MITSUBISHI MOTORS CORPORATION

ANNUAL REPORT 2014

Year ended March 31, 2014

Entering a new stage of growth

Drive@earth

MITSUBISHI MOTORS

Mitsubishi Motors Corporate Philosophy

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

Customer-centric approach

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

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

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

Going the extra mile

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

Importance of continuity

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

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.

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MITSUBISHI MOTORS

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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.

Milestones in Mitsubishi Motors' Revitalization

Surmounting a difficult operating environment, Mitsubishi Motors has revitalized itself by restructuring in mature markets and growing in emerging markets.

Plagued by a combination of factors, such as recall issues and an erroneous sales strategy in the United States, in 2004 Mitsubishi Motors was in a state of management crisis. Steadily rebuilding itself through the support of three Mitsubishi Group companies, by fiscal 2007 performance had recovered, and the Company was again delivering record levels of operating income and ordinary income.

Thereafter, however, the Company was hit by the global economic and financial crisis of 2008. In 2011, this was followed by such natural disasters as the Great East Japan Earthquake and flooding in Thailand. In 2012, performance was affected by anti-Japanese sentiment in China, and extremely high yen exchange rates prevailed throughout this period.

Despite this adverse operating environment, we have moved forward with successive mid-term business plans: the Mitsubishi Motors Revitalization Plan, launched in fiscal 2005; Step Up 2010, from fiscal 2008; and Jump 2013, introduced in fiscal 2011. Throughout the course of these plans, we have worked to bolster our regional and product strengths and transform our cost structure by optimizing our manufacturing system. As a result, we have made steady gains in profitability.

As a result, in fiscal 2012 we chalked up a new record for net income. In fiscal 2013, operating income, ordinary income and net income all reached historic highs, surpassing the profit targets we had set in Jump 2013.

Business Plan and Operating Performance >>

Started revitalization with the support of Mitsubishi Group

Mitsubishi Motors Revitalization Plan

Building solid profitability:
Restoring earnings and recovering trust

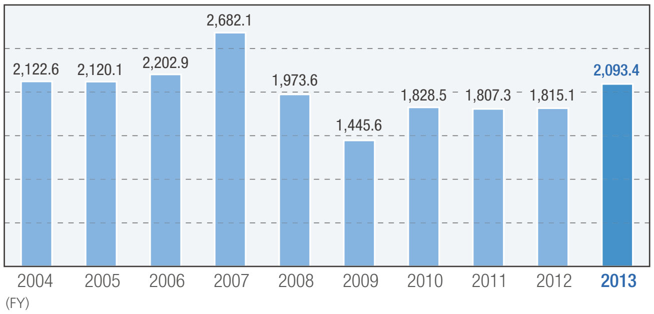
(Billions of yen, thousands of units)

Fiscal years:		2004	2005	2006	2007
Sales Volume (Retail sales)					
(Previous calculation method)*		1,370	1,344	1,230	1,360
(New calculation method)*		—	—	—	—
Net Sales		¥2,122.6	¥2,120.1	¥2,202.9	¥2,682.1
Operating Income (Loss)		(128.5)	6.8	40.2	108.6
Net Income (Loss)		(474.8)	(92.2)	8.7	34.7
Forex Rates	Yen/US$1	107	113	117	115
	Yen/€1	135	138	152	162

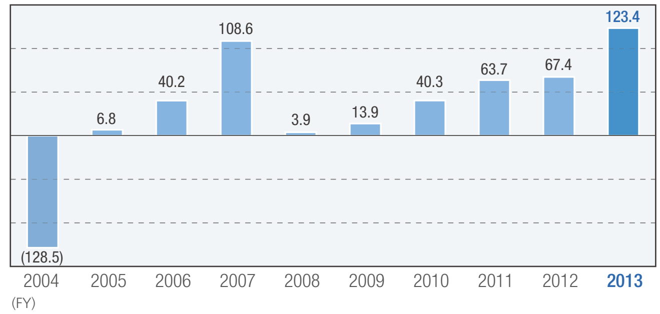
* The "previous calculation method" included retail units designed by MMC and sold by other manufacturers under a their brand name which provided royalty income. The "new calculation method" initiated in fiscal 2011 includes only MMC-branded units.

Achieved record high operating income through success in new models and cost reductions

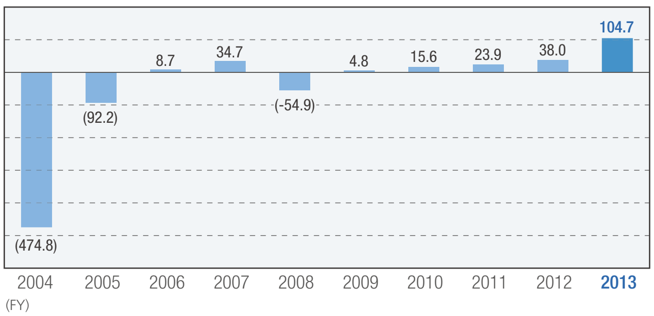
Net Sales
(Billions of yen)



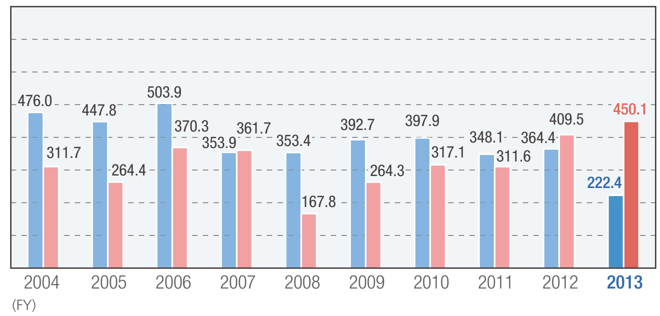
Operating Income (Loss)
(Billions of yen)



Net Income (Loss)
(Billions of yen)



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



Step Up 2010

Building the foundations for growth: Bolstering our strengths, securing steady profits

Jump 2013

Growth and leap forward: Concentrating business resources in emerging markets and environmental initiatives, reforming the cost structure

	2008	2009	2010	2011	2012	2013
	1,066	960	1,105	—	—	—
	—	—	987	1,001	987	1,047
	¥1,973.6	¥1,445.6	¥1,828.5	¥1,807.3	¥1,815.1	¥2,093.4
	3.9	13.9	40.3	63.7	67.4	123.4
	(54.9)	4.8	15.6	23.9	38.0	104.7
	101	92	85	79	82	100
	144	130	113	111	105	134

← Yen appreciation →

Global Financial Crisis

Great East Japan Earthquake
Flooding in Thailand

Maintained operating income amid the global financial crisis

Reached historic highs in operating income and net income despite the severe operating environment

Under a new management structure, we have put in place a new mid-term business plan, "New Stage 2016," and we will strive toward sustained growth and increases in corporate value.

By moving toward the objectives outlined in the mid-term business plan called Jump 2013, Mitsubishi Motors enhanced its profitability and addressed issues that had affected the Company for some years—namely the cancellation of preferred shares and resuming dividend payments on common stock—revitalizing the Company on both the operational and financial fronts. Going forward, we look forward to transforming from a revitalizing company into a growing one. This strong desire for new growth is inherent in New Stage 2016, the new mid-term plan that commenced in fiscal 2014. We will strive to achieve sustained growth and increases in corporate value by introducing products not available at competitors, particularly in the areas of technology and design.

In June 2014, Osamu Masuko was appointed chairman, with Tetsuro Aikawa filling his position as president of the Company. Under this new management structure, we will continue making steady progress along our growth trajectory during the period covered by New Stage 2016.

O. Masuko
Osamu Masuko
Chairman of the Board, CEO

T. Aikawa
Tetsuro Aikawa
President, COO

By boosting sales volume in various regions, particularly in Asia, we aim to achieve the operating income target set for the final year of New Stage 2016 two years early.

Overview of the Final Year for "Jump 2013"

"Growth and leap forward" was the basic policy of Jump 2013, our mid-term business plan that commenced in 2011. Under this plan, we endeavored to shore up our local production in emerging markets, including the ASEAN region, China and Russia, and to strengthen our operating base. In mature markets, meanwhile, we sold our European production subsidiary, Netherlands Car B.V. (NedCar), and worked to bolster our strengths through such measures as raising productivity at factories in Japan. Consequently, in fiscal 2013 net sales expanded ¥278.3 billion, or 15% year on year, to ¥2,093.4 billion. Thanks to ongoing efforts to curtail costs and a correction to the high yen exchange rate, operating income and net income both reached historically high levels.

Furthermore, in March 2014 we completely dissolved our preferred shares, an issue the Company had been facing for a number of years. Furthermore, we resumed dividends after a 16.5-year hiatus. For the fiscal year ended March 31, 2014, we awarded a regular dividend of ¥15 plus a special dividend of ¥10, for a total dividend of ¥25 per share.

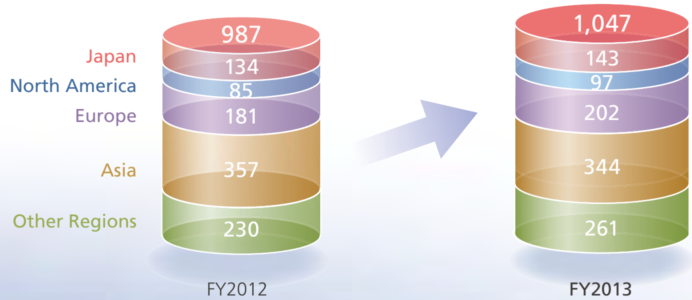
Fiscal 2013 Highlights

- Sales volume (retail) up 60,000 units, to 1,047,000 vehicles
- Operating income up ¥56.0 billion year on year, to ¥123.4 billion
- Net sales up ¥278.3 billion year on year, to ¥2,093.4 billion
- Net income up ¥66.7 billion year on year, to ¥104.7 billion

Sales in other countries and regions overcame a drop in sales in Thailand, leading to record profits.

Sales Volume (Retail) by Region

(Thousands of units)



Operating Performance

(Billions of yen)

	FY2012	FY2013	Change
Net Sales	1,815.1	2,093.4	15%
Operating Income	67.4	123.4	83%
Net Income	38.0	104.7	176%

Future Initiatives for Growth Focusing on the ASEAN Market

Mitsubishi Motors positions the ASEAN market as a pillar of sales and income. Accordingly, we will maintain our policy of investing management resources aggressively in this region.

In Thailand, sales fell sharply in fiscal 2013, as a tax break on car purchases came to an end. We expect demand to remain sluggish in fiscal 2014, reflecting the country's current state of political turmoil. Nevertheless, in autumn of 2014 our mainstay *Triton* will be introduced following the first full model change in nine years. As a result, we aim to boost our sales volume in Thailand in the second half of the fiscal year. After the new-model *Triton* launches in Thailand, we will gradually commence exports to all world markets.

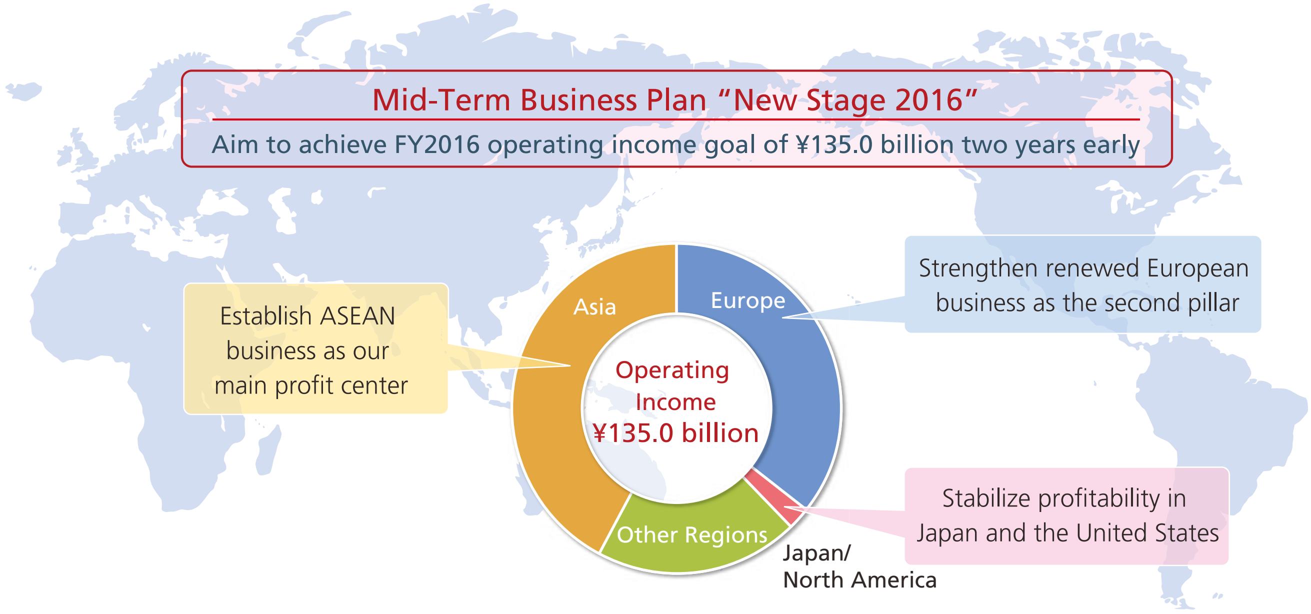
MITSUBISHI Concept GR-HEV

Regarding other countries in the ASEAN region, in fiscal 2013 sales volume hit record levels in Indonesia and the Philippines. In fiscal 2014, we expect automobile demand to remain relatively robust, and for sales to rise accordingly.

Looking at production in the ASEAN region, in fiscal 2013 we set a new record for the number of units produced for export at our key plant in Thailand. We expect the number of units produced at the plant to remain high as domestic sales in Thailand increase. In addition to our production facility in Thailand, we are augmenting capacity at a new plant in the Philippines, further strengthening our base of operations in the ASEAN region. Specifically, the new plant is scheduled to commence production in 2015, and we are aiming for an annual production volume of around 100,000 units. Through assiduous production and sales efforts over the years, we have built up the number two market share in the Philippines, whose automobile market is slated for ongoing expansion.

Mitsubishi Motors will reinforce initiatives to shore up its base of business, including by reworking its production structure, to continue increasing its sales in the ASEAN region.

Initiatives in Fiscal 2014



Future Initiatives in the Japanese and European Markets

In the Japanese market, sales volume remains steady for the *eK* series—the *eK Wagon*, *eK Custom* and *eK Space*—developed by NMKV, our joint venture with Nissan Motor in the minicar business. In fiscal 2014, we expect solid minicar sales to contribute to performance throughout the year. This factor, plus increased sales of the *Outlander PHEV*, equipped with a plug-in hybrid EV system, should steadily move operations in this market into the black.

In Europe, we sold Netherlands Car B.V. (NedCar) in fiscal 2012. This move, plus the correction to high yen exchange rates, caused our performance in this market to improve markedly in fiscal 2013. In fiscal 2014, we plan to conduct proactive promotional activities for the *Outlander PHEV* in the Netherlands and other European countries, leading to higher sales and income in the region.

■ In Japan, Introducing the New *eK Space* Minicar, a "Super-Height" (Tall) Wagon

Mitsubishi Motors followed its fiscal 2013 launch of the new-model *eK Wagon* and *eK Custom* by introducing a new product in the *eK* series, the *eK Space*, in February 2014. Themed around the keywords "comfort," "convenience" and "peace of mind," the new-model *eK Space* surpasses previous minicar offerings in amount of comfortable cabin space, drivability, ease of use and sense of sophisticated quality. The model maximizes the limited amount of space, putting it at the top of its class in cabin height (1,400 mm) and length (2,235 mm). The *eK Space* also offers a generous 260 mm of slide space in the rear seat (divided left and right), the most of any minicar. A rear circulator is provided to cycle air throughout the cabin, and the rear door window is equipped with a rolled sunshade. Features like these are designed to maximize enjoyment of the time spent in the car. The *eK Space* is available in standard and custom models, and two- and four-wheel-drive versions are available for each. A turbo engine is available in the custom model lineup.

<Principal Features>

- Uses a rear circulator, the first for a minicar, to cycle cabin air for maximum comfort of rear-seat passengers*
- Provides a sunshade, which rolls up into the rear door trim, to protect passengers from the sun's glare*
- Employs UV-reducing glass that shuts out 99% of UV light in the front door and front quarter panel glass to keep out ultraviolet rays
- Includes a one-touch automatic unlocking and sliding rear door*
- Utilizes a rear-view monitor that displays the area behind the vehicle for safety when backing

* Some vehicle grades excluded.

eK Space (G 2WD)

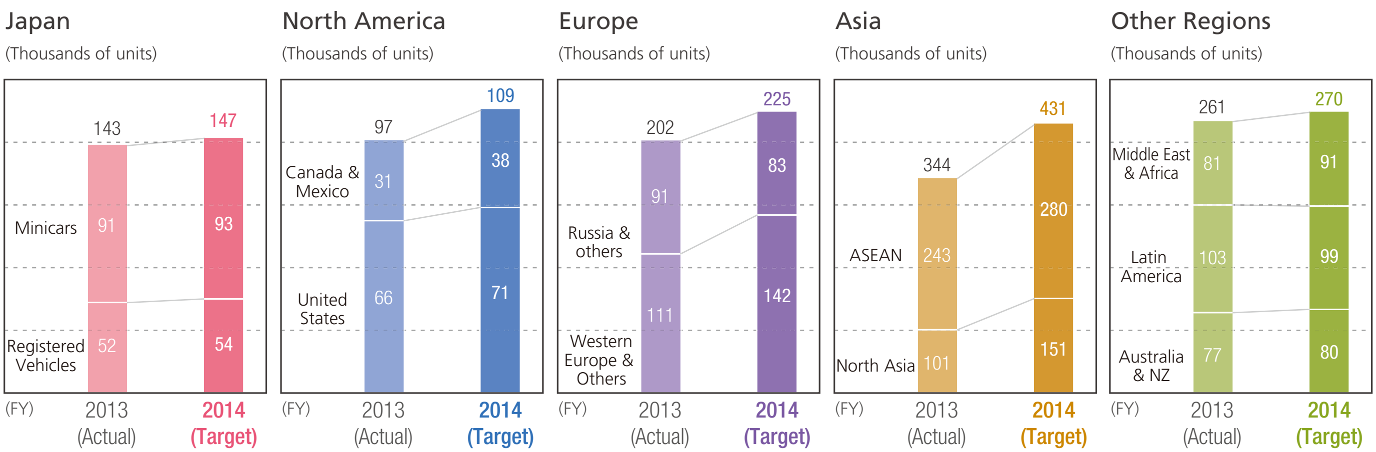
eK Space (Custom T 2WD)

Forecasts for Fiscal 2014

In fiscal 2014, we expect a full year of sales of the *eK Series* to contribute to sales in Japan, boosting unit sales in this market by 4,000 units, or 3%, compared with fiscal 2013 levels. In North America, by leveraging the *Outlander Sport* we anticipate a sales increase of 12,000 units, or 13%, stemming from the higher sales of the new-model *Outlander* and *Mirage*. As Western Europe emerges from recession, we expect European sales to expand by 23,000 units, or 11%, partly due to higher sales of the *Outlander PHEV*. In Asia, we expect sales in China to increase, centered on *ASX* and *Pajero Sport* models produced by GAC Mitsubishi Motors. We also anticipate higher sales in Thailand, owing to the introduction of the new-model *Triton* and ongoing increases in sales volume in Indonesia and the Philippines. Consequently, we anticipate sales in this region to rise 87,000 units, or 25%, compared with fiscal 2013 levels. Owing to these figures, we expect overall sales volume in fiscal 2014 to reach 1,182,000 units in fiscal 2014, up 135,000, or 13%, compared with fiscal 2013.

In keeping with these sales volume forecasts, we anticipate net sales of ¥2,300.0 billion, operating income of ¥135.0 billion and net income of ¥110.0 billion. These results would mean hitting the ¥135.0 billion operating income target outlined in our New Stage 2016 mid-term business plan two years earlier than expected when we announced the plan in November 2013.

Regional Sales Volume (Retail)



Operating Performance and Forecast

(Billions of yen, thousands of units)

	FY2012 (Actual)	FY2013 (Actual)	FY2014 (Forecast)
Sales Volume (Retail)	987	1,047	**1,182**
Net Sales	1,815.1	2,093.4	**2,300.0**
Operating Income	67.4	123.4	**135.0**
Operating Income Ratio	3.7%	5.9%	**5.9%**
Net Income	38.0	104.7	**110.0**
Net Income Ratio	2.1%	5.0%	**4.8%**

Special Feature: Our New Mid-Term Business Plan, "New Stage 2016"

By steadily progressing in accordance with Jump 2013, Mitsubishi Motors concentrated its management resources on emerging markets and environmental initiatives. The Company also improved its cost structure dramatically and raised profitability. In fiscal 2013, the final year for Jump 2013, operating income and net income both hit record highs, putting the Company in a position to enter a new stage of growth. Taking these results into consideration, we formulated a new mid-term business plan, New Stage 2016, to guide the Company during the three years from fiscal 2014 through fiscal 2016.

▶Key Principles of New Stage 2016

New Stage 2016, covering the three fiscal years beginning fiscal 2014, builds on the management foundations strengthened through Jump 2013 and aims to further growth. Mitsubishi Motors believes that one of the keys to achieving this expansion is leveraging its strategic products—pickup trucks, SUVs and crossover models. In addition, we will work steadily to meet growing global demand for vehicles with eco-car and safety technologies. We will also continue striving to boost our medium- to long-term growth potential in the Asian market. We have outlined five key principles to achieve these goals.

Key Principles of New Stage 2016

Entering a New Stage of Growth

Boost Revenue by Launching Strategic Models
We will aim to earn higher income on increased sales by introducing more products where we enjoy the biggest advantage in our strongest markets.

Enhance the Mitsubishi Motors Brand and Identity
We will step up research and development in a bid to introduce products that exceed customers' expectations and are distinctively "Mitsubishi Motors."

Reinforce Our Production Base in ASEAN Countries
Positioning the ASEAN region as our key driver of sales and income, we will augment competitiveness by expanding production at bases in Thailand and other locations to ensure ongoing market growth.

Establish an SUV Brand with a Strong Foothold in Emerging Markets
We will concentrate our investment of resources on Mitsubishi Motors' areas of strength: emerging markets and SUVs.

Make Effective Use of Resources through Business Partnerships
We will forge alliances with other companies to strategically and effectively utilize management resources such as R&D expenditures and fixed costs on production.

Mitsubishi Motors is entering a new stage of growth by following the six key measures outlined in New Stage 2016.

▶Boost Revenue by Launching Strategic Models

Mitsubishi Motors regards pickup trucks, SUVs and crossover models as strategic products, as they account for 58% of the Company's global sales volume and 68% of net sales. In fiscal 2014 and fiscal 2015, we are planning to successively introduce all-new versions of the *Triton* and *Pajero Sport*, our core models. Mitsubishi Motors is also working on the development of the next-generation *RVR*, *Delica D:5* and *Pajero*, as well as technology development for the expansion of plug-in hybrid EV models. We expect the successive introduction of these strategic products and technologies to lead to sales increases.

Our target retail sales volume for fiscal 2016 is 1,430,000 units, which is 27% higher than the fiscal 2013 figure of 1,047,000 units. We aim to achieve this expansion by boosting our ratio of strategic products—pickup trucks, SUVs and crossover models—from 58% of sales volume in fiscal 2013 to 63% by fiscal 2016, or in terms of net sales, from 68% to 74%.

▶Develop Next-Generation Technology

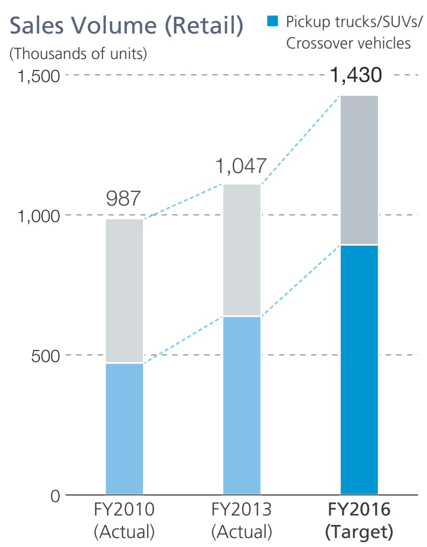
Mitsubishi Motors has adopted environmental responsibility, driving pleasure, and toughness and safety as its three pillars of technology development in "@earth TECHNOLOGY," and will continue developing next-generation technologies based on those concepts. We believe electric vehicle technology fills an important role in complying with environmental regulations, which are being strengthened globally. Accordingly, as a leading company in electric vehicle technology we aim to increase our production ratio of electric vehicles to 20% by 2020.

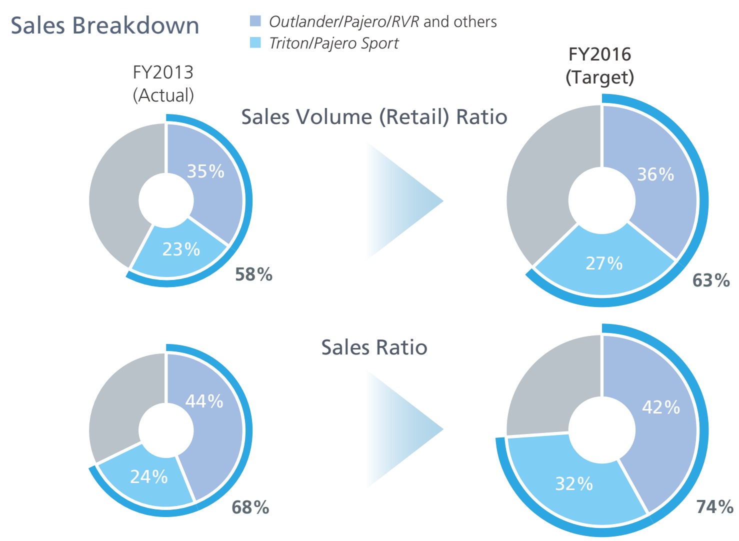
In addition to developing next-generation engines that deliver both driving and environmental performance, we will continue moving forward with proprietary technologies such as the S-AWC four-wheel integrated vehicle dynamics control system and a group of active safety technologies that are used in the *Outlander*, called "*e-Assist*.*" We will also expand the range of models in which those technologies are utilized. Moreover, MMC will aggressively pursue the integration of information technology in vehicles by adopting "connected car" technology, which connects vehicles to the Internet using smartphones.

* "e-Assist" name used in Japan only.

▶Strengthen Regional Strategies

We have been working proactively to strengthen our business in emerging markets. Particularly in ASEAN countries, China and Russia, Mitsubishi Motors has prepared a foundation for the future expansion of profits in individual regions by establishing





new plants and commencing production at joint venture companies. We expect these efforts to deliver steady results, and we will push forward with measures to bolster sales and profits in emerging markets, centering on Asia.

We will accelerate structural reform efforts in mature markets with the aim of improving profits. In Japan, we aim to develop the minicar business further through NMKV, our joint venture with Nissan Motor Company that designs and develops minicars. At the same time, we will work towards improving sales efficiency and profitability by narrowing the number of models and expanding sales volume per model. In North America, we aim to improve production efficiency at U.S. plants by manufacturing vehicles for export. In Europe, where we lowered fixed costs and improved profitability through the 2012 sale of production subsidiary Netherlands Car B.V. (NedCar), we will work to recover sales volume and expand profits by maximizing the effect of the introduction of major models such as the new *Triton*.

▶Restructure Operations

We will move aggressively forward with reforms to operating structure. Specifically, we aim to achieve an optimal balance in our global production capacity. On the one hand, we will expand production in emerging markets, where demand is expected to grow. In mature markets, on the other hand, we intend to maintain adequate capacity while moving forward with streamlining our plants and introducing next-generation production technology. We expect our overseas production ratio to grow as a result of these moves. Meanwhile, in Japan we are increasing the utilization rate at the Mizushima Plant, which is the base of minicar manufacturing through projects carried out by NMKV—our minicar planning and development joint venture with Nissan Motor. We will also move ahead proactively with effective use of resources through business partnerships.

In addition, we are cutting costs by reorganization and integrating our car lines. By reducing the number of previous-generation and region-specific models, we plan to reduce our number of platforms from nine as of fiscal 2013 to seven by the end of fiscal 2016, and decrease the number of models from 18 to 13 over that period. We expect to reduce fixed costs, in particular, by augmenting sales volume per model and per platform.

We will continue with activities aimed at curtailing total costs under a committee controlled directly by the president that has been achieving steady results. Through these efforts, we aim to lower groupwide costs by fiscal 2016 by around ¥110 billion compared with fiscal 2013 levels.

Regional Initiatives

Europe

Sales Volume Target (Retail)
(Thousands of units)
FY2013 (Actual): 110
FY2016 (Target): 160

- Improve profitability through reduction in fixed cost by selling production facilities
- Maximize the effect of new global model launches including new *Triton*

Russia & others

Sales Volume Target (Retail)
(Thousands of units)
FY2013 (Actual): 90
FY2016 (Target): 110

- Expand sales, mainly in strategic models such as SUVs and pickup trucks
- Reduce costs by increasing local production

North America

Sales Volume Target (Retail)
(Thousands of units)
FY2013 (Actual): 100
FY2016 (Target): 150

- Revitalize sales network by launching new models
- Improve production efficiency by exporting *Outlander Sport* from U.S. factory

China & others

Sales Volume Target (Retail)
(Thousands of units)
FY2013 (Actual): 100
FY2016 (Target): 200

- Shift to full production at GAC Mitsubishi Motors Co., Ltd. (GMMC)
- Develop and enhance sales network

Japan

Sales Volume Target (Retail)
(Thousands of units)
FY2013 (Actual): 140
FY2016 (Target): 150

- Develop the minicar business through NMKV
- Reduce the number of models and increase sales volume per model

ASEAN

Sales Volume Target (Retail)
(Thousands of units)
FY2013 (Actual): 240
FY2016 (Target): 390

- Achieve goals set in ASEAN Challenge 12*1 and develop business further in five major ASEAN countries*2
- Reinforce business in the Philippines as a core market following Thailand and Indonesia

*1: 360,000 units are to be sold in five major ASEAN countries in fiscal 2015
*2: Thailand, Indonesia, the Philippines, Malaysia and Vietnam

▶Establish a Stable Business Foundation

Carrying out the measures described above requires a stable business foundation. In particular, we are concentrating on strengthening our organization in emerging markets, conducting pioneering research to enhance product competitiveness and developing eco-friendly and other advanced technologies. Each year during the period of New Stage 2016, we plan to invest an average of ¥100 billion in capital expenditure and ¥80 billion in research and development. These figures represent increases of 50% and 30% in comparison with our previous mid-term business plan.

▶Take Action to Improve Quality

Mitsubishi Motors believes that quality is of foremost importance in ensuring that customers travel safely in the vehicles it produces. To continue meeting customers' expectations, we aim to be at the top level in the industry for all aspects of vehicle quality. The Group as a whole will focus on quality-enhancement efforts.

▶Performance Targets for Fiscal 2016

Through the measures outlined above, Mitsubishi Motors plans to further expand profitability. Throughout the period of New Stage 2016, we intend to put ourselves on a steady path toward growth and achieve stable returns for shareholders.

In November 2013, when we announced New Stage 2016, our operating performance targets for fiscal 2016 were net sales of ¥2,600 billion (compared with ¥2,093.4 billion in fiscal 2013) and operating income of ¥135.0 billion (up from ¥123.4 billion). We now expect to meet our operating income target two years ahead of time, in fiscal 2014. As a result, we will need to set new targets for fiscal 2016. We are currently in the process of revising our forecast and will announce our new targets when ready.

(Billions of yen, thousands of units)

	FY2013 (Actual)	FY2016 (Targets)
Sales Volume (Retail)	1,047	1,430
Sales	2,093.4	2,600.0
Operating Income	123.4	135.0
Operating Income Ratio	5.9%	5.2%

Aiming for the Top Quality Level in the Industry

Objectives

- **To provide safe and secure vehicles from a customers' point of view**
  Sustainably offer high-quality products that deliver high customer satisfaction
- **To build a global quality control system**
  Reinforce quality control in expanding overseas markets and production facilities
- **To reform manufacturing process throughout whole value chain to improve product quality**
  Build an ever-improving organization in which each employee has great awareness of issues

Targets to Achieve

Quality Targets

We will achieve the following objectives for newly launched models:

1. Reduce the number of failures occurring within three months of delivery by half compared with fiscal 2012
2. Reduce the ratio of defective components from suppliers by half compared with fiscal 2012
3. Halve the period from any occurrence of failure to determination of countermeasures compared with fiscal 2012

Plug-in Hybrid EV (PHEV) System

We have combined Mitsubishi Motors' electric vehicle (EV), 4WD and SUV technologies into a plug-in hybrid EV (PHEV) system. The world's first such system for an SUV, the PHEV system allows external charging. Also, the addition of a generator and an engine for that purpose extends the vehicle's cruising range, resulting in travel that is economical, as well as comfortable and powerful.

Mitsubishi Motors' PHEV technology is the culmination of the EV technology gained on the *i-MiEV*, the 4WD technology cultivated with the *Lancer Evolution* and the SUV expertise earned on the *Pajero*. Also, the PHEV system's gasoline engine operates as a generator, supplying electricity to the electric motors.

With a PHEV system, the motors are used for normal travel. When the remaining battery charge is low or if powerful acceleration is required, the engine automatically starts up and begins to generate electricity, which is supplied to the motor and the battery. This arrangement meet customer demand by giving vehicles a longer cruising range than EVs. This technology allows for superb accelerator response not possible on a gasoline-only vehicle, characterized by fast acceleration and substantial deceleration energy. Furthermore, movement is smooth, with no shift-shock.

Given the system's high-capacity battery and charging function, there is little need to start the engine during typical city driving. As a result, no CO_2 is generated, making for eco-friendly and fuel-efficient travel. Hybrid vehicles, in comparison, use battery power temporarily when starting out but mainly utilize gasoline during normal travel.

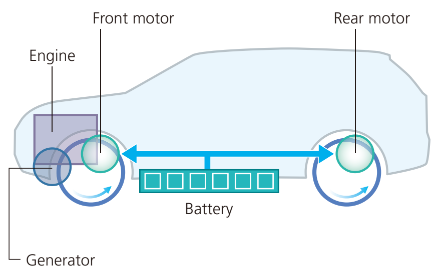
Also, to achieve fuel efficiency and comfortable travel, the system automatically selects the optimal travel mode from the three available, given travel conditions and battery charge remaining. In addition to environmental responsibility, the *Outlander PHEV*, which employs this system, delivers driving pleasure through its twin-motor four-wheel drive and Super All Wheel Control (S-AWC) system, which deliver superb driving performance.

The three drive modes of PHEV

Remaining battery charge: high	Remaining battery charge: low	
City driving/Driving outside the city	City driving	Driving outside the city

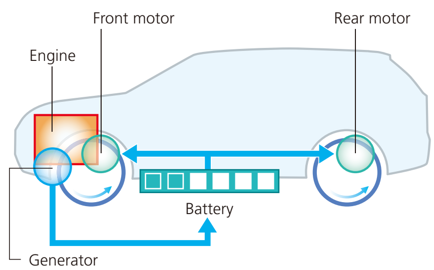
● EV Drive Mode

Used when traveling at low or medium speeds in residential and city areas, 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_2 emissions the driver can enjoy quiet and very eco-friendly performance in this mode.



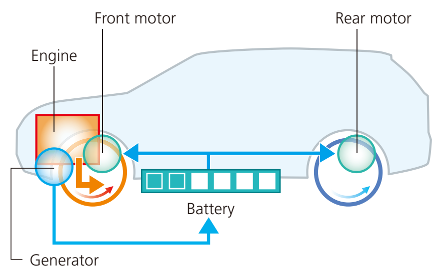
● Series Hybrid Mode

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.



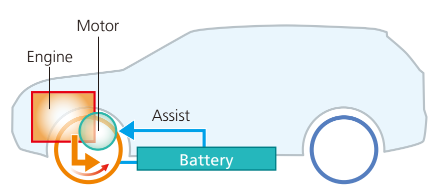
● Parallel Hybrid Mode

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.



Hybrid Vehicles

These are systems on which a battery and motor have been added to a gasoline-powered automobile, and do not allow electricity to be supplied externally.



In fiscal 2014, we aim to augment sales volume, particularly in Asia, generating stronger sales and income.

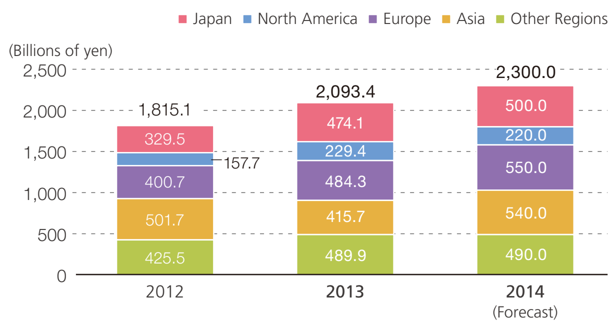
In fiscal 2013, although retail sales volume declined in Thailand, retail sales volume in Japan, North America, Europe, China and other ASEAN countries compensated, leading to a year-on-year increase of 60,000 units, or 6%, to 1,047,000 units. As a result, net sales expanded ¥278.3 billion, or 15%, to ¥2,093.4 billion. Due to the higher sales volume and generally positive exchange rate movements (excluding the negative impact of exchange with the Thai baht), operating income surged ¥56.0 billion, or 83%, to ¥123.4 billion. Net income also soared ¥66.7 billion, or 176%, to ¥104.7 billion, marking a record high.

In fiscal 2014, we anticipate further rises in sales and income thanks to higher sales volume, centered on Asia. We expect to increase our retail sales volume in every region, starting with a rise of 87,000 units in Asia, to 431,000 units. Overall, we forecast growth of 135,000 units, or 13%, to 1,182,000 units. Consequently, we expect net sales to rise ¥206.6 billion, or 10%, compared with fiscal 2013, to ¥2,300.0 billion. We also forecast that operating income will grow ¥11.6 billion, or 9%, to ¥135.0 billion, and net income will expand ¥5.3 billion, or 5%, to ¥110.0 billion. As in fiscal 2013, we expect to hit new highs.

Net Sales

(Billions of yen)

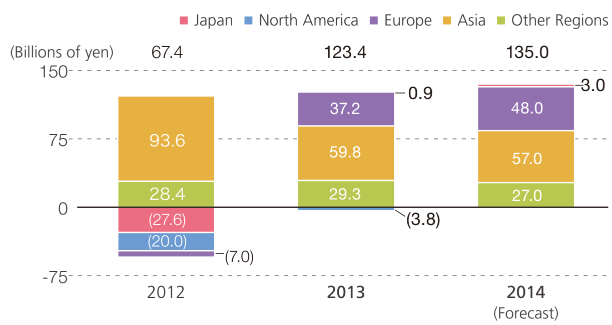
	FY2012	FY2013	FY2014 (Forecast)
Japan	329.5	474.1	500.0
North America	157.7	229.4	220.0
Europe	400.7	484.3	550.0
Asia	501.7	415.7	540.0
Other Regions	425.5	489.9	490.0
Total	1,815.1	2,093.4	2,300.0



Operating Income (Loss)

(Billions of yen)

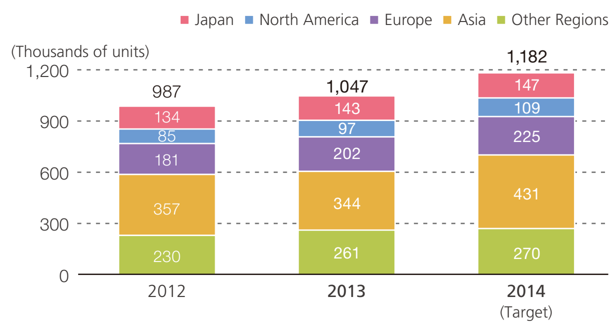
	FY2012	FY2013	FY2014 (Forecast)
Japan	(27.6)	0.9	3.0
North America	(20.0)	(3.8)	0.0
Europe	(7.0)	37.2	48.0
Asia	93.6	59.8	57.0
Other Regions	28.4	29.3	27.0
Total	67.4	123.4	135.0



Sales Volume (Retail)

(Thousands of units)

	FY2012	FY2013	FY2014 (Target)
Japan	134	143	147
North America	85	97	109
Europe	181	202	225
Asia	357	344	431
Other Regions	230	261	270
Total	987	1,047	1,182



Japan

We expect sales and income to increase due to strong performance for the *eK* series and increased sales of the *Outlander PHEV*.

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

Performance in fiscal 2013

During fiscal 2013, registered vehicle sales volume in Japan was below the level for fiscal 2012. However, sales were robust thanks to solid performance with the minicars we introduced in June 2013—the new-model *eK Wagon* and *eK Custom*—and the *eK Space*, a "super-height" (tall) wagon launched in February 2014. Accordingly, total sales volume for registered vehicles and minicars came to 143,000 units, up 9,000 units, or 7%, from fiscal 2012.

Net sales rose ¥144.6 billion, or 44%, to ¥474.1 billion. At the operating level, we benefited from the increase in sales, as well as to improved minicar operations via NMKV, our joint venture with Nissan Motor, and to successful cost-cutting efforts. As a result, we posted operating income of ¥0.9 billion for the year, significantly better than the operating loss of ¥27.6 billion recorded in fiscal 2012.

Outlook for fiscal 2014

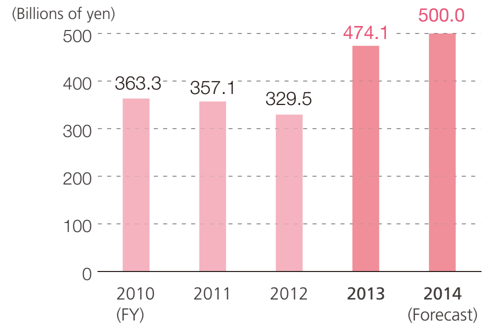
In fiscal 2014, we look forward to favorable sales of the *eK Wagon* and *eK Custom*, and the *eK Space* will contribute to sales for the full fiscal year. Thanks to solid sales of the *eK* series and expanded sales of the *Outlander PHEV*, we believe we now have a base for profitability in the Japanese market.

We expect sales volume to exceed fiscal 2013 levels by 4,000 units, or 3%, rising to 147,000 units. We are targeting net sales of ¥500.0 billion, up ¥25.9 billion, or 5%, and operating income of ¥3.0 billion, up ¥2.1 billion, or 133%.

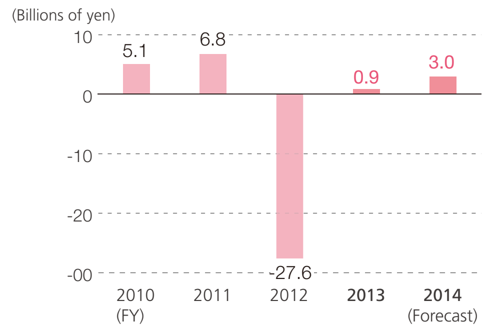
eK Space

Outlander PHEV

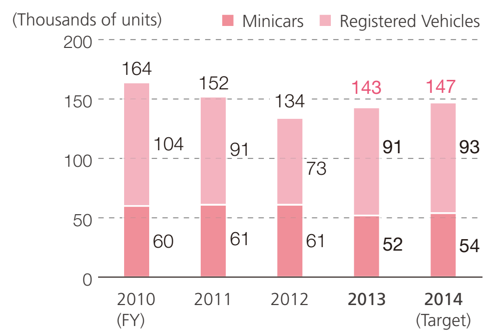
Net Sales



Operating Income (Loss)



Sales Volume (Retail)



North America

We will bolster sales volume through sales promotions on the *Outlander* and *Mirage*.

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

Performance in fiscal 2013

Our sales volume in North America grew 12,000 units, or 14%, in fiscal 2013, to 97,000 units, due to such factors as our introduction of the *Outlander* and the *Mirage*.

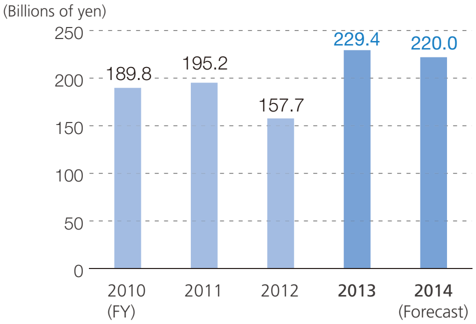
Benefiting from a higher sales volume and the correction to the high yen exchange rates, net sales expanded ¥71.7 billion, or 45%, to ¥229.4 billion. Furthermore, the operating loss improved from ¥20.0 billion in fiscal 2012 to ¥3.8 billion in fiscal 2013.

Outlook for fiscal 2014

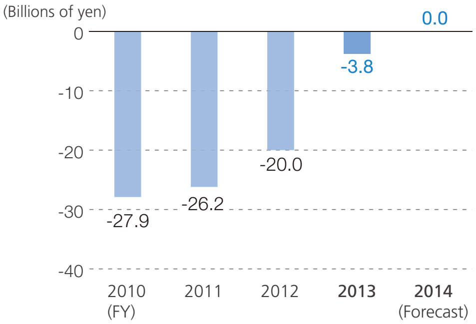
In fiscal 2014, we expect to increase sales volume by leveraging North American production of the *Outlander Sport*, as well as through sales promotions on the *Outlander* and *Mirage*, which we introduced in 2013.

We anticipate an increase in sales volume of 12,000 units, or 13%, to 109,000 units. Due to changes in our model lineup, we expect net sales to drop ¥9.4 billion, or 4%, from fiscal 2013 figures, to ¥220.0 billion. At the same time, we aim to erase the operating loss during the year by reducing costs, making a ¥3.8 million improvement at the operating level.

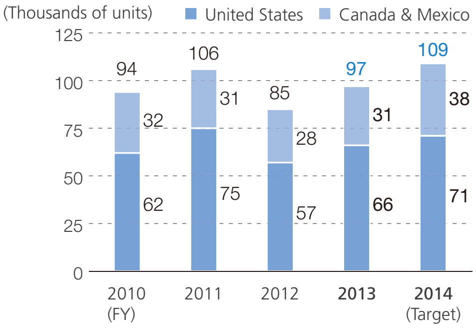
Net Sales



Operating Income (Loss)



Sales Volume (Retail)



Outlander Sport

Mirage

Europe

We are running aggressive sales promotions for the *Outlander PHEV* in individual regions within Europe.

Jo Tsuji
Senior Executive Officer, Head Officer of the Headquarters, Overseas Operations Group Headquarters A

Performance in fiscal 2013

In Europe, the introduction of the *Outlander*, among other factors, caused sales volume in fiscal 2013 to increase 21,000 units, or 11%, to 202,000 units.

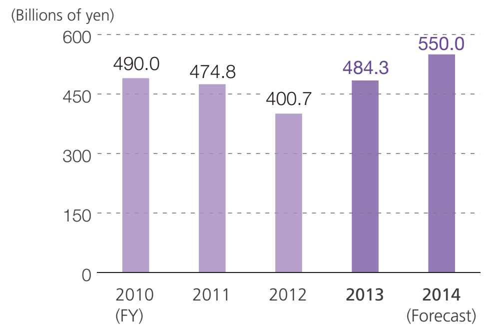
Net sales grew ¥83.8 billion, or 21%, to ¥484.3 billion, thanks to the exchange impact of the correction to the high yen, as well as to increased sales of higher-end vehicles. At the operating level, positive exchange rate effects stemming from the yen correction and an improved model lineup led to a major improvement: from an operating loss of ¥7.0 billion in fiscal 2012 to operating income of ¥37.2 billion in fiscal 2013.

Outlook for fiscal 2014

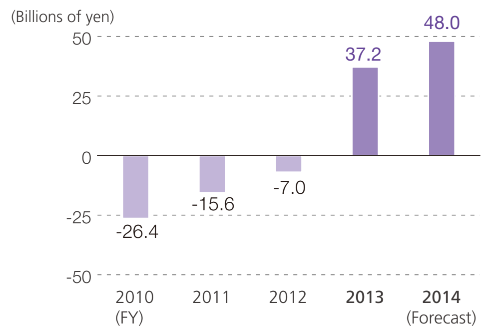
In fiscal 2014, we expect lackluster sales volume in Russia and the Ukraine as a result of political instability. Western Europe, however, looks forward to a gradual economic recovery. We will also run aggressive sales promotions for the *Outlander PHEV* in the Netherlands and other European countries.

Compared with fiscal 2013, we expect sales volume to rise 23,000 units, or 11%, to 225,000 units. We anticipate a net sales increase of ¥65.7 billion, or 14%, to ¥550.0 billion, and expect operating income will rise ¥10.8 billion, or 29%, to ¥48.0 billion.

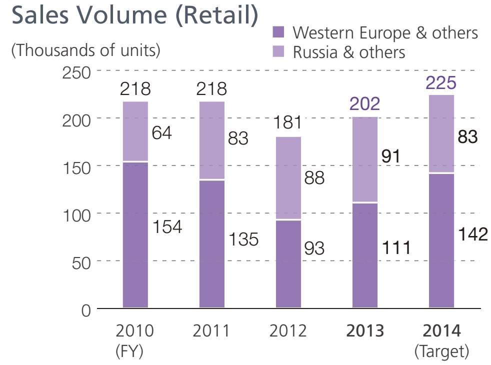
Net Sales



Operating Income (Loss)



Sales Volume (Retail)



Outlander

Outlander PHEV

Asia

We aim to increase sales volumes in China and other parts of North Asia, as well as in the ASEAN region.

Morikazu Chokki
Senior Executive Officer, Head Officer of the Headquarters, Overseas Operations Group Headquarters B, Corporate General Manager of Thai Business Office

Jo Tsuji
Senior Executive Officer, Head Officer of the Headquarters, Overseas Operations Group Headquarters A

Performance in fiscal 2013

Looking at the Asian market, during the year under review sales volume in Thailand, which had posted record levels in the preceding fiscal year, suffered from sluggish demand due to the December 2012 conclusion of a tax break on car purchases, as well as to political turmoil in the country. However, in China GAC Mitsubishi Motors contributed significantly, and the Philippines and Indonesia broke new records for sales volume, minimizing the overall decline for the region as a whole. As a result, sales volume decreased 13,000 units, or 4%, to 34,400 units.

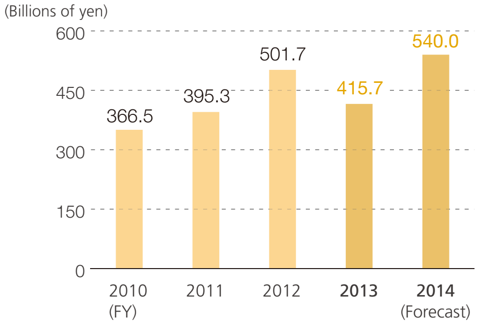
Due to the lower sales volume in Thailand, net sales was down ¥86.0 billion, or 17%, to ¥415.7 billion. Operating income also fell in comparison with fiscal 2012 figures, dropping ¥33.8 billion, or 36%, to ¥59.8 billion.

Outlook for fiscal 2014

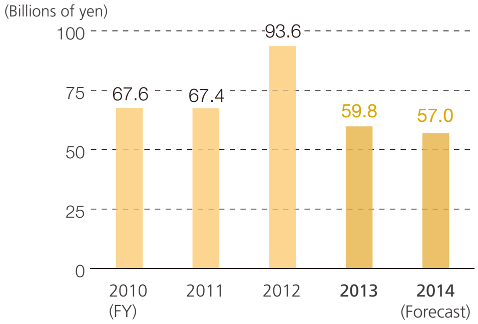
In fiscal 2014, we plan to boost sales, centering on the *ASX* and *Pajero Sport* produced in China by GAC Mitsubishi Motors. As a result, we expect the sales volume for North Asia to grow 50,000 units, or 50%, to 151,000 units. In the ASEAN region, the introduction of the new-model *Triton* in Thailand and ongoing increases in Indonesia and the Philippines should push up sales volume an additional 37,000 units, or 15%, to 280,000 units.

For Asia as a whole, we forecast an increase in sales volume of 87,000 units, or 25%, to 431,000 units. We expect net sales to rise ¥124.3 billion, or 30%, to ¥540.0 billion. However, we believe operating income will fall ¥2.8 billion, or 5%, from fiscal 2013 levels, to ¥57.0 billion.

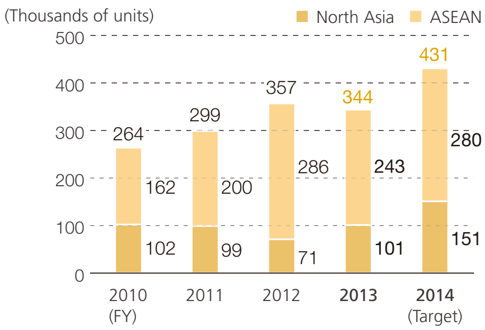
Net Sales



Operating Income



Sales Volume (Retail)




Pajero Sport


Attrage

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

We are steadily boosting sales volume through the introduction of new models and proactive marketing activities.

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

Jo Tsuji
Senior Executive Officer, Head Officer of the Headquarters, Overseas Operations Group Headquarters A

Performance in fiscal 2013

Our sales volume in other regions during fiscal 2013 was up 31,000 units, or 14%, to 261,000 units, thanks to year-on-year increases in Australia, New Zealand, Latin America, the Middle East and Africa.

Stemming from the increase in sales volume, net sales rose ¥64.4 billion, or 15%, to ¥489.9 billion. Operating income inched up ¥0.9 billion, or 3%, to ¥29.3 billion.

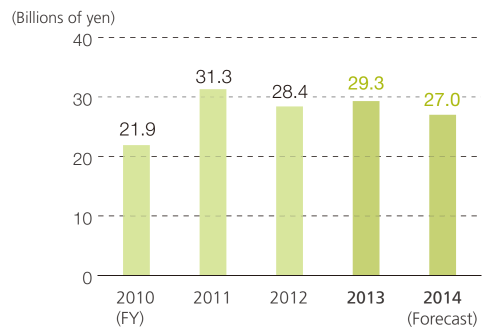
Outlook for fiscal 2014

For fiscal 2014, we intend to introduce new models and are planning aggressive marketing activities.

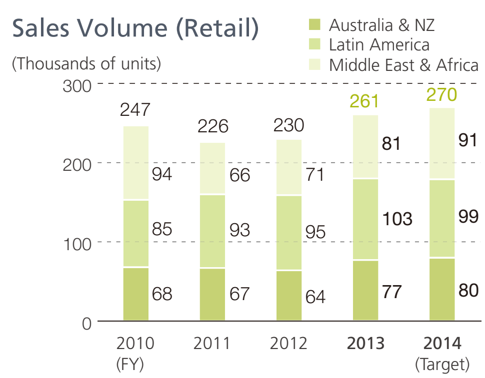
We expect sales volume to grow 9,000 units, or 3%, to 270,000 units. We also forecast a slight increase in net sales, of ¥0.1 billion, to ¥490.0 billion. We expect operating income to fall ¥2.3 billion, or 8%, to ¥27.0 billion.

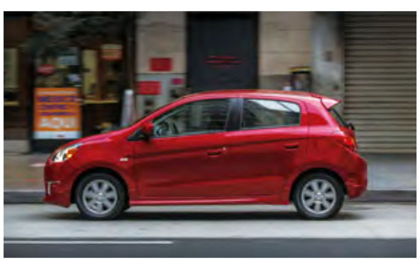
Net Sales

Operating Income



Sales Volume (Retail)





Mirage/Space Star

ASX

Pajero

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.

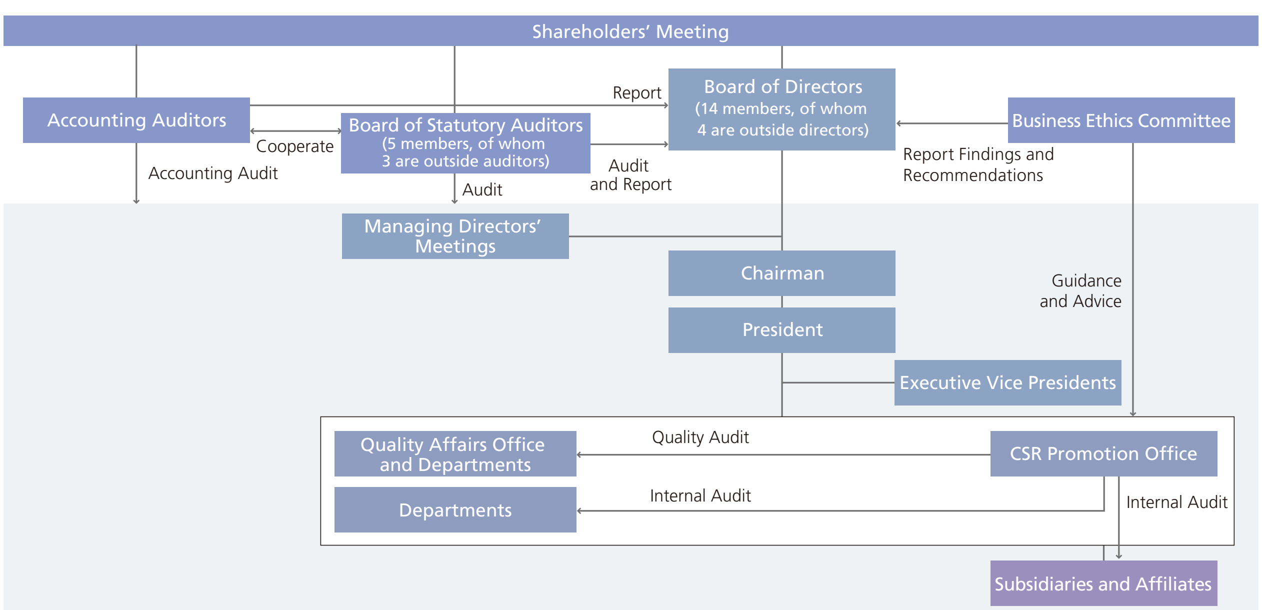
The Quality Audit Department monitors the appropriate functioning of quality assurance checks by the Quality Affairs Office and conducts individual audits to confirm that Mitsubishi Motors' domestic and overseas affiliates are conducting quality-related activities appropriately.

The 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 25).

Corporate Governance Framework (As of June 30, 2014)



Management (As of June 25, 2014)

Members of the Board

Osamu Masuko*
Chairman of the Board, CEO

Tetsuro Aikawa*
President, COO

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

Ryugo Nakao*
Executive Vice President
In Charge of Product Projects & Strategy
In Charge of Development

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

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

Yutaka Tabata
Managing Director
Head Officer of the Headquarters Corporate Planning & Finance Group Headquarters

Toshihiko Hattori
Head Officer of the Headquarters Domestic Sales Group Headquarters

Seiji Izumisawa
Head Officer of the Headquarters Quality Affairs Group Headquarters

Takeshi Ando
Head Officer of the Headquarters Production Group Headquarters

Mikio Sasaki
Non-Executive Director

Harumi Sakamoto
Non-Executive Director

Syunichi Miyanaga
Non-Executive Director

Takeshi Niinami
Non-Executive Director

* Representative Director

Statutory Auditors

Hideo Kimura
Statutory Auditor (Full-time)

Takitaro Fukuda
Statutory Auditor (Full-time)

Tatsuhiko Nojima
Statutory Auditor (Outside Statutory Auditor)

Katsunori Nagayasu
Statutory Auditor (Outside Statutory Auditor)

Toshimitsu Iwanami
Statutory Auditor (Outside Statutory Auditor)

Senior Executive Officers

Yoshihiro Kuroi
Corporate General Manager of Corporate Planning Office

Yoshikazu Nakamura
Chief Environmental Strategy Officer
Corporate General Manager of CSR Promotion Office

Masao Omichi
Corporate General Manager of Corporate Affairs Office

Hiroshi Noda
Corporate General Manager of Controlling & Accounting Office

Tetsuya Tamechika
Head Officer of the Headquarters
Product Projects & Strategy Group Headquarters

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

Takashi Sato
Head Officer of the Headquarters
Development Group Headquarters

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

Morikazu Chokki
Head Officer of the Headquarters
Overseas Operations Group Headquarters B
Corporate General Manager of Thai Business Office

Executive Officers

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

Yoichi Yokozawa
Vice Corporate General Manager of Corporate Planning Office

Nobuaki Yonezawa
Corporate General Manager of Finance Office

Tsunehiro Kunimoto
Corporate General Manager of Design Office

Yukihiro Hattori
Head Officer of the Headquarters
Procurement Group Headquarters

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

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

Tomonori Tanaka
Corporate General Manager of After Sales Office

Eiichi Kataoka
Corporate General Manager of Overseas Business Management Office

Kenichi Horinouchi
Corporate General Manager of Asia & ASEAN Office

Tomoharu Ikeda
Corporate General Manager of Oceania & Latin America Office

Tohru Hashimoto
Deputy President & COO - NMKV Co., Ltd.

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

Masahiko Ueki
President, CEO- Mitsubishi Motors (Thailand) Co., Ltd.

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

Internal Control Systems and Risk Management

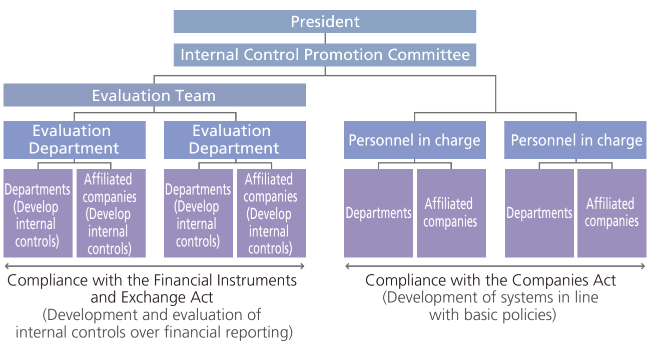
By creating a companywide internal control system and risk management structure, and through employee education systems, we are working to ensure compliance with relevant laws and regulations, as well as appropriate and stable operations management.

Yutaka Tabata
Managing Director, Head Officer of the Headquarters, Corporate Planning & Finance Group Headquarters

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 groupwide risk management system, which we are improving. Mitsubishi Motors has appointed risk management officers to each operational headquarters and office. These officers rigorously strengthen our risk management framework by conducting repeated cycles of risk identification, evaluation, devising and implementing countermeasures, and monitoring in each unit. For risks that are identified as "priority risks"—particularly those that require a companywide response—risk management officers work with related departments to draft and implement countermeasures. Mitsubishi Motors regularly confirms the situation at affiliated companies. Where necessary, we conduct hearings on the status of individual countermeasures and reinforce initiatives in other ways.

Disaster countermeasures and BCP initiatives

Mitsubishi Motors' basic policy in times of disaster—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.

As disaster countermeasures, we conduct drills in communicating among various manufacturing facilities and Group companies on the basis of a presumed emergency. As preparations against the possibility that employees will be unable to return to their homes for a three-day period, we have ensured means through which they can communicate with their families, cached emergency supplies and are conducting initiatives for communicating with local municipal authorities.

As BCPs, we have formulated plans of operation that assume a large-scale earthquake or major outbreak of infectious disease. We work to improve these BCPs through regular drills and communication among individual regions.

Compliance

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. These leaders are charged with increasing compliance awareness directly among employees.

To create a 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. We have set aside these days to give special consideration at each of our workplaces to voluntary actions that can be taken to prevent such accidents from recurring.

Promoting business ethics

Our program for promoting business ethics centers on the compliance officers at each department who draft and implement individual departmental measures.

In fiscal 2013, we welcomed instructors from outside the company, who conducted compliance training for compliance officers and "code leaders." We also hosted 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.

Furthermore, three times each year we hold company ethics discussion meetings to deliberate on familiar corporate issues in the workplace.

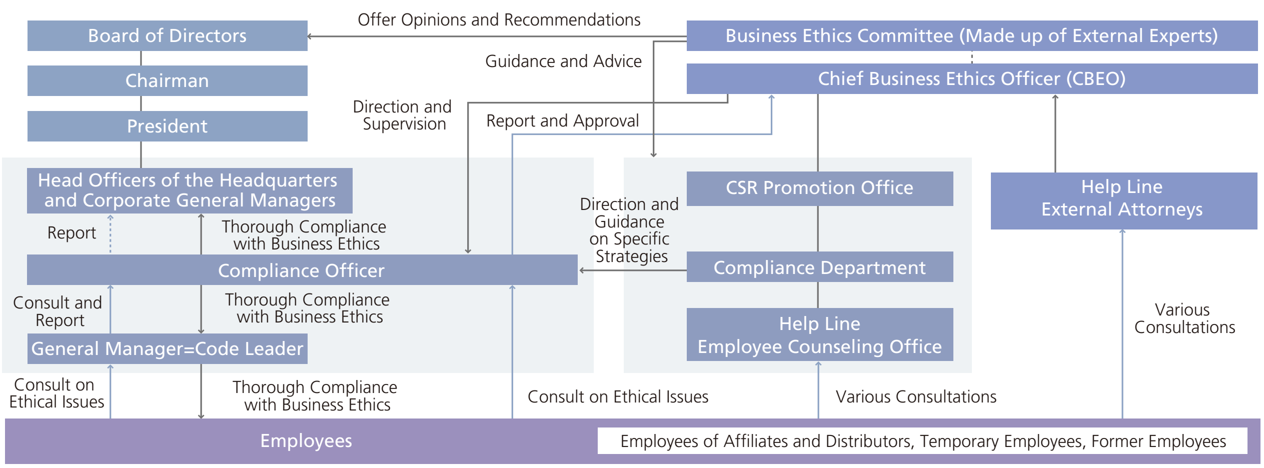
The Business Ethics Committee

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 2013 and conducted briefings on 22 issues, including quality control activities and others. 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.

Yoshikazu Nakamura
Chief Environmental Strategy Officer, Corporate General Manager of CSR Promotion Office

STEP Corporate Citizenship Activities

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.

The Hands-on Lesson Program for elementary schools is based on the concept of enabling children to enjoy learning by experiencing the "real thing." In this program, children listen to employees' explanations and experience riding in and charging an electric vehicle.

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.

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, we aim to work with 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_2 emissions of new vehicles on a global weighted average by 50% compared with fiscal 2005 levels. We also intend to reduce CO_2 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, we intend to achieve a 25% reduction in on-road CO_2 emissions in comparison with fiscal 2005 levels. In addition, MMC aims to reduce CO_2 emissions as a result of production on a per-vehicle basis by 15% compared to fiscal 2005 levels.

CO_2 Emissions Reduction Targets in the Mitsubishi Motors Group Environmental Vision 2020

	Compared with fiscal 2005 levels
CO_2 produced during use	
Improve the fuel economy of gasoline and diesel vehicles Total production ratio of EVs and other electric-powered vehicles 20% or more	50% Reduction
Factory-produced CO_2	
Raise the efficiency of all plants and facilities worldwide and introduce renewable energy, etc.	20% Reduction

Financial Section

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Consolidated Financial Summary

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2013
					In millions of yen	In thousands of U.S. dollars
For the year:						
Net sales	¥1,445,616	¥1,828,497	¥1,807,293	¥1,815,113	¥2,093,409	$20,340,159
Operating income	13,920	40,274	63,674	67,382	123,434	1,199,323
Income before income taxes and minority interests	11,591	30,422	41,618	69,396	117,194	1,138,696
Net income	4,758	15,621	23,928	37,978	104,664	1,016,954
					In yen	In U.S. dollars
Per share data:						
Net income per share—basic	¥0.86	¥2.82	¥4.32	¥66.05*	¥156.60*	$1.52
Net income per share—diluted	0.51	1.66	2.40	37.09*	104.29*	1.01
Cash dividends	—	—	—	—	25.00	0.24
					In millions of yen	In thousands of U.S. dollars
At year-end:						
Total assets	¥1,258,669	¥1,312,511	¥1,321,306	¥1,452,809	¥1,543,890	$15,000,876
Total net assets	234,478	248,092	265,620	351,227	550,009	5,344,053

Note: U.S. dollar amounts in the accompanying consolidated financial statements are converted, solely for convenience, at a rate of ¥102.92 = U.S.$1.00, the exchange rate prevailing on March 31, 2014.

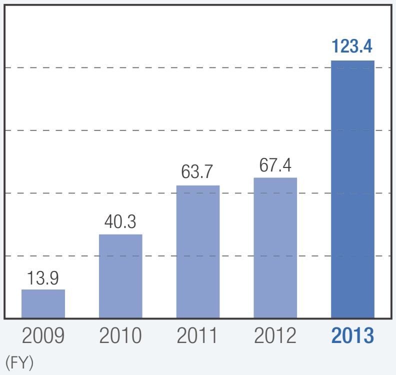
* On August 1, 2013, the Company conducted a 1-for-10 reverse share split on its common stock. Indicated figures for basic net income per share and diluted net income per share for fiscal 2012 and fiscal 2013 are calculated as if this reverse share split had occurred at the beginning of those fiscal years.

Net Sales

(Billions of yen)

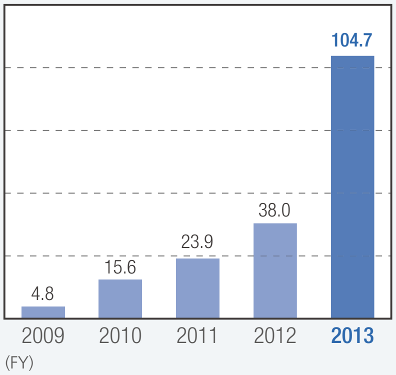
Operating Income

(Billions of yen)



Net Income

(Billions of yen)



Financial Results and Discussion

Operational Review

During fiscal 2013, the operating environment surrounding the automobile industry continued to be characterized by destabilizing factors. The global economy showed some signs that a recovery was gaining momentum, such as economic recovery in the United States, the bottoming out of economic troubles in the Eurozone and the correction in the high value of the yen as a result of the Bank of Japan's fiscal easing policy. However, the operating environment was negatively affected by upheavals in emerging market economies due to the scale-back in the United States' quantitative easing policy, slowing growth in Chinese economy, political and economic difficulties in some emerging nations and geopolitical risks, which now include tensions in the Ukraine.

Fiscal 2013 was the final year of the Company's Jump 2013 mid-term business plan. During the year, Mitsubishi Motors focused its efforts on emerging markets, environmental initiatives and raising profit levels to achieve the plan's fundamental goal of "growth and a leap forward."

Results of Operations

Global retail sales volume for the fiscal 2013 totaled 1,047,000 units, an increase of 6%, or 60,000 units, from fiscal 2012.

By geographic region, in Japan Mitsubishi Motors posted a sales volume of 143,000 units, a year-on-year increase of 7%, or 9,000 units. A decrease in registered car sales was more than countered by firm sales of the *eK Wagon* and *eK Custom* minicar models launched in June 2013 and of the *eK Space* minicar model, launched in February 2014. In North America, the Company's sales volume amounted to 97,000 units, up 14%, or 12,000 units. Driving this rise was the launch of new *Outlander SUV* and *Mirage* models. In Europe, we recorded a sales volume of 202,000 units, up 11%, or 21,000 units. Behind this rise was the launch of the *Outlander PHEV* and other new models. In Asia, the Company's sales volume amounted to 344,000 units, down 4%, or 13,000 units, from the previous year. Sales volume decreased in Thailand as a result of sluggish demand stemming from the ending of the Thai government's First Buyer Program in December 2012, as well as to political upheaval. This drop was partly countered by major growth in sales in China, especially at GAC Mitsubishi Motors, and by record sales volume in Indonesia and the Philippines. In other regions, the sales volume came to 261,000 units, up 14%, or 31,000 units. The increase was due to higher sales volume in Australia, New Zealand, Central and South America, and the Middle East & Africa.

Net Sales and Income

In fiscal 2013, the Group posted record profits in all categories. Net sales increased ¥278.3 billion, or 15% year on year, to ¥2,093.4 billion. Operating income rose ¥56.0 billion, or 83%, to ¥123.4 billion, as a result of favorable foreign exchange rates and solid progress in the ongoing reduction of material and other costs, despite increases in sales and R&D costs. Net income increased ¥66.7 billion, or 176%, to ¥104.7 billion.

Business Segment Information

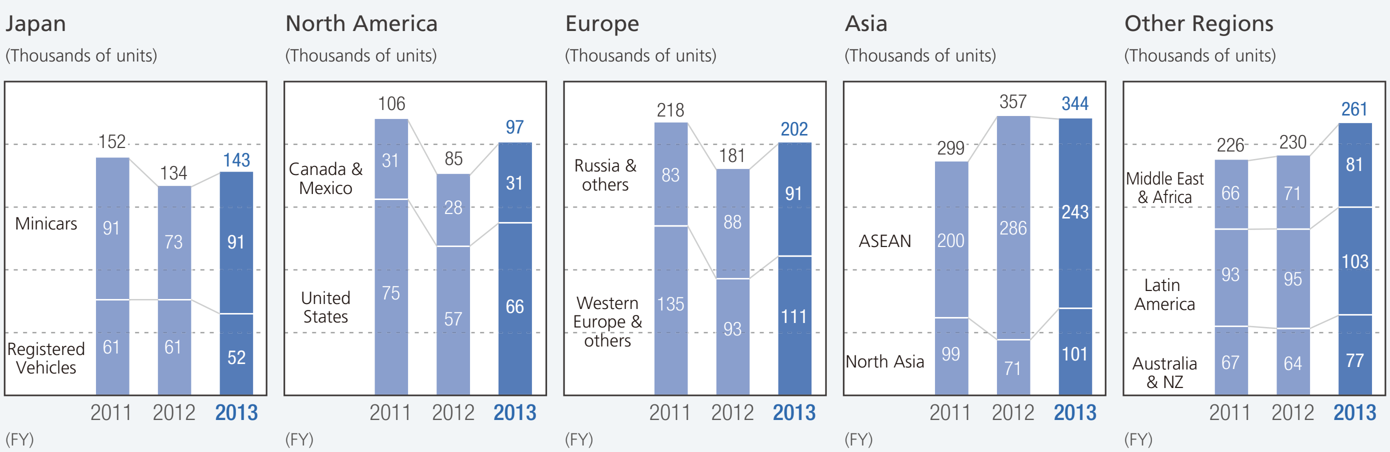
● Automobiles

In the automobiles sector, for the year ended March 31, 2014, sales totaled ¥2,081.2 billion, up ¥276.1 billion or 15% over the previous fiscal year. Segment income of ¥121.9 billion was up ¥56.9 billion year on year.

● Financial Services

In the financial services sector, for the year ended March 31, 2014, net sales totaled ¥12.2 billion, up ¥2.1 billion or 21% over the previous fiscal year. Segment income of ¥1.5 billion was down ¥0.9 billion year on year.

Regional Sales Volume (Retail)



Geographical Segment Information

● Japan

Net sales totaled ¥1,744.4 billion, an increase of ¥299.8 billion or 21% over fiscal 2012 due to higher unit sales. Operating income came in at ¥68.4 billion, an increase of ¥59.1 billion or 639% over fiscal 2012 due to the correction in the high value of the Japanese yen and to the positive results of cost reductions.

● North America

Net sales totaled ¥267.3 billion, an increase of ¥92.2 billion or 53% over fiscal 2012 driven mainly by higher unit sales and the correction in the high value of the yen. Operating income came in at ¥2.7 billion.

● Europe

Net sales came in at ¥128.7 billion, an increase of ¥7.9 billion or 7%, over fiscal 2012 mainly due to the correction in the high value of the Japanese yen and to increased unit sales of higher-priced models. Operating income, however, came in at ¥8.2 billion, down ¥3.1 billion or 27% on fiscal 2012 due to an increase in costs and other factors.

● Asia and Other Regions

Net sales came in at ¥856.2 billion, an increase of ¥5.5 billion or 1% over fiscal 2012 driven mainly by higher unit sales in the ASEAN region. Operating income, however, came in at ¥48.0 billion, down ¥7.7 billion or 14% on fiscal 2012 due to higher sales costs and a drop in unit sales of high-margin models.

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 16–21 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

Assets at the end of the period totaled ¥1,543.9 billion, an increase of ¥91.1 billion over the end of fiscal 2012. Liabilities totaled ¥993.9 billion, a reduction of ¥107.7 billion compared to the end of fiscal 2012. Net assets totaled ¥550.0 billion, an increase of ¥198.8 billion over the figure for the end of fiscal 2012.

Cash flows from operating activities came to a net inflow of ¥210.4 billion. This compared to a net inflow of ¥172.2 billion in fiscal 2012.

Cash flows from investing activities came to a net outflow of ¥81.4 billion, due to disbursements related to the acquisition of tangible fixed assets. This compared to a net outflow of ¥114.3 billion in fiscal 2012.

Cash flows from financing activities came to a net outflow of ¥82.1 billion due to disbursements related to repayments of long-term borrowings. This compared to a net outflow of ¥8.3 billion in fiscal 2012.

As a result, the balance of cash and cash equivalents at the end of fiscal 2013 stood at ¥411.7 billion. This compared to a balance of ¥361.2 billion at the end of fiscal 2012.

Cash Flow Indicators

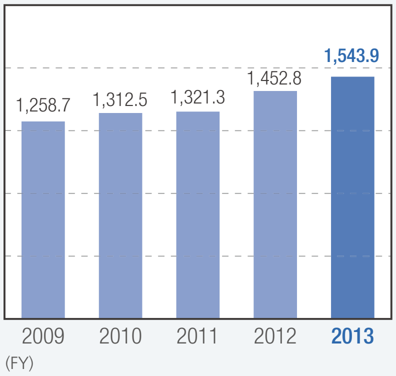
(FY)	2008	2009	2010	2011	2012	2013
Shareholders' equity ratio (%)*	18.8	17.8	18.2	19.5	23.4	35.0
Shareholders' equity ratio* (fair value basis)	60.8	55.9	43.0	39.4	41.0	68.8
Cash flows/Interest-bearing debt ratio	—	3.9	3.8	2.9	2.1	1.1
Interest coverage ratio	—	7.4	7.9	8.5	15.9	22.3

* 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.

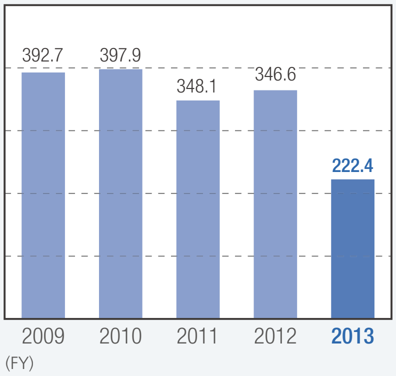
Total Assets

(Billions of yen)



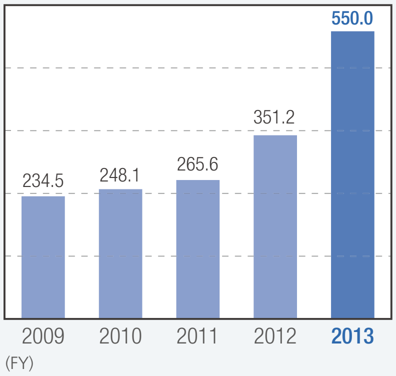
Interest-Bearing Debt

(Billions of yen)



Net Assets

(Billions of yen)



Business-Related Risks

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

Country risk

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

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

Intensifying competition

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

In addition, as competition in the auto industry intensifies, the development cycle for new products becomes shorter. In such circumstances, unless the company is able to offer new products which satisfy price, quality, safety and other customer requirements, or if the company's strategic products are unable to gain suitable market acceptance, the operating results and/or financial standing of the MMC Group may be seriously impacted. Further, unless the MMC Group is able to formulate effective measures and strategies aimed at maintaining and increasing its competitiveness, the operating results and/or financial standing of the MMC Group may be seriously impacted through a drop in demand for its products.

Natural and other disasters

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

Changes in laws and regulations

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

Manufacturing cost

The MMC Group sources parts and raw materials from a large number of suppliers to manufacture its products.

Any rise in the manufacturing cost of MMC's products due to changes in demand and other market conditions may seriously impact the operating results and/or financial standing of the MMC Group.

Foreign exchange rate fluctuations

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

Funding interest rates

As at the end of March 2014, the balance of MMC's consolidated interest-bearing debt (short-term borrowings and long-term borrowings) was ¥222.4 billion. At that time, the balance of the Company's consolidated savings was ¥450.1 billion and so any impact due to the interest-bearing debt may be partially mitigated but changes in interest rates on borrowings resulting from changes in financial market conditions may seriously impact the operating results and/or financial standing of the MMC Group.

Failure to achieve mid-term business plan targets

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

Product quality and safety

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

Lawsuits

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

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

In February 20, 2010, MASRIA CO., Ltd. (hereafter "Plaintiff"), a former MMC distributor in Egypt, filed a lawsuit against MMC for dissolution of a distributor agreement between MMC and the Plaintiff including a 900 million USD claim for damages. The judgments in both the courts of first and second instance found in favor of MMC on October 26, 2010 and July 3, 2012 respectively. The case is now before the final appellate court after the Plaintiff appealed on July 21, 2012 against the judgment of the court of second instance.

MMC's notice to terminate the distributor agreement with the Plaintiff followed due legal process and the terms of the agreement, thus making the Plaintiff's claim irrational. For this reason, at present MMC does not consider this legal case will result in any serious impact on the operating results and/or financial standing of the MMC Group.

Tie-ups and alliances

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

Dependence on particular suppliers

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

Customer, trading partner credit

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

Infringement of intellectual property rights

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

IT and information security

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

The MMC Group possesses confidential information relating to matters both within and without the Group and including personal data. In the event such information is improperly leaked to the outside, the operating results and/or financial standing of the MMC Group may be seriously impacted.

Consolidated Balance Sheets

Mitsubishi Motors Corporation and Consolidated Subsidiaries

	(In millions of yen)		(In thousands of U.S. dollars) (Note 3)
	March 31,		
	2014	2013	2014
Assets			
Current assets:			
Cash and cash equivalents (Notes 13 and 15)	¥ 411,695	¥ 361,167	$ 4,000,146
Notes and accounts receivable – trade (Note 15)	173,535	149,555	1,686,124
Finance receivables (Notes 7 and 15)	28,927	26,856	281,068
Inventories (Note 7)	207,549	202,320	2,016,609
Short-term loans receivable	3,261	90	31,688
Deferred tax assets (Note 18)	15,445	3,543	150,069
Other (Note 7)	100,171	141,758	973,299
Allowance for doubtful accounts (Note 15)	(4,025)	(6,312)	(39,111)
Total current assets	936,561	878,980	9,099,894
Property, plant and equipment, net (Notes 4, 7 and 14)	400,801	386,903	3,894,304
Intangible assets	12,937	12,894	125,701
Investments and other assets:			
Investments (Notes 5, 7 and 15)	112,798	96,860	1,095,980
Long-term finance receivables (Notes 7 and 15)	40,652	48,228	394,988
Long-term loans receivable	7,775	4,562	75,552
Net defined benefit asset (Note 17)	7,884	—	76,603
Deferred tax assets (Note 18)	9,898	4,349	96,175
Other (Note 7)	21,492	30,264	208,826
Allowance for doubtful accounts (Note 15)	(6,911)	(10,234)	(67,151)
Total investments and other assets, net	193,590	174,031	1,880,976
Total assets	¥1,543,890	¥1,452,809	$15,000,876

	(In millions of yen)		(In thousands of U.S. dollars) (Note 3)
	March 31,		
	2014	2013	2014
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable – trade (Note 15)	¥ 355,724	¥ 313,810	$ 3,456,325
Short-term loans payable (Notes 7 and 15)	121,074	113,984	1,176,398
Current portion of long-term debt (Notes 7 and 15)	32,611	143,271	316,857
Lease obligations (Note 7)	3,818	4,703	37,102
Accounts payable – other and accrued expenses (Notes 6 and 15)	145,887	134,441	1,417,480
Income taxes payable (Note 18)	9,522	8,360	92,521
Other (Notes 18 and 19)	52,307	68,674	508,230
Total current liabilities	720,946	787,248	7,004,917
Long-term debt (Notes 7 and 15)	68,672	107,125	667,242
Lease obligations (Note 7)	4,933	6,793	47,936
Deferred tax liabilities (Note 18)	28,053	30,103	272,577
Provision for retirement benefits (Note 17)	—	111,660	—
Net defined benefit liability (Note 17)	113,747	—	1,105,200
Other (Note 19)	57,527	58,650	558,948
Total liabilities	993,880	1,101,581	9,656,823
Net assets:			
Shareholders' equity (Notes 8 and 23):			
Capital stock	165,701	657,355	1,610,000
Capital surplus	85,257	432,666	828,389
Retained earnings (Accumulated deficit)	340,714	(688,049)	3,310,476
Treasury stock	(219)	(217)	(2,134)
Total shareholders' equity	591,453	401,754	5,746,732
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	5,786	5,222	56,223
Deferred gains or losses on hedges	(1,641)	2,980	(15,950)
Foreign currency translation adjustment	(51,323)	(69,759)	(498,677)
Remeasurements of defined benefit plans	(3,742)	—	(36,359)
Total accumulated other comprehensive income	(50,921)	(61,556)	(494,763)
Minority interests	9,477	11,030	92,084
Total net assets	550,009	351,227	5,344,053
Contingent liabilities (Note 9)			
Total liabilities and net assets	¥1,543,890	¥1,452,809	$15,000,876

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Mitsubishi Motors Corporation and Consolidated Subsidiaries

	(In millions of yen)		(In thousands of U.S. dollars) (Note 3)
	For the years ended March 31,		
	2014	2013	2014
Net sales	¥2,093,409	¥1,815,113	$20,340,159
Cost of sales	1,643,176	1,475,141	15,965,574
Gross profit	450,232	339,971	4,374,585
Selling, general and administrative expenses (Note 10)	326,797	272,589	3,175,261
Operating income	123,434	67,382	1,199,323
Interest and dividends income	6,356	4,890	61,764
Interest expenses	9,345	10,624	90,800
Other gain (loss), net (Notes 5 and 11)	(3,251)	7,747	(31,591)
Income (loss) before income taxes and minority interests	117,194	69,396	1,138,696
Income taxes (Note 18):			
Current	24,693	17,383	239,924
Deferred	(14,629)	10,385	(142,142)
	10,063	27,769	97,782
Income (loss) before minority interests	107,130	41,627	1,040,913
Minority interests in income	2,465	3,648	23,958
Net income (loss) (Note 23)	¥ 104,664	¥ 37,978	$ 1,016,954

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,		
	2014	2013	2014
Income (loss) before minority interests	¥107,130	¥41,627	$1,040,913
Other comprehensive income			
Valuation difference on available-for-sale securities	558	(6,087)	5,430
Deferred gains or losses on hedges	(3,438)	747	(33,408)
Foreign currency translation adjustment	7,621	42,817	74,048
Share of other comprehensive income of associates accounted for using equity method	9,936	9,354	96,543
Total other comprehensive income (Note 12)	14,677	46,832	142,613
Comprehensive income	¥121,808	¥88,459	$1,183,527
Comprehensive income attributable to:			
Owners of the parent	¥119,028	¥83,177	$1,156,513
Minority interests	¥ 2,780	¥ 5,281	$ 27,013

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Mitsubishi Motors Corporation and Consolidated Subsidiaries

(In millions of yen)

	For the year ended March 31, 2014				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	¥ 657,355	¥ 432,666	¥ (688,049)	¥ (217)	¥401,754
Changes of items during the period					
Issuance of new shares	133,375	133,375			266,750
Deficit disposition		(924,102)	924,102		—
Transfer to capital surplus from capital stock	(625,028)	625,028			—
Net income (loss)			104,664		104,664
Purchase of treasury stock				(181,711)	(181,711)
Disposal of treasury stock		0		0	0
Retirement of treasury stock		(181,709)		181,709	—
Change of scope of equity method			(3)		(3)
Net changes of items other than shareholders' equity					
Total changes of items during the period	(491,653)	(347,408)	1,028,764	(2)	189,699
Balance at the end of year	¥ 165,701	¥ 85,257	¥ 340,714	¥ (219)	¥591,453

(In millions of yen)

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at beginning of year	¥5,222	¥ 2,980	¥(69,759)	¥ —	¥(61,556)	¥11,030	¥351,227
Changes of items during the period							
Issuance of new shares							266,750
Deficit disposition							—
Transfer to capital surplus from capital stock							—
Net income (loss)							104,664
Purchase of treasury stock							(181,711)
Disposal of treasury stock							0
Retirement of treasury stock							—
Change of scope of equity method							(3)
Net changes of items other than shareholders' equity	563	(4,621)	18,435	(3,742)	10,635	(1,553)	9,082
Total changes of items during the period	563	(4,621)	18,435	(3,742)	10,635	(1,553)	198,781
Balance at the end of year	¥5,786	¥(1,641)	¥(51,323)	¥(3,742)	¥(50,921)	¥ 9,477	¥550,009

	(In thousands of U.S. dollars) (Note 3)				
	For the year ended March 31, 2014				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	$ 6,387,048	$ 4,203,910	$(6,685,288)	$ (2,115)	$ 3,903,556
Changes of items during the period					
Issuance of new shares	1,295,909	1,295,909			2,591,819
Deficit disposition		(8,978,843)	8,978,843		—
Transfer to capital surplus from capital stock	(6,072,958)	6,072,958			—
Net income (loss)			1,016,954		1,016,954
Purchase of treasury stock				$(1,765,564)	(1,765,564)
Disposal of treasury stock		0		0	0
Retirement of treasury stock		(1,765,544)		1,765,544	—
Change of scope of equity method			(33)		(33)
Net changes of items other than shareholders' equity					
Total changes of items during the period	(4,777,048)	(3,375,520)	9,995,764	(19)	1,843,176
Balance at the end of year	$ 1,610,000	$ 828,389	$ 3,310,476	$ (2,134)	$ 5,746,732

	(In thousands of U.S. dollars) (Note 3)						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at beginning of year	$50,745	$ 28,955	$(677,799)	$ —	$(598,099)	$107,174	$ 3,412,630
Changes of items during the period							
Issuance of new shares							2,591,819
Deficit disposition							—
Transfer to capital surplus from capital stock							—
Net income (loss)							1,016,954
Purchase of treasury stock							(1,765,564)
Disposal of treasury stock							0
Retirement of treasury stock							—
Change of scope of equity method							(33)
Net changes of items other than shareholders' equity	5,478	(44,905)	179,122	(36,359)	103,335	(15,089)	88,246
Total changes of items during the period	5,478	(44,905)	179,122	(36,359)	103,335	(15,089)	1,931,422
Balance at the end of year	$56,223	$(15,950)	$(498,677)	$(36,359)	$(494,763)	$ 92,084	$ 5,344,053

(In millions of yen)

	For the year ended March 31, 2013				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	¥657,355	¥432,666	¥(726,028)	¥(15)	¥363,976
Changes of items during the period					
Issuance of new shares					
Deficit disposition					
Transfer to capital surplus from capital stock					
Net income (loss)			37,978		37,978
Purchase of treasury stock				(201)	(201)
Disposal of treasury stock					
Retirement of treasury stock					
Change of scope of equity method					
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	37,978	(201)	37,777
Balance at the end of year	¥657,355	¥432,666	¥(688,049)	¥(217)	¥401,754

(In millions of yen)

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at beginning of year	¥11,327	¥2,232	¥(120,542)	¥—	¥(106,982)	¥ 8,626	¥265,620
Changes of items during the period							
Issuance of new shares							
Deficit disposition							
Transfer to capital surplus from capital stock							
Net income (loss)							37,978
Purchase of treasury stock							(201)
Disposal of treasury stock							
Retirement of treasury stock							
Change of scope of equity method							
Net changes of items other than shareholders' equity	(6,104)	747	50,782	—	45,426	2,404	47,830
Total changes of items during the period	(6,104)	747	50,782	—	45,426	2,404	85,607
Balance at the end of year	¥ 5,222	¥2,980	¥ (69,759)	¥—	¥(61,556)	¥11,030	¥351,227

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Motors Corporation and Consolidated Subsidiaries

	(In millions of yen)		(In thousands of U.S. dollars) (Note 3)
	For the years ended March 31,		
	2014	2013	2014
Operating activities:			
Net income (loss)	¥104,664	¥ 37,978	$1,016,954
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	59,212	54,325	575,330
Impairment loss	6,902	793	67,069
Increase (decrease) in allowance for doubtful accounts	(2,445)	(1,596)	(23,761)
Increase (decrease) in provision for retirement benefits	—	2,676	—
Increase (decrease) in net defined benefit liability	(3,372)	—	(32,767)
Equity in (earnings) losses of affiliates	(7,373)	(4,853)	(71,639)
Income taxes – deferred	(14,629)	10,385	(142,142)
Minority interests in income	2,465	3,648	23,958
Loss (gain) on sales and retirement of property, plant and equipment, net	4,038	5,032	39,238
Loss (gain) on sales of investment securities	(205)	(11,533)	(1,994)
Loss (gain) on sales of subsidiaries and affiliates' stocks	(616)	30,188	(5,992)
Share issuance cost	12,639	—	122,804
Decrease (increase) in notes and accounts receivable – trade	(23,910)	14,919	(232,325)
Decrease (increase) in inventories	(1,187)	5,976	(11,535)
Changes in finance receivables (Note 13)	12,249	15,153	119,024
Increase (decrease) in notes and accounts payable – trade	42,135	(22,208)	409,404
Other, net (Note 13)	19,874	31,341	193,105
Net cash provided by (used in) operating activities	210,443	172,227	2,044,732
Investing activities:			
Decrease (increase) in time deposits	9,583	(40,203)	93,115
Purchases of property, plant and equipment (Note 13)	(90,695)	(61,573)	(881,221)
Proceeds from sales of property, plant and equipment (Note 13)	14,715	8,528	142,976
Net decrease (increase) in investments in securities	221	11,619	2,147
Decrease (increase) in short-term loans receivable	(1,625)	8,651	(15,791)
Purchases of shares of affiliates	—	(11,381)	—
Payments of long-term loans receivable	(6,294)	(0)	(61,160)
Collection of long-term loans receivable	705	302	6,858
Net decrease in cash on the sale of subsidiaries resulting in change in scope of consolidation (Note 13)	(2,265)	(21,587)	(22,014)
Other, net	(5,697)	(8,682)	(55,353)
Net cash provided by (used in) investing activities	(81,352)	(114,327)	(790,443)
Financing activities:			
Increase (decrease) in short-term loans payable	(5,790)	21,552	(56,261)
Proceeds from issuance of long-term debt	2,925	85,169	28,427
Repayment or redemption of long-term debt	(142,824)	(106,473)	(1,387,721)
Proceeds from issuance of common shares (Note 8)	254,111	—	2,469,015
Purchase of treasury shares (Note 8)	(181,711)	—	(1,765,564)
Cash dividends paid to minority shareholders	(4,313)	(3,562)	(41,914)
Other, net	(4,480)	(4,995)	(43,533)
Net cash provided by (used in) financing activities	(82,083)	(8,310)	(797,551)
Effect of exchange rate changes on cash and cash equivalents	3,520	546	34,206
Net change in cash and cash equivalents	50,527	50,136	490,943
Cash and cash equivalents at beginning of year	361,167	310,993	3,509,203
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	37	—
Cash and cash equivalents at end of year (Note 13)	¥411,695	¥361,167	$4,000,146

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, 2014 and 2013. Other securities with a readily determinable market value are stated at fair value and the cost of such securities sold is computed based on the moving average method. The difference between the acquisition cost and the carrying value of other securities, including unrealized gains and losses, is recognized in "Valuation difference on available-for-sale securities" in the accompanying consolidated balance sheets. Other securities without a readily determinable market value are stated at cost determined by the moving average method.

(f) Depreciation and amortization

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

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

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

consolidated subsidiaries. Software intended for use by MMC and its domestic consolidated subsidiaries is amortized using the straight line method over 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) Retirement benefits

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

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

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

(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, 2014 and 2013 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, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)

The standard and related guidance provide guidance for the accounting for unrecognized actuarial differences and unrecognized prior service costs, the calculation methods for retirement benefit obligations and service costs, and enhancement of disclosures taking into consideration improvements to financial reporting and international trends.

This standard and related guidance were adopted as of the end of fiscal year ended March 31, 2014. However, revisions to the calculation methods for retirement benefit obligations and service costs are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015. MMC and its consolidated subsidiaries are currently evaluating the effect these modifications will have on its consolidated results of operations and financial position

2. Accounting Changes

From this fiscal year, MMC has applied the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26. May 17, 2012. Hereinafter referred to as the "Standard") and the "Guidance on the Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012. Hereinafter, the "Guidance") (excluding, however, provisions set forth in the main texts in Paragraph 35 of the Standard and Paragraph 67 of the Guidance). In accordance therewith, MMC has changed the method of recognizing the net amount after deducting pension assets from retirement benefit obligations as net defined benefit liability, and has recognized unrecognized actuarial gains and losses and unrecognized prior service costs within net defined benefit liability. If pension assets exceed retirement benefit obligations, such an asset would be recognized as others within investments and other assets.

For initial application of the Standard, etc., MMC applied the transitional provisions in Paragraph 37 of the Standard, and has made an adjustment of the effect of such change in remeasurements of defined benefit plans in accumulated other comprehensive income at the end of this fiscal year.

The effect of this change at the end of this fiscal year was immaterial.

3. U.S. Dollar Amounts

The U.S. dollar amounts in the accompanying consolidated financial statements are included, solely for convenience, at ¥102.92 = U.S.$1.00, the exchange rate prevailing on March 31, 2014. This translation should not be construed as a representation that the Yen amounts represent or have been, or could be, converted into U.S. dollars at that or any other rate.

4. Property, Plant and Equipment

Accumulated depreciation of property, plant and equipment at March 31, 2014 and 2013 was ¥932,671 million ($9,062,104 thousand) and ¥940,905 million, respectively.

Impairment losses were recognized in the following asset groups for the years ended March 31, 2014 and March 31, 2013:

			(In millions of yen)	(In thousands of U.S. dollars)
For the year ended March 31, 2014				
Location	Application	Assets	Impairment loss amount	
Yamaguchi, Yamaguchi and others (32 sites)	Assets used in sales operations	Buildings, land and others	¥ 539	$ 5,243
Chiba, Chiba and others (16sites)	Idle assets	Buildings, land and others	2,032	19,749
Kurashiki, Okayama and others (3sites)	Production facilities	Machinery and equipment, tools, furniture and fixture and others	4,330	42,076
			¥6,902	$67,069

			(In millions of yen)
For the year ended March 31, 2013			
Location	Application	Assets	Impairment loss amount
Matsuyama, Ehime and others (32 sites)	Assets used in sales operations	Buildings, structures, land and others	¥606
Kawasaki, Kanagawa and others (7sites)	Idle assets	Buildings, tools, furniture and fixture and others	180
Kawasaki, Kanagawa and others (3sites)	Production facilities	Buildings, tools, furniture and fixture and others	6
			¥793

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 6% discount rate for the year ended March 31, 2014 and a 4% discount rate for the year ended March 31, 2013, 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 ¥6,902 million ($67,069 thousand) and consisted of ¥1,596 million ($15,509 thousand) from buildings and structures, ¥159 million ($1,550 thousand) from tools, furniture and fixtures, ¥4,215 million ($40,954 thousand) from machinery and equipment, ¥867 million ($8,427 thousand) from land, and ¥64 million ($627 thousand) from other assets for the year ended March 31, 2014. Loss on impairment of fixed assets amounted to ¥793 million and consisted of ¥82 million from buildings and structures, ¥155 million from tools, furniture and fixtures, ¥525 million from land and ¥29 million from other assets for the year ended March 31, 2013.

5. Investments

Other securities at March 31, 2014 and 2013 were as follows:

	(In millions of yen)			
	March 31, 2014			
	Carrying amount	Acquisition cost	Unrealized gains	Unrealized (losses)
Other securities:				
Securities with market value	¥18,572	¥9,150	¥9,422	¥(0)
Total	¥18,572	¥9,150	¥9,422	¥(0)

	(In thousands of U.S. dollars)			
	March 31, 2014			
	Carrying amount	Acquisition cost	Unrealized gains	Unrealized (losses)
Other securities:				
Securities with market value	$180,450	$88,905	$91,552	$(6)
Total	$180,450	$88,905	$91,552	$(6)

	(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)
Total	¥17,862	¥9,154	¥8,709	¥(2)

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, 2014 and 2013 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2014	2013	2014
Proceeds	¥225	¥12,563	$2,194
Gross gains	205	11,533	1,994
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, 2014 and 2013 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Accrued expenses and accounts payable	¥113,893	¥106,168	$1,106,621
Allowance for product warranties	31,993	28,273	310,859
	¥145,887	¥134,441	$1,417,480

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

Short-term loans payable at March 31, 2014 and 2013 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Loans, principally from banks	¥121,074	¥113,984	$1,176,398

The weighted average interest rates of short-term loans payable at March 31, 2014 and 2013 were 1.6% and 2.1%, respectively.

Long-term debt at March 31, 2014 and 2013 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Loans, principally from banks and insurance companies, due through 2023 at weighted average interest rates averaging 3.0% in 2014 and 3.2% in 2013:			
Secured	¥ 39,248	¥ 62,983	$ 381,348
Unsecured	62,035	187,414	602,751
	101,283	250,397	984,100
Less current portion	(32,611)	(143,271)	(316,857)
	¥ 68,672	¥ 107,125	$ 667,242

The maturities of long-term debt at March 31, 2013 are as follows:

Years ending March 31,	(In millions of yen)	(In thousands of U.S. dollars)
2015	¥ 32,611	$316,857
2016	27,647	268,629
2017	21,022	204,259
2018	19,590	190,346
2019	263	2,561
Thereafter	148	1,444
Total	¥101,283	$984,100

Lease obligations at March 31, 2014 and 2013 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Current	¥3,818	¥4,703	$37,102
Non-current	4,933	6,793	47,936

The weighted average interest rates of lease obligations due through 2029 at March 31, 2014 and 2013 were 4.5%.

The maturities of lease obligations at March 31, 2013 are as follows:

Years ending March 31,	(In millions of yen)	(In thousands of U.S. dollars)
2015	¥3,818	$37,102
2016	3,005	29,202
2017	1,069	10,394
2018	415	4,034
2019	192	1,866
Thereafter	250	2,438
Total	¥8,752	$85,039

Assets pledged as collateral for short-term loans payable, long-term debt and guarantees (excluding factory related groups of assets) at March 31, 2014 and 2013 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Finance receivables and Long-term finance receivables	¥ 60,814	¥ 67,676	$ 590,891
Inventories	—	9,676	—
Property, plant and equipment, net	56,187	45,247	545,931
Other (see (i) below)	8,442	7,499	82,026
	¥125,443	¥130,100	$1,218,848

(i) ¥1,124 million ($10,929 thousand) and ¥1,010 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, 2014 and 2013, respectively. ¥46 million ($446 thousand) and ¥46 million of investments were pledged as collateral for debt of Mizushima Eco-Works Co., Ltd. at 2014 and 2013, respectively.

The following groups of assets of MMC, the Okazaki factory, were pledged as collateral at March 31, 2014 and 2013, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Buildings and structures	¥13,757	¥13,474	$133,669
Machinery and equipment	15,699	17,155	152,537
Tools, furniture and fixtures	280	297	2,726
Land	985	985	9,578
	¥30,722	¥31,912	$298,512

The following groups of assets of MMC, the Mizushima factory, were pledged as collateral at March 31, 2014 and 2013, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Buildings and structures	¥ 6,649	¥ 6,470	$ 64,608
Machinery and equipment	14,091	17,769	136,920
Tools, furniture and fixtures	799	773	7,766
Land	2,008	2,008	19,518
	¥23,549	¥27,021	$228,813

The following groups of assets of MMC, the Kyoto factory, were pledged as collateral at March 31, 2014 and 2013, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Buildings and structures	¥ 4,728	¥ 4,887	$ 45,945
Machinery and equipment	12,376	13,232	120,256
Tools, furniture and fixtures	594	593	5,780
Land	2,235	2,235	21,717
	¥19,935	¥20,948	$193,700

The following groups of assets of MMC, the Shiga factory, were pledged as collateral at March 31, 2014 and 2013, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Buildings and structures	¥ 2,191	¥ 2,331	$ 21,289
Machinery and equipment	6,360	7,294	61,804
Land	3,859	3,859	37,500
	¥12,411	¥13,486	$120,594

The following groups of assets of a consolidated subsidiary, Pajero Manufacturing Corporation, were pledged as collateral at March 31, 2014 and 2013, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Buildings and structures	¥2,466	¥2,425	$23,963
Machinery and equipment	2,497	2,605	24,262
Land	1,540	1,540	14,963
	¥6,503	¥6,571	$63,189

The following groups of assets of a consolidated subsidiary, Suiryo Plastics Co., Ltd., were pledged as collateral at March 31, 2014 and 2013, respectively.

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Buildings and structures	¥—	¥ 832	$—
Machinery and equipment	—	780	—
Land	—	194	—
	¥—	¥1,807	$—

The obligations secured by such collateral at March 31, 2014 and 2013 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Short-term loans payable	¥ 82,436	¥ 64,657	$ 800,973
Current portion of long-term debt	14,345	45,901	139,387
Long-term debt	24,902	17,082	241,961
	¥121,684	¥127,640	$1,182,322

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 a legal reserve until the sum of the legal reserve and capital surplus equals at least 25% of common stock. MMC and its domestic subsidiaries have provided these amounts in accordance with the Company Act.

MMC had 3,312,000 authorized shares of convertible preferred stock and had 396,193 shares outstanding that were classified as class A and 4 series classified as class G at March 31, 2013.

In the year ended March 31, 2014, MMC decreased capital stock through a transfer to capital surplus, and decreased capital surplus immediately thereafter to offset the accumulated deficit brought forward in accordance with the Company Act.

In the year ended March 31, 2014, MMC issued 217,750,000 shares of common stock through a public offering and 20,419,700 shares of common stock through a third-party allotment for consideration of ¥266,750 million, and this was recorded as increases in capital stock and capital surplus of equal amounts. MMC then decreased capital stock and transferred to capital surplus. MMC then purchased certain of its preferred stock using part of the proceeds of the above mentioned common stock issue and subsequently retired such treasury stock. In addition, in the year ended March 31, 2014, MMC issued common stock on the conversion of all the outstanding preferred stock, and as a result, there was no preferred stock outstanding at March 31, 2014.

Dividends

Dividends of which cut off date is in this fiscal year and effective date is in the following fiscal year

(a) Approved by:	The 45th Ordinary General Meeting of Shareholders to be held on June 25, 2014.
(b) Total dividends:	¥24,586 million ($238,884 thousand)
(c) Dividend per share:	¥25 (of which ordinary dividend is ¥15 and special dividend is ¥10)
(d) Cut off date:	March 31, 2014
(e) Effective date:	June 26, 2014

9. Contingent Liabilities

Loan guarantees given in the ordinary course of business amounted to ¥14,065 million ($136,666 thousand) and ¥14,325 million at March 31, 2014 and 2013, respectively. Agreements similar to guarantees given in the ordinary course of business amounted to ¥3,431 million at March 31, 2013.

10. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2014 and 2013 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2014	2013	2014
Advertising and promotion expenses	¥106,143	¥ 75,225	$1,031,318
Freightage expense	56,595	43,252	549,898
Allowance for doubtful accounts	(1,144)	232	(11,122)
Directors' compensations, salaries and allowances	64,515	60,761	626,851
Retirement benefit expenses	5,155	5,080	50,094
Depreciation	9,129	8,795	88,709
Research and development expenses	36,714	34,817	356,732
Other	49,687	44,422	482,779
Total	¥326,797	¥272,589	$3,175,261

11. Other Gain (Loss), Net

Other gain (loss), net for the years ended March 31, 2014 and 2013 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2014	2013	2014
Equity in earnings of affiliates	¥ 7,373	¥ 4,853	$ 71,639
Foreign exchange gains (losses)	16,674	30,395	162,013
Share issuance cost	(12,639)	—	(122,804)
Litigation expenses	(1,031)	(1,538)	(10,026)
Gain (loss) on sales and retirement of property, plant and equipment, net	(4,038)	(5,032)	(39,238)
Gain on sales of investment securities	205	11,533	1,994
Gain on sales of subsidiaries and affiliates' stocks	802	—	7,796
Loss on sales of subsidiaries and affiliates' stocks	(185)	(30,188)	(1,804)
Impairment loss	(6,902)	(793)	(67,069)
Other	(3,508)	(1,483)	(34,091)
Total	¥ (3,251)	¥ 7,747	$ (31,591)

12. Comprehensive Income

Reclassification adjustments to the Consolidated Statements of Income and tax effects related to other comprehensive income for the years ended March 31, 2014 and 2013 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2014	2013	2014
Valuation difference on available-for-sale securities:			
Amount arising in the year	¥ 890	¥ 1,946	$ 8,649
Reclassification adjustments for gains and losses included in net income (loss)	(6)	(11,386)	(59)
Before tax effect	884	(9,440)	8,589
Tax effect	(325)	3,353	(3,159)
Valuation difference on available-for- sale securities	558	(6,087)	5,430
Deferred gains or losses on hedges:			
Amount arising in the year	(102)	8,526	(994)
Reclassification adjustments for gains and losses included in net income (loss)	(4,181)	(8,019)	(40,629)
Before tax effect	(4,283)	507	(41,624)
Tax effect	845	240	8,216
Deferred gains or losses on hedges	(3,438)	747	(33,408)
Foreign currency translation adjustment:			
Amount arising in the year	7,441	34,635	72,307
Reclassification adjustments for gains and losses included in net income (loss)	179	8,181	1,740
Foreign currency translation adjustment	7,621	42,817	74,048
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising in the year	10,010	6,120	97,264
Reclassification adjustments for gains and losses included in net income (loss)	(74)	3,233	(721)
Share of other comprehensive income of associates accounted for using equity method	9,936	9,354	96,543
Total other comprehensive income	¥14,677	¥ 46,832	$142,613

13. Cash Flow Information

Cash and cash equivalents at March 31, 2014 and 2013 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Cash and bank deposits	¥450,063	¥409,509	$4,372,947
Time deposits with maturities of more than three months	(38,368)	(48,342)	(372,800)
Cash and cash equivalents	¥411,695	¥361,167	$4,000,146

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, 2014 and 2013 amounted to a net expense of ¥57 million ($559 thousand) and ¥3,607 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, 2014 and 2013 amounted to ¥23,404 million ($227,407 thousand) and ¥18,608 million, respectively.

Purchases of property, plant and equipment within investing activities in the consolidated statements of cash flows for the years ended March 31, 2014 and 2013 include payments for the acquisition of lease vehicles of ¥26,124 million ($253,828 thousand) and ¥13,801 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, 2014 and 2013 include proceeds from the sale of lease vehicles of ¥10,184 million ($98,953 thousand) and ¥6,831 million, respectively.

Changes in finance receivables within operating activities in the consolidated statements of cash flows for the years ended March 31, 2014 and 2013 are primarily the net of payments amounting to ¥111,335 million ($1,081,767 thousand) and ¥102,348 million, respectively, and proceeds from collections amounting to ¥123,585 million ($1,200,792 thousand) and ¥117,501 million, respectively.

For the year ended March 31, 2013, 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
Non-current assets	¥68 million
Current liabilities	¥6,453 million
Non-current liabilities	¥2,169 million

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, amounting to ¥21,587 million is presented as "Net decrease in cash on the sale of subsidiaries resulting in change in scope of consolidation" in the consolidated statement of cash flow for the year ended March 31, 2013.

For the year ended March 31, 2014, treasury stock of ¥181,709 million ($1,765,544 thousand) was retired as a non-cash transaction.

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, 2014 and 2013 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Due within 1 year	¥ 1,709	¥1,357	$ 16,612
Due after 1 year	9,911	8,201	96,299
Total	¥11,620	¥9,559	$112,911

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, 2014 and 2013 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Due within 1 year	¥ 7,130	¥ 5,429	$ 69,281
Due after 1 year	9,528	8,845	92,586
Total	¥16,659	¥14,274	$161,868

15. Financial Instruments

For the years ended March 31, 2014 and 2013

Overview of financial instruments

(a) Our policy to manage financial instruments

Capital management policy of MMC group (the "Group") is to limit its investments to low-risk financial products and to obtain 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, 2014 and 2013 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, 2014		
	Carrying amount	Fair value	Difference
Cash and bank deposits	¥450,063	¥450,063	¥ —
Notes and accounts receivable–trade	173,535	173,535	—
Finance receivables	69,579		
Allowance for doubtful accounts (*1)	(2,673)		
	66,905	66,022	(883)
Investment (*2)	18,572	18,572	—
Total assets	¥709,077	¥708,194	¥(883)
Notes and accounts payable–trade	¥355,724	¥355,724	¥ —
Short-term loans payable	121,074	121,074	—
Long-term loans payable	101,283	101,696	412
Accounts payable – other and accrued expenses (*3)	113,893	113,893	—
Total liabilities	¥691,976	¥692,389	¥ 412
Derivative transactions (*4)	(468)	(468)	—

	(In thousands of U.S. dollars)		
	March 31, 2014		
	Carrying amount	Fair value	Difference
Cash and bank deposits	$4,372,947	$4,372,947	$ —
Notes and accounts receivable–trade	1,686,124	1,686,124	—
Finance receivables	676,056		
Allowance for doubtful accounts (*1)	(25,979)		
	650,077	641,494	(8,582)
Investment (*2)	180,450	180,450	—
Total assets	$6,889,599	$6,881,017	$(8,582)
Notes and accounts payable–trade	$3,456,325	$3,456,325	$ —
Short-term loans payable	1,176,398	1,176,398	—
Long-term loans payable	984,100	988,112	4,012
Accounts payable – other and accrued expenses (*3)	1,106,621	1,106,621	—
Total liabilities	$6,723,445	$6,727,457	$ 4,012
Derivative transactions (*4)	(4,554)	(4,554)	—

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

(*2) Investments presented in the consolidated balance sheets consist of: investment securities of ¥71,759 million ($697,237 thousand), which include securities with market value of ¥18,572 million ($180,450 thousand) and non-listed stocks and stocks of unconsolidated subsidiaries and affiliates of ¥53,187 million ($516,787 thousand) (refer to Note 15.2); and other investments in unconsolidated subsidiaries and affiliates of ¥41,038 million ($398,742 thousand) at March 31, 2014.

(*3) Accounts payable – other and accrued expenses presented in the balance sheets consist of accrued expenses and accounts payable of ¥113,893 million ($1,106,621 thousand) and allowance for product warranties of ¥31,993 million ($310,859 thousand) at March 31, 2014.

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

	(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	—
Total assets	¥648,434	¥648,398	¥ (35)
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	—
Total liabilities	¥784,361	¥786,374	¥2,012
Derivative transactions (*4)	20,933	20,933	—

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

(*2) Investments presented in the consolidated balance sheets consist of: investment securities of ¥67,251 million, which include securities with market value of ¥17,862 million and non-listed stocks and stocks of unconsolidated subsidiaries and affiliates of ¥49,388 million (refer to Note 15.2); and other investments in unconsolidated subsidiaries and affiliates of ¥29,609 million 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 and allowance for product warranties of ¥28,273 million at March 31, 2013.

(*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,		
	2014	2013	2014
Non-listed stocks and stocks of unconsolidated subsidiaries and affiliates	¥53,187	¥49,388	$516,787

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

3. Maturity profile of monetary receivables subsequent to March 31, 2014

	(In millions of yen)		
	March 31, 2014		
	Bank deposits	Notes and accounts receivable–trade	Finance receivables
2015	¥449,610	¥172,335	¥28,927
2016	—	1,200	6,021
2017	—	—	9,226
2018	—	—	8,853
2019	—	—	9,067
Thereafter	—	—	7,484
Total	¥449,610	¥173,535	¥69,579

	(In thousands of U.S. dollars)		
	March 31, 2014		
	Bank deposits	Notes and accounts receivable–trade	Finance receivables
2015	$4,368,541	$1,674,462	$281,068
2016	—	11,661	58,502
2017	—	—	89,643
2018	—	—	86,019
2019	—	—	88,105
Thereafter	—	—	72,717
Total	$4,368,541	$1,686,124	$676,056

4. Maturity profile of the long-term loans payable subsequent to March 31, 2014

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, 2014 and 2013:

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

Forward foreign exchange contracts and cross currency swaps

	(In millions of yen)			
	March 31, 2014			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Sell:				
US $	¥ 2,878	¥—	¥ 8	¥ 8
£ stg	236	—	0	0
Japanese ¥	10,807	—	42	42
Other	672	—	(1)	(1)
Total	¥ —	¥—	¥49	¥49

	(In thousands of U.S. dollars)			
	March 31, 2014			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Sell:				
US $	$ 27,964	$—	$ 86	$ 86
£ stg	2,298	—	1	1
Japanese ¥	105,008	—	408	408
Other	6,532	—	(17)	(17)
Total	$ —	$—	$479	$479

	(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
Total	¥ —	¥—	¥17,353	¥17,353

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

Interest rate options

	(In millions of yen)			
	March 31, 2014			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Interest rate options:				
Buy:	¥2,580	¥2,580	¥54	¥54
Total	¥ —	¥ —	¥54	¥54

	(In thousands of U.S. dollars)			
	March 31, 2014			
	Notional amount	Due more than 1 year	Fair value	Unrealized gain (loss)
Interest rate options:				
Buy:	$25,068	$25,068	$526	$526
Total	$ —	$ —	$526	$526

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

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

(b) Derivative transactions that are subject to hedge accounting

Forward foreign exchange contracts

	(In millions of yen)			
	March 31, 2014			
	Hedged item	Notional amount	Due more than 1 year	Fair value
Forward foreign exchange contracts:				
Sell:				
US $	Foreign currency forecast transaction	¥ 8,570	¥—	¥ (71)
Euro		4,376	—	(12)
£ stg		2,356	—	(39)
Australian $		12,692	—	(256)
Other		7,002	—	(131)
Buy:				
Japanese ¥		635	—	(42)
Total		¥ —	¥—	¥(553)

	(In thousands of U.S. dollars)			
	March 31, 2014			
	Hedged item	Notional amount	Due more than 1 year	Fair value
Forward foreign exchange contracts:				
Sell:				
US $	Foreign currency forecast transaction	$ 83,275	$—	$ (692)
Euro		42,524	—	(123)
£ stg		22,897	—	(379)
Australian $		123,327	—	(2,495)
Other		68,042	—	(1,272)
Buy:				
Japanese ¥		6,172	—	(411)
Total		$ —	$—	$(5,375)

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

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

Interest rate swaps

		(In millions of yen)		
		March 31, 2014		
	Hedged item	Notional amount	Due more than 1 year	Fair value
Pay-fixed, receive-floating (recorded as fair value):	Debt	¥29,496	¥29,496	¥(18)
Pay-fixed, receive-floating (special hedge provisions):	Debt	7,615	275	(*)
Total		¥ —	¥ —	¥(18)

		(In thousands of U.S. dollars)		
		March 31, 2014		
	Hedged item	Notional amount	Due more than 1 year	Fair value
Pay-fixed, receive-floating (recorded as fair value):	Debt	$286,598	$286,598	$(183)
Pay-fixed, receive-floating (special hedge provisions):	Debt	73,989	2,671	(*)
Total		$ —	$ —	$(183)

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

		(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	(*)
Total		¥ —	¥ —	¥(89)

(*) 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

For the fiscal year ended March 31, 2014:

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

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

Defined benefit plan

The changes in the retirement benefit obligations during the year ended March 31, 2014 is as follows:

	(In millions of yen)	(In thousands of U.S. dollars)
	For the years ended March 31,	
	2014	2014
Retirement benefit obligation at beginning of year	¥185,113	$1,798,612
Service costs	7,628	74,116
Interest costs	4,734	46,000
Actuarial losses	205	1,994
Retirement benefit paid	(9,269)	(90,066)
Exchange translation differences	4,124	40,075
Other	(322)	(3,133)
Retirement benefit obligation at end of year	¥192,213	$1,867,599

The changes in the retirement benefit obligations during the year ended March 31, 2014 is as follows:

	(In millions of yen)	(In thousands of U.S. dollars)
	For the years ended March 31,	
	2014	2014
Plan assets at beginning of year	¥75,217	$730,831
Expected return on plan assets	4,490	43,629
Actuarial losses	3,100	30,126
Contributions by the Company	3,130	30,413
Retirement benefit paid	(3,376)	(32,808)
Exchange translation differences	3,788	36,811
Other	(0)	(1)
Plan assets at end of year	¥86,350	$839,002

The following table sets for the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2014 for the MMC and consolidated subsidiaries' defined benefit plans:

	(In millions of yen)	(In thousands of U.S. dollars)
	March 31,	
	2014	2014
Funded retirement benefit obligation	¥ 82,704	$ 803,581
Plan assets at fair value	(86,350)	(839,002)
	(3,645)	(35,421)
Unfunded retirement benefit obligation	109,508	1,064,018
Net liability for retirements benefits in the balance sheet	105,863	1,028,596
Net defined benefit liability	113,747	1,105,200
Net defined benefit asset	(7,884)	(76,603)
Net liability for retirement benefits in the balance sheet	¥105,863	$1,028,596

The components of retirement benefit expenses for the year ended March 31, 2014 are as follows:

	(In millions of yen)	(In thousands of U.S. dollars)
	March 31,	
	2014	2014
Service costs	¥ 7,628	$ 74,116
Interest costs	4,734	46,000
Expected return on plan assets	(4,490)	(43,629)
Amortization of actuarial losses	2,667	25,918
Amortization of prior service costs	(688)	(6,693)
Retirement benefit expenses	¥ 9,850	$ 95,711

Unrecognized prior service costs and unrecognized actuarial losses included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 are as follows:

	(In millions of yen)	(In thousands of U.S. dollars)
	March 31,	
	2014	2014
Unrecognized prior service costs	¥(9,310)	$(90,468)
Unrecognized actuarial losses	13,095	127,238
Total	¥ 3,784	$ 36,770

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014 are as follows:

	March 31, 2014
Bonds	49%
Stocks	36%
Cash on hand and in banks	5%
Life insurance company account	5%
Other	5%
Total	100%

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

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

		March 31, 2014
Discount rates	Domestic subsidiaries	0.9% ~ 2.0%
	Foreign subsidiaries	3.7% ~ 5.2%
Expected rates of return on plan assets	Domestic subsidiaries	0.7% ~ 4.0%
	Foreign subsidiaries	4.1% ~ 8.0%

Defined contribution plans

Contributions for defined contribution plans (including multi-employer pension plans that accounted as a defined contribution plan) for the year ended March 31, 2014 are ¥2,696 million ($26,197 thousand).

Information of multi-employer pension plans which the required contribution has been accounted for as retirement benefit expenses was as follows at March 31, 2013:

	(In millions of yen)
	March 31,
	2013
Pension Plan assets	¥26,943
Benefit obligations under pension plan rules	26,319
Difference	¥ 624

The Difference of ¥624 million above was mainly due to unrecognized prior service costs of ¥1,128 million. Unrecognized prior service costs are amortized by the straight line method over periods of 20 years. The approximate ratio of the Group's share of accumulated contributions in the multi-employee plan obligation is 57.2% as of March 31, 2013. This ratio does not necessarily match the amount of the Group's share of the actuarially estimated pension benefit obligation.

For the fiscal year ended March 31, 2013 under the previous accounting standard:

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 retirement benefit expenses was as follows at March 31, 2012:

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

The Difference of ¥1,497 million above was mainly due to unrecognized prior service costs of ¥1,273 million. Unrecognized prior service costs are amortized by the straight line method over periods of 20 years. The approximate ratio of the Group's share of accumulated contributions in the multi-employee plan obligation is 59.2% as of March 31, 2012. This ratio does not necessarily match the amount of the Group's 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% for MMC and its domestic consolidated subsidiaries, 3.4% ~ 5.7% for its foreign consolidated subsidiaries at March 31, 2013. 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.

Prior service costs are amortized by the straight line method over periods of 1 to 14 years and for the year ended March 31, 2013. 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 for the year ended March 31, 2013. 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 is summarized as follows:

	(In millions of yen)
	March 31,
	2013
Retirement benefits obligation	¥(185,113)
Pension plan assets at fair value	75,217
Unfunded status	(109,896)
Unrecognized actuarial losses	18,858
Unrecognized prior service costs	(9,867)
Net recognized retirement benefits obligation	(100,905)
Prepaid pension premiums	10,755
Provision for retirement benefits	¥(111,660)

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

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

	(In millions of yen)
	For the years ended March 31,
	2013
Service cost	¥ 8,136
Interest cost	4,311
Expected return on plan assets	(3,570)
Amortization of actuarial losses	2,703
Amortization of prior service costs	(30)
Pension expenses	¥11,550

Retirement benefit 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 in Japan for the years ended March 31, 2014 and 2013.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2014 and 2013 differ from the statutory tax rates for the following reasons:

	(%)	
	For the years ended March 31,	
	2014	2013
Statutory income tax rate for MMC	37.6	37.6
Equity in earnings of affiliates	(2.4)	(2.6)
Dividends received deduction	(0.5)	1.3
Difference in tax rate of overseas subsidiaries and others	(9.0)	(10.3)
Effect of valuation allowance changes	(17.2)	14.0
Income taxes as a percentage of income before income taxes and minority interests	8.6	40.0

The significant components of deferred tax assets and liabilities as of March 31, 2014 and 2013 consisted of the following:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Deferred tax assets:			
Net operating losses carried forward	¥ 126,416	¥ 170,449	$ 1,228,295
Accrued retirement benefits	—	40,304	—
Net defined benefit liability	40,429	—	392,828
Allowance for doubtful accounts	3,115	3,494	30,269
Allowance for product warranties	10,811	9,713	105,046
Accounts payable – warranties	19,432	11,577	188,812
Fixed assets (incl. impairment losses)	32,456	31,159	315,359
Others	26,884	34,840	261,221
Less valuation allowance	(210,563)	(271,377)	(2,045,891)
Total deferred tax assets	48,984	30,160	475,942
Deferred tax liabilities:			
Unrealized holding gain on securities	(3,100)	(2,783)	(30,127)
Fair value adjustments relating to land	(3,739)	(3,840)	(36,333)
Reserves under the Special Taxation Measures Law	(230)	(244)	(2,237)
Accelerated depreciation in overseas consolidated subsidiaries	(20,418)	(17,411)	(198,393)
Others	(24,220)	(28,437)	(235,332)
Total deferred tax liabilities	(51,709)	(52,716)	(502,425)
Net deferred tax liabilities	¥ (2,725)	¥ (22,556)	$ (26,482)

Deferred tax assets and liabilities at March 31, 2014 and 2013 are included in the accompanying consolidated balance sheets as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Current assets	¥ 15,445	¥ 3,543	$ 150,069
Non-current assets	9,898	4,349	96,175
Current liabilities	(15)	(346)	(149)
Non-current liabilities	(28,053)	(30,103)	(272,577)
Net deferred tax liabilities	¥ (2,725)	¥(22,556)	$ (26,482)

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014 and, as a result, MMC is no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014. As result, the effective statutory tax rate used to measure MMC's deferred tax assets and liabilities was changed from 37.6%

to 35.2% for the temporary differences expected to be realized or settled from fiscal years beginning April 1, 2014. The effect of the announced reduction of the effective tax rate at the end fiscal year ended March 31, 2014 was immaterial.

19. Asset Retirement Obligations

(a) Overview

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

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

The useful lives of assets from acquisition or construction date has been estimated ranging from 1 to 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, 2014, the carrying amount of asset retirement obligations was decreased by ¥1,289 million ($12,530 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, 2014 and 2013 were as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the year ended March 31,		
	2014	2013	2014
Balance at beginning of year	¥ 7,386	¥7,414	$ 71,772
Increase due to the acquisition of property, plant and equipment	47	25	461
Discount accretion expense	112	255	1,097
Decrease due to the settlement of asset retirement obligations	(972)	(51)	(9,450)
Increase due to change in estimate	—	622	—
Decrease due to change in estimate	(1,289)	(105)	(12,530)
Others (*)	(37)	(773)	(361)
Balance at end of year	¥ 5,247	¥7,386	$ 50,989

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

20. Investment and Rental Property

For the years ended March 31, 2014 and 2013, no disclosures are provided as investment and rental property is considered immaterial.

21. Segment Information

(a) Overview of reportable segments

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

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

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

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

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

	(In millions of yen)		(In thousands of U.S. dollars)
	For the year ended March 31,		
	2014	2013	2014
Net sales:			
Automobiles	¥2,081,212	¥1,805,073	$20,221,655
Financial services	12,157	10,059	118,126
Total	2,093,370	1,815,132	20,339,781
Adjustment	38	(19)	377
Grand total	¥2,093,409	¥1,815,113	$20,340,159
Segment income (loss):			
Automobiles	¥ 121,879	¥64,997	$1,184,212
Financial services	1,516	2,403	14,733
Total	123,395	67,401	1,198,945
Adjustment	38	(19)	377
Grand total	¥ 123,434	¥ 67,382	$1,199,323
Segment assets:			
Automobiles	¥1,412,527	¥1,331,683	$13,724,517
Financial services	119,386	109,284	1,159,992
Total	1,531,913	1,440,967	14,884,510
Adjustment	11,976	11,842	116,366
Grand total	¥1,543,890	¥1,452,809	$15,000,876
Depreciation: (Note (3))			
Automobiles	¥ 53,182	¥ 50,700	$516,738
Financial services	6,029	3,623	58,579
Grand total	¥ 59,211	¥ 54,324	$575,318
Investment accounted for using the equity method:			
Automobiles	¥ 79,551	¥ 63,400	$772,941
Financial services	7,850	6,840	76,274
Total	87,401	70,241	849,216
Adjustment	(605)	(644)	(5,885)
Grand total	¥ 86,795	¥ 69,596	$843,330
Increase in property, plant and equipment and intangible assets: (Note (3))			
Automobiles	¥ 74,150	¥ 56,836	$720,464
Financial services	25,396	13,679	246,754
Grand total	¥ 99,546	¥ 70,515	$967,219

(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,		
	2014	2013	2014
Japan	¥ 474,088	¥ 329,473	$ 4,606,377
North America	229,382	157,639	2,228,749
Europe	484,300	400,707	4,705,601
Asia	415,704	501,739	4,039,103
(Thailand)	161,693	268,724	1,571,064
Oceania	208,921	163,619	2,029,937
Other	281,011	261,934	2,730,389
Total	¥2,093,409	¥1,815,113	$20,340,159

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

(2) Property, plant and equipment

	(In millions of yen)		(In thousands of U.S. dollars)
	March 31,		
	2014	2013	2014
Japan	¥264,542	¥274,254	$2,570,365
North America	58,572	45,177	569,109
Thailand	61,831	55,362	600,769
Other	15,855	12,108	154,059
Total	¥400,801	¥386,903	$3,894,304

(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,		
	2014	2013	2014
Net sales:			
Japan	¥1,744,352	¥1,444,627	$16,948,621
North America	267,262	175,096	2,596,796
Europe	128,651	120,849	1,250,011
Asia	616,680	659,364	5,991,844
Oceania	209,093	163,719	2,031,608
Other	30,414	27,632	295,515
Total	2,996,453	2,591,290	29,114,397
Adjustment	(903,044)	(776,177)	(8,774,237)
Grand total	¥2,093,409	¥1,815,113	$20,340,159
Operating income (loss):			
Japan	¥ 68,387	¥ 9,253	$ 664,474
North America	2,718	(6,005)	26,413
Europe	8,225	11,285	79,919
Asia	42,300	57,253	411,007
Oceania	4,682	(2,576)	45,501
Other	1,046	979	10,165
Total	127,361	70,189	1,237,482
Adjustment	(3,927)	(2,807)	(38,158)
Grand total	¥ 123,434	¥ 67,382	$ 1,199,323

(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,	
	2014	2013
Customer:	Mitsubishi Corporation	Mitsubishi Corporation
Net sales:	¥272,020 million ($2,643,031 thousand)	¥272,076 million
Relevant segment	Automobiles	Automobiles

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

	(In millions of yen)
	For the year ended March 31, 2014
Impairment loss:	
Automobiles	¥6,902
Financial services	—
Total	¥ 6,902

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

Information on the amortization and balance of goodwill by reportable segments

No significant items to be reported for the years ended March 31, 2014 and 2013.

Information on gains due to negative goodwill by reportable segments

No significant items to be reported for the year ended March 31, 2014 and not applicable for the year ended March 31, 2013.

22. Related Party Transactions

MMC entered into the following transactions with related parties during the years ended March 31, 2014 and 2013:

Related Party Transactions

Transactions between MMC and the Related Parties

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

	March 31, 2014
Party type:	Major shareholder
Party name:	Mitsubishi Corporation
Address:	Chiyoda-Ku, Tokyo, Japan
Capital:	¥204,447 million ($1,986,465 thousand)
Business:	Wholesale trading
% of voting stock held:	Direct 10.07 Indirect 0.00
Relationship with the Related Party:	Sales of products; import of materials for production; mutual directorships
Detail of transaction:	Sales of products
Transaction amount:	¥272,016 million ($2,642,992 thousand)
Account title:	Accounts receivable
Balance at year end:	¥25,494 million ($247,713 thousand)

	March 31, 2013
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 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
Account title:	Accounts receivable
Balance at year end:	¥26,800 million

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

No significant items to be reported for the year ended March 31, 2014 and 2013.

(Note)

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

Major affiliates

Summarized financial information of the major affiliates

MMC Diamond Finance Corp. is the major affiliate of reporting company (MMC) for the year ended March 31, 2014 and 2013. The summarized financial information for the same fiscal years are shown below:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2014	2013	2014
Total current assets	¥318,782	¥293,852	$3,097,377
Total non-current assets	15,024	16,826	145,986
Total current liabilities	226,316	212,023	2,198,958
Total non-current liabilities	90,805	84,117	882,292
Total net assets	16,684	14,536	162,113
Net sales	27,749	25,669	269,626
Income before income taxes	3,569	2,978	34,681
Net income	2,147	1,754	20,868

23. Income and Equity per Share

Net income and equity per share of common stock for the years ended March 31, 2014 and 2013 are summarized as follows:

	(In yen)		(In U.S. dollars)
	March 31,		
	2014	2013	2014
Net income (loss) per share of common stock			
Basic	¥156.60	¥ 66.05	$1.52
Diluted	104.29	37.09	1.01
Stockholders' equity per share of common stock	549.63	(92.12)	5.34

Ten shares of common stock were consolidated into one share on August 1, 2013, and stockholders' equity per share of common stock and net income per share of common stock were calculated as if the consolidation of shares had been carried out on the beginning of this fiscal year.

The computations of net income per share of common stock for the years ended March 31, 2014 and 2013 are as follows:

	(In millions of yen)		(In thousands of U.S. dollars)
	For the years ended March 31,		
	2014	2013	2014
Numerator for basic net income (loss) per share of common stock:			
Net income (loss)	¥104,664	¥37,978	$1,016,954
Income not available to common stockholders	—	—	—
Income available to common stockholders	¥104,664	¥37,978	$1,016,954
Denominator for net income (loss) per share of common stock:			
Weighted average number of shares (in thousands)	668,367	574,989	
Number of dilutive potential common shares (in thousands)	335,179	488,478	
(Preferred stock)	(335,179)	(488,478)	

24. Business Combinations and Divestitures

No significant matters to disclose.

25. Subsequent Event

No significant matters to disclose.

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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, 2014, 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, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 25, 2014

Consolidated Subsidiaries and Affiliates As of March 31, 2014

	Company	Incorporated in
Consolidated subsidiaries		
	Hokkaido Mitsubishi Motor Sales Co., Ltd.	Japan
	Higashi Nihon Mitsubishi Motor Sales Co., Ltd.	Japan
	Kanto Mitsubishi Motor Sales Co., Ltd.	Japan
	Chubu Mitsubishi Motor Sales Co., Ltd.	Japan
	Nishi Nihon Mitsubishi Motor Sales Co., Ltd.	Japan
	Pajero Manufacturing Co., Ltd.	Japan
	Mitsubishi Automotive Logistics Technology Co., Ltd.	Japan
	Mitsubishi Automotive Engineering Co., Ltd.	Japan
	Suiryo Plastics Co., Ltd.	Japan
	Mitsubishi Motors North America, Inc. (MMNA)*2	U.S.A.
	Mitsubishi Motors R&D of America, Inc. (MRDA)	U.S.A.
	Mitsubishi Motor Sales of Canada, Inc. (MMSCAN)	Canada
	Mitsubishi Motors Credit of America, Inc. (MMCA)	U.S.A.
	Mitsubishi Motor Sales of Caribbean, Inc. (MMSC)	Puerto Rico
	Mitsubishi Motors Europe B.V. (MME)*2	Netherlands
	Mitsubishi Motor R&D Europe GmbH (MRDE)	Germany
	Mitsubishi Motor Sales Netherlands B.V.	Netherlands
	MMC International Finance (Netherlands) B.V.	Netherlands
	Mitsubishi Motors Australia, Ltd. (MMAL)*2	Australia
	Mitsubishi Motors New Zealand Ltd. (MMNZ)	New Zealand
	Mitsubishi Motors (Thailand) Co., Ltd. (MMTh)*2	Thailand
	MMTh Engine Co., Ltd.	Thailand
	Mitsubishi Motors Philippines Corp. (MMPC)	Philippines
	Asian Transmission Corp. (ATC)	Philippines
	Mitsubishi Motors Middle East and Africa FZE	U.A.E.
	Note: MMC has 18 other subsidiaries outside Japan in addition to the above.	
Equity-method affiliates		
	Muroran Mitsubishi Motor Sales Co., Ltd.	Japan
	Tokachi Mitsubishi Motor Sales Co., Ltd.	Japan
	Ibaraki Mitsubishi Motor Sales Co., Ltd.	Japan
	Mie Mitsubishi Motor Sales Co., Ltd.	Japan
	Kagawa Mitsubishi Motor Sales Co., Ltd.	Japan
	Miyazaki Mitsubishi Motor Sales Co., Ltd.	Japan
	Higashi Kanto MMC Parts Sales Co., Ltd.	Japan
	NMKV Co., Ltd	Japan
	MMC Diamond Finance Corp.	Japan
	MMD Automobile GmbH	Germany
	Mitsubishi Motors do Portugal S.A.	Portugal
	Vina Star Motors Corporation	Vietnam
	Note: MMC has 10 other affiliates outside Japan in addition to the above.	

Other associated company

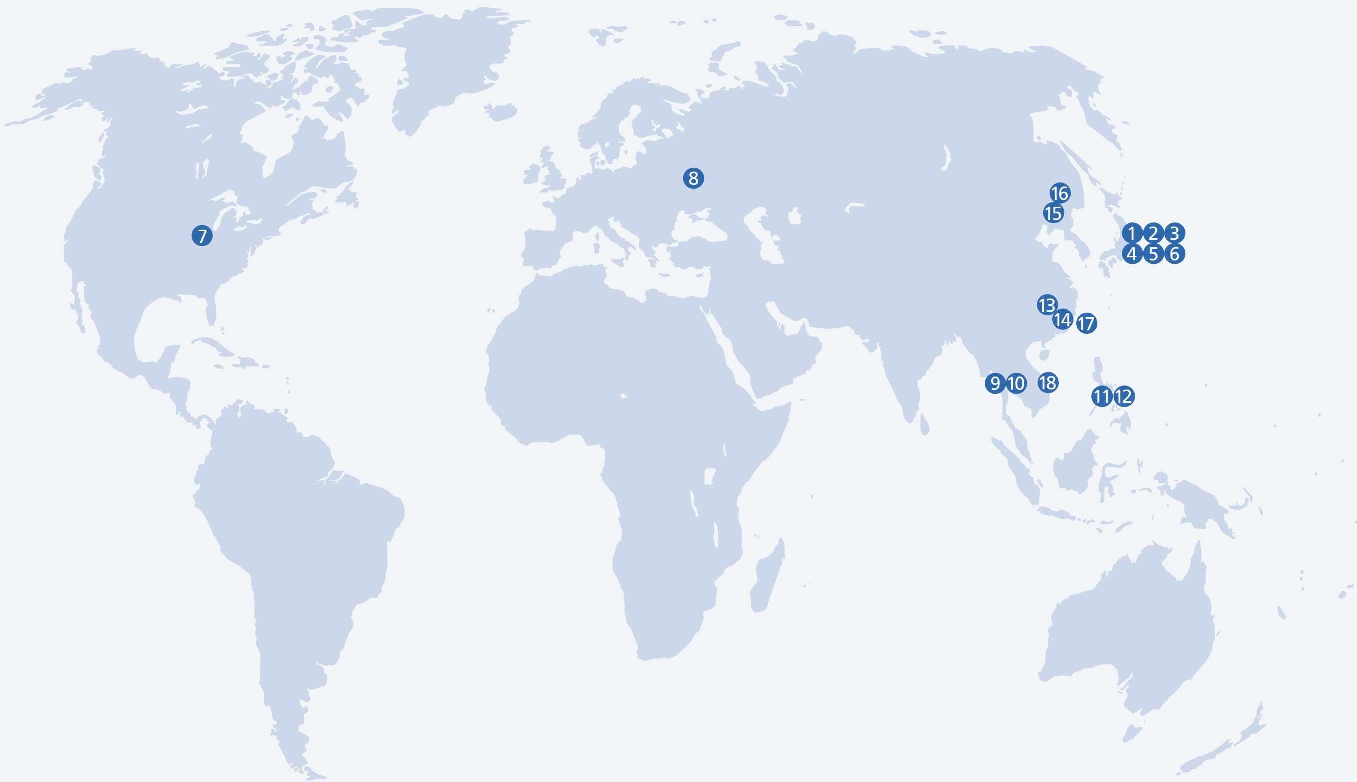
	Company	Incorporated in
	Mitsubishi Heavy Industries, Ltd. Japan	Japan

* 1 Figures in parentheses represent indirect shares.
* 2 Specified subsidiaries. (Mitsubishi Motors North America, Inc. (MMNA), 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 (%)*1
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 100	Automobile sales	100.0
JPY 610	Automobile 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
EUR 6.8	Automobile importing, sales	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 58	Automobile sales	24.8
JPY 50	Automobile sales	23.0
JPY 60	Automobile sales	38.8
JPY 100	Automobile parts sales	33.0 (10.0)
JPY 10	Automobile planning and engineering	50.0
JPY 3,000	Auto sales financing, leasing, rentals	47.0
EUR 30.0	Automobile importing, sales	24.99
EUR 16.5	Automobile importing, sales	50.0 (50.0)
VND 302,912	Manufacture and marketing of automobiles and parts	25.0

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

Principal Production Facilities



Country/Region	Name	Major Products
Japan	1. Nagoya Plant–Okazaki	Outlander, Outlander PHEV, ASX (RVR)
	2. Mizushima Plant	i-MiEV, Lancer (Galant Fortis), eK Wagon, ek Space, MINICAB-MiEV
	3. Pajero Manufacturing Co., Ltd.	Pajero (Montero), Delica D:5
	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, Pajero Sport, 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, 2014

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
Number of Employees	Consolidated: 30,280 Non-consolidated: 12,698
Stock Listing	Tokyo Stock Exchange
Securities Code	7211
Share Trading Unit	100 shares
Number of Shares Outstanding	983,661,919

Major Shareholders

Name	Number of shares held	% of total
Mitsubishi Heavy Industries, Ltd.	124,293,855	12.63
Mitsubishi Corporation	99,044,251	10.06
MHI Automotive Capital LLC Stock Investment Silent Partnership 1	38,638,625	3.92
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	38,517,159	3.91
MHI Automotive Capital LLC Stock Investment Silent Partnership 2	33,968,253	3.45
The Master Trust Bank of Japan, Ltd. (Trust account)	20,513,600	2.08
Japan Trustee Services Bank, Ltd. (Trust account)	19,592,100	1.99
Mitsubishi UFJ Trust and Banking Corporation	13,014,521	1.32
Meiji Yasuda Life Insurance Company	9,459,459	0.96
State Street Bank West Client-Treaty	7,284,541	0.74

Transfer Agent and Register

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(Contact)
Mitsubishi UFJ Trust and Banking Corporation Transfer Agent
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