

Financial Information as of March 31, 2020

(The English translation of the  
“Yukashoken-Houkokusho” for  
the year ended March 31, 2020)

mitsubishi motors  
corporation

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Independent Auditor's Report

Internal Control Report

Confirmation Letter

**[Cover page]**

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Company name: 三菱自動車工業株式会社 (*Mitsubishi Jidosha Kogyo Kabushiki Kaisha*)  
Company name in English: MITSUBISHI MOTORS CORPORATION  
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## A. Company Information

### I. Overview of the Company

#### 1. Summary of business results

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

Fiscal year		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Fiscal year ended		March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Net sales	Millions of yen	2,267,849	1,906,632	2,192,389	2,514,594	2,270,276
Ordinary profit (loss)	Millions of yen	141,027	8,944	110,127	119,850	(3,843)
Profit (loss) attributable to owners of parent	Millions of yen	72,575	(198,524)	107,619	132,871	(25,779)
Comprehensive income	Millions of yen	32,482	(204,740)	110,713	131,381	(67,458)
Net assets	Millions of yen	685,337	703,463	796,562	881,203	788,363
Total assets	Millions of yen	1,433,725	1,484,413	1,646,240	2,010,309	1,938,123
Net assets per share	Yen	682.45	463.37	524.12	585.75	519.15
Basic earnings (loss) per share	Yen	73.80	(164.11)	72.23	89.26	(17.32)
Diluted earnings per share	Yen	—	—	72.20	89.18	—
Equity-to-asset ratio	%	46.81	46.51	47.44	43.37	39.87
Return-on-equity ratio	%	10.92	(29.16)	14.63	16.08	(3.14)
Price/earnings ratio	Times	11.42	—	10.54	6.59	—
Net cash provided by (used in) operating activities	Millions of yen	197,691	(45,829)	119,624	146,053	18,786
Net cash provided by (used in) investing activities	Millions of yen	17,169	(73,119)	(97,093)	(144,906)	(105,712)
Net cash provided by (used in) financing activities	Millions of yen	(122,917)	210,377	(23,161)	(74,966)	9,624
Cash and cash equivalents at end of period	Millions of yen	462,440	555,906	559,036	489,456	399,588
Number of employees [Number of temporary employees not included in the above figures]	Number	29,555 (4,515)	29,604 (3,892)	30,507 (7,122)	31,314 (8,682)	32,171 (7,558)

- (Notes)
1. Net sales do not include consumption taxes.
  2. The number of employees is the number of employees currently on duty.
  3. Diluted earnings per share for FY 2015 and FY 2016 are not shown because there are no potential shares. Diluted earnings per share for FY 2019 is not shown even though there are potential shares, because basic loss per share is reported for the fiscal year.
  4. Price/earnings ratios for the FY 2016 and FY 2019 are not shown because basic loss per share is reported for both of the fiscal years.
  5. The Mitsubishi Motors Corporation (“MMC”) Group has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of FY 2018. Summary of business results relating to FY 2017 also reflects the retrospective application of these accounting standards, etc.

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

Fiscal year		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Fiscal year ended		March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Net sales	Millions of yen	1,806,047	1,567,436	1,721,054	1,999,428	1,802,415
Ordinary profit (loss)	Millions of yen	102,685	40,521	23,306	64,312	6,456
Profit (loss)	Millions of yen	42,272	(157,387)	44,301	54,750	(7,037)
Common stock	Millions of yen	165,701	284,382	284,382	284,382	284,382
Total number of issued shares	Thousands of shares	983,661	1,490,282	1,490,282	1,490,282	1,490,282
Total net assets	Millions of yen	470,184	540,427	570,991	594,867	550,106
Total assets	Millions of yen	938,787	1,073,008	1,084,336	1,114,419	1,093,709
Net assets per share	Yen	478.10	362.69	383.13	399.45	369.39
Dividend per share (Interim dividend per share included in the above amount)	Yen (Yen)	16.00 (8.00)	10.00 (5.00)	17.00 (7.00)	20.00 (10.00)	10.00 (10.00)
Basic earnings (loss) per share	Yen	42.98	(130.11)	29.73	36.78	(4.73)
Diluted earnings per share	Yen	—	—	29.72	36.75	—
Equity-to-asset ratio	%	50.08	50.37	52.65	53.35	50.27
Return-on-equity ratio	%	9.21	(31.15)	7.97	9.40	(1.23)
Price/earnings ratio	Times	19.61	—	25.60	15.99	—
Dividend payout ratio	%	37.22	—	57.18	54.38	—
Number of employees [Number of temporary employees not included in the above figures]	Number	13,033 [1,743]	13,222 [1,793]	13,693 [3,065]	14,171 [3,689]	14,407 [3,276]
Total shareholder return [Comparative indicator: TOPIX (Dividend-Included)]	% %	79.17 [89.18]	64.06 [102.28]	74.10 [118.51]	60.00 [112.54]	34.93 [101.85]
Highest share price	Yen	1,168	880	942	934	649
Lowest share price	Yen	773	412	620	557	268

(Notes) 1. Net sales do not include consumption taxes.

2. Diluted earnings per share for FY 2015 and FY 2016 are not shown because there are no potential shares. Diluted earnings per share for FY 2019 is not shown even though there are potential shares, because basic loss per share is reported for the fiscal year.

3. Price/earnings ratios and dividend payout ratios for the FY 2016 and FY 2019 are not shown because basic loss per share is reported for both of the fiscal years.

4. The Mitsubishi Motors Corporation (“MMC”) Group has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of FY 2018. Summary of business results relating to FY 2017 also reflects the retrospective application of these accounting standards, etc.

5. Highest share price and lowest share price are those recorded on the first section of the Tokyo Stock Exchange.

## 2. Company history

Date	Outline
April 1970	Mitsubishi Motors Corporation (MMC) incorporated as wholly-owned subsidiary of Mitsubishi Heavy Industries, Ltd. (MHI)
June 1970	MMC started business taking over MHI motor vehicle division operations. MHI's certain facilities of Kyoto Works (presently Kyoto Works Kyoto Plant), Nagoya Motor Vehicle Works, Mizushima Motor Vehicle Works (presently Mizushima Plant) and one other Vehicle Works transferred from MHI to MMC
August 1977	MMC commissioned Nagoya Motor Vehicle Works (presently Nagoya Plant) - Okazaki Plant
December 1979	MMC commissioned Kyoto Works - Shiga Plant
October 1980	MMC and Mitsubishi Corporation jointly established Mitsubishi Motors Australia Ltd. (MMAL) (MMC subsequently acquired all MMAL shares in December 2001)
December 1981	MMC and Mitsubishi Corporation jointly established Mitsubishi Motors Sales of America, Inc. (MMSA)
October 1984	MMC took over management of Mitsubishi Motor Sales Co., Ltd. (established in October 1964)
October 1985	MMC established Diamond-Star Motors Corporation (DSM) as a joint venture company with Chrysler Corporation (MMC subsequently acquired all DSM shares in October 1991 and renamed "Mitsubishi Motor Manufacturing of America, Inc." (MMMA) in July 1995)
December 1988	MMC shares listed on First Section of Tokyo, Osaka and Nagoya stock exchanges (MMC shares delisted from Nagoya Stock Exchange in November 2003 and delisted from Osaka Stock Exchange in November 2009)
March 1995	MMC acquired the majority of shares in Toyo Koki Co. Ltd. (renamed "Pajero Manufacturing Co., Ltd." (PMC) in July 1995 and MMC subsequently acquired all PMC shares in March 2003)
November 1996	MMC commissioned Tokachi Proving Ground in Hokkaido.
August 1997	MMC acquired the majority of shares in MMC Sittipol Co., Ltd. (renamed "Mitsubishi Motors (Thailand) Co., Ltd." (MMTh) in November 2003 and MMC subsequently acquired all MMTh shares in August 2008)
February 1999	MMC acquired shares in Netherlands Car B.V. bringing its equity interest up to 50% (15% stake held by MMC associates included) (MMC additionally acquired shares in Netherlands Car B.V. in March 2001, thereby increasing its equity interest to 100% (15% stake held by MMC associates included))
March 2000	MMC signed basic agreement on business alliance for overall passenger vehicle operations including capital participation with DaimlerChrysler AG (DaimlerChrysler AG acquired 34% of shares in MMC in October 2000 and subsequently sold all shares in November 2005)
December 2002	Mitsubishi Motors Europe B.V. (MME) (established in January 1977) implemented an absorption-type merger with Mitsubishi Motors Sales Europe B.V. (established in March 1993)
January 2003	MMSA, MMMA and one other company merged to form Mitsubishi Motors North America, Inc. (MMNA)
January 2003	MMC spun off truck and bus operations into a separate company, incorporating them as Mitsubishi Fuso Truck and Bus Corporation (MFTBC).
March 2003	MMC transferred a 43% stake in MFTBC to DaimlerChrysler AG and a collective 15% stake to 10 Mitsubishi group firms, leaving it with a shareholding of 42% in MFTBC (MMC transferred all remaining MFTBC shares to DaimlerChrysler AG in March 2005)
May 2003	MMC moved its head office to 2-16-4, Konan, Minato-ku, Tokyo
January 2007	MMC moved its head office to 5-33-8, Shiba, Minato-ku, Tokyo
March 2008	Car production terminated at MMAL
April 2010	Established a new plant in Russia under the agreement between MMC and France's PSA Peugeot Citroen
December 2012	MMC and MME transferred all shares in Netherlands Car B.V. to VDL Groep B.V. in the Netherlands
March 2015	MMC and Mitsubishi Corporation jointly established PT Mitsubishi Motors Krama Yudha Indonesia (MMKI)
November 2015	Car production terminated at MMNA
May 2016	MMC and Nissan Motor Co., Ltd. signed Strategic Alliance Agreement regarding Capital and Business Alliance (Nissan Motor Co., Ltd. acquired 34% of shares in MMC in October 2016)
January 2019	MMC moved its head office to 3-1-21, Shibaura, Minato-ku, Tokyo
June 2019	MMC made the transition to a company with three committees

### 3. Description of business

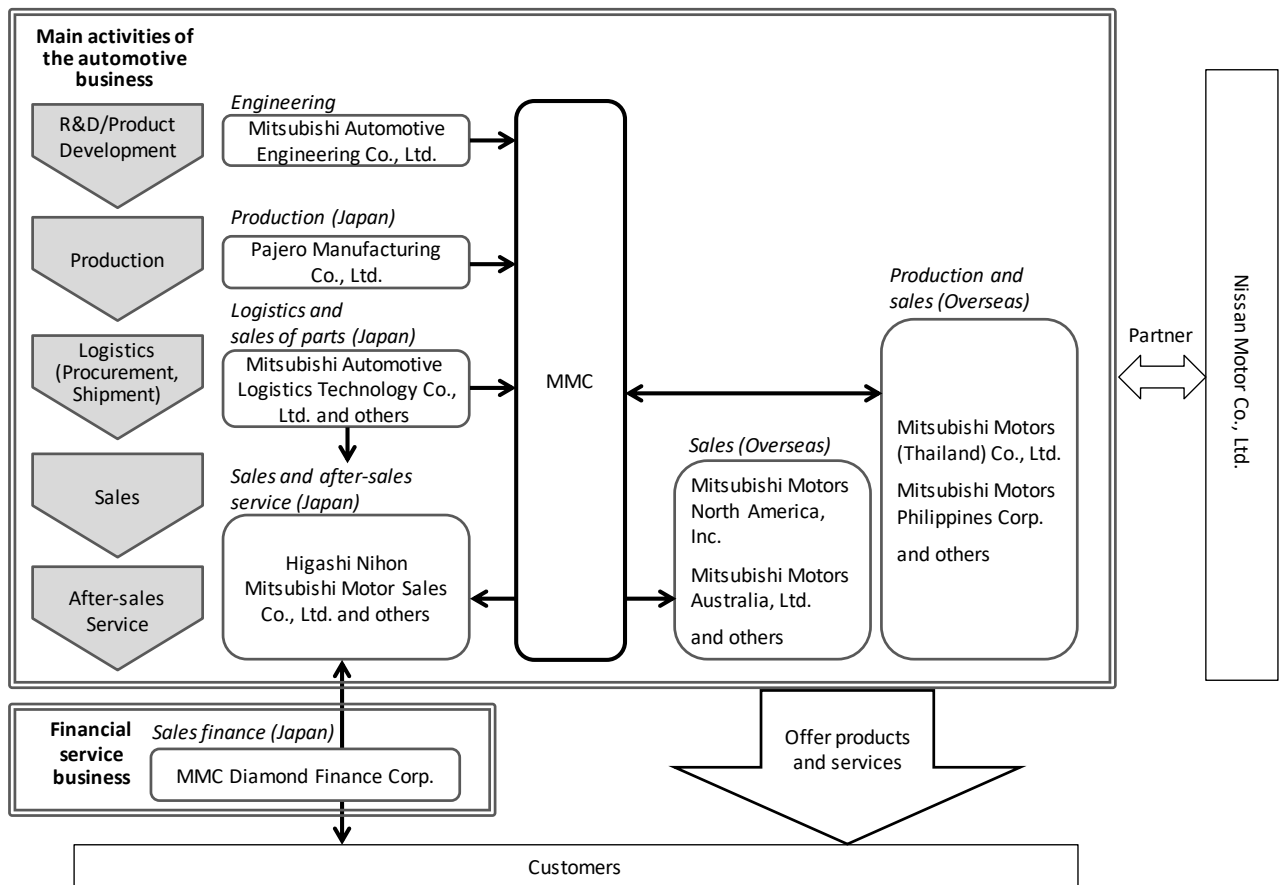
The MMC Group comprises MMC, 35 consolidated subsidiaries and 19 equity-method associates (as at March 31, 2020). The MMC Group is engaged in the development, production and sales of passenger vehicles and their parts and components, as well as in auto financing operations. MMC conducts most of the development work.

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

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

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

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



→ : Flow of products and services

As of April 1, 2019, MMC's consolidated subsidiaries Kanto Mitsubishi Motors Sales Co., Ltd. and Higashi Nihon Mitsubishi Motor Sales Co., Ltd. were merged and renamed to Higashi Nihon Mitsubishi Motor Sales Co., Ltd. shown in the diagram.



(Major products)

(i) SUVs and pickup trucks

RVR/Outlander Sport/ASX, Eclipse Cross, Outlander, Outlander PHEV, Triton/L200/L200 Sportero/Strada,<sup>(1)</sup> Pajero/Montero,<sup>(1)</sup> Pajero Sport/Montero Sport<sup>(1)</sup>

(ii) Passenger vehicles and minivans

i-MiEV, Mirage/Space Star, Delica D:2,<sup>(2)</sup> Delica D:5, Attrage/Mirage G4,<sup>(1)</sup> XPANDER,<sup>(1)</sup> XPANDER CROSS<sup>(1)</sup>

(iii) Kei-cars

eK X, eK Wagon, eK X space, eK space, Townbox,<sup>(2)</sup> Minicab Truck,<sup>(2)</sup> Minicab Van,<sup>(2)</sup> MINICAB-MiEV

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

(2) Vehicle models provided by OEM

#### 4. Status of subsidiaries and associates

##### (1) Parent company

Not applicable.

##### (2) Consolidated subsidiaries

(As of March 31, 2020)

Company name	Location	Capital stock (million JPY)	Business lines	Percentage of voting stock holding (%)	Relationship
Higashi Nihon Mitsubishi Motor Sales Co., Ltd.	Meguro-ku, Tokyo	100	Automobile sales	100.0	Sales of MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
Chubu Mitsubishi Motor Sales Co., Ltd.	Higashi-ku, Nagoya-shi	100	Automobile sales	100.0	Sales of MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
Nishi Nihon Mitsubishi Motor Sales Co., Ltd.	Yodogawa-ku, Osaka-shi	100	Automobile sales	100.0	Sales of MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
Pajero Manufacturing Co., Ltd.	Kamo-gun, Gifu	610	Automobile manufacture	100.0	Manufacturing of some MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
Mitsubishi Automotive Logistics Technology Co., Ltd.	Takatsu-ku, Kawasaki-shi	436	Automobile transport and maintenance Sales of automobile parts	83.2	Transport and maintenance of MMC products Sales of parts of MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
Mitsubishi Automotive Engineering Co., Ltd.	Okazaki-shi, Aichi	350	Automobile development	100.0	Development of some MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes
Suiryo Plastics Co., Ltd.	Kurashiki-shi, Okayama	100	Manufacture of automobile parts	100.0	Manufacturing of parts of some MMC products Concurrent positions of corporate officers: Yes Leasing of equipment: Yes Loans: Yes
MMC Diamond Finance Corp.	Minato-ku, Tokyo	3,000	Auto sales financing, leasing, and rentals	100.0	Auto sales financing, leasing, and rentals of MMC products Concurrent positions of corporate officers: Yes Loans: Yes

Company name	Location	Capital stock	Business lines	Percentage of voting stock holding (%)	Relationship
Mitsubishi Motors North America, Inc.*2 *3	Franklin, Tennessee, the United States	398,812 thousand USD	Automobile sales	100.0	Sales of the MMC Group products Concurrent positions of corporate officers: Yes
Mitsubishi Motors R&D of America, Inc.	Ann Arbor, Michigan, the United States	2,000 thousand USD	Investigation, testing and research related to automobiles	100.0 (100.0)	Development base of the MMC Group automobile in the United States Concurrent positions of corporate officers: Yes
Mitsubishi Motor Sales of Canada, Inc.	Mississauga, Ontario, Canada	2,000 thousand CAD	Automobile sales	100.0 (100.0)	Sales of the MMC Group products Concurrent positions of corporate officers: Yes
Mitsubishi Motor Sales of Caribbean, Inc.	Toa Baja, Puerto Rico	47,500 thousand USD	Automobile sales	100.0	Sales of the MMC Group products Concurrent positions of corporate officers: Yes
Mitsubishi Motors de México S.A. de C.V.	Mexico City, Mexico	92,001 thousand MXN	Automobile sales	100.0	Sales of the MMC Group products Concurrent positions of corporate officers: Yes
Mitsubishi Motors Europe B.V.*2 *3	Born, the Netherlands	107,165 thousand EUR	Automobile sales	100.0	Sales of the MMC Group products Concurrent positions of corporate officers: Yes
Mitsubishi Motor R&D Europe GmbH	Trebur, Germany	767 thousand EUR	Investigation, testing and research related to automobiles	100.0	Development base of the MMC Group automobile in Europe Concurrent positions of corporate officers: Yes Loans: Yes
Mitsubishi Motor Sales Netherlands B.V.	Amstelveen, the Netherlands	6,807 thousand EUR	Automobile sales	100.0	Sales of the MMC Group products Concurrent positions of corporate officers: Yes

Company name	Location	Capital stock	Business lines	Percentage of voting stock holding (%)	Relationship
Mitsubishi Motors Australia, Ltd. *2	Tonsley, Australia	1,789,934 thousand AUD	Automobile sales	100.0	Sales of the MMC Group products Concurrent positions of corporate officers: Yes
Mitsubishi Motors New Zealand Ltd.	Porirua, New Zealand	48,000 thousand NZD	Automobile sales	100.0	Sales of the MMC Group products Concurrent positions of corporate officers: Yes
Mitsubishi Motors (Thailand) Co., Ltd. *2	Bangkok, Thailand	7,000,000 thousand THB	Automobile assembly, sales	100.0	Assembly, sales of the MMC Group products Concurrent positions of corporate officers: Yes
MMTh Engine Co., Ltd.	Chonburi, Thailand	20,000 thousand THB	Manufacturing of automobile engines and press parts	100.0 (100.0)	Manufacturing of automobile engines and press parts for MMTh products Concurrent positions of corporate officers: Yes
Mitsubishi Motors Philippines Corp.	Santa Rosa, Philippines	1,640,000 thousand PHP	Automobile assembly, sales	100.0	Assembly, sales of the MMC Group products Concurrent positions of corporate officers: Yes
Asian Transmission Corp.	Calamba, Philippines	770,000 thousand PHP	Manufacturing of automobile transmissions	100.0	Manufacturing of automobile transmissions for the MMC Group products Concurrent positions of corporate officers: Yes
Mitsubishi Motors Middle East and Africa FZE	Dubai, U.A.E.	10,000 thousand AED	Automobile parts sales	100.0	Sales of parts of MMC products Concurrent positions of corporate officers: Yes
PT Mitsubishi Motors Krama Yudha Indonesia	Bekasi, Indonesia	2,200,000,000 thousand IDR	Automobile assembly	51.0	Assembly of the MMC Group products Concurrent positions of corporate officers: Yes Loans: Yes
Mitsubishi Motors Vietnam Co., Ltd.	Binh Duong, Vietnam	410,812,000 thousand VND	Automobile assembly, sales	41.2	Assembly, sales of the MMC Group products Concurrent positions of corporate officers: Yes
10 other subsidiaries in addition to the above					

## (3) Equity-method associates

(As of March 31, 2020)

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

## (4) Other related companies

(As of March 31, 2020)

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

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

\*2. These companies are classified as "Specified subsidiaries."

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

## Mitsubishi Motors North America, Inc. (Consolidated)

(1) Net sales	275,292	million yen
(2) Ordinary profit (loss)	4,081	
(3) Profit (loss)	5,343	
(4) Net assets	66,150	
(5) Total assets	152,499	

## Mitsubishi Motors Europe B.V. (Consolidated)

(1) Net sales	329,300	million yen
(2) Ordinary profit (loss)	2,737	
(3) Profit (loss)	2,203	
(4) Net assets	16,267	
(5) Total assets	70,041	

\*4. These companies are obliged to file annual securities reports.

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

## 5. Employees

### (1) Number of employees at consolidated companies

(As of March 31, 2020)

Name of business segment	Number of employees	
Automobile	31,919	(7,513)
Financial service	252	(45)
Total	32,171	(7,558)

- (Notes)
- The number of employees is the number of employees currently on duty (excluding corporate officers).
  - The number of temporary employees (part-time employees, fixed-term employees, dispatched employees, etc.) as of March 31, 2020 is presented in parentheses and not included in the figures on the left.

### (2) Number of employees at reporting company

(As of March 31, 2020)

Name of business segment	Number of employees			Average age (Year-old)	Average number of years employed (Years)	Average annual salary (Yen)
	Administrative/engineering employees	Shop floor employees	Total			
Automobile	10,139 (1,789)	4,268 (1,487)	14,407 (3,276)	41.1	15.7	7,311,000

- (Notes)
- The number of employees is the number of employees currently on duty (excluding corporate officers).
  - “Shop floor employees” refer to employees directly involved in production activities, employees that assist production activities and employees that provide instruction and supervision related to production activities. “Administrative/engineering employees” refer to employees other than shop floor employees.
  - The number of temporary employees (part-time employees, fixed-term employees, dispatched employees, etc.) as of March 31, 2020 is presented in parentheses and not included in the figures on the above.
  - Average annual salary (including tax) includes bonuses and surplus wages.

### (3) Workers Unions

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

## II. Overview of Business

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

MMC's recognition of management issues based on recent changes to the business environment and approach to future business strategies are as stated below. Any future forecasts included in the following descriptions are based on the best estimates or judgment of the MMC Group as of March 31, 2020.

#### (1) Business environment

The external environment surrounding the MMC Group's business has become increasingly challenging due to, for instance, the worldwide decline in demand for automobiles stemmed from the trade issues, the ongoing appreciation trend of the yen against major currencies, the risk of fluctuation in the cost currency Thai Baht and the slump in consumer sentiment in Japan after the consumption tax hike. Furthermore, the spread of infection of the novel coronavirus disease (COVID-19), started from the end of the fiscal year under review, is having a serious impact on the global economy and casting a dark cloud over the outlook for automotive demand.

The automotive industry is undergoing a period of revolutionary changes including new technologies, such as MaaS (Mobility as a Service) and CASE (Connected, Autonomous, Shared, Electric), and the global trend of tightening environmental regulations, in addition to the unstable global situation described above.

#### (2) Management policy, business strategies and issues to be addressed

In order to secure a sustainable growth track, the MMC Group has so far worked on "Small but Beautiful," that is to say, aiming to achieve high profitability by investing limited resources in technologies and fields that it excels at as well as regions where it has advantages, instead of pursuing the scale-up of business. Nevertheless, drastic changes in the recent business environment are far beyond the MMC Group's expectation, so it has become extremely difficult to go forward in the direction to be headed only with measures taken so far.

It is vital to implement fundamental structural reforms to realize a structural break away from the low-profitability situation and achieving such structural reforms is an overriding priority for the MMC Group. To this end, the MMC Group will proceed with the structural reforms from FY2020 as follows.

#### <Outline of structural reforms>

- (i) Focus on core markets in the ASEAN region, etc.
- (ii) Fundamental review of the product lineup centered on strengthening product development for the ASEAN region.
- (iii) Promote drastic reduction of expenses and fixed costs in all areas, including sales, development, manufacturing and head office/management departments, and reduce fixed costs by 20% or more over the next two years.

As for the next mid-term business plan, it is extremely difficult to formulate the plan with specific details as there are currently many uncertainties due to the impact of COVID-19. MMC will continue to look at the specifics of the plan while assessing the impacts of the pandemic.

Despite the extremely challenging business environment, MMC will move forward with the structural reforms to reestablish a sound and sustainable growth trajectory. To this end, MMC hopes for continued support and guidance from its stakeholders, including shareholders and customers.



## 2. Business-related risks

Risks that may seriously impact the operating results and/or financial position, and the like of the MMC Group, which the management is currently aware of, are outlined below. The Group, however, is also potentially exposed to risk other than those listed below. Any of risk factors listed below and otherwise might impact its business results and/or financial position.

Matters concerning the future are judged by the MMC Group as of the filing date of this securities report unless otherwise stated.

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

Overseas sales accounted for around 80% of the MMC Group's consolidated net sales in the previous fiscal year. The MMC Group operates business in countries in the ASEAN region, the Oceania region, North America and Europe, besides Japan. Dramatic changes in political, economic and social situations in these regions and a far greater-than-anticipated decline in demand for automobiles due to such abrupt changes, therefore, may make it difficult for the MMC Group to achieve its corporate and business strategies it upholds, and as a result, seriously impact the MMC Group's operating results and/or financial position. In addition, business operations in overseas markets expose the MMC Group to latent risks including, but not limited to, abrupt changes in laws, taxation systems and regulations; emergencies, such as acts of terrorism; and unpredictable risks including the outbreak of infectious diseases, such as COVID-19 this time. In the event any of these risks materialize, they may seriously impact the operating results and/or financial position of the MMC Group.

### (2) Impact of intensifying competition in the automotive industry

In the auto industry, competition has further intensified on a global scale against the backdrop of recent declines in overall demand, stepped-up competition in development of next-generation technologies, new entrants from other industries and the rise of emerging companies. Amid such intensifying competition, the MMC Group has strived to retain or expand its sales volume and market share by launching attractive products the Group is specialized in, including pickup trucks and SUVs, primarily in its core ASEAN market. However, in cases such as where the MMC Group fails to supply new products tailored to the needs of customers in an appropriate and timely manner, or fails to implement measures to maintain or enhance its competitiveness in an effective manner, such failure may seriously impact the operating results and/or financial position of the MMC Group.

### (3) Impact of natural disasters, accidents and outbreak of infectious diseases

The MMC Group maintains production and other facilities in Japan and many other parts of the world. The occurrence of a major natural or other disaster, including earthquakes, typhoons, floods, fires and epidemics, in these areas may result in the suspension or other serious interruption in the operations of the MMC Group or of its suppliers. The MMC Group has prepared and implemented a business continuity plan and disaster countermeasures based on a scenario that such risks are highly likely to materialize and they would have a serious impact on the MMC Group's operations. Also, based on lessons learned from the epidemic of the new coronavirus, the Group newly established the BCM (Business Continuity Management) Committee to prepare the Group for any emerging threats in the future. A disaster occurring on a scale larger than anticipated, however, may seriously impact the operating results and/or financial position of the MMC Group.

### (4) Impact of laws and regulations, etc.

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

Other than the above laws and regulations, the MMC Group's business activities are also subject to a wide range of laws and regulations in Japan and overseas. For example, the business activities are under restrictions by consumer protection regulations, approvals and licenses for businesses and investments, labor regulations, environmental protection regulations, foreign exchange regulations, import-export trade regulations including those for security purposes, various tax laws, anti-monopoly laws, anti-bribery laws and the like. In some cases, the MMC Group's businesses may be conducted based on a legislative

foundation that has not been developed sufficiently, or the burden of expenses may increase for responding to lack of comprehensive system of laws and regulations, application and interpretation of inconsistent laws and regulations, unilateral changes made by supervisory authorities in regulatory measures, and others. In addition, any unexpected change may be made in rates of taxes imposed on products or services supplied by these businesses, technical requirements for environmental restrictions, income taxes and tariffs, a broad range of laws and regulations including exchange restrictions on investment principals and dividend reflux, and others.

In order to deal with these legal and regulatory risks, the MMC Group has put in place a system to ensure that the Group complies with laws and regulations, etc.; and each department in charge has implemented measures to prevent potential non-compliance with laws and regulations, etc. Moreover, the MMC Group has also enhanced a structure to respond promptly to any compliance-related matters detected by the Group in an effort to minimize the risk that such matters negatively affect its social credibility and reputation. However, the possibility that a law violation may be committed in the future is not zero. If there is a fact of law violation, or the content, promptness and others of its response are insufficient, the fact or insufficiency may have a negative impact on the MMC Group's social credibility and reputation, and consequently, on its operating results or financial position.

(5) Impact of changes in manufacturing cost

The MMC Group sources parts and raw materials, etc. from a large number of suppliers to manufacture its products. As for changes in market conditions, the Group predicts the outlook to the extent possible based on analyst and other information and incorporates the predicted influence in its earnings forecasts. Any rise in the manufacturing cost of MMC's products due to changes in demand and other market conditions may seriously impact the operating results and/or financial position of the MMC Group.

(6) Impact of foreign exchange rate fluctuations

Fluctuations in the yen and other foreign currencies cause the values of both foreign currency-denominated receivables and payables to vary. Appreciation of the yen drives down the value of foreign-denominated receivables, while depreciation of the yen drives up the value, and vice versa the value of payables. As overseas sales account for around 80 percent of the MMC Group's overall sales, the Group holds receivables denominated in foreign currencies, including US dollars, Euros and Australian dollars. Further, as the MMC Group manufactures products to export globally at a Thai subsidiary, it also holds liabilities denominated in foreign currencies, primarily the baht. In FY2019, the yen rose by 7 yen and 6 yen against Euros and Australian dollars, respectively, year on year. Such appreciation of the yen, coupled with the appreciation of the baht, the major currency for the Group's liabilities denominated in foreign currencies, drove down its consolidated operating profit by a total of 45.1 billion yen.

At present, the MMC Group has worked on measures to reduce the impact of exchange rates, such as the export of the vehicles manufactured in Indonesia, and sales expansion in Thailand of the vehicles manufactured in the country, to contain the impact of foreign exchange rates over the medium- to long-term. However, significant fluctuations in foreign currencies may still seriously impact the operating results and/or financial position of the MMC Group.

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

The MMC Group has drawn up a mid-term business plan setting out operational strategy for the medium term. Although the mid-term business plan has been developed based on certain premises that are deemed reasonable by the Group at the time of its development, in cases such as where risks other than those described in this section, including changes in economic and social conditions, become prominent and the Group fails to implement appropriate measures against such risks, the MMC Group may fail to achieve mid-term business plan targets, and the operating results and/or financial position of the MMC Group may be seriously impacted.

The MMC Group is currently drawing up the next mid-term business plan commencing in FY2020.

(8) Impact of product quality and safety

The MMC Group endeavors to improve the quality and assure the safety of the MMC Group's products. However, in the event that MMC has to issue a recall or implement countermeasures, etc. on a large scale due to product defects or failures, or in the event that MMC is sued in a large-scale product liability action,

the large costs incurred and the damage to reputation of the MMC's products and consequent drop in demand, etc. for its products may seriously impact the operating results and/or financial position of the MMC Group.

In order to minimize the impact to the management, the MMC Group has made every effort to rapidly investigate the cause and implement measures based on information from markets in cooperation with relevant departments for improving quality, and examine potential risks appropriately.

(9) Impact of lawsuits, etc.

In cases where any lawsuits are brought against the MMC Group by customers, trading partners or other third parties in the course of the MMC Group conducting its business, or the MMC Group is investigated by regulatory authorities in relation to alleged non-compliance with laws and regulations and are deemed non-compliant, the operating results and/or financial position of the MMC Group may be seriously impacted.

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

Although the MMC Group holds product liability insurance to fully cover compensation for damages and legal costs arising from claims for damages and lawsuits in relation to product liability where the courts ruled in favor of plaintiffs, the ruling requiring the Group to pay the amount of compensation larger than anticipated may seriously impact the operating results and/or financial position of the MMC Group.

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

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

Furthermore, on January 21, 2020, the Frankfurt Public Prosecutor authorities visited Mitsubishi Motors R&D Europe GmbH, the Company's R&D hub, and MMD Automobile GmbH, the Company's sales hub, both in Germany for an investigation (hereinafter, the "on-site investigations"). The subject of the on-site investigations are passenger cars with 2.2 litre diesel engine with the emission standard "Euro 5b," as well as 2.2 litre & 1.6 litre diesel engine with the emission standard "Euro 6b" (Those engines are no longer manufactured.). Specifically, the Prosecutor stated that there has been a suspicion that those engines are equipped with a so-called "defeat device" that makes sure that the permissible limits for nitrogen oxides (NOx) are met on bench tests, but not in real-life use.

We will continue our internal inspection on this matter and also cooperate fully with the prosecutors.

(10) Impact of dependence on particular suppliers

The MMC Group sources raw materials and parts, etc. from a large number of suppliers. The necessity to procure materials and parts characterized by higher quality or more advanced technologies at more competitive prices may bring about a situation in which orders are concentrated upon a specific supplier. There may also be only a limited number of suppliers able to supply parts, etc. for which a specific technology is required. Consequently, we may have to suspend manufacturing or incur increased costs, and the operating results and/or financial position of the MMC Group may be seriously impacted in the event that some unforeseen situation arises and interrupts deliveries from such suppliers or in the event that it is not possible to procure materials and parts at competitive prices in a timely manner.

Furthermore, these risks could materialize due to unexpected events on the side of primary, secondary and subsequent suppliers, and other factors including emergency situations, such as natural disasters and terrorist acts, and epidemic of infectious diseases. The MMC Group therefore has made every effort to respond promptly to these risks when they materialize, and to minimize the influence of the risks by gathering and updating information concerning the supply chain, including secondary and subsequent suppliers, in cooperation with primary suppliers.

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

The MMC Group is exposed to credit risks in its dealings with dealers and with customers and other trading partners and in its automobile financing business. The MMC Group has made every effort to preserve receivables appropriately through the continuous evaluation of country risks and trading partners' financial positions to minimize credit risks against dealers and other trading partners, and reduce the occurrence of bankruptcy and control the uncollectible amount by the MMC Group's own examination and collection management for the automobile financing business. However, in the event that losses stemming from such credit risks exceed the MMC Group's estimates due to the deteriorating external environment and other factors, the operating results and/or financial position of the MMC Group may be seriously impacted.

(12) Impact of infringement of intellectual property rights

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

(13) Impact of IT and information security

The information technology, networks, and systems that the MMC Group uses in its operations, products, services, etc. come in a wide variety, including those managed by subcontractors. Given the advancement of connected services and IoT technologies, the MMC Group has implemented security management measures for hardware and software. Despite the implementation of such measures, however, cyber attacks from outside the Group, lack of proper maintenance or human errors both inside and outside the Group may lead to leakage of confidential, personal and other information, including the information concerning the Group's technologies; suspension of the Group's important operations and services; improper paperwork; or destruction/falsification of important data. These situations, if they actually take place, may seriously undermine the Group's brand and social credibility; give rise to legal claims, lawsuits, liability for damages, obligation to pay penalty or fine; and as a consequence, may seriously impact the operating results and/or financial position of the MMC Group.

(14) Influence of climate change

In response to rising temperatures worldwide since the Industrial Revolution, the Paris Climate Agreement was signed in 2015, as a coordinated effort to hold down global average temperature increase.

The MMC Group has stipulated its medium- to long-term policy for environmental initiatives across the entire Group in its "Environmental Vision 2020." In addition, the Group identified material issues (priority issues) in 2018, has established the initiatives to address climate change and energy issues as one of its priority issues, and thus, has sought to develop low-emission vehicles and electric vehicles, save energies at its business locations, and promote recycling of renewable energies.

If the global climate change escalates further, however, the MMC Group may have to suspend the operation of its plants due to weather-related disasters, and to invest in measures to address tighter environmental regulations on carbon emissions, and as a consequence, the operating results and/or financial position of the MMC Group may be seriously impacted. Moreover, should the Group fail to implement sufficient measures to address climate change, the Group's sales could decrease and its operating results and/or financial position could be seriously impacted as the Group may be forced out of market due to non-conformity with environment regulations and its reputation may be damaged.

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

An overview of the financial position, operating results and cash flows (“operating results, etc.”) of the MMC Group (MMC, its consolidated subsidiaries and its entities accounted for using equity method) during the current fiscal year follows.

Any forward-looking statements expressed below are based on the judgment of the MMC Group as of March 31, 2020.

#### (1) Financial position and operating results

##### (i) Operating results

Amid the ongoing economic uncertainty triggered by the U.S.-China trade issues, the fiscal year under review started on a challenging note for the MMC Group.

Under such circumstances, the MMC Group launched new *Pajero Sport* and new *Xpander Cross* in the key ASEAN region. In Japan, the MMC Group strove to maximize the contribution to the full-year results of *eK X* and *eK Wagon*, new Kei-car height wagons launched at the end of the previous fiscal year and also launched *eK X space* and *eK space*, new super-height kei wagons, in March 2020, to boost sales volume.

However, the market conditions rapidly deteriorated toward the end of the fiscal year under review because of the worsening effects of the spread of COVID-19 on the global economy since the start of this year, in addition to weak automobile demand in trading countries in ASEAN and Oceania, which are MMC’s major markets, due to China’s economic slowdown. As a result, the full-year sales volume (retail) decreased from the previous fiscal year to 1,127 thousand units (down 117 thousand units or 9% year on year).

The sales status by major region is as follows:

In the ASEAN region, the scale of the market itself has shrunk since the latter half of the fiscal year ended March 31, 2020 due to the decelerating economy in China. The region was also severely impacted by COVID-19 toward the end of the fiscal year under review. As a result, sales volume for the full fiscal year ended March 31, 2020 was 290 thousand units (down 28 thousand units year on year).

In the Oceania region, automobile demand has plunged due partly to the decelerating economy in China, the largest trade partner for the region. As a result, sales volume for the full fiscal year ended March 31, 2020 was 88 thousand units (down 14 thousand units year on year).

In Japan, despite proactive launch of new models, such as fully remodeled new eK series vehicles, an air pocket of demand following the last-minute demand surge before the consumption tax hike and COVID-19 impacted the operating performance. As a result, sales volume for the full fiscal year ended March 31, 2020 was 95 thousand units (down 10 thousand units year on year).

In China and other regions, sluggish demand and suspended economic activities due to COVID-19 impacted the operating performance. As a result, sales volume for the full fiscal year ended March 31, 2020 was 162 thousand units (down 10 thousand units year on year).

In North America, in the increasingly competitive market segment in which we operate, the competition has further intensified due to declining demand amid COVID-19. As a result, sales volume for the full fiscal year ended March 31, 2020 was 160 thousand units (down 13 thousand units year on year).

In Europe, the Group managed to strategically expand sales of Outlander PHEV, in which the Group has competitive strength, as planned. However, due to sluggish demand overall, sales volume for the full fiscal year ended March 31, 2020 was 215 thousand units (down 21 thousand units year on year).

The MMC Group has revised the method of calculating retail sales volume in China since the fiscal year ended March 31, 2020. Therefore, the retail sales volume for the fiscal year under review may include the number of units recorded in the previous fiscal years.

While the demand for automobiles continued to decline, the MMC Group has worked hard on thorough cost control and careful selection of investments to reduce the total amount of overhead and fixed costs to improve the balance of revenue and expenditure. However, the negative impact of COVID-19 far exceeded our assumption. On top of this, exchange rates have moved against the MMC Group since the previous fiscal year. Consequently, the MMC group posted a decrease in both net sales and operating profit with net sales of 2,270.3 billion yen (down 244.3 billion yen or 10% year on year) and operating profit of 12.8 billion yen (down 99.0 billion yen or 89% year on year). Also, in addition to the drop in operating profit, the recording of share of loss of entities accounted for using equity method led to ordinary loss of 3.8 billion yen and loss attributable to owners of parent of 25.8 billion yen.

Of decreases in operating profit from the previous fiscal year, 50.5 billion yen is attributable to deterioration in sales volume and the vehicle model mix, 30% of which is deemed attributable to the influence of COVID-19.

The operating status by business segment is as shown below.

i) Automobile business

Net sales for the current fiscal year were 2,251.9 billion yen (down 243.7 billion yen year on year), and operating profit was 7.8 billion yen (down 100.6 billion yen year on year), which is attributable mainly to a decrease in sales volume.

ii) Financial service business

Net sales for the current fiscal year were 40.4 billion yen (up 16.3 billion yen year on year), and operating profit was 5.6 billion yen (up 1.6 billion yen year on year).

(ii) Financial position

Total assets as of March 31, 2020 amounted to 1,938.1 billion yen (down 72.2 billion yen from the end of the previous fiscal year). Cash and deposits amounted to 399.6 billion yen (down 101.3 billion yen from the end of the previous fiscal year). Total liabilities amounted to 1,149.7 billion yen (up 20.6 billion yen from the end of the previous fiscal year). Of total liabilities, the interest bearing debt balance was 299.4 billion yen (up 68.4 billion yen from the end of the previous fiscal year). Net assets as of March 31, 2020 amounted to 788.4 billion yen (down 92.8 billion yen from the end of the previous fiscal year).

(2) Cash flows

(i) Basic approach to cash flows

The MMC Group adheres to a basic policy to maintain the stable distribution of profits to shareholders by achieving sound and sustainable growth and enhancing its corporate value, while maintaining financial discipline; the Group has adopted free cash flow as one of its business performance indicators.

Based on the policy above, the MMC Group has centrally managed the funding needs of its business activities, including the development, manufacturing and sale of vehicles (e.g., material costs, personnel expenses, various other overheads and loan funds for its financial service business); for new technologies such as MaaS and CASE and compliance with environmental regulations; and for maintenance and renewal of outdated manufacturing facilities. In principle, these funding needs shall be covered by cash flows the Group newly generate each year. When necessary, however, the Group uses internal funds accumulated over the past fiscal years, borrows from financial institutions, or issues CP to finance additional funding needs.

(Note) The free cash flow is calculated as the sum of cash flows from operating activities and cash flows from investing activities.

(ii) Cash flow status

Cash flows for the current fiscal year consisted of a net inflow of 18.8 billion yen from operating activities (down 127.3 billion yen year on year), a net outflow of 105.7 billion yen from investing activities (down 39.2 billion yen year on year), and a net inflow of 9.6 billion yen from financing activities (improvement of 84.6 billion yen from the previous fiscal year). In addition, the balance of cash and cash equivalents at the end of the current fiscal year decreased by 89.9 billion yen from the end of the previous fiscal year to 399.6 billion yen, partially due to a decrease of 12.6 billion yen in effect of exchange rate change on cash and cash equivalents and other factors.

Free cash flow for the current fiscal year ended up with a net outflow of 86.9 billion yen (deterioration of 88.1 billion yen from the previous fiscal year), despite highly selective investments in a bid to reduce the amount of net cash outflow for investing activities, due to a significant decline in the amount of net inflow from operating activities as a consequence of decreased revenues and profits and other factors.

*Cash flows from operating activities*

Net cash provided by operating activities was 18.8 billion yen, a decrease of 127.3 billion yen compared to cash provided by operating activities of 146.1 billion yen for the previous fiscal year. This was primarily due to a decrease in notes and accounts payable – trade and an increase in inventories, along with year-on-year decreases in net sales and profits.

*Cash flows from investing activities*

Net cash used in investing activities was 105.7 billion yen, a decrease of 39.2 billion yen compared to cash used in investing activities of 144.9 billion yen in the previous fiscal year. This was primarily due to a decrease in the amount of capital expenditure.

*Cash flows from financing activities*

Net cash provided by financing activities was 9.6 billion yen, an increase of 84.6 billion yen compared to cash used in financing activities of 75.0 billion yen in the previous fiscal year. This was primarily due to an increase in the amount of borrowings.

(iii) Liquidity of funds and financing

The consolidated balance of deposits and the consolidated balance of interest bearing debt at the end of the current fiscal year were 399.6 billion yen and 299.4 billion yen, respectively. In addition, MMC has entered into a committed credit line agreement worth 150.0 billion yen with domestic financial institutions. The balance of cash and deposits plus the committed line of credit has provided the Company with a liquidity of approximately 550.0 billion yen, which is equivalent to more than 2.5 times its monthly sales.

To provide for additional financing needs due to deteriorating business environment amid COVID-19, the Company has raised an additional 200.0 billion yen by borrowings from financial institutions at home and abroad, besides the liquidity above, to secure sufficient funds that may be necessary to maintain, expand and operate the Group's business.

The MMC Group obtained credit ratings from two respected domestic rating agencies. The Group's ratings as of the filing date of this securities report are BBB+ from the Rating and Investment Information, Inc., and BB+ from S&P.

(3) Production, orders and sales

i) Production

Production for the current fiscal year is as follows.

	Current fiscal year Quantity (Units)	Year on year (%)
Japan	620,676	93.9
Overseas	716,723	91.8
Asia	696,575	92.5
Other	20,148	72.9
Total	1,337,399	92.8

- (Notes) 1. Figures for production quantity in the table above are totals of built-up vehicles produced by MMC and its consolidated subsidiaries (knockdown production is also included in the quantity in Japan) which include the OEM production for other companies and jointly-developed vehicle production conducted by MMC.
2. From April 2012, locally branded models produced in China, which up to April 2012 had been included in the output figure for China, are now excluded from the overseas production figure.

ii) Orders received

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

iii) Sales

Sales results during the current fiscal year are as follows.

	Current fiscal year		Year on year (%)	
	Quantity (Units)	Amount (Millions of yen)	Quantity	Amount
Japan	263,695	460,473	105.0	107.4
Overseas	1,079,169	1,809,803	87.8	86.8
North America	157,890	315,060	84.6	81.2
Europe	237,758	474,663	97.8	92.3
Asia	462,041	593,645	85.5	89.4
Oceania	86,044	176,854	83.1	79.8
Other Regions	135,436	249,579	87.3	83.6
Total	1,342,864	2,270,276	90.7	90.3

- (Notes) 1. Sales results represent the sales quantity of built-up vehicles and knockdown kits produced by MMC and its consolidated subsidiaries, classified by the geographic location of the external customers.
2. The sales results by major customer and their ratios against total sales are as follows.

Customer	Previous fiscal year		Current fiscal year	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Mitsubishi Corporation	319,762	12.7	-	-

3. Above stated amounts do not include consumption taxes.

(4) Significant accounting policies and estimates

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



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

- i) Provision for loss on fuel consumption test  
To provide for losses relating to fuel consumption test, provision is calculated to the extent that can be reasonably projected and estimated at the end of the current fiscal year.
- ii) Expenses for market quality measures  
The MMC Group estimates the future expenses for measures relating to the voluntary collection and repair of sold products that are non-compliant under each country’s regulatory requirements concerning safety and environment, implemented as a measure to prioritize safety and security.
- iii) Provision for product warranties  
The MMC Group calculates the provision for product warranties after taking into account, future warranty forecasts based on past results in accordance with warranty contracts in order to provide for the products’ after-service costs. The estimates of after sales service cost may need to be revised when actual product defect rate or repair cost differ from the estimates.
- iv) Allowance for doubtful accounts  
To prepare for losses from bad debts for trade receivables, loans, etc., allowance for doubtful accounts is provided based on the historical default rate for ordinary receivables, and taking into account individual collectability for specific receivables such as doubtful receivables. An estimate of the amount of specific uncollectible accounts is calculated. In cases where a customer’s ability to pay decreases because of financial deterioration due to factors such as changes in economic conditions, recording of the additional allowance for doubtful accounts may be required.
- v) Retirement benefit expenses and retirement benefit obligation  
The retirement benefit expenses and retirement benefit obligations are calculated based on certain actuarial assumptions, including discount rates, expected rate of bonuses, employee turnover rate, as well as mortality rate and long-term rate of return on pension plan assets calculated based on the latest statistical figures. When the actual results differ from assumptions, or when the assumptions are amended, the effect thereof will be accumulated and recognized regularly going forward; thereby affecting the amount of expenses to be recognized and amount of liabilities to be recorded in the future period.
- vi) Evaluation of deferred tax assets  
The MMC Group deducts a valuation allowance from its deferred tax assets in order to reduce the amount to an amount considered to be highly recoverable, then records the net amount. The valuation allowance is calculated giving consideration to future taxable income, tax planning, and other factors. Where all or part of the deferred tax assets are judged to be unrecoverable in the future, an adjustment to deferred tax assets is recognized as an expense in the period during which the judgment was made. Furthermore, where the amount of deferred tax assets recoverable in the future is judged to exceed the recognized amount of deferred tax assets, an adjustment to deferred tax assets is recognized as profit in the period during which the judgment was made.
- vii) Evaluation of investment securities  
The MMC Group retains shares of publicly traded companies with high price volatility and shares of not publicly traded companies for which it is difficult to determine their stock prices. The MMC Group periodically reviews the evaluation of investment securities and conducts impairment accounting if the evaluation falls below the acquisition cost or the carrying amount after impairment by a certain rate or more. Worsening market conditions or unstable performance at invested companies in the future may require the implementation of impairment in the event that losses are not reflected in the current carrying amount or the carrying amount becomes irrecoverable.

viii) Impairment loss of non-current assets

When applying impairment accounting to non-current assets, MMC group estimate the future cash flows by each group units after grouping the production assets by the operating company unit, sales-related assets mainly by the business bases unit and lease assets and idle assets as individual groups. If the recoverable amounts of the future cash flows are less than their carrying amounts, the carrying amount is reduced to the recoverable amount. If the recoverable amount is decreased, impairment loss may be incurred and may affect profit or loss.

#### 4. Critical contracts for operation

Company which entered into agreement	Counterparty		Agreement	Date on which agreement entered into
	Name	Country		
Mitsubishi Motors Corporation (MMC)	China Aerospace Automotive Industry Group Co. Shenyang Jianhua Motors Engine Co., Ltd. Mitsubishi Corporation MCIC Holdings Sdn. Bhd.	China China Japan Malaysia	Agreement on the establishment of Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. regarding automobile engine business in China	May 15, 1997
Mitsubishi Motors Corporation (MMC)	Harbin Dong-An Engine Manufacturing Company Harbin Aircraft Manufacturing Corporation Harbin Dongan Auto Engine Co., Ltd. Mitsubishi Corporation MCIC Holdings Sdn. Bhd.	China China China Japan Malaysia	Agreement on the establishment of Harbin Dongan Automotive Engine Manufacturing Co., Ltd. regarding automobile engine business in China	June 16, 1998
Mitsubishi Motors Corporation (MMC)	Nissan Motor Co., Ltd. Suzuki Motor Corporation	Japan Japan	Agreement on the rights, obligations, etc. between the shareholders concerning Jatco Ltd.	March 15, 2007
Mitsubishi Motors Corporation (MMC)	Fujian Motor Industrial Corporation China Motor Corporation	China Taiwan	Joint venture agreement with South East (Fujian) Motor Co., Ltd. regarding sales and production of vehicles	March 27, 2006
Mitsubishi Motors Corporation (MMC)	Peugeot Citroen Automobiles SA	France	Joint venture agreement to produce vehicles in Russia	May 19, 2008
Mitsubishi Motors Corporation (MMC)	Guangzhou Automobile Group Company, Ltd. Mitsubishi Corporation	China Japan	Joint venture agreement on the establishment of GAC Mitsubishi Motors Co., Ltd. regarding sales and production of vehicles, etc. in China	September 5, 2012
Mitsubishi Motors Corporation (MMC)	PT Krama Yudha Mitsubishi Corporation	Indonesia Japan	Joint venture agreement to produce vehicles in Indonesia	March 24, 2015
Mitsubishi Motors Corporation (MMC)	Nissan Motor Co., Ltd.	Japan	Strategic Alliance Agreement regarding Capital and Business Alliance with Nissan Motor Co., Ltd.	May 25, 2016
Mitsubishi Motors Corporation (MMC)	Daimler AG Renault Renault-Nissan B.V. Nissan Motor Co., Ltd.	Germany France The Netherlands Japan	Strategic Alliance agreement regarding automobile business	October 3, 2018

## 5. Research and development activities

In order to realize the MMC's corporate vision, "Create a vibrant society by realizing the potential of mobility," MMC has worked on research and development activities under the "Small but Beautiful" initiative, which is aimed at contributing to society by focusing on regions and products in which the Company has competitive advantage.

During the current fiscal year, R&D expenses (the automobile business) for the entire Group amounted to 130.9 billion yen.

The Group's R&D structure, the status of development of next-generation technologies and the new products released from April 2019 through March 2020 are as described below.

### (1) R&D structure

In Japan, the MMC Group conducts early technology development, design, and testing of designs and technologies primarily at the "Technology Development Center" and the "EV Research & Development Center." In addition, MMC has established a new base in Tokyo as a satellite office to the "Technology Development Center" in order to strengthen software development capabilities required for creating the next generation of vehicles. Also, in collaboration with MMC's overseas R&D bases in North America, Europe, China, and Thailand, these facilities develop global technologies and products adapted to the market characteristics of each region. MMC also has sought to develop technologies and products with features clearly differentiated from competitors' by leveraging the alliance with Renault and Nissan.

### (2) Development of next-generation technologies

In order to contribute to the sustainable development of the motorized world, MMC has promoted the development of environmental technologies that help realize low-carbon societies and safety technologies that help reduce traffic accidents, as well as technologies that allow MMC to realize attractive vehicles with unique features leveraging its specialized SUV and vehicle electrification technologies.

#### i) Development of environmental technologies

MMC has promoted the development of next-generation electric vehicles and engines that help realize low-carbon societies, as well as technologies that help reduce the weight of chassis and components. With regard to vehicle electrification technologies, in particular, "Outlander PHEV," with MMC's unique plug-in hybrid EV system (PHEV) which achieves both long-distance travel and environmental performance, has been highly rated by customers. MMC continues to work on development of new technologies with the aim of becoming a leading company in the field of electric vehicle technology.

#### ii) Development of safety technologies

We have made group-wide efforts to develop and spread safety technologies aimed at reducing fatal car accidents to zero, so that our customers feel comfortable and safe riding and driving our vehicles. We have made these efforts under the following safety principles shared group-wide: 1. Develop technologies to pre-empt accidents (preventive safety), 2. Develop technologies to minimize damages from car accidents (collision safety), and 3. Avoid possible hazards as industrial products (disaster prevention). These technologies include primarily the advanced preventative safety technology "Mitsubishi e-Assist\*1" and the collision safety technology "RISE.\*2"

#### iii) Development of attractive products leveraging SUV and vehicle electrification technologies

MMC has also continued to work on advancement of the four-wheel integrated vehicle dynamics control system "S-AWC\*3," a technology of its special expertise. In particular, MMC has positioned the combination of motor drive and S-AWC as "e-EVOLUTION," and has continued their development with the goal of providing both driving pleasure and

environmental performance. MMC plans to implement and incorporate this technology into other models including electric vehicles.

iv) Other

MMC is developing technologies for providing a comfortable cabin environment (improving ride, quietness, convenience, etc.) as well as technologies for connecting with information devices such as a smartphone onboard. MMC is also determined to work on future technologies, such as autonomous driving and connected car technologies, by fully leveraging the benefits of the alliance with Nissan and Renault, to ultimately enhance the attractiveness of our products in an efficient manner.

(Notes)

\*1: e-Assist: e-Assist comprises the functions below to support safer driving

- PFCW: Predictive Forward Collision Warning  
This system monitors the vehicle in front of the one ahead of your car with a mm-wave radar to detect movements, such as abrupt deceleration, which cannot be seen from your vehicle. This system alerts the driver with a buzzer sound and a visual alert on the information display when the driver needs to decelerate the car, to avoid possible collision due to a delay in stepping on the brake.
- DAA: Driver Attention Alert  
This system urges the driver to take rest with a buzzer sound and a visual alert on the information display when it detects from the movement of the steering wheel that the driver has become less attentive while driving.
- TSR: Traffic Sign Recognition  
This system detects No Entry signs, Speed Limit signs and Stop signs, and alerts the driver with a buzzer sound (for No Entry sign only) and a visual alert on the information display to prevent the driver from missing the signs.
- LCDN: Leading Car Departure Notification  
At traffic lights and other stoppages, this system alerts the driver with a buzzer sound or a visual alert on the information display when the vehicle stays immobile even after the car in front has started off.
- FCM: Forward Collision Mitigation System  
This radar-based system automatically applies the brakes when there is a risk of collision with the vehicle in front and helps to avoid a collision or reduce impact damage in the event of a collision.  
(Pedestrian detection function featured on the Outlander, Outlander PHEV and Eclipse Cross)
- Low Speed Zone Forward Collision Management System (FCM-City)  
This radar-based system automatically applies the brakes when there is a risk of collision with the vehicle in front at low speed (from approx. five to approx. 30 km/h) and helps to avoid a collision or reduce impact damage in the event of a collision.
- LDW: Lane Departure Warning System  
This system alerts the driver when the vehicle starts to drift from its lane while driving.
- ACC: Adaptive Cruise Control System  
This system maintains a preset distance with the vehicle in front, even in congested traffic.
- BSW/ LCA: Blind Spot Warning System/Lane Change Assist  
This system uses an indicator on the door mirror to notify drivers of the presence of other vehicles in the rear-diagonal position, which can easily be a blind spot. If in such situations the indicator is activated on the side on which there is a vehicle, a buzzer sounds and an indicator flashes in the door mirror to draw the driver's attention more strongly.
- RCTA: Rear Cross Traffic Alert  
When an approaching vehicle is detected while reversing in parking lots etc., the driver's attention is drawn by means of the sounding of a buzzer and an indicator flashing in the door mirror, as well as the display of a warning message in the instruments.
- Ultrasonic Misacceleration Mitigation System (forward)  
Controls sudden acceleration caused by mistakes in the operation of the gear lever and acceleration pedal when moving forward.
- UMS: Ultrasonic Misacceleration Mitigation System (forward and backward)  
Controls sudden acceleration caused by mistakes in the operation of the gear lever and acceleration pedal when moving forward or backward.

\*2: RISE: Reinforced Impact Safety Evolution

\*3: S-AWC: Super All Wheel Control

(3) Main new products launched between April 2019 and March 2020

- 1) New “Pajero Sport”
- 2) New “Xpander Cross”
- 3) New “eK X space,” “eK space”
- 4) Other

The features of each model are as described below.

- 1) New “Pajero Sport<sup>\*4</sup>,” mid-size SUV: With “Elevate your Journey” as a key theme for the redesign, the new model features more powerful yet refined exterior, high-quality and comfortable interior with advanced functions. The new Pajero Sport is a mid-size SUV created to meet the drivers’ desire for exploration and adventure, by combining the level of off-road performance, reliability and durability taken over from the authentic SUV “Pajero,” and the level of comfort and functionality comparable to road-going passenger cars. The main features of New Pajero Sport are as listed below.

\*4: New Pajero Sport is marketed as “Montero Sport” in some regions.

- i) Exterior design accentuates wide, sculptured and powerful appearance
    - The Mitsubishi Motors’ signature “DYNAMIC SHIELD” front view design has been further evolved on the new Pajero Sport, emphasizing the sense of wideness with the headlights continuing from the front grille and the combination lamps at the bumper corners.
    - The higher bonnet of the vehicle exhibits a deeper front face, while securing good visibility. In addition, a more solid, powerful chrome part design projects a more refined, sophisticated appearance.
  - ii) Advanced and convenient new components
    - Easy-to read 8-inch color LCD meter, and 8-inch Smartphone-Link Display Audio (SDA)
    - Power Tailgate (safety mechanism included) with a new hands-free feature
    - Mitsubishi Remote Control offers a number of functions that facilitate ease of access, including the notification to the driver’s smartphone to lock the doors via the app when the driver leaves the vehicle with the doors unlocked and the Power Tailgate function to open or close the tailgate by smartphone. This keyless operation system is effective between the vehicle and within Bluetooth<sup>\*5</sup> operating range.
- \*5: Bluetooth is a registered trademark of Bluetooth SIG Inc. (U.S.) and is used by MMC under license.
- iii) High quality and comfortable interior
    - Refreshed floor console and soft padded interior door handles enhance the overall interior look with quality and comfort.
    - Storage tray that sits under the floor console can be accessible from left and right sides. New AC power outlet (150 W) added on the existing USB plug at the console rear panel improves usability for all passengers.
  - iv) Integrated vehicle performance
    - The 2.4 L MIVEC turbo diesel and an 8-speed automatic transmission delivers excellent environmental and smooth performance.
    - Enhanced safety features with the addition of Lane Change Assist (LCA) and Rear Cross Traffic Alert (RCTA) functions.
    - The new Pajero Sport retains the Super-Select 4WD-II system that delivers optimal traction for all surfaces and confidence-inspiring handling characteristics. The off-road mode with a newly designed switch on 4WD models elevates all-terrain performance and self-extraction capability through the integrated control of engine output, transmission settings and brake power.

- 2) “Xpander Cross,” a new addition to the “Xpander” series: Inheriting Mitsubishi Motors’ SUV DNA and based on the solid foundation of the multi-award\*<sup>6</sup> winning Xpander, Xpander Cross features more robust SUV exterior styling with the unique strengths from multi-purpose vehicles (MPV). The main features of Xpander Cross are as listed below.

\*6: Xpander received Car of the Year, Best of the Best MPV and Best of Small MPV in Indonesia in March 2018.

i) Dynamic exterior design

- The new front face features the latest version of MMC’s trademark “Dynamic Shield” with a geometric design, which portrays the balance between dynamism and power. The robust and protective lower bumper ‘skid plate’ design further emphasizes an SUV image.
- At the rear, a piano black tailgate garnish underneath the rear window and a larger skid plate on the lower part of the bumper enhances a tough image.
- To give a wider stance and sense of stability, the Xpander Cross is 50 mm wider than the standard model. The characteristic SUV-style black wide wheel arches, door garnishes, and larger-profile tires with 17-inch alloy wheels add a sense of protection and emphasize the strong SUV style. It also comes with silver colored roof rails for extra loading capacity.
- Changed the positioning of LED headlights and position lights to provide better visibility. The large front fog lamps integrated into the bumper are LED too, which helps minimize damages from flood or flying stones, and create a tougher and stronger feeling of mobility.
- Two new colors debut on Xpander Cross – a high-class Graphite Gray metallic and eye-catching Sunrise Orange metallic, of which the latter is exclusive for Xpander Cross. Both are available with a black/brown combination interior trim with a silver mesh decoration panel - all give a sophisticated and prestigious cabin look.

ii) Outstanding driving performance as SUV

- Best-in-class ground clearance of 225 mm, raised by 20 mm over the standard Xpander to provide better ability on rougher or flooded roads, and also higher eye-point and clear visibility for the driver.
- Power for the Xpander Cross is provided by MMC’s latest 4A91 1.5-liter petrol engine, an enhanced version of the existing 4A9 series, offered with 4-speed automatic or 5-speed manual transmission. Engine improvements have enhanced quietness and fuel efficiency. In addition, the quietness is further improved thanks to high-performance sound absorbing and vibration blocking material.
- All these features above deliver higher driving performance and comfort for all passengers, including drivers.

iii) Designed with users in mind

- Xpander Cross is spacious with the capability to carry seven people comfortably on the road, also best-in-class interior space and a layout that lets passengers easily enter and exit.
- Not dismissing the functional aspect of a family vehicle, the Japanese “Omotenashi” – a meticulous attention to detail for every passenger – is designed throughout the cabin, including the placement of USB ports on each row.
- The seatbacks in the second row (60:40 split) and third row (50:50 split) can be folded down with a simple operation to arrange the seats and luggage in various combinations. For really large loads, the second and third row seats can be folded down to create a large flat storage area without bumps or gaps.
- For added practicality, center of seatback in the second row can be folded down to be used as armrests, and stepping space on both sides of the second-row seats also provides space for long loads – unique in the class. Even with seven occupants taking up all of the seats, the Xpander Cross still has enough luggage space to hold four 5-gallon (19 L) water bottles or a standard stroller. Other Xpander Cross innovations which bring a new level of luxury, comfort and technology to the class include:

<Other major innovations>

- Steering wheel with tilt and telescopic adjustment
  - Cruise control
  - Programmable exterior lighting to offer features such as Welcome and Coming Home illumination, auto-off headlights and comfort flasher
  - High-contrast instrument panel meters
  - Best-in-class air conditioning with high cooling efficiency
- 3) “eK X space” and “eK space”: New super-height kei wagons distinctive in design, featuring comfortable and user-friendly interior space, advanced driver assistance and active safety technologies. “eK X space” has a high-powered SUV flavor, while “eK space” is stylish and approachable. The main features of eK X space and eK space are as listed below.

i) Exterior design with unmistakable Mitsubishi-ness

<eK X space>

- The front side employs MMC’s “DYNAMIC SHIELD” design concept. Vertical plated bars combined with a horizontal grille express the power and stability of an SUV.
- The SUV flavor is accentuated by black side-sill garnish and wheel arches, along with silver skid plate areas below the front and rear bumpers.
- A lineup of 13 different body colors will be available, with six two-tone color combinations that accentuate SUV flavor, such as the theme color combination of metallic olive green and solid white, in addition to seven monotone color selections.

<eK space>

- With a grille the same color as the body, the front side is designed to be approachable, while also expressing the solid, thoroughly high-quality build of the vehicle. The stylish, relaxed design has character lines running from the headlights to the body sides for a sense of uniformity.
- Nine color variations are available in all, with six monotone colors and three two-tone varieties to cater to a wide variety of tastes.

ii) Interiors with high-quality feel and attention to detail

<eK X space>

- The horizontal-oriented instrument panel has a simple, refined shape that ensures favorable and unfettered forward visibility.
- The automatic air conditioning panel has a simple, smart design that is easier to use, with a touch panel (on select models; M-type series not included) that provides high-quality look and good visibility by compactly unifying the air volume control switch and display portion.
- The functional interior design emphasizes utility, with the plentiful storage spaces and equipment located in a way that makes the seats as easy to use as possible.
- The Multi-Information Display (MID) presents various information in a colorful way, from the “ECO-pedal guide,” which shows how hard the acceleration pedal is being pressed, to the “tire angle guide,” which shows the direction tires are facing and at what angle when moving back and forth to park.
- A stylish and high class look is created by the black-themed interior. Quilting patterns were also incorporated into the seat fabric for an extra touch of class.
- The premium interior package<sup>\*7</sup> is available as a manufacturer option. This package offers a taste of high class and refinement with a combination of synthetic leather and fabric themed in brown and accented with orange in all the right places. Soft padding around the instrument panel adds an extra touch of class for an even more superior feel.



\*7: Manufacturer's option package for the G and T models of the eK X space.

<eK space>

- Themed in light warm gray, the interior was designed to be a place for relaxation at any time. The bright color and simple design accentuate the large size of the cabin.

iii) Comfortable, spacious interior room

<eK X space>

- Extending the wheelbase an extra 65 mm wider than the previous model has allowed for a more spacious, comfortable and inhabitable interior space.
- The back seats have been made as comfortable and accessible as possible to accommodate families with small children. Thanks to the class-topping<sup>\*8</sup> slide space at the rear seats, the back seats have more legroom compared to the previous model. There is now enough legroom in the back seat to sit more than comfortably even when the front seats slide as far back as they can go.
- The front seats can be equipped as separate seats as a manufacturer option<sup>\*9</sup>, allowing the seats to move forward and backward within the cabin more smoothly to care more easily for little ones seated in back.
- Hands-free automatic sliding doors used for the back seat sliding doors<sup>\*10</sup> now open significantly wider than the previous model. The door can be opened by kick sensors, making it easy to get in and out even when carrying lots of items in both hands, or when holding children.
- The back seat is made even more comfortable thanks to a rear air circulator (with Plasmacluster<sup>\*11</sup>)\*<sup>12</sup> that circulates the air inside the cabin.
- Floor space for luggage room has been expanded lengthwise over the previous model, now with enough loading space for four 48 L suitcases when sliding the rear seat all the way forward.

\*8: Models in the super height Kei wagon class (overall height above 1,700 mm) with engines placed in the hood were compared by in-house research in February 2020.

\*9: Manufacturer option package for the G and T models of eK X space and eK space

\*10: Hands-free automatic sliding door on the passenger side is standard equipped on the G and T models of both the eK X space and eK space, while hands-free automatic sliding door on the driver side is manufacturer option for the G and T models.

\*11: Plasmacluster is a registered trademark of Sharp Corporation.

\*12: Rear air circulator with Plasmacluster is standard equipped on the G and T models of eK space and available as part of the manufacturer option package for G and T models of eK X space.

iv) Ease of handling and ride comfort

- The naturally aspirated engine and turbo engine use a hybrid system and combine with CVT to balance powerful, smooth acceleration with superior fuel economy. Models with turbo engine are equipped with paddle shift<sup>\*13</sup>, which allows drivers to change gears without taking their hands off the steering wheel.
- Optimized steering force and shock absorber damping force achieve brisk, nimble handling at low speeds and high-stability handling at high speeds.
- These models will be MMC's first ever in Japan to come equipped with Hill Descent Control<sup>\*14</sup>. Electronic controls keep the car at low speeds on steep declines and when heading downhill on slippery roads to allow for safe driving. Hill Descent Control has been made even more driver-friendly with the ability to maintain a wide vehicle speed range between around 4 to 20 km/h.
- Seating position has been made higher than the previous model while also expanding the field of view on both the left and right sides to give the driver excellent visibility with and minimal blind spots.

\*13: Standard equipped on T models of eK X space and eK space

\*14: Standard equipped on the eK X space only

v) Cutting-edge driver assistance technologies and safety equipment

- These models have been equipped with MI-PILOT<sup>\*15\*16\*17</sup> single-lane driver assistance technology for highways. This technology makes long-distance minicar driving easier and more palatable by having the vehicle proactively assist the driver with acceleration, braking and steering on highways, taking some of the burden off the driver in traffic jams and when driving at cruising speed for long hours.
- The addition of millimeter-wavelength radar has further improved the functionality of MI-PILOT to take even more burden off of the driver. By turning on the blinkers when passing and the car will accelerate within a set speed range, controlling close distance between cars. Even when the engine is off it will maintain the previously set distance between vehicles, improve performance while the windshield wipers are being used and provide other such assistance.
- Active safety technologies<sup>\*18</sup> come standard equipped, and all models qualify for Safety Support Car S Wide<sup>\*19</sup>, thus reducing the burden on the driver while making everyone in the car feel safer and more secure.
- Active safety technologies offer an even greater level of safety thanks to the addition of four new functions.
  - Predictive Forward Collision Warning (PFCW)
  - Driver Attention Alert (DAA)
  - Traffic Sign Recognition (TSR)
  - Leading Car Departure Notification (LCDN)
- Adaptive LED Headlights (ALH) (with optical axis automatic adjusting system)<sup>\*20</sup> are available as a manufacturer option. ALH ensures the visibility of high beams without shining them in the rear-view of drivers ahead or drivers in opposing lanes by automatically limiting the angle at which the light can shine.
- The problem of forgetting to turn on the headlights has been eliminated, thanks to a constantly active automatic light control system, making the off position unnecessary and instead turning the lights on and off automatically according to surrounding light levels.
- Seven airbags including driver side SRS knee airbags<sup>\*21</sup> have been installed for improved full-body protective effectiveness in the event of a collision.

\*15: Mitsubishi Intelligent-PILOT

\*16: Technologies included in MI-PILOT are as follows:

- Adaptive Cruise Control (ACC)
- Lane Keep Assist (LKA)

\*17: Manufacturer option for G and T models of both eK X space and eK space

\*18: Active safety technologies are as follows:

- Forward Collision Mitigation system (FCM)
- Automatic High Beams (AHB)
- Emergency Assist for Pedal Misapplication
- Lane Departure Warning (LDW)
- Lane Departure Prevention (LDP)
- Predictive Forward Collision Warning (PFCW)
- Driver Attention Alert (DAA)
- Traffic Sign Recognition (TSR)
- Leading Car Departure Notification (LCDN)

\*19: Safety Support Car (Sapo Car) is a vehicle fitted with advanced technologies that support safe driving. This is a new vehicle safety concept being promoted by the Japanese government (METI and MLIT) to prevent traffic accidents by all drivers including older drivers and to mitigate injuries from such accidents. Vehicles are classified as “Sapo Car” or “Sapo Car S (Basic, Basic+, or Wide)” depending on the equipped safety functions.

\*20: Manufacturer option for the G and T models of the eK X space

\*21: Standard equipped on eK X space, manufacturer’s option package for eK space

(iv) In addition to the above, MMC launched certain models with enhanced safety or functional equipment, differentiated interior and exterior, and improved environmental performance.

### III. Information about Facilities

#### 1. Outline of capital expenditure

The MMC Group (MMC and its consolidated subsidiaries) invested a total of 103.9 billion yen, mainly in development and research equipment for new products and technologies and production equipment for new products and sales equipment.

Company name	Segment	Details of capital expenditure	Amount of investment (Millions of yen)
MMC	Automobile	Production equipment of automobiles	35,216
		Development and research equipment of automobiles	13,215
		Equipment of automobile sales outlets	1,028
		Other	24,018
	Sub total		73,478
Automobile sales companies (four companies)	Automobile	Equipment of automobile sales outlets	2,357
MMC Diamond Finance Corp	Financial service	Investment of systems	186
Other domestic subsidiaries (four companies)	Automobile	Production equipment of automobiles and parts, design and testing equipment of automobiles and parts, and transport and storage equipment of automobiles, etc.	4,336
Mitsubishi Motors North America, Inc. and two other companies	Automobile	Equipment of automobile sales outlets, etc.	1,044
Mitsubishi Motors Europe B.V.	Automobile	Equipment of parts sales outlets, etc.	104
Mitsubishi Motors Australia, Ltd.	Automobile	Equipment of automobile sales outlets, etc.	356
Mitsubishi Motors (Thailand) Co., Ltd. and another company	Automobile	Equipment of automobile sales outlets and production equipment of automobiles, etc.	14,353
Mitsubishi Motors Philippines Corp. and another company	Automobile	Equipment of automobile sales outlets and production equipment of automobiles, etc.	1,862
PT Mitsubishi Motors Krama Yudha Indonesia	Automobile	Production equipment of automobiles, etc.	4,892
Other overseas subsidiaries (17 companies)	Automobile	Equipment of automobile sales outlets and production equipment of parts, etc.	988
Total			103,960

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

## 2. Information about major facilities

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

### (1) Information about reporting company

(as at March 31, 2020)

Classification	Office and factory name (Location)	Segment	Description	Carrying amount (Millions of yen)						Number of employees
				Buildings and structures	Machinery, equipment and vehicles	Land		Others	Total	
						Size (thousands of m <sup>2</sup> )	Amount			
Production equipment	Okazaki Plant (Okazaki-shi, Aichi, etc.)	Automobile	Production equipment of automobiles	11,111	14,940	(4) [4] 424	387	29,551	55,990	3,143
	Kyoto Plant (Ukyo-ku, Kyoto-shi, etc.)	Automobile	Production equipment of automobile engines	6,584	15,989	(6) [15] 457	4,910	10,741	38,225	1,788
	Mizushima Plant (Kurashiki-shi, Okayama)	Automobile	Production equipment of automobiles	6,751	13,688	(-) [1] 966	7,488	5,113	33,042	3,598
Other equipment	Research & Development Center (Okazaki-shi, Aichi, Ukyo-ku, Kyoto-shi, etc.) (Note) 4	Automobile	Development and research equipment of automobiles	23,675	16,757	(166) [0] 10,673	11,889	19,499	71,822	3,365
	Parts Center (Takatsuki-shi, Osaka, Ama-gun, Aichi, etc.)	Automobile	Supply of parts and management equipment	2,932	1,399	(127) [0] 82	5,393	114	9,840	60
	Motor Pool (Minato-ku, Nagoya-shi, Kurashiki-shi, Okayama, etc.)	Automobile	Storage equipment of automobiles	851	12	(88) [90] 596	16,362	28	17,255	-
	Welfare Facility (Okazaki-shi, Aichi, etc.)	Automobile	Company dormitory, company condominium, etc.	3,607	65	(158) [7] 129	7,812	238	11,724	-
	Sales company (Neyagawa-shi, Osaka, Atsuta-ku, Nagoya-shi, etc.)	Automobile	Sales company	1,039	2	(33) [115] 83	6,330	2	7,375	-
	Others (Takatsu-ku, Kawasaki-shi, etc.)	Automobile	Training facility, etc.	7,183	260	(45) [50] 125	9,048	5,529	22,020	2,453

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

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

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

## (2) Domestic subsidiaries

(as at March 31, 2020)

Office and factory name (Location)	Segment	Description	Carrying amount (Millions of yen)						Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Land		Others	Total	
					Size (thousands of m <sup>2</sup> )	Amount			
Higashi Nihon Mitsubishi Motor Sales Co., Ltd. and two other sales companies (Meguro-ku, Tokyo, etc.)	Automobile	Equipment of automobile sales outlets	10,835	4,601	(323) [28] 375	15,577	638	31,653	3,839
MMC Diamond Finance Corp. (Minato-ku, Tokyo)	Financial service	Car rentals, etc.	83	12,392	—	—	94	12,571	252
Pajero Manufacturing Co., Ltd. (Kamo-gun, Gifu)	Automobile	Production equipment of automobiles and parts, etc.	3,139	4,279	(65) 163	1,987	963	10,369	913
Mitsubishi Automotive Engineering Co., Ltd. (Okazaki-shi, Aichi)	Automobile	Design and testing equipment of automobiles and parts, etc.	108	3	(10) 1	323	125	560	974
Mitsubishi Automotive Logistics Technology Co., Ltd. (Takatsu-ku, Kawasaki-shi)	Automobile	Transport and storage equipment of automobiles and parts, equipment of parts sales outlets, etc.	133	61	(9) [0] 5	243	66	505	404
Suiryo Plastics Co., Ltd. (Kurashiki-shi, Okayama)	Automobile	Production equipment of parts, etc.	1,299	1,434	(7) [0] 98	1,184	7,481	11,400	646

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

## (3) Overseas subsidiaries

(as at March 31, 2020)

Office and factory name (Location)	Segment	Description	Carrying amount (Millions of yen)						Number of employees
			Buildings and Structures	Machinery, equipment and vehicles	Land		Others	Total	
					Size (thousands of m <sup>2</sup> )	Amount			
Mitsubishi Motors North America, Inc. (U.S.A.) and two other companies	Automobile	Equipment of automobile sales outlets, etc.	1,542	2,605	(418) [4] 123	332	1,034	5,514	512
Mitsubishi Motors Europe B.V. (Netherlands)	Automobile	Equipment of parts sales outlets, etc.	607	218	(13) –	2	298	1,126	226
Mitsubishi Motors Australia, Ltd. (Australia)	Automobile	Equipment of automobile sales outlets, etc.	1,882	691	–	–	101	2,675	213
Mitsubishi Motors (Thailand) Co., Ltd. (Thailand) and another company	Automobile	Equipment of automobile sales outlets, production equipment of automobiles, etc.	11,767	39,797	(1,072) 219	15,182	5,838	72,584	5,368
Mitsubishi Motors Philippines Corp. (Philippines) and another company	Automobile	Equipment of automobile sales outlets, production equipment of automobiles, etc.	4,117	3,640	289	2,453	1,493	11,705	1,084
PT Mitsubishi Motors Krama Yudha Indonesia (Indonesia)	Automobile	Production equipment of automobiles, etc.	8,342	8,430	509	6,241	15,241	38,256	2,038
Other overseas subsidiaries (17 companies)	Automobile	Equipment of automobile sales outlets, production equipment of parts, etc.	2,488	2,516	(77) [19] 55	3,148	1,038	9,192	1,295

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

3. Plans for acquisition and disposal of facilities

Capital investments (new equipment and upgrades) to be made by in the following fiscal year (FY2020) are not yet available for disclosure because the capital expenditure plan for the year is currently under formulation.



## IV. Information about Reporting Company

### 1. Information about shares, etc.

#### (1) Total number of shares, etc.

##### i) Total number of shares

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

##### ii) Issued shares

Class	Number of issued shares (As of March 31, 2020) (Shares)	Number of issued shares (As of the filing date: June 25, 2020) (Shares)	Name of stock listing or the name of authorized financial instruments firms association	Description
Common stock	1,490,282,496	1,490,282,496	Tokyo Stock Exchange (First Section)	Number of shares for share unit: 100 shares
Total	1,490,282,496	1,490,282,496	—	—

#### (2) Share acquisition rights

##### i) Details of stock option program

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

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

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

Resolution date	April 24, 2017
Number of share acquisition rights *	5,431
Category and number of participant	Five Members of the Board (excluding Outside Directors)
Type of shares that will be issued upon exercise of share acquisition rights *	Common stock
Number of shares to be issued upon the exercise of one share acquisition right *	79 shares (Note) 1
Total number of shares that will be issued upon exercise of share acquisition rights *	432,446 shares (Note) 1
Amount of contribution (issue price) per share acquisition right *	JPY 1 per share
Fair value for a share acquisition right for one share *	JPY 517.42 (Note) 1
Exercise period *	<p>The exercise period will commence on the earliest of the following dates and end on April 30, 2070.</p> <p>i) May 1, 2020</p> <p>ii) If a shareholders' meeting of MMC (or, where no shareholder approval is required, the Board of Directors of MMC) approves a merger agreement that provides that MMC shall cease to exist, or a share exchange agreement for a statutory share exchange (<i>kabushiki koukan</i>) agreement or a plan for a statutory share-transfer (<i>kabushiki iten</i>) that will result in MMC becoming a wholly-owned subsidiary, the date of such approval.</p> <p>iii) If a shareholders' meeting of MMC (or, where no shareholder approval is required, the Board of Directors of MMC) approves a transfer of all or substantially all of MMC's business, or a spin-off agreement or spin-off plan (<i>kaisha bunkatsu</i>) that results in all or substantially all of MMC's business being assumed by a successor company, the date of such approval.</p>
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights *	<p>Issue price: JPY 518.42 (Note) 2</p> <p>Additional paid-in capital per share shall be the amount obtained by multiplying the maximum limit of capital increase (as calculated in accordance with the provisions of Article 17, paragraph (1) of the Regulation on Corporate Accounting) by 0.5, and any fraction of less than JPY 1 arising as a result of such calculation shall be rounded up to the nearest yen.</p>
Conditions to exercise of share acquisition rights *	(Note) 3
Matters concerning transfer of share acquisition rights *	MMC and each of the grantees will enter into a share acquisition right grant agreement. Under such agreement, the grantees will be prohibited from transferring any Share Acquisition Rights to a third party.
Matters concerning treatment of the replacement share acquisition rights in a corporate reorganization by the successor *	(Note) 4

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

Resolution date	May 9, 2018
Number of share acquisition rights *	3,884
Category and number of participant	Two Members of the Board (excluding Outside Directors)
Type of shares that will be issued upon exercise of share acquisition rights *	Common stock
Number of shares to be issued upon the exercise of one share acquisition right *	80 shares (Note) 1
Total number of shares that will be issued upon exercise of share acquisition rights *	311,724 shares (Note) 1
Amount of contribution (issue price) per share acquisition right *	JPY 1 per share
Fair value for a share acquisition right for one share *	JPY 513.34 (Note) 1
Exercise period *	<p>The exercise period will commence on the earliest of the following dates and end on April 30, 2071.</p> <p>i) May 1, 2021</p> <p>ii) If a shareholders' meeting of MMC (or, where no shareholder approval is required, the Board of Directors of MMC) approves a merger agreement that provides that MMC shall cease to exist, or a share exchange agreement for a statutory share exchange (<i>kabushiki koukan</i>) agreement or a plan for a statutory share-transfer (<i>kabushiki iten</i>) that will result in MMC becoming a wholly-owned subsidiary, the date of such approval.</p> <p>iii) If a shareholders' meeting of MMC (or, where no shareholder approval is required, the Board of Directors of MMC) approves a transfer of all or substantially all of MMC's business, or a spin-off agreement or spin-off plan (<i>kaisha bunkatsu</i>) that results in all or substantially all of MMC's business being assumed by a successor company, the date of such approval.</p>
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights *	<p>Issue price: JPY 514.34 (Note) 2</p> <p>Additional paid-in capital per share shall be the amount obtained by multiplying the maximum limit of capital increase (as calculated in accordance with the provisions of Article 17, paragraph (1) of the Regulation on Corporate Accounting) by 0.5, and any fraction of less than JPY 1 arising as a result of such calculation shall be rounded up to the nearest yen.</p>
Conditions to exercise of share acquisition rights *	(Note) 3
Matters concerning transfer of share acquisition rights *	MMC and each of the grantees will enter into a share acquisition right grant agreement. Under such agreement, the grantees will be prohibited from transferring any Share Acquisition Rights to a third party.
Matters concerning treatment of the replacement share acquisition rights in a corporate reorganization by the successor *	(Note) 4

Share acquisition rights based on the resolution of the Board of Director's meeting held on September 26, 2019 (Third series share acquisition rights)

Resolution date	September 26, 2019
Number of share acquisition rights *	3,783
Category and number of participant	One Member of the Board (excluding Outside Directors)
Type of shares that will be issued upon exercise of share acquisition rights *	Common stock
Number of shares to be issued upon the exercise of one share acquisition right *	107 shares (Note) 1-2
Total number of shares that will be issued upon exercise of share acquisition rights *	406,162 shares (Note) 1-2
Amount of contribution (issue price) per share acquisition right *	JPY 1 per share
Fair value for a share acquisition right for one share *	JPY 372.56 (Note) 1-2
Exercise period *	<p>The exercise period will commence on the earliest of the following dates and end on April 30, 2052.</p> <p>i) May 1, 2022</p> <p>ii) If a shareholders' meeting of MMC (or, where no shareholder approval is required, the Board of Directors or Executive Officers of MMC) approves a merger agreement that provides that MMC shall cease to exist, or a share exchange agreement for a statutory share exchange (<i>kabushiki koukan</i>) agreement or a plan for a statutory share-transfer (<i>kabushiki iten</i>) that will result in MMC becoming a wholly-owned subsidiary, the date of such approval.</p> <p>iii) If a shareholders' meeting of MMC (or, where no shareholder approval is required, the Board of Directors or Executive Officers of MMC) approves a transfer of all or substantially all of MMC's business, or a spin-off agreement or spin-off plan (<i>kaisha bunkatsu</i>) that results in all or substantially all of MMC's business being assumed by a successor company, the date of such approval.</p>
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights *	<p>Issue price: JPY 373.56 (Note) 2</p> <p>Additional paid-in capital per share shall be the amount obtained by multiplying the maximum limit of capital increase (as calculated in accordance with the provisions of Article 17, paragraph (1) of the Regulation on Corporate Accounting) by 0.5, and any fraction of less than JPY 1 arising as a result of such calculation shall be rounded up to the nearest yen.</p>
Conditions to exercise of share acquisition rights *	(Note) 3
Matters concerning transfer of share acquisition rights *	Acquisition by transfer of the share acquisition rights requires approval at the Board of Director's meeting of MMC.
Matters concerning treatment of the replacement share acquisition rights in a corporate reorganization by the successor *	(Note) 4

\* These details are based on the end of the current fiscal year (March 31, 2020). As of the end of the month before the month of the filing date (May 31, 2020) there has been no change in the details required to be described since the end of the current fiscal year, so the description related to the end of the month before the month of the filing date has been omitted.

(Notes) 1. Number of shares to be issued upon the exercise of one share acquisition right, total number of shares that will be issued upon exercise of share acquisition rights, and fair value of a share acquisition right for one share

The number of shares to be issued upon the exercise of one Share Acquisition Right (the “Number of Issued Shares”) shall be calculated by dividing JPY 41,200, which is the issue price for one Share Acquisition Right, (the “Issue Price”) by the fair value of a Share Acquisition Right for one share. If a grantee simultaneously exercises his/her multiple share acquisition rights, the Number of Issued Shares shall be a maximum whole part of the number calculated by (i) multiplying the Issue Price by the number of the Share Acquisition Rights that are exercised and then (ii) dividing the multiplied number by the fair value of a Share Acquisition Right for one share.

The fair value of a Share Acquisition Right for one share shall be calculated on the grant date by using the following Black-Scholes formula:

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

Where:

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

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

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

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

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

1-2. Number of shares to be issued upon the exercise of one share acquisition right, total number of shares that will be issued upon exercise of share acquisition rights, and fair value of a share acquisition right for one share

The number of shares to be issued upon the exercise of one Share Acquisition Right (the “Number of Issued Shares”) shall be calculated by dividing JPY 40,000, which is the issue price for one Share Acquisition Right, (the “Issue Price”) by the fair value of a Share Acquisition Right for one share. If a grantee simultaneously exercises his/her multiple share acquisition rights, the Number of Issued Shares shall be a maximum whole part of the number calculated by (i) multiplying the Issue Price by the number of the Share Acquisition Rights that are exercised and then (ii) dividing the multiplied number by the fair value of a Share Acquisition Right for one share.

The fair value of a Share Acquisition Right for one share shall be calculated on the grant date by using the following Black-Scholes formula:

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

Where:

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

- (i) Option price per share: (  $C$  )
- (ii) Share price (  $S$  ): Closing price of the regular trading of the shares of common stock (*futsū kabushiki*) of MMC on the Tokyo Stock Exchange on the day on which share acquisition rights are granted (if there is no such closing price, the base price of the immediately following trading day)
- (iii) Exercise price: (  $X$  ): one (1) yen
- (iv) Expected time to maturity: (  $t$  ): 8 years
- (v) Volatility (  $\sigma$  ): Share price volatility calculated using the closing price of the regular trading of the shares of common stock (*futsū kabushiki*) of MMC on each trading day during the period of eight (8) years (the 8 year period leading up to the day on which share acquisition rights are granted)
- (vi) Risk-free interest rate (  $r$  ): Interest rate of national government bonds whose remaining years to maturity corresponds to the expected time to maturity
- (vii) Dividend yield (  $\lambda$  ): Dividend amount per share (average dividend paid in the last three fiscal years) ÷ Share price set forth in (ii) above
- (viii) Cumulative distribution function for the standard normal distribution (  $N(\cdot)$  )

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

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

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

2. Price of shares issued in the event of the issuance of shares as a result of the exercise of share acquisition rights  
The total of the fair value per share of the share acquisition right and the issue price per share (1 yen) at the time the share acquisition right is exercised
3. Conditions for the exercise of share acquisition rights
  - (i) The exercise of fragments of share acquisition rights that fall short of one unit shall not be possible.
  - (ii) In the event that the share acquisition rights are transferred, the recipient of the transfer shall be unable thereafter to exercise the share acquisition rights that were transferred.
  - (iii) In the event that the share acquisition right grantee dies, the heir to the grantee shall be able to inherit the share acquisition rights, and to exercise the share acquisition rights, as prescribed by the terms of the share acquisition right grant agreement concluded between the grantee and MMC. However, in the event that said heir dies, the heir of said heir shall be unable to exercise the share acquisition rights.
  - (iv) Other conditions shall be as prescribed in the share acquisition right grant agreement concluded between MMC and the grantee.
4. Matters concerning the granting of share acquisition rights following a corporate reorganization  
If MMC conducts a merger (in which MMC will cease to exist), a statutory share exchange (*kabushiki koukan*) or a statutory share-transfer (*kabushiki iten*) (in which MMC will become a wholly-owned subsidiary) or a spin-off (*kaisha bunkatsu*) (in which MMC will transfer its business) (each, a "Corporate Reorganization"), replacement share acquisition rights of the other party to the Corporate Reorganization (the "Replacement Share Acquisition Rights") as stipulated in Article 236, paragraph (1), item (viii) (a) through (e) of the Companies Act (the "Successor Company") shall be granted to any grantee that holds Share Acquisition Rights immediately before the effective date of the Corporate Reorganization in accordance with conditions pursuant to the issuance guidelines for share acquisition rights. In such event, the Share Acquisition Rights held by such grantee (the "Old Share Acquisition Rights") shall be terminated in exchange for the Replacement Share Acquisition Rights. However, such termination will not occur unless the relevant merger agreement, share exchange agreement, share transfer plan, spin-off agreement or spin-off plan provides that the Successor Company issues the Replacement Share Acquisition Rights in accordance with conditions pursuant to the issuance guidelines for share acquisition rights.
  - (a) Number of the Replacement Share Acquisition Rights that will be granted to a holder of the Old Share Acquisition Rights

- The same number as the number of the Old Share Acquisition Rights held by the relevant grantee
- (b) Type of shares that will be issued upon exercise of the Replacement Share Acquisition Rights  
Common stock of the Successor Company
- (c) Number of shares to be issued upon exercise of one Replacement Share Acquisition Right  
Such number shall be determined in accordance with total number of shares that will be issued upon exercise of share acquisition rights above (Formula to calculate number of shares to be issued upon exercise of one Share Acquisition Right) taking into consideration the terms of the Corporate Reorganization.
- (d) Amount of Contribution at exercise (exercise price)  
The amount payable to the Successor Company upon exercising a Replacement Share Acquisition Right shall be determined by multiplying (a) the exercise price for one share of the Successor Company by (b) the number of shares of the Successor Company to be issued or transferred upon the exercise of the Replacement Share Acquisition Rights as determined in accordance with (c) above. The exercise price for one share is JPY 1.
- (e) Exercise Period  
(a) The exercise period shall be from the later of the commencement of the exercise period described in the table (“Exercise period”), or (b) the effective date of the corporate reorganization, to the end of the exercise period described in the table (“Exercise period”)
- (f) Amount of Capital Stock and Capital Surplus to be increased by the issuance of shares upon exercise of the Replacement Share Acquisition Right  
Such amounts shall be determined in accordance with Amount of Capital Stock and Capital Surplus Increased by Issuance of Shares upon Exercise of Share Acquisition Right below.  
The amount of capital stock increased by the issuance of shares upon the exercise of a Share Acquisition Right shall be the amount obtained by multiplying the maximum limit of capital increase (as calculated in accordance with the provisions of Article 17, paragraph (1) of the Regulation on Corporate Accounting) by 0.5, and any fraction of less the one (1) yen arising as a result of such calculation shall be rounded up to the nearest one (1) yen. The amount of capital surplus increased by the issuance of shares upon the exercise of share acquisition rights shall be the amount obtained by deducting the capital stock to be increased from the maximum limit of capital increase.
- (g) Prohibition on Transfer of Replacement Share Acquisition Rights  
The Successor Company and each of the grantees will enter into a share acquisition right grant agreement. Under such agreement, the grantees will be prohibited from transferring any Replacement Share Acquisition Rights to a third party.
- (h) Conditions to exercise of the Replacement Share Acquisition Rights  
Such conditions shall be substantially equivalent to those applicable to exercise of the Old Share Acquisition Rights.
- (i) Treatment of the Replacement Share Acquisition Rights in a Corporate Reorganization by the Successor  
Such treatment will be substantially equivalent to that of the Old Share Acquisition Rights as set forth in this section.

ii) Description of rights plan

Not applicable.

iii) Other share acquisition rights

Not applicable.

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

Not applicable.

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

Date	Change in total number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Change in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
October 20, 2016 (Note) 1	Common stock 506,620,577	Common stock 1,490,282,496	118,680	284,382	118,680	118,680

(Note) 1. Paid-in third-party allotment 506,620,577 shares  
Issue price 468.52 yen  
Amount incorporated into capital 234.26 yen  
Allottee Nissan Motor Co., Ltd.

## (5) Shareholder composition

(As of March 31, 2020)

Category	Status of shares (Number of shares constituting one voting unit: 100 shares)								Shares less than one unit (Shares)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of shareholders	–	46	58	1,669	564	234	250,009	252,580	–
Number of shares held (Units)	–	1,818,363	183,622	8,440,265	1,938,648	2,690	2,518,148	14,901,736	108,896
Percentage of voting shares (%)	–	12.20	1.23	56.64	13.01	0.02	16.90	100	–

- (Notes)
1. The 1,969,402 treasury shares stated in the shareholders register, are presented as follows: 19,694 voting units are included in “Individuals, etc.” and 2 shares are included in “Shares less than one unit.” All treasury shares are actually held.
  2. In “Other corporations,” 57 voting units under the name of the Japan Securities Depository Center, Inc. are included.



## (6) Major shareholders

(As of March 31, 2020)

Name	Address	Number of shares held (Shares)	Percentage of total number of shares issued (excluding treasury shares) (%)
Nissan Motor Co., Ltd.	2, Takara-cho, Kanagawa-ku, Yokohama-shi, Kanagawa	506,620,577	34.03
Mitsubishi Corporation	2-3-1, Marunouchi, Chiyoda-ku, Tokyo	298,012,214	20.02
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	42,024,000	2.82
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	26,761,500	1.79
Mitsubishi Heavy Industries, Ltd.	3-2-3, Marunouchi, Chiyoda-ku, Tokyo	21,572,455	1.44
Japan Trustee Services Bank, Ltd. (Trust account 9)	1-8-11, Harumi, Chuo-ku, Tokyo	21,172,300	1.42
Japan Trustee Services Bank, Ltd. (Trust account 5)	1-8-11, Harumi, Chuo-ku, Tokyo	15,068,800	1.01
MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	14,877,512	0.99
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1 (Standing proxy: MUFG Bank, Ltd.)	VERTIGO BUILDING - POLARIS 2-4 RUE EUGENE RUPPERT L-2453 LUXEMBOURG GRAND DUCHY OF LUXEMBOURG (2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Transaction Services Division)	14,359,200	0.96
JP MORGAN CHASE BANK 385632 (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity A Building, 2-15-1, Konan, Minato-ku, Tokyo)	11,808,396	0.79
Total	–	972,276,954	65.32

## (7) Voting rights

## i) Issued shares

(As of March 31, 2020)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with complete voting rights (Treasury shares, etc.)	<Treasury shares>	–	Number of shares per share unit: 100 shares
	Common stock 1,969,400		
	<Reciprocal holding>		
	Common stock 400		
Shares with complete voting rights (Other)	Common stock (Note) 1 1,488,203,800	14,882,038	Same as above
Shares less than one unit	Common stock (Note) 2 108,896	–	Same as above
Total number of issued shares	1,490,282,496	–	–
Total number of voting rights	–	14,882,038	–

- (Notes) 1. The number of “Shares with complete voting rights (Other)” includes 5,700 shares (57 units of voting rights) in the name of Japan Securities Depository Center, Incorporated.  
2. The number of “Shares less than one unit” includes 2 treasury shares held by MMC.

## ii) Treasury shares, etc.

(As of March 31, 2020)

Name of shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of total number of issued shares (%)
<Treasury shares> Mitsubishi Motors Corporation	3-1-21, Shibaura, Minato-ku, Tokyo	1,969,400	–	1,969,400	0.13
<Reciprocal holding> Nagano Mitsubishi Motor Sales Co., Ltd.	865-1, Aza- Imuraminamioki, Higashiwada, Nagano-shi, Nagano	400	–	400	0.00
Total	–	1,969,800	–	1,969,800	0.13

## 2. Acquisition of treasury shares

[Class of shares]

Acquisition of shares of common stock under Article 155, item (vii) of the Companies Act

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

Not applicable.

(2) Acquisition by resolution of the Board of Directors

Not applicable.

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

Classification	Number of shares (Shares)	Total value (Yen)
Treasury shares acquired during the current fiscal year	1	320
Treasury shares acquired during the period from April 1, 2020 to the filing date	–	–

(Note) The number of shares of treasury shares acquired during the period from April 1, 2020 to the filing date does not include the number of shares acquired through purchase of shares less than one unit during the period from June 1, 2020 to the filing date of this Annual Securities Report.

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

Classification	The current fiscal year		From April 1, 2020 to the filing date	
	Number of shares (Shares)	Total disposal value (Yen)	Number of shares (Shares)	Total disposal value (Yen)
Acquired treasury shares offered for subscription	–	–	–	–
Acquired treasury shares that were disposed	–	–	–	–
Acquired treasury shares transferred for merger, share exchange and spin off	–	–	–	–
Other (–)	–	–	–	–
Treasury shares held	1,969,402	–	1,969,402	–

(Note) The number of shares of treasury shares held during the period from April 1, 2020 to the filing date does not include the number of shares acquired through purchase of shares less than one unit during the period from June 1, 2020 to the filing date of this Annual Securities Report.

### 3. Dividend policy

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

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

However, given the impact of the spread of COVID-19 infection has caused the business environment to deteriorate rapidly, MMC believes that making its financial footing stable and ensuring liquidity on hand are the urgent matters to recover profitability. Therefore, MMC regrets to inform that it will not pay the end-of-term dividend. Accordingly, the dividend for the current fiscal year will be 10 yen share including the interim dividend of 10 yen per share.

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

Resolution date	Total dividends (Millions of yen)	Cash dividends per share (Yen)
Board of Directors Meeting held on November 6, 2019	14,883	10

#### 4. Information about corporate governance, etc.

##### (1) Overview of corporate governance

###### i) MMC's basic policy regarding corporate governance

Based on its corporate philosophy (vision and mission), MMC considers compliance to be of topmost importance and accordingly aims to meet the expectations of shareholders, customers and all other stakeholders, while achieving sustainable growth and increases in corporate value over the medium to long term, by making the ongoing reinforcement and improvement of governance a management priority.

###### **Vision**

Create a vibrant society by realizing the potential of mobility

###### **Mission**

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

###### ii) Overview of corporate governance system and reason for adoption of the system

As of June 21, 2019, MMC has transitioned to a company with three committees, as part of its efforts to enhance its corporate governance in order to achieve swift execution of business in quick response to environmental changes by clearly separating supervisory and execution function and ensuring the soundness and transparency of management through further strengthening of supervision and implementation of more thorough risk management.

###### (i) Board of Directors

The Board of Directors is responsible for making decisions concerning important management issues and overseeing business execution. As of June 25, 2020, it is comprised of 15 Members of the Board (Chairman of the Board Osamu Masuko, Member of the Board Takao Kato, Member of the Board Kozo Shiraji, Outside Director Shunichi Miyanaga, Outside Director Ken Kobayashi, Outside Director Setsuko Egami, Outside Director Main Kohda, Outside Director Yaeko Takeoka, Outside Director Kenichiro Sasae, Outside Director Kiyoshi Sono, Outside Director Hideyuki Sakamoto, Outside Director Mitsuko Miyagawa, Outside Director Yoshihiko Nakamura, Outside Director Joji Tagawa, and Outside Director Takahiko Ikushima), including 12 Outside Directors with considerable experience, deep insight and so forth, and MMC has submitted notifications, specifying six of Outside Directors (Setsuko Egami, Main Kohda, Yaeko Takeoka, Kenichiro Sasae, Mitsuko Miyagawa, and Yoshihiko Nakamura) as Independent Directors to Tokyo Stock Exchange, Inc.

MMC has established the following three legally required committees, the majority of which are Outside Directors, in the Board of Directors to develop the system that ensures the supervision of the Directors and Executive Officer by the Board of Directors and effective functioning of corporate governance.

###### (A) Nomination Committee

The Nomination Committee makes decisions on proposals for electing and dismissing Members of the Board, and engages in deliberations regarding matters such as standards for appointing and removing the Members of the Board, Executive Officers and Corporate Officers, appointing and removing the Executive Officer, CEO, and the succession planning for the Executive Officer, CEO. (Members: Outside Director Main Kohda (chairperson), Outside Director Ken Kobayashi, Outside Director Kenichiro

Sasae, Outside Director Hideyuki Sakamoto, and Chairman of the Board Osamu Masuko)

(B) Compensation Committee

The Compensation Committee deliberates and makes decisions regarding policy with respect to determining compensation, etc. of Members of the Board and Executive Officers, and regarding details of compensation, etc. per individual. (Members: Outside Director Shunichi Miyanaga (chairperson), Outside Director Setsuko Egami, Outside Director Main Kohda, Outside Director Joji Tagawa, and Member of the Board Takao Kato)

(C) Audit Committee

The Audit Committee audits execution of duties performed by the Members of the Board and Executive Officers and prepares audit report thereof, and implements internal investigation into matters for which the Board of the Directors determined that it unreasonable for business executives to implement investigation. (Members: Outside Director Yaeko Takeoka (chairperson), Outside Director Kiyoshi Sono, Outside Director Mitsuko Miyagawa, Outside Director Yoshihiko Nakamura, and Member of the Board Kozo Shiraji)

(ii) Executive Officers

Executive Officers make decisions on and conduct business execution and serve as Executive Committee members, who deliberate on important management matters. The Executive Officer, CEO, who is delegated to execute the overall business operation by the resolution at the Board of Director's meeting, shall be the responsible person for the business execution departments. MMC has 13 Executive Officers (including the Executive Officer, CEO) as of June 25, 2020.

(iii) Corporate Officers

Corporate Officers supervise functions or business of MMC and conduct business execution in a certain range, based on delegation of authority by the Board of Directors or the Executive Officer, CEO. MMC has 11 Corporate Officers as of June 25, 2020.

(iv) Outline of decision-making process for business execution and various committees

MMC has specified the Executive Officer, CEO as the major party delegated with authority of business execution by the Board of Directors, and has positioned the Executive Officer, COO as the responsible person of MMC's comprehensive business operation in addition to the Executive Officer, CEO, the responsible person for the business execution departments. MMC has delegated the decision authority of Executive Officer, CEO to other Executive Officers and Corporate Officers based on the "Delegation of Authority rules." These initiatives can contribute to enhance the speed of business execution and the highly transparent decision-making process.

Furthermore, to ensure the proper exercise of business execution rights by the Executive Officer, CEO, MMC has established and operates the various committees described below, as an advisory body to the Executive Officer, CEO.

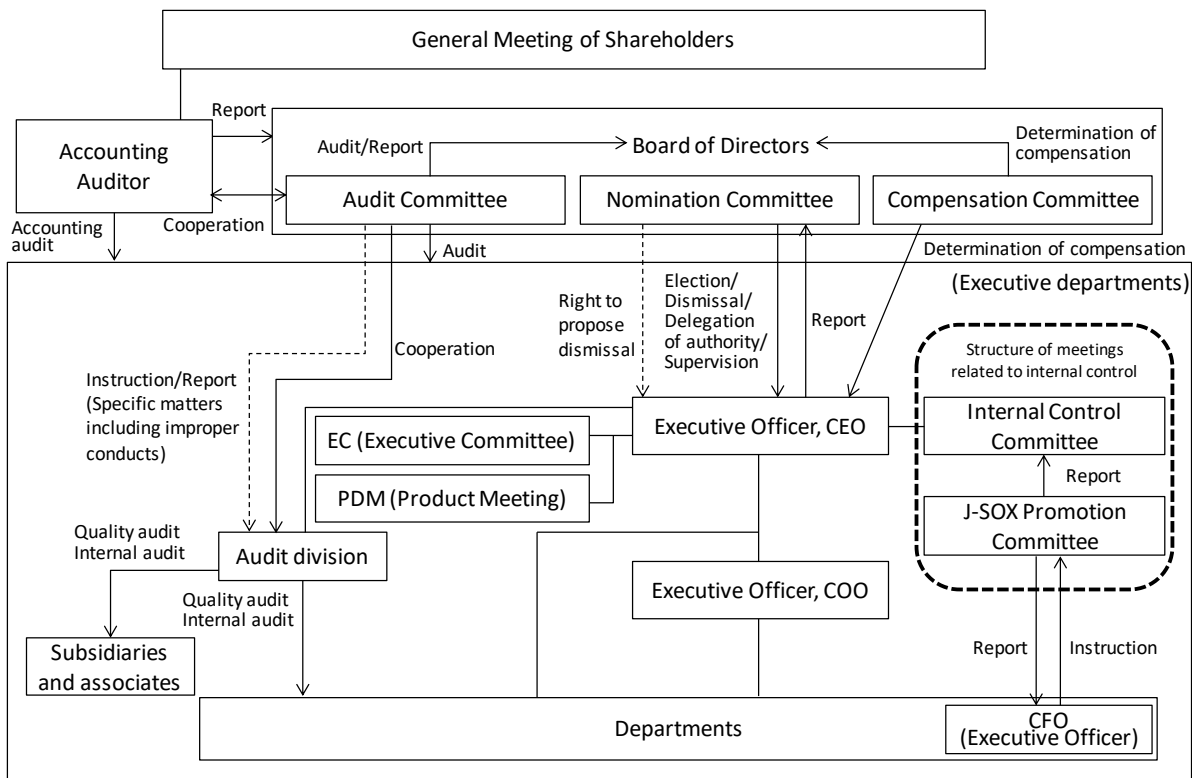
- Executive Committee (EC) deliberates on important management issues as an advisory body to the Executive Officer, CEO. EC is comprised of the Executive Officer, CEO and all the other Executive Officers.

- Product Meeting (PDM) deliberates and confirms important matters related to product development projects as an advisory body on product development to the Executive Officer, CEO.

In addition, to strengthen and improve the efficiency of the handling of various internal controls pursuant to laws and regulations, MMC created the various committees described below, which have the functions across the corporate group.

- Internal Control Committee, chaired by the Executive Officer, CEO, promotes internal controls pursuant to the Companies Act. In addition, J-SOX Promotion Committee was established under Internal Control Committee along with three committees. J-SOX Promotion Committee, chaired by the Executive Officer, CFO, handles internal control over financial reporting under the Financial Instruments and Exchange Act.

MMC’s functions and internal control relationships as of June 25, 2020 are presented in the figure below.



iii) Other matters related to corporate governance

(i) Status of systems to ensure appropriate business operations of subsidiaries

MMC stipulates the supervisory organization of each of its subsidiaries, and the responsibilities and authority, management method and other matters related to management of its subsidiaries through its internal regulations and other rules. In compliance with the internal regulations and other rules, each of the subsidiaries gives prior or subsequent explanations and reports that should be made to MMC concerning its business, results, financial condition and other important information to the supervisory organization and other internal dedicated organizations in accordance with its size, business conditions, and other factors. MMC also provides guidance and management in accordance with regulations and

rules through the supervisory organizations. Moreover, the Internal Audit Dept. conducts systematic operation audits of each subsidiary, auditing the status of appropriate business execution and compliance with MMC's code of conduct, and providing countermeasures as needed.

(ii) Information about development of Internal Control Systems

System to ensure appropriate business activities

MMC has set up vision and missions as the basic concept so that the employees of the MMC Group look toward the future, share the same ideas and act as a unit. In addition, MMC has established MMC WAY, which represents the frame of mind and behavior that each one of employees must practice for missions to realize the vision, and moreover the Global Code of Conduct serving as the foundation for these provisions and the norms to be followed by all officers and employees.

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

The Basic Policy on the Establishment of Internal Control Systems resolved at the Board of Directors of MMC, in line with its transition from a company with an audit and supervisory board to a company with three committees, is as listed below.

- (a) System to ensure that the Executive Officers' and employees' performance of their duties complies with applicable laws and regulations and the Articles of Incorporation of MMC
- To comply with laws and regulations, the Articles of Incorporation and social norms, MMC shall establish a code of conduct, build an organizational structure, and carry out education and training. MMC shall also establish a contact point for reporting internal problems, and shall use the information to prevent and rectify problems and stop them from occurring again.
  - To monitor company management, MMC shall appoint Outside Directors, and strengthen the function of audits by the Audit Committee which includes Outside Directors as its members.
  - The internal audit division shall conduct strict audits to check whether MMC's business execution is in violation of laws and regulations, the Articles of Incorporation, internal regulations or others. If a problem is discovered, the internal audit division shall report it to the relevant Members of the Board or others, and periodically check the status of improvement measures following occurrence.
  - As the core organization to address internal control in accordance with the Companies Act, MMC shall establish the Internal Control Committee, with the CEO being the chairperson and the corporate officer in charge of Global Risk Control being the vice chairperson.
- (b) Regulations and other systems to manage risk of loss
- To manage business risk, MMC shall clearly prescribe respective standards for making proposals to the Board of Directors and Executive Committee in each of the rules of the Board of Directors and rules of Executive Committee, and operate in accordance with these rules.



- MMC shall appoint an employee in charge of risk management at each organization (e.g. division), and shall make efforts to establish and strengthen the risk management structure with the said employee at the core of these efforts.
  - MMC shall establish a body in charge of promoting risk management and work to develop and strengthen its overall risk management structure.
  - To prepare for the occurrence of unforeseen circumstances, MMC shall develop a system to enable prompt reporting to MMC's Members of the Board and others, and prompt, accurate responses.
- (c) System to ensure that the Executive Officers' performance of their duties is executed efficiently
- MMC shall prescribe a management plan throughout the company and clarify detailed business targets and methods of execution at each functional company body in order to achieve the plan. Members of the Board shall periodically receive reports on the plan's implementation, and shall work to maintain and improve management efficiency.
  - MMC shall clarify the roles and authorizations of the Members of the Board and Executive Officers, and the Board of Directors and Executive Committee, etc. shall execute business efficiently based on the rules of the Board of Directors and rules of Executive Committee, etc.
  - In order to develop a system for efficient organizational operation and business execution and to establish a system in which decisions on important matters can be made with speed and agility, the Board of Directors shall widely delegate the authority of decision-making for business execution to the Executive Officers within the scope of the legal limit, thus securing efficient execution of their duties.
  - To promote prompt decision-making of MMC and clarify the decision-making process, MMC shall develop clear and highly transparent standards for authority.
- (d) System to store and manage information related to the Executive Officers' performance of their duties
- Based on internal rules, MMC shall prepare information pertaining to execution of duties by Executive Officers as physical documents or electronic data, and shall appoint a person responsible for the management of this information. Preparation methods, retention methods, retention periods, duplication methods, disposal methods and other matters shall be determined in accordance with the relative importance of information, and the information shall be appropriately managed.
- (e) System to ensure appropriate business activities of MMC group which comprises MMC, the parent company and the subsidiaries
- MMC shall determine the bodies with control over MMC's subsidiaries, responsibilities and authorizations for the management of MMC's subsidiaries, management methods and other matters in the internal rules, thus securing proper operation of duties across MMC group.
  - MMC shall supervise and manage its subsidiaries, aiming for appropriate business execution by their officers and employees in line with laws and regulations and the Articles of Incorporation, compliance with its code of conduct, and establishment and improvement of operational audit systems in a manner that is suitable for their sizes, business types, etc.

- MMC shall establish and strengthen its subsidiaries' risk management systems, depending on their sizes, business types, etc., through giving directions regarding implementation of risk management.
  - MMC shall strengthen, develop and streamline its subsidiaries' business operations, depending on their sizes, business types, etc., through supervising and managing them in accordance with Rules for Management of Subsidiaries and Affiliates and other internal rules.
  - MMC shall improve Rules for Management of Subsidiaries and Affiliates and other internal rules so that it can receive explanations and reports from its subsidiaries regarding important information (e.g. business operations, performance, and financial conditions) in advance or in an ex-post facto manner.
  - MMC and its subsidiaries shall ensure the appropriateness of their respective financial information and develop the bodies and internal rules necessary for the preparation and disclosure of reliable financial reporting.
- (f) Matters related to the Members of the Board and employees to support Audit Committee's audit activities
- A body to assist Audit Committee with its duties shall be established and dedicated staff shall be allocated to this body.
- (g) Matters related to the independence of Members of the Board and employees in (f) above from the Executive Officers and ensuring the effectiveness of directions given to those Members of the Board and employees
- The employee assigned to assist Audit Committee with its duties shall only carry out duties under its directions without concurrently performing duties for Executive Officers or other sections.
  - When personnel changes are made to staff assigned to assist Audit Committee with its duties, opinions shall be sought from the committee in advance. In addition, evaluations of those dedicated staffs shall be carried out by Audit Committee.
- (h) System to allow the Members of the Board (excluding Members of the Audit Committee), Executive Officers and employees of MMC, the Members of the Board, Audit and Supervisory Board Members and employees of MMC's subsidiaries or persons received reports from them to report information to Audit Committee, and other systems related to reporting to Audit Committee
- The Members of the Audit Committee shall attend meetings of the Board of Directors and other important meetings of MMC.
  - MMC shall develop a framework to steadily provide important internal information regarding management, compliance and other matters of MMC and its subsidiaries to the Members of the Audit Committee and ensure that it is thoroughly operated.
  - Officers and employees of MMC and its subsidiaries shall report matters regarding business execution promptly and appropriately when requested to do so by MMC's Audit Committee.
  - Executive Officers shall report to Members of the Audit Committee immediately if they find a fact which may cause a serious damage to MMC.

- (i) System to ensure that those who report the matters described in (h) do not face unfavorable treatment on the grounds that such reports are made
  - It is prohibited to unfavorably treat officers and employees of MMC and its subsidiaries who report such matters directly or indirectly to Audit Committee on the grounds that such reports are made. This prohibition shall be notified to all officers and employees of MMC and its subsidiaries.
- (j) Matters related to procedures for the prepayment or reimbursement of expenses incurred for Members of the Audit Committee in executing duties (limited to those related to the execution of duties of Audit Committee), and settlement policy for expenses or debt incurred for other related duties
  - In case Members of the Audit Committee make requests to MMC for the prepayment of job-related expenses, etc. in accordance with Article 404, paragraph (4) of the Companies Act, these expenses or debts shall be paid promptly or settled after being examined by relevant sections unless it can be verified that these expenses or debts are not necessary for Members of the Audit Committee to execute their duties.
- (k) Other systems to ensure that Audit Committee conducts audits effectively
  - The Audit Committee of MMC shall periodically conduct exchanges of opinions with the CEO, and work in cooperation with the internal audit division and the Accounting Auditors, thus facilitating proper communication and effective auditing operations.
- (l) System for eliminating criminal or unethical organizations
  - MMC and its subsidiaries shall, in a unified manner across all companies, respond to unreasonable demands from antisocial forces that pose a threat to the order and safety of society with a resolute stance, and shall ensure that they have absolutely no relations with antisocial forces.

(iii) Information about development of risk management framework

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

For priority risk management, MMC selects risks that the entire MMC Group faces directly, that have significant potential impact and a high degree of urgency. For each risk, MMC assigns “risk owners” and works as quickly as possible to reduce these risks.

In departmental risk management, MMC has appointed employees in charge of risk management to each division or plant. These employees work to reduce risks through repeated application of the PDCA cycle, which involves identifying and evaluating each risk, devising and implementing countermeasures, and monitoring.

Subsidiaries and affiliates risk management includes initiatives for addressing various types of risks encountered by MMC’s subsidiaries and affiliates. MMC periodically confirms the status of activities such as improvement of business continuity plans (BCPs), and proposes and directs improvements, as necessary.

These risk management initiatives are regularly reported to the Board of Directors as key internal control measures.

In addition, in order to prepare for unforeseen contingencies MMC operates emergency contact systems that enable the rapid communication of information to the senior management,

as well as a swift and accurate response. In particular, in order to create a crisis management system to guide MMC's response when serious incidents occur, MMC has formulated an emergency response manual. This manual outlines the establishment of an emergency response organization and clarifies the chain of command, enabling MMC to put appropriate response systems into place.

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

MMC conducts drills in communicating among individual plants and Group companies on the basis of a presumed emergency.

As preparations against the possibility that employees will be unable to return to their homes and to stay at the headquarters for a three-day period, MMC conducts initiatives for communicating with local municipal authorities in order to ensure means through which they can communicate with their families and emergency supplies.

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

(iv) Conditions for resolution on the election of Members of the Board

MMC's Articles of Incorporation stipulate that Members of the Board are to be elected by a majority vote of the General Meeting of Shareholders where shareholders holding at least one-third of the voting rights of shareholders eligible to exercise their voting rights are in attendance, and that a resolution to elect a Member of the Board is not to be made by cumulative voting.

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

a. Acquisition of shares

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

b. Exemption from liability of Members of the Board and Executive Officers

To enable Members of the Board and Executive Officers to perform their roles as expected, MMC's Articles of Incorporation stipulate that MMC may exempt Members of the Board (including former Members of the Board) and Executive Officers (including former Executive Officers) from their compensation liability in cases where the criteria stipulated by laws and regulations pursuant to Article 423, paragraph (1) of the Companies Act apply by a resolution of the Board of Directors, by limiting the liability to the amount obtained by deducting the minimum liability limit amount stipulated by laws and regulations from the compensation liability amount. Furthermore, MMC's Articles of Incorporation state that MMC may conclude agreements with its Members of the Board (excluding Members of the Board who execute business and so forth) to limit their compensation liability in cases where the criteria stipulated by laws and regulations regarding compensation liability

pursuant to Article 423, paragraph (1) of the Companies Act apply (however, the limit of compensation liability based on the agreements shall be the higher amount of a predetermined amount of 5 million yen or more and the minimum liability limited amount stipulated by laws and regulations).

c. Interim dividend

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

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

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

(2) Status of corporate officers

i) Corporate officers

Male: 22; Female: 4 (women account for 15.3% of corporate officers)

a. Status of Members of the Board

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Chairman of the Board	Osamu Masuko	February 19, 1949	<p>April 1972 Joined Mitsubishi Corporation</p> <p>April 2003 Senior Vice President, Division COO of Motor Vehicle Business Div., Mitsubishi Corporation</p> <p>June 2004 Managing Director, in charge of Overseas Operations Group Headquarters, MMC</p> <p>January 2005 President, Chief Business Ethics Officer, MMC</p> <p>October 2007 President, MMC</p> <p>June 2014 Chairman of the Board and CEO, MMC</p> <p>June 2016 Chairman of the Board, President and CEO, MMC</p> <p>December 2016 President and CEO, MMC</p> <p>June 2017 Member of the Board and CEO, MMC</p> <p>November 2018 Chairman of the Board and CEO, MMC</p> <p>June 2019 Chairman of the Board and Representative Executive Officer, MMC (to the present)</p>	(Note) 2	29,334

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Member of the Board	Takao Kato	February 21, 1962	<p>April 1984 Joined MMC</p> <p>April 2002 Manager of the Body Production Engineering Dept., Vehicle Production Division, Vehicle Production Headquarters, MMC</p> <p>April 2003 Section Manager of the Body Section, Production Dept., Nagoya Plant, MMC</p> <p>April 2007 Vice General Manager of Production Dept., Nagoya Plant, MMC</p> <p>August 2008 Expert of Production Dept., Nagoya Plant, MMC</p> <p>April 2009 Expert of the Russian Assembly Business Promotion Office, MMC</p> <p>April 2010 Senior Expert of the Russian Assembly Business Promotion Office, MMC</p> <p>May 2010 Transferred to PCMA Rus, LLC</p> <p>April 2014 Vice Plant General Manager of Nagoya Plant, MMC</p> <p>April 2015 President, PT Mitsubishi Motors Krama Yudha Indonesia</p> <p>June 2019 Member of the Board and Representative Executive Officer, CEO, MMC (to the present)</p>	(Note) 2	3,860
Member of the Board	Kozo Shiraji	April 22, 1954	<p>April 1977 Joined Mitsubishi Corporation</p> <p>April 2009 Senior Vice President, Division COO of Motor Vehicle Business Div., Mitsubishi Corporation</p> <p>April 2013 Executive Vice President, Group CEO of Machinery Group, Mitsubishi Corporation</p> <p>April 2016 Senior Executive Officer, Assistant to President, MMC</p> <p>June 2016 Member of the Board, Executive Vice President (Overseas Operations, Global After Sales), MMC</p> <p>January 2017 Member of the Board, Executive Vice President (Overseas Operations, Global After Sales), CPO, MMC</p> <p>April 2018 Member of the Board, Assistant CEO, MMC</p> <p>June 2018 Audit and Supervisory Board Member, MMC</p> <p>June 2019 Member of the Board, MMC (to the present)</p>	(Note) 2	8,821

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Member of the Board	Shunichi Miyanaga	April 27, 1948	<p>April 1972    Joined Mitsubishi Heavy Industries, Ltd.</p> <p>June 2008    Member of the Board, Executive Vice President, Mitsubishi Heavy Industries, Ltd.</p> <p>April 2011    Member of the Board, Senior Executive Vice President, Mitsubishi Heavy Industries, Ltd.</p> <p>April 2013    Member of the Board, President, Mitsubishi Heavy Industries, Ltd.</p> <p>April 2014    Member of the Board, President, CEO, Mitsubishi Heavy Industries, Ltd.</p> <p>June 2014    Member of the Board, MMC (to the present)</p> <p>April 2019    Chairman of the Board, Mitsubishi Heavy Industries, Ltd. (to the present)</p> <p>June 2019    Outside Director, Mitsubishi Corporation (to the present)</p> <p>&lt;Important concurrent positions&gt;</p> <p>Chairman of the Board, Mitsubishi Heavy Industries, Ltd.</p> <p>Outside Director, Mitsubishi Corporation</p>	(Note) 2	10,996



Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Member of the Board	Ken Kobayashi	February 14, 1949	<p>July 1971    Joined Mitsubishi Corporation</p> <p>April 2003    Senior Vice President, General Manager of Singapore Branch, Mitsubishi Corporation</p> <p>June 2004    Senior Vice President, Division COO of Plant Project Div., Mitsubishi Corporation</p> <p>April 2006    Senior Vice President, Division COO of Ship, Aerospace &amp; Transportation Systems Div., Mitsubishi Corporation</p> <p>April 2007    Executive Vice President, Group CEO of Industrial Finance, Logistics &amp; Development Group, Mitsubishi Corporation</p> <p>June 2007    Member of the Board, Executive Vice President, Group CEO of Industrial Finance, Logistics &amp; Development Group, Mitsubishi Corporation</p> <p>June 2008    Executive Vice President, Group CEO of Industrial Finance, Logistics &amp; Development Group, Mitsubishi Corporation</p> <p>April 2010    Senior Executive Vice President, Executive Assistant to President, Mitsubishi Corporation</p> <p>June 2010    Member of the Board, President &amp; CEO, Mitsubishi Corporation</p> <p>April 2016    Chairman of the Board, Mitsubishi Corporation (to the present)</p> <p>June 2016    Member of the Board, MMC (to the present)</p> <p>&lt;Important concurrent positions&gt;</p> <p>Chairman of the Board, Mitsubishi Corporation</p> <p>Outside Director, NISSIN FOODS HOLDINGS CO., LTD.</p> <p>Outside Director (Member of the Board), Mitsubishi Heavy Industries, Ltd.</p>	(Note) 2	6,622

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Member of the Board	Setsuko Egami	July 16, 1950	<p>April 1983 Editor in Chief of <i>Travaille</i> published by Recruit Co., Ltd. (present: Recruit Holdings Co., Ltd.)</p> <p>December 2001 Director, Frontier Service Development Laboratory, East Japan Railway Company</p> <p>April 2006 Visiting Professor, The Okuma School of Public Management, Waseda University</p> <p>November 2006 Member of Government Tax Commission</p> <p>June 2007 Outside Corporate Auditor, Taisho Pharmaceutical Co., Ltd.</p> <p>April 2009 Professor, Graduate School of Humanities, Musashi University (to the present)</p> <p>Professor, Faculty of Sociology, Musashi University (to the present)</p> <p>June 2011 Outside Audit and Supervisory Board Member, Yusen Logistics Co., Ltd.</p> <p>April 2012 Dean, Faculty of Sociology, Musashi University</p> <p>June 2015 Outside Director, Mitsubishi Estate Co., Ltd. (to the present)</p> <p>June 2018 Member of the Board, MMC (to the present)</p> <p>June 2020 Outside Director, Resona Holdings, Inc. (to the present)</p> <p>&lt;Important concurrent positions&gt;</p> <p>Professor, Graduate School of Humanities, Musashi University</p> <p>Professor, Faculty of Sociology, Musashi University</p> <p>Outside Director, Mitsubishi Estate Co., Ltd.</p> <p>Outside Director, Resona Holdings, Inc.</p>	(Note) 2	4,594

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Member of the Board	Main Kohda	April 25, 1951	<p>September 1995 Started as an independent Novelist (to the present)</p> <p>January 2003 Member of Financial System Council, Ministry of Finance Japan</p> <p>April 2004 Visiting Professor, Faculty of Economics, Shiga University</p> <p>March 2005 Member of the Council for Transport Policy, Ministry of Land, Infrastructure, Transport and Tourism</p> <p>November 2006 Member of Government Tax Commission</p> <p>June 2010 Member of the Board of Governors, Japan Broadcasting Corporation</p> <p>June 2012 Outside Director, Japan Tobacco Inc. (to the present)</p> <p>June 2013 Outside Director, LIXIL Group Corporation</p> <p>June 2016 Outside Director, Japan Exchange Group (to the present)</p> <p>June 2018 Member of the Board, MMC (to the present)</p> <p>&lt;Important concurrent positions&gt;</p> <p>Novelist</p> <p>Outside Director, Japan Tobacco Inc.</p> <p>Outside Director, Japan Exchange Group</p>	(Note) 2	4,594

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Member of the Board	Yaeko Takeoka	May 10, 1957	<p>April 1985 Registered as an attorney-at-law Member of Daini Tokyo Bar Association</p> <p>October 2003 Chairperson of the Sub-Committee on Research, Japan Law Foundation</p> <p>January 2005 Member of Expert Panel on Management of Intellectual Properties under the Council for Science and Technology Policy</p> <p>March 2006 Member of the Council for Small and Medium Enterprise Policy</p> <p>January 2007 Joined Kohwa Sohgo Law Offices (to the present)</p> <p>April 2008 Member of the Administrative Council of The University of Electro-Communications</p> <p>March 2011 Member of the Industrial Structure Council</p> <p>December 2014 Member of Committee on Intellectual Property for Innovative structural materials under Cross-Ministerial Strategic Innovation Promotion Program</p> <p>June 2015 Audit and Supervisory Board Member, MMC</p> <p>March 2019 Outside Audit and Supervisory Board Member, AGC Inc. (to the present)</p> <p>June 2019 Member of the Board, MMC (to the present)</p> <p>&lt;Important concurrent positions&gt; Attorney at Law, Kohwa Sohgo Law Offices Outside Audit and Supervisory Board Member, AGC Inc.</p>	(Note) 2	9,841

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Member of the Board	Kenichiro Sasae	September 25, 1951	<p>April 1974    Joined Ministry of Foreign Affairs</p> <p>April 2000    Executive Assistant to the Prime Minister for Foreign Affairs</p> <p>April 2001    Deputy Director-General, Foreign Policy Bureau</p> <p>March 2002    Director-General, Economic Affairs Bureau, Ministry of Foreign Affairs</p> <p>January 2005    Director-General, Asian and Oceania Affairs Bureau, Ministry of Foreign Affairs</p> <p>January 2008    Senior Deputy Minister for Foreign Affairs</p> <p>August 2010    Vice-Minister for Foreign Affairs</p> <p>September 2012    Ambassador Extraordinary and Plenipotentiary of Japan to the United States of America</p> <p>April 2018    Adviser to the Minister for Foreign Affairs (to the present)</p> <p>June 2018    President and Director General, The Japan Institute of International Affairs (to the present)</p> <p>August 2018    Outside Director, Hotel Okura Co., Ltd. (to the present)</p> <p>June 2019    Outside Director, SEIREN CO., LTD. (to the present)</p> <p>June 2019    Member of the Board, MMC (to the present)</p> <p>&lt;Important concurrent positions&gt;</p> <p>President and Director General, The Japan Institute of International Affairs</p> <p>Adviser to the Minister for Foreign Affairs</p> <p>Outside Director, Hotel Okura Co., Ltd.</p> <p>Outside Director, SEIREN CO., LTD.</p>	(Note) 2	2,709

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Member of the Board	Kiyoshi Sono	April 18, 1953	<p>April 1976 Joined The Sanwa Bank, Limited</p> <p>May 2004 Director, Executive Officer, UFJ Bank Limited</p> <p>January 2006 Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>May 2006 Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>May 2010 Senior Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>May 2012 Managing Executive Officer, Mitsubishi UFJ Financial Group, Inc.</p> <p>June 2012 Deputy President, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>May 2014 Deputy Chairman of the Board of Directors, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>June 2014 Chairman of the Board of Directors, Mitsubishi UFJ Financial Group, Inc.</p> <p>June 2014 Outside Directors, Mitsubishi UFJ NICOS Co., Ltd. (to the present)</p> <p>June 2015 Chairman (Representative Corporate Executive), Mitsubishi UFJ Financial Group, Inc.</p> <p>June 2017 Outside Director, Nankai Electric Railway Co., Ltd. (to the present)</p> <p>June 2017 Deputy Chairman, Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>April 2018 Deputy Chairman of the Board of Directors, MUFG Bank, Ltd.</p> <p>April 2019 Chairman of the Board of Directors, MUFG Bank, Ltd. (to the present)</p> <p>Member of the Board of Directors, Managing Corporate Executive, Mitsubishi UFJ Financial Group, Inc.</p> <p>June 2019 Member of the Board, MMC (to the present)</p> <p>June 2019 Managing Executive Officer, Mitsubishi UFJ Financial Group, Inc. (to the present)</p> <p>&lt;Important concurrent positions&gt;</p> <p>Chairman of the Board of Directors, MUFG Bank, Ltd.</p> <p>Managing Executive Officer, Mitsubishi UFJ Financial Group, Inc.</p> <p>Outside Director, Mitsubishi UFJ NICOS Co., Ltd.</p> <p>Outside Director, Nankai Electric Railway Co., Ltd.</p>	(Note) 2	—

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Member of the Board	Hideyuki Sakamoto	April 15, 1956	<p>April 1980 Joined Nissan Motor Co., Ltd.</p> <p>April 2008 Corporate Vice President, Nissan PV Product Development Div. No.1, Nissan Motor Co., Ltd.</p> <p>May 2009 Corporate Vice President, Alliance Common Platform and Components, Nissan Motor Co., Ltd.</p> <p>April 2012 Senior Vice President, Production Engineering Div., Nissan Motor Co., Ltd.</p> <p>April 2014 Executive Vice President, Product Engineering, Nissan Motor Co., Ltd.</p> <p>June 2014 Chairman of the Board, NISSAN AUTOMOTIVE TECHNOLOGY CO., LTD.</p> <p>June 2014 Director and Executive Vice President, Product Engineering, Nissan Motor Co., Ltd.</p> <p>January 2018 Director and Executive Vice President, MFG &amp; SCM Operations, Nissan Motor Co., Ltd.</p> <p>June 2018 Chairman of the Board, Nissan Motor Kyushu Co., Ltd. (to the present)</p> <p>August 2018 Chairman of the Board, AICHI MACHINE INDUSTRY CO., LTD. (to the present)</p> <p>September 2018 Chairman of the Board, JATCO Ltd (to the present)</p> <p>June 2019 Member of the Board, MMC (to the present)</p> <p>Executive Officer, Executive Vice President, Manufacturing &amp; SCM Operations, Nissan Motor Co., Ltd.</p> <p>February 2020 Director, Executive Officer, Executive Vice President, Manufacturing &amp; SCM Operations, Nissan Motor Co., Ltd. (to the present)</p> <p>&lt;Important concurrent positions&gt;</p> <p>Director, Executive Officer, Executive Vice President, Nissan Motor Co., Ltd.</p> <p>Chairman of the Board, JATCO Ltd.</p> <p>Board Member, Chairman, AICHI MACHINE INDUSTRY CO., LTD.</p> <p>Chairman of the Board, Nissan Motor Kyushu Co., Ltd.</p>	(Note) 2	2,709

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Member of the Board	Mitsuko Miyagawa	February 13, 1960	<p>April 1986 Registered with Daiichi Tokyo Bar Association Joined Nishimura &amp; Sanada LPC (present: Nishimura &amp; Asahi LPC)</p> <p>October 1990 Joined TMI Associates (to the present)</p> <p>March 1994 Qualified as an attorney in New York State, USA</p> <p>April 2005 Lecturer, Keio University Law School</p> <p>June 2008 Outside Director, S.T. CORPORATION</p> <p>April 2012 Corporate Auditor, Unilever Japan Holdings K.K.</p> <p>June 2015 Outside Director, S.T. CORPORATION (to the present)</p> <p>June 2016 Outside Audit and Supervisory Board Member, Panasonic Corporation (to the present)</p> <p>June 2019 Member of the Board, MMC (to the present)</p> <p>&lt;Important concurrent positions&gt; Attorneys at law, TMI Associates Outside Director, S.T. CORPORATION Outside Audit and Supervisory Board Member, Panasonic Corporation (scheduled to retire in June 2020)</p>	(Note) 2	2,709
Member of the Board	Yoshihiko Nakamura	November 28, 1956	<p>November 1979 Joined Peat Marwick Mitchell &amp; Company (present: KPMG AZSA LLC)</p> <p>March 1983 Registered as certified public accountant</p> <p>October 1994 Partner (Representative), Minato Audit Corp. (present: KPMG AZSA LLC)</p> <p>October 2003 Partner, KPMG AZSA LLC</p> <p>June 2019 Substitute Auditor, Seika Corporation (to the present)</p> <p>July 2019 Started CPA Yoshihiko Nakamura Accounting Office (to the present)</p> <p>June 2020 Member of the Board, MMC (to the present)</p> <p>&lt;Important concurrent positions&gt; CPA Yoshihiko Nakamura Accounting Office Auditor, Seika Corporation (inauguration planned in June 2020)</p>	(Note) 2	—



Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Member of the Board	Joji Tagawa	July 12, 1960	<p>April 1983 Joined Nissan Motor Co., Ltd.</p> <p>April 2006 Corporate Officer, Treasury Department and Investor Relations Department, Nissan Motor Co., Ltd.</p> <p>April 2010 Corporate Officer, Investor Relations Department and M&amp;A Support Department, Nissan Motor Co., Ltd.</p> <p>April 2014 Corporate Vice President, Investor Relations and M&amp;A Support Department, Nissan Motor Co., Ltd.</p> <p>October 2014 Director, RENAULT JAPON CO., LTD. (to the present)</p> <p>April 2019 Corporate Vice President, Investor Relations, Nissan Motor Co., Ltd.</p> <p>December 2019 Senior Vice President, Chief Sustainability Officer, Global External &amp; Government Affairs, Environment/CSR, IP promotion, Corporate Management Office, Board of Directors Office, Corporate Service and Investor Relations Department, Nissan Motor Co., Ltd.</p> <p>April 2020 Senior Vice President, Chief Sustainability Officer, Global External &amp; Government Affairs, Environment/CSR, IP promotion, Corporate Service and Investor Relations Department, Nissan Motor Co., Ltd. (to the present)</p> <p>April 2020 Director, Renault SA (to the present)</p> <p>June 2020 Member of the Board, MMC (to the present)</p> <p>&lt;Important concurrent positions&gt; Senior Vice President, Nissan Motor Co., Ltd. Director, RENAULT JAPON CO., LTD. Director, Renault SA</p>	(Note) 2	—
Member of the Board	Takahiko Ikushima	January 13, 1967	<p>April 1990 Joined Nissan Motor Co., Ltd.</p> <p>November 2019 Division General Manager, Budget and Accounting Department, Global Revenue and Regional Financial Management Group, General Manager, MC-Controller, LCV-BU, Nissan Motor Co., Ltd.</p> <p>December 2019 Corporate Vice President, Global Controller, Accounting, Nissan Motor Co., Ltd. (to the present)</p> <p>June 2020 Member of the Board, MMC (to the present)</p> <p>&lt;Important concurrent positions&gt; Corporate Vice President, Nissan Motor Co., Ltd.</p>	(Note) 2	—
Total					86,789

- (Notes) 1. Members of the Board, Mr. Shunichi Miyanaga, Mr. Ken Kobayashi, Ms. Setsuko Egami, Ms. Main Kohda, Ms. Yaeko Takeoka, Mr. Kenichiro Sasae, Mr. Kiyoshi Sono, Mr. Hideyuki Sakamoto, Ms. Mitsuko Miyagawa, Mr. Yoshihiko Nakamura, Mr. Joji Tagawa and Mr. Takahiko Ikushima are Outside Directors.
2. From the conclusion of the MMC's Ordinary General Meeting of Shareholders held on June 18, 2020 to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2021
3. MMC is a company with three committees. The structure of each committee is as follows:  
Nomination Committee      Chairperson: Main Kohda      Member: Ken Kobayashi, Kenichiro Sasae, Hideyuki Sakamoto and Osamu Masuko

Compensation Committee	Chairperson: Shunichi Miyanaga	Member: Setsuko Egami, Main Kohda, Joji Tagawa and Takao Kato
Audit Committee	Chairperson: Yaeko Takeoka	Member: Kiyoshi Sono, Mitsuko Miyagawa, Yoshihiko Nakamura and Kozo Shiraji

b. Status of Executive Officers

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Representative Executive Officer	Osamu Masuko	February 19, 1949	See a. Status of Members of the Board	(Note)	29,334
Representative Executive Officer, CEO	Takao Kato	February 21, 1962	See a. Status of Members of the Board	(Note)	3,860
Representative Executive Officer, Co-COO, and responsible for Engineering	Hiroshi Nagaoka	March 16, 1962	<p>April 1986    Joined Nissan Motor Co., Ltd.</p> <p>April 2014    Senior Vice President, Alliance Global Director, Customer Performance &amp; CAE, Test Engineering, Nissan Motor Co., Ltd.</p> <p>April 2018    Senior Vice President, Alliance Global VP, Customer Performance &amp; CAE, Test Engineering, Nissan Motor Co., Ltd.</p> <p>April 2019    Senior Vice President (Engineering), MMC</p> <p>June 2019    Executive Officer, Senior Vice President (Engineering), MMC</p> <p>December 2019    Executive Officer, Senior Vice President (Engineering and Assistant to COO), MMC</p> <p>February 2020    Representative Executive Officer, Co-COO and responsible for Engineering, MMC (to the present)</p>	(Note)	3,275

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Representative Executive Officer, Co-COO, and responsible for ASEAN and Oceania, and Division General Manager, Global Sales Development	Yoichiro Yatabe	January 28, 1958	<p>April 1980    Joined Mitsubishi Corporation</p> <p>June 2004    General Manager of Frankfurt Automobile Business Office, Mitsubishi International GmbH</p> <p>January 2005    Unit Manager of Europe, Middle-East and Africa Automobile Unit and Unit Manager of Veri Code Unit, Mitsubishi Corporation</p> <p>October 2005    Unit Manager of Europe, Middle-East and Africa Automobile Unit, Mitsubishi Corporation</p> <p>May 2013    Assistant Head Officer of the Headquarters, Global After Sales Group Headquarters, MMC</p> <p>April 2014    Senior Vice President (“Riji”), Mitsubishi Corporation Corporate Vice President, Head Officer of the Headquarters, Global After Sales Group Headquarters, MMC</p> <p>April 2016    Senior Executive Officer, Head Officer of the Headquarters, Global After Sales Group Headquarters, MMC</p> <p>January 2017    Senior Executive Officer, Corporate General Manager of ASEAN Div., MMC</p> <p>June 2019    Senior Vice President (ASEAN Div.), MMC Executive Officer, Senior Vice President (ASEAN Div.), MMC</p> <p>December 2019    Executive Officer, Senior Vice President (ASEAN Div. and Assistant to COO), MMC</p> <p>February 2020    Representative Executive Officer, Co-COO and responsible for ASEAN, MMC</p> <p>April 2020    Representative Executive Officer, Co-COO and responsible for ASEAN and Oceania, and Division General Manager, Global Sales Development Div., MMC (to the present)</p>	(Note)	10,136

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Representative Executive Officer, CFO	Koji Ikeya	September 27, 1957	<p>April 1981    Joined The Mitsubishi Bank, Ltd.</p> <p>April 2008    Executive Officer and General Manager of Corporate Banking Credit Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>May 2011    Managing Executive Officer and Group Head of Osaka Corporate Banking Group, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>May 2012    Managing Executive Officer in charge of Corporate Banking Credit Division, Credit Division, Credit Supervision Division and CIB Credit Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>May 2014    Managing Executive Officer and Group Head of Corporate Banking Group No. 1, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>May 2015    Senior Managing Executive Officer and Group Head of Corporate Banking Group No. 1, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>June 2016    Member of the Board, Executive Vice President (Finance, Controlling &amp; Accounting), CFO, MMC</p> <p>June 2017    Member of the Board, MMC</p> <p>April 2018    Executive Vice President, (Finance, Controlling &amp; Accounting), CFO, MMC</p> <p>June 2019    Representative Executive Officer, Executive Vice President (Finance, Controlling &amp; Accounting), CFO, MMC</p> <p>April 2020    Representative Executive Officer, CFO, MMC (to the present)</p>	(Note)	8,242

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Senior Executive Officer (Corporate Governance)	Hitoshi Inada	June 4, 1957	<p>April 1980    Joined Mitsubishi Corporation</p> <p>April 2009    General Manager of Legal Dept., Mitsubishi Corporation</p> <p>July 2010     Senior Vice President (Compliance), Mitsubishi International Corporation</p> <p>October 2011   Vice Corporate General Manager of Corporate Planning Office, MMC</p> <p>April 2013     Corporate Vice President, Vice Corporate General Manager of Corporate Planning Office, MMC</p> <p>April 2015     Corporate Vice President, Corporate General Manager of CSR Promotion Office, MMC</p> <p>July 2016     Senior Executive Officer, Corporate General Manager of CSR Promotion Office, MMC</p> <p>January 2017   Senior Executive Officer (Legal), Corporate General Manager of CEO/COO Office, MMC</p> <p>October 2017   Senior Executive Officer (Corporate Governance), MMC</p> <p>April 2019     Senior Vice President (Corporate Governance), MMC</p> <p>June 2019     Executive Officer, Senior Vice President (Corporate Governance), MMC</p> <p>April 2020     Senior Executive Officer (Corporate Governance), MMC (to the present)</p>	(Note)	12,338

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Senior Executive Officer (Production)	Takeshi Ando	July 7, 1956	<p>April 1982    Joined MMC</p> <p>May 2007    Executive Vice President, Mitsubishi Motors (Thailand) Co., Ltd. (“MMTh”)</p> <p>April 2011    Corporate Vice President, MMC Executive Vice President, MMTh</p> <p>April 2012    Senior Executive Officer, MMC Executive Vice President, MMTh</p> <p>January 2013    Senior Executive Officer, MMC Executive Vice President and COO, MMTh</p> <p>July 2013    Senior Executive Officer, Plant General Manager of Nagoya Plant, MMC</p> <p>June 2014    Member of the Board, Head Officer of the Headquarters, Production Group Headquarters, MMC</p> <p>June 2016    Member of the Board, Senior Managing Executive Officer, Head Officer of the Headquarters, Production Group Headquarters, MMC</p> <p>January 2017    Senior Managing Executive Officer, CCO (Production), MMC</p> <p>April 2018    Executive Vice President (Production), MMC</p> <p>June 2019    Representative Executive Officer,, Executive Vice President (Production), MMC</p> <p>April 2020    Senior Executive Officer (Production), MMC (to the present)</p>	(Note)	13,809

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Senior Executive Officer (Procurement)	Yukihiro Hattori	January 18, 1958	<p>April 1980    Joined MMC</p> <p>June 2002    Expert of Development Strategy Office, MMC</p> <p>July 2004    Expert of Body&amp; Chassis Engineering Group, Vehicle Engineering Dept., Product Development Div., MMC</p> <p>April 2005    Senior Expert of Revitalization Promotion Dept., Corporate Planning Office, MMC</p> <p>January 2006    Senior Expert of Corporate Affairs Div., Corporate General Manager of Secretariat, Corporate Affairs Div. and Senior Expert of Revitalization Promotion Dept., Corporate Planning Office, MMC</p> <p>April 2008    Assistant to Executive Vice President and Project Manager of Step Up 2010 Promotion Office, MMC</p> <p>May 2010    Corporate General Manager of Cost Innovation Controlling Office, MMC</p> <p>October 2010    Corporate General Manager of Cost Innovation Controlling Office and Vice Corporate General Manager of Procurement Office, MMC</p> <p>June 2011    Corporate General Manager of Procurement Office and General Manager of Procurement Planning Dept., Procurement Group Headquarters, MMC</p> <p>April 2013    Corporate Vice President, Corporate General Manager of Procurement Office, MMC</p> <p>April 2014    Corporate Vice President, Head Officer of the Headquarters, Procurement Group Headquarters, MMC</p> <p>April 2015    Senior Executive Officer, Head Officer of the Headquarters, Procurement Group Headquarters, MMC</p> <p>June 2016    Senior Vice President, Head Officer of the Headquarters, Procurement Group Headquarters, MMC</p> <p>January 2017    Senior Vice President (Procurement), MMC</p> <p>June 2019    Executive Officer, Senior Vice President (Procurement), MMC</p> <p>April 2020    Senior Executive Officer (Procurement), MMC (to the present)</p>	(Note)	12,338



Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Senior Executive Officer (Domestic Sales)	Noboru Tsuji	January 5, 1960	<p>April 1982 Joined Mitsubishi Corporation</p> <p>March 2001 Vice President, Mitsubishi Trucks Australia Pty Ltd</p> <p>January 2005 General Manager of Frankfurt Automobile Business Office, Mitsubishi International GmbH</p> <p>September 2007 Senior Expert of Europe A Dept., Overseas Sales Div., MMC</p> <p>May 2011 Corporate General Manager of Russia Project Promotion Office, Europe &amp; Middle East/Africa Div., MMC</p> <p>January 2012 President, P.T. Krama Yudha Tiga Berlian Motors</p> <p>April 2014 Senior Vice President, Mitsubishi Corporation</p> <p>April 2015 Senior Vice President, Division COO of Motor Vehicle Business Div., Mitsubishi Corporation</p> <p>April 2018 Senior Vice President (Corporate Strategy), MMC</p> <p>September 2018 Senior Vice President (Corporate Strategy), Corporate General Manager of Strategic Management Div., MMC</p> <p>January 2019 Senior Vice President (Corporate Strategy), MMC</p> <p>April 2019 Senior Vice President (Corporate Strategy), Corporate General Manager of Communication Div., MMC</p> <p>June 2019 Executive Officer, Senior Vice President (Corporate Strategy), Corporate General Manager of Communication Div., MMC</p> <p>September 2019 Executive Officer, Senior Vice President (Corporate Strategy and Sustainability), MMC</p> <p>February 2020 Executive Officer, Senior Vice President (Corporate Strategy, Sustainability, and Domestic Sales Reformation), MMC</p> <p>April 2020 Senior Executive Officer (Domestic Sales), MMC (to the present)</p>	(Note)	4,962

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Executive Officer, General Manager, Corporate Strategy Management Office	Noriaki Hirakata	December 7, 1963	<p>April 1986    Joined Meiji Life Insurance Company</p> <p>August 1995    Managing Director, Automotive Industry Analyst, Morgan Stanley Japan</p> <p>October 2011    Head of IR Office, NEXON Co., Ltd.</p> <p>June 2012    General Manager (Corporate Planning Office), MMC</p> <p>April 2014    Deputy General Manager, Strategic Management Office, Strategy Management Div., MMC</p> <p>January 2017    CEO, Hirakata Office Co., Ltd.</p> <p>January 2019    Division General Manager, Strategy Management Div., MMC</p> <p>April 2019    Corporate Vice President, Division General Manager, Strategy Management Div., MMC</p> <p>April 2020    Executive Officer, General Manager, Corporate Strategy Management Office, MMC (to the present)</p>	(Note)	3,275
Executive Officer, Division General Manager, TCS Div.	Koji Yamada	February 28, 1958	<p>April 1982    Joined Nissan Motor Co., Ltd.</p> <p>August 2003    General Manager, Commercial Vehicle Product Planning Office., Dongfeng Motor Co., Ltd.</p> <p>April 2007    Project Manager, Interior and Exterior Engineering Development Department, Nissan Motor Co., Ltd.</p> <p>April 2010    General Manager, Customer Engineering Department, Nissan Motor Co., Ltd.</p> <p>April 2012    General Manager, Field Quality Improvement Department, Nissan Motor Co., Ltd.</p> <p>April 2013    General Manager, Field Quality Assurance Department, Nissan Motor Co., Ltd.</p> <p>April 2014    Deputy Division General Manager, TCS Department., Dongfeng Motor Corporation</p> <p>April 2017    Vice President, Division General Manager, TCS Div., MMC</p> <p>April 2018    Corporate Vice President, Division General Manager, TCS Div., MMC</p> <p>October 2019    Executive Officer, Division General Manager, TCS Div., MMC (to the present)</p>	(Note)	4,962

Title and occupation	Name	Date of birth	History	Term of office	Number of MMC shares owned (Shares)
Executive Officer, Division General Manager, Product Strategy Div.	Koichi Namiki	January 10, 1962	<p>April 1984    Joined OBIC Co., Ltd.</p> <p>August 1986    Joined MMC</p> <p>April 2000    Group Manager, Engine Designing Department, MMC</p> <p>March 2003    Strategic Project Leader, New Product Project, MMC</p> <p>July 2004    Senior Expert, Engine Designing Department, MMC</p> <p>December 2009    General Manager, Alliance Planning and Promotion Office, MMC</p> <p>June 2011    Corporate General Manager, Product Strategy Division, MMC</p> <p>April 2012    Product Executive, PX (RV), MMC</p> <p>October 2013    Corporate General Manager, Global Pick-up Truck Business Promotion Division, MMC</p> <p>January 2017    Program Director, PD (FRAME), MMC</p> <p>April 2020    Executive Officer, Division General Manager, Product Strategy Div., MMC (to the present)</p>	(Note)	662
Executive Officer (Global Marketing & Sales)	John Signoriello	February 5, 1968	<p>June 1989    Joined Mitsubishi Motors Australia Ltd. (MMA)</p> <p>July 2000    Manager, Production Control, MMA</p> <p>May 2009    Head of Sales Planning &amp; Distribution in Sales &amp; Marketing, MMA</p> <p>July 2011    Network Development Manager, NSW/ACT, MMA</p> <p>April 2013    State Manager of SA/NT, MMA</p> <p>November 2015    Deputy Director of Sales / Head of Fleet, MMA</p> <p>November 2016    Deputy Director of Marketing, MMA</p> <p>July 2017    CEO, MMA</p> <p>April 2020    Executive Officer (Global Marketing &amp; Sales), MMC (to the present)</p>	(Note)	—
Total					107,193

(Note) From April 1, 2020 to March 31, 2021.

ii) Status of Outside Directors

With their broad viewpoint based on their experience, MMC expects Outside Directors to supervise its management. MMC appoints individuals only after careful consideration as to whether their character is suited to such a role, and whether they possess sufficient insight, experience and expertise. They are appointed only if MMC comes to the conclusion that they are competent in this regard.

The Company's Independence Standards and Qualification for Outside Directors are as follows.

(Independence Standards and Qualification for Outside Directors)

The Outside Directors of the Company shall not be any of the following and shall be in a neutral position independent from the Company's management.

1. An executive of a major shareholder<sup>(\*)</sup> of the Company
2. An executive of a major business partner<sup>(\*\*)</sup> of the Company, or of a company for which the Company is a major business partner, or the parent company or subsidiary of such a company
3. An executive of a major lender<sup>(\*\*\*)</sup> to the Company or the parent company or subsidiary of such a company
4. A person affiliated with an auditing firm that conducts statutory audits of the Company
5. A consultant, an accounting professional such as a certified public accountant, or a legal professional such as an attorney-at-law who receives a large amount<sup>(\*\*\*\*)</sup> of monetary consideration or other property other than compensation of corporate officers from the Company (in the event such property is received by a corporation, association or other group, then any person belonging to such group)
6. An executive of a company with which the Company shares a corporate officer
7. An executive of an organization that is receiving a large<sup>(\*\*\*\*)</sup> donation or grant from the Company
8. A person to whom any of 1 through 7 has applied during the past 3 years
9. A person with a close relative (second degree of kinship) to whom any of 1 through 7 applies
10. A person whose total period in office as an Outside Director exceeds 8 years
11. Other persons for whom the possibility of a relationship with the Company appears strong under substantive and comprehensive consideration of the situation

\*1 a major shareholder: a shareholder who owns a 10% or greater share of voting rights

\*2 a major business partner: a major client of the Company with annual transactions valued at 2% or more of the Company's consolidated net sales in the most recent fiscal year, or a major supplier to the Company with annual transactions valued at 2% or more of the supplier's consolidated net sales in the most recent fiscal year

\*3 a major lender: a financial institution that provides the Company with loans amounting to 2 % or more of the Company's consolidated net sales at the end of the most recent fiscal year

\*4 large amount: an amount of consideration received from the Company that is 10 million yen or more

As of the filing date, MMC has 12 Outside Directors, and MMC has no special interest relationship with any of the Outside Directors.

Outside Director Shunichi Miyanaga serves concurrently as Chairman of the Board of Mitsubishi Heavy Industries, Ltd., which conducts transactions with MMC related to automobile parts purchasing and so forth. He also serves concurrently as Outside Director of Mitsubishi Corporation, which is a major shareholder and a major business partner of MMC

that conducts transactions with MMC related to overseas sales of automobiles and so forth. In light of the fact that he has served as a business executive of Mitsubishi Heavy Industries, Ltd., which was a major shareholder of MMC within the past four years and the current relationship between MMC and Mitsubishi Heavy Industries, Ltd., he has not been appointed as an Independent Director. However, he has considerable experience, achievements and deep insight nurtured through his long-standing career in corporate management at a manufacturing company that operates worldwide, and as such, MMC has appointed him to fulfill the role of an Outside Director described above so that his experience and insight may be reflected in MMC's management.

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

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

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

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

Outside Director Kenichiro Sasae has a broad international understanding as a diplomat and considerable insight and experience, holding important posts at the Ministry of Foreign Affairs. As such, MMC has appointed him as an Outside Director with the expectation that these qualities may benefit MMC's management. Mr. Sasae had entered an advisory contract with MMC which terminated in May 2019. However, since the amount of fees under the advisory contract is less than the amount stipulated by the MMC's Independence Standards and Qualification for Outside Directors described above, it does not affect Mr. Sasae's independence, and MMC recognizes that there is no risk of a conflict of interest arising between Mr. Sasae and MMC's general shareholders, and considers him to be sufficiently independent. Therefore, he has been appointed as an Independent Director.

Outside Director Kiyoshi Sono serves concurrently as Chairman of the Board of Directors of MUFG Bank, Ltd., which conducts banking transactions with MMC and so forth. Mr. Sono

has served as a business executive of MUFG Bank, Ltd. in the past, and in light of the current relationship between MMC and MUFG Bank, Ltd., he has not been appointed as an Independent Director. However, Mr. Sono has considerable experience and deep insight as a corporate manager at international financial institutions. As such, MMC has appointed him as an Outside Director with the expectation that his experience and insight may benefit MMC's management.

Outside Director Hideyuki Sakamoto serves concurrently as Director, Executive Officer, Executive Vice President of Nissan Motor Co., Ltd., which is a major shareholder and a major business partner of MMC that conducts transactions with MMC related to OEM supply of automobiles and so forth. Since Mr. Sakamoto has served as a business executive of Nissan Motor Co., Ltd. in the past, he has not been appointed as an Independent Director. However, Mr. Sakamoto has considerable insight and experience concerning the automotive business. As such, MMC has appointed him as an Outside Director with the expectation that these qualities may benefit MMC's management.

Outside Director Mitsuko Miyagawa has considerable expert knowledge and extensive insight as a legal specialist, having been active as an attorney at law for many years, in addition to her experience as Director of MMC. As such, MMC has appointed her as an Outside Director with the expectation that these qualities may benefit MMC's management. Moreover, MMC recognizes that there is no risk of a conflict of interest arising between Ms. Miyagawa and MMC's general shareholders, and considers her to be sufficiently independent. MMC has therefore appointed her as an Independent Director.

Outside Director Yoshihiko Nakamura has worked for many years as a certified public accountant and has abundant specialist knowledge and deep insight as an accountant. As such, MMC has appointed him as an Outside Director with the expectation that he can provide appropriate recommendations for adequacy and appropriateness of MMC's business execution. Moreover, MMC recognizes that there is no risk of a conflict of interest arising between Mr. Nakamura and MMC's general shareholders, and considers him to be sufficiently independent. MMC has therefore appointed him as an Independent Director.

Outside Director Joji Tagawa serves concurrently as Senior Vice President of Nissan Motor Co., Ltd., which is a major shareholder and a major business partner of MMC that conducts transactions with MMC related to OEM supply of automobiles and so forth as described above. Since Mr. Tagawa has served as a business executive of Nissan Motor Co., Ltd., he has not been appointed as an Independent Director. However, Mr. Tagawa has deep insight and experience concerning the automotive business, and as such, MMC has appointed him as an Outside Director with the expectation that these qualities may be reflected in MMC's management.

Outside Director Takahiko Ikushima serves concurrently as Corporate Vice President of Nissan Motor Co., Ltd., which is a major shareholder and a major business partner of MMC that conducts transactions with MMC related to OEM supply of automobiles and so forth as described above. Since Mr. Ikushima has served as a business executive of Nissan Motor Co., Ltd., he has not been appointed as an Independent Director. However, Mr. Ikushima has deep insight and experience concerning the automotive business, and as such, MMC has appointed him as an Outside Director with the expectation that these qualities may be reflected in MMC's management.

- iii) Supervision, audits and internal audits by Outside Directors, audits by Audit Committee, cooperation with accounting audits, and relationship with the internal control office

The Outside Directors receive reports at the Board of Directors meetings regarding the progress of internal controls, including compliance, as well as the results of audits by the Audit Committee and accounting audits.

At the Audit Committee meetings and other occasions, the Outside Members of the Audit Committee receive reports on audit results from the internal audit division and the Accounting

Auditors for each quarterly financial report, as well as receiving reports on individual matters regarding compliance and so forth, and they offer appropriate opinions.

(3) Status of audits

i) Status of audits by Audit Committee

1) Structure of audits by Audit Committee

MMC has transitioned to a company with three committees from a company with an audit and supervisory board by the resolution at the Ordinary General Meeting of Shareholders held on June 21, 2019.

The Audit Committee consists of five members: four Outside Directors and one Internal Director, of which, Chairperson Yaeko Takeoka and other two members are Outside Directors who satisfy the Company's Independence Standards and Qualification. Background and experience of each of the Members of the Audit Committee are as follows:

Name	Background and experience
Yaeko Takeoka (Chairperson of the Audit Committee and Independent Outside Director)	She has extensive experience in the legal sector with a high level of knowledge on laws and compliance as an attorney at law.
Yoshitsugu Oba (Independent Outside Director) (Note) 1	He has worked for many years as a certified public accountant and has abundant specialist knowledge and insight as an expert in accounting audits.
Kiyoshi Sono (Outside Director)	He has considerable insight concerning compliance, finance and accounting based on his extensive work experience in governance at financial institutions.
Mitsuko Miyagawa (Independent Outside Director)	She has extensive experience in the legal sector with a high level of knowledge on laws and compliance as an attorney at law.
Kozo Shiraji (Full-time Member of the Audit Committee)	He has considerable insight concerning MMC's management and the automotive industry based on his work experience as Vice President at MMC supervising overseas operations.
Yoshihiko Nakamura (Independent Outside Director) (Note) 2	He has worked for many years as a certified public accountant and has abundant specialist knowledge and insight as an expert in accounting audits.

- (Notes) 1. Mr. Yoshitsugu Oba resigned as Member of the Audit Committee on June 18, 2020.  
2. Mr. Yoshihiko Nakamura assumed the position of Member of the Audit Committee on June 18, 2020.

In addition, the Audit Committee Office was established as an organization to assist the Audit Committee in executing their duties. As of the end of March 2020, dedicated personnel with

appropriate knowledge, skills and experience were appointed to assist the Audit Committee in executing their duties.

## 2) Status of activities by the Audit Committee and its members

Based on its audit policies and audit plans, the Audit Committee of MMC, as a general rule, collects information by holding its monthly meeting, having meetings with internal audit divisions, and interviewing Executive Officers and Corporate Officers, and performs systematic audits. Such information includes the status of the development and maintenance of the internal control systems (including internal controls over financial reporting) at MMC and its major affiliated domestic and overseas companies, the progress and implementation status of compliance activities, the validation of risk assessment, and the risk management system.

In the Audit Committee (as well as in Audit and Supervisory Board before MMC changed to a company with three committees) during the fiscal year under review, there were 17 resolutions approved, 6 matters discussed, and 44 reports made in total concerning the audit policies and audit plans; audit methods; the assignment of audit duties; the status of the improvement and maintenance of the internal control systems; audit plans made, audit methods used, and the suitability of the results of audits performed by the Accounting Auditors; and the monthly reports on the status of duties executed by the Full-time Member of the Audit Committee.

Attendance of each Member of the Audit Committee at the Audit and Supervisory Board and the Audit Committee during the fiscal year under review is as follows:

Name	Attendance at Audit and Supervisory Board and Audit Committee	Attendance Rate (%)
Yaeko Takeoka	Audit and Supervisory Board: 3/3 Audit Committee: 9/9	100% 100%
Yoshitsugu Oba (Note)	Audit and Supervisory Board: 3/3 Audit Committee: 9/9	100% 100%
Kiyoshi Sono	Audit Committee: 9/9	100%
Mitsuko Miyagawa	Audit Committee: 8/9	89%
Kozo Shiraji	Audit and Supervisory Board: 3/3 Audit Committee: 9/9	100% 100%

In addition, Mr. Katsunori Nagayasu, who resigned as Audit and Supervisory Board Member on June 21, 2019, made no attendance out of three meetings of the Audit and Supervisory Board. Mr. Yoshikazu Nakamura, who also resigned as Audit and Supervisory Board Member on the same day, attended all three meetings of the Audit and Supervisory Board.

(Notes) Mr. Yoshitsugu Oba resigned as Member of the Audit Committee on June 18, 2020.

In addition to the meetings above, based on its audit policies and audit plans, the Audit Committee held 6 meetings (approximately 2 hours per meeting) with the internal audit divisions during the year, performed audits, and collected information on the operating status of internal controls through the divisions. The Audit Committee also interviewed Executive Officers and others 11 times during the year (approximately 90 minutes per interview) to confirm how the MMC group's major subsidiaries and affiliates in Japan and overseas as well as divisions address issues on the development and operation of the internal control system, compliance, risk management, etc.

In addition to the meetings above, full-time Members of the Audit Committee attended important meetings including meetings of Executive Committee; inspected important approval/decision documents; interviewed Executive Officers and Corporate Officers; visited and audited MMC's major business locations and its major subsidiaries and affiliates in Japan and overseas; provided training for and had liaison meetings with auditors of subsidiaries and affiliates in Japan; and performed the three-pillar audit system (i.e., internal audits, auditors'



audits, and accounting audits). The status of duties executed by full-time Members of the Audit Committee is reported in the monthly meeting of the Audit Committee.

The status of activities carried out by the Audit Committee is reported to the Board of Directors twice a year. The Audit Committee also exchanges opinions with Executive Officer, CEO to communicate its findings.

ii) Status of internal audits

MMC has established the Internal Audit Dept. and the Quality Audit Dept. as internal audit departments within the Internal Audit Div., an independent organization that reports directly to the CEO. These departments conduct planned internal audits based on the annual audit plan.

The Internal Audit Dept. (12 members) conducts internal audits to determine whether operational management of MMC and subsidiaries and affiliates in Japan and overseas is being conducted with transparency using appropriate processes. The Quality Audit Dept. (six members) audits the appropriateness of product quality-related activities by MMC and subsidiaries and affiliates in Japan and overseas.

Audit results by the Internal Audit Dept. and the Quality Audit Dept. are reported directly to the CEO.

These departments cooperate with the Audit Committee.

iii) Status of accounting audit

a. Name of audit firm

Ernst & Young ShinNihon LLC

b. Continuous audit period

35 years

c. Names of CPAs

Designated and Engagement Partner, Yoji Murohashi , Takeshi Saida, Taichi Muto

d. Organization of assistants relating to the audit work

CPAs 27, Others 38

e. Selection policy for audit firm

If it is deemed that any of the items prescribed in Article 340, paragraph (1) of the Companies Act apply to the Accounting Auditors, the Audit Committee shall dismiss the Accounting Auditors based on the agreement of all the Members of the Audit Committee.

Moreover, If the Audit Committee judges that it is necessary to dismiss or not reappoint the Accounting Auditors due to an impediment in the Accounting Auditors' execution of their duties or other such reason, the Audit Committee shall make a proposal on this dismissal or non-reappointment to the General Meeting of Shareholders.

Decisions on selecting Accounting Auditors are made taking into account evaluation results reached on the basis of the above policy and the Accounting Auditor Assessment Standards established by the Audit Committee.

f. Valuation of accounting audit by Audit Committee

Based on the Accounting Auditor Assessment Standards, the Audit Committee conducts evaluations every year regarding the status of quality controls of the audit firm, suitability of audit teams, appropriateness of matters such as compensation for audits, effectiveness of communication with the Audit Committee, effectiveness of communication with management

and others, appropriateness of MMC Group audits, appropriate assessment of fraud risk, and examination of Accounting Auditors' qualifications.

iv) Details of compensation for the audit

a. Compensation for certified public accountants who conduct auditing, etc.

Classification	Previous fiscal year		Current fiscal year	
	Compensation for audit attestation (Millions of yen)	Compensation for non-audit work (Millions of yen)	Compensation for audit attestation (Millions of yen)	Compensation for non-audit work (Millions of yen)
MMC	335	2	318	1
Consolidated subsidiary	137	23	145	—
Total	472	26	464	1

The details of non-audit work for MMC consist of fact-verification duties concerning the English translation of Financial Statements and other materials.

In addition, the details of non-audit work for the consolidated subsidiaries consist of advisory services, etc.

b. Compensation for the same network (Ernst & Young Global Limited and Ernst & Young Tax Co.) as the MMC's auditing certified public accountants who conduct auditing, etc. (except a.)

Classification	Previous fiscal year		Current fiscal year	
	Compensation for audit attestation (Millions of yen)	Compensation for non-audit work (Millions of yen)	Compensation for audit attestation (Millions of yen)	Compensation for non-audit work (Millions of yen)
MMC	—	2	—	—
Consolidated subsidiary	302	103	317	112
Total	302	105	317	112

The details of non-audit work for MMC consist of tax consulting services, etc.

In addition, the details of non-audit work for the consolidated subsidiaries consist of tax research service, etc.

c. Details of compensation for other important audit attestation

Not applicable.

d. Policy on determination of compensation for audits

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

e. The reason why the Audit Committee agreed on the compensation for the Accounting Auditors

The Audit Committee has judged that the FY2019 compensation for the audit paid to MMC's Accounting Auditors is reasonable after having conducted required validation regarding details of the Accounting Auditors' audit plan, audit system, execution status of duties of accounting audit and calculation basis of compensation estimates.

(4) Compensation, etc. of corporate officers

A. Total compensation paid to corporate officers, compensation total by type, and number of payees

Classification	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)					Number of payees (persons)
		Base compensation	Performance-based Compensation	Stock options	Share Appreciation Rights (fair value at the time the number of exercisable SARs was fixed)	Others	
Members of the Board (Excluding Outside Directors)	222	56	1	164	–	–	4
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	15	15	–	–	–	–	2
Executive Officers	705	422	139	–	44	98	13
Outside Directors and Outside Audit & Supervisory Board Members	185	185	–	–	–	–	13

- (Notes) 1. MMC has transitioned to a company with three committees from a company with an audit and supervisory board by the resolution at the 50th Ordinary General Meeting of Shareholders held on June 21, 2019. MMC pays compensation for Executive Officers to Members of the Board who serve concurrently as Executive Officers after its transition to a company with three committees and does not pay compensation for Members of the Board of Directors. The numbers of payees do not include those who received 0 yen as compensation for Members of the Board.
2. The numbers of payees and the amounts of compensation for Audit & Supervisory Board Members shown above are the numbers of Audit & Supervisory Board Members who had served during the period from April 1, 2019 to the conclusion of the 50th Ordinary General Meeting of Shareholders held on June 21, 2019 and the amounts of compensation paid for the execution of duties as Audit & Supervisory Board Members during the said period. The number of payees and the amount of compensation for Outside Audit & Supervisory Board Members who had served during the said period are included in those of Outside Director and Outside Audit & Supervisory Board Members.
3. The numbers of payees shown in the table above are the numbers of officers eligible for compensation obtained by double counting those who resigned as Audit & Supervisory Board Members and were appointed as Members of the Board (included in the numbers of both Audit & Supervisory Board Members and Members of the Board) and those resigned as Members of the Board and were appointed as Members of the Board who serve concurrently as Executive Officers (included in the numbers of both Members of the Board and Executive Officers) upon the transition to a company with three committees.
4. Performance-linked compensation is the total of the following amounts for performance-linked compensation for FY2019 performance:
- (i) For eligible persons whose performance evaluation has been completed and the planned payment amount has been determined, the confirmed amount (total of 11 million yen)
  - (ii) For eligible persons whose planned payment amount is undetermined because performance evaluation has not been completed, amount recorded as provision for the fiscal year under review (total of 130 million yen)
- In addition, performance-linked compensation for FY2018 performance was 154 million yen, which was paid in July 2019 after the end of FY2018, of which an amount of 13 million yen was fixed in July 2019 after the previous year's securities report was submitted. The amount of performance-linked compensation for FY2018 performance is not included in the amount of performance-linked compensation in the above table.
5. MMC allocated stock options to certain Members of the Board in FY2017, FY2018 and FY2019. Stock Options shown in the table above are the amounts that were posted as expenses incurred for allocating these stock options for the fiscal year under review. These stock options were determined and allocated with a linkage with the past years' performance, not the performance for FY2019.
6. For the share appreciation rights, the total of the following amounts for the share appreciation rights granted in FY2019 is stated:

- (i) For eligible persons whose performance evaluation has been completed and the number of exercisable items has been determined, the fair value calculated using parameters such as the stock price as of March 31, 2020, related to the number of exercisable items (total of 1 million yen)
  - (ii) For eligible persons whose number of exercisable items is undetermined because performance evaluation has not been completed, a value obtained by multiplying the fair value calculated using parameters such as the stock price as of March 31, 2020 by the expected performance achievement rate used to calculate the amount of allowance for performance-based compensation (total of 43 million yen)
7. The figures shown in "Others" above are the amounts equivalent to fringe benefits paid by MMC to officers and the amounts of taxes thereon.

**B. Corporate officer whose total consolidated compensation, etc., exceeds 100 million yen**

Name	Classification	Category	Total compensation (Millions of yen)	Base compensation (Millions of yen)	Performance-based compensation (Millions of yen)	Stock options (Millions of yen)	Share Appreciation Rights (fair value at the time the number of exercisable SARs was fixed)	Others (Millions of yen)
Osamu Masuko	Member of the Board Executive Officers	MMC	233	84	6	142	-	-

- (Notes)
1. For Osamu Masuko, the total amount of compensation, etc. provided to him as a Director before the transition to a company with three committees and compensation as an Executive Officer after the transition to a company with three committees is stated. The Company provides compensation, etc. as Executive Officers to Directors who also serve as Executive Officers after the transition to a company with three committees, and does not provide them with compensation, etc. as Directors.
  2. For the above corporate officer, the performance evaluation for FY2019 has been completed, therefore performance-based compensation stated is the planned amount of performance-based compensation for the FY2019 performance.
  3. Stock Options shown in the table above are the amounts that were posted as expenses for the fiscal year under review pertaining to stock options allocated in FY2017, FY2018 and FY2019. These stock options were determined and allocated with a linkage with the past years' performance, not the performance for FY2019.

**C. The contents and method for determining the policy for setting the amount of compensation of corporate officers or the calculation method**

The details of compensation for officers for the fiscal year under review were deliberated by the Nomination and Compensation Committee, which had been established as a voluntary advisory body to the Board of Directors prior to the transition to a company with three committees effective on June 21, 2019. Based on the deliberations, the Compensation Committee made the final decisions on such compensation at the meeting held after the transition to a company with three committees.

To ensure the transparency and objectivity of the procedures relating to decisions on the compensation of officers, on December 17, 2018, MMC established a voluntary Nomination and Compensation Committee as an advisory body to the Board of Directors. The majority of the Committee members are Outside Directors, and an Outside Director serves as the Committee's Chairperson. The Committee deliberates overall compensation-related items including the basic policy, levels, structure, and performance-based compensation schemes regarding compensation for Members of the Board, Corporate Officers and others considering the future direction of business, formulates plans for new compensation systems, and provides reports and recommendations to the Board of Directors on the process and results of those deliberations.

The policy for determining compensation for individual Members of the Board and Executive Officers for the fiscal year under review deliberated by the Nomination and Compensation Committee and finalized by the Compensation Committee after the transition to a company with three committees is as follows.

- (a) Members of the Board (excluding Members of the Board who serve concurrently as Executive Officers)

Considering their role in supervising overall execution from a position independent of business execution, MMC shall not increase or decrease the amount of individual compensation for Members of the Board based on the addition of performance-based compensation or the reflection of individual performance and Members of the Board shall receive only base compensation. In addition, after the transition to a company with three committees, additional compensation is paid to the Chairperson and members of each committee for such duties.

- (b) Executive Officers

Individual compensation of Executive Officers is composed of base compensation, performance-based compensation and equity-linked compensation. The goal of this is to strive for sustained improvement of corporate value, while sharing value with shareholders, and to secure skilled professionals including those from outside the company and overseas.

The Compensation Committee decided the amount of base compensation while referencing the results of a compensation study performed by external experts.

The performance-based compensation is composed of compensation based on corporate targets and compensation based on divisional targets set according to operational areas for which each Executive Officer is responsible in order to achieve the corporate targets. We reviewed its indicators and framework in order to make both components of the performance-based compensation work effectively as an incentive for achieving management targets.

Regarding the framework, in order to achieve sustainable growth and medium- to long-term improvement of corporate value under the severe external environment, we set a wider range of payout ratios and target amounts corresponding thereto, while making the performance-based compensation have a more flexible design. Furthermore, we implemented a review to change the composition ratio between compensation based on corporate targets and compensation based on divisional targets to increase the percentage of the former compensation so as to promote cooperation across divisions.

Regarding the indicators, (a) consolidated operating profit, (b) consolidated free cash flow and (c) reduction in fixed costs were set as indicators for the performance-based compensation. Upon setting these indicators, we adopted (c), which has become our urgent managerial issue, as a new indicator in addition to (a) and (b) already used. In specific terms, target for (a) consolidated operating profit was set at 90 billion yen, and the actual result for the fiscal year under review was 12.8 billion yen. For (b) consolidated free cash flow, while the target was set at 25 billion yen, the actual result was a negative 86.9 billion yen. Regarding fixed cost reduction, the set goal was to suppress the year-on-year increase to within 12%, and we have suppressed it to 4%.

The performance-based compensation for the fiscal year under review is planned to be determined based on the degree of attainment of the target amount for each indicator stated above in relation to the corporate targets and divisional targets.

For equity-linked compensation, stock options are granted to Directors who are also Executive Officers and SARs are granted to other Executive Officers. SARs are rights to receive cash in an amount 1 yen different from a future share price. The indicators and target values used for equity-linked compensation are the same as those used for performance-based compensation. The amount of monetary compensation for granting stock options and the number of exercisable SARs are to be determined by the Compensation Committee based on the degree of achievement of indicators and numerical targets.

<Policy for determining compensation for officers from FY2020 onwards>

Following the deliberations mentioned above, the Compensation Committee established after the transition to a company with three committees has held deliberations toward the revision of the officer compensation system from FY2020 onwards.

With “Small but Beautiful” that MMC is aiming to achieve in mind, the Committee had lively discussions on topics including compensation structure, compensation levels and the modality of target setting in line with the basic approach described below.

<Basic approach>

- (i) The compensation system shall contribute to MMC group’s sustainable growth and medium- to long-term improvement of corporate value.
- (ii) The compensation system shall be linked with corporate results in order to motivate Executive Officers to accomplish management strategies and management plans as well as to achieve targeted corporate results in an appropriate manner.
- (iii) The compensation levels shall contribute to securing professionals who measure up to ideal standards for management personnel that MMC expects for those responsible for corporate operation to have.
- (iv) The compensation system shall increase a shared awareness of profits with shareholders and awareness of shareholder-focused management.
- (v) The decision-making process relating to compensation shall be highly transparent and objective.

To make the compensation system work effectively as an incentive for achieving management targets, we are reviewing the structure of our base compensation and performance-based compensation and indicators for such compensation as well as considering to introduce a trust-type equity-linked compensation plan called Board Incentive Plan (BIP) Trust as a new equity-linked compensation plan in lieu of the current equity-linked compensation. We use executive compensation benchmarking data for Japanese companies provided by an external consulting firm and also use executive compensation levels of similar sized Japanese manufacturers including automotive companies as a reference to verify the objectivity and appropriateness of compensation level for each position.

Moreover, as we judged that it would be unavoidable to reduce the amount of officer compensation in light of sharing of value with shareholders while sincerely accepting the MMC group’s current severe circumstances, such as deterioration of FY2019 forecasts and forgoing of the year-end dividend, we have decided to reduce the amounts to be paid to Representative Executive Officers, Executive Officers and Corporate Officers as officer compensation for FY2020 as below. Furthermore, we have been offered by Non-executive Directors including Outside Directors to refund part of their compensation. MMC intends to accept the offer.

Details of the compensation reduction and refund

- (i) Representative Executive Officers, Executive Officers and Corporate Officers:  
Performance-based compensation: not to be paid; base compensation: reduced by 20% to 30%
- (ii) Non-executive Directors including Outside Directors: 10% to 25%

Period subject to the reduction and refund

FY2020 (twelve (12) months)

The compensation reduction and refund proposals were finalized after the deliberations at the Compensation Committee and reported to the Board of Directors. MMC's officers will work hard to achieve management strategies based on "Small but Beautiful" that it is aiming to achieve through company-wide concerted efforts.

(5) Status of shareholdings

(i) Standard of investment shares division and the policy

MMC classifies its investment shares as either investment shares held for purposes of portfolio investment with the aim of generating profit derived from changes in the value of the shares and dividends pertaining to the shares, or otherwise as investment shares held for purposes other than portfolio investment. MMC holds investment shares for purposes other than portfolio investment shares only, and accordingly does not hold investment shares for purposes of portfolio investment shares. Moreover, MMC holds investment shares for purposes other than portfolio investment shares only if it deems that such shareholdings are necessary for developing its business with respect to maintaining and strengthening medium- to long-term partnerships, and furthermore essential in order to achieve sustainable growth and to increase medium- to long-term corporate value.

(ii) Investment shares held for purposes other than portfolio investment shares

a. Method for verifying holding policy and rationale for holdings, and description of verification performed by the Board of Directors, etc. regarding propriety of holding individual issues

MMC maintains cross-shareholdings based on the aforementioned policy, and strives to reduce its cross-shareholdings by such means as selling shares deemed no longer necessary to hold for such purposes. Individual issues currently held are subject to validation on an annual basis in terms of factors including the necessity of maintaining such holdings in relation to MMC's business operations and the medium- to long-term economic rationale for such holdings, and the results of the validation is reported at meetings of the Board of Directors.

b. Number of issues and balance sheet amount

	Number of issues (Issues)	Total balance sheet amount (Millions of yen)
Unlisted shares	26	7,103
Shares other than unlisted shares	2	332

(Issues of which the number of shares increased in the current fiscal year)

	Number of issues (Issues)	Total acquisition price for the shares increased (Millions of yen)	Reason for increase in number of shares
Unlisted shares	1	2,913	MMC newly acquired shares that it needed to hold for strategic purposes.
Shares other than unlisted shares	-	-	-

(Issues of which the number of shares decreased in the current fiscal year)

	Number of issues (Issues)	Total selling price for the shares decreased (Millions of yen)
Unlisted shares	2	166
Shares other than unlisted shares	1	18,009



c. Information on number of shares, balance sheet amount, etc. of individual issues of specified investment shares

Specified investment shares

Issues	Current fiscal year	Previous fiscal year	Holding purpose, quantitative holding effect and reason for the increase in the number of shares	Share-holding status of MMC
	Number of shares (Shares)	Number of shares (Shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
China Motor Corporation	2,277,634	193,768,273	(Holding purpose) The company is an important business Partner that manufactures and sells MMC's products, and the shares are held to maintain and strengthen a smooth business relationship. (Quantitative holding effect) (Note)	None
	203	19,833		
United Motors Lanka PLC	4,937,142	4,937,142	(Holding purpose) The company is an important business partner that sells MMC's products, and the shares are held to maintain and strengthen a smooth business relationship. (Quantitative holding effect) (Note)	None
	129	207		

(Note) Given the nature of cross-shareholdings, MMC does not enlist quantitative criteria in making decisions on such holdings, but instead, as mentioned above, individual issues currently held are subject to validation on an annual basis in terms of factors including the necessity of maintaining such holdings in relation to MMC's business operations and the medium- to long-term economic rationale for such holdings.

## **V. Financial Information**

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

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

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

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

### 2. Independent audit

The consolidated and the non-consolidated financial statements for the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020) were audited by Ernst & Young ShinNihon LLC, in accordance with Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

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

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

1. Consolidated financial statements

(1) Consolidated financial statements

(a) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	500,924	399,614
Notes and accounts receivable - trade	126,398	137,519
Finance receivables	294,423	268,435
Merchandise and finished goods	175,052	214,083
Work in process	18,553	23,626
Raw materials and supplies	40,803	35,719
Short-term loans receivable	681	726
Other	125,410	124,938
Allowance for doubtful accounts	(1,790)	(1,802)
Total current assets	1,280,457	1,202,862
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	106,095	109,127
Machinery, equipment and vehicles, net	131,431	140,516
Tools, furniture and fixtures, net	61,482	56,983
Land	116,201	126,183
Construction in progress	37,306	46,813
Total property, plant and equipment	452,517	479,624
Intangible assets	39,786	49,486
Investments and other assets		
Investment securities	93,328	77,005
Long-term loans receivable	5,115	4,086
Retirement benefit asset	5,033	3,058
Deferred tax assets	58,772	54,972
Other	81,724	72,109
Allowance for doubtful accounts	(6,426)	(5,083)
Total investments and other assets	237,548	206,149
Total non-current assets	729,852	735,260
Total assets	2,010,309	1,938,123

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	391,785	308,378
Electronically recorded obligations - operating	50,311	76,276
Short-term borrowings	44,419	62,426
Commercial papers	50,800	58,300
Current portion of long-term borrowings	50,377	55,661
Lease obligations	777	3,422
Accounts payable - other, and accrued expenses	196,695	221,140
Income taxes payable	11,352	11,301
Provision for product warranties	48,915	48,611
Provision for loss on fuel consumption test	3,758	2,304
Other	74,072	70,521
Total current liabilities	923,267	918,344
Non-current liabilities		
Long-term borrowings	83,122	99,388
Lease obligations	1,499	20,197
Deferred tax liabilities	20,018	20,357
Retirement benefit liability	51,615	48,252
Other	49,582	43,220
Total non-current liabilities	205,838	231,415
Total liabilities	1,129,105	1,149,759
<b>Net assets</b>		
Shareholders' equity		
Share capital	284,382	284,382
Capital surplus	200,072	200,072
Retained earnings	463,092	407,547
Treasury shares	(1,728)	(1,728)
Total shareholders' equity	945,818	890,273
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,353	(562)
Deferred gains or losses on hedges	652	(99)
Foreign currency translation adjustment	(61,281)	(82,731)
Remeasurements of defined benefit plans	(20,758)	(34,216)
Total accumulated other comprehensive income	(74,033)	(117,610)
Share acquisition rights	356	345
Non-controlling interests	9,062	15,354
Total net assets	881,203	788,363
<b>Total liabilities and net assets</b>	<b>2,010,309</b>	<b>1,938,123</b>

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

(Millions of yen)

	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Net sales	2,514,594	2,270,276
Cost of sales	(*3) 2,057,340	(*3) 1,932,762
Gross profit	457,254	337,514
Selling, general and administrative expenses		
Advertising and promotion expenses	72,971	48,407
Freight costs	53,900	51,058
Provision of allowance for doubtful accounts	395	484
Remuneration, salaries and allowances for directors (and other officers)	74,157	76,886
Retirement benefit expenses	4,071	3,987
Depreciation	13,963	18,505
Research and development expenses	(*3) 65,920	(*3) 73,826
Other	60,058	51,570
Total selling, general and administrative expenses	345,439	324,726
Operating profit (loss)	111,815	12,788
Non-operating income		
Interest income	5,045	5,351
Dividend income	1,647	536
Share of profit of entities accounted for using equity method	17,005	–
Other	2,996	1,821
Total non-operating income	26,694	7,709
Non-operating expenses		
Interest expenses	3,709	3,889
Foreign exchange losses	6,909	11,277
Litigation expenses	1,996	1,632
Share of loss of entities accounted for using equity method	–	4,263
Other	6,043	3,276
Total non-operating expenses	18,659	24,341
Ordinary profit (loss)	119,850	(3,843)
Extraordinary income		
Gain on sales of non-current assets	(*1) 656	(*1) 8,704
Gain on sales of investment securities	1	199
Reversal of provision for fuel economy test	(*5) 2,922	–
Gain on step acquisitions	1,081	–
Gain on sales of shares of subsidiaries	–	413
Gain on contribution of securities to retirement benefit trust	–	9,376
Other	216	98
Total extraordinary income	4,877	18,793
Extraordinary losses		
Loss on retirement of non-current assets	2,508	4,097
Loss on sales of non-current assets	(*2) 195	(*2) 252
Impairment loss	(*4) 854	(*4) 2,292
Loss on sales of facilities	–	(*4) 2,376
Subsidiary transfer cost	–	(*6) 1,879
Loss on disaster	2,216	–
Other	600	250
Total extraordinary losses	6,376	11,147

(Millions of yen)

	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Profit (loss) before income taxes	118,352	3,801
Income taxes - current	22,576	19,790
Income taxes for prior periods	(761)	–
Income taxes - deferred	(38,458)	6,067
Total income taxes	(16,644)	25,857
Profit (loss)	134,996	(22,055)
Profit (loss) attributable to non-controlling interests	2,124	3,723
Profit (loss) attributable to owners of parent	132,871	(25,779)

Consolidated statement of comprehensive income

(Millions of yen)

	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Profit (loss)	134,996	(22,055)
Other comprehensive income		
Valuation difference on available-for-sale securities	195	(7,916)
Deferred gains or losses on hedges	(79)	8
Foreign currency translation adjustment	3,567	(22,336)
Remeasurements of defined benefit plans, net of tax	(2,599)	(13,606)
Share of other comprehensive income of entities accounted for using equity method	(4,699)	(1,551)
Total other comprehensive income	(*1) (3,614)	(*1) (45,402)
Comprehensive income	131,381	(67,458)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	129,186	(69,588)
Comprehensive income attributable to non- controlling interests	2,195	2,129

## (c) Consolidated statement of changes in net assets

(Millions of yen)

For the fiscal year ended March 31, 2019	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	284,382	203,938	363,382	(220)	851,482
Cumulative effects of changes in accounting policies			(2,386)		(2,386)
Restated balance	284,382	203,938	360,995	(220)	849,096
Changes during period					
Dividends of surplus			(29,783)		(29,783)
Profit (loss) attributable to owners of parent			132,871		132,871
Purchase of treasury shares				(1,507)	(1,507)
Change in scope of consolidation			(991)		(991)
Change in ownership interest of parent due to transactions with non-controlling interests		(3,866)			(3,866)
Change in scope of equity method					–
Net changes in items other than shareholders' equity					
Total changes during period	–	(3,866)	102,097	(1,507)	96,722
Balance at end of period	284,382	200,072	463,092	(1,728)	945,818

For the fiscal year ended March 31, 2019	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	7,158	526	(59,966)	(18,232)	(70,514)	106	15,487	796,562
Cumulative effects of changes in accounting policies								(2,386)
Restated balance	7,158	526	(59,966)	(18,232)	(70,514)	106	15,487	794,176
Changes during period								
Dividends of surplus								(29,783)
Profit (loss) attributable to owners of parent								132,871
Purchase of treasury shares								(1,507)
Change in scope of consolidation								(991)
Change in ownership interest of parent due to transactions with non-controlling interests								(3,866)
Change in scope of equity method								–
Net changes in items other than shareholders' equity	195	126	(1,315)	(2,525)	(3,519)	249	(6,424)	(9,694)
Total changes during period	195	126	(1,315)	(2,525)	(3,519)	249	(6,424)	87,027
Balance at end of period	7,353	652	(61,281)	(20,758)	(74,033)	356	9,062	881,203



(Millions of yen)

For the fiscal year ended March 31, 2020	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	284,382	200,072	463,092	(1,728)	945,818
Cumulative effects of changes in accounting policies			445		445
Restated balance	284,382	200,072	463,538	(1,728)	946,264
Changes during period					
Dividends of surplus			(29,766)		(29,766)
Profit (loss) attributable to owners of parent			(25,779)		(25,779)
Purchase of treasury shares				(0)	(0)
Change in scope of consolidation			(795)		(795)
Change in ownership interest of parent due to transactions with non-controlling interests					-
Change in scope of equity method			350		350
Net changes in items other than shareholders' equity					
Total changes during period			(55,990)	(0)	(55,990)
Balance at end of period	284,382	200,072	407,547	(1,728)	890,273

For the fiscal year ended March 31, 2020	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	7,353	652	(61,281)	(20,758)	(74,033)	356	9,062	881,203
Cumulative effects of changes in accounting policies								445
Restated balance	7,353	652	(61,281)	(20,758)	(74,033)	356	9,062	881,649
Changes during period								
Dividends of surplus								(29,766)
Profit (loss) attributable to owners of parent								(25,779)
Purchase of treasury shares								(0)
Change in scope of consolidation								(795)
Change in ownership interest of parent due to transactions with non-controlling interests								-
Change in scope of equity method								350
Net changes in items other than shareholders' equity	(7,916)	(751)	(21,450)	(13,457)	(43,576)	(10)	6,291	(37,295)
Total changes during period	(7,916)	(751)	(21,450)	(13,457)	(43,576)	(10)	6,291	(93,286)
Balance at end of period	(562)	(99)	(82,731)	(34,216)	(117,610)	345	15,354	788,363

## (d) Consolidated statement of cash flows

(Millions of yen)

	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	118,352	3,801
Depreciation	62,179	74,789
Impairment loss	854	2,292
Loss (gain) on contribution of securities to retirement benefit trust	–	(9,376)
Increase (decrease) in allowance for doubtful accounts	431	(621)
Increase (decrease) in retirement benefit liability	4,554	288
Interest and dividend income	(6,692)	(5,887)
Interest expenses	3,709	3,889
Foreign exchange losses (gains)	(1,107)	3,366
Share of loss (profit) of entities accounted for using equity method	(17,005)	4,263
Loss (gain) on sales and retirement of non-current assets	2,047	(4,354)
Decrease (increase) in trade receivables	51,237	(19,268)
Decrease (increase) in finance receivables	(29,412)	26,202
Decrease (increase) in inventories	(20,372)	(34,340)
Increase (decrease) in trade payables	(9,495)	(49,759)
Other, net	8,927	36,926
Subtotal	168,208	32,212
Interest and dividends received	10,415	9,820
Interest paid	(3,757)	(3,954)
Payments related to fuel economy test	(1,443)	(1,577)
Income taxes paid	(27,370)	(17,715)
Net cash provided by (used in) operating activities	146,053	18,786
<b>Cash flows from investing activities</b>		
Decrease (increase) in time deposits	1,409	11,391
Purchase of property, plant and equipment	(123,200)	(111,549)
Proceeds from sales of property, plant and equipment	5,024	13,004
Purchase of intangible assets	(15,363)	(17,830)
Proceeds from sales of investment securities	5	457
Decrease (increase) in short-term loans receivable	18	(331)
Long-term loan advances	(5)	(1,147)
Collection of long-term loans receivable	413	766
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	3,739
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(*2) (6,668)	–
Other, net	(6,539)	(4,212)
Net cash provided by (used in) investing activities	(144,906)	(105,712)
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term borrowings	(11,609)	13,624
Increase (decrease) in commercial papers	15,800	7,500
Proceeds from long-term borrowings	53,989	81,803
Repayments of long-term borrowings	(79,943)	(60,373)
Dividends paid	(29,750)	(29,738)
Dividends paid to non-controlling interests	(14,191)	(393)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(7,197)	–
Other, net	(2,063)	(2,797)
Net cash provided by (used in) financing activities	(74,966)	9,624

(Millions of yen)

	For the fiscal year ended March 31, 2019	For the fiscal year ended March 31, 2020
Effect of exchange rate change on cash and cash equivalents	3,896	(18,460)
Net increase (decrease) in cash and cash equivalents	(69,923)	(95,762)
Cash and cash equivalents at beginning of period	559,036	489,456
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	232	5,894
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	111	–
Cash and cash equivalents at end of period	(*1) 489,456	(*1) 399,588

## Notes

### *Material basis of the preparation of consolidated financial statements*

#### 1. Scope of consolidation

##### (1) Number of consolidated subsidiaries: 35

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

##### Changes in the scope of consolidation

##### 1) Newly included in the scope of consolidation: 1

*Company included in the scope of consolidation due to increased materiality*

Mitsubishi Motors Vietnam Co., Ltd.

##### 2) Excluded from the scope of consolidation: 2

*Company excluded from the scope of consolidation due to the sale of shares*

Hokkaido Mitsubishi Motor Sales Co., Ltd.

*Company excluded from the scope of consolidation due to merger*

Higashi Nihon Mitsubishi Motor Sales Co., Ltd.

##### (2) Names of major unconsolidated subsidiaries

MMC Wing Co., Ltd., etc.

##### *Reason for exclusion from scope of consolidation*

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

#### 2. Application of the equity method

##### (1) Number of associates to which the equity method is applied: 19

There were no unconsolidated subsidiaries accounted for using the equity method at the end of the fiscal year.

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

##### Changes in the scope of equity method

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

*Company included in the scope of equity method due to increased materiality*

Alliance Ventures B.V.

##### 2) Excluded from the scope of equity method: 2

*Company excluded from the scope of equity method due to the sale of shares*

Ibaraki Mitsubishi Motor Sales Co., Ltd.

*Company excluded from the scope of equity method and included in the scope of consolidation due to increased materiality*

Mitsubishi Motors Vietnam Co., Ltd.

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

*Unconsolidated subsidiaries*

MMC Wing Co., Ltd., etc.

*Associates*

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

*Reason for non-application of equity method*

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

### 3. Fiscal year end dates of consolidated subsidiaries

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

### 4. Accounting policies

#### (1) Valuation basis and methods for significant assets

Securities

Held-to-maturity securities:

Stated at amortized cost.

Available-for-sale securities

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

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

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

Stated at cost determined by the moving average method.

Derivative financial instruments

Market price method (excluding interest rate swaps for which the special treatment is applied)

Inventories

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

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

Property, plant and equipment (excluding leased assets)

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

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

### Intangible assets (excluding leased assets)

Intangible assets (excluding leased assets) are amortized using the straight line method for MMC and its domestic consolidated subsidiaries and using the straight line method primarily over the period for which each asset is available for use for its overseas consolidated subsidiaries. Software intended for use by MMC and its domestic consolidated subsidiaries is amortized using the straight line method over the period for which each asset is available for use (5 years).

### Leased assets

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

## (3) Significant allowances and provisions

### Allowance for doubtful accounts

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

### Provision for product warranties

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

### Provision for loss on fuel consumption test

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

## (4) Accounting method for retirement benefits

### Method of attributing estimated retirement benefits to the periods

In calculating retirement benefit obligations, the projected total retirement benefits are allocated to periods until the end of the fiscal year using a benefit formula basis.

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

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

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

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

## (5) Translation of significant foreign currency accounts

Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the end of the fiscal year, and differences arising from the translation are included in the consolidated statement of income. For overseas consolidated subsidiaries, etc., assets and liabilities are translated into yen at the rates of exchange at the end of the fiscal year,

and income and expenses are translated at the average exchange rates during the period. Differences arising from the translation are included in foreign currency translation adjustment and non-controlling interests under net assets.

(6) Significant hedge accounting method

Hedge accounting method

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

Hedging instruments and hedged items

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

Hedging instruments: Interest rate currency swaps

Hedged items: Borrowings denominated in foreign currencies

Hedging policy

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

Method of assessing of hedge effectiveness

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

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

(7) Method and period of goodwill amortization

Goodwill is amortized using the straight-line method over a period of 5 years beginning with the day on which it is realized.

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

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

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

Accounting for consumption taxes

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

Application of consolidated taxation system

The consolidated taxation system is applied.

Application of tax effect accounting in relation to the transition from the consolidated taxation system to the group tax sharing system

For the transition to the group tax sharing system established by the Act on Partial Revision of the Income Tax Act (Act No. 8 of 2020) and items for which the non-consolidated tax payment system has been revised in conjunction with the transition to the group tax sharing system, MMC and some of its domestic consolidated subsidiaries have not applied the provisions of paragraph 44 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018), and have recognized the amounts of deferred tax assets and deferred tax liabilities in accordance with the provisions of the tax law prior to revision, based on the treatment of paragraph 3 in Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the

Consolidated Taxation System to the Group Tax Sharing System (ASBJ PITF No. 39, March 31, 2020).



### *Changes in accounting policies*

Overseas consolidated subsidiaries:

#### IFRS 16 and ASC 842 “Leases”

IFRS 16 and ASC 842 “Leases” were adopted from the beginning of the fiscal year ended March 31, 2020. In line with this adoption, the lessee in a lease records all leases as assets and liabilities in the balance sheet in principle. In accordance with the transition method for these standards, MMC group recognized the cumulative effect of adopting them on the date of their initial application.

As a result, as of March 31, 2020, property, plant and equipment increased by 21,036 million yen, lease obligations under current liabilities increased by 2,642 million yen, lease obligations under non-current liabilities increased by 18,955 million yen. In addition, balance of retained earnings at the beginning of the year increased by 445 million yen.

The effect of this change in accounting policy on profit or loss for the fiscal year ended March 31, 2020 was immaterial.

### *New accounting standards to be applied*

MMC and domestic subsidiaries and associates

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020)
- “Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020)

#### (1) Outline

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

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

#### (2) Scheduled date of application

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

#### (3) Effect of application of the accounting standards

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

*Additional information*

Regarding the impact of COVID-19, there is currently no consensus on how infections will spread in the future, or when the spread of infections will be brought under control, etc. Given limited objective information from external sources, the MMC group assumes demand will drop, especially in the first half of the next fiscal year, with a gradual recovery in the second half of the fiscal year, and that the impact will be limited in subsequent fiscal years. Accordingly, accounting estimates such as impairment loss on noncurrent assets and recoverability of deferred tax assets, etc. are recognized based on these assumptions.

Consolidated balance sheet

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

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Accumulated depreciation of property, plant and equipment	884,177	898,451

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

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

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Finance receivables	56,659	70,470
Property, plant and equipment	10,712	5,094
Other (Note)	2,412	2,156
Total	69,784	77,721

(Note) In the previous fiscal year, accounts receivable - other of 1,156 million yen was pledged based on a liability in a term lease contract relating to a building with Murata Medical Services, Ltd. In addition, MMC pledged investment securities of 46 million yen as collateral for the borrowings of Mizushima Eco-works Co., Ltd. In the current fiscal year, accounts receivable - other of 1,227 million yen was pledged based on a liability in a term lease contract relating to a building with Murata Medical Services, Ltd.

Assets pledged as foundation collateral is as follows:

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Consolidated subsidiary (Pajero Manufacturing Co., Ltd.)		
Buildings and structures	2,408	2,460
Machinery, equipment and vehicles	4,120	4,016
Land	1,540	5,680
Total	8,069	12,157

Liabilities secured by the collateral is as follows:

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Short-term loans payable	2,755	1,185
Current portion of long-term loans payable	19,504	20,468
Long-term loans payable	32,599	44,056
Total	54,858	65,710

(\*3) Investments in unconsolidated subsidiaries and associates

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Investment securities	68,551	69,214
Other (investments and other assets) (of which investment in joint ventures)	46,250 (24,946)	35,009 (23,189)

4 Guarantee obligation

(1) Guarantee recipients

For the fiscal year ended March 31, 2019 (As of March 31, 2019)			For the fiscal year ended March 31, 2020 (As of March 31, 2020)		
Guaranteed	Guaranteed amount (Millions of yen)	Description of guaranteed obligation	Guaranteed	Guaranteed amount (Millions of yen)	Description of guaranteed obligation
PT Mitsubishi Motors Krama Yudha Sales Indonesia	6,696	Bank loans	PT. Mitsubishi Motors Krama Yudha Sales Indonesia	5,556	Bank loans
MMD Automobile GmbH	3,469	Liquidation of receivables	MMD Automobile GmbH	7,094	Liquidation of receivables
M Motors Automobiles France S.A.S.	2,202	Liquidation of receivables	M Motors Automobiles France S.A.S.	-	-
MM Automobile Schweiz AG	1,066	Liquidation of receivables	MM Automobile Schweiz AG	-	-
PCMA Rus, LLC	252	Bank loans and others	PCMA Rus, LLC	-	-
Employees	376	(Note)	Employees	284	(Note)
Total	14,063		Total	12,934	

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

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

(Millions of yen)	
For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
1,632	1,403

*Consolidated statement of income*

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

(Millions of yen)			
For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)		For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	
Buildings and structures	89	Buildings and structures	659
Machinery, equipment and vehicles	87	Machinery, equipment and vehicles	275
Tools, furniture and fixtures	29	Tools, furniture and fixtures	1
Land	450	Land	7,767
Total	656	Total	8,704

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

(Millions of yen)			
For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)		For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	
Buildings and structures	4	Buildings and structures	95
Machinery, equipment and vehicles	142	Machinery, equipment and vehicles	72
Tools, furniture and fixtures	35	Tools, furniture and fixtures	21
Land	13	Land	62
Total	195	Total	252

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

For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)		For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	
	124,318		130,878

(\*4) Impairment loss

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

For the previous fiscal year (from April 1, 2018 to March 31, 2019)

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

Location	Usage	Type	Amount (Millions of yen)
Nagoya, Aichi, etc. (31 locations)	Sales related assets	Buildings, land, and others	485
Kyoto, Kyoto, etc. (4 locations)	Idle assets	Machinery, equipment, tools, furniture, fixtures, and others	368

(2) Grouping method of assets

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

(3) Circumstances leading to recognition of impairment losses

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

(4) Method of computing the recoverable amount

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

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

(5) Amount of impairment loss

An impairment loss of 854 million yen is recorded as “impairment loss” under extraordinary losses, and major components are as follows:

	(Millions of yen)
Buildings and structures	324
Machinery and equipment	337
Tools, furniture and fixtures	62
Land	116
Other	14
<hr/> Total	<hr/> 854

For the current fiscal year (from April 1, 2019 to March 31, 2020)

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

Location	Usage	Type	Amount (Millions of yen)
Yokohama, Kanagawa, etc. (17 locations)	Sales related assets	Buildings, land, and others	671
Okazaki, Aichi (1 location)	Rental assets	Buildings, land, and others	46
Kyoto, Kyoto, etc. (5 locations)	Idle assets	Machinery, equipment, tools, furniture, fixtures, and others	630
Kyoto, Kyoto, etc. (3 locations)	Production facilities	Buildings, machinery, equipment, tools, furniture, fixtures, and others	1,929

(2) Grouping method of assets

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

(3) Circumstances leading to recognition of impairment losses

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

(4) Method of computing the recoverable amount

The recoverable amount is determined by the higher amount of the net selling value and the value in use. The net selling value is reasonably computed using the appraisal value based on the real estate appraisal standard, the assessed value of the inheritance tax based on the road rating, etc., and the value in use is computed based on the future cash flows (discount rate is mainly 6%).

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

(5) Amount of impairment loss

Of the impairment loss of 3,278 million yen, 2,292 million yen is recorded as “impairment loss” under extraordinary losses, while 986 million yen is recorded as “loss on sales of facilities,” and major components are as follows:

	(Millions of yen)
Buildings and structures	1,026
Machinery and equipment	841
Tools, furniture and fixtures	747
Land	411
Other	250
<b>Total</b>	<b>3,278</b>

(\*5) Reversal of provision for fuel consumption test

For the previous fiscal year (from April 1, 2018 to March 31, 2019)

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

(\*6) Subsidiary transfer cost

For the current fiscal year (from April 1, 2019 to March 31, 2020)

Consists of expenses mainly due to transfer of headquarters by Mitsubishi Motors North America, Inc. (MMNA), a wholly owned subsidiary of MMC in the United States.



Consolidated statement of comprehensive income

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

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Valuation difference on available-for-sale securities:		
Amount arising during the period	277	(1,651)
Reclassification adjustments	–	(9,931)
Before tax-effect adjustment	277	(11,043)
Amount of tax effects	(81)	3,127
Valuation difference on available-for-sale securities	195	(7,916)
Deferred gains or losses on hedges:		
Amount arising during the period	(1,536)	(436)
Reclassification adjustments	1,426	456
Before tax-effect adjustment	(109)	19
Amount of tax effects	29	(11)
Deferred gains or losses on hedges	(79)	8
Foreign currency translation adjustment:		
Amount arising during the period	3,567	(22,336)
Reclassification adjustments	–	–
Foreign currency translation adjustment	3,567	(22,336)
Remeasurements of defined benefit plans:		
Amount arising during the period	(4,037)	(15,888)
Reclassification adjustments	805	2,072
Before tax-effect adjustment	(3,232)	(13,815)
Amount of tax effects	632	209
Remeasurements of defined benefit plans	(2,599)	(13,606)
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the period	(4,891)	(1,702)
Reclassification adjustments	191	150
Share of other comprehensive income of entities accounted for using equity method	(4,699)	(1,551)
Total other comprehensive income	(3,614)	(45,402)

*Consolidated statement of changes in net assets*

For the previous fiscal year (from April 1, 2018 to March 31, 2019)

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

(Thousands of shares)				
	At the beginning of the period	Increase	Decrease	At the end of the period
Issued shares:				
Common stock	1,490,282	–	–	1,490,282
Total	1,490,282	–	–	1,490,282
Treasury shares:				
Common stock (Note)	222	1,747	–	1,969
Total	222	1,747	–	1,969

(Note) The increase of 1,747 thousand shares in the number of shares of common stock under treasury shares is due to the acquisition of treasury shares by resolution of the Board of Directors, and purchase of shares less than one unit.

2. Share acquisition rights and treasury share acquisition rights

Classification	Components of share acquisition rights	Type of shares that will be issued upon exercise of share acquisition rights	Number of shares that will be issued upon exercise of share acquisition rights (shares)				Balance at the end of the period (Millions of yen)
			At the beginning of the period	Increase	Decrease	At the end of the period	
Reporting company	Stock option	Common stock	–	–	–	–	356
Total		–	–	–	–	–	356

3. Dividends

(1) Dividend payment

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 22, 2018	Common stock	14,900	10.0	March 31, 2018	June 25, 2018
Board of Directors Meeting held on November 6, 2018	Common stock	14,883	10.0	September 30, 2018	December 4, 2018

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

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 21, 2019	Common stock	14,883	Retained earnings	10.0	March 31, 2019	June 24, 2019

For the current fiscal year (from April 1, 2019 to March 31, 2020)

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

(Thousands of shares)

	At the beginning of the period	Increase	Decrease	At the end of the period
Issued shares:				
Common stock	1,490,282	–	–	1,490,282
Total	1,490,282	–	–	1,490,282
Treasury shares:				
Common stock (Note)	1,969	0	–	1,969
Total	1,969	0	–	1,969

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

2. Share acquisition rights and treasury share acquisition rights

Classification	Components of share acquisition rights	Type of shares that will be issued upon exercise of share acquisition rights	Number of shares that will be issued upon exercise of share acquisition rights (shares)				Balance at the end of the period (Millions of yen)
			At the beginning of the period	Increase	Decrease	At the end of the period	
Reporting company	Stock option	Common stock	–	–	–	–	345
Total		–	–	–	–	–	345

3. Dividends

(1) Dividend payment

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 21, 2019	Common stock	14,883	10.0	March 31, 2019	June 24, 2019
Board of Directors Meeting held on November 6, 2019	Common stock	14,883	10.0	September 30, 2019	December 3, 2019

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

Not applicable.

*Consolidated statement of cash flows*

(\*1) Reconciliation of cash and cash equivalents at end of period and the amount recorded in the consolidated balance sheet

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Cash and deposits	500,924	399,614
Time deposits with maturities of more than three months	(11,467)	(25)
Cash and cash equivalents	489,456	399,588

(\*2) Major components of assets and liabilities of a company that became a new consolidated subsidiary due to the acquisition of shares

For the previous fiscal year (from April 1, 2018 to March 31, 2019)

MMC Diamond Finance Corp. (hereinafter, "MDF") was formerly an equity-method associate, but was consolidated through the acquisition of additional shares. The components of assets and liabilities at the start of consolidation and the relationship between the acquisition cost of shares of MDF and (net) outflows for the acquisition of MDF in line with this consolidation are as follows.

	(Millions of yen)
Current assets	284,995
Non-current assets	11,555
Goodwill	1,843
Current liabilities	(196,700)
Non-current liabilities	(88,676)
Equity-method appraisal value prior to acquisition of control	(5,028)
Gain on step acquisitions	(1,081)
Acquisition cost of shares of MDF	6,907
Cash and cash equivalents of MDF	(239)
Difference: outflow for the acquisition of MDF	(6,668)

For the current fiscal year (from April 1, 2019 to March 31, 2020)

Not applicable.

## *Lease transactions*

### *Lessees' accounting*

#### 1. Finance lease transactions and right of use assets

Finance lease transactions without ownership transfer for MMC and its domestic subsidiaries and right of use assets for the overseas consolidated subsidiaries

##### 1) Details of leased assets

Property, plant and equipment

Mainly land for a plant use ("Land") and production facilities ("Tools, furniture and fixtures, net") in the automobile business

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

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

#### 2. Operating lease transactions

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Due within one year	5,221	2,979
Due after one year	32,418	20,672
Total	37,640	23,652

### *Lessors' accounting*

#### 1. Operating lease transactions

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Due within one year	4,092	4,041
Due after one year	5,470	5,472
Total	9,563	9,513

## *Financial instruments*

### 1. Overview of financial instruments

#### (1) Our policy for managing financial instruments

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

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

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

Trade receivables denominated in foreign currency are exposed to foreign currency risk, but forward foreign exchange contracts and others are used to hedge a portion of the position after netting 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 MMC group has business relationships.

Trade payables, which include notes and accounts payable – trade, and electronically recorded obligations-operating, are mostly expected to be settled within one year. Some of them are denominated in foreign currency and exposed to foreign currency risk, but forward foreign exchange contracts and others are used to hedge a portion of the position after netting foreign currency denominated receivables.

Floating rate of borrowings are exposed to interest rate risk. For some of the borrowings, derivative transactions (interest rate swaps) may be used as hedging instruments on an individual loan contract basis to hedge the interest payable fluctuation risk.

Certain intercompany loans are exposed to foreign currency risk, however forward foreign exchange contracts and others may be used as hedging instruments for some of these loans.

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

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

#### (3) Supplementary explanation on fair value of financial instruments

In "2. Fair value of financial instruments," contractual amounts, etc. for derivative transactions themselves do not indicate market risk on the derivative transactions.

## 2. Fair value of financial instruments

The carrying amount, fair value, and the difference between the carrying amount and the fair value of the financial instruments are as follows. Assets and liabilities for which it is deemed extremely difficult to measure the fair value are not included in the tables below. (Refer to (Note) 2.)

For the previous fiscal year (as of March 31, 2019)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	500,924	500,924	–
(2) Notes and accounts receivable – trade	126,398	126,398	–
(3) Finance receivables	294,423	288,537	(5,886)
(4) Investment securities	20,252	20,252	–
<b>Total assets</b>	<b>942,000</b>	<b>936,113</b>	<b>(5,886)</b>
(1) Notes and accounts payable – trade	391,785	391,785	–
(2) Electronically recorded obligations - operating	50,311	50,311	–
(3) Short-term borrowings	44,419	44,419	–
(4) Long-term borrowings	133,500	133,574	74
(5) Accounts payable - other and accrued expenses	196,695	196,695	–
(6) Commercial papers	50,800	50,800	–
<b>Total liabilities</b>	<b>867,513</b>	<b>867,587</b>	<b>74</b>
Derivative transactions (*)	(756)	(756)	–

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

For the current fiscal year (as of March 31, 2020)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	399,614	399,614	–
(2) Notes and accounts receivable – trade	137,519	137,519	–
(3) Finance receivables	268,435	264,503	(3,931)
(4) Investment securities	535	535	–
<b>Total assets</b>	<b>806,105</b>	<b>802,173</b>	<b>(3,931)</b>
(1) Notes and accounts payable – trade	308,378	308,378	–
(2) Electronically recorded obligations - operating	76,276	76,276	–
(3) Short-term borrowings	62,426	62,426	–
(4) Long-term borrowings	155,049	155,081	32
(5) Accounts payable - other and accrued expenses	221,140	221,140	–
(6) Commercial papers	58,300	58,300	–
<b>Total liabilities</b>	<b>881,571</b>	<b>881,603</b>	<b>32</b>
Derivative transactions (*)	3,338	3,338	–

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

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

### Assets

#### (1) Cash and deposits

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

#### (2) Notes and accounts receivable - trade

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

#### (3) 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.

(4) Investment securities

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

Liabilities

(1) Notes and accounts payable - trade, (2) Electronically recorded obligations - operating, (3) Short-term borrowings, (5) Accounts payable - other and accrued expenses and (6) Commercial papers

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

(4) Long-term borrowings

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

Derivative transactions

Please refer to the notes in “Derivative transactions.”

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

(Millions of yen)

Classification	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Unlisted shares and shares of subsidiaries and associates	73,076	76,470

Unlisted shares and shares of subsidiaries and associates are not included in “(4) Investment securities,” as it is deemed extremely difficult to measure the fair value because they are nonmarketable and future cash flows cannot be estimated.

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

For the previous fiscal year (as of March 31, 2019)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Deposits	496,771	-	-	-	-	-
Notes and accounts receivable - trade	126,398	-	-	-	-	-
Finance receivables	95,850	58,072	45,895	37,228	30,343	27,032
Total	719,021	58,072	45,895	37,228	30,343	27,032



For the current fiscal year (as of March 31, 2020)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Deposits	384,933	–	–	–	–	–
Notes and accounts receivable - trade	137,519	–	–	–	–	–
Finance receivables	77,868	53,140	46,574	38,764	31,408	20,679
Total	600,321	53,140	46,574	38,764	31,408	20,679

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

For the previous fiscal year (as of March 31, 2019)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term loans payable	44,419	–	–	–	–	–
Commercial papers	50,800	–	–	–	–	–
Long-term loans payable	50,377	43,450	21,111	16,968	1,591	–
Total	145,597	43,450	21,111	16,968	1,591	–

For the current fiscal year (as of March 31, 2020)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Short-term loans payable	62,426	–	–	–	–	–
Commercial papers	58,300	–	–	–	–	–
Long-term loans payable	55,661	36,635	34,895	22,176	5,230	450
Total	176,387	36,635	34,895	22,176	5,230	450

## Securities

### 1. Available-for-sale securities

For the previous fiscal year (as of March 31, 2019)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	Stocks	20,250	8,985	11,265
	Subtotal	20,250	8,985	11,265
Securities whose carrying amount does not exceed their acquisition cost	Stocks	1	2	(0)
	Subtotal	1	2	(0)
Total		20,252	8,987	11,264

For the current fiscal year (as of March 31, 2020)

(Millions of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	Stocks	535	198	336
	Subtotal	535	198	336
Securities whose carrying amount does not exceed their acquisition cost	Stocks	–	–	–
	Subtotal	–	–	–
Total		535	198	336

### 2. Available-for-sale securities sold

For the previous fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

Type	Sales proceeds	Total gain	Total loss
Stocks	5	1	–

For the current fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

Type	Sales proceeds	Total gain	Total loss
Stocks	273	138	–

### 3. Securities for which an impairment loss was recognized

For the previous fiscal year (from April 1, 2018 to March 31, 2019)

Not applicable.

For the current fiscal year (from April 1, 2019 to March 31, 2020)

Not applicable.

*Derivative transactions*

1. Derivative transactions for which hedge accounting is not applied

(1) Currency-related transactions

For the previous fiscal year (as of March 31, 2019)

(Millions of yen)

Classification	Transaction type	Notional amounts	Of notional amounts, over one year	Fair value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	JPY	4,999	–	(1)	(1)
	Buy:				
	USD	458	–	1	1
	JPY	25,933	–	(117)	(117)
	Interest rate currency swap contracts:				
	Buy:				
	JPY	7,161	–	(296)	(296)
	Total	–	–	(414)	(414)

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

For the current fiscal year (as of March 31, 2020)

(Millions of yen)

Classification	Transaction type	Notional amounts	Of notional amounts, over one year	Fair value	Valuation gain or loss
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	JPY	10,013	–	(381)	(381)
	Buy:				
	USD	7,099	–	1,136	1,136
	THB	39,987	–	(221)	(221)
	JPY	13,465	–	1,863	1,863
	Interest rate currency swap contracts:				
	Buy:				
	JPY	4,920	–	607	607
	Total	–	–	3,005	3,005

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

(2) Interest-related transactions

For the previous fiscal year (as of March 31, 2019)

Not applicable.

For the current fiscal year (as of March 31, 2020)

Not applicable.

## 2. Derivative transactions for which hedge accounting is applied

### (1) Currency-related transactions

For the previous fiscal year (as of March 31, 2019)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Fair value
Principle method	Interest rate currency swap contracts: Buy: USD	Borrowings denominated In foreign currency	6,098	–	(341)
Total			–	–	(341)

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

For the current fiscal year (as of March 31, 2020)

(Millions of yen)

Method of hedge accounting	Type of transactions	Major hedged items	Notional amounts	Of notional amounts, over one year	Fair value
Principle method	Interest rate currency swap contracts: Buy: USD	Borrowings denominated In foreign currency	4,191	–	333
Total			–	–	333

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

### (2) Interest-related transactions

For the previous fiscal year (as of March 31, 2019)

Not applicable.

For the current fiscal year (as of March 31, 2020)

Not applicable.

## Retirement benefits

### 1. Outline of adopted retirement benefit plans

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

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

### 2. Defined benefit plan

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

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Retirement benefit obligation at beginning of period	184,857	192,408
Service cost	9,100	9,095
Interest cost	3,490	3,337
Actuarial gains and losses generated	1,377	3,038
Retirement benefits paid	(11,582)	(14,525)
Prior service cost generated	646	84
Effect of foreign currency translation	2,855	(1,491)
Changes from the effect of business combination	1,696	(812)
Other	(33)	(368)
Retirement benefit obligation at end of period	192,408	190,765

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

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Plan assets at beginning of period	146,459	145,826
Expected return on plan assets	6,742	7,241
Actuarial gains and losses generated	(2,519)	(12,583)
Contribution from employers	1,864	2,172
Retirement benefits paid	(10,511)	(12,882)
Effect of foreign currency translation	2,167	(2,154)
Changes from the effect of business combination	1,881	-
Contribution to retirement benefit trust	-	18,009
Other	(257)	(56)
Plan assets at end of period	145,826	145,571

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

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Retirement benefits obligation for funded plans	178,289	176,302
Plan assets	(145,826)	(145,571)
	32,462	30,730
Retirement benefits obligation for unfunded plans	14,118	14,462
Net amount of liabilities and assets reported on the consolidated balance sheet	46,581	45,193
Retirement benefit liability	51,615	48,252
Retirement benefit asset	(5,033)	(3,058)
Net amount of liabilities and assets reported on the consolidated balance sheet	46,581	45,193

(4) The amounts of components of retirement benefit expenses

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Service cost	9,100	9,095
Interest cost	3,490	3,337
Expected return on plan assets	(6,742)	(7,241)
Amortization of actuarial gains and losses	2,246	2,557
Amortization of prior service cost	(1,440)	(486)
Other	-	50
Retirement benefit expenses for defined benefit plans	6,654	7,311

(5) Remeasurements of defined benefit plans

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

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Prior service cost	1,021	557
Actuarial gains and losses	2,209	13,257
Total	3,232	13,815

#### (6) Remeasurements of defined benefit plans

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

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Unrecognized prior service cost	(3,500)	(2,946)
Unrecognized actuarial gains and losses	24,980	38,242
Total	21,480	35,295

#### (7) Plan assets

##### 1) Major components of plan assets

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

	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Bonds	52%	20%
Short-term funds	10	22
Stocks	32	28
Cash and deposits	2	21
Life insurance company accounts	3	3
Other	1	6
Total	100	100

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

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

#### (8) Actuarial assumptions used

Principal actuarial assumptions

	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Discount rate		
Domestic companies	0.0% - 0.8%	0.0% - 0.8%
Overseas companies	3.0% - 8.7%	2.0% - 8.0%
Expected rate of return		
Domestic companies	0.0% - 4.0%	0.8% - 4.0%
Overseas companies	3.3% - 6.8%	2.2% - 6.8%
Expected future salary increase		
Domestic companies	1.0% - 5.0%	1.0% - 5.0%
Overseas companies	2.5% - 8.0%	2.5% - 9.0%

#### 3. Defined contribution plans

The required contribution of MMC and its consolidated subsidiaries to the defined contribution plans is 1,834 million yen for the previous fiscal year and 1,848 million yen for the current fiscal year.

## Stock options

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

(Millions of yen)

	For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Selling, general and administrative expenses	249	189

### 2. Amount recorded as gain due to forfeiture from non-exercise of the rights

(Millions of yen)

	For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Selling, general and administrative expenses	–	(125)
Non-operating expenses	–	(74)

### 3. Nature, size and status of changes of stock options

#### (1) Description of stock options

	The 1st Stock Options	The 2nd Stock Options	The 3rd Stock Options
Category and number of persons granted	Members of the Board of MMC (excluding Outside Directors): 5 persons	Members of the Board of MMC (excluding Outside Directors): 2 persons	Members of the Board of MMC (excluding Outside Directors): 1 person
Class and number of stock options (Note)	Common stock: 432,446 shares	Common stock: 311,724 shares	Common stock: 406,162 shares
Date of grant	July 14, 2017	July 13, 2018	October 15, 2019
Conditions for vesting	The grantee must hold a position as Member of the Board or Audit & Supervisory Board Member or equivalent position, a position as employee or advisor of MMC or its subsidiaries until the date when his or her share acquisition rights become exercisable.	The grantee must hold a position as Member of the Board or Audit & Supervisory Board Member or equivalent position, a position as employee or advisor of MMC or its subsidiaries until the date when his or her share acquisition rights become exercisable.	The grantee must hold a position as Member of the Board or Audit & Supervisory Board Member or equivalent position, a position as employee or advisor of MMC or its subsidiaries until the date when his or her share acquisition rights become exercisable.
Service period	From July 14, 2017 to April 30, 2020	From July 13, 2018 to April 30, 2021	From October 15, 2019 to April 30, 2022
Exercise period	From May 1, 2020 to April 30, 2070	From May 1, 2021 to April 30, 2071	From May 1, 2022 to April 30, 2052

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

#### (2) Size and status of changes of stock options

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



#### 1) Number of stock options

	The 1st Stock Options	The 2nd Stock Options	The 3rd Stock Options
Non-vested (shares)			
March 31, 2019- Outstanding	780,331	786,534	–
Granted	–	–	406,162
Forfeited	347,885	474,810	–
Vested	–	–	–
Balance of non-vested	432,446	311,724	406,162
Vested (shares)			
March 31, 2019- Outstanding	–	–	–
Vested	–	–	–
Exercised	–	–	–
Forfeited	–	–	–
Balance of non-exercised	–	–	–

#### 2) Prices

	The 1st Stock Options	The 2nd Stock Options	The 3rd Stock Options
Exercise price (Yen)	1	1	1
Average share price at exercise (Yen)	–	–	–
Fair value price at grant date (Yen)	517.42	513.34	372.56

#### 4. Method for estimating the fair value price of stock options granted

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

1) Valuation methodology used      Black-Scholes formula

#### 2) Main basic figures and method of estimation

	The 3rd Stock Options
Share price volatility (Note) 1	39.99%
Expected remaining period (Note) 2	8 years
Expected dividend (Note) 3	15.67 yen per share
Risk-free interest rate (Note) 4	(0.317)%

(Notes) 1. Calculated based on the actual share price for 8 years (from October 2011 to October 2019).

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

3. Average of actual dividends for the last three fiscal years.

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

#### 5. Estimation of the number of stock options vested

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

*Tax-effect accounting*

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Deferred tax assets:		
Net operating losses carried forward (Note) 2	274,644	287,366
Retirement benefit liability	32,370	31,942
Excess amount over limitation of taxable allowance for doubtful accounts	1,887	1,848
Self-disallowed accrued expenses	12,003	9,945
Accounts payable - trade (warranty work costs)	14,283	12,093
Excess amount over limitation of taxable provision for product warranties	14,373	14,432
Non-current assets (including impairment loss)	15,496	17,629
Other	25,738	33,373
Subtotal	390,799	408,631
Valuation allowance related to net operating losses carried forward (Note) 2	(244,084)	(257,780)
Valuation allowance related to total deductible temporary differences	(72,711)	(90,962)
Subtotal valuation allowance (Note) 1	(316,796)	(348,780)
Total deferred tax assets	74,003	59,851
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(3,211)	(85)
Appraisal value of land based on the full fair value method	(2,953)	(2,839)
Reserve for advanced depreciation of non-current assets	(164)	(156)
Accelerated depreciation of overseas subsidiaries	(145)	(0)
Retained earnings of subsidiaries, etc.	(25,076)	(14,839)
Other	(3,697)	(7,315)
Total deferred tax liabilities	(35,249)	(25,236)
Net deferred tax assets (liabilities)	38,753	34,614

(Notes) 1. For the previous fiscal year (from April 1, 2018 to March 31, 2019)

Valuation allowance decreased by 35,026million yen. The main component of this decrease was due to a decrease of 37,111million yen in valuation allowance related to deductible temporary differences and net operating losses carried forward at consolidated subsidiaries overseas, Mitsubishi Motors North America Inc.

For the current fiscal year (from April 1, 2019 to March 31, 2020)

Valuation allowance increased by 31,984 million yen. The main component of this increase was due to a change in corporate classifications when determining the recoverability of deferred tax assets of the Company.

2. Net operating losses carried forward and the amount of related deferred tax assets for each carry-forward period.

For the previous fiscal year (as of March 31, 2019)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Net operating losses carried forward (*1)	5,454	457	14,368	208	245	253,910	274,644
Valuation allowance	5,407	433	14,324	124	107	223,687	244,084
Deferred tax assets	47	23	43	83	137	30,223	30,559

(Notes) 1. Net operating losses carried forward are multiplied by the effective statutory tax rate.

2. Deferred tax assets of 30,559 million yen have been recorded regarding net operating losses carried forward of 274,644 million yen (multiplied by the effective statutory tax rate). These deferred tax assets are mainly recognized portions of net operating losses carried forward of Mitsubishi Motors North America Inc. of 50,079 million yen. MMC expects to record taxable income in the future, and therefore has judged that part of the net operating losses carried forward will be recoverable.

For the current fiscal year (as of March 31, 2020)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Net operating losses carried forward (*1)	498	14,477	205	173	144,582	127,429	287,366
Valuation allowance	438	14,386	125	120	144,532	98,176	257,780
Deferred tax assets	59	90	79	53	49	29,253	29,586

(Notes) 1. Net operating losses carried forward are multiplied by the effective statutory tax rate.

2. Deferred tax assets of 29,586 million yen have been recorded regarding net operating losses carried forward of 287,366 million yen (multiplied by the effective statutory tax rate). These deferred tax assets are mainly recognized portions of net operating losses carried forward of Mitsubishi Motors North America Inc. of 48,756 million yen. MMC expects to record taxable income in the future, and therefore has judged that part of the net operating losses carried forward will be recoverable.

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

	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Effective statutory tax rate	30.3%	30.3%
Reconciliations:		
Share of profit of entities accounted for using equity method	(4.4)	34.0
Permanent differences	0.3	45.5
Difference of applicable tax rates of overseas consolidated subsidiaries, etc.	(6.4)	(143.0)
Retained earnings of subsidiaries, etc.	2.1	(269.3)
Change in valuation allowance	(38.9)	857.8
Income taxes for prior periods	(0.6)	-
Foreign withholding taxes	3.8	156.1
Foreign tax	1.1	(15.2)
Elimination of unrealized profits on inventories	(0.5)	(21.3)
Other	(0.9)	5.2
Actual effective income tax rate after application of tax-effect accounting	(14.1)	680.1

### *Change in presentation*

2. In the reconciliation of significant differences between the effective statutory tax rate and effective income tax rate after application of tax-effect accounting, “Foreign tax” which was included in “Other” in the fiscal year ended March 31, 2019 has been separately presented from the fiscal year ended March 31, 2020 to increase the importance.

Consequently, (0.3)%, which was presented in “Other” was reclassified as “Foreign tax” of 1.1%, “Elimination of unrealized profits on inventories” of (0.5)% and “Other” of (0.9)%.

### *Business combinations, etc.*

This information is omitted because it is immaterial.

### *Asset retirement obligations*

Asset retirement obligations recorded in the consolidated balance sheet

#### 1. Outline of asset retirement obligations

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

#### 2. Method of computing the amount of asset retirement obligations

The amount of asset retirement obligations is computed using the discount rate from (0.3)% to 4.4%, assuming the estimated available period to be 1 year to 59 years.

#### 3. Changes in total amount of asset retirement obligations

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

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Balance at beginning of period	5,241	4,994
Increase due to acquisition of property, plant and equipment	2,059	199
Adjustments associated with passage of time	62	63
Decrease due to settlement of asset retirement obligations	(35)	(133)
Other changes (decrease)	(2,384)	(68)
Balance at end of period	4,944	5,005

### *Investment properties*

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

Segment information, etc.

[Segment information]

1. Overview of reportable segments

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 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.

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

The accounting method for the reportable segments is the same as "Material basis of preparation of the consolidated financial statements." Intersegment sales and transfers are based on the price in the arms-lengths transaction.

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

For the previous fiscal year (from April 1, 2018 to March 31, 2019)

	(Millions of yen)				
	Automobiles	Financial services	Total	Adjustment (*1)	Grand total (*2)
Net sales					
External customers	2,491,241	23,353	2,514,594	–	2,514,594
Intersegment sales	4,359	732	5,092	(5,092)	–
Total	2,495,601	24,086	2,519,687	(5,092)	2,514,594
Segment profit (loss)	108,380	4,069	112,450	(635)	111,815
Segment assets	1,758,273	338,447	2,096,721	(86,411)	2,010,309
Other items					
Depreciation (*3)	59,271	2,908	62,179	–	62,179
Investment in equity method associates	109,433	–	109,433	–	109,433
Increase in property, plant and equipment and intangible assets (*3)	145,676	5,360	151,036	–	151,036

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

For the current fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Automobiles	Financial services	Total	Adjustment (*1)	Grand total (*2)
Net sales					
External customers	2,234,668	35,608	2,270,276	–	2,270,276
Intersegment sales	17,273	4,783	22,056	(22,056)	–
Total	2,251,941	40,391	2,292,333	(22,056)	2,270,276
Segment profit (loss)	7,762	5,641	13,403	(615)	12,788
Segment assets	1,643,699	345,183	1,988,883	(50,760)	1,938,123
Other items					
Depreciation (*3)	70,373	4,416	74,789	–	74,789
Investment in equity method associates	101,877	–	101,877	–	101,877
Increase in property, plant and equipment and intangible assets (*3)	112,982	15,654	128,636	–	128,636

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

[Related information]

For the previous fiscal year (from April 1, 2018 to March 31, 2019)

1. Information by products and services

The information is omitted here, as the classifications are the same as reportable segments.

2. Information by geographic region

(1) Net sales

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

(Millions of yen)

Japan	North America		Europe	Asia		Oceania	Other	Total
		The United States			Thailand			
428,674	387,850	271,836	514,070	663,937	210,575	221,617	298,444	2,514,594

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

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

(2) Property, plant and equipment

(Millions of yen)

Japan	Thailand	Indonesia	Other	Total
325,072	60,296	41,860	25,288	452,517

Supplementary information

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

(Millions of yen)

	Japan	North America	Europe	Asia	Oceania	Other	Total	Adjustment	Grand total
Net sales									
(1) External customers	1,211,792	365,004	225,744	479,491	221,617	10,945	2,514,594	–	2,514,594
(2) Intersegment sales	876,428	7,328	2,693	555,121	30	–	1,441,602	(1,441,602)	–
Total	2,088,220	372,332	228,437	1,034,612	221,647	10,945	3,956,197	(1,441,602)	2,514,594
Operating profit (loss)	20,676	14,094	9,073	62,746	5,084	398	112,074	(258)	111,815

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

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

3. Information on major customers

(Millions of yen)

Customer	Net sales	Relevant segment
Mitsubishi Corporation	319,762	Automobiles

For the current fiscal year (from April 1, 2019 to March 31, 2020)

1. Information by products and services

The information is omitted here, as the classifications are the same as reportable segments.

2. Information by geographic region

(1) Net sales

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

(Millions of yen)

Japan	North America		Europe	Asia		Oceania	Other	Total
		The United States			Thailand			
460,473	315,060	275,292	474,663	593,645	197,812	176,854	249,579	2,270,276

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

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

(2) Property, plant and equipment

(Millions of yen)

Japan	Thailand	Indonesia	Other	Total
340,439	72,116	37,385	29,683	479,624

Supplementary information

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

(Millions of yen)

	Japan	North America	Europe	Asia	Oceania	Other	Total	Adjustment	Grand total
Net sales									
(1) External customers	891,717	306,572	415,913	468,395	176,854	10,824	2,270,276	–	2,270,276
(2) Intersegment sales	994,131	5,452	2,470	547,081	20	–	1,549,157	(1,549,157)	–
Total	1,885,848	312,025	418,383	1,015,476	176,874	10,824	3,819,433	(1,549,157)	2,270,276
Operating profit (loss)	(57,906)	3,266	8,897	50,200	2,843	407	7,710	5,077	12,788

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

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

3. Information on major customers

This information is omitted because net sales to a specific customer did not amount to 10% of the net sales on the consolidated statement of income.

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

For the previous fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Automobiles	Financial services	Total	Adjustment	Grand total
Impairment loss	854	–	854	–	854

For the current fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Automobiles	Financial services	Total	Adjustment	Grand total
Impairment loss	2,292	–	2,292	–	2,292

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

For the previous fiscal year (from April 1, 2018 to March 31, 2019)

This information is omitted because it is immaterial.

For the current fiscal year (from April 1, 2019 to March 31, 2020)

This information is omitted because it is immaterial.

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

For the previous fiscal year (from April 1, 2018 to March 31, 2019)

Not applicable.

For the current fiscal year (from April 1, 2019 to March 31, 2020)

Not applicable.



## Information on related party transactions

### 1. Transactions with related parties

#### (1) Transactions of MMC with related parties

##### (i) Parent company and major shareholders, etc. of MMC

For the previous fiscal year (from April 1, 2018 to March 31, 2019)

Type	Name	Location	Capital (Millions of yen)	Business	Percentage of voting rights holding (held) (%)	Relation	Transactions	Amount (Millions of yen)	Account item	Year-end balance (Millions of yen)
Other related company	Mitsubishi Corporation	Chiyoda-ku, Tokyo	204,447	Wholesale trade	(Held) Direct:: 9.25 Indirect: 10.77	Sales of products, etc. and purchase of raw materials Concurrent positions of corporate officers	Sales of products (*2)	319,762 (*3)	Accounts receivable - trade	13,394

For the current fiscal year (from April 1, 2019 to March 31, 2020)

Type	Name	Location	Capital (Millions of yen)	Business	Percentage of voting rights holding (held) (%)	Relation	Transactions	Amount (Millions of yen)	Account item	Year-end balance (Millions of yen)
Other related company	Nissan Motor Co., Ltd.	Yokohama-city, Kanagawa	605,814	Production and sales of automobiles and related businesses	(Hold) Direct:: 34.04	Mutual sharing, etc. of technological resources and mutual sales of products, etc. Concurrent positions of corporate officers Leasing of facilities, etc.	Automobile parts purchasing (*2)	105,823 (*4)	Electronically recorded obligations - operating	31,440
									Notes and accounts payable - trade	20,022

##### (ii) Unconsolidated subsidiaries and associates, etc. of MMC

For the previous fiscal year (from April 1, 2018 to March 31, 2019)

Type	Name	Location	Capital (Millions of yen)	Business	Percentage of voting rights holding (held) (%)	Relation	Transactions	Amount (Millions of yen)	Account item	Year-end balance (Millions of yen)
Related company	JATCO Ltd	Fuji-city, Shizuoka	29,935	Development, production and sales of transmission and automobile parts	(Hold) Direct:: 15.04	Automobile parts purchasing	Automobile parts purchasing (*2)	86,538	Electronically recorded obligations - operating	19,313
									Notes and accounts payable - trade	4,840

For the current fiscal year (from April 1, 2019 to March 31, 2020)

Type	Name	Location	Capital (Millions of yen)	Business	Percentage of voting rights holding (held) (%)	Relation	Transactions	Amount (Millions of yen)	Account item	Year-end balance (Millions of yen)
Related company	JATCO Ltd	Fuji-city, Shizuoka	29,935	Development, production and sales of transmission and automobile parts	(Hold) Direct:: 15.04	Automobile parts purchasing	Automobile parts purchasing (*2)	66,066	Electronically recorded obligations - operating	16,375
									Notes and accounts payable - trade	6,069

(2) Transactions of consolidated subsidiaries of MMC with related parties

Parent company and major shareholders, etc. of MMC

For the previous fiscal year (from April 1, 2018 to March 31, 2019)

Type	Name	Location	Capital (Millions of yen)	Business	Percentage of voting rights holding (held) (%)	Relation	Transactions	Amount (Millions of yen)	Account item	Year-end balance (Millions of yen)
Other related company	Mitsubishi Corporation	Chiyoda-ku, Tokyo	204,447	Wholesale trade	(Held) Direct: 9.25 Indirect: 10.77	Purchase of raw materials Concurrent positions of corporate officers	Purchase of raw materials (*2)	— (*5)	Notes and accounts payable - trade	23,872

For the current fiscal year (from April 1, 2019 to March 31, 2020)

Not applicable.

- (Notes) (\*1) The above amount of transactions does not include consumption taxes and year-end balance includes consumption taxes.
- (\*2) Terms and conditions of transactions and the policies on determination thereof:  
Sales prices of products, etc. are determined after examination and negotiations considering market prices and total costs.  
Purchase prices of products, etc. are determined after examination and negotiations considering estimated costs, prices of current products, etc., and market prices for each product, etc.
- (\*3) The above amounts of transactions do not include transactions which are eliminated in the consolidated with consolidated subsidiaries via Mitsubishi Corporation.
- (\*4) The above amounts of transactions do not include transactions which are eliminated in the consolidated with consolidated subsidiaries via Nissan Motor Co., Ltd.
- (\*5) The above amounts of transactions do not include transactions which are eliminated in the consolidated with MMC via Mitsubishi Corporation.

*Per share information*

(Yen)

	For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Net assets per share	585.75	519.15
Basic earnings (loss) per share	89.26	(17.32)
Diluted earnings per share	89.18	–

(Note) 1. Diluted earnings per share for the fiscal year ended March 31, 2020 is not provided because MMC recorded a basic loss per share, although potential dilutive shares did exist.

2. Basis for calculation for basic earnings per share and diluted earnings per share are as follows:

	For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Basic earnings (loss) per share		
Profit (loss) attributable to owners of the parent (Millions of yen)	132,871	(25,779)
Amounts not attributable to shareholders of common stock (Millions of yen)	–	–
Profit (loss) attributable to owners of parent pertaining to common stock (Millions of yen)	132,871	(25,779)
Average number of shares of common stock outstanding during the period (Thousands of shares)	1,488,627	1,488,312
Diluted earnings per share		
Profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of shares of common stock (Thousands of shares)	1,343	–
(Of which, share acquisition rights (Thousands of shares))	(1,343)	(–)
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect with significant changes from the previous fiscal year	–	–

*Subsequent events*

1. Impact of COVID-19

In light of the status of demand in the automobile market following the global spread of COVID-19, the MMC Group expects there will be some effects on its business performance and financial position for the next fiscal year such as temporarily suspending operations at vehicle factories in Japan and overseas.

Currently, it is difficult to precisely estimate the amount of this impact.

## 2. Borrowing of funds

MMC has borrowed the following borrowing from MUFG Bank, Ltd. and 8 other banks.

- (1) Use of funds: Long-term working capital
- (2) Lender: MUFG Bank, Ltd. and 8 other banks
- (3) Total amount borrowed: 200,000 million yen
- (4) Drawdown date: May 11, 2020 and May 28, 2020
- (5) Due date: May 11, 2022 and May 27, 2022
- (6) Interest rate: Base rate plus spread and fixed rate
- (7) Collaterals: Unsecured and unguaranteed
- (8) Covenants: Financial covenants on conditions related to the Group's consolidated financial results

Other than the above, the consolidated subsidiaries have borrowed money of a total of 59,487 million yen as operating funds for a short term.

5) Consolidated supplementary schedules

*Detailed schedule of bonds payable*

Not applicable.

*Detailed schedule of borrowings*

Classification	Balance at beginning of the fiscal year ended March 31, 2020 (Millions of yen)	Balance at end of the fiscal year ended March 31, 2020 (Millions of yen)	Average interest rate (%)	Due
Short-term loans payable	44,419	62,426	2.4	–
Current portion of long-term loans payable	50,377	55,661	0.4	–
Current portion of lease obligations	777	3,422	3.5	–
Long-term loans payable (excluding current portion)	83,122	99,388	0.3	2022 to 2024
Lease obligations (excluding current portion)	1,499	20,197	4.3	2022 to 2052
Other interest-bearing debt				
Other (Commercial papers – current liabilities)	50,800	58,300	0.1	–
Other (Deposits received from employees - current liabilities)	3,587	3,393	0.5	–
Other (Deposits received - current liabilities)	3,283	2,938	0.1	–
Other (Guarantee deposits received - non-current liabilities)	2,282	2,219	0.0	–
<b>Total</b>	<b>240,151</b>	<b>307,947</b>	<b>–</b>	<b>–</b>

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

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

(Millions of yen)

	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years
Long-term loans payable	36,635	34,895	22,176	5,230
Lease obligations	1,753	1,565	1,135	868

*Detailed schedule of asset retirement obligations*

In accordance with Article 92-2 of the Regulation on Consolidated Financial Statements, the schedule of asset retirement obligations is omitted because the amounts of asset retirement obligations at the beginning and the end of the current fiscal year were one percent or less of the total amount of liabilities and net assets at the beginning and the end of the current fiscal year.

(2) Other

Quarterly financial information and others for the current fiscal year

(Cumulative period)	First quarter (Three months ended June 30, 2019)	Second quarter (Six months ended September 30, 2019)	Third quarter (Nine months ended December 31, 2019)	Full year (Fiscal year ended March 31, 2020)
Net sales (Millions of yen)	536,164	1,127,955	1,666,914	2,270,276
Profit (loss) before income taxes (Millions of yen)	7,261	8,097	4,924	3,801
Profit (loss) attributable to owners of parent (Millions of yen)	9,312	2,598	(11,760)	(25,779)
Basic earnings (loss) per share (Yen)	6.26	1.75	(7.90)	(17.32)

(Accounting period)	First quarter (from April 1, 2019 to June 30, 2019)	Second quarter (from July 1, 2019 to September 30, 2019)	Third quarter (from October 1, 2019 to December 31, 2019)	Fourth quarter (from January 1, 2020 to March 31, 2020)
Basic earnings (loss) per share (Yen)	6.26	(4.51)	(9.65)	(9.42)

## 2. Non-consolidated financial statements

### (1) Non-consolidated financial statements

#### (a) Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	153,918	152,291
Accounts receivable - trade	(*) 178,025	(*) 190,133
Finished goods	36,281	46,119
Work in process	17,312	20,200
Raw materials and supplies	16,273	14,104
Prepaid expenses	2,308	1,740
Short-term loans receivable	(*) 79,583	(*) 43,444
Accounts receivable - other	(*)1, (*)2 62,796	(*)1, (*)2 58,626
Other	(*) 13,187	(*) 14,160
Allowance for doubtful accounts	(1,155)	(1,662)
Total current assets	558,532	539,160
Non-current assets		
Property, plant and equipment		
Buildings	(*)4 54,029	(*)4 56,127
Structures	(*)4 7,085	(*)4 7,610
Machinery and equipment	(*)4 51,606	(*)4 61,790
Vehicles	(*)4 1,784	(*)4 1,325
Tools, furniture and fixtures	(*)4 39,711	(*)4 36,705
Land	70,109	69,624
Construction in progress	26,001	34,114
Total property, plant and equipment	250,330	267,297
Intangible assets		
Intangible assets	34,424	43,965
Total intangible assets	34,424	43,965
Investments and other assets		
Investment securities	(*)1 24,376	7,435
Shares of subsidiaries and associates	189,205	186,766
Long-term loans receivable	(*)2 7,532	(*)2 5,298
Investments in capital of subsidiaries and associates	16,393	12,686
Guarantee deposits	(*)2 5,926	(*)2 6,022
Long-term prepaid expenses	14,853	16,572
Prepaid pension costs	–	3,943
Deferred tax assets	8,238	–
Other	5,790	5,539
Allowance for doubtful accounts	(1,186)	(979)
Total investments and other assets	271,131	243,285
Total non-current assets	555,886	554,549
Total assets	1,114,419	1,093,709

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
Current liabilities		
Electronically recorded obligations - operating	(*) 49,408	(*) 75,300
Accounts payable - trade	(*) 284,694	(*) 221,590
Lease obligations	665	637
Accounts payable - other	(*) 91,788	(*) 127,201
Income taxes payable	(*) 1,078	(*) 754
Accrued expenses	(*) 7,408	(*) 7,201
Deposits received	(*) 13,466	(*) 44,095
Provision for product warranties	25,732	29,483
Provision for loss on fuel economy test	3,758	2,304
Other	15,502	19,167
Total current liabilities	493,502	527,735
Non-current liabilities		
Lease obligations	1,121	921
Guarantee deposits received	(*) 1,643	(*) 1,593
Provision for retirement benefits	9,503	167
Long-term accounts payable - other	(*) 4,475	2,625
Deferred tax liabilities	-	1,183
Asset retirement obligations	3,368	3,435
Other	5,936	5,941
Total non-current liabilities	26,048	15,867
Total liabilities	519,551	543,603
Net assets		
Shareholders' equity		
Share capital	284,382	284,382
Capital surplus		
Legal capital surplus	118,680	118,680
Other capital surplus	85,257	85,257
Total capital surpluses	203,938	203,938
Retained earnings		
Legal retained earnings	5,605	5,605
Other retained earnings		
Retained earnings brought forward	95,032	58,229
Total retained earnings	100,638	63,834
Treasury shares	(1,728)	(1,728)
Total shareholders' equity	587,231	550,427
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,280	(666)
Total valuation and translation adjustments	7,280	(666)
Share acquisition rights	356	345
Total net assets	594,867	550,106
Total liabilities and net assets	1,114,419	1,093,709



## (b) Non-consolidated statement of income

(Millions of yen)

	For the fiscal year ended March 31, 2019		For the fiscal year ended March 31, 2020	
Net sales	(*)	1,999,428	(*)	1,802,415
Cost of sales	(*)	1,761,140	(*)	1,653,788
Gross profit		238,288		148,626
Selling, general and administrative expenses				
Advertising and promotion expenses		44,743		29,339
Transportation costs		47,617		43,948
Provision of allowance for doubtful accounts		(60)		475
Remuneration, salaries and allowances for directors (and other officers)		30,697		31,299
Provision for retirement benefits		1,306		1,653
Depreciation		8,961		12,447
Research and development expenses		65,797		73,629
Other		28,588		22,345
Total selling, general and administrative expenses		227,651		215,138
Operating profit (loss)		10,636		(66,512)
Non-operating income				
Interest and dividend income	(*)	65,164	(*)	87,371
Other		2,318		773
Total non-operating income		67,483		88,144
Non-operating expenses				
Interest expenses	(*)	86	(*)	328
Foreign exchange losses		6,883		10,864
Other		6,837		3,982
Total non-operating expenses		13,807		15,175
Ordinary profit (loss)		64,312		6,456
Extraordinary income				
Gain on sales of non-current assets	(*)	107		132
Gain on contribution of securities to retirement benefit trust		–		9,376
Gain on sales of shares of subsidiaries and associates		–		2,254
Reversal of provision for fuel economy test	(*), (*2)	2,922		–
Other		12		138
Total extraordinary income		3,042		11,902
Extraordinary losses				
Loss on retirement of non-current assets		2,103		2,864
Loss on valuation of investments in capital of subsidiaries and associates		–		3,707
Loss on sales of facilities		–		2,376
Loss on disaster		2,049		–
Other	(*)	544		1,234
Total extraordinary losses		4,697		10,183
Profit (loss) before income taxes		62,658		8,176
Income taxes - current		3,472		2,689
Income taxes - deferred		4,435		12,524
Total income taxes		7,907		15,213
Profit (loss)		54,750		(7,037)

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

(Millions of yen)

For the fiscal year ended March 31, 2019	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total sharehol- ders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	284,382	118,680	85,257	203,938	5,605	70,065	75,671	(220)	563,771
Changes during period									
Dividends of surplus						(29,783)	(29,783)		(29,783)
Profit (loss)						54,750	54,750		54,750
Purchase of treasury shares								(1,507)	(1,507)
Net changes in items other than shareholders' equity									
Total changes during period	-	-	-	-	-	24,967	24,967	(1,507)	23,459
Balance at end of period	284,382	118,680	85,257	203,938	5,605	95,032	100,638	(1,728)	587,231

For the fiscal year ended March 31, 2019	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for- sale securities	Total valuation and translation adjustments		
Balance at beginning of period	7,112	7,112	106	570,991
Changes during period				
Dividends of surplus				(29,783)
Profit (loss)				54,750
Purchase of treasury shares				(1,507)
Net changes in items other than shareholders' equity	167	167	249	416
Total changes during period	167	167	249	23,875
Balance at end of period	7,280	7,280	356	594,867

(Millions of yen)

For the fiscal year ended March 31, 2020	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings			Treasury shares	Total sharehol- ders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	284,382	118,680	85,257	203,938	5,605	95,032	100,638	(1,728)	587,231
Changes during period									
Dividends of surplus						(29,766)	(29,766)		(29,766)
Profit (loss)						(7,037)	(7,037)		(7,037)
Purchase of treasury shares								(0)	(0)
Net changes in items other than shareholders' equity									
Total changes during period	-	-	-	-	-	(36,803)	(36,803)	(0)	(36,803)
Balance at end of period	284,382	118,680	85,257	203,938	5,605	58,229	63,834	(1,728)	550,427

For the fiscal year ended March 31, 2020	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available- for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	7,280	7,280	356	594,867
Changes during period				
Dividends of surplus				(29,766)
Profit (loss)				(7,037)
Purchase of treasury shares				(0)
Net changes in items other than shareholders' equity	(7,946)	(7,946)	(10)	(7,957)
Total changes during period	(7,946)	(7,946)	(10)	(44,761)
Balance at end of period	(666)	(666)	345	550,106

## Notes

### *Significant accounting policy*

#### 1. Valuation basis and methods for assets

##### (1) Securities

Shares of subsidiaries and associates:

Carried at cost determined by the moving average method.

Available-for-sale securities:

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

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

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

Stated at cost determined by the moving average method.

##### (2) Derivative financial instruments

Market price method

##### (3) Inventories

Finished goods and work in process

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

Raw materials and supplies

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

#### 2. Depreciation and amortization method for non-current assets

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

Depreciation of property, plant and equipment is calculated using the declining balance method (however, the straight line method is applied to buildings (excluding building improvements) acquired on or after April 1, 1998).

The useful lives of the assets are based on the estimated lives of assets for MMC. The main useful lives of assets are as follows.

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

##### *Low value depreciable assets*

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

##### (2) Intangible assets (excluding leased assets)

Intangible assets are amortized using the straight line method.

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

### (3) Leased assets

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

### (4) Long-term prepaid expenses

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

## 3. Allowances and provisions

### (1) Allowance for doubtful accounts

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

### (2) Provision for product warranties

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

### (3) Provision for loss on fuel consumption test

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

### (4) Provision for retirement benefits

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

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

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

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

## 4. Hedge accounting

Forward foreign exchange contracts:

Deferral hedge accounting (those with forecast transactions)

## 5. Accounting for consumption taxes

Consumption tax is accounted for by tax-exclusion method.

## 6. Application of consolidated taxation system

The consolidated taxation system is applied.

7. Application of tax effect accounting in relation to the transition from the consolidated taxation system to the group tax sharing system

For the transition to the group tax sharing system established by the Act on Partial Revision of the Income Tax Act (Act No. 8 of 2020) and items for which the non-consolidated tax payment system has been revised in conjunction with the transition to the group tax sharing system, MMC has not applied the provisions of paragraph 44 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018), and has recognized the amounts of deferred tax assets and deferred tax liabilities in accordance with the provisions of the tax law prior to revision, based on the treatment of paragraph 3 in Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ PITF No. 39, March 31, 2020).

*Additional information*

Regarding the impact of COVID-19, there is currently no consensus on how infections will spread in the future, or when the spread of infections will be brought under control, etc. Given limited objective information from external sources, MMC assumes demand will drop, especially in the first half of the next fiscal year, with a gradual recovery in the second half of the fiscal year, and that the impact will be limited in subsequent fiscal years. Accordingly, accounting estimates such as impairment loss on non-current assets and recoverability of deferred tax assets, etc. are recognized based on these assumptions.

*Non-consolidated balance sheet*

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

Assets pledged as collateral

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Accounts receivable - other (Note 1)	1,156	1,227
Investment securities (Note 2)	46	-
<b>Total</b>	<b>1,202</b>	<b>1,227</b>

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

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

MMC has no obligations for such collateral.

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

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Short-term monetary receivables	251,570	208,659
Long-term monetary receivables	7,028	4,393
Short-term monetary payables	136,894	192,813
Long-term monetary payables	579	415

3. Guarantee obligation

(1) Guarantee obligation

For the fiscal year ended March 31, 2019 (As of March 31, 2019)			For the fiscal year ended March 31, 2020 (As of March 31, 2020)		
Guaranteed	Guaranteed amount	Description of guaranteed obligation	Guaranteed	Guaranteed amount	Description of guaranteed obligation
MMD Automobile GmbH	3,469	Liquidation of receivables	MMD Automobile GmbH	7,094	Liquidation of receivables
PT. Mitsubishi Motors Krama Yudha Sales Indonesia	6,696	Bank loans	PT. Mitsubishi Motors Krama Yudha Sales Indonesia	5,556	Bank loans
M Motors Automobiles France S.A.S.	2,202	Liquidation of receivables	M Motors Automobiles France S.A.S.	-	-
MM Automobile Schweiz AG	1,066	Liquidation of receivables	MM Automobile Schweiz AG	-	-
PCMA Rus, LLC	252	Bank loans and others	PCMA Rus, LLC	-	-
Employees	376	(Note)	Employees	283	(Note)
<b>Total</b>	<b>14,063</b>		<b>Total</b>	<b>12,933</b>	

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



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

(Millions of yen)	
For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
2,147	1,719

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

(Millions of yen)		
	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Accumulated depreciation of property, plant and equipment	583,333	591,320

*Non-consolidated statement of income*

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

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)	For the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)
Operating transactions:		
Sales	1,536,497	1,558,523
Purchase	709,264	769,650
Non-operating transactions	65,477	90,300

(\*2) Reversal of provision for loss on fuel consumption test

For the previous fiscal year (from April 1, 2018 to March 31, 2019)

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

*Securities*

Stocks of subsidiaries and associates (amounts on the non-consolidated balance sheet for the current fiscal year are 165,191 million yen in stocks of subsidiaries and 21,575 million yen in stocks of associates and amounts for the previous fiscal year are 167,856 million yen in stocks of subsidiaries and 21,349 million yen in stocks of associates) do not have market values, and as it has been deemed extremely difficult to measure their fair values, these have been omitted.

## Tax-effect accounting

### 1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Deferred tax assets:		
Net operating losses carried forward	224,265	238,293
Excess amount over limitation of taxable allowance for doubtful accounts	708	799
Excess amount over limitation of taxable provision for retirement benefits	21,707	18,166
Denial of loss on valuation of subsidiaries and associates' stocks	111,086	110,283
Warranty construction cost	14,283	12,093
Provision for product warranties	7,791	8,930
Provision for loss on fuel consumption test	1,138	697
Other	28,234	33,604
Subtotal	409,216	422,869
Valuation allowance related to net operating losses carried forward	(224,265)	(238,293)
Valuation allowance related to total deductible temporary differences	(172,230)	(184,576)
Subtotal valuation allowance	(396,495)	(422,869)
Total deferred tax assets	12,721	-
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(3,161)	(59)
Other	(1,321)	(1,124)
Total deferred tax liabilities	(4,482)	(1,183)
Net deferred tax assets (liabilities)	8,238	(1,183)

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

	For the fiscal year ended March 31, 2019 (As of March 31, 2019)	For the fiscal year ended March 31, 2020 (As of March 31, 2020)
Effective statutory tax rate	30.3%	30.3%
Reconciliations:		
Non-deductible items (entertainment expenses, etc.)	0.2	12.9
Non-taxable items (dividend income)	(28.8)	(302.1)
Foreign withholding taxes	7.2	72.6
Foreign tax	2.1	(7.1)
Change in valuation allowance	2.1	383.3
Other	(0.4)	(3.9)
Actual effective income tax rate after application of tax-effect accounting	12.6	186.1

### *Subsequent events*

#### 1. Impact of COVID-19

In light of the status of demand in the automobile market following the global spread of COVID-19, MMC expects there will be some effects on its business performance and financial position for the next fiscal year such as temporarily suspending operations at vehicle factories in Japan.

Currently, it is difficult to precisely estimate the amount of this impact.

#### 2. Borrowing of funds

MMC has made the following borrowings from MUFG Bank, Ltd. and 8 other banks.

- (1) Use of funds: Long-term working capital
- (2) Lender: MUFG Bank, Ltd. and 8 other banks
- (3) Total amount borrowed: 200,000 million yen
- (4) Drawdown date: May 11, 2020 and May 28, 2020
- (5) Due date: May 11, 2022 and May 27, 2022
- (6) Interest rate: Base rate plus spread and fixed rate
- (7) Collaterals: Unsecured and unguaranteed
- (8) Covenants: Financial covenants on conditions related to the Group's consolidated financial results

#### 4) Non-consolidated supplementary schedules

##### *Detailed schedule of non-current assets*

(Millions of yen)

Type of assets		Balance at beginning of current period	Increase in current period	Decrease in current period	Balance at end of current period	Accumulated depreciation or amortization at end of current period	Depreciation or amortization for current period	Carrying amount at end of current period
Property, plant and equipment	Buildings	158,272	7,630	3,397	162,504	106,377	4,832	56,127
	Structures	37,286	1,426	(169)	38,102	30,492	834	7,610
	Machinery and equipment	366,509	(*1) 22,281	(*5) 11,660	377,130	315,339	11,385	61,790
	Vehicles	6,259	550	(9)	5,640	4,314	595	1,325
	Tools, furniture and fixtures	169,224	(*2) 13,587	(345)	171,501	134,796	15,712	36,705
	Land	70,109	95	(*6) 11,311	69,624	—	—	69,624
	Construction in progress	26,001	(*3) 47,558	(794)	34,114	—	—	34,114
Total property, plant and equipment		833,663	93,129	68,175 (1,361)	858,617	591,320	33,361	267,297
Intangible assets	Patent right	892	0	0	892	274	111	618
	Software	31,860	9,305	2,055	39,110	18,735	6,569	20,375
	Other	16,033	(*4) 16,512	(107)	23,102	130	43	22,972
Total intangible assets		48,786	25,818	11,499 (107)	63,106	19,140	6,724	43,965

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

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

(\*1) Major increases in machinery and equipment

Passenger car production facilities 13,004 million yen

Engine production facilities 3,649 million yen

Research and development facilities 5,082 million yen

(\*2) Major increases in tools, furniture and fixtures

Passenger car production facilities 5,877 million yen

Minicar production facilities 2,214 million yen

Engine production facilities 1,146 million yen

Research and development facilities 2,820 million yen

(\*3) Major increases in construction in progress

Passenger car production facilities 18,841 million yen

Engine production facilities 10,872 million yen

Research and development facilities 12,653 million yen

(\*4) Major increases in other intangible assets

Passenger car production facilities 119 million yen

Research and development facilities 346 million yen

Development of systems 15,879 million yen

(\*5) Major decreases in machinery and equipment

Passenger car production facilities 1,083 million yen

Minicar production facilities 1,746 million yen

Engine production facilities 6,059 million yen

Research and development facilities 1,455 million yen

(\*6) Major decreases in tools, furniture and fixtures

Passenger car production facilities 5,511 million yen

Minicar production facilities 2,264 million yen

Engine production facilities 1,942 million yen

Research and development facilities 421 million yen

*Detailed schedule of allowances and provisions*

(Millions of yen)

Account	Balance at beginning of current period	Increase in current period	Decrease in current period	Balance at end of current period
Allowance for doubtful accounts	2,341	507	207	2,641
Provision for product warranties	25,732	12,469	8,718	29,483
Provision for loss on fuel consumption test	3,758	124	1,579	2,304

(2) Details of major assets and liabilities

This information is omitted because MMC prepares consolidated financial statements.

(3) Other

1) Information after the balance sheet date

There are no noteworthy matters to report.

2) Significant lawsuits, etc.

There are no noteworthy matters to report.

## VI. Overview of Operational Procedures for Shares

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

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

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

## VII. Reference Information of Reporting Company

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

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

### 2. Other reference information

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

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

Fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

Submitted to the Director-General of the Kanto Local Finance Bureau on June 21, 2019

#### (2) Internal Control Report and Accompanying Documents

Submitted to the Director-General of the Kanto Local Finance Bureau on June 21, 2019

#### (3) Quarterly Securities Reports and Confirmation Letter

First Quarter of FY2019 (from April 1, 2019 to June 30, 2019)

Submitted to the Director-General of the Kanto Local Finance Bureau on August 2, 2019

Second Quarter of FY2019 (from July 1, 2019 to September 30, 2019)

Submitted to the Director-General of the Kanto Local Finance Bureau on November 8, 2019

Third Quarter of FY2019 (from October 1, 2019 to December 31, 2019)

Submitted to the Director-General of the Kanto Local Finance Bureau on February 7, 2020

#### (4) Extraordinary Report

Submitted to the Director-General of the Kanto Local Finance Bureau on June 25, 2019

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

Submitted to the Director-General of the Kanto Local Finance Bureau on August 29, 2019

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

Submitted to the Director-General of the Kanto Local Finance Bureau on September 27, 2019

The Extraordinary Report according to the provision of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item (ii)-2 (issuance of share acquisition rights) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on December 2, 2019

The Extraordinary Report according to the provision of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item (ix) (changes of the representative directors) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on January 31, 2020

The Extraordinary Report according to the provision of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item (ix) (changes of the representative directors) of the Cabinet Office Order on Disclosure of Corporate Affairs.



Submitted to the Director-General of the Kanto Local Finance Bureau on March 11, 2020

The Extraordinary Report according to the provision of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item (ix) (changes of the representative directors) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on March 31, 2020

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

Submitted to the Director-General of the Kanto Local Finance Bureau on June 22, 2020

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

(5) Amendment Report of Extraordinary Report

Submitted to the Director-General of the Kanto Local Finance Bureau on October 16, 2019

Amended Report of Extraordinary Report (issuance of share acquisition rights) submitted to the Director-General of the Kanto Local Finance Bureau on September 27, 2019.

**B. Information on Guarantors for the Company**

Not applicable

## **Independent Auditors' Audit Report and Internal Control Audit Report**

(English Translation)

June 25, 2020

The Board of Directors

MITSUBISHI MOTORS CORPORATION

Ernst & Young ShinNihon LLC  
Tokyo, Japan

Yoji Murohashi  
Designated and Engagement Partner  
Certified Public Accountant

Takeshi Saida  
Designated and Engagement Partner  
Certified Public Accountant

Taichi Muto  
Designated and Engagement Partner  
Certified Public Accountant

<Financial statements audit>

### *Opinion*

We have audited, pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements included in "Financial Information," which consist of the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets, consolidated statement of cash flows, material basis of the preparation of consolidated financial statements and other notes, and consolidated supplementary schedules of MITSUBISHI MOTORS CORPORATION (hereinafter referred to as the "Company") for the fiscal year ended March 31, 2020 (April 1, 2019 through March 31, 2020).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as of March 31, 2020, and their consolidated financial performance and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Audit Committee 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit Committee is responsible for overseeing the performance of duties by Executive Officers and Directors regarding the development and operation of the Group's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and

maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

<Internal control audit>

*Opinion*

We also have audited, pursuant to the provisions of Article 193-2, paragraph (2) of the Financial Instruments and Exchange Act of Japan, the internal control report as of March 31, 2020 of the Company.

In our opinion, the internal control report referred to above, which represents that the internal control over financial reporting of the Company as of March 31, 2020 is effective, presents fairly, in all material respects, the result of management's assessment on internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

*Basis for Opinion*

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under auditing standards for internal control over financial reporting are described in the Auditor's Responsibilities for Audit of the Internal Control section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

*Responsibilities of Management and Audit Committee for the Internal Control Report*

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

The Audit & Supervisory Board is responsible for supervising and inspecting the provision and status of operation of internal control over financial reporting.

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

*Auditor's Responsibilities for Audit of the Internal Control*

Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement and to issue an auditor's report of internal control that expresses our opinion on the internal control report based on our audit from an independent point of view.

In accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. Our audit of the internal control involves the following:

- We perform auditing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in the internal control report. The procedures selected depend on our judgment as the Independent Auditor, including the significance of effects on reliability of financial reporting.
- We evaluate the overall internal control report presentation, including the appropriateness of the scope, procedures and result of the assessment determined and presented by management.
- We obtain sufficient and appropriate audit evidence about the results of the assessment of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding the planned scope and timing of the audit of the internal control and significant findings of the audit of the internal control, significant deficiencies in internal control that we identified requiring disclosure, results of the correction of such deficiencies and other matters required by auditing standards for internal control.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*Conflict of Interest*

We have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

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

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

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

**Independent Auditors' Audit Report**  
(English Translation)

June 25, 2020

The Board of Directors

MITSUBISHI MOTORS CORPORATION

Ernst & Young ShinNihon LLC  
Tokyo, Japan

Yoji Murohashi  
Designated and Engagement Partner  
Certified Public Accountant

Takeshi Saida  
Designated and Engagement Partner  
Certified Public Accountant

Taichi Muto  
Designated and Engagement Partner  
Certified Public Accountant

*Opinion*

We have audited, pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act of Japan, the non-consolidated financial statements included in “Financial Information,” which consist of the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, significant accounting policy and other notes, and non-consolidated supplementary schedules of MITSUBISHI MOTORS CORPORATION (hereinafter referred to as the “Company”) for the fiscal year ended March 31, 2020 (April 1, 2019 through March 31, 2020).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position and results of operations applicable to the fiscal year ended March 31, 2020, in accordance with accounting principles generally accepted in Japan.

*Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Responsibilities of Management and Audit Committee for the Financial Statements*

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

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit Committee is responsible for overseeing the performance of duties by Executive Officers and Directors regarding the development and operation of the Company’s financial reporting process.

*Auditor’s Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### *Conflict of Interest*

We have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

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

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

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

**[Cover page]**

Document title:	Internal Control Report (“ <i>Naibutousei-Houkokusho</i> ”)
Clause of stipulation:	Article 24-4-4, paragraph (1) of the Financial Instruments and Exchange Act
Place of filing:	Director-General of the Kanto Local Finance Bureau
Filing date:	June 25, 2020
Company name:	三菱自動車工業株式会社 ( <i>Mitsubishi Jidosha Kogyo Kabushiki Kaisha</i> )
Company name in English:	MITSUBISHI MOTORS CORPORATION
Title and name of representative:	Takao Kato, Representative Executive Officer, CEO
Title and name of chief financial officer:	Koji Ikeya, Representative Executive Officer, CFO
Address of registered headquarters:	3-1-21, Shibaura, Minato-ku, Tokyo, Japan
Place for public inspection:	Tokyo Stock Exchange, Inc. 2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan



## 1. Basic framework of internal control over financial reporting

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

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

## 2. Scope of assessment, assessment date and assessment procedure

Assessment of internal control over financial reporting was performed as of March 31, 2020 (i.e., the closing date of the current fiscal year) in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

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

The scope of internal control assessment for financial reporting was determined by selecting the Company, consolidated subsidiaries and entities accounted for using equity method based on the materiality of their impacts on the reliability of financial reporting. The materiality of the impacts on the reliability of financial reporting was determined in consideration of both financial and qualitative aspects, and the scope of assessment of process-level control was reasonably determined based on the result of the company-level control assessment, which included the Company, 16 consolidated subsidiaries, and three entities accounted for using equity method. Also, 20 consolidated subsidiaries and 16 entities accounted for using equity method were determined to be of minimal financial and qualitative materiality and were not included in the scope of evaluation of company-level control.

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

## 3. Assessment result

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

## 4. Supplementary information

Not applicable.

## 5. Special affairs

Not applicable.

**[Cover page]**

Document title:	Confirmation Letter (“ <i>Kakuninsho</i> ”)
Clause of stipulation:	Article 24-4-2, paragraph 1 of the Financial Instruments and Exchange Act
Place of filing:	Director-General of the Kanto Local Finance Bureau
Filing date:	June 25, 2020
Company name:	三菱自動車工業株式会社 ( <i>Mitsubishi Jidosha Kogyo Kabushiki Kaisha</i> )
Company name in English:	MITSUBISHI MOTORS CORPORATION
Title and name of representative:	Takao Kato, Representative Executive Officer, CEO
Title and name of chief financial officer:	Koji Ikeya, Representative Executive Officer, CFO
Address of registered headquarters:	3-1-21, Shibaura, Minato-ku, Tokyo, Japan
Place for public inspection:	Tokyo Stock Exchange, Inc. 2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan

1. Appropriateness of the descriptions in this Annual Securities Report

Takao Kato, Representative Executive Officer, CEO and Koji Ikeya, Chief Financial Officer of MITSUBISHI MOTORS CORPORATION, have confirmed that this annual securities report for the FY2019 (April 1, 2019 through March 31, 2020) is reasonably and fairly stated in accordance with the Financial Instruments and Exchange Act and related regulations.

2. Special notes

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