

Full-Year Fiscal 2014 Announcement Q&A Summary

- Date: April 24, 2015
- Mitsubishi Motors Executives in Attendance:
 - President, COO Tetsuro Aikawa
 - Managing Director Shuichi Aoto
 - Managing Director Yutaka Tabata

Q1. Please tell us about the details of the 29 billion yen increase in volume and model mix for the operating income of FY2015 compared to FY2014. I think product price increase in Russia may have influenced this figure. Please tell us in detail on the 22 billion yen increase in Europe, the 2 billion yen decrease in Asia, and where the increase of expenses for product improvements are included in.

A1. Breaking down the +22.0 billion yen model mix for Europe, +11.5 billion comes from Western Europe and +10.7 billion from Russia; however the calculations come from different aspects. Let me explain. From Russia's 10.7 billion results, we expect a negative effect of over 10.0 billion yen as a result of forex; however we figure to deal with this through product price increases to bring a positive 10.0 billion yen. +11.5 billion from Western Europe includes positive effect of between 7 and 8 billion yen due to price increases. We are considering further price increases depending on forex fluctuations, fierce competition in the market, etc. In Asia's -2.0 billion yen, -3.7 billion of this is expected to come from North Asia; however the ASEAN region should add a positive 1.7 billion yen, showing a recovery compared to FY2014. With regard to increase in expenses for product improvement, a negative effect was included due to model mix; however we changed this and it is included as an overall negative stemming from cost reduction efforts.

Q2. When you reach a shareholders' equity ratio of 50%, will your policy on return to shareholders change? What is your thinking on overall profit returns to shareholders and/or dividends, etc.?

A2. Ratio of shareholders' equity at the end of FY2013 was in the middle of 30%, but it rose up to 42% at the end of FY2014. Our next target is to reach around 50%. Technology innovation is progressing every day, so much so that we have to spend money on capital expenditure, and R&D expenses. We would like to review returns to shareholders in the future by examining how the overall cash flows might be. I cannot say exactly when or how, however, we are aiming to reach 20% in the future. We cannot achieve the number immediately, but would like to achieve gradually by building

a strong foundation.

Q3. What was the sales result for the *Outlander PHEV* in this fiscal term and forecast for the next fiscal term? What is the targeted sales volume of the *Outlander PHEV* in the United States?

A3. Sales volume of the *Outlander PHEV* was at 19,700 units in FY2013 and 35,200 units in FY 2014. The forecasted sales volume for FY2015 is 42,000 units, plus 2,000 additional units are forecasted to be produced in FY2015. The sales of the *Outlander PHEV* were mainly in the United Kingdom and Netherlands last fiscal year. In addition to these two countries, subsidies are expanding in Portugal, Spain, and France. We expect the sales volume will continue to expand in Western Europe. The *Outlander PHEV* will be shipped to the United States at the end of FY2015. The volume is yet under consideration.

Q4. How do you see the accuracy of 125 billion yen forecasted for the operating income for FY2015?

A4. Profit will be more important than volume. We would like to recover the 41 billion yen decline in foreign exchange rates through sales of SUVs and pickup trucks, models with more profitability. We believe 125 billion yen is achievable. Our forecast vs. FY2014 is for a 10.0 billion yen decrease in profit as we consider robust selling of SUVs first vs. aiming too high in overall sales volume. The models like *Triton (L200/Strada)*, *Pajero Sport (Montero Sport)*, *Outlander*, and *Outlander PHEV* will be the main profit contribution factors. I have high expectations on these four models as they will be refreshed. In addition to major improvements in the interior and exterior of the *Outlander*, the new *Triton (L200/Strada)* has brand-new engine. I have high expectations for these models.

Q5. The *Triton (L200/Strada)*, *Pajero Sport (Montero Sport)*, *Outlander*, *Outlander PHEV* seem to be the key models for FY2015. What is the expected volume for these models? Is the sales ratio of SUV models increasing?

A5. From FY2013 to FY2014, our global sales increased by 38,000 units. Out of total sales, SUV models increased by 54,000 units. *RVR (ASX/Outlander Sport)* particularly increased in volume in FY2014. Together with the previous model, the *Triton (L200/Strada)* increased in volume by 10,000 to 20,000 units. The sales volume increased by 4,000 units from FY2014 to FY2015. Out of which, SUV models increased

by 38,000 units, which means non-SUV models decreased by 34,000 units. We would like to assure profits by continuing to increase sales volume of SUV models. The *Triton (L200/Strada)* is in a transition period switching from the previous *Triton (L200/Strada)* to new *Triton (L200/Strada)*. In FY2015, volume of the old *Triton (L200/Strada)* will decrease while the new *Triton (L200/Strada)* will increase. Net sales volume will be positive.

Q6. Could you be more specific on how MMC is going to enhance product competitiveness and widen its appeal. Could you also tell us about the level of R&D cost which MMC plans to spend in order to achieve this? In my opinion I think it might be better to increase R&D cost.

A6. We have made a lot of improvement in the new *Outlander*. We are going to make our design identity appealing starting from this model. The front design called Dynamic Shield will be consistently applied to our future models. The interior has been refined by changing material and upgrading design. In Europe, demographics have changed since we launched *Outlander PHEV*. There have been a lot of customers who wanted to change their premium cars of German makes and their demand focused on interior. In addition to design, driving performance of the new *Outlander* has been enhanced and road noise has been reduced. Its suspension has been strengthened enough so that drivers can enjoy driving on the Autobahn in Germany. Significant improvement has been made to the new model; so much so that when I had a chance to drive the new *Outlander* on the Autobahn and I could tell right away that the new model was different from the current model. Although the new model is not a full redesign, I have expectations for the model and am sure that the model meet our expectations because the new model has been refined enough for us to say that it is an “all-new” model. Judging from the number of models we develop, I don't think the amount of our R&D cost is so small.

Q7. This is a question about operating income by regions. Operating income for Asia is forecasted to increase from 56.6 billion yen in FY2014 to 65 billion yen in FY2015. What is the increase in ASEAN?

A7. Operating income of ASEAN is forecast to increase from 40.2 billion yen in FY2014 to 48 billion yen in FY2015.

Q8. Could you tell us the reason why MMC will launch a new MPV in Indonesia?

A8. MPVs are the most popular segment in Indonesia. We are now developing a new MPV aiming to launch in 2017. We think that the model is as competitive as other companies'

models. We are developing the model so that we can not only launch it in Indonesia but also export it because it is likely that there is a demand for the model in countries other than Indonesia. We also plan to produce an all-new *Pajero Sport (Montero Sport)* SUV which is to be produced in Thailand this year. At present three models including these two new models and the Colt L300 which has currently been produced in Indonesia will be produced at the new plant.

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