

MITSUBISHI MOTORS CORPORATION

ANNUAL REPORT 2013  
Year ended March 31, 2013

# Harnessing Emerging Market Dynamism



Drive@earth



## Mitsubishi Motors Corporate Philosophy

“We are committed to providing the utmost driving pleasure and safety for our valued customers and our community. On these commitments we will never compromise. This is the Mitsubishi Motors way.”

### Customer-centric approach

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

### A clear direction for the development and manufacturing of Mitsubishi Motors vehicles

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

### Going the extra mile

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

### Importance of continuity

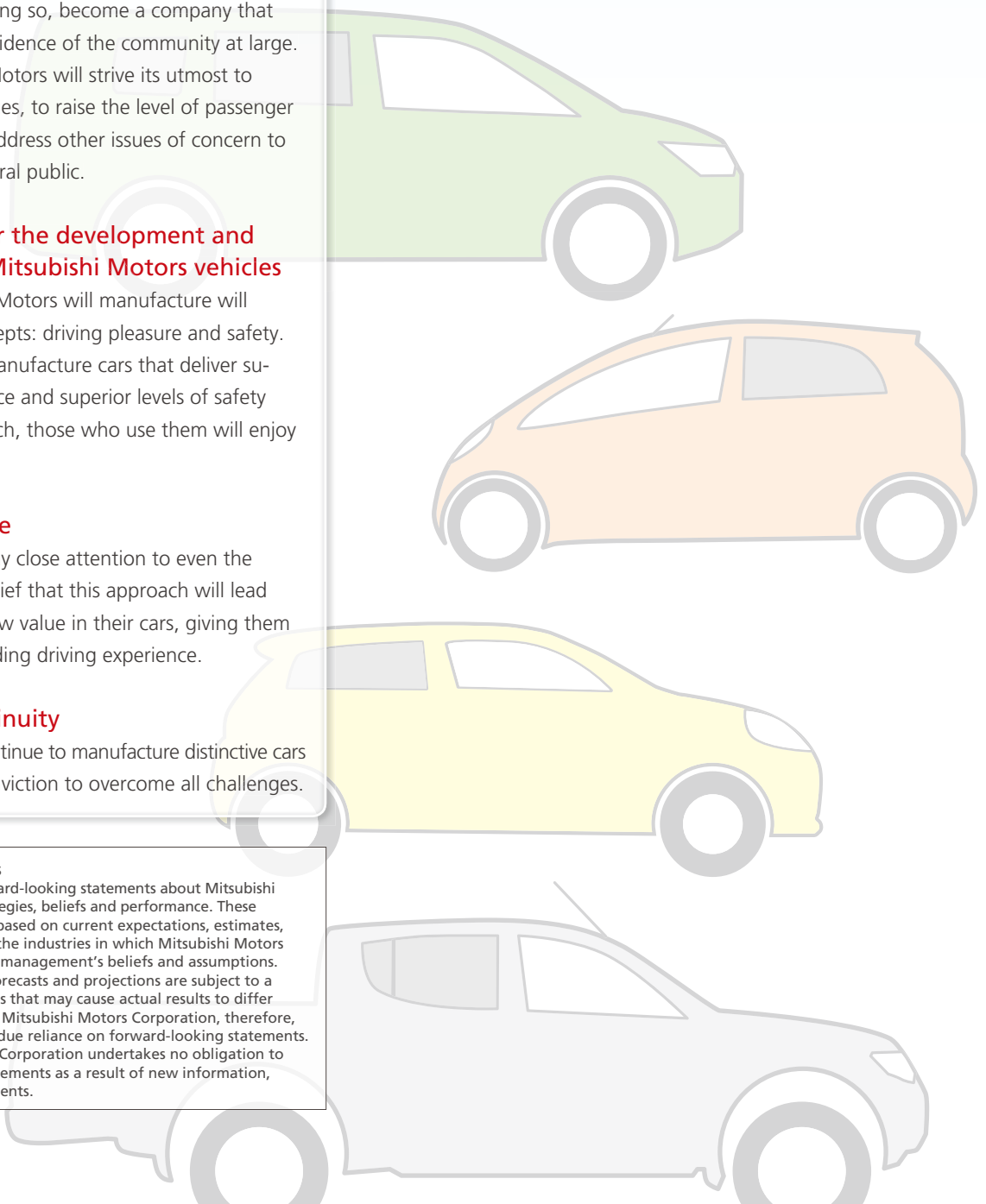
Mitsubishi Motors will continue to manufacture distinctive cars with the passion and conviction to overcome all challenges.

#### Forward-looking Statements

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

## Drive@earth

Drive@earth means that automobiles connect us to the world. Through trust, Mitsubishi vehicles forge a connection to customers, to communities and ultimately to the natural world around us. Drive@earth also means a new emphasis on environmental issues. It is the simple recognition that no enterprise makes sense without the context of a healthy planet, and that automakers have a special responsibility in this regard. MMC sets as its ideal the synergy between dynamic and environmental performance, and will continue to develop technologies that show as much care for the environment outside as for the occupants within its vehicles.



## Contents

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■ To Our Shareholders and Stakeholders .....	2
<p>In fiscal 2013, we will work to cap off the successes of "Jump 2013," our mid-term business plan that calls for us to achieve "Growth and Leap Forward."</p>	
■ Message from the President .....	4
<p>By introducing new models and rolling out models globally, we aim to bolster our sales volume and achieve sales and profit increases.</p>	
Fiscal 2012: Looking Back on the Second Year of "Jump 2013" .....	5
Fiscal 2013: Initiatives to Cap off the Successes of "Jump 2013" .....	6
■ Feature 1 .....	10
<p>Initiatives in Emerging Markets</p>	
■ Feature 2 .....	14
<p>Enhancing our Eco-Car Lineup</p>	
■ Overview of Operations by Region .....	16
■ Corporate Social Responsibility .....	21
Corporate Governance .....	21
Management .....	22
Internal Control Systems and Risk Management .....	23
Compliance .....	24
Responsibility to Society .....	25
Environmental Initiatives .....	26
■ Financial Section .....	27
■ Corporate Information .....	60
Consolidated Subsidiaries and Affiliates .....	60
Principal Production Facilities .....	62
Investor Information .....	63



# In fiscal 2013, we will work to cap off the successes of "Jump 2013," our mid-term business plan that calls for us to achieve "Growth and Leap Forward."

The business environment surrounding the automobile industry remains problematic and unstable. Excessive yen appreciation has moved toward a correction, and the U.S. economy continues to grow, albeit slowly. At the same time, however, economies in the euro area remain in recession, the United States is expected to restrict its levels of quantitative easing, prompting disquiet in global financial markets, and the pace of growth in emerging economies is growing more sluggish.

Operating under these conditions, the Mitsubishi Motors Group is now entering the final year of its mid-term business plan, "Jump 2013." Under a basic policy to achieve "Growth and Leap Forward," we will continue to implement the plan's four core initiatives.

- Concentrating business resources in emerging markets and environmental initiatives
- Reforming the cost structure
- Pursuing business alliance opportunities for profit increases
- Reinforcing our business foundation





Through these core initiatives, we will introduce products that best meet the needs of the markets and establish a cost structure capable of withstanding exchange rate fluctuations, thereby increasing profits. In particular, in fiscal 2013 we have begun selling in Japan new minicar models (the *eK Wagon* and the *eK Custom*) planned and developed by NMKV Co., Ltd., a joint venture with Nissan Motor, and plan to begin selling a "super-height" (tall) wagon. Overseas, we plan to successively launch the *Outlander PHEV*, equipped with a plug-in hybrid EV system. Leveraging these models, we aim to expand our sales volume in each of the world's regions.

During the December 2012 post-delivery recall of a minicar engine for an oil-leak defect, it became apparent that our recall review process had problems. Accordingly, in fiscal 2013 we have begun making steady progress on implementing a companywide quality reform promotion

activity, dubbed the "Customer First Program." Through this program, we will prioritize efforts to reinforce customer care and safety and peace of mind. As part of this program's initiatives, we will consider compliance of paramount importance. In our aim to be a company with integrity that maintains the trust of its customers and society as a whole, we will step up our social and environmental efforts. Through ongoing reviews of our internal control system, we will improve our governance. At the same time, we will work to ensure compliance with laws and regulations, bolster governance and promote proper, effective business execution.

Mitsubishi Motors wishes to sincerely thank its shareholders and all other stakeholders and ask for their ongoing support and guidance in the year ahead.

September 2013



*T. Nishioka*

Takashi Nishioka  
Chairman of the Board



*O. Masuko*

Osamu Masuko  
President



# By introducing new models and rolling out models globally, we aim to bolster our sales volume and achieve sales and profit increases.

In fiscal 2013, overseas we will successively roll out new models, including the *Mirage*, the *Outlander* and the *Outlander PHEV*, as well as adding models produced locally in emerging markets, such as Thailand, China and Russia. In Japan, meanwhile, we will increase cost competitiveness of our factories and seek to expand sales by introducing new minicars. As a result of these initiatives, we aim to exceed the fiscal 2013 operating performance targets stated in "Jump 2013," namely, operating income of ¥100.0 billion and net income of ¥50.0 billion.



Osamu Masuko  
President

## Fiscal 2012: Looking Back on the Second Year of "Jump 2013"

In fiscal 2012, the second year for our mid-term business plan, "Jump 2013," we worked to achieve "Growth and Leap Forward" through environmental initiatives and emerging-market response projects. We worked to launch, produce and sell new models in each field. Specifically, by product, we introduced new models such as the *Mirage*, *Outlander* and *Outlander PHEV*. On the production front, we boosted capacity in Thailand, China, Russia and other emerging markets. At the same time, to bolster our strengths we sold our interest in Netherlands Car B.V. (NedCar), a loss-making European production subsidiary, and we terminated production activities.

In these ways, Mitsubishi Motors positioned fiscal 2012

as a year for planting the seeds that would lead to increased revenues and profits. We made steady progress on measures in this direction.

As a result, net sales amounted to ¥1,815.1 billion, up ¥7.8 billion year on year. Operating income was ¥67.4 billion, up ¥3.7 billion, due to improvements in the sales volume and model mix and reductions in raw material and other costs. Net income expanded ¥14.1 billion, to ¥38.0 billion. Sales volume (retail), however was down 14,000 vehicles, or 1%, from the preceding fiscal year, to 987,000 units, as the sales volume rose in ex-Japan Asia and other regions, but decreased in Japan, North America and Europe.

### Fiscal 2012 Highlights

■ Sales volume (retail) down 14,000 units, to 987,000 vehicles

■ Operating income up ¥3.7 billion year on year, to ¥67.4 billion

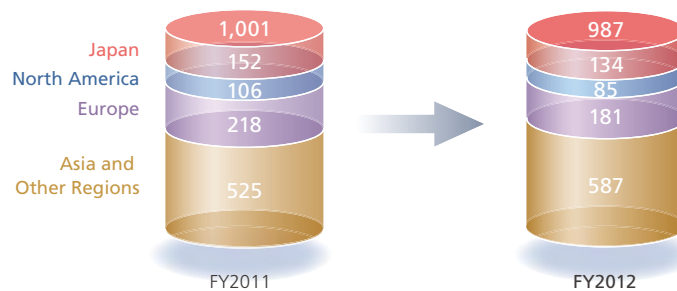
■ Net sales up ¥7.8 billion year on year, to ¥1,815.1 billion

■ Net income up ¥14.1 billion year on year, to ¥38.0 billion

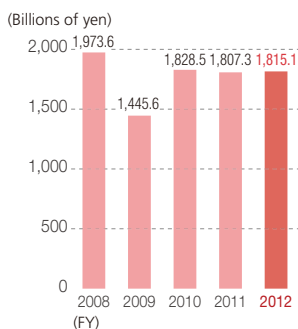
Achieved sales and profit increases despite the protracted European debt crisis and a harsh operating environment

### Sales Volume (Retail) by Region

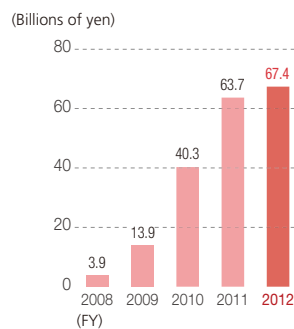
(Thousands of units)



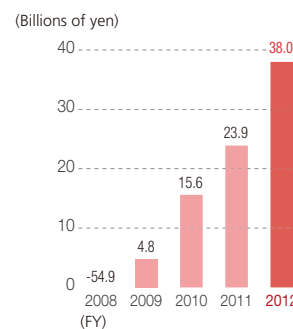
### Net Sales



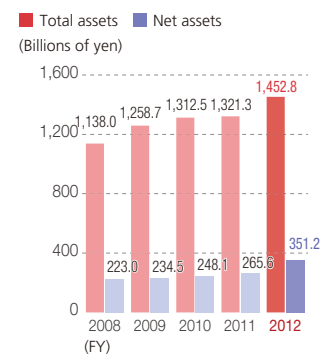
### Operating Income



### Net Income (Loss)



### Total Assets/Net Assets



### Fiscal 2013: Initiatives to Cap off the Successes of “Jump 2013”

► **We will expand operations and boost performance by introducing new models and through a global rollout.**

Fiscal 2013, which is the final fiscal year for “Jump 2013,” will also be important as the bridging year for our next mid-term business plan. One key initiative will be to increase sales volume through the global rollout of new models introduced in fiscal 2012, including the *Mirage* and the *Outlander*. We also expect to bolster sales volume through the addition of locally produced models in Thailand, China and Russia. In Japan, we will enhance cost competitiveness at our factories there. We also plan to expand our sales volume by introducing new minicars. In addition to continuing with efforts to date focused on structural reforms and bolstering our strengths, we will continue striving to build the strength to ensure sustained growth.

► **We will endeavor to heighten productivity and increase sales in the ASEAN region and other emerging markets.**

In emerging markets, we will focus on enhancing our production capabilities and increasing sales in the ASEAN region. In particular, following on from Thailand we will endeavor to expand sales in other key ASEAN markets, such as Indonesia and the Philippines. We are accelerating our operations in this

region, in a bid to achieve a 12% share of market in the five major countries in the ASEAN region (Thailand, Indonesia, the Philippines, Malaysia and Vietnam) by fiscal 2015. We are expanding in emerging markets outside the ASEAN region, as well, through local production of the *Pajero Sport* in China and Russia. Also, we have begun assembling the *ASX* in Brazil. In addition to expanding sales, we are working to increase Mitsubishi Motors vehicles’ performance. (See Feature 1 on pages 10–13.)

► **By teaming up with Nissan Motor, we have begun expanding our lineup to augment performance in the minicar market.**

We established NMKV Co., Ltd., as a joint venture with Nissan Motor to bolster our lineup of minicars for the Japanese market. The venture adopts an altogether new approach that combines each company’s strengths at individual stages of car manufacturing. Two vehicles developed by NMKV, the *eK Wagon* and the *eK Custom*, went on sale in June 2013. Cooperating in the minicar business allows both partners to benefit from economies of scale and maximizes synergies arising from each company’s expertise and experience at the research and production stages. The resulting products are competitive enough to take a market leadership position.



Mirage



As the second wave of NMKV models, we are moving forward with the development of a new-model minicar in the form of a “super-high” (tall) wagon, with a view to market introduction in early 2014. Going forward, Mitsubishi Motors plans to step up its sales volume in the minicar market.

► **By raising productivity and aggressively developing new models, we intend to improve sales and profits in mature markets.**

At our factories in Japan, we are introducing structural reforms to increase cost competitiveness. At the Mizushima Plant, we have begun producing new minicars on the same line with passenger cars, increasing productivity substantially. In January 2014, we will consolidate the plant’s current four lines into two. Other efforts to raise productivity include increasing *Outlander*

*PHEV* production capacity at the Nagoya Plant and consolidating the processes for installing PHEV batteries and motors from a sub-assembly line to the main assembly line.

In Europe, by launching the *Mirage*, *Outlander* and *Outlander PHEV*, we expect our sales volume in this region to be 212,000 vehicles in fiscal 2013, up 20% year on year. We expect profits to improve as a result of having sold NedCar at the end of 2012, pushing our European operations into the black in fiscal 2013. We came to a basic agreement to conduct the transfer of the European manufacturing subsidiary in a manner that prioritized employees retaining their jobs.

In North America, we expect our sales volume to reach 100,000 vehicles in fiscal 2013, up 20% from the fiscal 2012 level, resulting from the introduction of the *Outlander* and *Mirage*. We have begun manufacturing the *Outlander Sport*

■ **Introducing New Minicars, the *eK Wagon* and the *eK Custom*, into the Japanese Market**

For the *eK Wagon* and the *eK Custom*, which launched in Japan in June 2013, we recast the vehicles’ platforms, bodies, engines and transmissions, resulting in minicars featuring sophisticated design, comfortable interior space, easy-to-drive operability and excellent fuel efficiency. The two models were planned and developed by NMKV Co., Ltd., our joint venture with Nissan Motor. Leveraging each company’s specific strengths in such areas as product planning, development and purchasing, the joint venture succeeded in creating highly competitive products.

These models are particularly noteworthy for their sophisticated design—a dynamic shape unusual for a minicar. They also offer a touch-panel-controlled air conditioner, which is a first for a minicar; and use our first UV-reducing glass, which cuts ultraviolet rays by 99%\*1. Equipped for convenience and

comfort, the models employ a keyless operation system, wide dashboards and roomy seats. They employ a new Auto Stop & Go (ASG)\*2 system, as well as a newly developed MIVEC\*3 engine and a CVT with a sub-gear train in addition to uncompromising weight reduction throughout. As a result, the models have one of the best fuel efficiencies in their class\*4, at 29.2 km/liter (per the Japanese Ministry of Land, Infrastructure, Transport and Tourism’s JC08 fuel-economy test cycle)\*5.

\*1 ISO 9050 standard

\*2 An “idling stop” system with a coasting stop feature that turns off the engine when vehicle speed drops below about 13 km/h while decelerating to further reduce fuel consumption (some versions excluded)

\*3 Abbreviation for Mitsubishi Innovative Valve timing Electronic Control system

\*4 The class of minicars that are 1,550 mm or taller

\*5 Some versions excluded



*eK Wagon*



*eK Custom*

(called the RVR in Japan), a global strategic model, in the U.S. state of Illinois. In addition to producing vehicles for the North American market, we have begun manufacturing vehicles for export to markets including Russia, Central and South America, and the Middle East. We expect to improve profits in this region by expanding exports in this manner.

### ► We are engaged in full-fledged quality reform promotion activities.

In December 2012, Mitsubishi Motors issued a recall notice in relation to an oil leak on a minicar engine. During this process, it became apparent that problems existed in our recall review process, so we introduced improvement measures. Our most pressing management issue was to refocus our activities from the customer's perspective, prioritizing efforts to ensure customer care and safety. Consequently, in fiscal 2013 we launched a companywide quality reform promotion activity, named the "Customer First Program."

Specifically, we set up reform teams targeting three areas: product quality, corporate culture and operational quality. We assigned the head officers of headquarters for development and production and domestic sales as team leaders, giving them responsibility for drafting and implementing improvement plans. We established the Reform Promotion Committee, reporting directly to the president, to monitor program implementation status and follow up on activities. Mitsubishi Motors put in place the Reform Advisory Committee, manned by experts from outside the Company, to provide recommendations and advice from a third-party perspective and promote swift reform measures. Through these activities, we completely revamped our quality-related business processes and strengthened employee resolve to enact reforms.

### ► We are putting in place the steppingstones toward an early resumption of dividends.

Mitsubishi Motors aims to resume dividends in fiscal 2013, the final fiscal year of "Jump 2013," its mid-term business plan. To achieve this, we have been working hard on emerging markets/ environmental initiatives and raising the bar on profits. In fiscal 2013, we aim to exceed the initial goals of the mid-term business plan.

Under these circumstances, Mitsubishi Motors has reduced its capital and capital reserve, mainly to compensate for deficits and foster an environment to facilitate the early resumption of dividends. Concretely, on August 1, 2013, we reduced capital by ¥491.6 billion and erased our entire capital reserve of ¥433.2 billion, transferring all of these reductions to other capital surplus. Furthermore, we reduced the other capital surplus by ¥924.6 billion, transferring this amount to retained earnings brought forward to compensate for deficits.





## Performance Forecast

### ► We expect to boost sales volume in all regions, resulting in sales and profit increases.

Thanks to the fiscal 2013 introduction of new models such as the *Mirage* and the *Outlander*, we expect our sales volume (retail) in all geographic regions to exceed fiscal 2012 levels. We forecast particularly pronounced growth in Asia and Other Regions, with sales rising 122,000 units, or 21%, above their fiscal 2012 level, to 709,000 vehicles. We also expect sales in Japan to grow, centering on our introduction of new minicars, the *eK Wagon* and the *eK Custom*. Consequently, for fiscal 2013 we forecast a sales volume of 1,169,000 units, up 182,000 units, or 18%, compared with fiscal 2012.

We expect selling expenses to rise in line with the introduc-

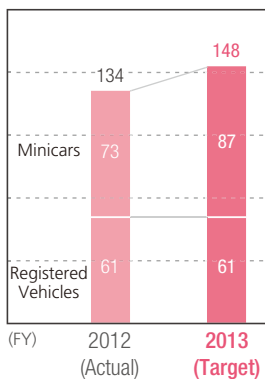
tion of new models, as well as R&D expenditures toward future growth. At the same time, however, changes in the number of vehicles sold, the model mix and an improved forex situation will begin to take effect, along with efforts to reduce raw materials and other costs, resulting in sales and profit increases. We expect net sales to amount to ¥2,270.0 billion, up ¥454.9 billion from fiscal 2012 levels. We also forecast a ¥32.6 billion increase in operating income, to ¥100.0 billion; and a ¥12.0 billion rise in net income, to ¥50.0 billion.

Mitsubishi Motors believes it is essential for us to push forward and demonstrate improved profitability to our shareholders. We maintain a strong and unwavering resolve to achieve this goal.

### Regional Sales Volume (Retail)

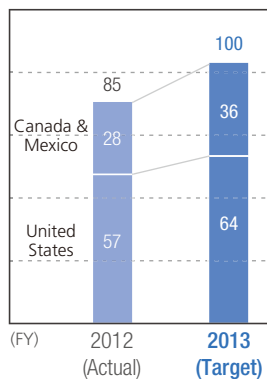
#### Japan

(Thousands of units)



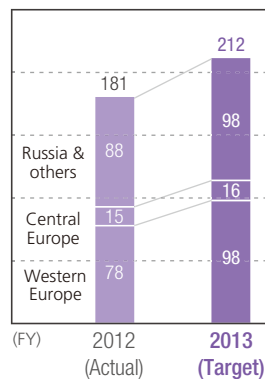
#### North America

(Thousands of units)



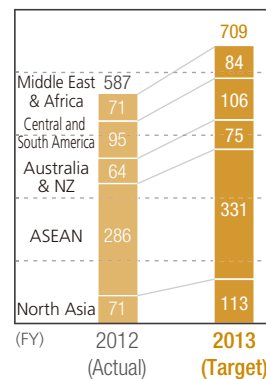
#### Europe

(Thousands of units)



#### Asia and Other Regions

(Thousands of units)



## Operating Performance

(Billions of yen, thousands of units)

	FY2011 (Actual)	FY2012 (Actual)	FY2013 (Forecast)
Sales Volume (Retail)	1,001	987	1,169
Net Sales	1,807.3	1,815.1	2,270.0
Operating Income	63.7	67.4	100.0
Operating Income Ratio	3.5%	3.7%	4.4%
Net Income	23.9	38.0	50.0
Net Income Ratio	1.3%	2.1%	2.2%

## Feature 1: Initiatives in Emerging Markets



Mitsubishi Motors is introducing global models for emerging markets that are expected to experience growth. As a consequence, we expect to increase our sales volume significantly and augment local production. We are reinforcing these efforts as part of our measures to achieve “Growth and Leap Forward.”

► **We will step up the pace of growth by leveraging our operating base in emerging markets.**

Looking at sales volume by region, Asia and Other Regions account for approximately 60% of Mitsubishi Motors’ total. In emerging markets, adding Russia increases this figure to approximately 70%. These numbers highlight one of our characteristic strengths, namely our robust operating base in the ASEAN region, including Thailand and Indonesia; North Asia, including China; and rapidly expanding emerging markets such as Russia and Brazil.

By reinforcing local production and raising our local procurement ratio in emerging markets that are slated for major growth going forward, we expect to lower costs as we increase

sales. To achieve the next level of growth, we recognize that we will need to put in place a production system that is relatively impervious to exchange rate fluctuations. Accordingly, we plan to concentrate our management resources on expanding our production capacity and sales in emerging markets.

► **We are working to increase our share in the ASEAN region, which we consider a market of foremost importance.**

The market represented by the ASEAN region is expanding rapidly. This growth is particularly noteworthy in the five major ASEAN countries (Thailand, Indonesia, the Philippines, Malaysia and Vietnam). According to the January 2013 edition of *IHS*



*Automotive*, the market's sales volume had risen from 1.86 million vehicles in 2008 to 2.44 million in 2011, and is expected to exceed 3 million by 2015. We view the five leading ASEAN countries as particularly likely growth markets for a number of regions: these countries exhibit some of the most stable growth of all emerging markets, historically Mitsubishi Motors' share of sales in this area has been high, and these countries are slated for major economic expansion.

Our mid-term business plan, "Jump 2013," set 197,000 units as our fiscal 2012 sales target for the five principal ASEAN

nations. We exceeded this figure substantially, at 279,000 vehicles. Furthermore, our market share in these five countries was 8.3% in fiscal 2012, up 0.4 percentage point from fiscal 2011. ASEAN Challenge 12, the business expansion strategy we announced in 2011, calls for Mitsubishi Motors to increase its market share in the five main ASEAN countries from 6.5% in 2010 to 12.0% in 2015, and we are making steady progress toward this objective. The ASEAN region has also become a key pillar of operating income for the Company.

### Russia

Commence local production of the *Outlander* and the *Pajero Sport*



*Pajero Sport*



*Outlander*

### China

Commence local production of the *ASX*



*Triton*



*Mirage*

### The Philippines

Increase sales of the *Mirage*, *Triton* and *Pajero Sport*

### Thailand

Commence production and sales of the *Mirage* and *Attrage*  
Reinforce production capacity at the third factory



*Outlander Sport/ASX*



*Attrage*

### Indonesia

Increase sales of the *Outlander Sport* and *Mirage*  
Commence local production of the *Outlander Sport*

## Feature 1: Initiatives in Emerging Markets

### ► We are concentrating management resources toward growth in the ASEAN region.

An early entrant to the ASEAN region, Mitsubishi Motors currently has production bases in Thailand, the Philippines and Vietnam, and an assembly plant in Indonesia.

In fiscal 2012, Mitsubishi Motors' sales volume in Thailand exceeded that in Japan. In addition to being our largest market in its own right, Thailand serves as an important locus for the production of vehicles for export to the rest of the world. Mitsubishi Motors (Thailand), or MMTh, has production facilities in the Laem Chabang industrial complex southeast of Bangkok. From this factory, the company manufactures the *Triton* pickup truck, the *Pajero Sport*, a mid-sized SUV; and the *Lancer EX*, a passenger sedan. Of these, the *Triton* and the *Pajero Sport* are exported from Thailand to other parts of the world. Furthermore, in March 2012 we began producing our global compact car, the *Mirage*, at its third factory. This was followed by the June 2013 start of full-fledged production of the *Attrage*, a next-generation global compact sedan, underscoring Thailand's repositioning from a manufacturer of cars for the domestic market to a producer to the world. Adding production of the *Attrage* to the *Mirage*, sales of which are particularly robust in ASEAN countries, should further increase local production capabilities.

In 1963, we began production at Mitsubishi Motors Philippines. Currently, in the Philippines we manufacture and sell the *Adventure*, an "Asian Utility Vehicle (AUV)" that we consider our Asian-strategy vehicle; the *L300* commercial vehicle; and the *Lancer EX*. To increase our market share in the passenger segment, we are introducing a 1.6-liter *Lancer EX* model, in addition to the 2-liter model, in an effort to bolster sales volume. In Vietnam, Vina Star Motors produces and sells the *Zinger* AUV, and in August 2011 the company also began producing and selling the *Pajero Sport*, a mid-sized SUV. In Indonesia, we have commenced local assembly of the *Outlander Sport* (RVR in Japan), a compact SUV, in addition to the production of the *L300* and *T-120* commercial vehicles to date in response to demand for passenger cars.

We are working to meet the overall demand increases in these countries, accelerating our business developments with a view to obtaining a 12% share of the ASEAN market by fiscal 2015.



MMTh's third factory



## ■ Production and Sales of the *Attrage*, Our Next-Generation Global Compact Sedan, Starts in Thailand

We began producing the *Attrage*, our next-generation global compact sedan, in Thailand at MMTh's third factory and from July 2013 started selling the model within the country.

The *Attrage*'s styling befits a next-generation global compact sedan, with a short nose that delivers an outstanding forward field of view and graceful and flowing side proportions that balance aerodynamics and interior space among the most generous in its class. The *Attrage* achieves fuel

efficiency of 22 km/liter, which is one of the best in its class, achieved through a combination of a lightweight Reinforced Impact Safety Evolution (RISE) body—the lightest in its class, a lightweight and compact 1.2-liter MIVEC engine, and thorough attention to weight reduction on every part and lowered running resistance. Large door openings facilitate entry and exit, and passenger comfort is enhanced by the model's generous rear seat leg space.



## ► We are moving proactively toward local production and increased sales in China, Russia and Brazil.

In 2012, we began producing the *ASX* (the *RVR* in Japan) in China, adding to this the *Pajero Sport*, which we will begin producing in the country in autumn 2013. With sales of Japanese vehicles in China recovering from their slump in the latter half of 2012, we have established GAC Mitsubishi Motors Co., Ltd., as a joint venture to manufacture and sell vehicles in China. With this company operational, we expect sales in China to reach 89,000 in fiscal 2013—more than double the previous year's level. China is an important ongoing growth market over the medium to long term. We plan to concentrate specifically on the steady rollout of attractive SUV models, which are enjoying particularly marked growth.

Overall Russian demand for vehicles has recovered from the slump it experienced following the Lehman Brothers collapse, and in 2012, new car sales reached the historic high of 2.9

million units. Such growth is expected to increase further over the medium to long term. Mitsubishi Motors views Russia as one of the most important markets for its vehicles, where sales of its SUV models in particular are favorable. Given this situation, Mitsubishi Motors established a factory in Russia in May 2008 together with PSA Peugeot Citroën. We began full-scale manufacturing of the brand-new *Outlander* in November 2012. In July 2013, we also commenced local production of the *Pajero Sport*. Shipping locally manufactured *Outlander* models should provide us the opportunity to expand our sales further and take advantage of our local production system to step up business in Russia. As a result, we forecast a 10% increase in sales volume in fiscal 2013, to 90,000 units.

In Brazil, we commenced local assembly of the *ASX* in July 2013. Consequently, we are targeting a 10% year-on-year increase in sales, to 66,000 units.

Going forward, we will continue working to expand sales in emerging markets where demand is expected to grow.

## Feature 2: Enhancing our Eco-Car Lineup

Our corporate tagline, “Drive@earth,” aims to convey the goal of symbiosis between people and the environment to realize a sustainable society, as well as the goal of building cars that deliver driving pleasure and are at the same time environmentally responsible. To put these objectives practice, we are developing our own advanced technology, known as “@earth TECHNOLOGY.” In particular, Mitsubishi Motors is striving to become a unique provider of eco-cars, contributing to the environment by providing four types of eco-cars: vehicles with highly efficient gasoline engines, vehicles with clean diesel engines, electric vehicles (EVs) and plug-in hybrid EVs (PHEVs). By offering a diverse lineup, we aim to provide models that are optimally suited to market conditions in all of the world’s regions.

### ►Employing our advanced environmental technology to provide gasoline-fueled vehicles with the highest levels of fuel economy available

In Europe and other areas, demand for eco-cars is rising, due to increasingly stringent regulations on CO<sub>2</sub> emissions. Against this backdrop, in 2012 we began rolling out the *Mirage*, which is produced and was launched first in Thailand. Already introduced in ASEAN countries, Japan, Europe and Australia, we plan to launch the model in North America in autumn of 2013. To enhance fuel economy, the *Mirage* employs a variety of weight-reduction approaches and is aerodynamic. Mounted with a newly developed 1.0-liter, three-cylinder MIVEC engine and having an idling stop function, the *Mirage* achieves fuel efficiency of 27.2 km/liter (per the JC08 fuel-economy test cycle), making it the most fuel-efficient registered gasoline-powered car in Japan. The manual-transmission European version of the new car (five-speed manual transmission model) delivers CO<sub>2</sub> emissions of only 92 g/km.

### ►Clean diesel engine that delivers both environmental performance and operating economy

Mitsubishi Motors’ clean diesel engine debuted with the *Pajero*, which launched in 2010. This introduction was followed by the

*Outlander*, launched in Europe in 2012, and the *Delica D:5*, introduced in Japan in 2013.

Emissions of nitrous oxides and particulate matter—both factors in atmospheric pollution—are substantially reduced on the *Delica D:5*, which complies with Japan’s 2009 Post New Long Term emissions regulations for environmental performance. Achieving both environmental performance and robust operating economy, the model has JC08 fuel-economy test cycle fuel efficiency of 13.6 km/liter and delivers maximum torque of 360 N-m (36.7 kg-m) at between 1,500 and 2,750 rpms.

### ►Steadily introducing new models as vanguard EVs

Mitsubishi Motors introduced the world’s first mass-produced EV, the *i-MiEV*, to the market in 2009. Since that time, we have rolled out the model in various parts of the world, including Japan, Europe, North America and Asia. The second phase of this launch, in 2011, was the introduction of the *MINICAB-MiEV VAN*, a mini-car class commercial EV. The third wave came in 2013, with the launch of the *MINICAB-MiEV TRUCK* in the minicar class. Delivering solid “zero-emission” environmental performance, smooth and robust performance and operating economy, these models are quiet, comfortable and economical in a way unique to EVs.



*Delica D:5*



*Mirage*



2.2-liter common-rail-type DI-D clean diesel engine



*MINICAB-MiEV VAN*





Outlander PHEV, which uses a plug-in hybrid EV system

### ►New Outlander PHEV

In January 2013, Mitsubishi Motors introduced the *Outlander PHEV*, which uses a plug-in hybrid EV system based on the Company's existing EV technology. The *Outlander PHEV* makes use of EV technology cultivated for the *i-MiEV*, four-wheel-drive technology developed for the *Lancer Evolution*, and SUV know-how generated through the *Pajero*. The result of EV technologies steadily cultivated in-house, the *Outlander PHEV* is the industry's first plug-in hybrid SUV. Offering the superb performance and quietness of an EV, the model also delivers the driving stability characteristic of a 4WD vehicle and the flexibility of use that an SUV offers.

The *Outlander PHEV* key characteristics are fuel economy and driving comfort. The model automatically selects the optimal travel mode from the three available, given travel conditions and battery charge remaining.

### The three drive modes

#### • EV Drive Mode

EV Drive Mode is an all-electric mode in which the front and rear motors drive the vehicle using only electricity from the drive battery. With zero on-road gasoline consumption and zero CO<sub>2</sub> emissions the driver can enjoy quiet and very eco-friendly performance in this mode.

#### • Series Hybrid Mode

In Series Hybrid Mode the gasoline engine operates as a generator supplying electricity to the electric motors. The system switches to this mode when the remaining charge in the battery falls below a predetermined level and when more powerful performance is required, such as accelerating to pass a vehicle or climbing a steep gradient such as a slope.

#### • Parallel Hybrid Mode

The system switches to Parallel Hybrid Mode when the vehicle reaches high speeds. In this mode the high-efficiency gasoline engine provides most of the motive power, assisted by the electric motors as required, such as when more powerful performance is required to accelerate or climb a slope.

### Basic Performance

Plug-in cruising range	60.2 km
Combined cruising range	897 km
Plug-in hybrid fuel efficiency (Fuel efficiency*)	67.0 km/L

\* Representative fuel efficiency figure based on a combination of the vehicle's fuel efficiency when driven in all-electric mode, called the plug-in fuel efficiency, and when driven in hybrid mode, called the hybrid fuel efficiency (measured via Japan's JC08 mode) using the plug-in mode contribution rating (utility factor).

## In fiscal 2013, we aim to increase sales volume in all geographic regions.

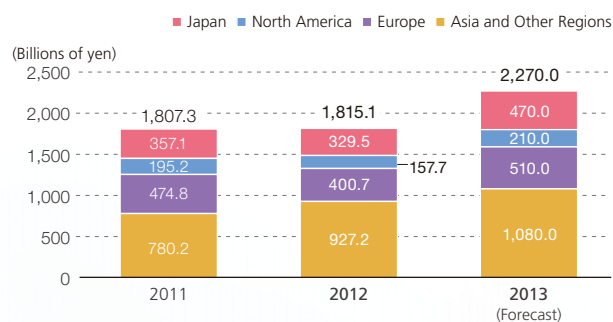
In fiscal 2012, our sales volume (retail) was up substantially year on year in Asia and other regions. However, in Japan, North America and Europe, sales volume fell below the previous year's levels. As a result, overall sales volume was down 14,000 units, or 1%, to 987,000 units. In wholesale volume, on the other hand, higher sales in Asia and other regions compensated for declines in other geographic areas, bringing up wholesale volume 48,000 units, or 4%, year on year, to 1,120,000 units. Bolstered by the rise in wholesale volume, net sales rose ¥7.8 billion, or 0.4%, to ¥1,815.1 billion. Despite increases in costs on quality measures in market and selling expenses, operating income expanded ¥3.7 billion, to ¥67.4 billion, due to

factors such as improvements in the sales volume and product mix and ongoing efforts to reduce costs.

In fiscal 2013, we expect sales volume (retail) to exceed fiscal 2012 levels in all geographic regions. In Japan, we anticipate the rise in sales volume will center on our new minicars, the *eK Wagon* and the *eK Custom*. Overseas, we expect to boost sales of global models, including the *Mirage*, *Outlander*, *Triton*, *Pajero Sport* and *Outlander PHEV*, as well as the *Attrage*, our new-model sedan produced in Thailand. As a result, for fiscal 2013 we forecast a sales volume of 1,169,000 units, up 182,000 units, or 18%, from the fiscal 2012 level. We also anticipate net sales of ¥2,270.0 billion.

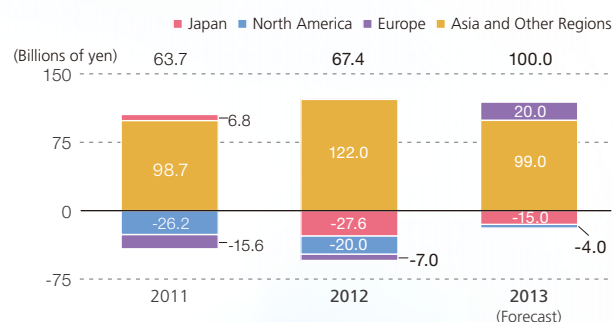
### Net Sales

	(Billions of yen)		
	FY2011	FY2012	FY2013 (Forecast)
Japan	357.1	329.5	470.0
North America	195.2	157.7	210.0
Europe	474.8	400.7	510.0
Asia and Other Regions	780.2	927.2	1,080.0
<b>Total</b>	<b>1,807.3</b>	<b>1,815.1</b>	<b>2,270.0</b>



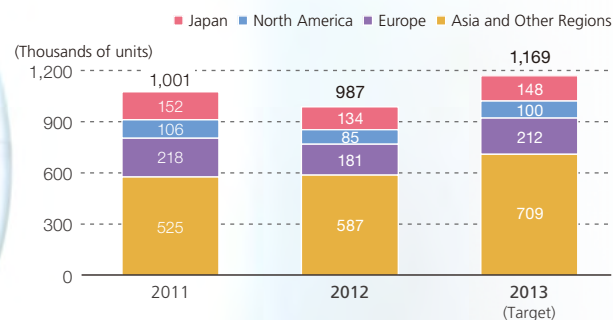
### Operating Income (Loss)

	(Billions of yen)		
	FY2011	FY2012	FY2013 (Forecast)
Japan	6.8	(27.6)	(15.0)
North America	(26.2)	(20.0)	(4.0)
Europe	(15.6)	(7.0)	20.0
Asia and Other Regions	98.7	122.0	99.0
<b>Total</b>	<b>63.7</b>	<b>67.4</b>	<b>100.0</b>



### Sales Volume (Retail)

	(Thousands of units)		
	FY2011	FY2012	FY2013 (Target)
Japan	152	134	148
North America	106	85	100
Europe	218	181	212
Asia and Other Regions	525	587	709
<b>Total</b>	<b>1,001</b>	<b>987</b>	<b>1,169</b>





## Japan



We are working to increase sales volume through the introduction of new models such as the *eK Wagon* and *eK Custom* minicars.

**Toshihiko Hattori**

Director, Head Officer of the Headquarters, Domestic Sales Group Headquarters

### Performance in fiscal 2012

During fiscal 2012, registered vehicle sales volume in Japan was 61,000, essentially unchanged from the previous year's level. However, sales volume for the *eK Wagon* and other minicars was down as models in this category neared the end of their life cycles. Accordingly, total sales volume for registered vehicles and minicars came to 134,000 units, down 18,000 units, or 12%.

Net sales fell ¥27.6 billion year on year, to ¥329.5 billion. Performance at the operating level worsened from operating income of ¥6.8 billion in fiscal 2011 to an operating loss of ¥27.6 billion in fiscal 2012, due mainly to an increase in costs on quality measures in market.

### Outlook for fiscal 2013

In addition to sales of new-model minicars, the *eK Wagon* and *eK Custom*, in fiscal 2013 we plan to introduce a new "super-height" (tall) minicar wagon. Furthermore, we will strive to expand sales of models launched in the preceding fiscal year, including the *Mirage*, *Outlander* and *Outlander PHEV*. Other moves in fiscal 2013 will include initiatives to reinforce sales of electric vehicles, such as the *i-MiEV*; the *MINICAB-MiEV VAN*, a light commercial electric vehicle; the *MINICAB-MiEV TRUCK*, a light electric truck; and the *Outlander PHEV*. We will also move forward with activities to popularize these vehicles, such as increasing the charging infrastructure.

Due to the introduction of new models, in fiscal 2013 we forecast a sales volume in Japan of 148,000 units, up 14,000 units, or 10%, from fiscal 2012. We are targeting net sales of ¥470.0 billion, up ¥140.5 billion year on year, and a ¥12.6 billion improvement from the previous year at the operating level, to an operating loss of ¥15.0 billion.

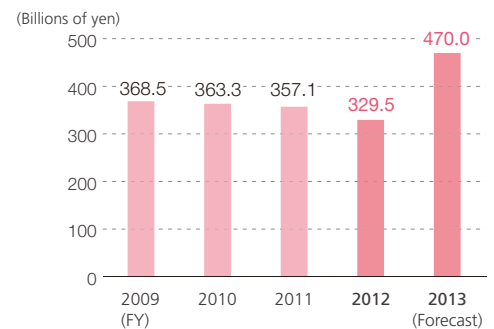


*eK Wagon*

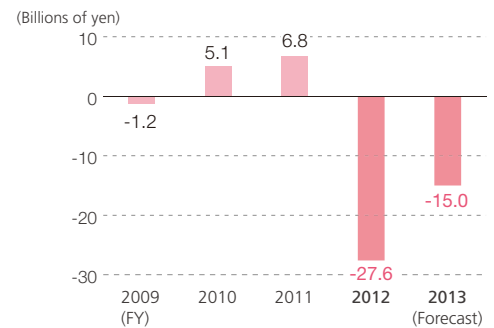


*eK Custom*

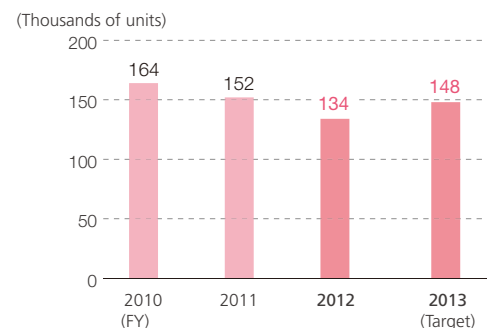
### Net Sales



### Operating Income (Loss)



### Sales Volume (Retail)



## North America

In addition to introducing the *Outlander* and *Mirage*, we plan to expand our operations by boosting exports of the *Outlander Sport*.

**Morikazu Chokki**

Senior Executive Officer, Head Officer of the Headquarters, Overseas Operations Group Headquarters B



### Performance in fiscal 2012

In the United States, sales of our locally produced *Outlander Sport* (RVR in Japan) commenced in July 2012, and sales of this model outpaced our fiscal 2011 figures by 15%. However, sales declined for such U.S.-spec models as the *Eclipse*, *Eclipse Spyder* and *Endeavor*, for which we discontinued production in fiscal 2011. Consequently, sales volume in North America was down 21,000 units year on year, or 20%, to 85,000 units.

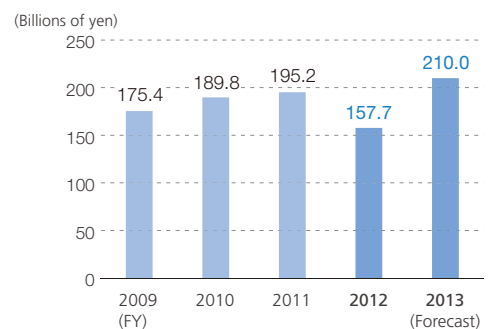
Driven by the falling sales volume, net sales in North America dropped ¥37.5 billion, to ¥157.7 billion. Helped by the impact of exchange rates, the operating loss improved ¥6.2 billion from the previous year's level, to ¥20.0 billion.

### Outlook for fiscal 2013

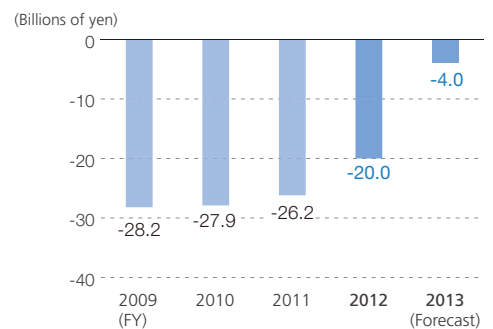
Buoyed by the introduction of the *Outlander* and *Mirage*, we are working to increase sales volume in the United States. Also, we plan to expand operations by boosting exports of the locally produced *Outlander Sport* (RVR in Japan).

Benefiting from new-model introductions, we expect the sales volume in North America to come to around 100,000 units in fiscal 2013, up 15,000 units, or 18%, compared with fiscal 2012. We anticipate a ¥52.3 billion increase in net sales, to ¥210.0 billion. Also, thanks to the positive reversal in exchange rates and increase in sales volume, we expect the operating loss to improve ¥16.0 billion, to ¥4.0 billion.

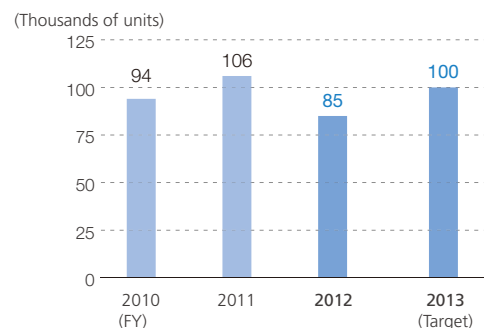
### Net Sales



### Operating Income (Loss)



### Sales Volume (Retail)



*Outlander Sport*



*Outlander*



## Europe



As well as by introducing the *Space Star (Mirage)*, *Outlander* and *Outlander PHEV*, we aim to increase sales volume by adding models produced locally in Russia.

### Hiroshi Harunari

Executive Vice President (Representative Director), Head Officer of the Headquarters, Overseas Operations Group Headquarters A, In Charge of Overseas Operations Group Headquarters B, In Charge of Global After Sales Group Headquarters

### Performance in fiscal 2012

Looking at operations in Europe, we introduced the *Outlander* in Russia, where overall demand grew 7% during the year, pushing up sales volume in that country 8,000 units, or 11%, to 80,000 units. Conversely, in Western Europe, where overall demand continues to fall, sales volume dropped 31,000 units, or 20%, to 78,000—a significant decline compared with fiscal 2011. As a result, sales volume for Europe as a whole came to 181,000 units, a year-on-year drop of 37,000 units, or 17%.

Net sales declined ¥74.1 billion, to ¥400.7 billion. The operating loss amounted to ¥7.0 billion, marking a year-on-year improvement of ¥8.6 billion.

### Outlook for fiscal 2013

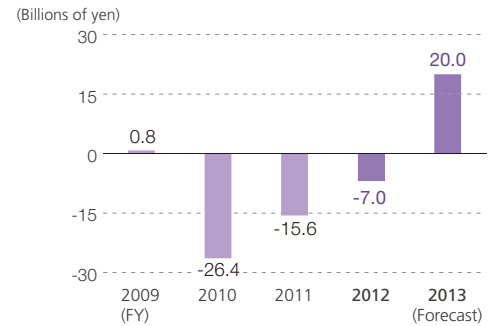
In fiscal 2013, we intend to boost sales in Europe through the introduction of the *Space Star (Mirage)*, *Outlander* and *Outlander PHEV*. In addition, we expect to reinforce operations, with measures centered on the commencement of local production in Russia of the *Outlander* and *Pajero Sport*.

We forecast an increase in sales volume of 31,000 units, or 17%, from fiscal 2012, to 212,000 units. We also expect net sales to grow ¥109.3 billion from fiscal 2012 levels, to ¥510.0 billion. Owing to the positive reversal of the exchange rate situation, the growth in sales volume and the elimination of losses due to the sale of NedCar, in fiscal 2013 we expect to record operating income of ¥20.0 billion, compared with an operating loss of ¥7.0 billion in fiscal 2012.

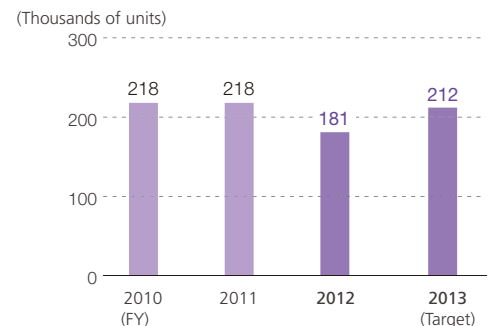
### Net Sales



### Operating Income (Loss)



### Sales Volume (Retail)



Mirage



Pajero Sport

## Asia and Other Regions

We anticipate major increases in sales volume, centering on North Asia and the ASEAN region.

### Morikazu Chokki

Senior Executive Officer, Head Officer of the Headquarters, Overseas Operations Group Headquarters B

### Hiroshi Harunari

Executive Vice President (Representative Director), Head Officer of the Headquarters, Overseas Operations Group Headquarters A, In Charge of Overseas Operations Group Headquarters B, In Charge of Global After Sales Group Headquarters



### Performance in fiscal 2012

Within North Asia, although Mitsubishi Motors' sales volume is steadily recovering in China, sales volume there was down 21,000 units year on year, or 33%, to 42,000 units. In the ASEAN region, however, sales volume was up 43% from the preceding year. Particularly favorable in Thailand were sales of the *Triton* and *Pajero Sport*, which continued to drive sales increases. In addition, we introduced the *Mirage* in March 2012, which led sales volume to outstrip the rise in overall demand, growing 93%, to 142,000 units. Sales volume in Australia and New Zealand was down 4%. In Central and South America, sales volume was up 2% year on year. In Brazil, the largest market in this region, sales volume grew 61,000 units, or 9% year on year. Volume also rose 8% during the year in the Middle East and Africa. Consequently, overall sales in Asia and other regions was up 62,000 units, or 12% year on year, to 587,000 units.

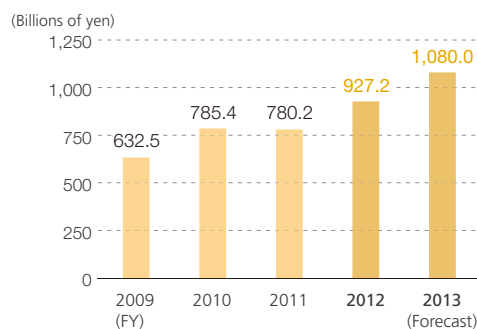
Net sales rose ¥147.0 billion year on year, to ¥927.2 billion. Operating income expanded ¥23.3 billion, to ¥122.0 billion.

### Outlook for fiscal 2013

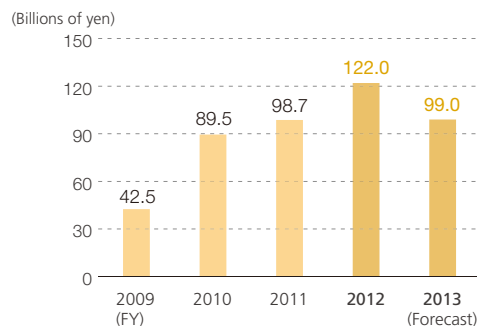
In addition to producing and selling our new-model *Attrage* sedan in Thailand, we anticipate higher sales in Indonesia of the *Mirage* and the *Outlander Sport*, for which local production is commencing. We also expect to increase sales in the Philippines by introducing the *Mirage*, *Triton* and *Pajero Sport*.

We expect the sales volume to reflect a deceleration in business activity, and for overall demand in Thailand to fall in response to the Thai government's cessation of subsidies. However, due to new introductions, we anticipate increases in the ASEAN and other regions. Accordingly, in fiscal 2013 we forecast an increase of 122,000 units, or 21%, compared with fiscal 2012 levels, to 709,000 units. Thanks to higher sales volume, we forecast a year-on-year rise in net sales of ¥152.8 billion, to ¥1,080.0 billion. At the same time, because of worsening exchange conditions vis-à-vis the Thai baht, increases in R&D expenditures and other expenses as we invest toward future growth, we expect operating income to fall ¥23.0 billion, to ¥99.0 billion.

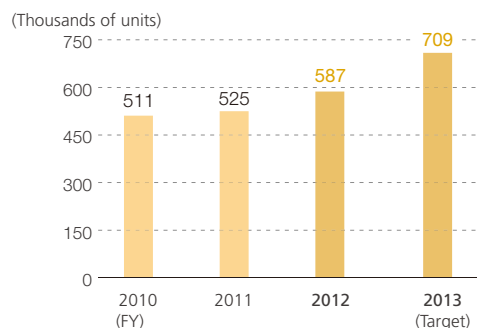
### Net Sales



### Operating Income (Loss)



### Sales Volume (Retail)



Triton



Attrage



# Corporate Governance

## Corporate governance framework Swift and highly transparent management

Mitsubishi Motors' Board of Directors is responsible for making decisions concerning important management issues and overseeing execution. In addition, the executive officer system clarifies the roles and responsibilities of directors and executive officers. Managing Directors' Meetings composed of directors, senior executive officers, and statutory auditors make speedy decisions in bi-weekly meetings.

Mitsubishi Motors employs the Statutory Auditor System pursuant to the Companies Act of Japan. In addition, Mitsubishi Motors is further improving its corporate governance by adding the Business Ethics Committee as a Board of Directors advisory committee.

## Status of statutory audits and internal audits Operation of appropriate audits

The statutory auditors carry out statutory audits of the Mitsubishi Motors Group by attending important Company meetings, such as Board of Directors meetings, and receiving reports on the status of business activities from directors and other corporate officers. Also, key internal documents and internal audit reports from internal audit divisions, accounting auditors and affiliated companies are reviewed.

In addition to the statutory auditors, within the CSR Promotion Office, Mitsubishi Motors has established the Quality

Audit Department and the Internal Audit Department. Both are independent from operating units and conduct internal audits from an objective perspective.

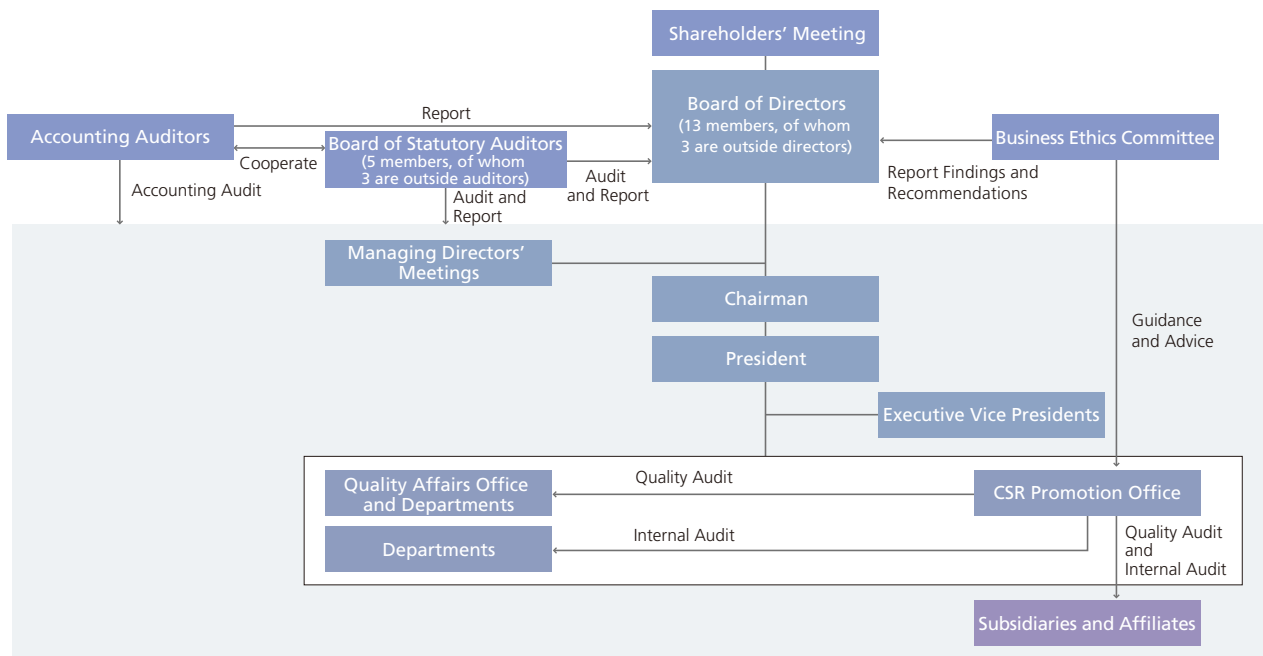
The Quality Audit Department monitors the appropriate functioning of quality assurance checks by the Quality Affairs Office and conducts individual audits to confirm that Mitsubishi Motors' domestic and overseas affiliates are conducting quality-related activities appropriately. The department keeps top management informed of progress.

The Internal Audit Department, meanwhile, conducts planned internal audits to ensure appropriate operations management at Mitsubishi Motors and at domestic and overseas affiliated companies. These audits include verifying the appropriateness and effectiveness of internal management systems, including compliance and risk management, and audit results are reported to management at Mitsubishi Motors and affiliated companies. The department also proposes business improvements and monitors the status of their implementation.

## Guidance and advice from advisory committees Providing an objective perspective

The Business Ethics Committee is an advisory body to the Board of Directors made up of six outside experts. The committee works to spread an awareness of compliance, and it provides Mitsubishi Motors directors with guidance and advice from an objective perspective (See page 24).

Corporate Governance Framework (As of June 30, 2013)



## Members of the Board



Takashi Nishioka\*  
Chairman of the Board



Osamu Masuko\*  
President



Hiizu Ichikawa\*  
Executive Vice President  
Corporate Planning & Finance



Hiroshi Harunari\*  
Executive Vice President  
Head Officer of the Headquarters  
Overseas Operations Group  
Headquarters A  
In Charge of Overseas Operations  
Group Headquarters B  
In Charge of Global After Sales  
Group Headquarters



Gayu Uesugi\*  
Executive Vice President  
Chairman of the Board - Mitsubishi  
Motors North America Inc.



Tetsuro Aikawa  
Managing Director  
Head Officer of the Headquarters  
Production Group Headquarters



Shuichi Aoto  
Managing director  
Chief Business Ethics Officer  
Head Officer of the Headquarters  
CSR, Corporate Affairs, Controlling  
& Accounting Group headquarters  
In Charge of Procurement



Ryugo Nakao  
Managing director  
Head Officer of the Headquarters  
Product Projects & Strategy Group  
Headquarters  
Head Officer of the Headquarters  
Development Group Headquarters

\* Representative Director



Toshihiko Hattori  
Director  
Head Officer of the Headquarters  
Domestic Sales Group Headquarters



Seiji Izumisawa  
Director  
Head Officer of the Headquarters  
Quality Affairs Group Headquarters



Mikio Sasagi  
Director  
(Non-Executive Director)



Hidetoshi Yajima  
Director  
(Non-Executive Director)



Harumi Sakamoto  
Director  
(Non-Executive Director)

## Statutory Auditors

Hideo Kimura  
Statutory Auditor (Full-time)

Takitaro Fukuda  
Statutory Auditor (Full-time)

Shigemitsu Miki  
Statutory Auditor  
(Outside Statutory Auditor)

Yukio Okamoto  
Statutory Auditor  
(Outside Statutory Auditor)

Tatsuhiko Nojima  
Statutory Auditor  
(Outside Statutory Auditor)

## Senior Executive Officers

Yoshihiro Kuroi  
Corporate General  
Manager of Corporate  
Planning Office  
General Manager of Group  
Logistics Optimization  
Office

Yutaka Tabata  
Corporate General  
Manager of Finance Office  
General Manager of  
Financial Planning Depart-  
ment

Masao Omichi  
Chief Environmental  
Strategy Officer  
Corporate General  
Manager of CSR Promo-  
tion Office  
Assistant to President

Hiroshi Noda  
Corporate General  
Manager of Controlling &  
Accounting Office

Jo Tsuji  
Head Officer of the  
Headquarters  
Procurement Group  
Headquarters

Takeshi Ando  
Plant general Manager of  
Nagoya Plant

Hideo Yokoi  
Plant General Manager of  
Mizushima Plant

Yoshikazu Nakamura  
Head Officer of the  
Headquarters  
Global After Sales Group  
Headquarters

Morikazu Chokki  
Head Officer of the  
Headquarters  
Overseas Operations Group  
Headquarters B

Shinichi Kurihara  
Deputy President & COO -  
NMKV Co., Ltd.

Nobuyuki Murahashi  
President & CEO -  
Mitsubishi Motors  
(Thailand) Co., Ltd.

## Executive Officers

Hitoshi Inada  
Assistant to Head Officer of  
the Headquarters  
Corporate Planning &  
Finance Group Headquarters  
Vice Corporate  
General Manager of  
Corporate Planning Office  
General Manager of Legal  
Department

Tomoharu Ikeda  
Corporate General  
Manager of Corporate  
Affairs Office

Tetsuya Tamechika  
Corporate General  
Manager of Product  
Strategy Office  
General Manager of  
Alliance Planning and  
Promotion Office

Kanenori Okamoto  
Product Executive  
(C&D-Seg)

Takashi Sato  
Corporate General  
Manager of Global Small  
Project Office

Yukihiro Hattori  
Corporate General  
Manager of Procurement  
Office

Fumitaka Tomono  
Plant General Manager of  
Powertrain Plant

Koji Yokomaku  
Corporate General  
Manager of Quality Affairs  
Office

Ryuichi Hasuo  
Corporate General  
Manager of Domestic Sales  
Office

Eiichi Kataoka  
Corporate General Man-  
ager of Overseas Business  
Management Office

Masahiko Ueki  
Corporate General  
Manager of Asia & ASEAN  
Office

Kenichi Horinouchi  
Vice Corporate General  
Manager of Asia & ASEAN  
Office  
General Manager of  
Indonesia Project Team

Yoichi Yokozawa  
President & CEO-  
Mitsubishi Motors North  
America Inc.

Daisuke Tatsumi  
President - GAC Mitsubishi  
Motors Co., Ltd.



# Internal Control Systems and Risk Management



By creating a companywide internal control system and risk management structure, and through employee education systems, we are working to ensure compliance with relevant laws and regulations, as well as appropriate and stable operations management.

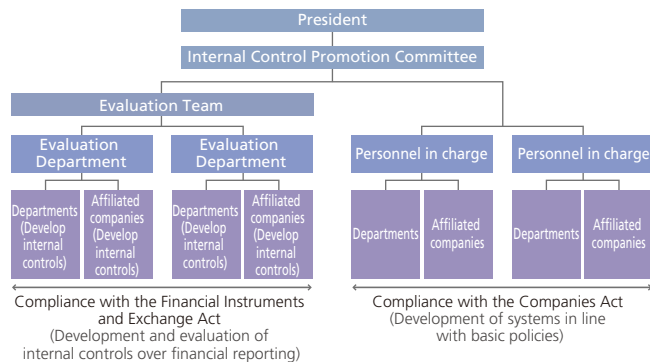
**Hiizu Ichikawa**

Executive Vice President (Representative Director), Corporate Planning & Finance

## Development of internal control systems

Based on the Basic Policy as passed by resolution of the Board of Directors, Mitsubishi Motors is continually working to ensure compliance with laws and regulations and to promote proper, effective business execution in line with changes in the domestic and overseas environments. In particular, to ensure the reliability of financial reporting pursuant to the Financial Instruments and Exchange Act Mitsubishi Motors is implementing companywide measures under the leadership of the Internal Control Promotion Committee.

### Internal Control Promotion Framework



## Thorough information management

Mitsubishi Motors implements physical, technological, personnel and organizational measures to improve data security management based on its information security policy and internal rules that conform to ISO 27001.

In addition, based on its Personal Information Protection Policy, Mitsubishi Motors is building a management framework to establish internal rules regarding protection of personal information. Mitsubishi Motors has also assigned a person to manage personal information management at each operational headquarters and department under the direction of the Personal Information Officer. Mitsubishi Motors educates staff on the subject through ongoing e-learning seminars and other programs, and strives to safeguard personal information.

## Security trade control

### Stringent management of exports

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

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

## Development of risk management framework

We have put in place a companywide risk management system, which we are improving. As in the preceding fiscal year, in fiscal 2013 we continue to identify five priority risks: business interruption resulting from a natural disaster, compliance with environmental legislation, reinforcing quality-related systems, information systems and information security. We are concentrating on initiatives aimed at reinforcing our ability to prevent such risks from materializing by promoting and communicating policies among related divisions and sharing these initiatives among management.

## Disaster countermeasures and BCP initiatives

Mitsubishi Motors' basic policy in times of disaster—defined as occurrences that have a major impact on operations, such as earthquake or other natural disaster or an outbreak of infectious disease—is to ensure the safety of employees and their families, as well as customers, and assist local communities. We are preparing disaster countermeasures and business continuity plans (BCPs) to this end.

In fiscal 2012, we conducted training that involved the establishment of a backup headquarters in the Okazaki region, premised on the scenario of an earthquake occurring directly below Tokyo on a holiday and our Tokyo headquarters being inoperable. In fiscal 2013, we plan to conduct a similar drill, basing the scenario on an earthquake in the Nankai Trough.



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

**Shuichi Aoto**

Managing director, Chief Business Ethics Officer, Head Officer of the Headquarters CSR, Corporate Affairs, Controlling & Accounting Group headquarters, In Charge of Procurement

## Framework for promoting business ethics

Mitsubishi Motors has strengthened the organization to ensure that awareness of compliance spreads to each and every employee by placing managers in charge of reinforcing compliance awareness at multiple levels. As the chart below shows, the chief business ethics officer (CBEO) directs compliance officers at the operating headquarters level, who then direct "code leaders" at the departmental level, who are charged with increasing compliance awareness directly to employees.

To create a highly transparent workplace environment that is not conducive to scandals and promotes their early detection as well as self-correction, Mitsubishi Motors has established internal disclosure systems such as an internal Employee Counseling Office and an External Counseling Office, established with the help of outside attorneys.

## Safety Pledge Days

To prevent past incidents such as the regrettable recall problems from being forgotten over time, January 10 and October 19 have been designated "Safety Pledge Days," since two fatal accidents occurred on those days involving large trucks manufactured by Mitsubishi Fuso, a former Mitsubishi Motors subsidiary. All employees observe a moment of silence on these days, and company ethics discussion meetings, even at the lowest levels, are held around those times to identify corporate ethics issues and deliberate ways of resolving them.

## Promoting business ethics

In fiscal 2012, Mitsubishi Motors held compliance training sessions, involving outside instructors as part of a training program for directors and code leaders. The program also featured training sessions for Mitsubishi Motors Group companies in Japan (including exclusive dealers) and included group sessions themed on case studies and response to new legislation, among others. Among other initiatives to promote business ethics, we also continued to hold company ethics discussion meetings three times each year and formulate and implement department-specific measures, spearheaded by departmental compliance officers.

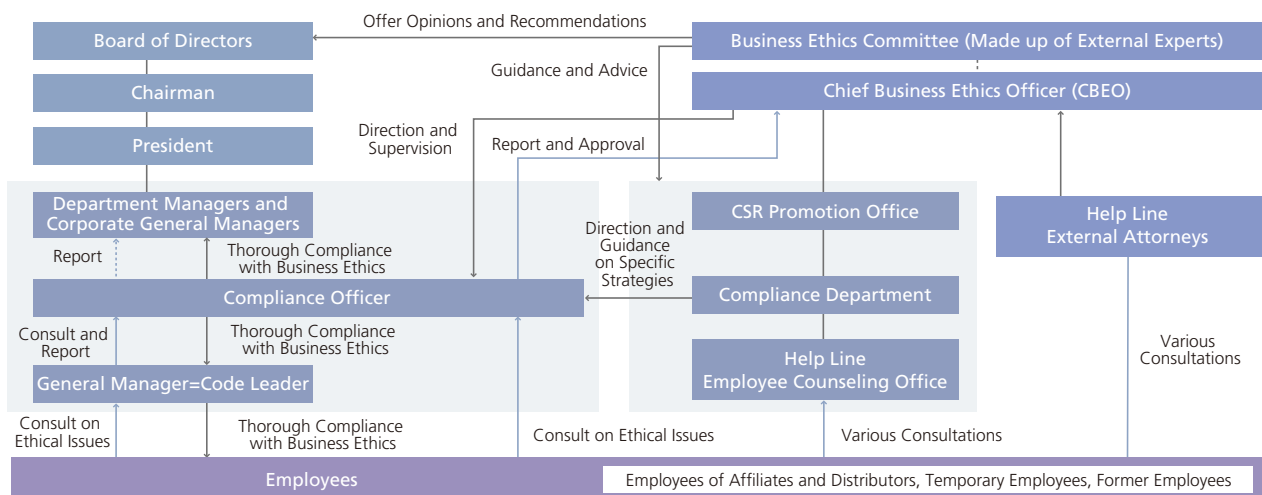
## The Business Ethics Committee

The Mitsubishi Motors Business Ethics Committee was established in June 2004 as an advisory body to the Board of Directors of Mitsubishi Motors.

The aims of this committee, which is made up solely of external experts, are to conduct guidance and consultation from the viewpoint of external oversight and common sense. The scope of the committee's activity is not limited to business ethics, but also includes matters related to quality problems and corporate culture.

The committee met 12 times during fiscal 2012 and conducted briefings on 19 issues, including the business ethics compliance promotion program and quality control activities. The committee's views, guidance and advice were sought on these issues.

## Organizational Framework for Promoting Business Ethics





# Responsibility to Society



As a good corporate citizen, Mitsubishi Motors aims to contribute to the development of a sound and sustainable society.

**Masao Omichi**

Senior Executive Officer, Chief Environmental Strategy Officer,  
Corporate General Manager of CSR Promotion Office and Assistant to President

MMC is tackling four key themes with respect to corporate citizenship activities: support for the next generation, traffic safety, environmental preservation, and participation in local communities. These are being promoted as MMC's "STEP" corporate citizenship activities based on our corporate philosophy.

1. **Support for the next generation** Supporting the education of the next generation to create a prosperous future.
2. **Traffic safety** Contributing to traffic safety education and the promotion of safe driving to create a zero-accident society.
3. **Environmental preservation** Contributing to preservation of our precious global environment.
4. **Participation in local communities** Contributing to the revitalization and development of regional communities.

## Main activities

### 1. Support for the Next Generation

#### ● Hands-on Lesson Program

The Hands-on Lesson Program is based on the concept of enabling children to enjoy learning by experiencing the "real thing." Mitsubishi Motors employees visit children at elementary schools to give hands-on lessons on environment-related topics, centering on test rides in the *i-MiEV* electric vehicle, and car design topics. In fiscal 2012, we conducted 26 classes for 1,585 children, bringing the cumulative number of participants to 19,081.



Participating in a recycling quiz as part of a hands-on lesson program

#### ● KidZania

Through its Pavilion's Auto Factory and Car Design Studio exhibits and other activities at KidZania Tokyo and KidZania Koshien, held in Tokyo and Hyogo prefectures, Mitsubishi Motors provided children with the chance to experience the intrinsic attractiveness and fun of automobiles.

### 2. Traffic Safety

#### ● Car School

Mitsubishi Motors has been running the Car School program as part of its safe driving educational activities. Participants overcome their anxieties and concerns and learn and enjoy driving together with instructors in the course of studying driving techniques, automobiles, safety and other topics.

### 3. Environmental Preservation

#### ● The Pajero Forest

Mitsubishi Motors named an approximately three-hectare area of mountain forest in Hayakawa-cho, Yamanashi Prefecture as "Pajero Forest," and was working to preserve and cultivate the forest. Unfortunately, however, the forest suffered crippling damage due to Typhoon No. 4, which struck in June 2012, rendering activity at this site impossible. We will take various factors into account as we consider future activities.

### 4. Participation in Local Communities

#### ● Factory Tours

Mitsubishi Motors has opened up its production lines and other facilities to local residents, providing places for social study. In fiscal 2012, a total of around 45,000 people visited the Nagoya Plant, the Mizushima Plant, the Powertrain Plant (Kyoto and Shiga plants) and Pajero Manufacturing Co., Ltd.

### 5. Employee Participation Activities

#### ● Mitsubishi Motors STEP Donation Program

Employees of the Mitsubishi Motors Group can choose to donate a fixed amount to the fund from their monthly paycheck and bonuses. The money raised is used to support corporate citizenship activities on a continuous basis, including for reconstruction following the Great East Japan Earthquake.

### 6. Ongoing Support for Tohoku Reconstruction

Mitsubishi Motors aims to encourage as many employees as possible to visit the affected area, observe its current state and interact with local residents to promote the region's recovery. Accordingly, we provide a full range of support to employees who wish to spend a week on such volunteer activities, as we believe such participation provides opportunities for personal growth.

# Environmental Initiatives

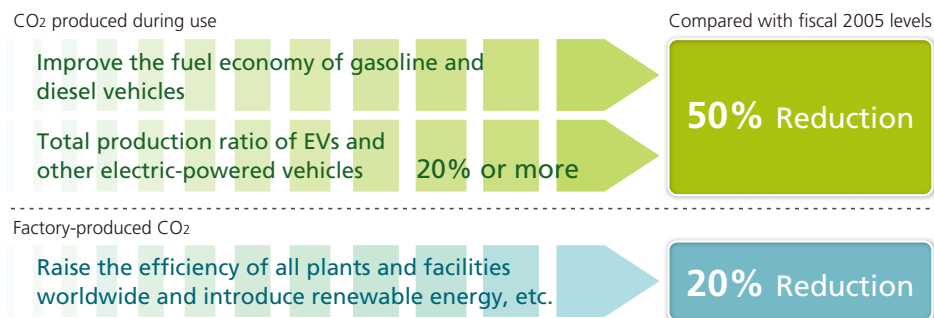
In January 2011 Mitsubishi Motors formulated its Environment Initiative Program 2015 to pursue interim targets toward achieving the objectives of its Environmental Vision 2020. We are actively pursuing our environmental conservation initiatives on an integrated, groupwide basis.

## Achieving the goals of the Mitsubishi Motors Group Environmental Vision 2020

MMC formulated the Mitsubishi Motors Group Environmental Vision 2020 in June 2009. MMC has encapsulated its vision for electric vehicles in its environmental policy of "Leading the EV Era, Towards a Sustainable Future." On this basis, MMC aims to work with its customers and communities to cultivate a clean and prosperous low-carbon society. Furthermore, by 2020 MMC aims to achieve a 20% or higher total production ratio of EVs. Through such efforts, MMC aims to reduce on-road CO<sub>2</sub> emissions of new vehicles on a global weighted average by 50% compared with fiscal 2005 levels. We also intend to reduce CO<sub>2</sub> emissions per vehicle by 20% or more, from fiscal 2005 levels.

As part its steady efforts toward these goals, MMC formulated the Mitsubishi Motors Environment Initiative Program 2015, which commences in fiscal 2011. As an interim goal to be achieved by 2015, this program targets a total production ratio of EVs of 5% or more, and as a result of this increase in EV production among other measures, MMC aims to achieve a 25% reduction in on-road CO<sub>2</sub> emissions in comparison with fiscal 2005 levels. In addition, MMC aims to reduce CO<sub>2</sub> emissions as a result of production on a per-vehicle basis by 15% compared to fiscal 2005 levels.

## CO<sub>2</sub> Emissions Reduction Targets in the Mitsubishi Motors Group Environmental Vision 2020



As part of an eco-promotion campaign, we are installing quick-charging stations at key tourism spots on Miyakojima, Okinawa Prefecture.



Mitsubishi Motors has entered into an agreement with the city of Miyakojima in Okinawa Prefecture involving the EV Island Miyakojima Project. In addition to two *MINICAB-MiEV VAN* models, Mitsubishi Motors is installing several EV quick-charging stations in a bid to promote Miyakojima as an eco-island. As a leading company in electric vehicles, Mitsubishi Motors will continue working on ways to create an environment that will encourage the spread of electric vehicles. These efforts should also contribute to efforts to realize a sustainable, low-carbon society.



## Contents

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Consolidated Financial Summary .....	28
Financial Results and Discussion .....	29
Consolidated Balance Sheets.....	32
Consolidated Statements of Income.....	34
Consolidated Statements of Comprehensive Income .....	35
Consolidated Statements of Changes in Net Assets.....	36
Consolidated Statements of Cash Flows.....	37
Notes to Consolidated Financial Statements .....	38
Independent Auditor's Report.....	59



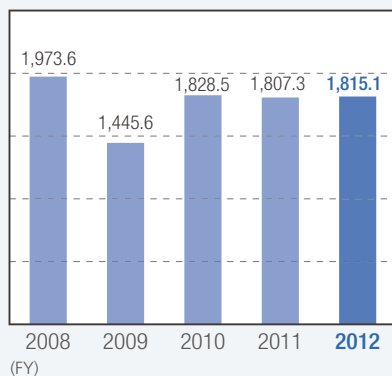
# Consolidated Financial Summary

	In millions of yen					In thousands of U.S. dollars
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2012
<b>For the year:</b>						
Net sales	¥1,973,572	¥1,445,616	¥1,828,497	¥1,807,293	<b>¥1,815,113</b>	<b>\$19,299,449</b>
Operating income	3,926	13,920	40,274	63,674	<b>67,382</b>	<b>716,451</b>
Income (loss) before income taxes and minority interests	(53,717)	11,591	30,422	41,618	<b>69,396</b>	<b>737,867</b>
Net income (loss)	(54,883)	4,758	15,621	23,928	<b>37,978</b>	<b>403,815</b>
<b>Per share data:</b>						
	In yen					In U.S. dollars
Net income (loss) per share—basic	¥(9.91)	¥0.86	¥2.82	¥4.32	<b>¥6.61</b>	<b>\$0.07</b>
Net income per share—diluted	—	0.51	1.66	2.40	<b>3.71</b>	<b>0.04</b>
Cash dividends	—	—	—	—	—	—
<b>At year-end:</b>						
	In millions of yen					In thousands of U.S. dollars
Total assets	¥1,138,009	¥1,258,669	¥1,312,511	¥1,321,306	<b>¥1,452,809</b>	<b>\$15,447,208</b>
Total net assets	223,024	234,478	248,092	265,620	<b>351,227</b>	<b>3,734,481</b>

Note: U.S. dollar amounts in the accompanying consolidated financial statements are converted, solely for convenience, at a rate of ¥94.05 = U.S.\$1.00, the exchange rate prevailing on March 31, 2013.

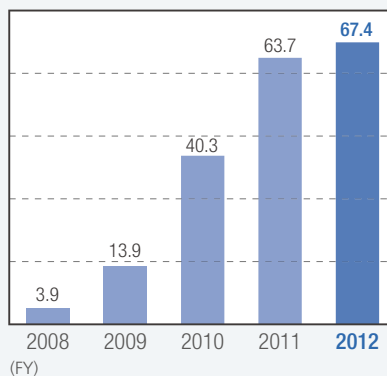
## Net Sales

(Billions of yen)



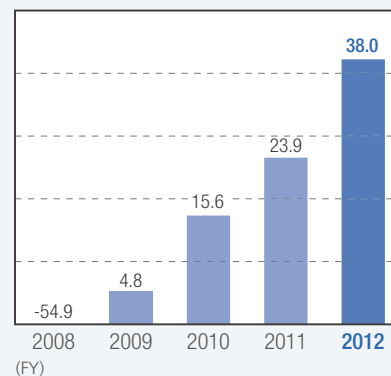
## Operating Income

(Billions of yen)



## Net Income (Loss)

(Billions of yen)



# Financial Results and Discussion

## Operational Review

During the year, ended March 31, 2013, the operating environment for automobile makers remained harsh, with the seemingly recovering China market slowing down entering this year; however some good signs are becoming visible. While severe economic conditions in Eurozone countries continued due to sovereign credit uncertainty, political measures adopted by EU governments since summer of last year are beginning to restore calm in European financial markets. The U.S. economy has also recently started along the path to recovery. In addition, the long-running super-strong Japanese yen is headed on a path to correction.

The year ended March 31, 2013, was the second year for the “Jump 2013” mid-term business plan, and during the year Mitsubishi Motors focused its efforts on emerging markets, environmental initiatives, and raising profit levels in order to achieve the plan’s fundamental goal of “Growth and Leap Forward.”

## Results of Operations

Global retail sales volume totaled 987,000 units, a 1% or 14,000-unit decrease over the last fiscal year.

By geographic region, in Japan, Mitsubishi Motors posted a cumulative sales volume of 134,000 units, a 12% or 18,000-unit decrease over the last fiscal year. Despite registered vehicles maintaining a sales volume at about the same level as the last fiscal year, minicar sales lagged, including the *eK Wagon* which is coming to the end of its current model life cycle. In North America, Mitsubishi Motors posted a sales volume of 85,000 units, a 20% or 21,000-unit decrease over the previous fiscal year. Although in the United States sales of the *Outlander Sport* (*RVR* or *ASX* in other markets), which went into local production, increased over the last fiscal year, the decrease was due mainly to a drop in overall sales following termination of the U.S. market models in the preceding fiscal year. In Europe, although sales volume increased over the previous year in Russian market where overall sales demand increased, sales volume

decreased in western Europe where overall demand decreased, which resulted in a cumulative sales volume of 181,000 units, a 17% or 37,000 units decrease over the previous fiscal year. In Asia and Other Regions, Mitsubishi Motors posted a sales volume of 587,000 units, a 12% or 62,000-unit increase over the previous year. The growth was driven by strong sales in ASEAN bloc countries where Mitsubishi Motors’ sales increase outpaced the growth of overall automobile market demand in Thailand.

## Net Sales and Income

Mitsubishi Motors posted consolidated net sales of ¥1,815.1 billion, a 0.4% or ¥7.8 billion increase over the previous fiscal year. Mitsubishi Motors posted operating income of ¥67.4 billion for the fiscal year ended March 31, 2013, a 6% or ¥3.7 billion increase over the last fiscal year. Although recall campaign expenses and selling costs increased, improvements in the volume and model mix and reductions in raw materials and other costs contributed this rise. Net income rose ¥14.1 billion, or 59% over the last fiscal year to ¥38.0 billion as a result of the company recording extraordinary profits and losses—extraordinary profit from the sales of shares in GAC Changfeng Motor Co., Ltd., and an extraordinary loss on the sales of shares in its European production subsidiary, NedCar.

## Business Segment Information

### • Automobiles

In the automobiles sector, for the year ended March 31, 2013, sales totaled ¥1,805.1 billion, up ¥8.0 billion or 0.4% over the previous fiscal year. Segment income of ¥65.0 billion was up ¥4.6 billion year on year.

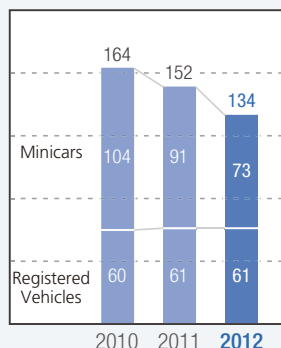
### • Financial Services

In the financial services sector, for the year ended March 31, 2013, net sales totaled ¥10.1 billion, down ¥0.3 billion or 3% over the previous fiscal year. Segment income of ¥2.4 billion was down ¥1.0 billion year on year.

## FY2012 Regional Sales Volume (Retail)

### Japan

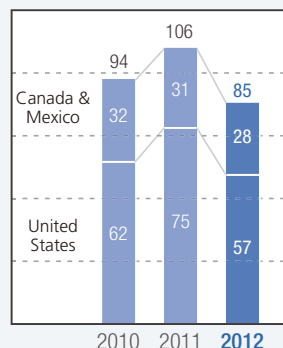
(Thousands of units)



(FY)

### North America

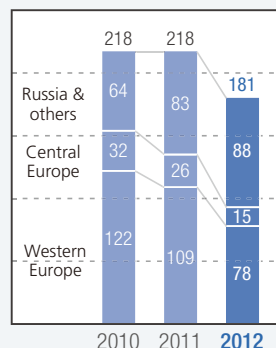
(Thousands of units)



(FY)

### Europe

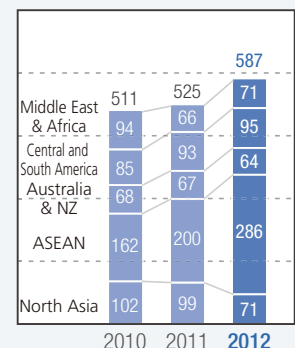
(Thousands of units)



(FY)

### Asia and Other Regions

(Thousands of units)



(FY)



## Geographical Segment Information

### • Japan

In Japan, sales totaled ¥1,444.6 billion, a decrease of ¥70.5 billion or 5% year on year due to lower unit sales. Operating income came in at ¥9.3 billion, a decrease of ¥16.5 billion or 64%.

### • North America

In North America, sales totaled ¥175.1 billion, a decrease of ¥13.6 billion or 7% over fiscal 2011, driven mainly by lower unit sales. The operating loss was ¥6.0 billion.

### • Europe

In Europe, sales came in at ¥120.8 billion, a decrease of ¥82.8 billion or 41% over fiscal 2011 mainly due to lower unit sales. Operating income was ¥11.3 billion, up ¥2.8 billion or 34% on fiscal 2011, due to profit improvements from reduction in fixed costs.

### • Asia and Other Regions

In Asia and Other Regions, sales amounted to ¥850.7 billion, an increase of ¥215.4 billion or 34%, driven by higher unit sales, mainly in the ASEAN region. Despite a decrease in operating income due to foreign exchange rate fluctuations, sales volume increased, resulting in an operating income of ¥55.7 billion, up ¥17.9 billion or 47% year on year.

Note: In the geographical segment information, Japan includes Mitsubishi Motors and its domestic consolidated subsidiaries. Explanations of overseas operating performance are provided for overseas consolidated subsidiaries in their respective regions. Information on the "Overview of Operations by Region" on pages 16–20 are principally divided according to the location of external customers. As a result, values are different.

## Analysis of Financial Position

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

As of March 31, 2013, total assets came to ¥1,452.8 billion, up ¥131.5 billion from the end of last fiscal year. Liabilities totaled ¥1,101.6 billion, an increase of ¥45.9 billion compared to the end of last fiscal year. Net assets totaled ¥351.2 billion,

an increase of ¥85.6 billion over the figure for the end of the previous fiscal year.

Net cash provided by operating activities was ¥172.2 billion, due mainly to profits from sales of shares in an affiliate companies. This compared to ¥119.4 billion in net cash provided by these activities in the previous fiscal year.

Net cash used in investing activities was ¥114.3 billion, due mainly to sales of shares in a subsidiary. This compared to ¥69.1 billion in net cash used in these activities in the previous fiscal year.

Net cash used in financing activities totaled ¥8.3 billion. This compared to ¥52.6 billion in net cash used in these activities in the previous fiscal year.

The balance of cash and cash equivalents as of March 31, 2013, stood at ¥361.2 billion. This compared to a balance of ¥311.0 billion one year earlier.

### Cash Flow Indicators

(FY)	2007	2008	2009	2010	2011	2012
Shareholders' equity ratio (%)	19.7	18.8	17.8	18.2	19.5	23.4
Shareholders' equity ratio (fair value basis)	56.4	60.8	55.9	43.0	39.4	41.0
Cash flows/Interest-bearing debt ratio	1.9	—	3.9	3.8	2.9	2.1
Interest coverage ratio	8.6	—	7.4	7.9	8.5	15.9

\* The shareholders' equity ratio is shareholders' equity divided by total assets (Minority interests excluded from shareholders' equity from the year ended March 31, 2007).

The shareholders' equity ratio (fair value basis) is market capitalization divided by total assets.

The cash flows/interest-bearing debt ratio is interest-bearing debt divided by cash flow.

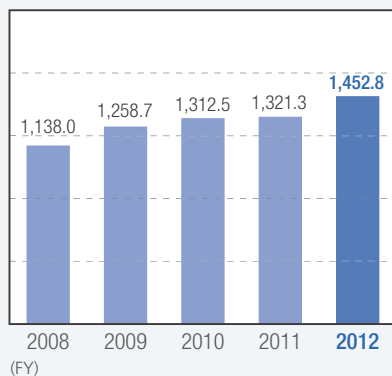
The interest coverage ratio is cash flow divided by interest paid.

Notes:

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

### Total Assets

(Billions of yen)



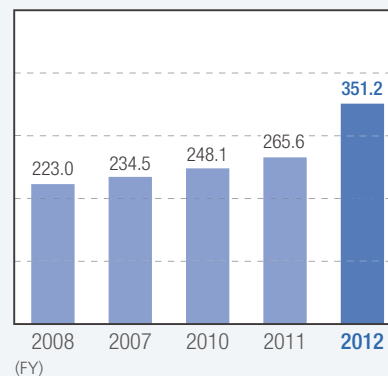
### Interest-Bearing Debt

(Billions of yen)



### Net Assets

(Billions of yen)



## Business-Related Risks

Business-related risks for the MMC Group judged as being of material importance to investors are outlined below.

### Natural and other disasters

The MMC Group maintains production and other facilities in many parts of the world. The occurrence of a major natural or other disaster, such as an earthquake or typhoon, accidental fire or the outbreak of contagious disease, may result in lengthy halts in operations or other damage. The Group has in place business continuity plans and disaster countermeasures that anticipate those risks considered the most likely to materialize. However, a disaster on a scale beyond that which is anticipated could have a negative effect on the Group's operating performance.

### Issuance of common and preferred shares and effect on share price

In June and July 2004, March 2005, and January 2006 MMC issued several classes of convertible preferred shares. The conversion of all Class B shares, series 1–3 (issued July 2004), has already been completed, but the possible conversion of the remaining Class A & G shares to common shares in the future will dilute the value of existing common shares, and thus possibly influence the market price of common shares.

### Effect of foreign exchange rate fluctuations

Overseas sales accounted for approximately 80% of the consolidated sales of MMC for the period. MMC endeavors to minimize the risk involved in foreign currency receivables and payables through foreign currency derivative contracts. However, fluctuations in the foreign exchange markets still may have an impact on MMC results.

### Effect of socioeconomic situations

As overseas sales accounted for approximately 80% of consolidated net sales during the fiscal year under review, changes in the socioeconomic situation in Japan or any of the regions in which it operates could affect MMC Group results.

### Effect of interest rate fluctuations

As of March 31, 2013, the Mitsubishi Motors Group's balance of interest-bearing debt on a consolidated basis amounted to ¥364.4 billion. There is a possibility that fluctuations in interest rates on borrowings resulting from a change in financial market conditions in the future will impact Mitsubishi Motors results.

### Effect of fluctuations in materials prices

The MMC Group purchases materials and finished parts and components from many partners. Increased demand and other changes in market conditions may cause materials and components prices to increase, thus raising MMC's manufacturing costs and resulting in an impact on MMC results.

### Leasing, financial services and sales incentives

Overcapacity in the auto industry, and fierce competition, especially price competition, has led to the necessity of sales incentives in sales promotion efforts. The sales incentives MMC uses in promotions reduce the selling price of new vehicles. It is possible that the use of incentives will lower resale values in the used car market and residual values evaluated for vehicles returned at the end of leases. If vehicle residual values decrease, there could be a negative impact on future

business performance. The decline in residual values could also put downward pressure on car and lease assets held as collateral in the sales finance unit.

### Changes in laws and regulations

MMC abides by laws and regulations regarding the environment, product safety, etc. in its various markets of operation. If any laws and regulations were to be changed, or new rules issued, costs associated with implementing these changes would have an impact on MMC results.

### Alliances with other companies

As part of its efforts to develop its business the MMC Group forges alliances with Japanese and overseas automakers, as well as other companies. Accordingly, Group operating performance could be affected by situations specific to its alliance partners, and for reasons that the Group cannot control.

### Impact of relying on designated suppliers

The MMC Group procures raw materials, parts and other inputs from a host of suppliers. To ensure high levels of product quality, technology and price competition, procurement orders tend to be focused on designated suppliers. Furthermore, specific technologies required to manufacture parts and other inputs tend to be concentrated among certain suppliers. Accordingly, if for some unforeseen reason the flow of suppliers from a supplier should cease, the Group's operating performance could be affected.

### Effect of intellectual property rights violations

The MMC Group holds technical expertise, know-how and other intellectual property that differentiates its products from those of its competitors, and the Group works to prevent infringement on the intellectual property rights of third parties. If despite these protections a third party were to wrongfully infringe on the MMC Group's intellectual property by manufacturing or selling similar products or if legal protection of the Group's intellectual property in certain countries should be deemed limited, the Group's sales could decrease and the Group could incur litigation expenses. By the same token, the Group could be forced to halt production and sales in event that it inadvertently encroaches on the intellectual property rights of third parties, and could be liable for damages. Such situations could affect the Group's operating performance.

### Impact of lawsuits

In the course of business, the possibility exists that lawsuits will arise between the Group and its business partners or third parties. In the event the legal proceedings on issues in dispute are settled differently than the Company asserts or expects, the operating performance of the Group could be affected.

In February 20, 2010, MASRIA Co., Ltd. (hereinafter, the "Plaintiff"), a company that formerly conducted sales for Mitsubishi Motors in Egypt, brought a suit claiming US\$900 million in damages stemming from the cancellation of its sales contract with Mitsubishi Motors. The Plaintiff's claim was dismissed at a court of first instance in October 26, 2010 and in a court of appeal in July 3, 2012. The Plaintiff again appealed this ruling in a supreme court on July 21, 2012, and appeal hearings are currently pending.

Mitsubishi Motors maintains that its notice of contract cancellation was conducted lawfully, and that the Plaintiff's claim is irrational. Consequently, at present we believe that this suit will have no major impact on the Company's operating performance.

# Consolidated Balance Sheets

Mitsubishi Motors Corporation and Consolidated Subsidiaries

	(In millions of yen)		(In thousands of U.S. dollars) (Note 2)
	March 31,		
	2013	2012	2013
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (Notes 13 and 15)	¥ 361,167	¥ 310,993	\$ 3,840,161
Notes and accounts receivable – trade (Notes 3 and 15)	149,555	146,182	1,590,170
Finance receivables (Notes 7 and 15)	26,856	26,713	285,552
Inventories (Note 7)	202,320	187,462	2,151,202
Short-term loans receivable	90	8,990	963
Deferred tax assets (Note 18)	3,543	1,963	37,680
Other (Note 7)	141,758	84,132	1,507,266
Allowance for doubtful accounts (Note 15)	(6,312)	(7,263)	(67,115)
Total current assets	878,980	759,175	9,345,880
Property, plant and equipment, net (Notes 4, 7 and 14)	386,903	376,736	4,113,810
Intangible assets	12,894	11,669	137,104
Investments and other assets:			
Investments (Notes 5, 7 and 15)	96,860	85,289	1,029,886
Long-term finance receivables (Notes 7 and 15)	48,228	53,924	512,796
Long-term loans receivable	4,562	4,855	48,514
Deferred tax assets (Note 18)	4,349	8,889	46,249
Other (Note 7)	30,264	31,226	321,786
Allowance for doubtful accounts (Note 15)	(10,234)	(10,461)	(108,820)
Total investments and other assets, net	174,031	173,724	1,850,412
Total assets	¥1,452,809	¥1,321,306	\$15,447,208



	(In millions of yen)		(In thousands of U.S. dollars) (Note 2)
	March 31,		
	2013	2012	2013
<b>Liabilities and net assets</b>			
Current liabilities:			
Notes and accounts payable – trade (Notes 3 and 15)	¥ 313,810	¥ 317,355	\$ 3,336,637
Short-term loans payable (Notes 7 and 15)	113,984	87,308	1,211,961
Current portion of long-term debt (Notes 7 and 15)	143,271	99,381	1,523,358
Lease obligations (Note 7)	4,703	4,220	50,009
Accounts payable – other and accrued expenses (Notes 6 and 15)	134,441	123,974	1,429,471
Income taxes payable (Note 18)	8,360	8,792	88,899
Other (Notes 18 and 19)	68,674	62,423	730,193
Total current liabilities	787,248	703,457	8,370,532
Long-term debt (Notes 7 and 15)	107,125	161,390	1,139,031
Lease obligations (Note 7)	6,793	6,977	72,232
Deferred tax liabilities (Note 18)	30,103	26,973	320,076
Provision for retirement benefits (Note 17)	111,660	108,602	1,187,242
Other (Note 19)	58,650	48,285	623,611
Total liabilities	1,101,581	1,055,686	11,712,727
Net assets:			
Shareholders' equity (Notes 8 and 23):			
Preferred stock:			
Authorized: 3,312,000 shares			
Issued or converted: 437,593 shares in 2012 396,193 shares in 2013	198,096	218,796	2,106,289
Common stock:			
Authorized: 9,958,285,000 shares			
Issued or converted: 5,537,956,840 shares in 2012 6,080,900,530 shares in 2013	459,258	438,558	4,883,131
Capital surplus	432,666	432,666	4,600,387
Accumulated deficit	(688,049)	(726,028)	(7,315,787)
Treasury stock: 94,665 shares at March 31, 2012 2,195,953 shares at March 31, 2013	(217)	(15)	(2,314)
Total shareholders' equity	401,754	363,976	4,271,706
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	5,222	11,327	55,531
Deferred gains or losses on hedges	2,980	2,232	31,685
Foreign currency translation adjustment	(69,759)	(120,542)	(741,724)
Total accumulated other comprehensive income	(61,556)	(106,982)	(654,507)
Minority interests	11,030	8,626	117,281
Total net assets	351,227	265,620	3,734,481
Contingent liabilities (Note 9)			
Total liabilities and net assets	¥1,452,809	¥1,321,306	\$ 15,447,208

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Income

Mitsubishi Motors Corporation and Consolidated Subsidiaries

	(In millions of yen)		(In thousands of U.S. dollars) (Note 2)
	For the years ended March 31,		
	2013	2012	2013
Net sales	¥1,815,113	¥1,807,293	\$19,299,449
Cost of sales	1,475,141	1,487,267	15,684,655
Gross profit	339,971	320,025	3,614,794
Selling, general and administrative expenses (Note 10)	272,589	256,350	2,898,342
Operating income	67,382	63,674	716,451
Interest and dividends income	4,890	4,501	52,001
Interest expenses	10,624	13,706	112,965
Other gain (loss), net (Notes 5 and 11)	7,747	(12,851)	82,380
Income (loss) before income taxes and minority interests	69,396	41,618	737,867
Income taxes (Note 18):			
Current	17,383	13,302	184,834
Deferred	10,385	1,937	110,428
	27,769	15,239	295,262
Income (loss) before minority interests	41,627	26,378	442,605
Minority interests in income	3,648	2,450	38,789
Net income (loss) (Note 23)	¥ 37,978	¥ 23,928	\$ 403,815

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

Mitsubishi Motors Corporation and Consolidated Subsidiaries

	(In millions of yen)		(In thousands of U.S. dollars) (Note 2)
	For the years ended March 31,		
	2013	2012	2013
Income (loss) before minority interests	¥41,627	¥26,378	\$442,605
Other comprehensive income			
Valuation difference on available-for-sale securities	(6,087)	861	(64,723)
Deferred gains or losses on hedges	747	(823)	7,951
Foreign currency translation adjustment	42,817	(4,111)	455,258
Share of other comprehensive income of associates accounted for using equity method	9,354	(1,749)	99,462
Total other comprehensive income (Note 12)	46,832	(5,822)	497,949
Comprehensive income	¥88,459	¥20,556	\$940,554
Comprehensive income attributable to:			
Owners of the parent	¥83,177	¥18,124	\$884,394
Minority interests	¥ 5,281	¥ 2,432	\$ 56,160

See accompanying notes to consolidated financial statements.



# Consolidated Statements of Changes in Net Assets

Mitsubishi Motors Corporation and Consolidated Subsidiaries

	(In millions of yen)		(In thousands of U.S. dollars) (Note 2)
	March 31,		
	2013	2012	2013
<b>Shareholders' equity</b>			
<b>Preferred stock:</b>			
Balance at beginning of year	¥ 218,796	¥ 218,796	\$2,326,384
Preferred stock issued or converted	(20,700)	—	(220,095)
Balance at end of year	198,096	218,796	2,106,289
<b>Common stock:</b>			
Balance at beginning of year	438,558	438,558	4,663,036
Common stock issued or converted	20,700	—	220,095
Balance at end of year	459,258	438,558	4,883,131
<b>Capital surplus:</b>			
Balance at beginning of year	432,666	432,666	4,600,387
Issuance or conversion of common and preferred stock	—	—	—
Balance at end of year	432,666	432,666	4,600,387
<b>Accumulated deficit:</b>			
Balance at beginning of year	(726,028)	(750,200)	(7,719,603)
Net income (loss)	37,978	23,928	403,815
Change of scope of consolidation	—	—	—
Change of scope of equity method	—	—	—
Increase due to inclusion of consolidated subsidiary by equity method affiliate	—	243	—
Balance at end of year	(688,049)	(726,028)	(7,315,787)
<b>Treasury stock:</b>			
Balance at beginning of year	(15)	(15)	(169)
Net change	(201)	(0)	(2,144)
Balance at end of year	(217)	(15)	(2,314)
<b>Total shareholders' equity</b>	<b>¥ 401,754</b>	<b>¥ 363,976</b>	<b>\$ 4,271,706</b>
<b>Accumulated other comprehensive income</b>			
<b>Valuation difference on available-for-sale securities:</b>			
Balance at beginning of year	¥ 11,327	¥ 10,464	\$ 120,439
Net change	(6,104)	862	(64,908)
Balance at end of year	5,222	11,327	55,531
<b>Deferred gains or losses on hedges:</b>			
Balance at beginning of year	2,232	3,055	23,734
Net change	747	(823)	7,951
Balance at end of year	2,980	2,232	31,685
<b>Foreign currency translation adjustment:</b>			
Balance at beginning of year	(120,542)	(114,551)	(1,281,680)
Net change	50,782	(5,990)	539,956
Balance at end of year	(69,759)	(120,542)	(741,724)
<b>Total accumulated other comprehensive income</b>	<b>¥ (61,556)</b>	<b>¥(106,982)</b>	<b>\$ (654,507)</b>
<b>Minority interests:</b>			
Balance at beginning of year	¥ 8,626	¥ 9,318	\$91,717
Net change	2,404	(691)	25,564
Balance at end of year	11,030	8,626	117,281
<b>Total net assets</b>	<b>¥ 351,227</b>	<b>¥ 265,620</b>	<b>\$ 3,734,481</b>

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Mitsubishi Motors Corporation and Consolidated Subsidiaries

	(In millions of yen)		(In thousands of U.S. dollars) (Note 2)
	For the years ended March 31,		
	2013	2012	2013
<b>Operating activities:</b>			
Net income (loss)	¥ 37,978	¥ 23,928	\$ 403,815
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	54,325	56,796	577,626
Impairment loss	793	16,336	8,433
Increase (decrease) in allowance for doubtful accounts	(1,596)	(2,775)	(16,970)
Increase (decrease) in provision for retirement benefits	2,676	1,713	28,461
Equity in (earnings) losses of affiliates	(4,853)	(5,932)	(51,609)
Income taxes – deferred	10,385	1,937	110,428
Minority interests in income	3,648	2,450	38,789
Loss (gain) on sales and retirement of property, plant and equipment, net	5,032	1,807	53,503
Loss (gain) on sales of investment securities	(11,533)	(20)	(122,636)
Loss (gain) on sales of subsidiaries and affiliates' stocks	30,188	(400)	320,984
Decrease (increase) in notes and accounts receivable – trade	14,919	(36,490)	158,635
Decrease (increase) in inventories	5,976	(4,754)	63,550
Changes in finance receivables (Note 13)	15,153	(2,472)	161,122
Increase (decrease) in notes and accounts payable – trade	(22,208)	42,703	(236,138)
Other, net (Note 13)	31,341	24,558	333,238
Net cash provided by (used in) operating activities	172,227	119,386	1,831,235
<b>Investing activities:</b>			
Decrease (increase) in time deposits	(40,203)	(5)	(427,474)
Purchases of property, plant and equipment (Note 13)	(61,573)	(72,452)	(654,684)
Proceeds from sales of property, plant and equipment (Note 13)	8,528	8,403	90,677
Net decrease (increase) in investments in securities	11,619	19	123,541
Decrease (increase) in short-term loans receivable	8,651	(3,671)	91,990
Purchases of shares of affiliates	(11,381)	—	(121,019)
Collection of long-term loans receivable	302	265	3,213
Net decrease in cash on the sale of subsidiaries resulting in change in scope of consolidation (Note 13)	(21,587)	(71)	(229,535)
Other, net	(8,682)	(1,558)	(92,316)
Net cash provided by (used in) investing activities	(114,327)	(69,069)	(1,215,608)
<b>Financing activities:</b>			
Increase (decrease) in short-term loans payable	21,552	(34,321)	229,158
Proceeds from issuance of long-term debt	85,169	83,776	905,576
Repayment or redemption of long-term debt	(106,473)	(94,680)	(1,132,096)
Cash dividends paid to minority shareholders	(3,562)	(3,014)	(37,881)
Other, net	(4,995)	(4,339)	(53,116)
Net cash provided by (used in) financing activities	(8,310)	(52,579)	(88,359)
Effect of exchange rate changes on cash and cash equivalents	546	(3,208)	5,815
Net change in cash and cash equivalents	50,136	(5,471)	533,082
Cash and cash equivalents at beginning of year	310,993	316,464	3,306,680
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	37	—	398
Cash and cash equivalents at end of year (Note 13)	¥ 361,167	¥ 310,993	\$ 3,840,161

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Mitsubishi Motors Corporation and Consolidated Subsidiaries

## 1. Significant Accounting Policies

### (a) Basis of preparation

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

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

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

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

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

### (b) Principles of consolidation

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

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

Any differences at the date of acquisition between acquisition cost and the fair value of the net assets acquired are expensed when incurred or are amortized over 7 years depending on the period over which it is estimated to be beneficial for each investment.

### (c) Cash and cash equivalents

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

### (d) Inventories

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

### (e) Investments

Investments in securities are classified either as held-to-maturity, as investments in unconsolidated subsidiaries and affiliates, or as other securities. Held-to-maturity securities are stated at their amortized cost. No investments classified as held-to-maturity were held during the years ended March 31, 2013 and 2012. Other securities with a readily determinable market value are stated at fair value and the cost of such securities sold is computed based on the moving average method. The difference between the acquisition cost and the carrying value of other securities, including unrealized gains and losses, is recognized in "Valuation difference on available-for-sale securities" in the accompanying consolidated balance sheets. Other securities without a readily determinable market value are stated at cost determined by the moving average method.

### (f) Depreciation and amortization

Property, plant and equipment (excluding leased assets):

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

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

Intangible fixed assets (excluding leased assets):

Intangible fixed assets (excluding leased assets) are amortized using the straight line method for MMC and its domestic consolidated subsidiaries and using the straight line method primarily over the period for which each asset is available for use for its overseas



subsidiaries. Software intended for use by MMC and its domestic consolidated subsidiaries is amortized using the straight line method over a period of 5 years.

#### Leased assets:

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

#### (g) Allowance for doubtful accounts

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

#### (h) Allowance for product warranties

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

#### (i) Provision for retirement benefits

Accrued retirement benefits for employees at March 31, 2013 and 2012 are calculated based on the retirement benefits obligation and the fair value of the pension plan assets estimated at year end.

Prior service cost is being amortized using the straight line method over periods of 1 to 14 years. These periods are within the estimated average remaining service years of the employees.

Actuarial gains and losses are being amortized using the straight line method over the periods of 5 to 14 years. These periods are within the estimated average remaining service years of the employees.

#### (j) Accrual for retirement benefits for directors and corporate auditors

Before the termination of the retirement benefits plan for directors and corporate auditors in the year ended March 2007, certain directors and corporate auditors of MMC and its domestic consolidated subsidiaries had been customarily entitled to lump-sum payments under their respective unfunded severance benefit plans, subject to shareholders' approval. Due to the termination of the plan and

partial deduction of the provision, further provision is no longer needed and the outstanding balance of the provision at March 31, 2013 and 2012 represents benefits reserved before the plan's termination.

#### (k) Translation of foreign currency accounts

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

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

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

Translation adjustments are included in "Net assets".

#### (l) Amounts per share of common stock

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

#### (m) Derivative financial instruments

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

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

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

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

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

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

#### (n) Accounting Standards issued but not yet effective

“Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, issued on May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, issued on May 17, 2012)

Under the standard and related guidance, actuarial gains and losses and prior service costs that have yet to be recognized in profit or loss shall be recognized within net assets (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits). The new accounting standard allows a choice for the method of attributing expected benefits to periods of either the straight-line basis or plan’s benefit formula basis. In addition, the determination method of the discount rate was amended.

This standard and related guidance are effective as of the end of fiscal years beginning on or after April 1, 2013. Except for the amendments relating to determination of retirement benefit obligations and current service costs, which are effective as of fiscal years beginning on or after April 1, 2014. MMC and its consolidated subsidiaries are currently evaluating the effect these modifications will have on its consolidated results of operations and financial position

## 2. U.S. Dollar Amounts

The U.S. dollar amounts in the accompanying consolidated financial statements are included, solely for convenience, at ¥94.05= U.S.\$1.00, the exchange rate prevailing on March 31, 2013. The approximate rate of exchange prevailing at May 31, 2013 was ¥101.18= U.S.\$1.00. This translation should not be construed as a representation that the Yen amounts represent or have been, or could be, converted into U.S. dollars at that or any other rate.

## 3. Notes and Accounts Receivable – Trade and Notes and Accounts Payable – Trade

The outstanding balances of trade notes and accounts receivable sold to others which have been deducted from the respective accounts amounted to ¥7,000 million as of March 31, 2012 and not applicable as of March 31, 2013.

As March 31, 2013 and 2012 were weekend dates, some receivables and payables were not able to be settled by financial institutions on those dates. Accordingly, notes and accounts receivable of ¥3,560 million (\$37,858 thousand) and ¥4,837 million, notes and accounts payable of ¥24,357 million (\$258,987 thousand) and ¥33,971 million, which were settled on the first following business day, were included in the consolidated balance sheets at March 31, 2013 and 2012, respectively.

## 4. Property, Plant and Equipment

Accumulated depreciation of property, plant and equipment at March 31, 2013 and 2012 was ¥940,905 million (\$10,004,308 thousand) and ¥1,068,361 million, respectively.

Impairment losses were recognized in the following asset groups for the years ended March 31, 2013 and March 31, 2012:

Location	Application	Assets	Impairment loss amount	
			(In millions of yen)	(In thousands of U.S. dollars)
<b>For the year ended March 31, 2013</b>				
Matsuyama, Ehime and others (32 sites)	Assets used in sales operations	Buildings, structures, land and others	¥606	\$6,449
Kawasaki, Kanagawa and others (7sites)	Idle assets	Buildings, tools, furniture and fixture and others	180	1,916
Kawasaki, Kanagawa and others (3sites)	Production facilities	Buildings, tools, furniture and fixture and others	6	67
			<b>¥793</b>	<b>\$8,433</b>

(In millions of yen)			
For the year ended March 31, 2012			
Location	Application	Assets	Impairment loss amount
Gifu, Gifu and others (28 sites)	Assets used in sales operations	Buildings, land and others	¥678
Kawasaki, Kanagawa and others (18 sites)	Idle assets	Machinery and equipment, vehicles and others	1,587
The Netherlands and others (6sites)	Production facilities	Buildings, tools, furniture and fixture and others	14,070
			¥16,336

The groupings of assets are determined as follows:

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

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

The recoverable values of assets have been obtained by comparing and then taking the higher of: value in use, which is determined by estimating future cash flows with a 4% discount rate for the years ended March 31, 2013 and 2012, respectively; and net realizable value, which is based on an appraisal value obtained from a professional real estate appraiser or calculated on a reasonable basis by using the estate tax valuations through land assessments and similar methods.

Loss on impairment of fixed assets amounted to ¥793 million (\$8,433 thousand) and consisted of ¥82 million (\$875 thousand) from buildings and structures, ¥155 million (\$1,658 thousand) from tools, furniture and fixtures, ¥525 million (\$5,588 thousand) from land and ¥29 million (\$311 thousand) from other assets for the year ended March 31, 2013. Loss on impairment of fixed assets amounted to ¥16,336 million and consisted of ¥8,052 million from buildings and structures, ¥3,375 million from tools, furniture and fixtures, ¥1,250 million from land and ¥3,657 million from other assets for the year ended March 31, 2012.

## 5. Investments

Other securities at March 31, 2013 and 2012 were as follows:

(In millions of yen)				
March 31, 2013				
	Carrying amount	Acquisition cost	Unrealized gains	Unrealized (losses)
Other securities:				
Securities with market value	¥17,862	¥9,154	¥8,709	¥(2)
<b>Total</b>	<b>¥17,862</b>	<b>¥9,154</b>	<b>¥8,709</b>	<b>¥(2)</b>

(In thousands of U.S. dollars)				
March 31, 2013				
	Carrying amount	Acquisition cost	Unrealized gains	Unrealized (losses)
Other securities:				
Securities with market value	\$189,926	\$97,340	\$92,609	\$(23)
<b>Total</b>	<b>\$189,926</b>	<b>\$97,340</b>	<b>\$92,609</b>	<b>\$(23)</b>

(In millions of yen)				
March 31, 2012				
	Carrying amount	Acquisition cost	Unrealized gains	Unrealized (losses)
Other securities:				
Securities with market value	¥28,744	¥10,164	¥18,592	¥(11)
<b>Total</b>	<b>¥28,744</b>	<b>¥10,164</b>	<b>¥18,592</b>	<b>¥(11)</b>

Proceeds from sales of other securities and the corresponding gross gains and losses that are included in other gain (loss), net in the accompanying consolidated statements of income for the years ended March 31, 2013 and 2012 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2013	2012	2013
Proceeds	¥12,563	¥20	\$133,581
Gross gains	11,533	20	122,636
Gross losses	—	—	—

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



## 6. Accounts Payable – Other and Accrued Expenses

Accounts payable – other and accrued expenses at March 31, 2013 and 2012 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Accrued expenses and accounts payable	¥106,168	¥ 99,220	\$1,128,850
Allowance for product warranties	28,273	24,753	300,621
	¥134,441	¥123,974	\$1,429,471

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

Short-term loans payable at March 31, 2013 and 2012 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Loans, principally from banks	¥113,984	¥87,308	\$1,211,961

The weighted average interest rates of short-term loans payable at March 31, 2013 and 2012 were 2.1% and 2.7%, respectively.

Long-term debt at March 31, 2013 and 2012 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Loans, principally from banks and insurance companies, due through 2023 at weighted average interest rates averaging 3.2% in 2013 and 3.4% in 2012:			
Secured	¥ 62,983	¥ 99,358	\$ 669,678
Unsecured	187,414	161,413	1,992,712
	250,397	260,771	2,662,390
Less current portion	(143,271)	(99,381)	(1,523,358)
	¥107,125	¥161,390	\$ 1,139,031

The maturities of long-term debt are as follows:

Years ending March 31,	(In millions of yen)	(In thousands of U.S. dollars)
2014	¥143,271	\$1,523,358
2015	35,871	381,407
2016	29,499	313,657
2017	21,707	230,806
2018	19,663	209,079
Thereafter	383	4,079
Total	¥250,397	\$2,662,390

Lease obligations at March 31, 2013 and 2012 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Current	¥4,703	¥4,220	\$50,009
Non-current	6,793	6,977	72,232

The weighted average interest rates of lease obligations due through 2027 at March 31, 2013 and 2012 were 4.5%.

The maturities of lease obligations are as follows:

Years ending March 31,	(In millions of yen)	(In thousands of U.S. dollars)
2014	¥ 4,703	\$ 50,009
2015	3,082	32,779
2016	2,717	28,890
2017	758	8,060
2018	115	1,232
Thereafter	119	1,270
Total	¥11,496	\$122,242

Assets pledged as collateral for short-term loans payable, long-term debt and guarantees (excluding factory related groups of assets) at March 31, 2013 and 2012 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Finance receivables and Long-term finance receivables	¥ 67,676	¥ 73,785	\$ 719,580
Inventories	9,676	7,687	102,889
Property, plant and equipment, net	45,247	38,936	481,100
Other (see (i) below)	7,499	7,693	79,737
	¥130,100	¥128,103	\$1,383,307

(i) ¥1,010 million (\$10,742 thousand) and ¥1,024 million of other current assets were pledged based on a liability in a term lease contract relating to a building with Murata Medical Services, Ltd. at March 31, 2013 and 2012, respectively. ¥46 million (\$489 thousand) and ¥46 million of investments were pledged as collateral for debt of Mizushima Eco-Works Co., Ltd. at 2013 and 2012, respectively.

The following groups of assets of MMC, the Okazaki factory, were pledged as collateral at March 31, 2013 and 2012, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Buildings and structures	¥13,474	¥13,971	\$143,267
Machinery and equipment	17,155	19,255	182,407
Tools, furniture and fixtures	297	301	3,161
Land	985	985	10,481
	¥31,912	¥34,514	\$339,318

The following groups of assets of MMC, the Mizushima factory, were pledged as collateral at March 31, 2013 and 2012, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Buildings and structures	¥ 6,470	¥ 6,762	\$ 68,796
Machinery and equipment	17,769	20,385	188,932
Tools, furniture and fixtures	773	963	8,224
Land	2,008	2,008	21,359
	¥27,021	¥30,120	\$287,311

The following groups of assets of MMC, the Kyoto factory, were pledged as collateral at March 31, 2013 and 2012, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Buildings and structures	¥ 4,887	¥ 5,070	\$ 51,968
Machinery and equipment	13,232	14,985	140,695
Tools, furniture and fixtures	593	612	6,307
Land	2,235	2,235	23,765
	¥20,948	¥22,903	\$222,736

The following groups of assets of MMC, the Shiga factory, were pledged as collateral at March 31, 2013 and 2012, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Buildings and structures	¥ 2,331	¥ 2,370	\$ 24,793
Machinery and equipment	7,294	8,683	77,564
Land	3,859	3,859	41,036
	¥13,486	¥14,914	\$143,394

The following groups of assets of a consolidated subsidiary, Pajero Manufacturing Corporation, were pledged as collateral at March 31, 2013 and 2012, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Buildings and structures	¥2,425	¥2,377	\$25,791
Machinery and equipment	2,605	2,407	27,705
Land	1,540	1,540	16,374
	¥6,571	¥6,324	\$69,872

The following groups of assets of a consolidated subsidiary, Suiryo Plastics Co., Ltd., were pledged as collateral at March 31, 2013 and 2012, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Buildings and structures	¥ 832	¥ 889	\$ 8,852
Machinery and equipment	780	882	8,297
Land	194	194	2,068
	¥1,807	¥1,966	\$19,217

The obligations secured by such collateral at March 31, 2013 and 2012 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Short-term loans payable	¥ 64,657	¥ 36,640	\$ 687,481
Current portion of long-term debt	45,901	51,567	488,051
Long-term debt	17,082	47,790	181,627
	¥127,640	¥135,998	\$1,357,159

## 8. Net Assets

The Company Act provides that an amount equal to 10% of the amount to be disbursed as a distribution of earnings should be appropriated to the legal reserve until the sum of the legal reserve and capital surplus equals at least 25% of common stock. MMC and its domestic subsidiaries have provided these amounts in accordance with the Company Act.

MMC is authorized to issue 3,312,000 shares of convertible preferred stock and has 396,193 shares outstanding that are classified as class A and 4 series classified as class G at March 31, 2013, and 437,593 shares outstanding that are 3 series classified as class A and 4 series classified as class G at March 31, 2012. In the year ended March 31, 2013, MMC issued common stock on the conversion of certain of such preferred stock. Accordingly, part of

the 1st and the entire 2nd and 3rd series of the class A preferred stock converted were retired based on a resolution of the Board of Directors meetings held in the year ended March 31, 2013.

The holders of each class of convertible preferred stock do not have voting rights, but the holders of class A and G are entitled to preferred stock dividends of ¥50,000 per share each year after April 2009.

In the event of a residual distribution, MMC would also be required to distribute residual claims to the holders of each class of convertible preferred stock by payment of one million yen per share of preferred stock held, in priority over residual claims of holders of the rights of ordinary shareholders. No further distribution would be made.

## 9. Contingent Liabilities

Loan guarantees given in the ordinary course of business amounted to ¥14,325 million (\$152,312 thousand) and ¥2,049 million at March 31, 2013 and 2012, respectively. Agreements similar to guarantees given in the ordinary course of business amounted to ¥3,431 million (\$36,488 thousand) and ¥5,434 million at March 31, 2013 and 2012, respectively.

## 10. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2013 and 2012 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2013	2012	2013
Advertising and promotion expenses	¥ 75,225	¥ 62,314	\$ 799,843
Freightage expense	43,252	44,213	459,892
Allowance for doubtful accounts	232	(1,620)	2,476
Directors' compensations, salaries and allowances	60,761	58,731	646,057
Pension expenses	5,080	3,943	54,015
Depreciation	8,795	8,864	93,521
Research and development expenses	34,817	34,996	370,206
Other	44,422	44,908	472,329
<b>Total</b>	<b>¥272,589</b>	<b>¥256,350</b>	<b>\$2,898,342</b>

## 11. Other Gain (Loss), Net

Other gain (loss), net for the years ended March 31, 2013 and 2012 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2013	2012	2013
Equity in earnings of affiliates	¥ 4,853	¥ 5,932	\$ 51,609
Foreign exchange gains (losses)	30,395	2,418	323,189
Litigation expenses	(1,538)	(851)	(16,356)
Gain (loss) on sales and retirement of property, plant and equipment, net	(5,032)	(1,807)	(53,503)
Gain on sales of investment securities	11,533	20	122,636
Gain on sales of subsidiaries and affiliates' stocks	—	400	—
Loss on sales of subsidiaries and affiliates' stocks	(30,188)	—	(320,984)
Impairment loss	(793)	(16,336)	(8,433)
Environmental expenses	—	(10)	—
Loss on disaster	—	(1,525)	—
Other	(1,483)	(1,091)	(15,778)
<b>Total</b>	<b>¥ 7,747</b>	<b>¥(12,851)</b>	<b>\$ 82,380</b>

## 12. Comprehensive Income

Reclassification adjustments to the Consolidated Statement of Income and tax effects related to other comprehensive income for the years ended March 31, 2013 and 2012 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2013	2012	2013
Valuation difference on available-for-sale securities:			
Amount arising in the year	¥ 1,946	¥ (22)	\$ 20,696
Reclassification adjustments for gains and losses included in net income (loss)	(11,386)	0	(121,072)
Before tax effect	(9,440)	(22)	(100,375)
Tax effect	3,353	884	35,651
Valuation difference on available-for-sale securities	(6,087)	861	(64,723)
Deferred gains or losses on hedges:			
Amount arising in the year	8,526	2,323	90,662
Reclassification adjustments for gains and losses included in net income (loss)	(8,019)	(3,597)	(85,264)
Before tax effect	507	(1,273)	5,397
Tax effect	240	449	2,553
Deferred gains or losses on hedges	747	(823)	7,951
Foreign currency translation adjustment:			
Amount arising in the year	34,635	(3,899)	368,268
Reclassification adjustments for gains and losses included in net income (loss)	8,181	(211)	86,990
Foreign currency translation adjustment	42,817	(4,111)	455,258
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising in the year	6,120	(1,749)	65,078
Reclassification adjustments for gains and losses included in net income (loss)	3,233	—	34,384
Share of other comprehensive income of associates accounted for using equity method	9,354	(1,749)	99,462
Total other comprehensive income	¥ 46,832	¥(5,822)	\$ 497,949

## 13. Cash Flow Information

Cash and cash equivalents at March 31, 2013 and 2012 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Cash and bank deposits	¥409,509	¥311,631	\$4,354,165
Time deposits with maturities of more than three months	(48,342)	(638)	(514,004)
Cash and cash equivalents	¥361,167	¥310,993	\$3,840,161

Interest paid less interest received and dividends received included in Other, net within operating activities in the consolidated statements of cash flows for the years ended March 31, 2013 and 2012 amounted to a net expense of ¥3,607 million (\$38,360 thousand) and ¥4,521 million, respectively. Income taxes paid included in Other, net within operating activities in the consolidated statements of cash flows for the years ended March 31, 2013 and 2012 amounted to ¥18,608 million (\$197,853 thousand) and ¥13,532 million, respectively.

Purchases of property, plant and equipment within investing activities in the consolidated statements of cash flows for the years ended March 31, 2013 and 2012 includes payments for the acquisition of lease vehicles of ¥13,801 million (\$146,744 thousand) and ¥8,626 million, respectively.

Proceeds from sales of property, plant and equipment within investing activities in the consolidated statements of cash flows for the years ended March 31, 2013 and 2012 include proceeds from the sale of lease vehicles of ¥6,831 million (\$72,639 thousand) and ¥6,192 million, respectively.

Changes in finance receivables within operating activities in the consolidated statements of cash flows for the years ended March 31, 2013 and 2012 are primarily the net of payments amounting to ¥102,348 million (\$1,088,231 thousand) and ¥140,727 million, respectively, and proceeds from collections amounting to ¥117,501 million (\$1,249,353 thousand) and ¥138,255 million, respectively.

The carrying value at the time of sale of the assets and liabilities of the former subsidiary, Netherlands Car B.V., which was deconsolidated as a result of its sale, was as follows:

Current assets	¥26,091 million	(\$277,417 thousand)
Non-current assets	¥68 million	(\$729 thousand)
Current liabilities	¥6,453 million	(\$68,617 thousand)
Non-current liabilities	¥2,169 million	(\$23,072 thousand)



The net amount of cash and cash equivalents received on the share transfer less the cash and cash equivalents included in the above current assets, which were deconsolidated on the sale of the subsidiary, ¥21,587 million (\$229,535 thousand) is presented as “Net decrease in cash on the sale of subsidiaries resulting in change in scope of consolidation”.

## 14. Leases

### As lessee

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

##### (1) Description of the leased assets:

Property, plant and equipment

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

##### (2) Depreciation method of leased assets

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

#### (b) Operating lease transactions

Future minimum lease payments required under non-cancellable operating lease transactions entered into by MMC and its consolidated subsidiaries at March 31, 2013 and 2012 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Due within 1 year	¥1,357	¥1,231	\$ 14,433
Due after 1 year	8,201	7,427	87,207
Total	¥9,559	¥8,659	\$101,641

### As lessor

Future minimum lease revenues from non-cancellable operating lease transactions entered into by MMC and its consolidated subsidiaries as lessor at March 31, 2013 and 2012 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Due within 1 year	¥ 5,429	¥4,210	\$ 57,730
Due after 1 year	8,845	5,668	94,046
Total	¥14,274	¥9,878	\$151,776

## 15. Financial Instruments

### For the years ended March 31, 2013 and 2012

#### Overview of financial instruments

##### (a) Our policy to manage financial instruments

The Group’s capital management policy is to limit its investments to low-risk financial products and to obtain its required funds mainly through bank borrowings. We use derivative instruments to hedge interest rate, foreign currency and similar risks, and we do not enter into any speculative transactions.

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

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

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

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

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

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

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

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

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

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

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

#### Fair value of financial instruments

The carrying amount, fair value, and the difference between the carrying amount and the fair value of the financial instruments at March 31, 2013 and 2012 were as follows. These financial instruments do not include any financial instrument for which it is extremely difficult to reasonably measure fair value. (Refer to Note 15.2)

	(In millions of yen)		
	March 31, 2013		
	Carrying amount	Fair value	Difference
Cash and bank deposits	¥409,509	¥409,509	¥ —
Notes and accounts receivable—trade	149,555	149,555	—
Finance receivables	75,084		
Allowance for doubtful accounts (*1)	(3,577)		
	71,507	71,471	(35)
Investment (*2)	17,862	17,862	—
<b>Total assets</b>	<b>¥648,434</b>	<b>¥648,398</b>	<b>¥ (35)</b>
Notes and accounts payable—trade	¥313,810	¥313,810	¥—
Short-term loans payable	113,984	113,984	—
Long-term loans payable	250,397	252,410	2,012
Accounts payable – other and accrued expenses (*3)	106,168	106,168	—
<b>Total liabilities</b>	<b>¥784,361</b>	<b>¥786,374</b>	<b>¥2,012</b>
Derivative transactions (*4)	20,933	20,933	—

	(In thousands of U.S. dollars)		
	March 31, 2013		
	Carrying amount	Fair value	Difference
Cash and bank deposits	\$4,354,165	\$4,354,165	\$ —
Notes and accounts receivable—trade	1,590,170	1,590,170	—
Finance receivables	798,348		
Allowance for doubtful accounts (*1)	(38,038)		
	760,310	759,930	(380)
Investment (*2)	189,926	189,926	—
<b>Total assets</b>	<b>\$6,894,573</b>	<b>\$6,894,193</b>	<b>\$(380)</b>
Notes and accounts payable—trade	\$3,336,637	\$3,336,637	\$ —
Short-term loans payable	1,211,961	1,211,961	—
Long-term loans payable	2,662,390	2,683,786	21,395
Accounts payable – other and accrued expenses (*3)	1,128,850	1,128,850	—
<b>Total liabilities</b>	<b>\$8,339,840</b>	<b>\$8,361,235</b>	<b>\$21,395</b>
Derivative transactions (*4)	222,576	222,576	—

(\*1) Allowance for doubtful accounts recognized for individual financial receivable is deducted from the carrying amounts directly.

(\*2) Investments presented in the balance sheets consist of: investment securities of ¥67,251 million (\$715,060 thousand), which include securities with market value of ¥17,862 million (\$189,926 thousand) and non-listed stocks and stocks of unconsolidated subsidiaries and affiliates of ¥49,388 million (\$525,134 thousand) (refer to Note 15.2); and other investments in unconsolidated subsidiaries and affiliates of ¥29,609 million (\$314,825 thousand) at March 31, 2013.

(\*3) Accounts payable – other and accrued expenses presented in the balance sheets consist of accrued expenses and accounts payable of ¥106,168 million (\$1,128,850 thousand) and allowance for product warranties of ¥28,273 million (\$300,621 thousand) at March 31, 2013.

(\*4) The amount of the receivable/payable derived from derivative transactions is presented on a net basis.

	(In millions of yen)		
	March 31, 2012		
	Carrying amount	Fair value	Difference
Cash and bank deposits	¥311,631	¥311,631	¥ —
Notes and accounts receivable—trade	146,182	146,182	—
Finance receivables	80,638		
Allowance for doubtful accounts (*1)	(4,879)		
	75,758	72,270	(3,487)
Investment (*2)	28,744	28,744	—
<b>Total assets</b>	<b>¥562,317</b>	<b>¥558,829</b>	<b>¥(3,487)</b>
Notes and accounts payable—trade	¥317,355	¥317,355	¥ —
Short-term loans payable	87,308	87,308	—
Long-term loans payable	260,771	263,138	2,366
Accounts payable – other and accrued expenses (*3)	99,220	99,220	—
<b>Total liabilities</b>	<b>¥764,656</b>	<b>¥767,023</b>	<b>¥ 2,366</b>
Derivative transactions (*4)	9,237	9,237	—

(\*1) Allowance for doubtful accounts recognized for individual financial receivable is deducted from the carrying amounts directly.

(\*2) Investments presented in the balance sheets consist of: investment securities of ¥72,477 million, which include securities with market value of ¥28,744 million and non-listed stocks and stocks of unconsolidated subsidiaries and affiliates of ¥43,732 million (refer to Note 15.2); and other investments in unconsolidated subsidiaries and affiliates of ¥12,811 million at March 31, 2012.

(\*3) Accounts payable – other and accrued expenses presented in the balance sheets consist of accrued expenses and accounts payable of ¥99,220 million and allowance for product warranties of ¥24,753 million at March 31, 2012.

(\*4) The amount of the receivable/payable derived from derivative transactions is presented on a net basis.

(Note)

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

Assets

*Cash and bank deposits*

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

*Notes and accounts receivable – trade*

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

*Finance receivables*

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

*Investments*

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

Liabilities

*Notes and accounts payable – trade, Short-term loans payable and Accounts payable – other and accrued expenses*

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

*Long-term loans payable*

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

*Derivative transactions*

Refer to Note 16, “Derivative Financial Instruments”.

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

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Non-listed stocks and stocks of unconsolidated subsidiaries and affiliates	¥49,388	¥43,732	\$525,134

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

3. Maturity profile of monetary receivables subsequent to March 31, 2013

	(In millions of yen)		
	March 31, 2013		
	Bank deposits	Notes and accounts receivable—trade	Finance receivables
2014	¥408,971	¥146,731	¥26,856
2015	—	1,125	4,426
2016	—	1,255	10,777
2017	—	148	14,163
2018	—	148	11,508
Thereafter	—	148	7,352
<b>Total</b>	<b>¥408,971</b>	<b>¥149,555</b>	<b>¥75,084</b>

	(In thousands of U.S. dollars)		
	March 31, 2013		
	Bank deposits	Notes and accounts receivable—trade	Finance receivables
2013	\$4,348,449	\$1,560,144	\$285,552
2014	—	11,961	47,066
2015	—	13,343	114,597
2016	—	1,573	150,597
2017	—	1,573	122,362
Thereafter	—	1,573	78,173
<b>Total</b>	<b>\$4,348,449</b>	<b>\$1,590,170</b>	<b>\$798,348</b>

4. Maturity profile of the long-term loans payable subsequent to March 31, 2013

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

16. Derivative Financial Instruments

Summarized below are the notional amounts and the estimated fair values (based on the prices provided by counterparty financial institutions) of the derivative positions at March 31, 2013 and 2012:

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

Forward foreign exchange contracts and cross currency swaps

	(In millions of yen)			
	March 31, 2013			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Sell:				
US \$	¥ 6,873	¥—	¥ 10	¥ 10
Euro	8,133	—	(28)	(28)
£ stg	1,147	—	3	3
Canadian \$	3,644	—	(46)	(46)
Australian \$	5,386	—	(50)	(50)
Japanese ¥	102,927	—	15,627	15,627
Other	4,487	—	(47)	(47)
Buy:				
Japanese ¥	480	—	6	6
Cross currency swaps:				
Sell:				
Japanese ¥	31,651	—	1,879	1,879
<b>Total</b>	<b>¥ —</b>	<b>¥—</b>	<b>¥17,353</b>	<b>¥17,353</b>

	(In thousands of U.S. dollars)			
	March 31, 2013			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Sell:				
US \$	\$ 73,079	\$—	\$ 112	\$ 112
Euro	86,481	—	(306)	(306)
£ stg	12,197	—	38	38
Canadian \$	38,754	—	(498)	(498)
Australian \$	57,268	—	(542)	(542)
Japanese ¥	1,094,389	—	166,158	166,158
Other	47,717	—	(501)	(501)
Buy:				
Japanese ¥	5,106	—	70	70
Cross currency swaps:				
Sell:				
Japanese ¥	336,535	—	19,980	19,980
<b>Total</b>	<b>\$ —</b>	<b>\$—</b>	<b>\$184,513</b>	<b>\$184,513</b>



	(In millions of yen)			
	March 31, 2012			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Sell:				
US \$	¥ 15,686	¥—	¥ 246	¥ 246
Euro	8,407	—	67	67
£ stg	2,393	—	25	25
Canadian \$	6,402	—	89	89
Australian \$	16,120	—	125	125
Japanese ¥	101,748	—	6,121	6,121
Other	6,626	—	100	100
Buy:				
Japanese ¥	511	—	5	5
Cross currency swaps:				
Sell:				
Japanese ¥	10,680	—	46	46
<b>Total</b>	<b>¥ —</b>	<b>¥—</b>	<b>¥6,828</b>	<b>¥6,828</b>

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

#### (b) Derivative transactions that are subject to hedge accounting

##### Forward foreign exchange contracts

	(In millions of yen)			
	March 31, 2013			
	Hedged item	Notional amount	Due more than 1 year	Fair value
Forward foreign exchange contracts:				
Sell:	Foreign currency forecast transaction			
Japanese ¥		¥14,646	¥—	¥3,669
Buy:				
Japanese ¥		25	—	(0)
<b>Total</b>		<b>¥ —</b>	<b>¥—</b>	<b>¥3,668</b>

	(In thousands of U.S. dollars)			
	March 31, 2013			
	Hedged item	Notional amount	Due more than 1 year	Fair value
Forward foreign exchange contracts:				
Sell:	Foreign currency forecast transaction			
Japanese ¥		\$155,727	\$—	\$39,012
Buy:				
Japanese ¥		266	—	(2)
<b>Total</b>		<b>\$ —</b>	<b>\$—</b>	<b>\$39,009</b>

	(In millions of yen)			
	March 31, 2012			
	Hedged item	Notional amount	Due more than 1 year	Fair value
Forward foreign exchange contracts:				
Sell:	Foreign currency forecast transaction			
Japanese ¥		¥105,510	¥—	¥2,470
Buy:				
Japanese ¥		201	—	(1)
<b>Total</b>		<b>¥ —</b>	<b>¥—</b>	<b>¥2,469</b>

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

##### Interest rate swaps

	(In millions of yen)			
	March 31, 2013			
	Hedged item	Notional amount	Due more than 1 year	Fair value
Pay-fixed, receive-floating (recorded as fair value):	Long-term debt	¥28,100	¥27,783	¥(89)
Pay-fixed, receive-floating (special hedge provisions):	Long-term debt	680	390	(*)
<b>Total</b>		<b>¥ —</b>	<b>¥ —</b>	<b>¥(89)</b>

	(In thousands of U.S. dollars)			
	March 31, 2013			
	Hedged item	Notional amount	Due more than 1 year	Fair value
Pay-fixed, receive-floating (recorded as fair value):	Long-term debt	\$298,780	\$295,415	\$(946)
Pay-fixed, receive-floating (special hedge provisions):	Long-term debt	7,230	4,146	(*)
<b>Total</b>		<b>\$ —</b>	<b>\$ —</b>	<b>\$(946)</b>

	(In millions of yen)			
	March 31, 2012			
	Hedged item	Notional amount	Due more than 1 year	Fair value
Pay-fixed, receive-floating (recorded as fair value):	Long-term debt	¥15,808	¥15,808	¥(60)
Pay-fixed, receive-floating (special hedge provisions):	Long-term debt	750	500	(*)
<b>Total</b>		<b>¥ —</b>	<b>¥ —</b>	<b>¥(60)</b>

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

## 17. Retirement Benefits

MMC and its consolidated subsidiaries have defined benefit pension plans including contributory plans in accordance with the Welfare Pension Institute Law of Japan, defined benefit corporate pension plans and lump-sum payment plans, and defined contribution pension plans. Additional retirement benefits are paid in certain cases upon an employee's retirement and similar.

Information of multi-employer pension plans included in the above plans for which the required contribution has been accounted for as pension expense was as follows at March 31, 2012 and 2011:

	(In millions of yen)	
	March 31,	
	2012	2011
Pension Plan assets	¥24,581	¥24,702
Benefit obligations under pension plan rules	26,078	25,165
Difference	¥ (1,497)	¥ (463)

The approximate ratio of MMC and its consolidated subsidiaries' share of accumulated contributions in the multi-employee plan obligation is 59.2% and 58.0% as of March 31, 2012 and 2011. This ratio does not necessarily match the amount of MMC and its consolidated subsidiaries' share of the actuarially estimated pension benefit obligation.

### Defined Benefit Plans

The discount rates used to determine the retirement benefit obligation were 0.9% ~ 2.0% and 1.5% ~ 2.0% for MMC and its domestic consolidated subsidiaries at March 31, 2013 and 2012, respectively, 3.4% ~ 5.7% and 3.5% ~ 6.2% for its foreign consolidated subsidiaries at March 31, 2013 and 2012, respectively. The rates of return on plan assets assumed were 0.7% ~ 4.0% for MMC and its domestic consolidated subsidiaries, 5.0% ~ 8.0% for its foreign consolidated subsidiaries at March 31, 2013 and 2012.

Prior service cost is amortized by the straight line method over periods of 1 to 14 years and 1 to 15 years for the years ended March 31, 2013 and 2012. This period is within the estimated average remaining service years of the employees.

The amortization period for actuarial gains and losses starts from the subsequent year and actuarial gains and losses are amortized by the straight line method over periods of 5 to 14 years and 5 to 15 years for the years ended March 31, 2013 and 2012. This period is within the estimated average remaining service years of the employees.

Unrecognized net obligations and assets at the date of initial application are amortized within one year.

The retirement benefit obligation for MMC and its consolidated subsidiaries' employees' defined benefit plans at March 31, 2013 and 2012 are summarized as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Retirement benefits obligation	¥(185,113)	¥(175,551)	\$(1,968,242)
Pension plan assets at fair value	75,217	61,962	799,756
Unfunded status	(109,896)	(113,588)	(1,168,485)
Unrecognized actuarial losses	18,858	24,600	200,512
Unrecognized prior service costs	(9,867)	(10,724)	(104,914)
Net recognized retirement benefits obligation	(100,905)	(99,712)	(1,072,886)
Prepaid pension premiums	10,755	8,889	114,355
Provision for retirement benefits	¥(111,660)	¥(108,602)	\$(1,187,242)

Some of the consolidated subsidiaries adopt the simplified method for the calculation of retirement benefits obligation.

Pension expenses for MMC and its consolidated subsidiaries' employees' retirement defined benefit plans for the years ended March 31, 2013 and 2012 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2013	2012	2013
Service cost	¥8,136	¥7,818	\$ 86,510
Interest cost	4,311	4,177	45,845
Expected return on plan assets	(3,570)	(3,302)	(37,967)
Amortization of actuarial losses	2,703	4,137	28,747
Amortization of prior service costs	(30)	(1,770)	(322)
Pension expenses	¥11,550	¥11,060	\$122,814

Pension expenses of consolidated subsidiaries, which adopt the simplified method, are included in service cost.

## 18. Income Taxes

MMC and its domestic consolidated subsidiaries are subject to corporate, resident and enterprise taxes based on their taxable income. Income taxes of the foreign consolidated subsidiaries are generally calculated based on the tax rates applicable in their countries of incorporation. The consolidated tax payment system is applied at March 31, 2013 and 2012.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2013 and 2012 differ from the statutory tax rate for the following reasons:

	For the years ended March 31,		Information is not presented as the difference between the statutory tax rate and the effective tax rate was less than 5/100 of the statutory tax rate.
	2013	2012	
Statutory income tax rate for MMC	37.6		
Equity in earnings of affiliates	(2.6)		
Dividends received deduction	1.3		
Difference in tax rate of overseas subsidiaries and others	3.8		
Income taxes as a percentage of income before income taxes and minority interests	40.0		

The significant components of deferred tax assets and liabilities as of March 31, 2013 and 2012 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		2013
	2013	2012	2013
Deferred tax assets:			
Net operating losses carried forward	¥ 170,449	¥ 153,845	\$ 1,812,327
Accrued retirement benefits	40,304	40,054	428,543
Allowance for doubtful accounts	3,494	3,025	37,158
Allowance for product warranties	9,713	9,728	103,277
Accounts payable – warranties	11,577	3,953	123,094
Fixed assets (incl. impairment losses)	31,159	29,774	331,304
Others	34,840	55,294	370,442
Less valuation allowance	(271,377)	(269,565)	(2,885,458)
Total deferred tax assets	30,160	26,109	320,689
Deferred tax liabilities:			
Reserves under the Special Taxation Measures Law	(244)	(283)	(2,596)
Unrealized holding gain on securities	(2,783)	(6,115)	(29,596)
Fair value adjustments relating to land	(3,840)	(3,847)	(40,830)
Accelerated depreciation in overseas consolidated subsidiaries	(17,411)	(13,899)	(185,129)
Others	(28,437)	(18,323)	(302,367)
Total deferred tax liabilities	(52,716)	(42,469)	(560,520)
Net deferred tax liabilities	¥ (22,556)	¥ (16,359)	\$ (239,830)

Deferred tax assets and liabilities at March 31, 2013 and 2012 are included in the accompanying consolidated balance sheets as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		2013
	2013	2012	2013
Current assets	¥ 3,543	¥ 1,963	\$ 37,680
Non-current assets	4,349	8,889	46,249
Current liabilities	(346)	(238)	(3,684)
Non-current liabilities	(30,103)	(26,973)	(320,076)
Net deferred tax liabilities	¥(22,556)	¥(16,359)	\$ (239,830)

## 19. Asset Retirement Obligations

### (a) Overview

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

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

The useful lives of assets from acquisition or construction date has been estimated ranging from 2 years to 59 years, and the amount of asset retirement obligations has been measured using the discount rates ranging from 0.1 % to 4.4%.

### (c) Changes in the amount of asset retirement obligations

For the year ended March 31, 2013, the carrying amount of asset retirement obligations was increased by ¥622 million (\$6,615 thousand) as it has become clear that estimated asset retirement obligations would exceed the original estimate due to reassessment of expected removal costs and the useful lives of assets. Further, the carrying amount of asset retirement obligations was decreased by ¥105 million (\$1,125 thousand) as it has become clear that the expected removal costs required at the time of retirement would be less than the original estimate. Changes in the amount of asset retirement obligations for the years ended March 31, 2013 and 2012 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the year ended March 31,		
	2013	2012	2013
Balance at beginning of year (*)	¥7,414	¥6,358	\$78,836
Increase due to the acquisition of property, plant and equipment	25	24	269
Discount accretion expense	255	125	2,712
Decrease due to the settlement of asset retirement obligations	(51)	(4)	(542)
Increase due to change in estimate	622	896	6,615
Decrease due to change in estimate	(105)	—	(1,125)
Others	(773)	13	(8,224)
Balance at end of year	¥7,386	¥7,414	\$78,541

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

## 20. Investment and Rental Property

For the years ended March 31, 2013 and 2012, further disclosures are not provided as investment and rental property is considered immaterial.

## 21. Segment Information

### (a) Overview of reportable segment

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

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

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

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

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

	(In millions of yen)		(In thousands of U.S. dollars)
	For the year ended March 31,		
	2013	2012	2013
Net sales:			
Automobiles	¥1,805,073	¥1,797,039	\$19,192,702
Financial services	10,059	10,398	106,955
Total	1,815,132	1,807,438	19,299,657
Adjustment	(19)	(144)	(207)
Grand total	¥1,815,113	¥1,807,293	\$19,299,449
Segment income (loss):			
Automobiles	¥64,997	¥60,348	\$691,100
Financial services	2,403	3,471	25,558
Total	67,401	63,819	716,659
Adjustment	(19)	(144)	(207)
Grand total	¥67,382	¥63,674	\$716,451
Segment assets:			
Automobiles	¥1,331,683	¥1,196,328	\$14,159,310
Financial services	109,284	115,396	1,161,982
Total	1,440,967	1,311,725	15,321,292
Adjustment	11,842	9,580	125,915
Grand total	¥1,452,809	¥1,321,306	\$15,447,208
Depreciation: (Note (3))			
Automobiles	¥50,700	¥53,806	\$539,081
Financial services	3,623	2,934	38,532
Grand total	¥54,324	¥56,741	\$577,614
Investment accounted for using the equity method:			
Automobiles	¥63,400	¥42,807	\$674,116
Financial services	6,840	6,014	72,735
Total	70,241	48,822	746,851
Adjustment	(644)	(625)	(6,854)
Grand total	¥69,596	¥48,196	\$739,997
Increase in property, plant and equipment and intangible assets: (Note (3))			
Automobiles	¥56,836	¥72,588	\$604,324
Financial services	13,679	8,715	145,444
Grand total	¥70,515	¥81,303	\$749,769

(Note)

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

(Related information)

(a) Information by products and services

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



(b) Information by geographic region

(1) Net sales

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

	(In millions of yen)		(In thousands of U.S. dollars)
	For the year ended March 31,		
	2013	2012	2013
Japan	¥ 329,473	¥ 357,136	\$ 3,503,172
North America	157,639	195,164	1,676,119
Europe	400,707	474,783	4,260,574
Asia	501,739	395,252	5,334,814
(Thailand)	268,724	149,377	2,857,255
Oceania	163,619	162,027	1,739,708
Other	261,934	222,928	2,785,060
Total	¥1,815,113	¥1,807,293	\$19,299,449

(Note)

Main countries and regions outside Japan are grouped as follows:

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

(2) Property, plant and Equipment

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2013	2012	2013
Japan	¥274,254	¥282,100	\$2,916,054
North America	45,177	33,010	480,358
Thailand	55,362	51,177	588,653
Other	12,108	10,448	128,743
Total	¥386,903	¥376,736	\$4,113,810

(Supplementary information)

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

	(In millions of yen)		(In thousands of U.S. dollars)
	For the year ended March 31,		
	2013	2012	2013
Net sales:			
Japan	¥1,444,627	¥1,515,165	\$15,360,207
North America	175,096	188,705	1,861,737
Europe	120,849	203,692	1,284,953
Asia	659,364	448,171	7,010,791
Oceania	163,719	162,151	1,740,773
Other	27,632	24,981	293,806
Total	2,591,290	2,542,867	27,552,269
Adjustment	(776,177)	(735,574)	(8,252,819)
Grand total	¥1,815,113	¥1,807,293	\$19,299,449
Operating income (loss):			
Japan	¥ 9,253	¥ 25,796	\$ 98,384
North America	(6,005)	1,249	(63,856)
Europe	11,285	8,442	119,997
Asia	57,253	35,296	608,754
Oceania	(2,576)	1,363	(27,392)
Other	979	1,090	10,414
Total	70,189	73,239	746,301
Adjustment	(2,807)	(9,564)	(29,850)
Grand total	¥ 67,382	¥ 63,674	\$ 716,451

(Note)

Main countries and regions outside Japan are grouped as follows:

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

Information on major customers

	For the year ended March 31,	
	2013	2012
Customer:	Mitsubishi Corporation	Mitsubishi Corporation
Net sales:	¥272,076 million (\$2,892,897 thousand)	¥296,529 million
Relevant segment	Automobiles	Automobiles

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

No significant items to be reported for the year ended March 31, 2013.

	(In millions of yen)
	For the year ended March 31, 2012
Impairment loss:	
Automobiles	¥16,336
Financial services	—
Total	¥16,336

Information on the amortization and balance of goodwill by reportable segments

No significant items to be reported for the years ended March 31, 2013 and 2012.

Information on gains due to negative goodwill by reportable segments

Not applicable for the years ended March 31, 2013 and 2012.

## 22. Related Party Transactions

MMC entered into the following transactions with related parties during the years ended March 31, 2013 and 2012:

### Related Party Transactions

#### *Transactions between MMC and the Related Parties*

(a) Transaction with the parent or major shareholder (major corporate shareholder) of the reporting company (MMC)

	March 31, 2013
Party type:	Major shareholder
Party name:	Mitsubishi Corporation
Address:	Chiyoda-Ku, Tokyo, Japan
Capital:	¥204,447 million (\$2,173,811 thousand)
Business:	Wholesale trading
% of voting stock held:	Direct 14.00 Indirect 0.00
Relationship with the Related Party:	Sales of products; import of materials for production; mutual directorships
Detail of transaction:	Sales of products
Transaction amount:	¥272,074 million (\$2,892,872 thousand)
Account title:	Accounts receivable
Balance at year end:	¥26,800 million (\$284,955 thousand)

	March 31, 2012
Party type:	Major shareholder
Party name:	Mitsubishi Corporation
Address:	Chiyoda-Ku, Tokyo, Japan
Capital:	¥204,447 million
Business:	Wholesale trading
% of voting stock held:	Direct 13.99 Indirect 0.00
Relationship with the Related Party:	Sales of products; import of materials for production; mutual directorships
Detail of transaction:	Sales of products
Transaction amount:	¥296,523 million
Account title:	Accounts receivable
Balance at year end:	¥19,626 million

(b) Transactions with unconsolidated subsidiaries and affiliates of the reporting company (MMC)

	March 31, 2012
Party type:	Affiliate
Party name:	JATCO Ltd.
Address:	Fuji, Shizuoka, Japan
Capital:	¥29,935 million
Business:	Development, manufacture and sale of transmissions and automobile components
% of voting stock held:	Direct 15.04
Relationship with the Related Party:	Purchase of automobile components; mutual directorships
Detail of transaction:	Purchase of automobile components
Transaction amount:	¥73,553 million
Account title:	Accounts payable
Balance at year end:	¥15,696 million

(Note)

- Consumption tax is excluded from the transaction amount and included in the balance at year end.
- Contract terms and the policy to determine the contract terms: Sales price of products is determined based on market price and overall cost. Purchase price of automobile components is determined based on estimated cost, current component price, and market prices of each component.

### Major affiliates

#### *Summarized financial information of the major affiliates*

MMC Diamond Finance Corp. is the major affiliate of reporting company (MMC) for the year ended March 31, 2013, and the summarized financial information for the same fiscal year is shown below:

Total current assets	¥293,852 million	(\$3,124,423 thousand)
Total non-current assets	¥16,826 million	(\$178,904 thousand)
Total current liabilities	¥212,023 million	(\$2,254,368 thousand)
Total non-current liabilities	¥84,117 million	(\$894,393 thousand)
Total net assets	¥14,536 million	(\$154,565 thousand)
Net sales	¥25,669 million	(\$272,936 thousand)
Income before income taxes	¥2,978 million	(\$31,667 thousand)
Net income	¥1,754 million	(\$18,654 thousand)

## 23. Income and Equity per Share

Net income and equity per share of common stock for the years ended March 31, 2013 and 2012 are summarized as follows:

	(In yen)		(In U.S. dollars)
	March 31,		2013
	2013	2012	
Net income (loss) per share of common stock			
Basic	¥ 6.61	¥ 4.32	\$ 0.07
Diluted	3.71	2.40	0.04
Stockholders' equity per share of common stock	(9.21)	(32.61)	(0.10)

The computations of net income per share of common stock for the years ended March 31, 2013 and 2012 are as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		2013
	2013	2012	
Numerator for basic net income (loss) per share of common stock:			
Net income (loss)	¥37,978	¥23,928	\$403,815
Income not available to common stockholders	—	—	—
Income available to common stockholders	¥37,978	¥23,928	\$403,815
Denominator for net income (loss) per share of common stock:			
Weighted average number of shares (in thousands)	5,749,898	5,537,863	
Number of dilutive potential common shares (in thousands)	4,488,478	4,421,266	
(Preferred stock)	(4,488,478)	(4,421,266)	

## 24. Business Combinations and Divestitures

### Major affiliates

(a) The outline of business divestiture

- (1) Name of transferee company: VD Leegte Beheer B.V.
- (2) Divested business: Manufacturing automobiles and parts
- (3) Reasons for business divestiture: To respond to the wildly fluctuating operating environment which automobile manufacturers currently face, MMC reviewed its global production operation structure and accordingly made a decision not to allocate a new model to be produced at Netherlands Car B.V. from 2013 and beyond. Since then, MMC carried out discussions with associated parties to explore the possibility of the future continuation of Netherlands Car B.V. while making assurance of employment of all its employees

a top priority. As a result, MMC decided to transfer the entire shares of Netherlands Car B.V. to VD Leegte Beheer B.V.(100% owned by VDL Groep B.V.).

- (4) Date of business divestiture: December 14, 2012
- (5) Legal form of transaction: Share transfer

(b) The outline of accounting treatment implemented

- (1) Loss on the transfer of the subsidiary's equity:
  - ¥24,741 million (\$263,064 thousand)
- (2) The carrying values of the assets and liabilities transferred in the business divestiture were as follows:
 

Current assets	¥26,091 million	(\$277,417 thousand)
Non-current assets	¥68 million	(\$729 thousand)
Total assets	¥26,159 million	(\$278,147 thousand)
Current liabilities	¥6,453 million	(\$68,617 thousand)
Non-current liabilities	¥2,169 million	(\$23,072 thousand)
Total liabilities	¥8,623 million	(\$91,689 thousand)

(3) Accounting treatment: The difference between the proceeds and consolidated carrying value of Netherlands Car B.V. is recorded as Loss on sales of subsidiaries and affiliates' stocks, which is included in Other gain (loss), net of consolidated statement of income for the year ended March 31, 2013.

- (4) The reportable segment in which the transferred business was included: Automobile
- (5) The estimated amount of income pertaining to the transferred business until the time of transfer, which is reported in the consolidated statement of income for the year ended March 31, 2013.

Net Sales	¥13,878 million	(\$147,559 thousand)
Operating income	(¥3,420) million	(\$36,363 thousand)

## 25. Subsequent Event

- (a) Reduction of common stock, transfers within capital surplus and cancellation of accumulated deficit (transfers within capital surplus relates to the reduction of capital reserve and the increase of other capital surplus in the non-consolidated financial statements of MMC)

The 44th general meeting of shareholders on June 25, 2013 duly approved a resolution for the reduction of common stock and transfers within capital surplus and cancellation of accumulated deficit, which had been approved at the meeting of the Board of Directors on May 24, 2013.

(1) Reduction of common stock and transfers within capital surplus

i. Purpose of the reduction of common stock and transfers within capital surplus

In order to offset the accumulated deficit and develop an environment for early resumption of dividends, MMC will reduce its common stock and transfer within capital surplus in accordance with Article 447-(1) and Article 448-(1) of the Company Act.

ii. Details of reduction of common stock and transfers within capital surplus

Common stock to be reduced and transfers within capital surplus

MMC will reduce ¥491,653 million (\$5,227,579 thousand) from its common stock of ¥657,355 million (\$6,989,421 thousand), as a result of which its common stock will be ¥165,701 million (\$1,761,842 thousand). All of the reduced common stock will be transferred to capital surplus. In the non-consolidated financial statements of MMC, all of the reduction of common stock will be transferred to other capital surplus, within capital surplus. Also within capital surplus, the entire capital reserve of ¥433,202 million (\$4,606,083 thousand) will be transferred to other capital surplus.

Method to reduce common stock and to transfer within capital surplus

The reduction is limited to a transfer within the shareholders' equity of MMC's balance sheet and there will be no change to the total number of outstanding shares.

(2) Cancellation of accumulated deficit

i. Purpose of the cancellation of accumulated deficit

MMC will reduce ¥924,638 million (\$9,831,347 thousand) of capital surplus of ¥924,855 million (\$9,833,662 thousand) immediately after it is increased by the reduction of common stock and transfers within capital surplus set out in "(1) Reduction of common stock and transfers within capital surplus" above. This amount will be transferred to accumulated deficit brought forward to offset accumulated deficit in accordance with Article 452 of the Company Act. This cancellation of accumulated deficit is conditional on the reduction of common stock and

transfers within capital surplus set out in "(1) Reduction of common stock and transfers within capital surplus" above taking effect.

ii. Details of cancellation of accumulated deficit

MMC will transfer ¥924,638 million (\$9,831,347 thousand) of the ¥924,855 million (\$9,833,662 thousand) of capital surplus to accumulated deficit brought forward. As a result, capital surplus will be ¥217 million (\$2,314 thousand) and accumulated deficit brought forward will be nil.

(3) Schedule for reduction of common stock, transfers within capital surplus and cancellation of accumulated deficit

Board of Directors meeting:	May 24, 2013
General meeting of shareholders:	June 25, 2013
Public announcement for statements of creditors' objections:	June 26, 2013
Deadline for statements of creditors' objections (planned):	July 26, 2013
Effective date of reduction of common stock and transfers within capital surplus (planned):	August 1, 2013
Effective date of cancellation of accumulated deficit (planned):	August 1, 2013

(b) Consolidation of shares and change in unit of shares

The 44th general meeting of shareholders on June 25, 2013 duly approved a resolution for the consolidation of shares and the change in unit of shares, which had been approved at the meeting of the Board of Directors on May 24, 2013. With regard to the consolidation of shares, the general meeting of each class shareholders of common shareholders, 1st series class A preferred shareholders, and 1st through 4th series class G preferred shareholders duly approved related resolutions, which had been approved at the meeting of the Board of Directors.

(1) Consolidation of shares

i. Purpose of consolidation

MMC would like to make its total number of outstanding shares of common stock more appropriate relative to its market capitalization by consolidating ten shares of MMC's common stock into one share ("Consolidation of



shares") because the total number of outstanding shares of MMC's common stock relative to market capitalization is excessive in comparison with other corporations listed on Tokyo Stock Exchange, Inc. (First Section). Japanese Stock Exchanges are aiming, under an agenda entitled "Action Plan for Consolidating Trading Units," to unify the stock trade units of listed companies to 100 shares. In accordance with the consolidation of shares, MMC will change its unit of common stock from 1,000 shares to 100 shares to maintain an appropriate investment unit (price per trade unit). The change in trade unit and the consolidation of shares are consistent with the above agenda of Japanese Stock Exchanges. Accordingly, MMC decided to carry out the consolidation of shares as described in "ii. Details of consolidation" below.

ii. Details of consolidation

Class of stock to be consolidated: Common stock

Consolidation ratio: Ten shares of common stock will be consolidated into one share

Decrease in number of shares due to consolidation

Total number of outstanding common stocks before the consolidation of shares (as of March 31, 2013)	6,080,900,530 shares
Decrease in number of common stocks due to the consolidation of shares (*1)	5,472,810,477 shares
Total number of outstanding common stocks after the consolidation of shares (*1)	608,090,053 shares
Total number of authorized shares and authorized classified shares of common stock after the consolidation of shares (*2)	1,250,000,000 shares

(\*1) "Decrease in number of common stocks due to the consolidation of shares" and "Total number of outstanding common stocks after the consolidation of shares" above are theoretical numbers calculated by multiplying "Total number of outstanding common stocks before the consolidation of shares" by the consolidation ratio.

(\*2) The reduction in the total number of authorized shares and authorized classified shares of common stock are conditional on the consolidation of shares taking effect.

Handling of fractional shares

If a fraction of shares less than one share is created due to the consolidation of shares, such fractional shares will be amalgamated and sold in accordance with Article 235 of the Company Act. The resultant sales proceeds will be distributed to those shareholders who had held the fractional

shares in proportion to the number of fractional shares they had held.

(2) Change in unit of shares

i. Purpose of the change

As described in "(1) Consolidation of shares (i) Purpose of consolidation" above.

ii. Details of consolidation

At the same time as the consolidation of shares becomes effective, MMC will change the unit of shares of MMC's common stock from 1,000 shares to 100 shares.

(3) Schedule for consolidation of shares and change in unit of shares

Board of Directors meeting:	May 24, 2013
General meeting of shareholders and each class shareholders meeting of class shareholders:	June 25, 2013
Public announcement for consolidation of shares (planned):	July 16, 2013
Effective date of consolidation of shares (planned):	August 1, 2013
Effective date of change in unit of shares (planned):	August 1, 2013

(4) Impact on net income and equity per share

Net income and equity per share for the years ended March 31, 2013 and 2012 assuming that consolidation of shares had been carried out on the beginning of the year ended March 31, 2012 are follows:

	(In yen)		(In U.S. dollars)
	2013	2012	2013
Net income (loss) per share of common stock			
Basic	¥ 66.05	¥ 43.21	\$ 0.70
Diluted	37.09	24.03	0.39
Stockholders' equity per share of common stock	(92.12)	(326.12)	(0.98)

# Independent Auditor's Report



Ernst & Young ShinNihon LLC  
Hibiya Kokusai Bldg.  
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## Independent Auditor's Report

The Board of Directors  
Mitsubishi Motors Corporation

We have audited the accompanying consolidated financial statements of Mitsubishi Motors Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi Motors Corporation and consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Emphasis of Matter*

We draw attention to Note 25. Subsequent Event to the consolidated financial statements, which describes that the general meeting of shareholders on June 25, 2013 approved a resolution for the reduction of common stock, transfers within capital surplus, cancellation of accumulated deficit, consolidation of shares and change in unit of shares. With regard to the consolidation of shares, the general meeting of each class shareholders approved related resolutions. Our opinion is not qualified in respect of this matter.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

*Ernst & Young ShinNihon LLC*

June 25, 2013

# Consolidated Subsidiaries and Affiliates As of March 31, 2013

	Company	Incorporated in
<b>Consolidated subsidiaries</b>		
	Hokkaido Mitsubishi Motor Sales Co., Ltd.	Japan
	Higashi Nihon Mitsubishi Motor Sales Co., Ltd.	Japan
	Kanto Mitsubishi Motor Sales Co., Ltd.	Japan
	Chubu Mitsubishi Motor Sales Co., Ltd.	Japan
	Nishi Nihon Mitsubishi Motor Sales Co., Ltd.	Japan
	Pajero Manufacturing Co., Ltd.	Japan
	Mitsubishi Automotive Logistics Technology Co., Ltd.	Japan
	Mitsubishi Automotive Engineering Co., Ltd.	Japan
	Suiyo Plastics Co., Ltd.	Japan
	Mitsubishi Motors North America, Inc. (MMNA)	U.S.A.
	Mitsubishi Motors R&D of America, Inc. (MRDA)	U.S.A.
	Mitsubishi Motor Sales of Canada, Inc. (MMSCAN)	Canada
	Mitsubishi Motors Credit of America, Inc. (MMCA)	U.S.A.
	Mitsubishi Motor Sales of Caribbean, Inc. (MMSC)	Puerto Rico
	Mitsubishi Motors Europe B.V. (MME)* <sup>2</sup>	Netherlands
	Mitsubishi Motor R&D Europe GmbH (MRDE)	Germany
	Mitsubishi Motor Sales Netherlands B.V.	Netherlands
	Mitsubishi Motors Deutschland GmbH	Germany
	MMC International Finance (Netherlands) B.V.	Netherlands
	Mitsubishi Motors Australia, Ltd. (MMAL)* <sup>2</sup>	Australia
	Mitsubishi Motors New Zealand Ltd. (MMNZ)	New Zealand
	Mitsubishi Motors (Thailand) Co., Ltd. (MMTh)* <sup>2</sup>	Thailand
	MMTh Engine Co., Ltd.	Thailand
	Mitsubishi Motors Philippines Corp. (MMPC)	Philippines
	Asian Transmission Corp. (ATC )	Philippines
	Mitsubishi Motors Middle East and Africa FZE	U.A.E.
	Note: MMC has 25 other subsidiaries outside Japan in addition to the above.	
<b>Equity method affiliates</b>		
	Muroran Mitsubishi Motor Sales Co., Ltd.	Japan
	Tokachi Mitsubishi Motor Sales Co., Ltd.	Japan
	Ibaraki Mitsubishi Motor Sales Co., Ltd.	Japan
	Meihoku Mitsubishi Motor Sales Co., Ltd.	Japan
	Mie Mitsubishi Motor Sales Co., Ltd.	Japan
	Kagawa Mitsubishi Motor Sales Co., Ltd.	Japan
	Miyazaki Mitsubishi Motor Sales Co., Ltd.	Japan
	Higashi Kanto MMC Parts Sales Co., Ltd.	Japan
	NMKV Co., Ltd	Japan
	MMC Diamond Finance Corp.	Japan
	Mitsubishi Motors do Portugal S.A.	Portugal
	Vina Star Motors Corporation	Vietnam
	Note: MMC has 12 other affiliates outside Japan in addition to the above.	
<b>Other associated company</b>		
	Mitsubishi Heavy Industries, Ltd.	Japan

\* 1. Figures in parentheses represent indirect shares.

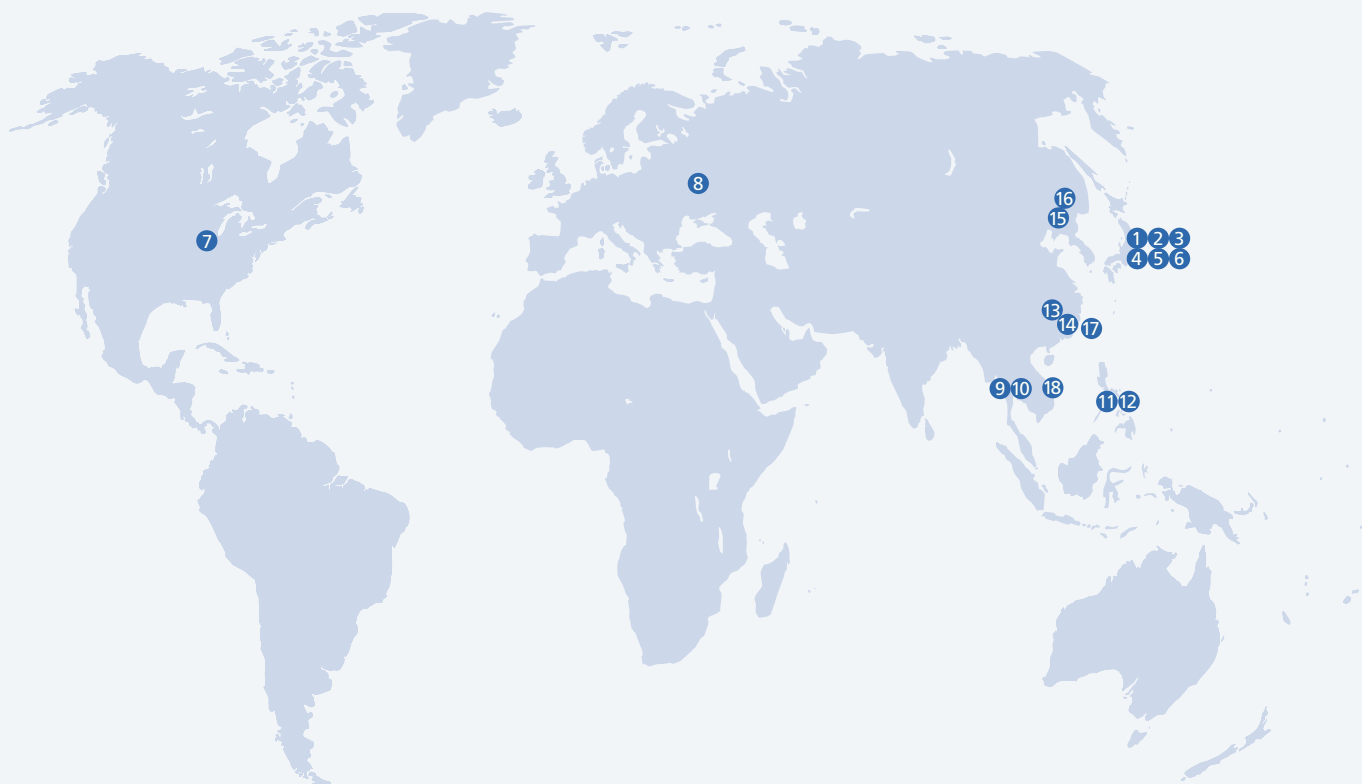
2. Specified subsidiaries. (Mitsubishi Motors Europe B.V. (MME), Mitsubishi Motors Australia, Ltd. (MMAL), Mitsubishi Motors (Thailand) Co., Ltd. (MMTh))

Capitalization (In millions)	Business Lines	MMC Share of Voting Rights (%) <sup>*1</sup>
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 610	Automobile and parts manufacture, sales	100.0
JPY 436	Automobile inspection, maintenance, transport, storage, packaging and sales of parts	83.2
JPY 350	Design and testing of automobiles and parts	100.0
JPY 100	Manufacture, sales of automobile parts	100.0
USD 398.8	Automobile importing, manufacturing, sales	100.0
USD 2.0	Product development, design, testing, certification	100.0 (100.0)
USD 1.3	Automobile importing, sales	100.0 (100.0)
USD 260.0	Automobile financing, leasing	100.0 (100.0)
USD 47.5	Automobile importing, sales	100.0
EUR 1282.9	Importing, sales of parts	100.0
EUR 0.8	Product development, design, testing, certification	100.0 (100.0)
EUR 6.8	Automobile importing, sales	100.0 (100.0)
EUR 30.0	Automobile importing, sales	100.0 (100.0)
EUR 0.1	Procurement of funds, group company financing	100.0
AUD 1,789.9	Automobile importing, sales	100.0
NZD 48.0	Automobile importing, sales	100.0
THB 7,000.0	Automobile importing, assembly, sales	100.0
THB 20.0	Manufacturing of automobile engines and press parts	100.0 (100.0)
PHP 1,640.0	Automobile importing, assembly, sales	51.0
PHP 770.0	Manufacturing of automobile transmissions	94.7 (89.4)
UAD 10.0	Importing, sales of automobile parts	100.0
JPY 100	Automobile sales	29.0 (29.0)
JPY 60	Automobile sales	35.0
JPY 30	Automobile sales	40.0
JPY 70	Automobile sales	28.6
JPY 58	Automobile sales	24.8
JPY 50	Automobile sales	23.0
JPY 60	Automobile sales	38.8
JPY 100	Automobile parts sales	33.0 (10.0)
JPY 10	Automobile planning and engineering	50.0
JPY 3,000	Auto sales financing, leasing, rentals	47.0
EUR 16.5	Automobile importing, sales	50.0 (50.0)
USD 16.0	Manufacture and marketing of automobiles and parts	25.0

Capitalization (In millions)	Business Lines	Share of Voting Rights in MMC (%) <sup>*1</sup>
JPY 265,608	Shipbuilding & ocean systems development, power systems, machinery & steel structures, aerospace, general machinery and special vehicles and others	15.6 (0.5)



## Principal Production Facilities



Country/Region	Name	Major Products
Japan	1. Nagoya Plant–Okazaki	Outlander, Outlander PHEV, ASX (RVR)
	2. Mizushima Plant	i-MiEV, Lancer (Galant Fortis), eK Wagon, Minicab, MINICAB-MiEV
	3. Pajero Manufacturing Co., Ltd.	Pajero (Montero), Delica D:5
	4. Powertrain Plant–Kyoto	Engines
	5. Powertrain Plant–Shiga	Engines
	6. Powertrain Plant–Mizushima	Engines, transmissions
U.S.A.	7. Mitsubishi Motors North America, Inc. (MMNA)	Outlander Sport (RVR)
Russia	8. PCMA Rus	Outlander, Pajero Sport
Thailand	9. Mitsubishi Motors (Thailand) Co., Ltd. (MMTh)	Mirage, Attrage, Triton, Pajero Sport, Lancer
	10. MMTh Engine Co., Ltd. (MEC)	Engines
Philippines	11. Mitsubishi Motors Philippines Corporation (MMPC)	Adventure, L300 (Delica), Lancer
	12. Asian Transmission Corporation (ATC)	Transmissions
China	13. GAC Mitsubishi Motors Co., Ltd. (GMMC)	Pajero, ASX
	14. South East (Fujian) Motor Co., Ltd. (SEM)	Lancer, Zinger
	15. Shenyang Aerospace Mitsubishi Motors Engine Manufacturing, Co., Ltd. (SAME)	Engines
	16. Harbin Dongan Automotive Engine Manufacturing, Co., Ltd. (DAE)	Engines, transmissions
Taiwan	17. China Motor Corporation (CMC)	Colt Plus, Lancer Fortis, Outlander, Zinger, Delica
Vietnam	18. Vina Star Motors Corporation (VSM)	Zinger, Pajero Sport

# Investor Information As of March 31, 2013

Company Name	MITSUBISHI MOTORS CORPORATION
Head Office	5-33-8, Shiba, Minato-ku, Tokyo 108-8410, Japan Telephone: +81-3-3456-1111
Established	April 22, 1970
Capital	¥165,701,243,103* (As of August 1, 2013)
Number of Employees	Consolidated: 29,822 Non-consolidated: 12,773
Stock Listing	Tokyo Stock Exchange
Securities Code	7211
Share Trading Unit	100 common shares; 1 preferred share* (As of August 1, 2013)
Number of Shares Outstanding	623,280,167* (As of August 1, 2013)
Number of Shareholders	

Type	Number of issued shares	Number of shareholders	Number of issued shares*
	As of March 31, 2013		As of August 1, 2013
COMMON SHARES	6,080,900,530	356,343	622,893,974
PREFERRED SHARES			
First Series Class A	57,600	4	47,600
First Series Class G	130,000	2	130,000
Second Series Class G	168,393	3	168,393
Third Series Class G	10,200	1	10,200
Fourth Series Class G	30,000	1	30,000

## Major Shareholders (Common Shares)

Name	Number of shares held (thousands)	% of total
	As of March 31, 2013	
Mitsubishi Heavy Industries, Ltd.	922,169	15.16
Mitsubishi Corporation	851,640	14.00
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	295,165	4.85
Meiji Yasuda Life Insurance Company (Standing proxy: Trust & Custody Services Bank, Ltd.)	94,594	1.55
Japan Trustee Services Bank, Ltd. (Trust account)	92,709	1.52
The Master Trust Bank of Japan, Ltd. (Trust account)	84,352	1.38
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo branch)	46,804	0.76
Japan Trustee Services Bank, Ltd. (Trust account 6)	42,946	0.70
Japan Trustee Services Bank, Ltd. (Trust account 1)	42,547	0.69
Nippon Yusen Kabushiki Kaisha (NYK LINE)	42,023	0.69
<b>Total</b>	<b>2,514,951</b>	<b>41.35</b>

Transfer Agent and Register	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan (Contact) Mitsubishi UFJ Trust and Banking Corporation Transfer Agent 7-10-11, Higashisuna, Koto-ku, Tokyo, Japan Toll-free telephone (Japan only) 0120-232-711
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\* Amounts and numbers of shares were determined in accordance with proposals approved at the 44th Ordinary General Meeting of Shareholders on June 25, 2013.

Drive@earth



**MITSUBISHI MOTORS**

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