28 years
- (v) Volatility (σ): Share price volatility calculated using the closing price of the regular trading of the shares of common stock (*futsū kabushiki*) of MMC on each trading day during the period of twenty-eight (28) years (the 28-year period leading up to the day on which share acquisition rights are granted)
- (vi) Risk-free interest rate (r): Interest rate of national government bonds whose remaining years to maturity corresponds to the expected time to maturity
- (vii) Dividend yield (λ): Dividend amount per share (actual dividends for the fiscal year in which the share acquisition rights are granted) ÷ Share price set forth in (ii) above
- (viii) Cumulative distribution function for the standard normal distribution ($N(\cdot)$)

After the issuance of the share acquisition rights, if MMC conducts a stock split (including a gratis allotment of MMC’s common stock. The same applies for stock splits mentioned below), or a stock consolidation, the number of shares subject to unexercised Share Acquisition Rights shall be adjusted using the formula described below, and any fractional shares arising from the adjustment shall be rounded down.

(Adjusted number of shares) = (number of shares prior to adjustment) x (ratio of the stock split/consolidation)

In addition to the above, if it becomes necessary to adjust the number of shares subject to unexercised Share Acquisition Rights, MMC may adjust it within a rational range, and any fractional shares arising from the adjustment shall be rounded down.

- 2. Price of shares issued in the event of the issuance of shares as a result of the exercise of share acquisition rights
 The total of the fair value per share of the share acquisition right and the issue price per share (1 yen) at the time the share acquisition right is exercised
- 3. Conditions for the exercise of share acquisition rights
 - (i) The exercise of fragments of share acquisition rights that fall short of one unit shall not be possible.
 - (ii) In the event that the share acquisition rights are transferred, the recipient of the transfer shall be unable thereafter to exercise the share acquisition rights that were transferred.
 - (iii) In the event that the share acquisition right grantee dies, the heir to the grantee shall be able to inherit the share acquisition rights, and to exercise the share acquisition rights, as prescribed by the terms of the share acquisition right grant agreement concluded between the grantee and MMC. However, in the event that said heir dies, the heir of said heir shall be unable to exercise the share acquisition rights.
 - (iv) Other conditions shall be as prescribed in the share acquisition right grant agreement concluded between MMC and the grantee.

4. Matters concerning the granting of share acquisition rights following a corporate reorganization
- If MMC conducts a merger (in which MMC will cease to exist), a statutory share exchange (*kabushiki koukan*) or a statutory share-transfer (*kabushiki iten*) (in which MMC will become a wholly-owned subsidiary) or a spin-off (*kaisha bunkatsu*) (in which MMC will transfer its business) (each, a “Corporate Reorganization”), replacement share acquisition rights of the other party to the Corporate Reorganization (the “Replacement Share Acquisition Rights”) as stipulated in Article 236, paragraphs 1, item (viii) (a) through (e) of the Companies Act (the “Successor Company”) shall be granted to any grantee that holds Share Acquisition Rights immediately before the effective date of the Corporate Reorganization in accordance with conditions pursuant to the issuance guidelines for share acquisition rights. In such event, the Share Acquisition Rights held by such grantee (the “Old Share Acquisition Rights”) shall be terminated in exchange for the Replacement Share Acquisition Rights. However, such termination will not occur unless the relevant merger agreement, share exchange agreement, share transfer plan, spin-off agreement or spin-off plan provides that the Successor Company issues the Replacement Share Acquisition Rights in accordance with conditions pursuant to the issuance guidelines for share acquisition rights.
- (a) Number of the Replacement Share Acquisition Rights that will be granted to a holder of the Old Share Acquisition Rights
The same number as the number of the Old Share Acquisition Rights held by the relevant grantee
- (b) Type of shares that will be issued upon exercise of the Replacement Share Acquisition Rights
Common stock of the Successor Company
- (c) Number of shares to be issued upon exercise of one Replacement Share Acquisition Right
Such number shall be determined in accordance with total number of shares that will be issued upon exercise of share acquisition rights above (Formula to calculate number of shares to be issued upon exercise of one Share Acquisition Right) taking into consideration the terms of the Corporate Reorganization.
- (d) Amount of Contribution at exercise (exercise price)
The amount payable to the Successor Company upon exercising a Replacement Share Acquisition Right shall be determined by multiplying (a) the exercise price for one share of the Successor Company by (b) the number of shares of the Successor Company to be issued or transferred upon the exercise of the Replacement Share Acquisition Rights as determined in accordance with (c) above. The exercise price for one share is JPY 1.
- (e) Exercise Period
(a) The exercise period shall be from the later of the commencement of the exercise period described in the table (“Exercise period”), or (b) the effective date of the corporate reorganization, to the end of the exercise period described in the table (“Exercise period”)
- (f) Amount of Capital Stock and Capital Surplus to be increased by the issuance of shares upon exercise of the Replacement Share Acquisition Right
Such amounts shall be determined in accordance with Amount of Capital Stock and Capital Surplus Increased by Issuance of Shares upon Exercise of Share Acquisition Right below.
The amount of capital stock increased by the issuance of shares upon the exercise of a Share Acquisition Right shall be the amount obtained by multiplying the maximum limit of capital increase (as calculated in accordance with the provisions of Article 17, paragraph 1 of the Company Accounting Regulation) by 0.5, and any fraction of less the one (1) yen arising as a result of such calculation shall be rounded up to the nearest one (1) yen. The amount of capital surplus increased by the issuance of shares upon the exercise of share acquisition rights shall be the amount obtained by deducting the capital stock to be increased from the maximum limit of capital increase.
- (g) Prohibition on Transfer of Replacement Share Acquisition Rights
The Successor Company and each of the grantees will enter into a share acquisition right grant agreement. Under such agreement, the grantees will be prohibited from transferring any Replacement Share Acquisition Rights to a third party.
- (h) Conditions to exercise of the Replacement Share Acquisition Rights
Such conditions shall be substantially equivalent to those applicable to exercise of the Old Share Acquisition Rights.
- (i) Treatment of the Replacement Share Acquisition Rights in a Corporate Reorganization by the Successor
Such treatment will be substantially equivalent to that of the Old Share Acquisition Rights as set forth in this section.

Share acquisition rights based on the resolution of the Board of Director's meeting held on May 9, 2018
(Second series share acquisition rights)

Resolution date	May 9, 2018
Number of share acquisition rights	9,800
Category and number of participant	Two Members of the Board (excluding Outside Directors)
Type of shares that will be issued upon exercise of share acquisition rights	Common stock
Number of shares to be issued upon the exercise of one share acquisition right	(Note) 1
Total number of shares that will be issued upon exercise of share acquisition rights	(Note) 1
Amount of contribution (issue price) per share acquisition right	JPY 1 per share
Fair value for one share acquisition right	(Note) 1
Exercise period	<p>The exercise period will commence on the earliest of the following dates and end on April 30, 2071.</p> <p>i) May 1, 2021</p> <p>ii) If a shareholders' meeting of MMC (or, where no shareholder approval is required, the Board of Directors of MMC) approves a merger agreement that provides that MMC shall cease to exist, or a share exchange agreement for a statutory share exchange (<i>kabushiki koukan</i>) agreement or a plan for a statutory share-transfer (<i>kabushiki iten</i>) that will result in MMC becoming a wholly-owned subsidiary, the date of such approval.</p> <p>iii) If a shareholders' meeting of MMC (or, where no shareholder approval is required, the Board of Directors of MMC) approves a transfer of all or substantially all of MMC's business, or a spin-off agreement or spin-off plan (<i>kaisha bunkatsu</i>) that results in all or substantially all of MMC's business being assumed by a successor company, the date of such approval.</p>
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights	(Note) 2 Additional paid-in capital per share shall be the amount obtained by multiplying the maximum limit of capital increase (as calculated in accordance with the provisions of Article 17, paragraph 1 of the Company Accounting Regulation) by 0.5, and any fraction of less than JPY 1 arising as a result of such calculation shall be rounded up to the nearest yen.
Conditions to exercise of share acquisition rights	Details to be the same as for the first series of share acquisition rights
Matters concerning transfer of share acquisition rights	Same as above
Matters concerning treatment of the replacement share acquisition rights in a corporate reorganization by the successor	Same as above

- (Notes) 1. Number of shares to be issued upon the exercise of one share acquisition right, the number of shares to be issued upon exercise of share acquisition rights, and fair value for one share acquisition right
 Number of shares to be issued upon exercise of one Share Acquisition Right (the “Number of Issued Shares”) shall be calculated by dividing JPY 41,200 (the “Issue Price”) by the fair value of a Share Acquisition Right for one share. If a grantee simultaneously exercises his/her multiple share acquisition rights, the Number of Issued Shares shall be calculated by (i) multiplying the Issue Price by number of the Share Acquisition Rights that are exercised and (ii) dividing the multiplied number by the fair value of a Share Acquisition Right for one share.
 The fair value of a Share Acquisition Right for one share shall be calculated on the grant date by using the following Black-Scholes formula:

$$C = Se^{-\lambda t} N(d_1) - e^{-rt} XN(d_2)$$

Where:

$$d_1 = \frac{\ln\left(\frac{S}{X}\right) + \left(r - \lambda + \frac{\sigma^2}{2}\right)t}{\sigma\sqrt{t}}, d_2 = d_1 - \sigma\sqrt{t}$$

- (i) Option price per share: (C)
- (ii) Share price (S): Closing price of the regular trading of the shares of common stock (*futsū kabushiki*) of MMC on the Tokyo Stock Exchange on July 13, 2018 (if there is no such closing price, the base price of the immediately following trading day)
- (iii) Exercise price: (X): one (1) yen
- (iv) Expected time to maturity: (t): 28 years
- (v) Volatility (σ): Share price volatility calculated using the closing price of the regular trading of the shares of common stock (*futsū kabushiki*) of MMC on each trading day during the period of twenty-eight (28) years (from July 14, 1990 to July 13, 2018)
- (vi) Risk-free interest rate (r): Interest rate of national government bonds whose remaining years to maturity corresponds to the expected time to maturity
- (vii) Dividend yield (λ): Dividend amount per share (actual dividends for the period ended March 2018) ÷ Share price set forth in (ii) above
- (viii) Cumulative distribution function for the standard normal distribution ($N(\cdot)$)

After the issuance of the share acquisition rights, if MMC conducts a stock split (including a gratis allotment of MMC’s common stock. The same applies for stock splits mentioned below), or a stock consolidation, the number of shares subject to unexercised Share Acquisition Rights shall be adjusted using the formula described below, and any fractional shares arising from the adjustment shall be rounded down.

(Adjusted number of shares) = (number of shares prior to adjustment) x (ratio of the stock split/consolidation)

In addition to the above, if it becomes necessary to adjust the number of shares subject to unexercised Share Acquisition Rights, MMC may adjust it within a rational range, and any fractional shares arising from the adjustment shall be rounded down.

- 2. Price of shares issued in the event of the issuance of shares as a result of the exercise of share acquisition rights
 The total of the fair value per share of the share acquisition right and the issue price per share (1 yen) at the time the share acquisition right is exercised

- ii) Description of rights plan

Not applicable.

- iii) Other share acquisition rights

Not applicable.

- (3) Exercises, etc. of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in number of issued shares, stated capital, etc.

Date	Change in total number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Change in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
From April 1, 2013 to June 30, 2013 (Note) 1	Common stock 98,039,215 First Series Class A preferred stock (10,000)	Common stock 6,178,939,745 First Series Class A preferred stock 47,600 First Series Class G preferred stock 130,000 Second Series Class G preferred stock 168,393 Third Series Class G preferred stock 10,200 Fourth Series Class G preferred stock 30,000	–	657,355	–	433,202
July 10, 2013 (Note) 2	Common stock 49,999,999	Common stock 6,228,939,744 First Series Class A preferred stock 47,600 First Series Class G preferred stock 130,000 Second Series Class G preferred stock 168,393 Third Series Class G preferred stock 10,200 Fourth Series Class G preferred stock 30,000	–	657,355	–	433,202
August 1, 2013 (Note) 3	Common stock (5,606,045,770)	Common stock 622,893,974 First Series Class A preferred stock 47,600 First Series Class G preferred stock 130,000 Second Series Class G preferred stock 168,393 Third Series Class G preferred stock 10,200 Fourth Series Class G preferred stock 30,000	(491,653)	165,701	(433,202)	–

Date	Change in total number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Change in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
September 26, 2013 (Note) 4	First Series Class A preferred stock (5,400)	Common stock 622,893,974 First Series Class A preferred stock 42,200 First Series Class G preferred stock 130,000 Second Series Class G preferred stock 168,393 Third Series Class G preferred stock 10,200 Fourth Series Class G preferred stock 30,000	–	165,701	–	–
January 29, 2014 (Note) 5	Common stock 217,750,000	Common stock 840,643,974 First Series Class A preferred stock 42,200 First Series Class G preferred stock 130,000 Second Series Class G preferred stock 168,393 Third Series Class G preferred stock 10,200 Fourth Series Class G preferred stock 30,000	121,940	287,641	121,940	121,194
January 29, 2014 (Note) 6	–	Common stock 840,643,974 First Series Class A preferred stock 42,200 First Series Class G preferred stock 130,000 Second Series Class G preferred stock 168,393 Third Series Class G preferred stock 10,200 Fourth Series Class G preferred stock 30,000	(121,940)	165,701	(121,940)	–

Date	Change in total number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Change in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
February 25, 2014 (Note) 7	Common stock 20,419,700	Common stock 861,063,674 First Series Class A preferred stock 42,200 First Series Class G preferred stock 130,000 Second Series Class G preferred stock 168,393 Third Series Class G preferred stock 10,200 Fourth Series Class G preferred stock 30,000	11,435	177,136	11,435	11,435
February 25, 2014 (Note) 6	–	Common stock 861,063,674 First Series Class A preferred stock 42,200 First Series Class G preferred stock 130,000 Second Series Class G preferred stock 168,393 Third Series Class G preferred stock 10,200 Fourth Series Class G preferred stock 30,000	(11,435)	165,701	(11,435)	–
March 5, 2014 (Note) 8	Common stock 122,598,245	Common stock 983,661,919 First Series Class A preferred stock 42,200 First Series Class G preferred stock 130,000 Second Series Class G preferred stock 168,393 Third Series Class G preferred stock 10,200 Fourth Series Class G preferred stock 30,000	–	165,701	–	–

Date	Change in total number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Change in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
March 14, 2014 (Note) 9	First Series Class A preferred stock (42,200) First Series Class G preferred stock (130,000) Second Series Class G preferred stock (168,393) Third Series Class G preferred stock (10,200) Fourth Series Class G preferred stock (30,000)	Common stock 983,661,919	–	165,701	–	–
October 20, 2016 (Note) 10	Common stock 506,620,577	Common stock 1,490,282,496	118,680	284,382	118,680	118,680

- (Notes)
- The increase in the number of shares of common stock is due to the conversion of First Series Class A preferred stock into common stock. The decrease in the number of shares of First Series Class A preferred stock is due to the cancelation of treasury shares.
 - The increase in the number of shares of common stock is due to the conversion of First Series Class A preferred stock into common stock.
 - The decrease in the number of shares of common stock is due to a one-for-ten consolidation of common stock. In accordance with the provisions of Article 447, paragraph 1 and Article 448, paragraph 1 of the Companies Act, capital stock and legal capital surplus were reduced.
 - The decrease in the number of shares of First Series Class A preferred stock is due to the cancelation of treasury shares.
 - Public offering 217,750 thousand shares
Issue price 1,120 yen
Amount incorporated into capital 560 yen
 - The decreases in capital stock and legal capital surplus are due to transfer to “other capital surplus” in accordance with the provisions of Article 447, paragraphs 1 and 3 and Article 448, paragraphs 1 and 3 of the Companies Act.
 - Paid-in third-party allotment (paid-in third party allotment related to secondary offering of shares by over-allotment) 20,419,700 shares
Issue price 1,120 yen
Amount incorporated into capital 560 yen
Allottee Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
 - The increase in the number of common stock is due to conversion of First Series Class A preferred stock, First Series Class G preferred stock, Second Series Class G preferred stock, and Fourth Series Class G preferred stock into common stock.
 - The decreases in the number of First Series Class A preferred stock, First Series Class G preferred stock, Second Series Class G preferred stock, Third Series Class G preferred stock, and Fourth Series Class G preferred stock are due to cancelation of treasury shares.
 - Paid-in third-party allotment 506,620,577 shares
Issue price 468.52 yen
Amount incorporated into capital 234.26 yen
Allottee Nissan Motor Co., Ltd.

(5) Shareholder composition

(As of March 31, 2018)

Category	Status of shares (Number of shares constituting one voting unit: 100 shares)								Shares less than one unit (Shares)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of shareholders	–	50	67	1,857	596	212	264,483	267,265	–
Number of shares held (Units)	–	1,590,235	148,983	8,455,068	2,373,039	1,626	2,332,972	14,901,923	90,196
Percentage of voting shares (%)	–	10.67	1.00	56.74	15.92	0.01	15.66	100	–

- (Notes) 1. The 222,186 treasury shares stated in the shareholders register, are presented as follows: 2,221 voting units are included in “Individuals, etc.” and 86 shares are included in “Shares less than one unit.” All treasury shares are actually held.
2. In “Other corporations,” 64 voting units under the name of the Japan Securities Depository Center, Inc. are included.

(6) Major shareholders

(As of March 31, 2018)

Name	Address	Number of shares held (Shares)	Percentage of total number of shares issued (excluding treasury shares) (%)
Nissan Motor Co., Ltd.	2, Takara-cho, Kanagawa-ku, Yokohama-shi, Kanagawa	506,620,577	34.00
MAI Corporation	2-3-1, Marunouchi, Chiyoda-ku, Tokyo	160,329,338	10.75
Mitsubishi Corporation	2-3-1, Marunouchi, Chiyoda-ku, Tokyo	137,682,876	9.24
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	29,984,200	2.01
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	29,290,500	1.96
Mitsubishi Heavy Industries, Ltd.	2-16-5, Konan, Minato-ku, Tokyo	21,572,455	1.44
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1 (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	VERTIGO BUILDING - POLARIS 2-4 RUE EUGENE RUPPERT L-2453 LUXEMBOURG GRAND DUCHY OF LUXEMBOURG (2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Transaction Services Division)	18,574,600	1.24
JP MORGAN CHASE BANK 385632 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Tower A, 2-15-1, Konan, Minato-ku, Tokyo)	15,864,304	1.06
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	14,877,512	0.99
Japan Trustee Services Bank, Ltd. (Trust account 9)	1-8-11, Harumi, Chuo-ku, Tokyo	14,311,900	0.96
Total	–	949,108,262	63.69

- (Notes) 1. MAI Corporation, which was not a major shareholder at the end of the previous fiscal year, has become a major shareholder at the end of the current fiscal year.
2. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its company name to MUFG Bank, Ltd. as of April 1, 2018.

(7) Voting rights

i) Issued shares

(As of March 31, 2018)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with complete voting rights (Treasury shares, etc.)	Common stock 222,100	–	Number of shares for share unit: 100 shares
Shares with complete voting rights (Other)	Common stock (Note) 1 1,489,970,200	14,899,702	Same as above
Shares less than one unit	Common stock (Note) 2 90,196	–	Same as above
Total number of issued shares	1,490,282,496	–	–
Total number of voting rights	–	14,899,702	–

(Notes) 1. The number of “Shares with complete voting rights (Other)” includes 6,400 shares (64 units of voting rights) in the name of Japan Securities Depository Center, Incorporated.

2. The number of “Shares less than one unit” includes 86 treasury shares held by MMC.

ii) Treasury shares, etc.

(As of March 31, 2018)

Name of shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of total number of issued shares (%)
Mitsubishi Motors Corporation	5-33-8, Shiba, Minato-ku, Tokyo	222,100	–	222,100	0.01
Total	–	222,100	–	222,100	0.01

2. Acquisition of treasury shares

[Class of shares]

Acquisition of shares of common stock under Article 155, item (3) of the Companies Act and acquisition of shares of common stock under Article 155, item (7) of the said act.

(1) Acquisition by resolution of the General Meeting of Shareholders

Not applicable.

(2) Acquisition by resolution of the Board of Directors

Classification	Number of shares (Shares)	Total value (Yen)
Resolution status at the meeting of Board of Directors (held on May 9, 2018) (Acquisition period: from May 18, 2018 to June 15, 2018)	1,747,200 (Maximum)	1,800,000,000 (Maximum)
Treasury shares acquired prior to the current fiscal year	–	–
Treasury shares acquired during the current fiscal year	–	–
Total number and amount of the remaining shares by a resolution at the meeting of Board of Directors	–	–
Ratio of unexecuted rights at the end of the current fiscal year (%)	–	–
Treasury shares acquired during the period from April 1, 2018 to the filing date	850,000	728,390,500
Ratio of unexecuted rights on the date of the filing date (%)	51.35	59.53

- (Notes)
1. The number of shares of treasury shares acquired during the period from April 1, 2018 to the filing date does not include the number of shares acquired based on resolution by Board of Directors during the period from June 1, 2018 to the filing date of this Annual Securities Report.
 2. The number of shares of treasury shares acquired during the period from April 1, 2018 to the filing date and the total value have been presented as stipulated.

(3) Items not based on resolution of the General Meeting of Shareholders or Board of Directors

Classification	Number of shares (Shares)	Total value (Yen)
Treasury shares acquired during the current fiscal year	50	43,000
Treasury shares acquired during the period from April 1, 2018 to the filing date	15	13,305

- (Note) The number of shares of treasury shares acquired during the period from April 1, 2018 to the filing date does not include the number of shares acquired through purchase of shares less than one unit during the period from June 1, 2018 to the filing date of this Annual Securities Report.

(4) Status of disposal and ownership of acquired treasury shares

Classification	The current fiscal year		From April 1, 2018 to the filing date	
	Number of shares (Shares)	Total disposal value (Yen)	Number of shares (Shares)	Total disposal value (Yen)
Acquired treasury shares offered for subscription	-	-	-	-
Acquired treasury shares that were disposed	-	-	-	-
Acquired treasury shares transferred for merger, share exchange and spin off	-	-	-	-
Other (-)	-	-	-	-
Treasury shares held	222,186	-	1,072,201	-

(Note) The number of shares of treasury shares held during the period from April 1, 2018 to the filing date does not include the number of shares acquired based on resolution by Board of Directors and shares acquired through purchase of shares less than one unit during the period from June 1, 2018 to the filing date of this Annual Securities Report.

3. Dividend policy

MMC considers returning profits to its shareholders one of the most important tasks of management. In the automobile industry, there is great demand for capital in order for companies to achieve sustainable growth, such as through further promotion of technological innovations and environmental efforts; therefore, it is our basic policy to maintain the stable distribution of profits to shareholders after comprehensively considering cash flows and business performance.

Furthermore, regarding the number of dividend payments to be made each fiscal year, MMC's basic policy is to conduct two dividends – an interim dividend and a year-end dividend. The organs that decide on these dividends are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend. MMC's Articles of Incorporation stipulate that it may conduct an interim dividend in accordance with the provisions of Article 454, paragraph 5 of the Companies Act.

MMC would like to set the end-of-term dividend at 10 yen per share based on the above policy. Including the interim dividend of 7 yen, this will make the dividend for the term 17 yen per share.

MMC plans to use internal reserves primarily for the capital investment and research and development expenses needed to establish a foundation for achieving future sustainable growth.

(Note) Dividends of which record dates are during the current fiscal year are as follows:

Resolution date	Total dividends (Millions of yen)	Cash dividends per share (Yen)
Board of Directors Meeting held on November 7, 2017	10,430	7
Ordinary General Meeting of Shareholders held on June 22, 2018	14,900	10

4. Trends in share price

(1) Highest and lowest share prices for the most recent five years by term

Fiscal year	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Fiscal year ended	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Highest (Yen)	226 (1,418)	1,353	1,168	880	942
Lowest (Yen)	91 (997)	1,001	773	412	620

- (Notes) 1. The share prices were those recorded on the First Section of the Tokyo Stock Exchange.
2. As MMC conducted a one-for-ten consolidation of its common stock on August 1, 2013, the share prices for FY2013 show the highest and lowest share prices prior to the share consolidation with the share prices after the share consolidation shown in parentheses.

(2) Monthly highest and lowest share prices for the most recent six months

Month	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018
Highest (Yen)	942	918	827	904	868	844
Lowest (Yen)	884	784	790	809	801	733

(Note) The share prices were those recorded on the First Section of the Tokyo Stock Exchange.

5. Status of officers

Male: 10; Female: 3 (women account for 23.0% of Directors and Audit & Supervisory Board Members)

Title	Occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
(Representative Director) Chairman of the Board		Carlos Ghosn	March 9, 1954	<p>October 1996 Joined Renault</p> <p>December 1996 Executive Vice President, Renault</p> <p>June 1999 Director and COO, Nissan Motor Co., Ltd.</p> <p>June 2000 President and COO, Nissan Motor Co., Ltd.</p> <p>June 2001 President and CEO, Nissan Motor Co., Ltd.</p> <p>June 2003 Co-Chairman, President and CEO, Nissan Motor Co., Ltd.</p> <p>April 2005 Board of Director and CEO, Renault Chairman and President, Renault-Nissan B.V. (to the present)</p> <p>June 2008 Chairman, President and CEO, Nissan Motor Co., Ltd.</p> <p>May 2009 Chairman of the Board of Directors and CEO, Renault (to the present)</p> <p>December 2016 Chairman of the Board, MMC (to the present)</p> <p>April 2017 Chairman, Nissan Motor Co., Ltd. (to the present)</p> <p><Important concurrent positions> Chairman, Nissan Motor Co., Ltd. Chairman of the Board of Directors and CEO, Renault Chairman and President, Renault-Nissan B.V.</p>	(Note) 3	11,619

Title	Occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
(Representative Director) Member of the Board	CEO	Osamu Masuko	February 19, 1949	<p>April 1972 Joined Mitsubishi Corporation</p> <p>April 2003 Senior Vice President, Division COO of Motor Vehicle Business Div., Mitsubishi Corporation</p> <p>June 2004 Managing Director, in charge of Overseas Operations Group Headquarters, MMC</p> <p>January 2005 President, Chief Business Ethics Officer, MMC</p> <p>October 2007 President, MMC</p> <p>June 2014 Chairman of the Board and CEO, MMC</p> <p>June 2016 Chairman of the Board, President and CEO, MMC</p> <p>December 2016 President and CEO, MMC</p> <p>June 2017 Member of the Board and CEO, MMC (to the present)</p>	(Note) 3	21,397
Member of the Board		Shunichi Miyanaga	April 27, 1948	<p>April 1972 Joined Mitsubishi Heavy Industries, Ltd.</p> <p>June 2008 Member of the Board, Executive Vice President, Mitsubishi Heavy Industries, Ltd.</p> <p>April 2011 Member of the Board, Senior Executive Vice President, Mitsubishi Heavy Industries, Ltd.</p> <p>April 2013 Member of the Board, President, Mitsubishi Heavy Industries, Ltd.</p> <p>April 2014 Member of the Board, President, CEO, Mitsubishi Heavy Industries, Ltd. (to the present)</p> <p>June 2014 Member of the Board, MMC (to the present)</p> <p><Important concurrent positions> Member of the Board, President, CEO, Mitsubishi Heavy Industries, Ltd.</p>	(Note) 3	5,726

Title	Occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Member of the Board		Ken Kobayashi	February 14, 1949	<p>July 1971 Joined Mitsubishi Corporation</p> <p>April 2003 Senior Vice President, General Manager of Singapore Branch, Mitsubishi Corporation</p> <p>June 2004 Senior Vice President, Division COO of Plant Project Div., Mitsubishi Corporation</p> <p>April 2006 Senior Vice President, Division COO of Ship, Aerospace & Transportation Systems Div., Mitsubishi Corporation</p> <p>April 2007 Executive Vice President, Group CEO of Industrial Finance, Logistics & Development Group, Mitsubishi Corporation</p> <p>June 2007 Member of the Board, Executive Vice President, Group CEO of Industrial Finance, Logistics & Development Group, Mitsubishi Corporation</p> <p>June 2008 Executive Vice President, Group CEO of Industrial Finance, Logistics & Development Group, Mitsubishi Corporation</p> <p>April 2010 Senior Executive Vice President, Executive Assistant to President, Mitsubishi Corporation</p> <p>June 2010 Member of the Board, President & CEO, Mitsubishi Corporation</p> <p>April 2016 Chairman of the Board, Mitsubishi Corporation (to the present)</p> <p>June 2016 Member of the Board, MMC (to the present)</p> <p><Important concurrent positions> Chairman of the Board, Mitsubishi Corporation Outside Director, NISSIN FOODS HOLDINGS CO., LTD. Outside Director (Member of the Board), Mitsubishi Heavy Industries, Ltd.</p>	(Note) 3	1,703

Title	Occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Member of the Board		Hitoshi Kawaguchi	August 23, 1953	<p>April 1976 Joined Nissan Motor Co., Ltd.</p> <p>April 2005 Senior Vice President in charge of Human Resources, Diversity Development Office, Nissan Motor Co., Ltd.</p> <p>April 2009 Senior Vice President in charge of External and Government Affairs, Intellectual Asset Management, Nissan Motor Co., Ltd.</p> <p>April 2016 Senior Vice President, CSO (Chief Sustainability Officer) in charge of Global External and Government Affairs, Japan Communication, Corporate Service Management Department, CSR Department, Nissan Motor Co., Ltd. (to the present)</p> <p>December 2016 Member of the Board, MMC (to the present)</p> <p><Important concurrent positions> Senior Vice President, CSO (Chief Sustainability Officer), Nissan Motor Co., Ltd.</p>	(Note) 3	1,952
Member of the Board		Hiroshi Karube	April 23, 1956	<p>April 1980 Joined Nissan Motor Co., Ltd.</p> <p>April 2010 Corporate Vice President, in charge of Global Controller, Budget and Accounting Dept., Global Asset Management Dept., Nissan Motor Co., Ltd.</p> <p>December 2016 Member of the Board, MMC (to the present)</p> <p>April 2018 Senior Vice President, in charge of Global Controller (MC & Global Function), Accounting, Global Asset Management, Nissan Motor Co., Ltd.</p> <p>May 2018 Chief Financial Officer, in charge of Finance, Budget and Accounting, IR, M&A Support, Nissan Motor Co., Ltd. (to the present)</p> <p><Important concurrent positions> Chief Financial Officer, Nissan Motor Co., Ltd.</p>	(Note) 3	1,952

Title	Occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Member of the Board		Setsuko Egami	July 16, 1950	<p>April 1983 Editor in Chief of <i>Travaille</i> published by Recruit Co., Ltd. (present: Recruit Holdings Co., Ltd.)</p> <p>December 2001 Director, Frontier Service Development Laboratory, East Japan Railway Company</p> <p>April 2006 Visiting Professor, The Okuma School of Public Management, Waseda University</p> <p>November 2006 Member of Government Tax Commission</p> <p>June 2007 Outside Corporate Auditor, Taisho Pharmaceutical Co., Ltd.</p> <p>April 2009 Professor, Graduate School of Humanities, Musashi University (to the present)</p> <p>Professor, Faculty of Sociology, Musashi University (to the present)</p> <p>June 2011 Outside Audit & Supervisory Board Member, Yusen Logistics Co., Ltd. (to the present)</p> <p>April 2012 Dean, Faculty of Sociology, Musashi University</p> <p>June 2015 Outside Director, Mitsubishi Estate Co., Ltd. (to the present)</p> <p>June 2018 Member of the Board, MMC (to the present)</p> <p><Important concurrent positions> Outside Audit & Supervisory Board Member, Yusen Logistics Co., Ltd. Professor, Graduate School of Humanities, Musashi University Professor, Faculty of Sociology, Musashi University Outside Director, Mitsubishi Estate Co., Ltd.</p>	(Note) 3	-

Title	Occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Member of the Board		Main Kohda	April 25, 1951	<p>September 1995 Started independently as Novelist (to the present)</p> <p>January 2003 Member of Financial System Council, Ministry of Finance Japan</p> <p>April 2004 Visiting Professor, Faculty of Economics, Shiga University</p> <p>March 2005 Member of the Council for Transport Policy, Ministry of Land, Infrastructure, Transport and Tourism</p> <p>November 2006 Member of Government Tax Commission</p> <p>June 2010 Member of the Board of Governors, Japan Broadcasting Corporation</p> <p>June 2012 Outside Director, Japan Tobacco Inc. (to the present)</p> <p>June 2013 Outside Director and member of the Compensation Committee, LIXIL Group Corporation (to the present)</p> <p>June 2016 Outside Director and member of the Audit Committee, Japan Exchange Group (to the present)</p> <p>June 2018 Member of the Board, MMC (to the present)</p> <p><Important concurrent positions> Novelist Outside Director, Japan Tobacco Inc. Outside Director and member of the Compensation Committee, LIXIL Group Corporation Outside Director and member of the Audit Committee, Japan Exchange Group</p>	(Note) 3	—

Title	Occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Audit & Supervisory Board Member (Full-time)		Kozo Shiraji	April 22, 1954	<p>April 1977 Joined Mitsubishi Corporation</p> <p>April 2009 Senior Vice President, Division COO of Motor Vehicle Business Div., Mitsubishi Corporation</p> <p>April 2013 Executive Vice President, Group CEO of Machinery Group, Mitsubishi Corporation</p> <p>April 2016 Senior Executive Officer, Assistant to President, MMC</p> <p>June 2016 Member of the Board, Executive Vice President (Overseas Operations, Global After Sales), MMC</p> <p>January 2017 Member of the Board, Executive Vice President (Overseas Operations, Global After Sales), CPO, MMC</p> <p>April 2018 Member of the Board, Assistant to CEO, MMC</p> <p>June 2018 Audit & Supervisory Board Member, MMC (to the present)</p>	(Note) 4	3,661

Title	Occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Audit & Supervisory Board Member (Full-time)		Yoshikazu Nakamura	May 31, 1955	<p>April 1978 Joined MMC</p> <p>April 2005 Executive Officer, Corporate General Manager of CSR Promotion Office, MMC</p> <p>April 2009 Senior Executive Officer, Corporate General Manager of CSR Promotion Office, MMC</p> <p>August 2009 Senior Executive Officer, Corporate General Manager of EV Business Office, MMC</p> <p>April 2012 Senior Executive Officer, Corporate General Manager of Domestic Sales Office, MMC</p> <p>April 2013 Senior Executive Officer, Head Officer of the Headquarters, Global After Sales Group Headquarters, MMC</p> <p>April 2014 Senior Executive Officer, Chief Environmental Strategy Officer, Corporate General Manager of CSR Promotion Office, MMC</p> <p>April 2015 Senior Executive Officer, Assistant to President, MMC</p> <p>June 2015 Audit & Supervisory Board Member, MMC (to the present)</p>	(Note) 5	13,505

Title	Occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Audit & Supervisory Board Member		Katsunori Nagayasu	April 6, 1947	May 1970 Joined The Mitsubishi Bank, Ltd.	(Note) 4	—
				June 1997 Director, The Bank of Tokyo-Mitsubishi, Ltd. (“BTM”)		
				June 2000 Retired from Director, BTM Managing Director, NIPPON TRUST BANK LIMITED		
				April 2001 Director, Mitsubishi Tokyo Financial Group, Inc. (“MTFG”)		
				October 2001 Managing Director, The Mitsubishi Trust and Banking Corporation		
				June 2002 Managing Director, BTM		
				April 2004 Director and Managing Officer, MTFG		
				January 2005 Senior Managing Director, BTM		
				May 2005 Deputy President, BTM		
				October 2005 Managing Officer, Mitsubishi UFJ Financial Group, Inc. (“MUFG”)		
				December 2005 Retired from Managing Officer, MUFG		
				January 2006 Deputy President, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (“BTMU”)		
				June 2006 Deputy President, MUFG		
				April 2008 President, BTMU Director, MUFG		
				April 2010 President & CEO, MUFG		
				April 2012 Chairman, BTMU		
				April 2013 Director, MUFG		
June 2013 Retired from Director, MUFG						
June 2014 Audit & Supervisory Board Member, MMC (to the present)						
April 2016 Senior Advisor, BTMU						
April 2018 Senior Advisor, MUFG Bank, Ltd. (to the present)						
<Important concurrent positions> Senior Advisor, MUFG Bank, Ltd. Outside Audit & Supervisory Board Member, NIPPON STEEL & SUMITOMO METAL CORPORATION Outside Director, Isetan Mitsukoshi Holdings Ltd. Outside Director, Kirin Holdings Company, Limited Outside Director, Mitsubishi Electric Corporation						

Title	Occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Audit & Supervisory Board Member		Yaeko Takeoka	May 10, 1957	<p>April 1985 Registered as an attorney-at-law Member of Daini Tokyo Bar Association</p> <p>October 2003 Chairperson of the Sub-Committee on Research, Japan Law Foundation</p> <p>January 2005 Member of Expert Panel on Management of Intellectual Properties under the Council for Science and Technology Policy</p> <p>March 2006 Member of the Council for Small and Medium Enterprise Policy (to the present)</p> <p>January 2007 Joined Kohwa Sohgo Law Offices (to the present)</p> <p>April 2008 Member of the Administrative Council of The University of Electro-Communications (to the present)</p> <p>March 2011 Member of the Industrial Structure Council</p> <p>December 2014 Member of Committee on Intellectual Property for Innovative structural materials under Cross-Ministerial Strategic Innovation Promotion Program (to the present)</p> <p>June 2015 Audit & Supervisory Board Member, MMC (to the present)</p> <p><Important concurrent positions> Attorney at Law, Kohwa Sohgo Law Offices</p>	(Note) 5	4,629

Title	Occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)	
Audit & Supervisory Board Member		Yoshitsugu Oba	October 7, 1953	November 1975	Joined Tohmatsu Awoki & Co.	(Note) 6	3,111
				September 1982	Registered as certified public accountant		
				June 1990	Partner, Tohmatsu & Co.		
				October 2007	Functional Risk Leader-Audit, Deloitte Touche Tohmatsu		
				October 2010	National Professional Practice Director, Deloitte Touche Tohmatsu LLC		
				June 2016	Retired from Deloitte Touche Tohmatsu LLC		
				June 2016	Audit & Supervisory Board Member, MMC (to the present)		
				October 2017	Supervisory Director, Advance Residence Investment Corporation (to the present)		
<Important concurrent positions>							
Supervisory Director, Advance Residence Investment Corporation							
Total							69,225

- (Notes) 1. Members of the Board, Mr. Shunichi Miyanaga, Mr. Ken Kobayashi, Mr. Hitoshi Kawaguchi, Mr. Hiroshi Karube, Ms. Setsuko Egami and Ms. Main Kohda are Outside Directors.
2. Audit & Supervisory Board Members, Mr. Katsunori Nagayasu, Ms. Yaeko Takeoka and Mr. Yoshitsugu Oba are Outside Audit & Supervisory Board Members.
3. One year from the conclusion of the Ordinary General Meeting of Shareholders held on June 22, 2018
4. Four years from the conclusion of the Ordinary General Meeting of Shareholders held on June 22, 2018
5. Four years from the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2015
6. Four years from the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2016
7. In order to segregate management supervision and execution, and to clarify the character of Members of the Board as supervisors, MMC has introduced an executive officer system. The Executive Officers, including the abovementioned Member of the Board Mr. Osamu Masuko, are as follows.

Osamu Masuko	CEO	
Trevor Mann	COO	
Mitsuhiko Yamashita	Executive Vice President	(Engineering)
Koji Ikeya	Executive Vice President	(Finance, Controlling & Accounting), CFO
Takeshi Ando	Executive Vice President	(Production)
Noboru Tsuji	Senior Vice President	(Corporate Strategy)
Yukihiro Hattori	Senior Vice President	(Procurement)
Guillaume Cartier	Senior Vice President	(Global Marketing & Sales) Corporate General Manager, Global Marketing & Sales Div.
Hitoshi Inada	Senior Executive Officer	(Corporate Governance)
Yoichi Yokozawa	Senior Executive Officer	Corporate General Manager, Strategic Management Div.
Masao Omichi	Senior Executive Officer	Chief External and Government Relations Officer, Chief Environmental Strategy Officer

Vincent Cobee	Senior Executive Officer	(Product Strategy/PD), Corporate General Manager, Product Strategy Div. and Corporate General Manager, PD Office
Naoya Fujimoto	Senior Executive Officer	Corporate General Manager, Product Development Div.
Tsunehiro Kunimoto	Senior Executive Officer	Corporate General Manager, Design Div.
Yoichiro Yatabe	Senior Executive Officer	Corporate General Manager, ASEAN Div.
Hiroshi Noda	Senior Executive Officer	Corporate General Manager, Controlling & Accounting Div.
Koichi Kitamura	Senior Executive Officer	Corporate General Manager, Business Administration Div. and Assistant to Corporate General Manager, Controlling & Accounting Div.
Tetsuya Hashimoto	Executive Officer	Corporate General Manager, Human Resources Div.
Kazuaki Iwamoto	Executive Officer	(Global Risk Control)
Yosuke Wakabayashi	Executive Officer	Corporate General Manager, Corporate Affairs Div.
Koji Yamada	Executive Officer	Corporate General Manager, TCS Div.
Masao Kuruma	Executive Officer	CIO, Corporate General Manager, Global IT Office
Jun Miura	Executive Officer	Corporate General Manager, Development Management Div.
Takahide Tsujitani	Executive Officer	(Alliance Procurement)
Kiyoshi Fukasawa	Executive Officer	Corporate General Manager, Domestic Sales Div.
Satoru Nakayama	Executive Officer	Corporate General Manager, CFO Office

6. Information about corporate governance, etc.

(1) Information about corporate governance

MMC's Basic Policy regarding Corporate Governance

Considering compliance to be of topmost importance, MMC aims to meet the expectations of shareholders, customers and all other stakeholders and achieve sustainable growth and increases in corporate value by making the ongoing reinforcement and improvement of governance a management priority.

i) System of corporate governance

A. Overview of corporate governance system and reason for adoption of the system

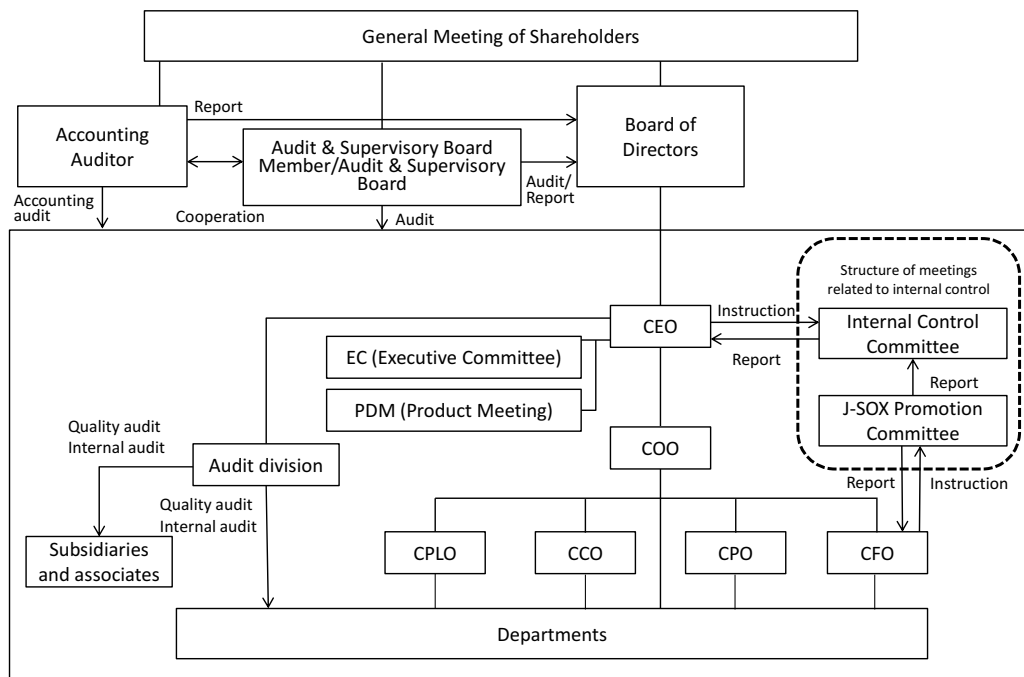
MMC has improved and enhanced its corporate governance. In addition to statutory functions, MMC has introduced various committees, including the Executive Committee, as well as the executive officer system in order to enhance the flexibility of business execution and clarify management responsibility and to carry out appropriate supervision of business execution.

The Board of Directors is responsible for making decisions concerning important management issues and overseeing business execution. It is comprised of 11 Members of the Board, including six Outside Directors with considerable experience, deep insight, and so forth to strengthen supervision over business execution. To enhance the speed of decision-making, MMC has established and operates various committees to deliberate and report on various important matters related to management.

Furthermore, to separate the supervisory and business execution functions of management and enable a swift and flexible response to changes in the management environment, MMC has introduced the executive officer system and delegates authority to accelerate management decision-making.

In addition, to ensure appropriate audits of business execution, an Audit & Supervisory Board comprising five Audit & Supervisory Board Members has been established. Four of the members are Outside Audit & Supervisory Board Members, to strengthen the independence of the audit system.

MMC's functions and internal control relationships in FY2017 are presented in the figure below.



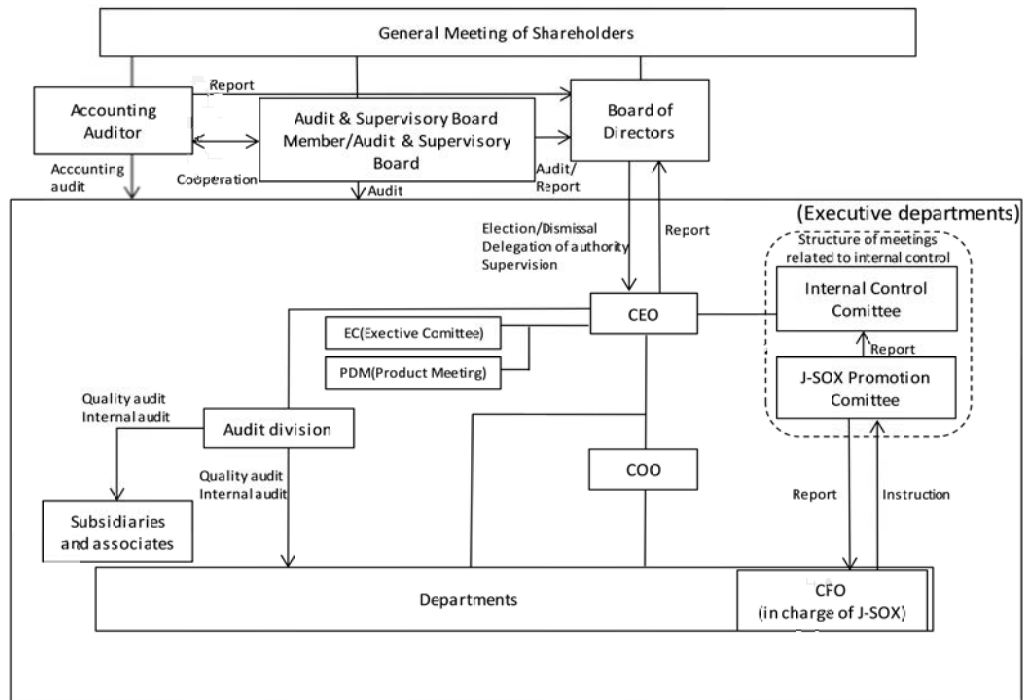
On top of past quality issues, MMC recognizes the improper conduct in fuel consumption test of vehicles made by MMC, it was found in April 2016, as a serious matter, and MMC has undertaken reforms as well as strengthening our internal controls and governance.

First, MMC has changed the party delegated with authority by the Board of Directors to the CEO and has positioned the Executive Committee as an advisory body to the CEO. The CEO has delegated authority with regard to business execution to the Chief Operating Officer (COO). Furthermore, in addition to assigning four operating officers (CPLO, CCO, CPO, and CFO) under the COO, one for each function, MMC has implemented detailed rules for the delegation of authority at each management level inside MMC, with the aim of making decision-making more efficient and clarifying decision-making responsibility.

MMC also appointed a Global Risk Control Officer to manage compliance and operational risk and to report periodically to the Board of Directors on measures to improve governance. In addition, to strengthen and improve the efficiency of the handling of various internal controls pursuant to laws and regulations, MMC created a system under which internal controls for financial reporting under the Financial Instruments and Exchange Act will be handled by the J-SOX Promotion Committee directly under the CFO. Internal controls pursuant to the Companies Act will be promoted through the newly created Internal Control Committee chaired by the CEO.

In addition, on April 1, 2018, in order to further flatten the organization and streamline its management levels, and with the aim of speeding up decision-making and smoothing communications, the organization was revised such that the positions of the four operating officers under the COO were abolished, with Officers being placed at the top of, and with responsibility for, each function, and with each Officer reporting directly to the CEO and COO.

MMC's functions and internal control relationships after organizational change are presented in the figure below.



B. Status of systems to ensure appropriate business operations of subsidiaries

MMC stipulates the supervisory organization of each of its subsidiaries, and the responsibilities and authority, management method and other matters related to management of its subsidiaries through its internal regulations and other rules. MMC establishes internal regulations and rules so that prior or subsequent explanations and reports are made to MMC concerning its subsidiaries' business, results, financial condition and other important information in accordance with their size, business conditions, and other factors. MMC also provides guidance and management in accordance with regulations and rules through the supervisory organizations. Moreover, the operational audit division conduct systematic operation audits of each subsidiary, auditing the status of appropriate business execution and compliance with MMC's code of conduct, and providing countermeasures as needed.

C. Information about development of internal control system

System to ensure appropriate business activities and outline of the operating status of such systems

System to ensure appropriate business activities

MMC has newly set up vision and missions as the basic concept so that the entire Group including the subsidiaries acts as a unit under the same concept and ensures sustainable growth. In addition, MMC has newly established MMC WAY, which represents the frame of mind and behavior that each one of employees must practice for missions to realize the vision, and moreover the Global Code of Conduct serving as the foundation for these provisions and the norms to be followed by all officers and employees.

Additionally, to develop a system to ensure appropriate business activities, MMC has resolved the following matters regarding the Basic Policy on the Establishment of Internal Control Systems at the Board of Directors.

“Basic Policy on the Establishment of Internal Control Systems”

- (a) System to ensure that the Members of the Board’s and employees’ performance of their duties complied with applicable laws and regulations and the Articles of Incorporation of MMC
- To comply with laws and regulations, the Articles of Incorporation and social norms, MMC shall establish a code of conduct, build an organizational structure, and carry out education and training. MMC shall also establish a contact point for reporting internal problems, and shall use the information to prevent and rectify problems and stop them from occurring again.
 - To monitor company management, MMC shall appoint Outside Directors.
 - The internal audit division shall conduct strict audits to check whether MMC’s business execution is in violation of laws and regulations, the Articles of Incorporation, internal regulations or others. If a problem is discovered, the internal audit division shall report them to the relevant Members of the Board or others, and periodically check the status of improvement measures following occurrence.
 - As the core organization to address internal control in accordance with the Companies Act, MMC shall establish the Internal Control Promotion Committee, with the CEO being the chairperson and Global Risk Control Officer being the vice-chairperson.
- (b) Regulations and other systems to manage risk of loss
- To manage business risk, MMC shall clearly prescribe respective standards for making proposals to the Board of Directors and the Executive Committee in each of the rules of the Board of Directors and rules of the Executive Committee, and operate in accordance with these rules.
 - MMC shall appoint an employee in charge of risk management at each organization (e.g. division), and shall make efforts to establish and strengthen the risk management structure with the said employee at the core of these efforts.
 - MMC shall establish a body in charge of promoting risk management and work to develop and strengthen its overall risk management structure.
 - To prepare for the occurrence of unforeseen circumstances, MMC shall develop a system to enable prompt reporting to MMC’s Members of the Board and others, and prompt, accurate responses.
- (c) System to ensure that the Members of the Board’s performance of their duties is executed efficiently
- MMC shall prescribe a management plan throughout MMC and clarify detailed business targets and methods of execution at each functional company body in order to achieve the plan. Members of the Board shall periodically receive reports on the plan’s implementation, and shall work to maintain and improve management efficiency.
 - MMC shall clarify the roles and authorizations of Members of the Board, and the Board of Directors, the Executive Committee, etc. shall execute business efficiently based on the rules of the Board of Directors and rules of the Executive Committee, etc.
 - MMC shall unify the reporting lines in the organization, and develop a system for efficient organizational operation and business execution, thus securing efficient execution of duties by MMC’s Members of the Board.

- To promote prompt decision-making of MMC and clarify the decision-making process, MMC shall develop clear and highly transparent standards for authority.
- (d) System to store and manage information related to the Members of the Board's performance of their duties
- Based on internal rules, MMC shall prepare information pertaining to execution of duties by Members of the Board as physical documents or electronic data and appoint a person responsible for the management of this information. Preparation methods, retention methods, retention periods, duplication methods, disposal methods and other matters shall be determined in accordance with the relative importance of information, and the information shall be appropriately managed.
- (e) System to ensure appropriate business activities of the corporate group which comprises MMC, the parent company and the subsidiaries
- MMC shall determine the bodies with control over MMC's subsidiaries, responsibilities and authorizations for the management of MMC's subsidiaries, management methods and other matters in the internal rules, thus securing proper operation of duties across the corporate group.
 - MMC shall supervise and manage its subsidiaries, aiming for appropriate business execution by their officers and employees in line with laws and regulations and the Articles of Incorporation, compliance with its code of conduct, and establishment and improvement of operational audit systems in a manner that is suitable for their sizes, business types, etc.
 - MMC shall establish and strengthen its subsidiaries' risk management systems, depending on their sizes, business types, etc., through giving directions regarding implementation of risk management.
 - MMC shall strengthen, develop and streamline its subsidiaries' business operations, depending on their sizes, business types, etc., through supervising and managing them in accordance with Rules for Management of Subsidiaries and Associates and other internal rules.
 - MMC shall improve Rules for Management of Subsidiaries and Associates and other internal rules so that it can receive explanations and reports from its subsidiaries regarding important information (e.g. business operations, performance, and financial conditions) in advance or in an ex-post facto manner.
 - MMC and its subsidiaries shall ensure the appropriateness of their respective financial information and develop the bodies and internal rules necessary for the preparation and disclosure of reliable financial reporting.
- (f) Matters related to employees requested by Audit & Supervisory Board Members to support audit activities
- A body to assist the Audit & Supervisory Board Members with their duties shall be established and dedicated staff shall be allocated to this body.
- (g) Matters related to the independence of employees in (f) above from the Members of the Board and ensuring the effectiveness of directions given to those employees
- The employee assigned to assist the Audit & Supervisory Board Members with their duties shall only carry out duties under the directions of those Audit & Supervisory Board Members without concurrently performing duties for other departments.
 - When personnel changes are made to staff assigned to assist the Audit & Supervisory Board Members with their duties, opinions shall be sought from those Members in

advance. In addition, evaluations of those dedicated staffs shall be carried out by the Audit & Supervisory Board Members.

- (h) System to allow the Members of the Board and employees, and the Members of the Board, Audit & Supervisory Board Members and employees of MMC's subsidiaries or persons received reports from them to report information to Audit & Supervisory Board Members, and other systems related to reporting to Audit & Supervisory Board Members
 - The Audit & Supervisory Board Members shall attend meetings of the Board of Directors and other important meetings of MMC.
 - MMC shall develop a framework to steadily provide important internal information regarding management, compliance and other matters of MMC and its subsidiaries to the Audit & Supervisory Board Members and ensure that it is thoroughly operated.
 - Officers and employees of MMC and its subsidiaries shall report matters regarding business execution promptly and appropriately when requested to do so by MMC's Audit & Supervisory Board Members.
- (i) System to ensure that those who report the matters described in (h) do not face unfavorable treatment on the grounds that such reports are made
 - It is prohibited to unfavorably treat officers and employees of MMC and its subsidiaries who report such matters directly or indirectly to the Audit & Supervisory Board Members on the grounds that such reports are made. This prohibition shall be notified to all officers and employees of MMC and its subsidiaries.
- (j) Matters related to procedures for the prepayment or reimbursement of expenses incurred for Audit & Supervisory Board Members executing duties, and settlement policy for expenses or debt incurred for other related duties
 - In case the Audit & Supervisory Board Members make requests to MMC for the prepayment of job-related expenses, etc. in accordance with Article 388 of the Companies Act, these expenses or debts shall be paid promptly or settled after being examined by relevant departments unless it can be verified that these expenses or debts are not necessary for the Audit & Supervisory Board Members to execute their duties.
- (k) Other systems to ensure that Audit & Supervisory Board Members' activities are conducted effectively
 - The Audit & Supervisory Board Members shall periodically conduct exchanges of opinions with the CEO, and work in cooperation with the internal audit division and the Accounting Auditors, thus facilitating proper communication and effective auditing operations.
- (l) System toward elimination of criminal or unethical organizations
 - MMC and its subsidiaries shall, in a unified manner across all companies, respond to unreasonable demands from antisocial forces that pose a threat to the order and safety of society with a resolute stance, and shall ensure that they have absolutely no relations with antisocial forces.

Outline of the operating status of systems to ensure appropriate business activities

In accordance with the Basic Policy on the Establishment of Internal Control Systems, MMC confirms, at meetings of the Internal Control Promotion Committee and the Board of Directors each fiscal year, that activities in the operation and implementation department for internal control are conducted autonomously and improvements are made where needed. The concrete operating status is outlined as follows:

(a) System to ensure that the Members of the Board's and employees' performance of their duties complied with applicable laws and regulations and the Articles of Incorporation of MMC

- As a member of the Renault-Nissan Alliance, MMC newly established the Global Code of Conduct with an eye to global activities. Additionally, at the initiative of the Global Risk Control Officer, MMC has established and put into practice a system to instill efforts to comply with laws and regulations, internal regulations, social norms, and other rules and regulations through Compliance Officers appointed in each Division, and is working on measures to prevent the recurrence of the issues. From FY 2017, MMC has also set up the position of Compliance Officer and an employee in charge of information security management at 10 domestic subsidiaries and associates and 9 overseas subsidiaries and associates likewise, and established a system for the operation to reduce compliance risk including information security. On the aspect of education and training, MMC implements compliance education by hierarchy such as its new employees, career employees and promoted employees and provides education on information security, work overtime and on holidays, etc. through e-learning to all its employees, led by the Compliance Dept. and Human Resources departments. In addition, each of major domestic and overseas subsidiaries and associates provides education and guidance on each company's own challenges where appropriate. 15 overseas subsidiaries and associates implemented education aimed at preventing bribery and raising awareness about daily behavior through e-learning. Moreover, the Employee Counseling Office and an external help line have been established and operated in order to properly handle whistle-blowing and consultations by employees, etc., and to use the information thereof to prevent and rectify problems and stop them from occurring again.
- The Board of Directors is comprised of 11 members, including six Outside Directors. Outside Directors monitor and supervise management decision making by the Board of Directors and the performance of duties by each Member of the Board more objectively based on their respective considerable experience, deep knowledge, and insights.
- With the aim of establishing the independence and expanding the scope of audits including global handling, supporting the resolution of significant management matters, as well as expediting investigations necessary for management purposes, the Audit Div., directly reporting to the CEO, performs audits and shares information with Audit & Supervisory Board Members and audit corporations where appropriate.
- Under the Internal Control Promotion Committee with the CEO being the chairperson and Global Risk Control Officer being the vice-chairperson, the Compliance Committee (including the Committee for Compliance with Security-related Laws and Regulations), the Information Security Committee, the Risk Management Committee and the J-SOX Promotion Committee were newly set up, and these committees confirm each activity's plan, implementation status and challenges, and make reports to the Board of Directors after reporting to and conducting deliberations with the Internal Control Promotion Committee.

(b) Regulations and other systems to manage risk of loss

- MMC has established a body in charge of promoting its overall (including subsidiaries and associates) risk management pursuant to internal rules, and newly

appointed an employee in charge of managing risk identified as a result of risk surveys and interviews with related officers in order to implement activities to reduce risk. In addition, MMC has appointed an employee in charge of risk management at each organization (e.g. Division), and has been working on activities covering all phases from identifying to reducing risk related to the business in charge. The implementation status of these efforts and activities is confirmed by the Risk Management Committee.

- To prepare for the occurrence of unforeseen circumstances, MMC has established a task force organization and response guidelines for an emergency pursuant to internal rules, and developed and operated a system to enable prompt reporting to the Members of the Board and others, and prompt, accurate responses.
- (c) System to ensure that the Members of the Board's performance of their duties is executed efficiently
- To maintain and improve management efficiency, MMC adopts resolutions for a medium to long term management plan and an annual business plan at a meeting of the Board of Directors and other meetings in accordance with internal rules, and provides follow-up on the status of implementation of these plans at meetings of the Executive Committee and ORM (Operation Review Meeting), which are held regularly. In addition, to improve the efficiency of decision-making and clarify responsibilities, MMC has set out detailed provisions concerning the delegation of authority at each level. Moreover, to ensure the efficient business execution, MMC has flattened its organization and streamlined its management levels under operating officers assigned to each function.
- (d) System to store and manage information related to the Members of Board's performance of their duties
- MMC is promoting appropriate management of the storage and retention of information, such as documents pertaining to the Board of Directors, by appointing a person responsible for the management of documents pursuant to internal regulations, in order to promote the appropriate management of the storage and retention of information, such as documents pertaining to the Board of Directors.
- (e) System to ensure appropriate business activities of the corporate group which comprises MMC, the parent company and the subsidiaries
- Based on internal rules, MMC has established a division in charge of primary management for the respective subsidiaries and associates and a division in charge of secondary management engaging in company-wide management, as well as a system in which individual administrative functions, such as production, development, procurement, finance, and IT, support divisions in charge of primary and secondary management, depending on their respective roles, in order to strengthen, develop, and streamline the business operations of subsidiaries and associates through various supervisory and management activities.
 - MMC has developed internal rules to ensure the timely and appropriate reporting of important information pertaining to subsidiaries to MMC, and has been promoting operations in compliance with the said guidelines.
 - To ensure the appropriateness of financial reporting, MMC has established and has been operating a dedicated organization, pursuant to internal regulations, that provides follow-up on and coordinates, among others, the development of systems, scope of assessment, status of assessment of target companies, and status of improvements at MMC and subsidiaries and associates.

- (f) Matters related to employees requested by Audit & Supervisory Board Members to support audit activities
- MMC has established a body to assist Audit & Supervisory Board Members with their duties pursuant to internal regulations, and has allocated to this body dedicated staff that does not concurrently perform duties for other departments.
- (g) Matters related to the independence of employees in (f) above from the Members of the Board and ensuring the effectiveness of directions given to those employees
- Dedicated staff assigned to assist MMC's Audit & Supervisory Board Members with their duties only carries out duties under the directions of those Audit & Supervisory Board Members. In addition, personnel changes are made to dedicated staff with the consent of Audit & Supervisory Board Members, and evaluations of those dedicated staff are carried out by the Audit & Supervisory Board Members.
- (h) System to allow the Members of the Board and employees, and the Members of the Board, Audit & Supervisory Board Members, and employees of MMC's subsidiaries or persons received reports from them to report information to Audit & Supervisory Board Members, and other systems related to reporting to Audit & Supervisory Board Members
- MMC's Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings of MMC pursuant to internal regulations.
 - MMC has developed and has been operating a system to steadily provide important information regarding MMC and its subsidiaries to the Audit & Supervisory Board Members pursuant to internal regulations. In addition, MMC submits documents or records specified by laws and regulations to the Audit & Supervisory Board Members, and promptly responds to any request (if any) for documents or records which the Audit & Supervisory Board Members deem necessary.
- (i) System to ensure that those who report the matters described in (h) do not face unfavorable treatment on the grounds that such reports are made
- MMC prohibits to unfavorably treat officers and employees of MMC and its subsidiaries who report such matters directly or indirectly to MMC's Audit & Supervisory Board Members on the grounds that such reports are made. MMC has set out provisions concerning such prohibition in the newly established Global Code of Conduct and its internal regulations. MMC posted these provisions on its intranet to keep all officers and employees of MMC and its subsidiaries informed of this prohibition.
- (j) Matters related to procedures for the prepayment or reimbursement of expenses incurred for Audit & Supervisory Board Members in executing duties, and settlement policy for expenses or debt incurred for other related duties
- MMC secures a certain budget for each fiscal year based on a request from the Audit & Supervisory Board Members, in order to respond to expenses incurred by MMC's Audit & Supervisory Board Members in executing duties. In addition, upon receiving a request for additional expenses required thereafter, MMC shall promptly pay and settle those expenses or debts.
- (k) Other systems to ensure that Audit & Supervisory Board Members' activities are conducted effectively
- MMC's Audit & Supervisory Board Members periodically report to the Board of Directors with respect to their activities and conduct exchanges of opinions with the CEO and the COO based on the annual audit plan for the purpose of facilitating proper communication and effective auditing operations, and work in cooperation with the internal audit division and other divisions, as well as the Accounting

Auditors, to hold regular meetings and engage in other activities. Furthermore, in addition to the activities of the Audit & Supervisory Board, MMC's Audit & Supervisory Board Members periodically engage in their special audit activities.

(1) System for eliminating criminal or unethical organizations

- MMC has specified in the newly established Global Code of Conduct that any relationship with antisocial forces shall be blocked. In addition, MMC and its subsidiaries have developed a manual for dealing with criminal or unethical organizations, and keep all personnel informed of such manual.

D. Information about development of risk management framework

MMC has put in place and works to improve its risk management system for the entire Group through three types of risk management activities: priority risk management, departmental risk management and subsidiaries and associates risk management.

For priority risk management, MMC selects risks that the entire MMC Group faces directly, that have significant potential impact and a high degree of urgency. For each risk, MMC assigns "risk owners," who are of executive officer level or above, and works as quickly as possible to reduce these risks. In departmental risk management, MMC has appointed risk management officers to each division or plant. These officers work to reduce risks through repeated application of the PDCA cycle, which involves identifying and evaluating each risk, devising and implementing countermeasures, and monitoring. Subsidiaries and associates risk management includes initiatives for addressing various types of risks encountered by MMC's subsidiaries and associates. MMC periodically confirms the status of activities such as the reinforcement of compliance systems, and proposes and directs improvements, as necessary. These risk management initiatives are regularly reported to the Board of Directors as key internal control measures.

In addition, in order to prepare for unforeseen contingencies MMC operates emergency contact systems that enable the rapid communication of information to directors and other key personnel, as well as a swift and accurate response. In particular, in order to create a crisis management system to guide MMC's response when serious incidents occur, MMC has formulated an emergency response manual. This manual outlines the establishment of an emergency response organization and clarifies the chain of command, enabling MMC to put appropriate response systems into place.

MMC's basic policy in times of disaster, such as earthquake or other large-scale natural disaster or an outbreak of infectious disease, is to ensure the safety of customers and employees and their families, and to assist local communities. MMC prepares disaster countermeasures and business continuity plans (BCPs) to this end.

As for disaster countermeasures, MMC conducts drills in communicating among individual plants and Group companies on the basis of a presumed emergency. As preparations against the possibility that employees will be unable to return to their homes and to stay at the headquarters for a three-day period, MMC conducts initiatives for communicating with local municipal authorities in order to ensure means through which they can communicate with their families and emergency supplies.

As for BCPs, MMC has formulated plans of operation that assume a large-scale earthquake or major outbreak of infectious disease. MMC works to improve these BCPs through drills and communication among individual regions.

ii) Status of internal audits and Audit & Supervisory Board Members' audits

The Audit & Supervisory Board Members carry out audits of the status of business execution of the MMC Group by attending important MMC meetings, such as Board of Directors meetings, and receiving reports on the status of business activities from Members of the Board, Executive Officer and other corporate officers. They also review key internal documents and internal audit reports from internal audit division, the Accounting Auditors and subsidiaries and associates.

In accordance with auditing policies established by the Audit & Supervisory Board, important auditing items for each fiscal year, allocation of duties and other matters, the Audit & Supervisory Board Members conduct interviews of the top executives of each internal division and hold visiting audits at each plant and subsidiaries and associates in Japan and overseas, and, based on the results, hold discussions at Audit & Supervisory Board meetings, periodically report to the Board of Directors and exchange opinions with the CEO and COO.

In addition, MMC has established the Internal Audit Dept. and the Quality Audit Dept. as Internal Audit departments within the Audit Div., an independent organization that reports directly to the CEO.

The Internal Audit Dept. conducts planned internal audits to determine whether operational management of MMC and subsidiaries and associates in Japan and overseas is being conducted with transparency using appropriate processes. The Quality Audit Dept. audits the appropriateness of quality-related activities by MMC and subsidiaries and associates in Japan and overseas. Audit results are reported directly to the CEO.

The Audit & Supervisory Board Members regularly exchange information and work to strengthen cooperation with the Audit Div. and the Accounting Auditors.

iii) Outside Directors and Outside Audit & Supervisory Board Members

As of the filing date, MMC has six Outside Directors and three Outside Audit & Supervisory Board Members, and MMC has no special interest relationship with any of the Outside Directors and Outside Audit & Supervisory Board Members. Moreover, MMC does not have criteria or a policy regarding independence in the appointment of its Outside Directors and Outside Audit & Supervisory Board Members. However, with their broad viewpoint based on their experience, MMC expects Outside Directors to supervise its management. MMC appoints individuals only after careful consideration as to whether their character is suited to such a role, and whether they possess sufficient insight, experience and expertise. They are appointed only if MMC comes to the conclusion that they are competent in this regard. Furthermore, MMC expects Outside Audit & Supervisory Board Members to conduct objective audits and express opinions regarding the legality of the MMC Group's business execution and the appropriateness of the accounting audits conducted by the Accounting Auditors. MMC appoints individuals only after careful consideration as to whether their character is suited to such a role, and whether they possess sufficient insight, experience and expertise. They are appointed only if MMC comes to the conclusion that they are competent in this regard.

Outside Director Shunichi Miyanaga serves concurrently as Member of the Board, President and CEO of Mitsubishi Heavy Industries, Ltd., which conducts transactions with MMC related to automobile parts purchasing and so forth. He serves as a business executive of Mitsubishi Heavy Industries, Ltd., which was a major shareholder of MMC within the past three years, therefore he has not been appointed as an Independent Director. However, he has considerable experience, achievements and deep insight nurtured through his long-standing career in corporate management at a manufacturing company that operates worldwide, and as such, MMC has appointed him to fulfill the role of an Outside Director described above so that his experience and insight may be reflected in MMC's management.

Outside Director Ken Kobayashi serves concurrently as Chairman of the Board of Mitsubishi Corporation, which is a major shareholder of MMC and conducts transactions with MMC related to overseas sales of automobiles and so forth. Moreover, Mr. Kobayashi serves concurrently as Outside Director of Mitsubishi Heavy Industries, Ltd., which conducts transactions with MMC related to automobile parts purchasing and so forth. Mr. Kobayashi has served in the past as a business executive of Mitsubishi Corporation, which is a major shareholder and a major business partner of MMC, therefore he has not been appointed as an Independent Director. However, he has considerable experience, achievements and deep insight on global business management nurtured through his career as a corporate manager at a general trading company that operates worldwide, and as such, MMC has appointed him to fulfill the role of an Outside Director described above so that his experience and insight may be reflected in MMC's management.

Outside Director Hitoshi Kawaguchi serves concurrently as Senior Vice President and CSO of Nissan Motor Co., Ltd., which is a major shareholder and a major business partner of MMC that conducts transactions with MMC related to OEM supply of automobiles and so forth. He serves as a business executive of Nissan Motor Co., Ltd., and thus has not been appointed as an Independent Director. However, Mr. Kawaguchi has deep insight and experience concerning the automotive business, and as such MMC has appointed him to fulfill the role of an Outside Director described above so that his experience and insight may be reflected in MMC's management.

Outside Director Hiroshi Karube serves concurrently as Chief Financial Officer of Nissan Motor Co., Ltd., which is a major shareholder and a business partner of MMC as described above. He serves as a business executive of Nissan Motor Co., Ltd., therefore he has not been appointed as an independent director. However, Mr. Karube has deep insight and experience concerning the automotive business, and as such MMC has appointed him to fulfill the role of an Outside Director described above so that his experience and insight may be reflected in MMC's management.

Outside Director Setsuko Egami has deep insight and experience concerning corporate strategies, marketing strategies, human resources development and others. As such, MMC has appointed her as an Outside Director with the expectation that these qualities may be reflected in MMC's management. Moreover, MMC recognizes that there is no risk of a conflict of interest arising between Ms. Egami and MMC's general shareholders, and considers her to be sufficiently independent. Therefore, she has been appointed as an "Independent Director/Audit & Supervisory Board Member" as stipulated under Article 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc. (hereinafter "Independent Director/Audit & Supervisory Board Member").

Outside Director Main Kohda has keen acumen and an objective perspective as a writer in addition to deep insight about international finance as well as considerable knowledge and experience gained as a Member of the Council of the Ministry of Finance and the Ministry of Land, Infrastructure, Transport and Tourism. As such, MMC has appointed her as an Outside Director with the expectation that these qualities may be reflected in MMC's management. Moreover, MMC recognizes that there is no risk of a conflict of interest arising between Ms. Kohda and MMC's general shareholders, and considers her to be sufficiently independent. Therefore, she has been appointed as an Independent Director.

Outside Audit & Supervisory Board Member Katsunori Nagayasu serves concurrently as Senior Advisor of MUFG Bank, Ltd., which conducts banking transactions with MMC and

so forth. Moreover, Mr. Nagayasu serves concurrently as Outside Audit & Supervisory Board Member of NIPPON STEEL & SUMITOMO METAL CORPORATION, which conducts transactions with MMC related to purchases of steel sheet for automobiles and so forth. Furthermore, Mr. Nagayasu serves concurrently as Outside Director of Mitsubishi Electric Corporation, which conducts transactions with MMC related to automobile parts purchasing and so forth. Mr. Nagayasu has served as a business executive of MUFG Bank, Ltd. in the past, in light of the current relationship between MMC and MUFG Bank, Ltd., he has not been appointed as an Independent Audit & Supervisory Board Member. However, Mr. Nagayasu has considerable experience and deep insight as a corporate manager, and as such MMC has appointed him as an Outside Audit & Supervisory Board Member with the expectation that these qualities may be reflected in MMC's audits.

Outside Director Yaeko Takeoka has worked for many years as an attorney-at-law, and has abundant specialist knowledge and insight as an expert in the law. As such, MMC has appointed her as an Outside Audit & Supervisory Board Member with the expectation that these qualities may be reflected in MMC's audits. Moreover, MMC recognizes that there is no risk of a conflict of interest arising between Ms. Takeoka and MMC's general shareholders, and considers her to be sufficiently independent. MMC has therefore appointed her as an Independent Audit & Supervisory Board Member.

Outside Director Yoshitsugu Oba has worked for many years as a certified public accountant and has abundant specialist knowledge and insight as an expert in accounting audits. As such, MMC has appointed him as an Outside Audit & Supervisory Board Member with the expectation that he can provide appropriate recommendations for adequacy and appropriateness with MMC's business execution. Mr. Oba served as a Partner of Deloitte Touche Tohmatsu LLC, which conducts transactions with MMC related to consulting and so forth. However, since the transactions amount to less than 0.1% of MMC's net sales, they do not affect Mr. Oba's independence, and MMC recognizes that there is no risk of a conflict of interest arising between Mr. Oba and MMC's general shareholders, and considers him to be sufficiently independent. MMC has therefore appointed him as an Independent Audit & Supervisory Board Member.

MMC has concluded agreements with each Outside Director and Outside Audit & Supervisory Board Member limiting their liability under Article 423, paragraph 1 of the Companies Act to the higher amount of 7 million yen or the minimum liability amount stipulated in Article 425, paragraph 1 of the Companies Act. The Outside Directors receive reports at the Board of Directors meetings regarding the progress of internal controls, including compliance, as well as the results of Audit & Supervisory Board Member's audits and accounting audits. The Outside Audit & Supervisory Board Members receive reports at the Board of Directors meetings regarding the progress of internal controls, including compliance, as well as results of accounting audits, and at the Audit & Supervisory Board meetings, they receive reports on audit results from the Accounting Auditors for each quarterly financial report, as well as receiving reports on individual matters regarding compliance and so forth, and they offer appropriate opinions.

iv) Amount of compensation

A. Total compensation paid to Members of the Board and Audit & Supervisory Board Members, compensation total by type, and number of payees

Classification	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)		Number of payees
		Monetary compensation	Stock options as equity-linked compensation	
Member of the Board (Excluding Outside Director)	538	432	106	5
Audit & Supervisory Board Member (Excluding Outside Audit & Supervisory Board Member)	30	30	–	1
Outside Director and Outside Audit & Supervisory Board Member	150	150	–	10

B. Officers whose total consolidated compensation, etc., exceeds 100 million yen

Name	Classification	Category	Total compensation (Millions of yen)	Monetary compensation (Millions of yen)	Stock options as equity-linked compensation (Millions of yen)
Carlos Ghosn	Member of the Board	MMC	227	180	47
Osamu Masuko	Member of the Board	MMC	141	99	42

C. The contents and method for determining the policy for setting the amount of compensation of Members of the Board and Audit & Supervisory Board Members or the calculation method

(a) Member of the Board

Compensation provided to MMC's Members of the Board is composed of monthly compensation, performance-based compensation, and equity-linked compensation. The goal of this is to strive for sustained improvement of corporate value, while sharing value with shareholders, and to secure skilled professionals both from outside the company and overseas. The maximum amount of monthly compensation and performance-based compensation was set at 2 billion yen per year by resolution at the Extraordinary Shareholders Meeting held on December 14, 2016. Compensation is determined within said range based on individual officers' contributions to MMC's performance, taking into consideration the result of compensation investigations carried out by outside experts. On the other hand, equity-linked compensation is within a range of a maximum of 1 billion yen per year set by resolution at the same meeting, and is granted based on the achievement of performance targets. The total annual payment made in FY2017 is as shown in the table in A. above. The amount of compensation paid to Outside Directors is determined by the agreement made at the time of appointment and there is no additional payment reflecting a performance-based element or individual performance.

(b) Audit & Supervisory Board Member

The monthly compensation of Audit & Supervisory Board Members was set at an upper limit of 10 million yen per month by resolution of the 45th Ordinary General Meeting of Shareholders held on June 25, 2014 and the total annual payment made in FY2017 is as shown in the table in A. above. Individual compensation of Audit &

Supervisory Board Members is determined through discussions by Audit & Supervisory Board Members.

v) Status of shareholdings

A. Number of issues of investment shares held for purposes other than portfolio investment shares and total amount recorded on balance sheet

29 issues 24,136 million yen

B. Issue, number of shares, balance sheet amount, and holding purpose of investment shares held for purposes other than portfolio investment shares

Previous fiscal year

Specified investment shares

Issues	Number of shares (Shares)	Balance sheet amount (Millions of yen)	Holding purpose
China Motor Corporation	193,768,273	19,892	The company is an important business partner that manufactures and sells MMC's products, and the shares are held to maintain and strengthen a smooth business relationship.
United Motors Lanka PLC	4,937,142	283	The company is an important business partner that sells MMC's products, and the shares are held to maintain and strengthen a smooth business relationship.

Current fiscal year

Specified investment shares

Issues	Number of shares (Shares)	Balance sheet amount (Millions of yen)	Holding purpose
China Motor Corporation	193,768,273	19,440	The company is an important business partner that manufactures and sells MMC's products, and the shares are held to maintain and strengthen a smooth business relationship.
United Motors Lanka PLC	4,937,142	256	The company is an important business partner that sells MMC's products, and the shares are held to maintain and strengthen a smooth business relationship.

vi) Information about accounting audit

MMC has concluded an audit contract with Ernst & Young ShinNihon LLC, under which it receives accounting audits. The names of the CPAs who carried out the audit work and the organization of assistants relating to the audit work are presented below.

Names of the CPAs

Designated and Engagement Partner, Yoji Murohashi (Note), Tomohiro Mizuno (Note), Takeshi Saida (Note), Chihiro Yasunaga (Note)

The organization of assistants relating to the audit work

CPAs 20, Others 39

(Note) The number of consecutive years of conducting audits is omitted as it is seven years or less.

vii) Conditions for resolution on the election of Members of the Board

MMC's Articles of Incorporation stipulate that Members of the Board are to be elected by a majority vote of the General Meeting of Shareholders where shareholders holding at least one third of the voting rights of shareholders eligible to exercise their voting rights are in

attendance, and that a resolution to elect a Member of the Board is not be made by cumulative voting.

viii) Matters for resolution by the General Meeting of Shareholders that may be resolved by the Board of Directors and reason therefor

A. Acquisition of shares

MMC's Articles of Incorporation stipulate that it may acquire treasury shares through market transactions and so forth by a resolution of the Board of Directors in accordance with the provisions of Article 165, paragraph 2 of the Companies Act so as to enable flexible acquisition of treasury shares in response to its management situation, financial situation, and other situations.

B. Exemption from liability of Members of the Board and Audit & Supervisory Board Members

To enable Members of the Board and Audit & Supervisory Board Members to perform their roles as expected, MMC's Articles of Incorporation stipulate that MMC may exempt Members of the Board (including former Members of the Board) and Audit & Supervisory Board Members (including former Audit & Supervisory Board Members) from their compensation liability in cases where the criteria stipulated by laws and regulations pursuant to Article 423, paragraph 1 of the Companies Act apply by a resolution of the Board of Directors, by limiting the liability to the amount obtained by deducting the minimum liability limit amount stipulated by laws and regulations from the compensation liability amount. Furthermore, MMC's Articles of Incorporation state that MMC may conclude agreements with its Members of the Board (excluding Members of the Board who execute business and so forth) and Audit & Supervisory Board Members to limit their compensation liability in cases where the criteria stipulated by laws and regulations regarding compensation liability pursuant to Article 423, paragraph 1 of the Companies Act apply (however, the limit of compensation liability based on the agreements shall be the higher amount of a predetermined amount of 5 million yen or more and the minimum liability limited amount stipulated by laws and regulations).

C. Interim dividend

In order to return profits flexibly to shareholders, MMC's Articles of Incorporation stipulate that MMC may pay an interim dividend as provided by Article 454, paragraph 5 of the Companies Act by a resolution of the Board of Directors to the final shareholder or registered pledgee of shares listed or recorded on the shareholders register as of September 30 each year.

ix) Changes in criteria for special resolutions of the General Meeting of Shareholders and reason therefor

To ensure that special resolutions of the General Meeting of Shareholders are carried out in a timely and smooth manner, the Articles of Incorporation stipulate that special resolutions of the General Meeting of Shareholders as provided by Article 309, paragraph 2 of the Companies Act are to be carried out by a majority of at least two thirds, where shareholders holding at least one third of the voting rights of shareholders eligible to exercise voting rights are in attendance.

(2) Details of compensation for the audit

i) Compensation for certified public accountants who conduct auditing, etc.

Classification	Previous fiscal year		Current fiscal year	
	Compensation for audit attestation (Millions of yen)	Compensation for non-audit work (Millions of yen)	Compensation for audit attestation (Millions of yen)	Compensation for non-audit work (Millions of yen)
MMC	232	1	435	1
Consolidated subsidiary	113	28	113	28
Total	345	30	549	29

ii) Details of other material compensation

(Previous fiscal year)

MMC's consolidated subsidiaries Mitsubishi Motors North America, Inc. has paid US\$ 744,000 in compensation for audit attestation to Ernst & Young Global Limited which belongs to the same network as the MMC's auditing certified public accountants who conduct auditing, etc.

(Current fiscal year)

MMC's consolidated subsidiaries Mitsubishi Motors North America, Inc. has paid US\$ 734,000 in compensation for audit attestation to Ernst & Young Global Limited which belongs to the same network as the MMC's auditing certified public accountants who conduct auditing, etc.

iii) Details of non-audit work provided to MMC by certified public accountants who conduct auditing, etc.

(Previous fiscal year)

The details of non-audit work for which MMC paid compensation to certified public accountants, etc. consist of fact-verification duties concerning the English translation of Financial Statements and other materials.

(Current fiscal year)

The details of non-audit work for which MMC paid compensation to certified public accountants, etc. consist of fact-verification duties concerning the English translation of Financial Statements and other materials.

iv) Policy on determination of compensation for audits

The Articles of Incorporation stipulate that the compensation paid to the Accounting Auditors is to be determined by the Representative Director with the consent of the Audit & Supervisory Board.

V. Financial Information

1. Basis of preparation of the consolidated financial statements and non-consolidated financial statements

(1) The consolidated financial statements of MMC are prepared in accordance with the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The non-consolidated financial statements of MMC are prepared in accordance with the “Ordinance on Terminology, Forms, and Preparation Methods of Non-consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 59 of 1963) (hereinafter the “Ordinance on Financial Statements, etc.”).

As MMC falls under the category of a company filing financial statements prepared in accordance with special provisions, the non-consolidated financial statements of MMC are prepared in accordance with Article 127 of the Ordinance on Financial Statements, etc.

2. Independent audit

The consolidated and the non-consolidated financial statements for the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018) were audited by Ernst & Young ShinNihon LLC, in accordance with Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

3. Particular efforts to secure the appropriateness of the consolidated financial statements, etc.

MMC is making particular efforts to ensure the appropriateness of the consolidated financial statements. Specifically, MMC has become a member of the Financial Accounting Standards Foundation (hereinafter the “Foundation”) and participates in seminars and other programs sponsored by the Foundation in order to have an appropriate understanding about the contents of the accounting standards, etc., and establish a system so that MMC might be able to properly respond to the changes in the accounting standards, etc.

1. Consolidated financial statements

(1) Consolidated financial statements

(a) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	(*) 556,836	(*) 571,911
Notes and accounts receivable - trade	164,761	176,020
Merchandise and finished goods	118,195	143,332
Work in process	19,695	21,901
Raw materials and supplies	26,139	38,551
Short-term loans receivable	1,766	806
Deferred tax assets	8,626	19,426
Other	(*) 76,590	(*) 95,542
Allowance for doubtful accounts	(1,209)	(1,229)
Total current assets	971,401	1,066,264
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	77,002	89,314
Machinery, equipment and vehicles, net	100,516	113,266
Tools, furniture and fixtures, net	22,349	46,237
Land	89,925	94,565
Construction in progress	19,210	33,698
Total property, plant and equipment	(*)1, (*)2 309,004	(*)1, (*)2 377,082
Intangible assets	22,939	29,022
Investments and other assets		
Investment securities	(*)2, (*)3 94,959	(*)2, (*)3 97,699
Long-term loans receivable	21,615	6,218
Net defined benefit asset	2,913	4,198
Deferred tax assets	7,311	10,558
Other	(*)2, (*)3 60,120	(*)2, (*)3 70,178
Allowance for doubtful accounts	(5,853)	(5,921)
Total investments and other assets	181,068	182,931
Total non-current assets	513,011	589,035
Total assets	1,484,413	1,655,299

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	378,561	426,312
Electronically recorded obligations - operating	21,393	22,897
Short-term loans payable	(*) 15,069	(*) 10,589
Current portion of long-term loans payable	(*) 299	(*) 15,893
Lease obligations	989	504
Accounts payable - other and accrued expenses	124,573	165,963
Income taxes payable	26,485	11,272
Deferred tax liabilities	51	17
Provision for product warranties	45,512	46,733
Provision for loss on fuel consumption test	28,136	15,478
Other	32,494	29,896
Total current liabilities	673,566	745,559
Non-current liabilities		
Long-term loans payable	(*) 240	(*) 90
Lease obligations	1,018	639
Deferred tax liabilities	24,583	31,642
Net defined benefit liability	41,593	42,596
Other	39,946	38,209
Total non-current liabilities	107,383	113,177
Total liabilities	780,949	858,737
Net assets		
Shareholders' equity		
Capital stock	284,382	284,382
Capital surplus	203,938	203,938
Retained earnings	277,281	363,382
Treasury shares	(220)	(220)
Total shareholders' equity	765,381	851,482
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,480	7,158
Deferred gains or losses on hedges	627	526
Foreign currency translation adjustment	(62,739)	(59,966)
Remeasurements of defined benefit plans	(20,295)	(18,232)
Total accumulated other comprehensive income	(74,926)	(70,514)
Share acquisition rights	-	106
Non-controlling interests	13,008	15,487
Total net assets	703,463	796,562
Total liabilities and net assets	1,484,413	1,655,299

(b) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income

(Millions of yen)

	For the fiscal year ended March 31, 2017	For the fiscal year ended March 31, 2018
Net sales	1,906,632	2,192,389
Cost of sales	(*3) 1,581,273	(*3) 1,730,278
Gross profit	325,359	462,111
Selling, general and administrative expenses		
Advertising and promotion expenses	83,014	110,047
Freightage expenses	45,817	42,316
Provision of allowance for doubtful accounts	(330)	33
Directors' compensations, salaries and allowances	66,097	71,758
Retirement benefit expenses	3,783	3,509
Depreciation	10,320	12,506
Research and development expenses	(*3) 57,679	(*3) 56,066
Other	53,858	67,671
Total selling, general and administrative expenses	320,240	363,909
Operating profit (loss)	5,118	98,201
Non-operating income		
Interest income	3,530	3,464
Dividend income	1,607	2,090
Share of profit of entities accounted for using equity method	10,969	20,579
Other	502	949
Total non-operating income	16,609	27,084
Non-operating expenses		
Interest expenses	1,208	3,499
Foreign exchange losses	6,829	8,370
Litigation expenses	1,205	1,564
Other	3,540	1,723
Total non-operating expenses	12,783	15,158
Ordinary profit (loss)	8,944	110,127
Extraordinary income		
Gain on sales of non-current assets	(*1) 952	(*1) 306
Gain on sales of investment securities	1,863	328
Gain on dissolution of employee's pension fund	–	(*7) 1,434
Compensation income for expropriation	1,481	–
Gain on sales of investments in capital of subsidiaries and associates	809	–
Other	432	217
Total extraordinary income	5,538	2,287
Extraordinary losses		
Loss on retirement of non-current assets	2,073	2,418
Loss on sales of non-current assets	(*2) 277	(*2) 139
Impairment loss	(*4) 1,165	(*4) 2,636
Loss on fuel consumption test	(*4), (*5) 165,455	(*5) 2,262
Compensation for production transfer	–	984
Loss on closing of plants	(*6) 640	–
Other	3,608	924
Total extraordinary losses	173,221	9,365
Profit (loss) before income taxes	(158,738)	103,049
Income taxes - current	20,986	11,675
Income taxes for prior periods	12,281	(8,616)
Income taxes - deferred	4,782	(6,261)
Total income taxes	38,051	(3,203)
Profit (loss)	(196,789)	106,253
Profit (loss) attributable to non-controlling interests	1,735	(1,366)
Profit (loss) attributable to owners of parent	(198,524)	107,619

Consolidated statement of comprehensive income

(Millions of yen)

	For the fiscal year ended March 31, 2017	For the fiscal year ended March 31, 2018
Profit (loss)	(196,789)	106,253
Other comprehensive income		
Valuation difference on available-for-sale securities	3,052	(311)
Deferred gains or losses on hedges	(32)	330
Foreign currency translation adjustment	71	1,332
Remeasurements of defined benefit plans, net of tax	(6,180)	2,174
Share of other comprehensive income of entities accounted for using equity method	(4,862)	933
Total other comprehensive income	(*1) (7,951)	(*1) 4,460
Comprehensive income	(204,740)	110,713
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(205,269)	113,022
Comprehensive income attributable to non- controlling interests	528	(2,309)

(c) Consolidated statement of changes in net assets

(Millions of yen)

For the fiscal year ended March 31, 2017	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	165,701	85,257	488,590	(220)	739,328
Changes of items during period					
Issuance of new shares	118,680	118,680			237,361
Dividends of surplus			(12,784)		(12,784)
Profit (loss) attributable to owners of parent			(198,524)		(198,524)
Purchase of treasury shares				(0)	(0)
Change of scope of consolidation					
Change of scope of equity method					-
Net changes of items other than shareholders' equity					
Total changes of items during period	118,680	118,680	(211,309)	(0)	26,052
Balance at end of current period	284,382	203,938	277,281	(220)	765,381

For the fiscal year ended March 31, 2017	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	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			
Balance at beginning of current period	4,429	542	(59,109)	(14,043)	(68,181)	-	14,189	685,337
Changes of items during period								
Issuance of new shares								237,361
Dividends of surplus								(12,784)
Profit (loss) attributable to owners of parent								(198,524)
Purchase of treasury shares								(0)
Change of scope of consolidation								
Change of scope of equity method								-
Net changes of items other than shareholders' equity	3,051	85	(3,629)	(6,251)	(6,744)	-	(1,181)	(7,926)
Total changes of items during period	3,051	85	(3,629)	(6,251)	(6,744)	-	(1,181)	18,126
Balance at end of current period	7,480	627	(62,739)	(20,295)	(74,926)	-	13,008	703,463

(Millions of yen)

For the fiscal year ended March 31, 2018	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	284,382	203,938	277,281	(220)	765,381
Changes of items during period					
Issuance of new shares					–
Dividends of surplus			(17,880)		(17,880)
Profit (loss) attributable to owners of parent			107,619		107,619
Purchase of treasury shares				(0)	(0)
Change of scope of consolidation			(3,457)		(3,457)
Change of scope of equity method			(180)		(180)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	86,101	(0)	86,101
Balance at end of current period	284,382	203,938	363,382	(220)	851,482

For the fiscal year ended March 31, 2018	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	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			
Balance at beginning of current period	7,480	627	(62,739)	(20,295)	(74,926)	–	13,008	703,463
Changes of items during period								
Issuance of new shares								–
Dividends of surplus								(17,880)
Profit (loss) attributable to owners of parent								107,619
Purchase of treasury shares								(0)
Change of scope of consolidation								(3,457)
Change of scope of equity method								(180)
Net changes of items other than shareholders' equity	(322)	(101)	2,773	2,062	4,411	106	2,479	6,997
Total changes of items during period	(322)	(101)	2,773	2,062	4,411	106	2,479	93,098
Balance at end of current period	7,158	526	(59,966)	(18,232)	(70,514)	106	15,487	796,562

(d) Consolidated statement of cash flows

(Millions of yen)

	For the fiscal year ended March 31, 2017	For the fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit (loss) before income taxes	(158,738)	103,049
Depreciation	46,815	52,551
Impairment loss	1,165	2,636
Loss on fuel consumption test	165,455	2,262
Loss on closing of plants	640	–
Increase (decrease) in allowance for doubtful accounts	(373)	(16)
Increase (decrease) in net defined benefit liability	1,598	2,115
Interest and dividend income	(5,138)	(5,555)
Interest expenses	1,208	3,499
Foreign exchange losses (gains)	31	5,430
Share of loss (profit) of entities accounted for using equity method	(10,969)	(20,579)
Loss (gain) on sales and retirement of non-current assets	1,399	2,251
Decrease (increase) in notes and accounts receivable - trade	7,973	(11,730)
Decrease (increase) in inventories	24,869	(37,504)
Increase (decrease) in notes and accounts payable - trade	12,289	47,485
Other, net	5,446	(384)
Subtotal	93,675	145,510
Interest and dividend income received	9,845	10,982
Interest expenses paid	(1,183)	(3,507)
Payments related to fuel consumption test	(130,689)	(13,221)
Payments for closing of plants	(2,903)	–
Income taxes paid	(14,573)	(20,140)
Net cash provided by (used in) operating activities	(45,829)	119,624
Cash flows from investing activities		
Decrease (increase) in time deposits	(0)	(11,997)
Purchase of property, plant and equipment	(56,474)	(72,251)
Proceeds from sales of property, plant and equipment	4,238	2,989
Purchase of intangible assets	(11,530)	(11,497)
Proceeds from sales of investment securities	2,459	682
Decrease (increase) in short-term loans receivable	673	155
Payments of long-term loans receivable	(14,814)	(1,517)
Collection of long-term loans receivable	1,137	744
Other, net	1,189	(4,401)
Net cash provided by (used in) investing activities	(73,119)	(97,093)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	3,178	(4,510)
Proceeds from long-term loans payable	835	2,375
Repayments of long-term loans payable	(14,485)	(301)
Proceeds from issuance of common shares	236,317	–
Cash dividends paid	(12,755)	(17,938)
Dividends paid to non-controlling interests	(1,649)	(2,085)
Other, net	(1,062)	(700)
Net cash provided by (used in) financing activities	210,377	(23,161)

(Millions of yen)

	For the fiscal year ended March 31, 2017	For the fiscal year ended March 31, 2018
Effect of exchange rate change on cash and cash equivalents	2,037	(3,167)
Net increase (decrease) in cash and cash equivalents	93,465	(3,797)
Cash and cash equivalents at beginning of period	462,440	555,906
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	–	6,927
Cash and cash equivalents at end of period	* 555,906	* 559,036

Notes

Material basis of the preparation of consolidated financial statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 34

The names of major companies are omitted here because they are provided in "I. Overview of the Company, 4. Status of subsidiaries and associates."

Changes in the scope of consolidation

1) Newly included in the scope of consolidation: 1

Company included in the scope of consolidation due to the increase of importance

PT. Mitsubishi Motors Krama Yudha Indonesia

2) Excluded from the scope of consolidation: 2

Companies excluded from the scope of consolidation due to liquidation

MMCA Auto Owner Trust 2014-A and one other company

(2) Names of major unconsolidated subsidiaries

MMC Wing Co., Ltd., etc.

Reason for exclusion from scope of consolidation

The amounts of total assets, net sales, net loss or profit, and retained earnings of unconsolidated subsidiaries, including the above, are all insignificant in size and do not have a significant impact on the consolidated financial statements in aggregate either, therefore such subsidiaries are excluded from the scope of consolidation.

2. Application of the equity method

(1) Number of associates to which the equity method is applied: 21

The names of major companies are omitted here because they are provided in "I. Overview of the Company, 4. Status of subsidiaries and associates."

Changes in the scope of equity method

1) Newly included in the scope of equity method: 2

Associate to which the equity method is applied due to the increase of importance

PT. Mitsubishi Motors Krama Yudha Sales Indonesia

Associate to which the equity method is applied due to the acquisition of shares

Nagano Mitsubishi Motor Sales Co., Ltd.

2) Excluded from the scope of equity method: 1

Associate excluded from the scope of equity method due to selling of shares

Muroran Mitsubishi Motor Sales Co., Ltd.

(2) Names of unconsolidated subsidiaries and associates to which the equity method is not applied

Unconsolidated subsidiaries

MMC Wing Co., Ltd., etc.

Associates

Diamond F.C. Partners, Co., Ltd., etc.

Reason for non-application of equity method

The amounts such as net loss or profit and retained earnings of unconsolidated subsidiaries and associates to which the equity method is not applied are all insignificant in size and do not have a significant impact on the consolidated financial statements in aggregate either, therefore such unconsolidated subsidiaries and associates are excluded from the scope of equity method.

3. Fiscal year end dates of consolidated subsidiaries

For those overseas six consolidated subsidiaries such as Mitsubishi Motors (Thailand) Co., Ltd., for which the fiscal year end date (December 31) is different from the consolidated fiscal year end date (March 31), additional financial statements are prepared as of March 31, for consolidation purposes.

4. Accounting policies

(1) Valuation bases and methods of significant assets

Securities

Held-to-maturity debt securities:

Stated at amortized cost.

Available-for-sale securities

Available-for-sale securities with a readily determinable market value

Stated at fair value based on the market price on the consolidated balance sheet date and the cost of securities sold is computed based on the moving average method. The difference between the acquisition cost and the carrying value of available-for-sale securities, including unrealized gains and losses, is recognized in valuation difference on available-for-sale securities in the accompanying consolidated balance sheet.

Available-for-sale securities without a readily determinable market value

Stated at cost determined by the moving average method.

Derivative financial instruments

Market price method (excluding interest rate swaps for which the special accounting provisions are applied)

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.

(2) Depreciation and amortization method for significant depreciable and amortizable assets

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 consistent 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 assets (excluding leased assets)

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

(3) Significant allowances and provisions

Allowance for doubtful accounts

To prepare for losses from bad debts for trade receivables, loans, etc., an estimate of the amount of specific uncollectible accounts is provided as an allowance for doubtful accounts based on the historical default rate for ordinary receivables, and based on the individual collectability for specific receivables such as doubtful receivables.

Provision for product warranties

MMC and domestic consolidated subsidiaries calculate the provision for product warranties after taking into account, according to the warranty agreements, future warranty forecasts based on historical experience in order to provide for the products' after-service costs.

Overseas consolidated subsidiaries calculate the provision for product warranties after taking into account warranty forecasts based on their historical experience in order to provide for the products' after-service costs.

Provision for loss on fuel consumption test

To provide for losses relating to fuel consumption test, provision is calculated to the extent that can be reasonably projected and estimated at the end of the current fiscal year.

(4) Accounting method for retirement benefits

Method of attributing estimated retirement benefits to the periods

In computing retirement benefits obligations, the projected retirement benefits obligations are attributed to periods until the end of the current fiscal year using a benefit formula basis.

Method of amortization of actuarial gains and losses and prior service costs

Prior service cost is being amortized using the straight line method over a fixed number of years (mainly 10 years) within the estimated average remaining service years of the employees at the time of incurrence.

Actuarial gains and losses are being amortized using the straight line method over a fixed number of years (mainly 10 years) within the estimated average remaining service years of employees commencing from the following fiscal year after incurrence.

Unrecognized actuarial gains and losses and unrecognized prior service cost are recorded in the remeasurements of defined benefit plans, net of tax, in other accumulated comprehensive income under net assets after considering tax effects.

(5) Translation of significant foreign currency accounts

Monetary receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the end of the fiscal year, and differences arising from the translation are included in the consolidated statement of income. Assets and liabilities and income and expenses of overseas consolidated subsidiaries, etc. are translated into yen at the rates of exchange at the end of the fiscal year and the average exchange rates during the period, respectively, and differences arising from the translation are included in "Foreign currency translation adjustment" and "Non-controlling interests" under net assets.

(6) Significant hedge accounting method

Hedge accounting method

Primarily, deferred hedge accounting is applied for derivative instruments. Interest rate swaps meeting the requirements for special treatment are accounted for using the special treatment.

Hedging instruments and hedged items

Hedging instruments and hedged items to which hedge accounting is applied for the current fiscal year are as follows:

a. Hedging instruments: Forward foreign exchange contracts

Hedged items: Primarily, trade receivables denominated in foreign currencies arising from product exports (on forecast transactions)

b. Hedging instruments: Interest rate swaps

Hedged items: Interest on borrowings

Hedging policy

MMC is conducting hedging activities in order to avoid foreign exchange fluctuation risk on monetary receivables and payables denominated in foreign currencies arising from normal course of business transactions and interest rate fluctuation risk on borrowing, etc.

Method of assessing of hedge effectiveness

With respect to forward foreign exchange contracts, assessment of hedge effectiveness is omitted, since material conditions are identical with forecast transactions to be hedged and it can be assumed to offset market fluctuations at the time of inception of hedges and afterward.

With respect to interest rate swaps accounted for using special treatment, assessment of hedge effectiveness is substituted by identifying that they meet the requirements.

(7) Scope of cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(8) Other significant matters serving as the preparation of consolidated financial statements

Accounting for consumption taxes

Consumption tax and local consumption tax are accounted for by tax-exclusion method.

Application of consolidated taxation system

The consolidated taxation system is applied.

New accounting standards to be applied

Overseas subsidiaries and associates

(1) IFRS 15 “Revenue from Contracts with Customers” and FASB Accounting Standards Update (ASU) 2014-09 “Revenue from Contracts with Customers”

1) Outline

The aforementioned standards require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

2) Scheduled date of application

The aforementioned standards are scheduled to be applied at the start of the fiscal year ending March 31, 2019.

3) Effect of application of the accounting standards

The effect of the application of the aforementioned standards on MMC’s consolidated financial statements is under evaluation.

(2) IFRS 16 “Leases” and FASB Accounting Standards Update (ASU) 2016-02 “Leases”

1) Outline

The aforementioned standards require a lessee to recognize assets or liabilities generally for all leases on the balance sheet, whereas no significant changes were made in the accounting for a lessor.

2) Scheduled date of application

IFRS 16 is scheduled to be applied to foreign subsidiaries and associates other than those in North America at the start of the fiscal year ending March 31, 2020.

ASU 2016-02 “Leases” is scheduled to be applied at the start of the fiscal year ending March 31, 2021.

3) Effect of application of the accounting standards

The effect of the application of the aforementioned standards on MMC’s consolidated financial statements is under evaluation.

MMC and domestic subsidiaries and associates

(1) “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, revised on February 16, 2018)

“Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, revised on February 16, 2018)

1) Outline

When the practical guidelines on tax effect accounting issued by the Japanese Institute of Certified Public Accountants (JICPA) were transferred to the Accounting Standards Board of Japan (ASBJ), the ASBJ made necessary changes mentioned below to the practical guidelines while maintaining the basic framework and issued the “Guidance on Accounting Standard for Tax Effect Accounting” and the other above.

Major changes to accounting treatments

- Treatment of taxable temporary differences pertaining to shares of subsidiaries and associates in non-consolidated financial statements
- Treatment of recoverability of deferred tax assets for an entity classified as type 1

2) Scheduled date of application

The aforementioned guidances are scheduled to be applied at the start of the fiscal year ending March 31, 2019.

3) Effect of application of the accounting standards

The effect of the application of the aforementioned guidances on MMC's consolidated financial statements is under evaluation.

(2) "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 30, 2018)

"Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, issued on March 30, 2018)

1) Outline

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed comprehensive revenue recognition standards and issued "Revenue from Contracts with Customers" in May 2014 (IASB's IFRS 15 and FASB's Topic 606). Considering that IFRS 15 shall apply to fiscal years beginning on or after January 1, 2018, and Topic 606 shall apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard on revenue recognition by following the basic policies in developing it. The basic policies were: firstly, incorporating the core principle of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments, but to the extent not impairing comparability, where consideration should be given to the practice having been used in Japan.

2) Scheduled date of application

The aforementioned standard and guidance will be applied at the start of the fiscal year ending March 31, 2022.

3) Effect of application of the accounting standards

The effect of the application of the aforementioned standards and guidance on MMC's consolidated financial statements is under evaluation.

Consolidated balance sheet

(*1) Accumulated depreciation of property, plant and equipment is as follows:

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Accumulated depreciation of property, plant and equipment	861,589	858,496

(*2) Assets pledged as collateral and liabilities secured by the collateral

Assets pledged as collateral (excluding factory foundation) is as follows:

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Property, plant and equipment	17,612	17,097
Other (Note)	2,312	2,073
Total	19,925	19,170

(Note) In the fiscal year ended March 31, 2017, accounts receivable - other of 1,247 million yen was pledged based on a liability in a term lease contract relating to a building with Murata Medical Services, Ltd. In addition, MMC pledged investment securities of 46 million yen as collateral for the borrowings of Mizushima Eco-works Co., Ltd.

In the fiscal year ended March 31, 2018, accounts receivable - other of 1,268 million yen was pledged based on a liability in a term lease contract relating to a building with Murata Medical Services, Ltd. In addition, MMC pledged investment securities of 46 million yen as collateral for the borrowings of Mizushima Eco-works Co., Ltd.

Assets pledged as foundation collateral is as follows:

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Consolidated subsidiary (Pajero Manufacturing Co., Ltd.)		
Buildings and structures	2,262	2,454
Machinery, equipment and vehicles	3,298	3,621
Land	1,540	1,540
Total	7,101	7,615

Liabilities secured by the collateral is as follows:

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Short-term loans payable	8,100	7,026
Current portion of long-term loans payable	256	145
Long-term loans payable	235	90
Total	8,591	7,261

(*3) Investments in unconsolidated subsidiaries and associates

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Investment securities	69,652	73,166
Other (investments and other assets) (of which investment in joint ventures)	38,756 (8,699)	44,968 (16,413)

4 Guarantee obligation

(1) Guarantee recipients

(Millions of yen)					
For the fiscal year ended March 31, 2017 (As of March 31, 2017)			For the fiscal year ended March 31, 2018 (As of March 31, 2018)		
Guarantee	Guaranteed amount (Millions of yen)	Description of guaranteed obligation	Guarantee	Guaranteed amount (Millions of yen)	Description of guaranteed obligation
PT.Mitsubishi Motors Krama Yudha Sales Indonesia	9,739	Bank loans and others	PT.Mitsubishi Motors Krama Yudha Sales Indonesia	7,396	Bank loans and others
PCMA Rus, LLC	2,705	Bank loans and others	PCMA Rus, LLC	1,334	Bank loans and others
Employees	541	(Note)	Employees	461	(Note)
Other	65	Lease obligations and others	Other	44	Lease obligations and others
Total	13,052		Total	9,237	

(Note) Bank loans for "Employees' property accumulation residence fund," etc.

(2) Retroactive obligation following liquidation of accounts receivable - trade

(Millions of yen)	
For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
-	441

Consolidated statement of income

(*1) Gain on sales of non-current assets is as follows:

(Millions of yen)			
For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)		For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	
Buildings and structures	135	Buildings and structures	168
Machinery, equipment and vehicles	213	Machinery, equipment and vehicles	108
Tools, furniture and fixtures	41	Tools, furniture and fixtures	1
Land	561	Land	28
Intangible assets	0	Intangible assets	-
Total	952	Total	306

(*2) Loss on sales of non-current assets is as follows:

(Millions of yen)			
For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)		For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	
Buildings and structures	10	Buildings and structures	46
Machinery, equipment and vehicles	113	Machinery, equipment and vehicles	31
Tools, furniture and fixtures	7	Tools, furniture and fixtures	3
Land	146	Land	40
Intangible assets	-	Intangible assets	17
Total	277	Total	139

(*3) Total amount of research and development expenses included in general and administrative expenses and manufacturing cost for the period

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)		For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)	
	89,022		102,488

Changes in presentation

Research and development expenses included in manufacturing cost for the current period have been combined in research and development expenses included in general and administrative expenses from the fiscal year ended March 31, 2018, since the significance of the amount increased. In order to reflect this change in presentation, a reclassification in the note for the previous fiscal year was made.

(*4) Impairment loss

The MMC Group recognized an impairment loss on the following asset group:

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Outline of asset group on which an impairment loss was recognized

Location	Usage	Type	Amount (Millions of yen)
Uwajima, Ehime, etc. (36 locations)	Sales related assets	Buildings, land, and others	884
Maebashi, Gunma, etc. (10 locations)	Idle assets	Buildings, land, and others	258
Kurashiki, Okayama (1 location)	Production facilities	Buildings, machinery, equipment, tools, furniture, fixtures, and others	28,028

(2) Grouping method of assets

Production assets are grouped by the unit of car body production plant or the business unit and sales related assets are grouped mainly by business unit. In addition, lease assets and idle assets are treated as individual asset groups.

(3) Circumstances leading to recognition of impairment losses

Due to worsening of market environments, etc., the carrying amount of certain assets was written-down to the recoverable amounts.

(4) Method of computing the recoverable amount

The recoverable amount is determined by the higher amount of the value in use computed by discounting future cash flows of each asset group by 5%, the appraisal value based on the real estate appraisal standard, or the net selling value reasonably computed using the assessed value of the inheritance tax based on the road rating, etc.

The recoverable amount of idle assets is computed using the net selling value and those idle assets which are substantially difficult to sell to others are assessed as net selling value of zero.

(5) Amount of impairment loss

An impairment loss of 29,171 million yen is recorded as “loss on fuel consumption test” and “impairment loss” under extraordinary losses, and major components are as follows:

	(Millions of yen)
Buildings and structures	5,668
Machinery and equipment	13,094
Tools, furniture and fixtures	9,069
Land	673
Other	665
<u>Total</u>	<u>29,171</u>

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(1) Outline of asset group on which an impairment loss was recognized

Location	Usage	Type	Amount (Millions of yen)
Kawasaki, Kanagawa, etc. (12 locations)	Sales related assets	Buildings, structures, land, and others	158
Muroran, Hokkaido, etc. (2 locations)	Rental assets	Buildings and land	4
Kyoto, Kyoto, etc. (10 locations)	Idle assets	Land, machinery, equipment, tools, furniture, fixtures, and others	2,047
Indonesia (1 location)	Production facilities	Machinery, equipment, tools, furniture, fixtures, and others	425

(2) Grouping method of assets

Production assets are grouped by the business unit and sales related assets are grouped mainly by business unit. In addition, lease assets and idle assets are treated as individual asset groups.

Changes in grouping of assets with respect to accounting for impairment

Previously, assets used in production in Japan were divided into vehicle manufacturing plans. However, as effects of strategic alliance with Nissan and Renault, common vehicle platforms had been accelerated and mutual complementary of each vehicle manufacturing plant had been enhanced. Furthermore, as MMC adopted a way of evaluating plants commonly used in the alliance, decision making protocol for capital investments had been changed, adding consideration of total production capacity of all vehicle manufacturing plants. Because of those changes, the grouping of assets used in production in Japan has been changed to the grouping principally by business company from the fiscal year ended March 31, 2018.

Such changes do not have material effects on the Statement of Income.

(3) Circumstances leading to recognition of impairment losses

Due to worsening of market environments, etc., the carrying amount of certain assets was written-down to the recoverable amounts.

(4) Method of computing the recoverable amount

The recoverable amount is determined by the higher amount of the value in use computed by discounting future cash flows of each asset group by 6%, the appraisal value based on the real estate appraisal standard, or the net selling value reasonably computed using the assessed value of the inheritance tax based on the road rating, etc.

The recoverable amount of idle assets is computed using the net selling value and those idle assets which are substantially difficult to sell are assessed as net selling value of zero.

(5) Amount of impairment loss

An impairment loss of 2,636 million yen is recorded as “impairment loss” under extraordinary losses, and major components are as follows:

	(Millions of yen)
Buildings and structures	360
Machinery and equipment	935
Tools, furniture and fixtures	701
Land	460
Other	178
<u>Total</u>	<u>2,636</u>

(*5) Loss on fuel consumption test

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

Loss on fuel consumption test includes payments to customers, Nissan Motor Co., Ltd. and suppliers affected by the fuel consumption test and impairment loss on non-current assets of Mizushima Plant.

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Regarding payments to customers and Nissan Motor Co., Ltd. relating to fuel consumption test, a review was performed following changes in conditions.

(*6) Loss on closing of plants

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

It consists of severance related expenses due to closing of plant by Mitsubishi Motors North America, Inc., (MMNA) a wholly owned subsidiary of MMC in the United States.

(*7) Gain on dissolution of employee's pension fund

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

“Mitsubishi Motors sales employee's pension fund” established by MMC's domestic consolidated subsidiaries, was in the process of finalization of minimum actuarial reserve by the approval of dissolution in the fiscal year ended March 31, 2016. The excess amount of exceptional contribution was determined and recorded as gain on dissolution of employee's pension fund for the fiscal year ended March 31, 2018.

Consolidated statement of comprehensive income

(*1) Reclassification adjustments and tax effects concerning other comprehensive income

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Valuation difference on available-for-sale securities:		
Amount arising during the period	4,440	(444)
Reclassification adjustments	(59)	-
Before tax-effect adjustment	4,381	(444)
Amount of tax effects	(1,329)	133
Valuation difference on available-for-sale securities	3,052	(311)
Deferred gains or losses on hedges:		
Amount arising during the period	(4,932)	(32)
Reclassification adjustments	4,900	458
Before tax-effect adjustment	(32)	426
Amount of tax effects	-	(95)
Deferred gains or losses on hedges	(32)	330
Foreign currency translation adjustment:		
Amount arising during the period	(37)	1,332
Reclassification adjustments	109	-
Foreign currency translation adjustment	71	1,332
Remeasurements of defined benefit plans:		
Amount arising during the period	(7,129)	1,263
Reclassification adjustments	913	1,132
Before tax-effect adjustment	(6,215)	2,396
Amount of tax effects	34	(221)
Remeasurements of defined benefit plans	(6,180)	2,174
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the period	(6,503)	591
Reclassification adjustments	1,641	341
Share of other comprehensive income of entities accounted for using equity method	(4,862)	933
Total other comprehensive income	(7,951)	4,460

Consolidated statement of changes in net assets

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

1. Class and total number of issued shares and class and number of treasury shares

(Thousands of shares)

	At the beginning of the period	Increase	Decrease	At the end of the period
Issued shares:				
Common stock (Note) 1	983,661	506,620	–	1,490,282
Total	983,661	506,620	–	1,490,282
Treasury shares:				
Common stock (Note) 2	221	0	–	222
Total	221	0	–	222

(Notes) 1. The increase of 506,620 thousand shares in the number of shares of common stock is due to the issuance of new shares for allocating to a third party, Nissan Motor Co., Ltd.

2. The increase of 0 thousand shares in the number of shares of common stock under treasury shares is due to purchase of shares less than one unit.

2. Dividends

(1) Dividend payment

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 24, 2016	Common stock	7,867	8.0	March 31, 2016	June 27, 2016
Board of Directors Meeting held on October 28, 2016	Common stock	4,917	5.0	September 30, 2016	December 2, 2016

(2) Dividends for which record date is in the current fiscal year with effective date in the following fiscal year

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 23, 2017	Common stock	7,450	Retained earnings	5.0	March 31, 2017	June 26, 2017

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

1. Class and total number of issued shares and class and number of treasury shares

(Thousands of shares)

	At the beginning of the period	Increase	Decrease	At the end of the period
Issued shares:				
Common stock	1,490,282	–	–	1,490,282
Total	1,490,282	–	–	1,490,282
Treasury shares:				
Common stock (Note)	222	0	–	222
Total	222	0	–	222

(Note) The increase of 0 thousand shares in the number of shares of common stock under treasury shares is due to purchase of shares less than one unit.

2. Share acquisition rights and treasury share acquisition rights

Classification	Components of share acquisition rights	Type of shares that will be issued upon exercise of share acquisition rights	Number of shares that will be issued upon exercise of share acquisition rights (shares)				Balance at the end of the period (Millions of yen)
			At the beginning of the period	Increase	Decrease	At the end of the period	
Reporting company	Stock option	Common stock	–	–	–	–	106
Total		–	–	–	–	–	106

3. Dividends

(1) Dividend payment

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 23, 2017	Common stock	7,450	5.0	March 31, 2017	June 26, 2017
Board of Directors Meeting held on November 7, 2017	Common stock	10,430	7.0	September 30, 2017	December 4, 2017

(2) Dividends for which record date is in the current fiscal year with effective date in the following fiscal year

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 22, 2018	Common stock	14,900	Retained earnings	10.0	March 31, 2018	June 25, 2018

Consolidated statement of cash flows

(*) Reconciliation of cash and cash equivalents at end of period and the amount recorded in the consolidated balance sheet

	(Millions of yen)	
	For the fiscal year ended March 31, 2017	For the fiscal year ended March 31, 2018
	(from April 1, 2016 to March 31, 2017)	(from April 1, 2017 to March 31, 2018)
Cash and deposits	556,836	571,911
Time deposits with maturities of more than three months	(930)	(12,875)
Cash and cash equivalents	555,906	559,036

Lease transactions

Lessees' accounting

1. Finance lease transactions

Finance lease transactions without ownership transfer

1) Details of leased assets

Property, plant and equipment

Mainly production facilities in the automobile business (“Machinery, equipment and vehicles, net” and “tools, furniture and fixtures, net”)

2) Depreciation method of leased assets

As noted in “4. Accounting policies, (2) Depreciation and amortization method for significant depreciable and amortizable assets” under “Material basis of the preparation of consolidated financial statements.”

2. Operating lease transactions

Future minimum lease payments required under non-cancellable operating lease transactions

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Due within one year	1,401	1,360
Due after one year	5,661	5,500
Total	7,063	6,861

Lessors' accounting

1. Operating lease transactions

Future minimum lease payments required under non-cancellable operating lease transactions

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Due within one year	523	492
Due after one year	864	1,710
Total	1,387	2,203

Financial instruments

1. Overview of financial instruments

(1) Our policy to manage financial instruments

The MMC Group's capital management policy 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.

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

Trade receivables, which includes notes and accounts receivable – trade, are exposed to the credit risk of our customers. To manage this risk, in accordance with the MMC 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 MMC Group has business relationships.

Trade payables, which include notes and accounts payable – trade, and electronically recorded obligations-operating, 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 the borrowings, derivative transactions (interest rate swaps) may be 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 may be used as hedging instruments for some of these loans.

In order to mitigate counterparty risks, the MMC 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.

(3) Supplemental explanation on the fair value of financial instruments

With respect to notional amounts related to derivative transactions noted in "2. Fair value of financial instruments," the amount itself does not present the market risk related to derivative transactions.

2. 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 are as follows. Assets and liabilities for which it is deemed difficult to measure the fair value are not included in the tables below. (Refer to (Note) 2.)

For the fiscal year ended March 31, 2017 (as of March 31, 2017)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	556,836	556,836	-
(2) Notes and accounts receivable - trade	164,761	164,761	-
(3) Investment securities	20,330	20,330	-
Total assets	741,928	741,928	-
(1) Notes and accounts payable - trade	378,561	378,561	-
(2) Electronically recorded obligations - operating	21,393	21,393	-
(3) Short-term loans payable	15,069	15,069	-
(4) Long-term loans payable	540	537	(2)
(5) Accounts payable - other and accrued expenses	124,573	124,573	-
Total liabilities	540,137	540,134	(2)
Derivative transactions (*)	100	100	-

(*) Net receivables and payables, which were derived from derivative transactions, are presented in net amounts.

For the fiscal year ended March 31, 2018 (as of March 31, 2018)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	571,911	571,911	-
(2) Notes and accounts receivable - trade	176,020	176,020	-
(3) Investment securities	19,873	19,873	-
Total assets	767,805	767,805	-
(1) Notes and accounts payable - trade	426,312	426,312	-
(2) Electronically recorded obligations - operating	22,897	22,897	-
(3) Short-term loans payable	10,589	10,589	-
(4) Long-term loans payable	15,983	15,982	(1)
(5) Accounts payable - other and accrued expenses	165,963	165,963	-
Total liabilities	641,746	641,745	(1)
Derivative transactions (*)	1,058	1,058	-

(*) Net receivables and payables, which were derived from derivative transactions, are presented in net amounts.

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

Assets

(1) Cash and 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 approximately equal to the carrying amounts.

(2) 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.

(3) Investment securities

The fair values of investment securities are based on their respective market values. Please refer to the notes in “Securities” with regard to the noteworthy matters provided for each type of securities, classified by holding purpose.

Liabilities

(1) Notes and accounts payable - trade, (2) Electronically recorded obligations - operating, (3) Short-term loans payable, (5) 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.

(4) 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

Please refer to the notes in “Derivative transactions.”

(Note) 2. The amounts of financial instruments recorded in the consolidated balance sheet for which it is deemed difficult to measure the fair value

Classification	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Unlisted shares and shares of subsidiaries and associates	74,628	77,826

Unlisted shares and shares of subsidiaries and associates are not included in “(3) Investment securities,” as it is deemed difficult to measure the fair value because they are nonmarketable and future cash flows cannot be estimated.

(Note) 3. Redemption schedule after the balance sheet date for monetary receivables and securities with maturity dates

For the fiscal year ended March 31, 2017 (as of March 31, 2017)

	(Millions of yen)					
	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Deposits	556,605	-	-	-	-	-
Notes and accounts receivable - trade	164,761	-	-	-	-	-
Total	721,366	-	-	-	-	-

For the fiscal year ended March 31, 2018 (as of March 31, 2018)

	(Millions of yen)					
	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Deposits	571,723	-	-	-	-	-
Notes and accounts receivable - trade	176,020	-	-	-	-	-
Total	747,744	-	-	-	-	-

(Note) 4. Repayment schedule after the balance sheet date for short-term and long-term loans payable

For the fiscal year ended March 31, 2017 (as of March 31, 2017)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term loans payable	15,069	-	-	-	-	-
Long-term loans payable	299	148	90	0	0	0
Total	15,368	148	90	0	0	0

For the fiscal year ended March 31, 2018 (as of March 31, 2018)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term loans payable	10,589	-	-	-	-	-
Long-term loans payable	15,893	90	-	-	-	-
Total	26,483	90	-	-	-	-

Securities

1. Available-for-sale securities

For the fiscal year ended March 31, 2017 (as of March 31, 2017)

(Millions of yen)

	Type	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost	Stocks	20,325	8,992	11,333
	Subtotal	20,325	8,992	11,333
Securities whose carrying value does not exceed their acquisition cost	Stocks	4	4	(0)
	Subtotal	4	4	(0)
Total		20,330	8,997	11,333

For the fiscal year ended March 31, 2018 (as of March 31, 2018)

(Millions of yen)

	Type	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost	Stocks	19,873	8,991	10,882
	Subtotal	19,873	8,991	10,882
Securities whose carrying value does not exceed their acquisition cost	Stocks	-	-	-
	Subtotal	-	-	-
Total		19,873	8,991	10,882

2. Available-for-sale securities sold

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Millions of yen)

Type	Sales proceeds	Total gain	Total loss
Stocks	2,463	1,863	0

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Millions of yen)

Type	Sales proceeds	Total gain	Total loss
Stocks	682	328	-

3. Securities for which an impairment loss was recognized

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

Not applicable.

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Not applicable.

Derivative transactions

1. Derivative transactions for which hedge accounting is not applied

(1) Currency-related transactions

For the fiscal year ended March 31, 2017 (as of March 31, 2017)

(Millions of yen)

Classification	Transaction type	Notional amounts	Portion of notional amounts after one year	Fair value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Buy:				
	USD	2,259	-	(10)	(10)
	JPY	744	-	6	6
	Currency swap contracts:				
	Sell:				
	JPY	20,212	-	103	103
	Total	-	-	100	100

(Note) The fair value is calculated based on the prices and others presented from the financial institutions with which derivatives are transacted.

For the fiscal year ended March 31, 2018 (as of March 31, 2018)

(Millions of yen)

Classification	Transaction type	Notional amounts	Portion of notional amounts after one year	Fair value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Buy:				
	USD	8,396	-	(33)	(33)
	JPY	33,922	-	676	676
	Total	-	-	643	643

(Note) The fair value is calculated based on the prices and others presented from the financial institutions with which derivatives are transacted.

(2) Interest-related transactions

For the fiscal year ended March 31, 2017 (as of March 31, 2017)

Not applicable.

For the fiscal year ended March 31, 2018 (as of March 31, 2018)

Not applicable.

2. Derivative transactions for which hedge accounting is applied

(1) Currency-related transactions

For the fiscal year ended March 31, 2017 (as of March 31, 2017)

Not applicable.

For the fiscal year ended March 31, 2018 (as of March 31, 2018)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion of notional amounts after one year	Fair value
Principle method	Forward foreign exchange contracts: Buy: USD	Future transactions denominated in foreign currency	5,015	-	148
	Currency swap contracts: Buy: USD		9,689	-	121
	JPY		5,464	-	145
Total			-	-	415

(Note) The fair value is calculated based on the prices and others presented from the financial institutions with which derivatives are transacted.

(2) Interest-related transactions

For the fiscal year ended March 31, 2017 (as of March 31, 2017)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion of notional amounts after one year	Fair value
Special treatment for interest rate swaps	Interest rate swap contracts: Pay fixed / receive floating	Borrowings	70	25	(Note)
Total			-	-	-

(Note) The fair value of interest rate swaps under the special treatment is accounted for as an integral part of borrowings that are hedged items. Thus, the fair value of the interest rate swaps is included in the fair value of the borrowings.

For the fiscal year ended March 31, 2018 (as of March 31, 2018)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Portion of notional amounts after one year	Fair value
Special treatment for interest rate swaps	Interest rate swap contracts: Pay fixed / receive floating	Borrowings	25	-	(Note)
Total			-	-	-

(Note) The fair value of interest rate swaps under the special treatment is accounted for as an integral part of borrowings that are hedged items. Thus, the fair value of the interest rate swaps is included in the fair value of the borrowings.

Retirement benefits

1. Outline of adopted retirement benefit plans

MMC and its consolidated subsidiaries have defined benefit corporate pension plans and lump-sum payment plans as defined benefit plans, and defined contribution pension plans as defined contribution plans. Certain employees may be entitled to additional special retirement benefits, depending on the conditions for the termination of their employment. Certain consolidated subsidiaries apply a simplified method for calculation of retirement benefits obligation.

MMC has established a retirement benefit trust for its lump-sum payment plan.

2. Defined-benefit pension plan

(1) Adjustments between the beginning and ending balances of retirement benefits obligation

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Retirement benefits obligation at beginning of period	191,526	188,915
Service cost	8,782	9,172
Interest cost	3,582	3,246
Actuarial gains and losses generated	4,183	1,198
Retirement benefits paid	(16,927)	(11,961)
Prior service cost generated	65	(3,371)
Effect of foreign currency translation	(882)	(3,504)
Decrease due to transfer to defined contribution pension plan	(1,452)	-
Increase due to dissolution of employee's pension fund	-	1,222
Other	(53)	(60)
Retirement benefits obligation at end of period	188,825	184,857

(2) Adjustments between the beginning and ending balances of plan assets

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Plan assets at beginning of period	160,932	150,146
Expected return on plan assets	7,119	6,958
Actuarial gains and losses generated	(3,112)	(1,506)
Contribution from employers	1,626	1,552
Retirement benefits paid	(13,989)	(10,079)
Effect of foreign currency translation	(645)	(3,130)
Decrease due to transfer to defined contribution pension plan	(1,588)	-
Increase due to dissolution of employee's pension fund	-	2,590
Other	(196)	(71)
Plan assets at end of period	150,146	146,459

(3) Adjustments between the ending balances of retirement benefits obligation and plan assets and the net defined benefit liability and net defined benefit assets reported on the consolidated balance sheet

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Retirement benefits obligation for funded plans	168,119	172,180
Plan assets	(150,146)	(146,459)
	17,973	25,721
Retirement benefits obligation for unfunded plans	20,706	12,676
Net defined liability and assets reported on the consolidated balance sheet	38,679	38,397
Net defined benefit liability	41,593	42,596
Net defined benefit assets	(2,913)	(4,198)
Net defined liability and assets reported on the consolidated balance sheet	38,679	38,397

(4) The amounts of components of retirement benefit expenses

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Service cost	8,782	9,172
Interest cost	3,582	3,246
Expected return on plan assets	(7,119)	(6,958)
Amortization of actuarial gains and losses	1,310	2,501
Amortization of prior service cost	(418)	(1,368)
Gains and losses due to transfer to defined contribution pension plans	158	-
Other	23	(56)
Retirement benefit expenses for defined benefit plans	6,319	6,537

(*1) In addition to the above retirement benefit expenses, additional severance payments caused by closing a U.S. subsidiary's plant (493 million yen for the fiscal year ended March 31, 2017) were recorded as a loss on closing of plants. The excess amount of exceptional contribution for the employee's pension fund was recorded as gain on dissolution of employee's pension fund (1,434 million yen for the fiscal year ended March 31, 2018).

(5) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effects) are as follows:

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Prior service cost	1,170	(2,099)
Actuarial gains and losses	5,044	(296)
Total	6,215	(2,396)

(6) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effects) are as follows:

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Unrecognized prior service cost	(2,517)	(4,528)
Unrecognized actuarial gains and losses	23,096	23,285
Total	20,579	18,757

(7) Plan assets

1) Major components of plan assets

Ratio of each major component of plan assets is as follows:

	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Bonds	43%	47%
Short-term funds	1	1
Stocks	51	44
Cash and deposits	2	2
Life insurance company accounts	3	4
Other	0	2
Total	100	100

2) Method for determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined considering the expected profile of plan assets both currently and in the future, and the long-term rates of return which are expected currently and in the future from the various components of those plan assets.

(8) Actuarial assumptions used

Principal actuarial assumptions

	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Discount rate		
Domestic companies	0.0% - 0.8%	0.0% - 0.8%
Overseas companies	3.9% - 5.4%	2.8% - 7.9%
Expected rate of return		
Domestic companies	0.7% - 4.0%	0.7% - 4.0%
Overseas companies	3.9% - 6.5%	3.9% - 7.9%
Expected future salary increase		
Domestic companies	1.0% - 5.0%	1.0% - 5.0%
Overseas companies	2.5% - 6.5%	2.5% - 8.0%

3. Defined contribution plans

The required contribution to the defined contribution plans of MMC and its consolidated subsidiaries is 2,221 million yen and 2,216 million yen for the fiscal year ended March 31, 2017 and 2018, respectively.

Stock options

1. The account and the amount of stock options charged as expenses

(Millions of yen)

	For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Selling, general and administrative expenses	-	106

2. Nature, size and status of changes of stock options

(1) Description of stock options

	The 1st Stock Options
Category and number of persons granted	Members of the Board of MMC (excluding Outside Directors): 5 persons
Class and number of stock options (Note)	Common shares: 780,331 shares
Date of grant	July 14, 2017
Conditions for vesting	The grantee must hold a position as Member of the Board or Audit & Supervisory Board Member or equivalent position, or a position as employee or advisor of MMC or its subsidiaries until the date when his or her share acquisition rights become exercisable.
Service period	From July 14, 2017 to April 30, 2020
Exercise period	From May 1, 2020 to April 30, 2070

(Note) The figures are shown after adjusting the number of shares to be granted.

(2) Size and status of changes of stock options

The number of stock options which existed as of the current fiscal year is presented by converting into the number of shares.

1) Number of stock options

	The 1st Stock Options
Non-vested (shares)	
March 31, 2017 - Outstanding	-
Granted	780,331
Forfeited	-
Vested	-
Balance of non-vested	780,331
Vested (shares)	
March 31, 2017- Outstanding	-
Vested	-
Exercised	-
Forfeited	-
Balance of non-exercised	-

2) Prices

	The 1st Stock Options
Exercise price (Yen)	1
Average share price at exercise (Yen)	-
Fair value price at grant date (Yen)	517.42

3. Method for estimating the fair value of stock options granted

The method for estimating the fair value of the first stock options granted in the current fiscal year is as follows.

1) Valuation methodology used Black-Scholes formula

2) Main basic figures and method of estimation

	The 1st Stock Options
Share price volatility (Note) 1	40.24%
Expected remaining period (Note) 2	28 years
Expected dividend (Note) 3	10 yen per share
Risk-free interest rate (Note) 4	0.756%

(Notes) 1. Calculated based on the actual share price for 28 years (from July 1989 to July 2017).

2. As making a reasonable estimate is difficult due to no accumulation of sufficient data, MMC estimates under the assumption that it will be exercised in the middle of the exercise period.

3. Actual dividend for the fiscal year ended March 31, 2017.

4. The yield on government bonds of a maturity corresponding to the expected remaining period.

4. Estimation of the number of stock options vested

In principle, as it is difficult to reasonably estimate the future number of forfeitures, MMC adopts the method of only listing forfeitures that have occurred.

Tax-effect accounting

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Deferred tax assets:		
Net operating losses carried forward	292,842	261,036
Net defined benefit liability	34,236	31,951
Allowance for doubtful accounts	1,284	1,279
Self-disallowed accrued expenses	9,335	10,460
Accounts payable - trade (warranty work costs)	32,833	21,484
Non-deductible provision for product warranties	14,414	13,288
Non-current assets (including impairment loss)	18,590	16,837
Other	29,907	26,179
Subtotal	433,445	382,519
Less valuation allowance	(416,862)	(351,822)
Total deferred tax assets	16,583	30,697
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(3,266)	(3,129)
Appraisal value of land based on the full fair value method	(3,134)	(2,981)
Reserve for advanced depreciation of non-current assets	(182)	(173)
Accelerated depreciation of overseas subsidiaries	(12)	(116)
Retained earnings of subsidiaries, etc.	(16,296)	(22,607)
Other	(2,388)	(3,364)
Total deferred tax liabilities	(25,280)	(32,372)
Net deferred tax assets (liabilities)	(8,697)	(1,675)

(Note) Net deferred tax assets (liabilities) as of March 31, 2017 and 2018 are included in the following accounts in the consolidated balance sheet:

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Deferred tax assets - current assets	8,626	19,426
Deferred tax assets - non-current assets	7,311	10,558
Deferred tax liabilities - current liabilities	(51)	(17)
Deferred tax liabilities - non-current liabilities	(24,583)	(31,642)

Change in presentation

“Retained earnings of subsidiaries, etc.,” which was included in “other” under deferred tax liabilities in the fiscal year ended March 31, 2017, has been separately presented from the fiscal year ended March 31, 2018 to increase the clarity in presentation. In order to reflect this change in presentation, a reclassification in the note for the fiscal year ended March 31, 2017 was made.

Consequently, (18,684) million yen, which was presented in “other” under deferred tax liabilities, was reclassified as “retained earnings of subsidiaries, etc.” of (16,296) million yen and “other” of (2,388) million yen.

2. The reconciliation of significant differences between the effective statutory tax rate and effective income tax rate after application of tax-effect accounting

	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Effective statutory tax rate		30.5%
Reconciliations:		
Share of profit of entities accounted for using equity method		(6.1)
Permanent differences		2.5
Difference of applicable tax rates of overseas consolidated subsidiaries, etc.	This information is omitted because MMC	(5.0)
Retained earnings of subsidiaries, etc.	resulted in loss before	6.1
Change in valuation allowance	income taxes.	(58.2)
Amendments of year-end deferred tax assets due to tax rate change		33.0
Income taxes for prior periods		(8.4)
Other		2.4
Actual effective income tax rate after application of tax-effect accounting		(3.1)

3. Amendments of amounts of deferred tax assets and liabilities due to changes in income tax rates

The Tax Cuts and Jobs Act was enacted in the United States on December 22, 2017, and a reduction in the rate of federal corporate income tax and others will be implemented from the fiscal year beginning on or after January 1, 2018. Due to this act, the rate of federal corporate income tax applicable to MMC's consolidated subsidiaries in the United States was changed from 35% to 21%.

There was no effect on deferred taxes and liabilities from this tax reform in the United States.

Business combinations, etc.

This information is omitted because it is immaterial.

Asset retirement obligations

Asset retirement obligations recorded in the consolidated balance sheet

1. Outline of asset retirement obligations

Since MMC and the MMC Group enter into real estate lease contracts and have duties of restoration and removal of harmful substances at the termination of the lease term, MMC and the MMC Group record asset retirement obligations regarding contractual and statutory duties.

2. Method of computing the amount of asset retirement obligations

The amount of asset retirement obligations is computed using the discount rate from 0.2% to 4.4%, assuming the estimated available period to be 1 year to 59 years.

3. Changes in total amount of asset retirement obligations

Changes in the outstanding balance of asset retirement obligations are as follows:

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Balance at beginning of period	5,074	5,145
Increase due to acquisition of property, plant and equipment	-	0
Adjustments associated with passage of time	112	98
Decrease due to settlement of asset retirement obligations	(30)	(21)
Other changes (decrease)	(11)	18
Balance at end of period	5,145	5,241

Investment properties

The information on investment properties is omitted because the total amount of investment properties is immaterial.

Segment information, etc.

[Segment information]

1. Overview of reportable segments

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

2. Calculation method of net sales, profit or loss, assets and other items by reportable segments

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

3. The amounts of net sales, profits or losses, assets and other items by reportable segments

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

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

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

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

[Related information]

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

1. Information by products and services

The information is not shown here, as single products and services, net sales to external customers of “automobile business” account for more than 90% of the sales of consolidated statement of income.

2. Information by geographic region

Supplementary information about geographic region

Matters relating to changes in the classification of countries or regions

Same as described in “Matters relating to changes in the classification of countries or regions, Supplementary information about geographic region, 2. Information by geographic region, For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018).”

(1) Net sales

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

(Millions of yen)

Japan	North America		Europe	Asia		Oceania	Other	Total
		The United States			Thailand			
297,313	310,035	224,661	433,482	433,536	125,346	202,591	229,673	1,906,632

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

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

(2) Property, plant and equipment

(Millions of yen)

Japan	Thailand	Other	Total
223,241	65,524	20,238	309,004

Supplementary information

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

(Millions of yen)

	Japan	North America	Europe	Asia	Oceania	Other	Total	Adjustment	Grand total
Net sales									
(1) External customers	1,122,402	280,162	58,854	230,009	202,591	12,611	1,906,632	-	1,906,632
(2) Intersegment sales	502,314	8,323	5,043	438,494	164	0	954,339	(954,339)	-
Total	1,624,717	288,485	63,898	668,504	202,755	12,611	2,860,972	(954,339)	1,906,632
Operating profit (loss)	(58,266)	2,294	3,738	48,652	6,251	390	3,061	2,057	5,118

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

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

3. Information on major customers

(Millions of yen)

Customer	Net sales	Relevant segment
Mitsubishi Corporation	271,865	Automobiles

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

1. Information by products and services

The information is not shown here, as single products and services, net sales to external customers of “automobile business” account for more than 90% of the sales of consolidated statement of income.

2. Information by geographic region

Supplementary information about geographic region

Matters relating to changes in the classification of countries or regions

Countries and regions are classified based on “geographical proximity and interconnectedness of business activities.” However, to ensure consistency with internal management, Puerto Rico, which had been included in “Other” up to the previous fiscal year, is included in North America from the current fiscal year.

Pursuant to this change, countries and regions are indicated based on revised classifications for the fiscal year ended March 31, 2017 and 2018.

(1) Net sales

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

(Millions of yen)

Japan	North America		Europe	Asia		Oceania	Other	Total
		The United States			Thailand			
349,406	352,529	279,131	454,808	591,662	190,337	240,961	203,020	2,192,389

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

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

(2) Property, plant and equipment

(Millions of yen)

Japan	Thailand	Indonesia	Other	Total
255,374	59,376	40,592	21,738	377,082

Supplementary information

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

(Millions of yen)

	Japan	North America	Europe	Asia	Oceania	Other	Total	Adjustment	Grand total
Net sales									
(1) External customers	1,106,023	316,013	85,011	433,204	240,960	11,175	2,192,389	-	2,192,389
(2) Intersegment sales	667,959	8,959	4,321	472,055	39	-	1,153,335	(1,153,335)	-
Total	1,773,982	324,973	89,332	905,260	241,000	11,175	3,345,724	(1,153,335)	2,192,389
Operating profit (loss)	26,399	15,628	6,079	48,603	5,761	429	102,902	(4,700)	98,201

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

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

3. Information on major customers

(Millions of yen)

Customer	Net sales	Relevant segment
Mitsubishi Corporation	295,138	Automobiles

[Information about impairment loss on non-current assets by reportable segment]

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

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

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

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

[Information about amortization and unamortized balance of goodwill by reportable segment]

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

Not applicable.

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Not applicable.

[Information about the gain recognized on negative goodwill by reportable segments]

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

Not applicable.

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Not applicable.

Information on related party transactions

1. Transactions with related parties

Transactions of MMC with related parties

a) Parent company and major shareholders, etc. of MMC

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

Type	Name	Location	Capital (Millions of yen)	Business	Percentage of voting rights holding (held) (%)	Relation	Transactions	Amount (Millions of yen)	Account item	Year- end balance (Millions of yen)
Other related company	Nissan Motor Co., Ltd.	Kanagawa- ku, Yokohama -shi	605,814	Manufactu ring	(Held) Direct: 34.00 Indirect: 0.00	Mutual sale of products, etc. Sharing technology, Concurrent positions of corporate officers Lease of facilities	Third-party allocation of shares (*3)	237,361	-	-
Major shareholder	Mitsubishi Corporation (*4)	Chiyoda- ku, Tokyo	204,447	Wholesale trade	(Held) Direct: 13.99 Indirect: 0.00	Sales of products, etc. and purchase of raw materials Concurrent positions of corporate officers	Sales of products (*2)	125,580	Accounts receivable - trade	19,572

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Type	Name	Location	Capital (Millions of yen)	Business	Percentage of voting rights holding (held) (%)	Relation	Transactions	Amount (Millions of yen)	Account item	Year- end balance (Millions of yen)
Other related company	Mitsubishi Corporation (*5)	Chiyoda- ku, Tokyo	204,447	Wholesale trade	(Held) Direct: 9.24 Indirect: 10.76	Sales of products, etc. and purchase of raw materials Concurrent positions of corporate officers	Sales of products (*2)	13,387	Accounts receivable - trade	22,187

b) Unconsolidated subsidiaries and associates, etc. of MMC

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

Type	Name	Location	Capital (Millions of yen)	Business	Percentage of voting rights holding (held) (%)	Relation	Transactions	Amount (Millions of yen)	Account item	Year- end balance (Millions of yen)
Subsidiary	PT. Mitsubishi Motors Krama Yudha Indonesia	Republic of Indonesia, Jawa Barat Bekasi Regency	19,976	Manufactu ring	(Held) Direct: 51.00 Indirect: 0.00	Financial aid, Sales of products, etc.	Lending of funds (*6)	14,803	Long - term loans receivable	17,044

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Not applicable.

- (Notes) (*1) The above amount of transactions does not include consumption taxes and year-end balance includes consumption taxes.
- (*2) Terms and conditions of transactions and the policies on determination thereof:
Sales prices of products, etc. are determined after examination and negotiations considering market prices and total costs.
- (*3) Conditions for issuance of third party allotment increase are reasonably determined taking into consideration the market price of our stock.
- (*4) MMC issues new shares to Nissan Motor Co., Ltd. through a third-party allotment on October 20, 2016. As a result, Mitsubishi Corporation is no longer a related party. As such, the amount of transaction shown above is from the first quarter to the end of the second quarter. Also, the Balance at year end shown above is as of the end of the second quarter.

(*5) Effective from March 20, 2018, MMC became an associate of Mitsubishi Corporation. Accordingly, the above amount of transaction includes transactions took place on or after March 20, 2018.

(*6) MMC determines the interest rates for the lending of funds in a reasonable manner taking market interest rates into consideration.

Per share information

(Yen)

	For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Net assets per share	463.37	524.12
Basic earnings (loss) per share	(164.11)	72.23
Diluted earnings per share	-	72.20

(Notes) 1. Diluted earnings per share for the fiscal year ended March 31, 2017 is not shown above because there are no potential shares.

2. Basis of calculation of basic earnings (loss) per share and diluted earnings per share are as follows:

	For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Basic earnings (loss) per share		
Profit (loss) attributable to owners of parent (Millions of yen)	(198,524)	107,619
Amounts not applicable to shareholders of common stock (Millions of yen)	-	-
Profit (loss) attributable to owners of parent pertaining to common stock (Millions of yen)	(198,524)	107,619
Average number of shares of common stock outstanding during the period (Thousands of shares)	1,209,684	1,490,060
Diluted earnings per share		
Profit attributable to owners of parent (Millions of yen)	-	-
Increase in number of shares of common stock (Thousands of shares)	-	557
(Of which, share acquisition rights (Thousands of shares))	(-)	(557)
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect with significant changes from the fiscal year ended March 31, 2017	-	-

Subsequent events after reporting period

1. Converting equity-method associates to subsidiaries through the acquisition of shares

MMC made MMC Diamond Finance Corporation, an equity-method associate, a subsidiary by purchasing additional shares of said company on April 2, 2018.

(1) Outline of the business combination

(i) Name of the acquired company and its business

Name of the acquired company MMC Diamond Finance Corp. (hereinafter "MDF")

Description of business Financing business, etc.

(ii) Primary reason for the business combination

Shares were acquired to realize the strengthening of the domestic sales network by strengthening the value chain, including the provision of attractive financing products tied to new vehicle sales, improved post-sale support following vehicle purchases, and the promotion of new vehicle purchases, as well as by developing sales policies that integrate financing.

(iii) Business combination date

April 2, 2018

(iv) Legal form of the business combination

Acquisition of shares in exchange for cash

(v) Name of the company after the business combination

No change.

(vi) Ratio of voting rights acquired

Ratio of voting rights owned just prior to the business combination	47%
Additional ratio of voting rights acquired on day of business combination	53%
Ratio of voting rights after the acquisition	100%

(2) Acquisition cost of the acquired company and breakdown thereof by type of consideration

Consideration for acquisition	Fair value of common stock of MDF owned before the business combination, on the date of the business combination	6,109 million yen
	Cash and deposits disbursed in the acquisition	6,889 million yen
Acquisition cost		12,998 million yen

(3) Acquisition cost of the acquired company, total amount by transaction until acquisition, and differences thereof

Gain on step acquisitions 1,081 million yen

(4) Content of major acquisition related costs and amount thereof

Undetermined at this point.

(5) Amount of goodwill recognized, reason for recognition of goodwill, and method and period for amortization of goodwill

Undetermined at this point.

(6) Amount and breakdown of assets acquired and liabilities assumed as of the date of the business combination

Undetermined at this point.

2. Purchase of treasury stock

At a meeting of the Board of Directors held on May 9, 2018, based on the provisions of Article 156, paragraph 1 of the Companies Act replacing Article 165, paragraph 3 of the said Act, MMC resolved matters relating to the purchase of treasury stock.

(1) Reason of purchase of treasury stock

To be prepared for Members of the Board of MMC to exercise stock options as equity-linked compensation.

(2) Type of stock to be purchased

Common stock of MMC

(3) Total number of shares to be purchased

1,747,200 shares (maximum)

(4) Acquisition period

From May 18, 2018 to June 15, 2018

(5) Total acquisition price of shares to be purchased

1,800 million yen (maximum)

(6) Acquisition method

Market purchase

3. Granting of stock options as equity-linked compensation (share acquisition rights)

At a meeting of the Board of Directors held on May 9, 2018, MMC resolved that it will issue its share acquisition rights to its Members of the Board (excluding Outside Directors) for stock options as their equity-linked compensation.

Details are provided in “IV. Information about Reporting Company 1. Information about shares, etc. (2) Share acquisition rights 1) Details of stock option program.”

5) Consolidated supplementary schedules

Detailed schedule of bonds payable

Not applicable.

Detailed schedule of borrowings

Classification	Balance at beginning of the fiscal year ended March 31, 2018 (Millions of yen)	Balance at end of the fiscal year ended March 31, 2018 (Millions of yen)	Average interest rate (%)	Maturity
Short-term loans payable	15,069	10,589	1.0	-
Current portion of long-term loans payable	299	15,893	1.9	-
Current portion of lease obligations	989	504	1.9	-
Long-term loans payable (excluding current portion)	240	90	1.5	2019
Lease obligations (excluding current portion)	1,018	639	2.9	2021 to 2031
Other interest-bearing debt				
Other (Deposits received from employees - current liabilities)	3,679	3,645	0.5	-
Other (Deposits received - current liabilities)	2,017	2,419	0.1	-
Other (Guarantee deposits received - non-current liabilities)	3,008	2,374	0.0	-
Total	26,322	36,156	-	-

(Notes) 1. The average interest rate represents the weighted-average rate applicable to the year-end balance of loans payable.

2. The following table shows the aggregate annual maturities of long-term loans payable and lease obligations (excluding the current portion) within five years after the consolidated balance sheet date.

(Millions of yen)

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term loans payable	90	-	-	-
Lease obligations	335	153	46	19

Detailed schedule of asset retirement obligations

In accordance with Article 92-2 of the Ordinance on Consolidated Financial Statements, the schedule of asset retirement obligations is not provided because the amounts of asset retirement obligations at the beginning and the end of the current fiscal year were one percent or less of the amounts of total liabilities and net assets at the beginning and the end of the current fiscal year.

(2) Other

Quarterly financial information and others for the current fiscal year

(Cumulative period)	First quarter (Three months ended June 30, 2017)	Second quarter (Six months ended September 30, 2017)	Third quarter (Nine months ended December 31, 2017)	Full year (Fiscal year ended March 31, 2018)
Net sales (Millions of yen)	440,902	947,678	1,518,089	2,192,389
Profit (loss) before income taxes (Millions of yen)	28,659	59,075	78,206	103,049
Profit (loss) attributable to owners of parent (Millions of yen)	22,969	48,386	70,075	107,619
Basic earnings(loss) per share (Yen)	15.42	32.47	47.03	72.23

(Each quarter)	First quarter (from April 1, 2017 to June 30, 2017)	Second quarter (from July 1, 2017 to September 30, 2017)	Third quarter (from October 1, 2017 to December 31, 2017)	Fourth Quarter (from January 1, 2018 to March 31, 2018)
Basic earnings (loss) per share (Yen)	15.42	17.05	14.56	25.20

2. Non-consolidated financial statements

(1) Non-consolidated financial statements

(a) Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	346,863	268,731
Notes receivable - trade	15	-
Accounts receivable - trade	(*2) 192,155	(*2) 192,944
Finished goods	21,532	31,330
Work in process	16,098	18,909
Raw materials and supplies	12,314	14,879
Prepaid expenses	925	1,140
Short-term loans receivable	(*2) 2,980	(*2) 21,668
Deferred tax assets	4,104	16,718
Accounts receivable - other	(*1), (*2) 55,959	(*1), (*2) 63,898
Other	(*2) 12,068	(*2) 12,140
Allowance for doubtful accounts	(13,614)	(832)
Total current assets	651,403	641,531
Non-current assets		
Property, plant and equipment		
Buildings	(*4) 35,570	(*4) 37,267
Structures	(*4) 6,248	(*4) 6,663
Machinery and equipment	(*4) 34,194	(*4) 41,541
Vehicles	(*4) 1,545	(*4) 1,477
Tools, furniture and fixtures	(*4) 18,436	(*4) 32,470
Land	47,783	47,255
Construction in progress	14,626	22,297
Total property, plant and equipment	158,404	188,975
Intangible assets		
Intangible assets	20,335	25,275
Total intangible assets	20,335	25,275
Investments and other assets		
Investment securities	(*1) 24,934	(*1) 24,136
Shares of subsidiaries and associates	168,295	172,509
Long-term loans receivable	(*2) 17,601	(*2) 2,311
Investments in capital of subsidiaries and associates	16,557	16,393
Lease and guarantee deposits	5,936	7,212
Long-term prepaid expenses	5,462	6,116
Other	5,233	5,029
Allowance for doubtful accounts	(1,156)	(1,180)
Total investments and other assets	242,864	232,530
Total non-current assets	421,604	446,781
Total assets	1,073,008	1,088,312

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes payable - trade	841	—
Electronically recorded obligations - operating	21,393	22,897
Accounts payable - trade	(*) 315,398	(*) 315,149
Short-term loans payable	(*) 20,000	—
Lease obligations	839	400
Accounts payable - other	(*) 61,850	(*) 82,419
Income taxes payable	862	1,804
Accrued expenses	(*) 3,362	(*) 8,166
Deposits received	(*) 10,236	(*) 12,623
Provision for product warranties	22,349	21,530
Provision for loss on fuel consumption test	28,169	15,478
Other	22,397	14,045
Total current liabilities	507,700	494,516
Non-current liabilities		
Lease obligations	628	380
Guarantee deposits received	(*) 1,800	(*) 1,674
Provision for retirement benefits	2,196	5,650
Long-term accounts payable - other	684	98
Deferred tax liabilities	8,632	8,341
Asset retirement obligations	3,683	3,767
Other	7,253	7,258
Total non-current liabilities	24,880	27,170
Total liabilities	532,580	521,686
Net assets		
Shareholders' equity		
Capital stock	284,382	284,382
Capital surplus		
Legal capital surplus	118,680	118,680
Other capital surplus	85,257	85,257
Total capital surplus	203,938	203,938
Retained earnings		
Legal retained earnings	6,097	5,605
Other retained earnings		
Retained earnings brought forward	38,787	65,700
Total retained earnings	44,885	71,305
Treasury shares	(220)	(220)
Total shareholders' equity	532,985	559,406
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,442	7,112
Total valuation and translation adjustments	7,442	7,112
Share acquisition rights	—	106
Total net assets	540,427	566,625
Total liabilities and net assets	1,073,008	1,088,312

(b) Non-consolidated statement of income

(Millions of yen)

	For the fiscal year ended March 31, 2017		For the fiscal year ended March 31, 2018	
Net sales	(*)	1,567,436	(*)	1,721,054
Cost of sales	(*)	1,442,311	(*)	1,489,644
Gross profit		125,124		231,409
Selling, general and administrative expenses				
Advertising and promotion expenses		29,862		42,817
Haulage expenses		41,436		37,723
Provision of allowance for doubtful accounts		(266)		49
Directors' compensations, salaries and allowances		26,388		31,666
Provision for retirement benefits		1,081		1,095
Depreciation		6,194		7,884
Research and development expenses		57,679		56,066
Other		27,434		34,311
Total selling, general and administrative expenses		189,810		211,616
Operating profit (loss)		(64,685)		19,793
Non-operating income				
Interest and dividend income	(*)	123,946	(*)	18,581
Other		310		302
Total non-operating income		124,256		18,884
Non-operating expenses				
Interest expenses	(*)	1,140	(*)	152
Foreign exchange losses		14,208		12,462
Other		3,701		2,757
Total non-operating expenses		19,049		15,372
Ordinary profit (loss)		40,521		23,306
Extraordinary income				
Gain on sales of non-current assets	(*)	301	(*)	138
Reversal of allowance for doubtful accounts		–		12,807
Gain on sales of investment securities		1,606		307
Compensation income for expropriation		1,403		–
Gain on sales of investments in capital of subsidiaries and associates	(*)	224		–
Other	(*)	2,303		–
Total extraordinary income		5,839		13,254
Extraordinary losses				
Loss on retirement of non-current assets		1,441		1,842
Loss on fuel consumption test	(*), (*2)	167,195	(*), (*2)	2,297
Loss on valuation of investments in capital of subsidiaries and associates		4,479		–
Loss on valuation of shares of subsidiaries and associates		501		–
Other	(*)	13,515		1,979
Total extraordinary losses		187,132		6,119
Profit (loss) before income taxes		(140,771)		30,441
Income taxes - current		8,794		(1,099)
Income taxes - deferred		7,822		(12,760)
Total income taxes		16,616		(13,860)
Profit (loss)		(157,387)		44,301

(c) Non-consolidated statement of changes in net assets

(Millions of yen)

For the fiscal year ended March 31, 2017	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	165,701	–	85,257	85,257	4,818	210,238	215,057	(220)	465,796
Changes of items during period									
Issuance of new shares	118,680	118,680		118,680					237,361
Dividends of surplus					1,278	(14,063)	(12,784)		(12,784)
Profit (loss)						(157,387)	(157,387)		(157,387)
Purchase of treasury shares								(0)	(0)
Net changes of items other than shareholders' equity									
Total changes of items during period	118,680	118,680	–	118,680	1,278	(171,450)	(170,172)	(0)	67,189
Balance at end of current period	284,382	118,680	85,257	203,938	6,097	38,787	44,885	(220)	532,985

For the fiscal year ended March 31, 2017	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	4,387	4,387	–	470,184
Changes of items during period				
Issuance of new shares				237,361
Dividends of surplus				(12,784)
Profit (loss)				(157,387)
Purchase of treasury shares				(0)
Net changes of items other than shareholders' equity	3,054	3,054	–	3,054
Total changes of items during period	3,054	3,054	–	70,243
Balance at end of current period	7,442	7,442	–	540,427

(Millions of yen)

For the fiscal year ended March 31, 2018	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	284,382	118,680	85,257	203,938	6,097	38,787	44,885	(220)	532,985
Changes of items during period									
Issuance of new shares									–
Dividends of surplus					(491)	(17,389)	(17,880)		(17,880)
Profit (loss)						44,301	44,301		44,301
Purchase of treasury shares								(0)	(0)
Net changes of items other than shareholders' equity									
Total changes of items during period	–	–	–	–	(491)	26,912	26,420	(0)	26,420
Balance at end of current period	284,382	118,680	85,257	203,938	5,605	65,700	71,305	(220)	559,406

For the fiscal year ended March 31, 2018	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	7,442	7,442	–	540,427
Changes of items during period				
Issuance of new shares				–
Dividends of surplus				(17,880)
Profit (loss)				44,301
Purchase of treasury shares				(0)
Net changes of items other than shareholders' equity	(329)	(329)	106	(222)
Total changes of items during period	(329)	(329)	106	26,198
Balance at end of current period	7,112	7,112	106	566,625

Notes

Significant accounting policy

1. Valuation bases and methods of assets

(1) Valuation bases and methods of securities

Subsidiaries and associates' stocks:

Stated at cost determined by the moving average method.

Available-for-sale securities:

Available-for-sale securities with a readily determinable market value:

Stated at fair value based on the market price on the balance sheet date and the cost of securities sold is computed based on the moving average method. The difference between the acquisition cost and the carrying value of available-for-sale securities, including unrealized gains and losses, is recognized in valuation difference on available-for-sale securities in the accompanying non-consolidated balance sheet.

Available-for-sale securities without a readily determinable market value:

Stated at cost determined by the moving average method.

(2) Valuation bases and methods of derivative financial instruments

Market price method

(3) Valuation bases and methods of inventories

Finished goods and work in process

Principally stated at cost determined by the first in first out method (the balance sheet carrying value is reduced to recognize any deterioration of recoverability)

Raw materials and supplies

Stated at cost determined by the gross average method (the balance sheet carrying value is reduced to recognize any deterioration of recoverability)

2. Depreciation and amortization method for non-current assets

(1) Property, plant and equipment (excluding leased assets)

Depreciation of property, plant and equipment is calculated using the declining balance method (however, the straight line method is applied to buildings (excluding building improvements) acquired on or after April 1, 1998). The useful lives of the assets are based on the estimated lives of assets for MMC. The main useful lives of assets are as follows.

Buildings and structures	3 to 60 years
Machinery, equipment and vehicles	3 to 17 years
Tools, furniture and fixtures	2 to 20 years

Low value depreciable assets

Assets for which the acquisition cost is equal to or more than 100,000 yen and less than 200,000 yen are depreciated in even amounts over three years pursuant to the provisions of the Corporation Tax Act.

(2) Intangible assets (excluding leased assets)

Intangible assets are amortized using the straight line method. Software intended for use by MMC is amortized using the straight line method over the period for which each asset is available for use (5 years).

(3) 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.

(4) Long-term prepaid expenses

Long-term prepaid expenses are amortized using the straight line method over a fixed period.

3. Allowances and provisions

(1) Allowance for doubtful accounts

To prepare for losses from bad debts for trade receivables, loans, etc., allowance for doubtful accounts is provided based on the historical default rate for ordinary receivables, and taking into account individual collectability for specific receivables such as doubtful receivables. An estimate of the amount of specific uncollectible accounts is calculated.

(2) Provision for product warranties

The provision for product warranties is calculated after taking into account, according to the warranty agreements, future warranty forecasts based on past results in order to provide for the products' after-service costs.

(3) Provision for loss on fuel consumption test

To provide for losses relating to fuel consumption test, provision is calculated to the extent that can be reasonably projected and estimated at the end of the current fiscal year.

(4) Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, provision for retirement benefits for employees are calculated based on the retirement benefits obligation estimated at the end of the fiscal year.

Prior service cost is being amortized using the straight line method over a fixed number of years (10 years) within the estimated average remaining service years of the employees at the time of incurrence.

Actuarial gains and losses are being amortized using the straight line method over a fixed number of years (10 years) within the estimated average remaining service years of the employees commencing from the following fiscal year after incurrence.

When calculating retirement benefits obligation, the benefit calculation formula standard was used for attributing the expected defined net benefits to the period until the current fiscal year.

4. Hedge accounting

Forward foreign exchange contracts:

Deferral hedge accounting (those with forecast transactions)

5. Accounting for consumption taxes

Consumption tax is accounted for by tax-exclusion method.

6. Application of consolidated taxation system

The consolidated taxation system is applied.

Non-consolidated balance sheet

(*1) Assets pledged as collateral and liabilities secured by the collateral are as follows:

Assets pledged as collateral

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Accounts receivable - other (Note 1)	1,247	1,268
Investment securities (Note 2)	46	46
Total	1,293	1,314

(Note 1) Accounts receivable - other was pledged based on a liability in a term lease contract relating to a building with Murata Medical Services, Ltd.

(Note 2) MMC provided collateral for the borrowings of Mizushima Eco-works Co., Ltd.

MMC has no obligations for such collateral.

(*2) Monetary receivables from and payables to subsidiaries and associates (except for those separately disclosed)

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Short-term monetary receivables	92,682	156,784
Long-term monetary receivables	17,600	2,011
Short-term monetary payables	106,718	96,392
Long-term monetary payables	428	432

3. Guarantee obligation

(1) Guarantee obligation

For the fiscal year ended March 31, 2017 (As of March 31, 2017)		For the fiscal year ended March 31, 2018 (As of March 31, 2018)	
Guarantee	Guaranteed amount	Guarantee	Guaranteed amount
PT. Mitsubishi Motors Krama Yudha Sales Indonesia	9,739	PT. Mitsubishi Motors Krama Yudha Sales Indonesia	7,396
PCMA Rus, LLC	2,705	PCMA Rus, LLC	1,334
Employees	541	Employees	461
Total	12,987	Total	9,192

(2) Retroactive obligation following liquidation of accounts receivable - trade

For the fiscal year ended March 31, 2017 (As of March 31, 2017)		For the fiscal year ended March 31, 2018 (As of March 31, 2018)	
-			441

(*4) Accumulated depreciation of property, plant and equipment is as follows:

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Accumulated depreciation of property, plant and equipment	613,938	590,963

Non-consolidated statement of income

(*1) Transactions with subsidiaries and associates are as follows:

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)
Operating transactions:		
Sales	746,816	935,177
Purchase	558,582	606,831
Non-operating transactions	205,491	22,548

(*2) Loss on fuel consumption test

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

Loss on fuel consumption test includes payments to customers, Nissan Motor Co., Ltd. and suppliers affected by the fuel consumption test and impairment loss on non-current assets of Mizushima Plant.

For the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

Regarding payments to customers and Nissan Motor Co., Ltd. relating to fuel consumption test, a review was performed following changes in conditions.

Securities

Stocks of subsidiaries and associates (amounts on the balance sheet for the fiscal year ended March 31, 2018 are 152,539 million yen in stocks of subsidiaries and 19,970 million yen in stocks of associates and amounts for the fiscal year ended March 31, 2017 are 152,335 million yen in stocks of subsidiaries and 15,960 million yen in stocks of associates) do not have market values, and as it has been deemed difficult to measure their fair values, these have been omitted.

Tax-effect accounting

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Deferred tax assets:		
Net operating losses carried forward	206,434	212,900
Allowance for doubtful accounts	4,505	609
Provision for retirement benefits	22,325	22,428
Loss on valuation of subsidiaries and associates' stocks	111,208	111,196
Accounts payable - trade (warranty construction cost)	32,833	21,484
Provision for product warranties	6,790	6,523
Provision for loss on fuel consumption test	8,416	4,646
Other	27,656	32,314
Subtotal	420,171	412,104
Less valuation allowance	(416,066)	(395,385)
Total deferred tax assets	4,105	16,718
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(3,236)	(3,092)
Other	(5,396)	(5,249)
Total deferred tax liabilities	(8,633)	(8,341)
Net deferred tax assets	(4,527)	8,377

2. The reconciliation of significant differences between the effective statutory tax rate and effective income tax rate after application of tax-effect accounting

	For the fiscal year ended March 31, 2017 (As of March 31, 2017)	For the fiscal year ended March 31, 2018 (As of March 31, 2018)
Effective statutory tax rate		30.5%
Reconciliations:		
Non-deductible items (entertainment expenses, etc.)		7.7
Non-taxable items (dividends income)	This information is	(15.3)
Foreign withholding taxes	omitted because MMC	3.2
Tax credits	resulted in loss before	(3.1)
Change in valuation allowance	income taxes.	(67.9)
Other		(0.6)
Actual effective income tax rate after application of tax-effect accounting		(45.5)

Subsequent events after reporting period

Refer to “2. Purchase of treasury stock” and “3. Granting of stock options as equity-linked compensation (share acquisition rights)” of “Subsequent events after reporting period” in the note to the consolidated financial statements.

4) Non-consolidated supplementary schedules

Detailed schedule of non-current assets

(Millions of yen)

Type of assets		Balance at beginning of current period	Increase in current period	Decrease in current period	Balance at end of current period	Accumulated depreciation or amortization at end of current period	Depreciation or amortization for current period	Carrying amount at end of current period
Property, plant and equipment	Buildings	137,407	4,669	1,942 (75)	140,134	102,868	2,718	37,267
	Structures	36,131	1,166	548 (4)	36,750	30,086	716	6,663
	Machinery and equipment	366,609	15,434	(*3) 24,167 (833)	357,875	316,334	6,895	41,541
	Vehicles	5,615	704	566 (2)	5,753	4,276	555	1,477
	Tools, furniture and fixtures	164,169	26,119	(*4) 20,418 (443)	169,870	137,399	11,434	32,470
	Land	47,783	-	527 (253)	47,255	-	-	47,255
	Construction in progress	14,626	(*1) 38,446	30,775 (175)	22,297	-	-	22,297
Total property, plant and equipment		772,343	86,541	78,945 (1,788)	779,938	590,963	22,319	188,975
Intangible assets	Patent right	48	850	-	899	58	40	841
	Software	24,845	6,332	2,041	29,137	13,435	4,791	15,701
	Other	6,207	(*2) 9,950	7,357	8,801	68	27	8,732
Total intangible assets		31,102	17,134	9,399	38,837	13,562	4,860	25,275

(Notes) 1. The figures in parentheses in the "Decrease in current period" column represent the amounts of impairment loss included.

2. Major changes during the current fiscal year are as follows:

(*1) Major increases in construction in progress

Passenger car production facilities	5,257 million yen
Minicar production facilities	5,423 million yen
Engine production facilities	6,051 million yen
Research and development facilities	18,042 million yen

(*2) Major increases in intangible assets

Passenger car production facilities	58 million yen
Engine production facilities	223 million yen
Research and development facilities	983 million yen
Development of systems	8,686 million yen

(*3) Major decreases in machinery and equipment

Passenger car production facilities	1,146 million yen
Minicar production facilities	10,825 million yen
Engine production facilities	7,226 million yen
Research and development facilities	2,240 million yen

(*4) Major decreases in tools, furniture and fixtures

Passenger car production facilities	4,746 million yen
Minicar production facilities	9,835 million yen
Engine production facilities	1,666 million yen
Research and development facilities	751 million yen

Detailed schedule of allowances

(Millions of yen)

Account	Balance at beginning of current period	Increase in current period	Decrease in current period	Balance at end of current period
Allowance for doubtful accounts	14,770	44	12,802	2,012
Provision for product warranties	22,349	7,805	8,624	21,530
Provision for loss on fuel consumption test	28,169	7,346	20,037	15,478

(2) Details of major assets and liabilities

This information is omitted because MMC prepares consolidated financial statements.

(3) Other

1) Information after the balance sheet date

There are no noteworthy matters to report.

2) Significant lawsuits, etc.

There are no noteworthy matters to report.

VI. Overview of Operational Procedures for Shares

Fiscal year	From April 1 to March 31 of the following year
Ordinary General Meeting of Shareholders	June of each year
Record date	March 31
Record dates for dividends of surplus	September 30 and March 31
Number of shares per unit	100 shares
Purchases of shares less than one unit	
Address where handling office	(Special account) 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division
Administrator of shareholders register administrator	(Special account) 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Forwarding office	-
Charges for purchases	Amount specifically determined as brokerage fees for the purchase and sale of shares
A method of public notice	Public notices are published electronically. In case the method of electronic public notice is not available due to any troubles or unavoidable circumstances, such a notice will be given by Nihon Keizai Shimbun published in Tokyo. [MMC's Website Address for Public Notices] (https://www.mitsubishi-motors.com/jp/corporate/ir/stockinfo/koukoku.html)
Special benefits to shareholders	Not applicable

(Note) According to the MMC's Articles of Incorporation, shareholders of shares less than one unit shall not be entitled to exercise the rights of shareholders in connection with such shares less than one unit other than those rights listed below:

- (1) The rights stipulated in each item of Article 189, paragraph 2 of the Companies Act
- (2) The rights to request an acquisition of shares with put option
- (3) The rights to receive an allotment of offered shares or offered share acquisition rights

VII. Reference Information of Reporting Company

1. Information about parent company, etc. of reporting company

MMC has no parent company, etc. as prescribed in Article 24-7, paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

MMC filed the following documents between the beginning of the current fiscal year and the date when this Annual Securities Report was filed.

(1) Annual Securities Report and Accompanying Documents and Confirmation Letter

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

Submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2017

(2) Internal Control Report and Accompanying Documents

Submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2017

(3) Quarterly Securities Reports and Confirmation Letter

First Quarter of FY2017 (from April 1, 2017 to June 30, 2017)

Submitted to the Director-General of the Kanto Local Finance Bureau on August 3, 2017

Second Quarter of FY2017 (from July 1, 2017 to September 30, 2017)

Submitted to the Director-General of the Kanto Local Finance Bureau on November 10, 2017

Third Quarter of FY2017 (from October 1, 2017 to December 31, 2017)

Submitted to the Director-General of the Kanto Local Finance Bureau on February 9, 2018

(4) Extraordinary Report

Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2017

The Extraordinary Report according to the provision of Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item 9-2 (results of exercise of voting rights at the general meetings of shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on March 22, 2018

The Extraordinary Report according to the provision of Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item 4 (change of major shareholder) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on April 27, 2018

The Extraordinary Report according to the provision of Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item 12 (events giving significant impact on financial position, operating results and conditions of cash flow) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs.

(5) Annual Securities Report (Issuance of share acquisition rights) and Accompanying Documents

Submitted to the Director-General of the Kanto Local Finance Bureau on April 24, 2017

Submitted to the Director-General of the Kanto Local Finance Bureau on May 9, 2018

(6) Amended Annual Securities Registration statement

Submitted to the Director-General of the Kanto Local Finance Bureau on May 9, 2017

Amended Annual Securities Registration statement submitted to the Director-General of the Kanto Local Finance Bureau on April 24, 2017.

Submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2017

Amended Annual Securities Registration statement submitted to the Director-General of the Kanto Local Finance Bureau on April 24, 2017.

Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2017

Amended Annual Securities Registration statement submitted to the Director-General of the Kanto Local Finance Bureau on April 24, 2017.

Submitted to the Director-General of the Kanto Local Finance Bureau on July 18, 2017

Amended Annual Securities Registration statement submitted to the Director-General of the Kanto Local Finance Bureau on April 24, 2017.

Submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2017

Amended Annual Securities Registration statement submitted to the Director-General of the Kanto Local Finance Bureau on April 24, 2017.

Submitted to the Director-General of the Kanto Local Finance Bureau on June 22, 2018

Amended Annual Securities Registration statement submitted to the Director-General of the Kanto Local Finance Bureau on May 9, 2018.

(7) Position Statement

Submitted to the Director-General of the Kanto Local Finance Bureau on February 21, 2018

(8) Report on Purchase of Treasury Stock

Reporting period (from May 1, 2018 to May 31, 2018)

Submitted to the Director-General of the Kanto Local Finance Bureau on June 8, 2018

B. Information on Guarantors for the Company

Not applicable.

Independent Auditors' Audit Report and Internal Control Audit Report
(English Translation)

June 22, 2018

The Board of Directors

MITSUBISHI MOTORS CORPORATION

Ernst & Young ShinNihon LLC

Yoji Murohashi
Designated and Engagement Partner
Certified Public Accountant

Tomohiro Mizuno
Designated and Engagement Partner
Certified Public Accountant

Takeshi Saida
Designated and Engagement Partner
Certified Public Accountant

Chihiro Yasunaga
Designated and Engagement Partner
Certified Public Accountant

<Financial statements audit>

We have audited, pursuant to the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements included in "Financial Information," which consist of the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets, consolidated statement of cash flows, material basis of the preparation of consolidated financial statements and other notes, and consolidated supplementary schedules of MITSUBISHI MOTORS CORPORATION (hereinafter referred to as the "Company") for the fiscal year ended March 31, 2018 (April 1, 2017 through March 31, 2018).

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles for consolidated financial statements 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 independently based on our audit. We conducted our audit in accordance with the 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 the Company and its consolidated subsidiaries as of March 31, 2018, and their consolidated financial performance and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in Japan.

<Internal control audit>

We also have audited, pursuant to the provisions of Article 193-2, paragraph 2 of the Financial Instruments and Exchange Act of Japan, the internal control report as of March 31, 2018 of the Company.

Management's Responsibility for the Internal Control Report

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of the internal control report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

Internal control over financial reporting may not prevent or detect misstatements.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal control report independently based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the internal control report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the result of the assessment on internal control over financial reporting in the internal control report. The procedures selected depend on the auditor's judgment, including the materiality of effect on the reliability of financial reporting. An internal control audit also includes evaluating the overall presentation of the internal control report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting.

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 internal control report referred to above, which represents that the internal control over financial reporting of the Company as of March 31, 2018 is effective, presents fairly, in all material respects, the result of management's assessment on internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Conflict of Interest

We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountant Act of Japan.

(Notes) 1. The English translation has no legal force and is provided for convenience only.

2. The document presented above is a digitized copy of the original version of the Independent Auditors' Audit Report and Internal Control Audit Report. The original report is kept separately by the Company (the filing company of the Annual Securities Report).

3. XBRL data is not included in the scope of audit.

Independent Auditors' Audit Report
(English Translation)

June 22, 2018

The Board of Directors

mitsubishi motors corporation

Ernst & Young ShinNihon LLC

Yoji Murohashi
Designated and Engagement Partner
Certified Public Accountant

Tomohiro Mizuno
Designated and Engagement Partner
Certified Public Accountant

Takeshi Saida
Designated and Engagement Partner
Certified Public Accountant

Chihiro Yasunaga
Designated and Engagement Partner
Certified Public Accountant

We have audited, pursuant to the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the non-consolidated financial statements included in “Financial Information,” which consist of the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, significant accounting policy and other notes, and non-consolidated supplementary schedules of MITSUBISHI MOTORS CORPORATION (hereinafter referred to as the “Company”) for the fiscal year ended March 31, 2018 (April 1, 2017 through March 31, 2018).

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles for non-consolidated financial statements 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 non-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 non-consolidated financial statements independently based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. The purpose of an audit of the non-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 non-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 non-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 non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of the Company as of March 31, 2018, and its financial performance for the fiscal year then ended in conformity with accounting principles generally accepted in Japan.

Conflict of Interest

We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountant Act of Japan.

- (Notes)
1. The English translation has no legal force and is provided for convenience only.
 2. The document presented above is a digitized copy of the original version of the Independent Auditors' Audit Report. The original report is kept separately by the Company (the filing company of the Annual Securities Report).
 3. XBRL data is not included in the scope of audit.

[Cover page]

Document title: Internal Control Report (“*Naibutousei-Houkokusho*”)
Clause of stipulation: Article 24-4-4, paragraph 1 of the Financial Instruments and Exchange Act
Place of filing: Director-General of the Kanto Local Finance Bureau
Filing date: June 22, 2018
Company name: 三菱自動車工業株式会社 (*Mitsubishi Jidosha Kogyo Kabushiki Kaisha*)
Company name in English: MITSUBISHI MOTORS CORPORATION
Title and name of representative: Osamu Masuko, Member of the Board and CEO
Title and name of chief financial officer: Koji Ikeya, Executive Vice President, CFO
Address of registered headquarter: 5-33-8, Shiba, Minato-ku, Tokyo, Japan
Place for public inspection: Tokyo Stock Exchange, Inc.
2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan

1. Basic framework of internal control over financial reporting

Osamu Masuko, Member of the Board and CEO, and Koji Ikeya, Executive Vice President & CFO have the responsibility for the design and operation of internal control over financial reporting of MITSUBISHI MOTORS CORPORATION (the “Company”) and manage the design and operation of such internal control in accordance with the basic framework set forth in the document “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

Internal control aims at achieving its objectives to a reasonable extent given that all individual components of internal control are effectively integrated, and function as a whole. Thus, it is possible that internal control over financial reporting may not be able to completely prevent or detect false statements in financial reporting.

2. Scope of assessment, assessment date and assessment procedure

Assessment of internal control over financial reporting was performed as of March 31, 2018 (i.e., the closing date of the current fiscal year) in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In this assessment, evaluation was first made of company-level control which would have a material impact on the reliability of financial reporting on a consolidated basis, and based on such result, business processes to be assessed were then selected. In the business process-level control assessment, the effectiveness of internal control was assessed by analyzing the business processes in scope, identifying key controls that would have a material impact on the reliability of the financial reporting, and evaluating the designs and operations of these key controls.

The scope of internal control assessment for financial reporting was determined by selecting the Company, consolidated subsidiaries and entities accounted for using equity method based on the materiality of their impacts on the reliability of financial reporting. The materiality of the impacts on the reliability of financial reporting was determined in consideration of both financial and qualitative aspects, and the scope of assessment of process-level control was reasonably determined based on the result of the company-level control assessment, which included the Company, 18 consolidated subsidiaries, and three entities accounted for using equity method. Also, 16 consolidated subsidiaries and 18 entities accounted for using equity method were determined to be of minimal financial and qualitative materiality and were not included in the scope of evaluation of company-level control.

For the purpose of determining the scope of process-level control assessment, net sales (after elimination of intercompany transaction) of each business site for the previous fiscal year were totaled in order based on the business site that had the highest net sales amount, and the six business sites that contributed approximately two-thirds of the Company’s consolidated net sales in the previous fiscal year were designated as significant business sites. In selected significant business sites, all business processes related to the accounts that are closely associated with the Company’s business objectives, such as net sales, accounts receivable - trade, and inventories were included in the scope of assessment. Furthermore, not only at the selected significant business sites, but also at other business sites, certain other business processes with a high probability of there being major false statements which are related to significant accounts involving estimates and forecasts, or related to businesses or operations dealing with high-risk transactions were added to the scope of assessment as “business processes having greater materiality,” taking into account their impacts on financial reporting.

3. Assessment result

Based on the above mentioned assessment results, it was concluded that the internal control over financial reporting at the end of the current fiscal year was effective.

4. Supplementary information

Not applicable.

5. Special affairs

Not applicable.

[Cover page]

Document title: Confirmation Letter (“*Kakuninsho*”)
Clause of stipulation: Article 24-4-2, paragraph 1 of the Financial Instruments and Exchange Act
Place of filing: Director-General of the Kanto Local Finance Bureau
Filing date: June 22, 2018
Company name: 三菱自動車工業株式会社 (*Mitsubishi Jidosha Kogyo Kabushiki Kaisha*)
Company name in English: MITSUBISHI MOTORS CORPORATION
Title and name of representative: Osamu Masuko, Member of the Board and CEO
Title and name of chief financial officer: Koji Ikeya, Executive Vice President, CFO
Address of registered headquarter: 5-33-8, Shiba, Minato-ku, Tokyo, Japan
Place for public inspection: Tokyo Stock Exchange, Inc.
2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan

1. Appropriateness of the descriptions in this Annual Securities Report

Osamu Masuko, Member of the Board and CEO, and Koji Ikeya, Chief Financial Officer of MITSUBISHI MOTORS CORPORATION, have confirmed that this annual securities report for the full-year FY2017 (April 1, 2017 through March 31, 2018) is reasonably and fairly stated in accordance with the Financial Instruments and Exchange Act and related regulations.

2. Special notes

There are no noteworthy matters that are pertinent to this annual securities report.