FY2016 Financial Results

Mitsubishi Motors Corporation

May 9, 2017

FY2016 Financial Results

Outlander PHEV

FY2016 Results Summary (vs. FY2015 Actual and Jan. 31 FY2016 Forecast)

(billion yen, thousand units)

	FY15 (Apr 2015-Mar 2016) Actual	FY16 (Apr 2016-Mar 2017) Actual	Variance Amount	Variance %	Previous forecasts (Jan. 31)	Variance Amount	Variance %
Net sales	2,267.8	**1,906.6**	-361.2	-16%	1,890.0	+16.6	+1%
Operating Profit (Margin)	138.4 (6.1%)	**5.1** (0.3%)	-133.3	-96%	1.0 (0.1%)	+4.1	+412%
Ordinary Profit	141.0	**8.9**	-132.1	-94%	1.5	+7.4	+496%
Net income*	72.6	**-198.5**	-271.1	-	-202.0	+3.5	+2%
Sales Volume (Retail)	1,048	**926**	-122	-12%	921	+5	+1%

*Net income attributable to owners of the Parent

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Net sales in FY2016 amounted to 1 trillion 906.6 billion yen.

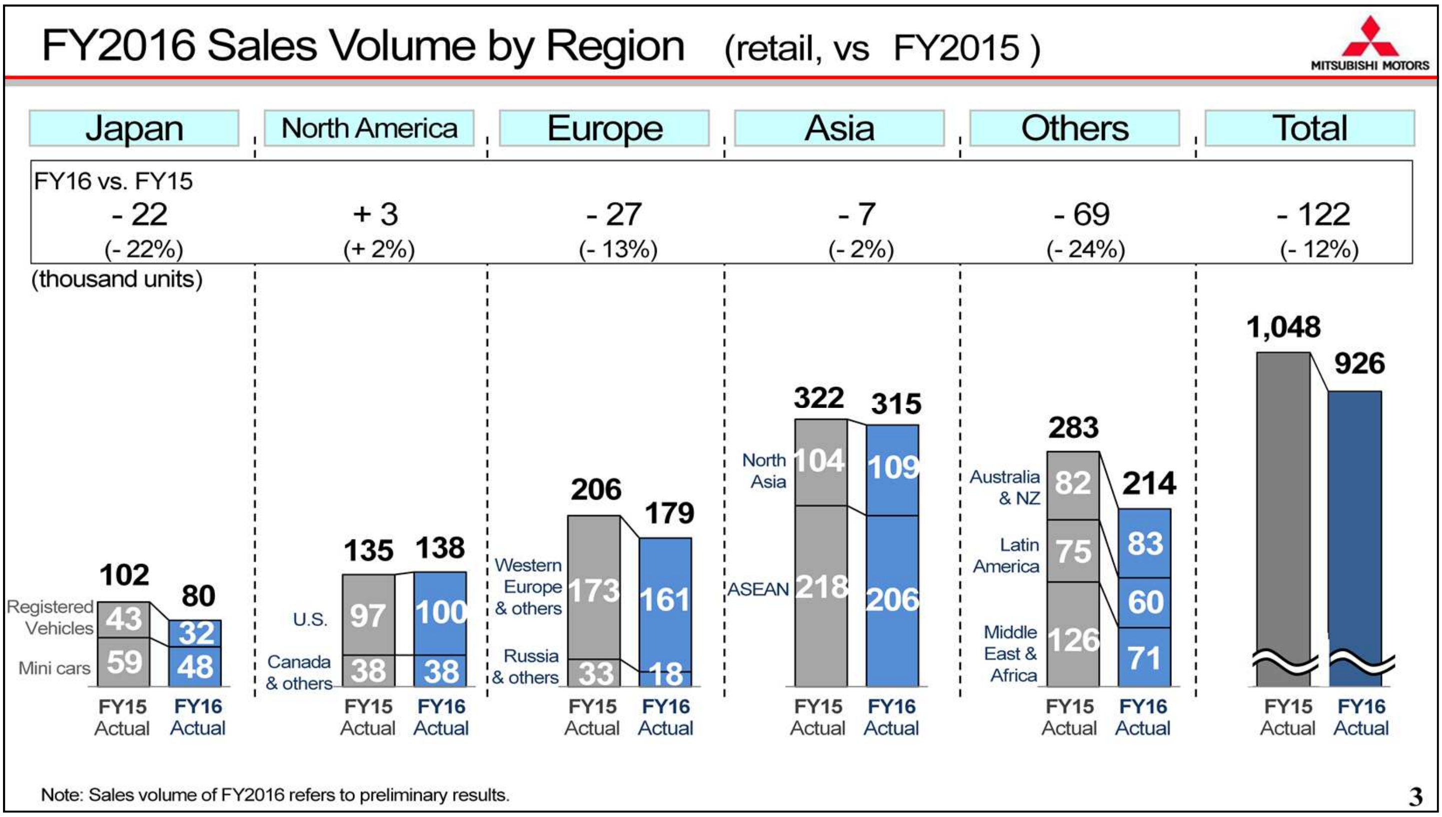
Operating profit was 5.1 billion yen. Ordinary profit was 8.9 billion yen. Although we posted an extraordinary loss due to the issue of improper conduct in fuel economy testing, net income ended up in a net loss of 198.5 billion yen.

We could secure profitability in operating profit for the full fiscal year for 12 consecutive years after the Revitalization Plan in 2004.

Last fiscal year, we had the issue of improper conduct in fuel economy testing and adverse exchange rate movements, as well as the increased recall costs. Despite these adverse factors, as we explained in the third quarter results announcement, we have been able to increase management efficiencies by referring to the Nissan Motor methodology since November last year, thus improving the full-year performance.

As a result, net sales and each of the profit items exceeded the estimates released on January 31.

Next, I am going to explain the actual retail volume on the next page.



In Japan, although the volume was not large enough to make up for the decline in the first half of FY2016 caused by the issue of improper conduct in fuel economy testing, the latest sales figure showed steady growth and the actual volume exceeded 75,000 units published in third quarter to reach 80,000 units.

In North America, the strong sales of the "Outlander" contributed to the volume in excess of the prior year's level.

In Europe, the volume was lower than that in the previous year because of the continuing decline in Russia, as well as of the substantial fall in the sales of the "Outlander PHEV" which were impacted by the change in the tax incentives in the Netherlands and some other countries.

In China, sales were strong in China in which local production of the "Outlander" begun in August. In ASEAN, by contrast, the volume of the new "Pajero Sport" declined when its sales were strong last year resulted in a year-over-year decrease in Asia as a whole.

In the other regions, sales volume dropped significantly in the Middle East and Latin America due to the prolonged impact of falling commodity prices.

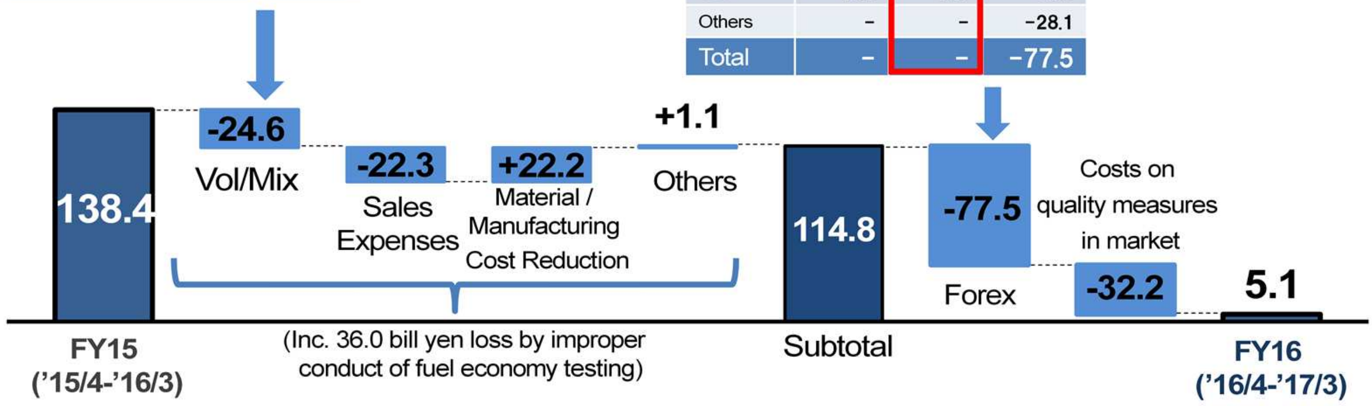
Analysis of Increase/Decrease of Operating Profit (vs. FY2015)

MITSUBISHI MOTORS

(billion yen)

Vol/Mix by region	
Japan	−16.9
North America	+8.1
Europe	+4.5
Asia	−9.2
Others	−11.1
Total	−24.6

Forex effect by main currency	Forex rate(yen)		Effect (billion yen)
	FY15	FY16	
USD	121	109	−29.8
EUR	133	119	−22.3
AUD	88	82	−10.7
THB	3.44	3.12	+32.7
GBP	182	140	−19.3
Others	−	−	−28.1
Total	−	−	−77.5



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There were some significant negative factors impacting our operating profit, such as 36.0 billion yen from the issue of improper conduct in fuel economy testing, 77.5 billion yen from the adverse exchange rate movements, and 32.2 billion yen from the increased recall cost. In spite of these, we secured a positive operating profit by implementing initiatives company-side .

You can see a detailed variance analysis here.

The volume and mix factor reduced operating profit by 24.6 billion yen. The regional breakdown is shown in the table in the upper left of the slide. The decreased profit is attributable to the issue of improper conduct in fuel economy testing in Japan, the decline in volume of the new “Pajero Sport” in Thailand due to the change in taxation at the end of 2015, as well as to the sluggish demand in the Middle East and Latin America.

Selling expenses also pushed down operating profit by 22.3 billion yen because of the increased incentives in Japan.

By contrast, cost reductions led to the improvement of 22.2 billion yen. This includes the improvement of slightly over 3 billion yen resulting from the synergies with Nissan created at an early stage of the alliance.

After taking all these factors into account, our operating profit was 114.8 billion yen, excluding the exchange rate effects and recall cost.

Operating profit, including the adverse exchange rate impact and the increased recall cost, was 5.1 billion yen.

FY2016 Balance Sheet

MITSUBISHI MOTORS

(billion yen)

	FY15 (ended Mar. 2016) Actual	FY16 (ended Mar. 2017) Actual	Variance
Total assets	1,433.7	1,484.4	+ 50.7
Cash and deposits	453.4	556.8	+ 103.4
Total liabilities	748.3	780.9	+ 32.6
Interest-bearing debt	27.1	15.6	− 11.5
Total net assets	685.4	703.5	+ 18.1
Shareholders' Equity (Equity ratio)	671.2 (46.8%)	690.5 (46.5%)	+ 19.3
Net Cash	426.3	541.2	+114.9

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This page gives you a summary of the balance sheet.

Despite payments related to the issue of improper conduct in fuel economy testing and other expenditures, the capital increase by way of third party allotment to Nissan Motor on October 20, 2016 resulted in the net cash position amounting to approximately 540 billion yen.

Going forward, we will redirect our cash on hand towards effective investments in growth wherever possible, while maintaining the sound financial position, and strive to increase our corporate value.

FY2017 Forecast

ECLIPSE CROSS

FY2017 Forecast Summary【vs FY16 Actual】

MITSUBISHI MOTORS

～ Net income recovery to the level of FY2015 ～

(billion yen, thousand units)

	FY16 (Apr 2016-Mar 2017) Actual	FY17 (Apr 2017-Mar 2018) Forecast	Variance	
			Amount	%
Net sales	1,906.6	**2,000.0**	+93.4	+5%
Operating Profit (Margin)	5.1 (0.3%)	**70.0** (3.5%)	+64.9	+1,268%
Ordinary Profit	8.9	**79.0**	+70.1	+783%
Net income*	-198.5	**68.0**	+266.5	-
Sales Volume (Retail)	926	**1,029**	+103	+11%

*Net income attributable to owners of the Parent

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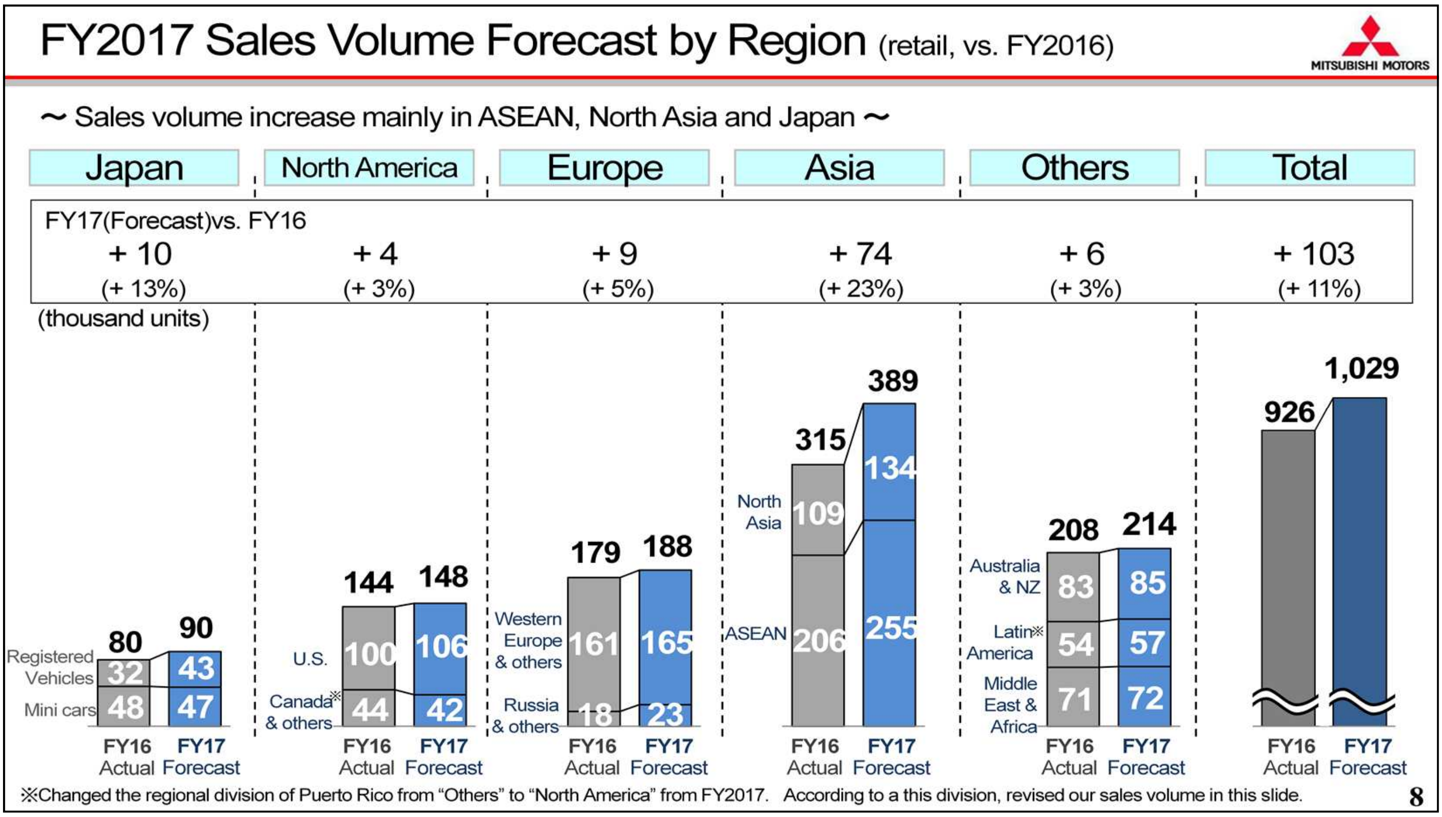
FY2017 financial forecast outlook is illustrated here.

Net sales are projected to be 2 trillion yen, operating profit to be 70 billion yen, ordinary profit to be 79 billion yen, and net income to be 68 billion yen. Net income is expected to almost recover to the level of the FY2015 in one year.



The global sales volume plan we are projecting is 1,029,000 units, an increase of 11% compared to the previous year.

For FY2017, we have selected focused regions based on regional business plans and new product launch schedules and developed a plan to boost the sales volume in ASEAN, North Asia and Japan.

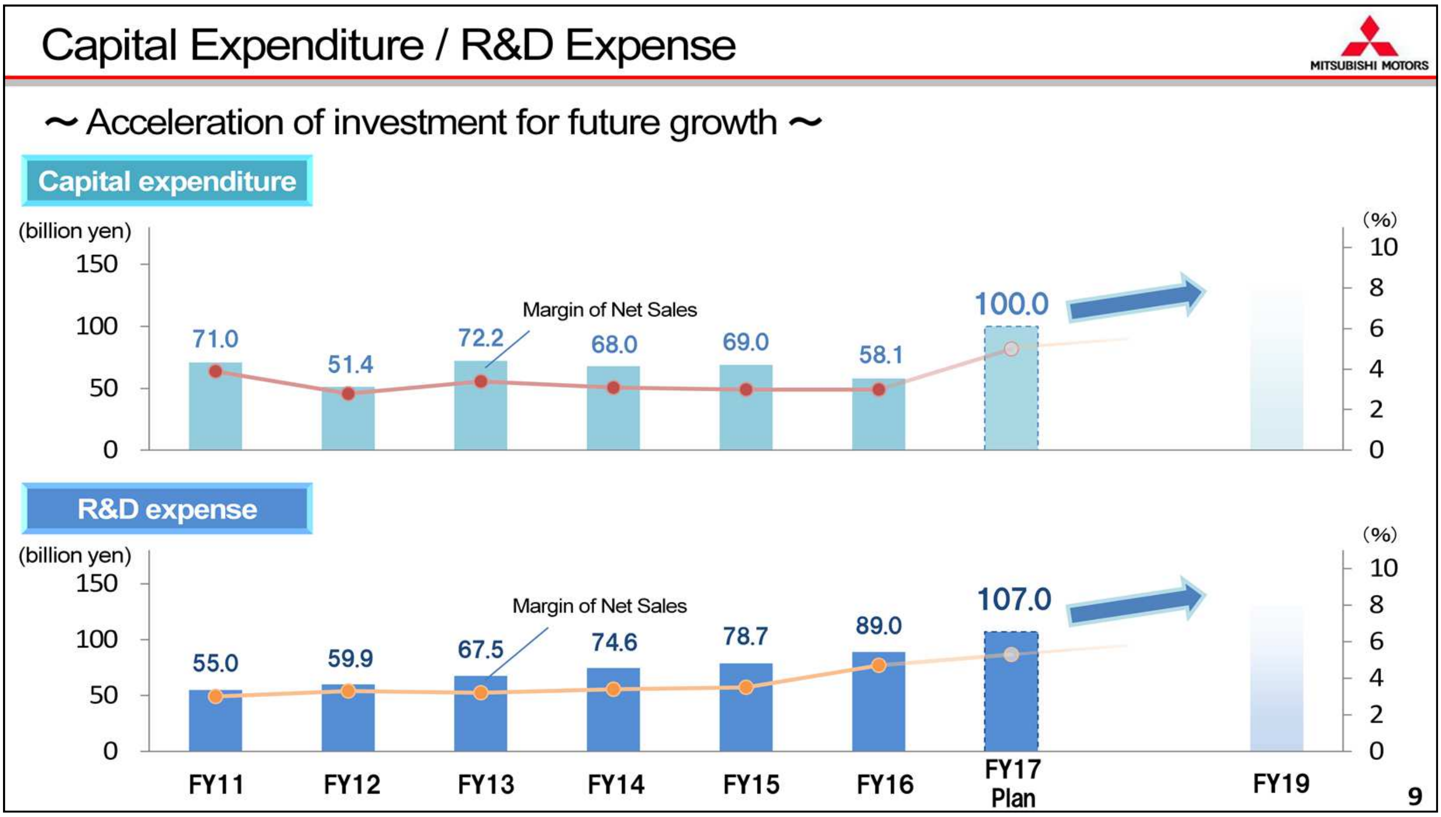
In ASEAN, the model we produce in the new plant in Indonesia launched this year will drive sales and boost sales in the Philippines and Thailand as well.

In North Asia, the sales of the "Outlander" are strong in China in which local production of the product started last year. In FY2017, we will keep this trend to aim at further sales growth.

In Japan, although the MMC brand was damaged by the improper fuel economy testing issue, we will restore customer trust and engage in honest and steady sales promotion activities.

And, in addition to these efforts, we will launch a new product called "Eclipse Cross" in the latter part of this fiscal year to increase sales.

Our plan is designed to deliver solid sales growth in other regions as well.

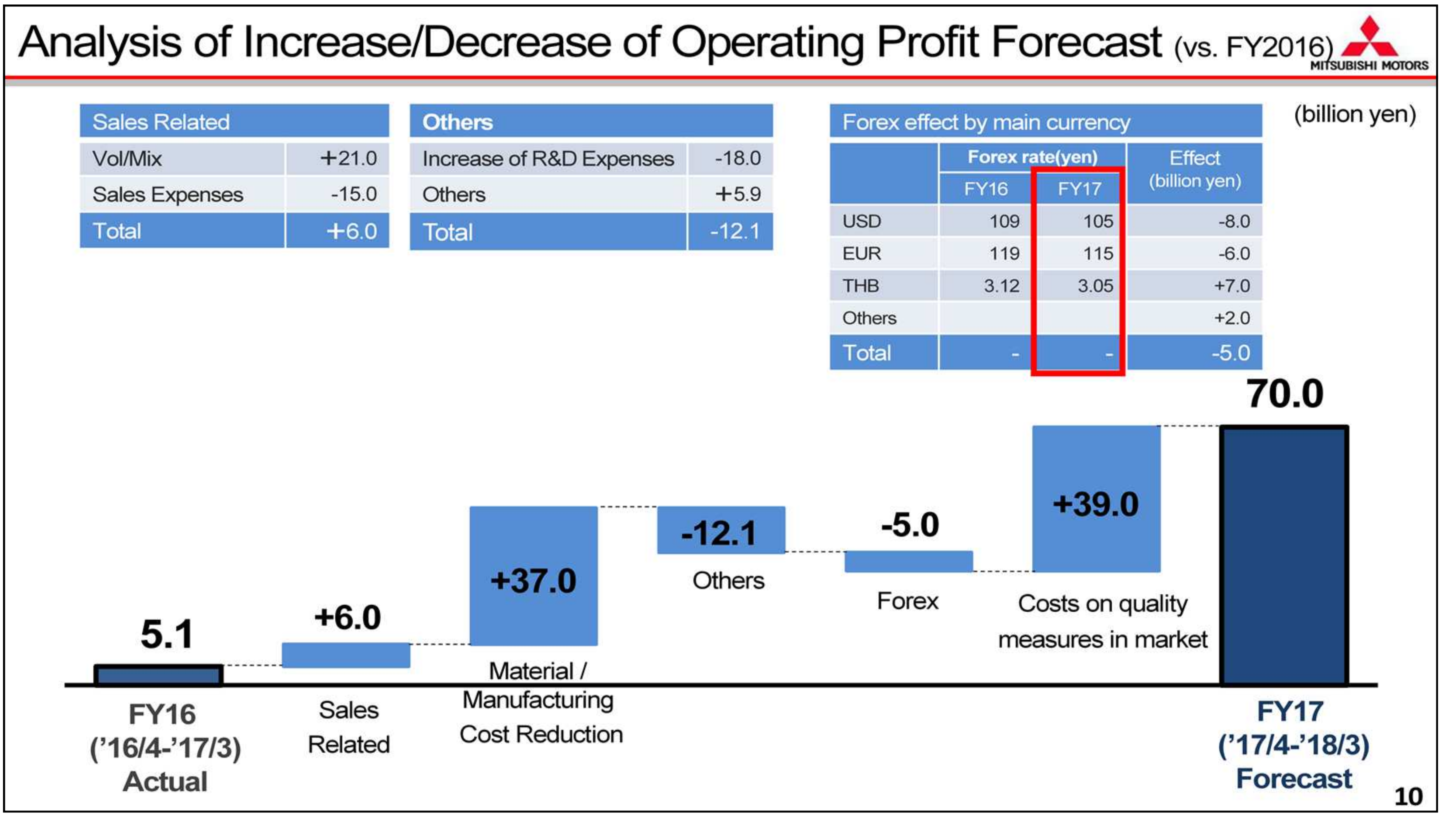


In FY2017, we will increase net sales and make investments more aggressively in future growth which we had lacked in the past.

Specifically, CAPEX for FY2017 is, together with the investment in the new plant in Indonesia, projected to increase by 70% to 100 billion yen. This is a substantial increase year over year.

While we will be able to save development cost by sharing technologies with Nissan, R&D is projected to be 107 billion yen for FY2017 since we will invest more in technology development in new areas for the future.

To ensure future growth, we will work to produce attractive vehicles and develop people and mechanisms supporting it by investing more in the future.



The operating profit we are projecting for FY2017 is 70 billion yen, an increase of 64.9 billion yen from 5.1 billion yen in the prior year.

In terms of sales, as we plan to increase volume primarily in the focused reasons of ASEAN, North Asia and Japan while spending sales expenses adequately for sales expansion, we have incorporated a 6 billion yen improvement.

While cost reductions are projected to add 37 billion yen to the profit, additional 12.1 billion yen is accounted for in R&D cost and other factors.

We have projected 25 billion yen synergy effects for FY2017 from the alliance with Nissan Motor as we are looking at possible synergies in a broad range of areas.

Exchange rate assumptions are: 105 yen against USD, 115 yen against Euro, and 3.05 yen against Thai Baht, all of which indicates a stronger yen year over year. As a result, we estimate the exchange rate effect to deteriorate by 5 billion yen from last year.

The recall cost is estimated to be at the FY2015 level with the planned improvement of 39 billion yen over the FY2016 actual.

After taking account of all these, we expect to make an operating profit of 70 billion yen.

That's all for my presentation on the FY2017 outlook.

Next, our CEO Masuko will update you on our endeavors ahead.

MITSUBISHI MOTORS

Future Initiatives

MITSUBISHI XM Concept

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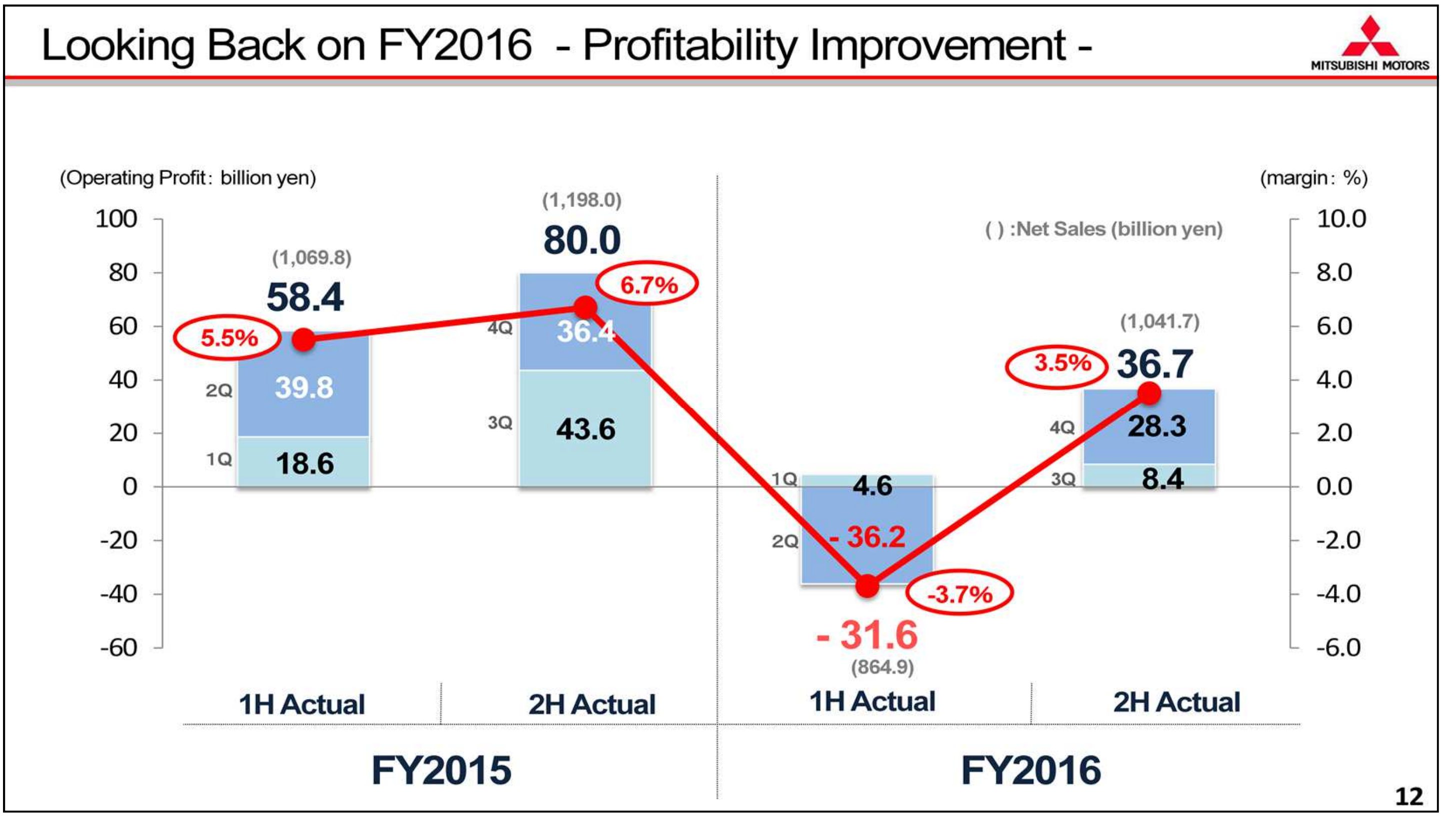
Thank you. I am Masuko.

I am now going to give you some insight into the situation of how our company operates, as well as the initiatives we will address going forward.

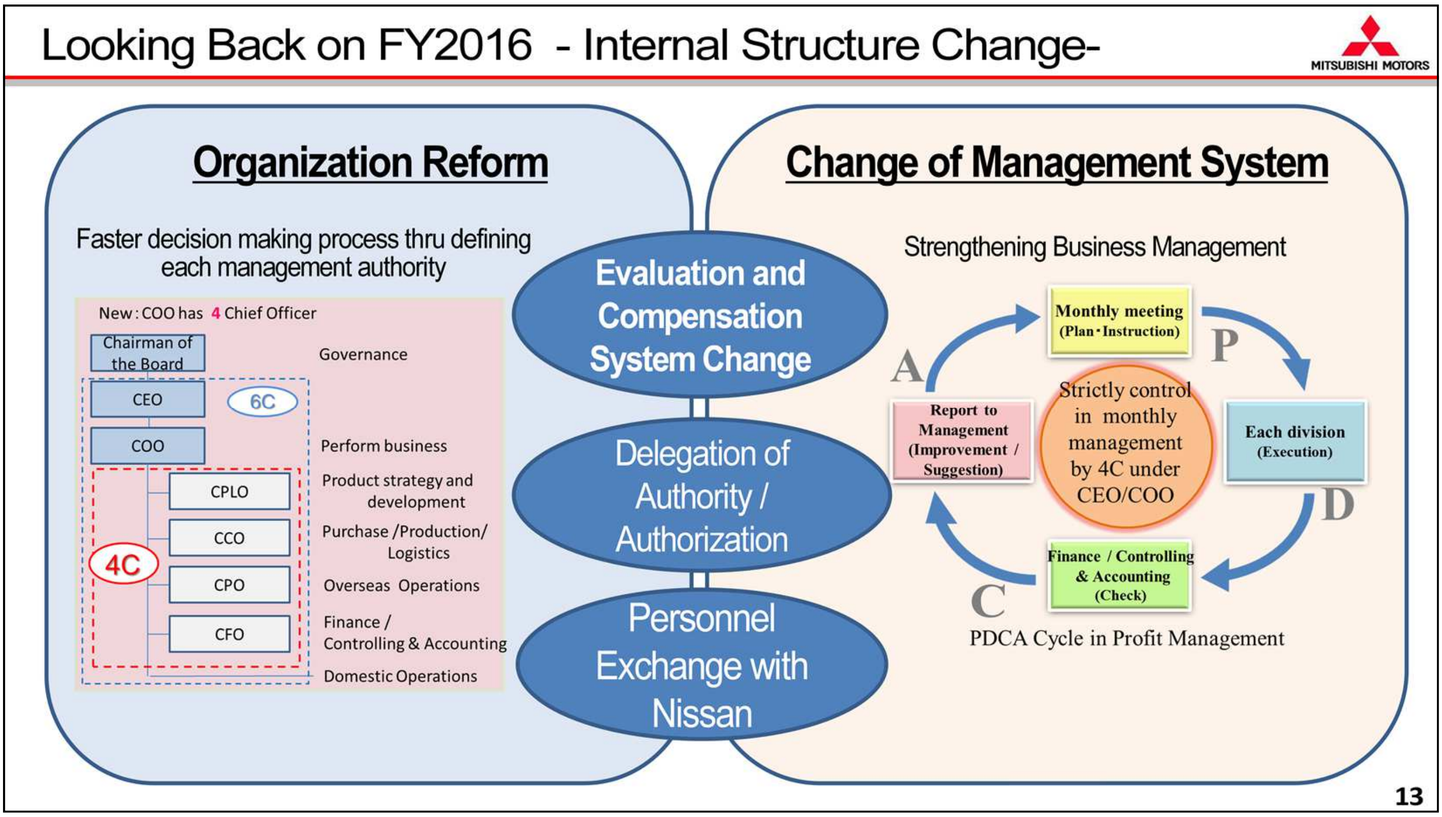


First of all, I would like to review FY2016.

Our operating margin, which was around 6% in FY15, fell to negative 3.7% in the 1st half of fiscal year 2016 due to the production and sales suspension and the increased recall cost resulting from the improper fuel economy testing issue.

By contrast, as a result of initiatives taken to improve operating efficiencies, our operating margin returned to positive 3.5%.

We will do all our best to maintain a recovery tone into fiscal year 2017 and beyond and ensure a V-shaped recovery scenario.



We have been pushing ahead with internal reforms drastically over the past six months.

We implemented an executive management structure which enables us to accelerate decision-making by clearly defining the authority of each senior management member and, accordingly, reorganized the company structure in line with it.

We have also changed the management mechanism by running the PDCA cycle to ensure monthly P&L management.

In addition to it, we have revised the performance appraisal and compensation system, exchanged personnel with Nissan, and clarified the delegation of authority.

We have thus making steady progress in building management foundations for future growth.

The awareness reform is likewise in progress to prevent a recurrence of misconduct by creating a global risk control unit and enhancing the internal training system.

Initiatives for ASEAN

MITSUBISHI MOTORS

- **Indonesia**

New factory started its operation from April.

Profile

Capacity :160k units per year
Area :30 hectares
Employees :About 3,000 people (end of Mar. 2018)
Main products :*Pajero Sport, New Small MPV COLT L300*

- **Philippines**

Local production of the *Mirage* starts in May.

Profile

Capacity :50k units per year
Area :21 hectares
Main products :*Adventure, L300 Mirage G4, Mirage*

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From this page, I am going to explain the initiatives we are taking in this fiscal year and beyond.

Regarding the ASEAN strategy, we launched a new plant last month in Indonesia. The opening ceremony for the plant was carried out with great splendor with the attendance of Indonesian President Joko and Industry Minister Hartarto.

The plant now produces the “Pajero Sport” and we are making arrangements to launch the production of compact MPVs scheduled for September.

In the Philippines which has been enjoying an economic boom, we acquired the government support certification called “Comprehensive Automotive Resurgence Strategy Program,” or CARS Program, and launched the production of the “Mirage G4.” We are due to start the manufacturing of “Mirage” this month so as to accelerate further sales growth.

In Thailand on which our largest production facilities in ASEAN are based, we will take advantage of the alliance with Nissan to further enhance profitability. I will discuss this in detail later in my presentation.

The demand in the Chinese market has grown to 28 million units and accounts for one-thirds of total global demand. Our market share is, however, still small and we think there is an opportunity for us to boost sales.

The sales of the "Outlander" are growing steadily in China in which local production of the product started last year.

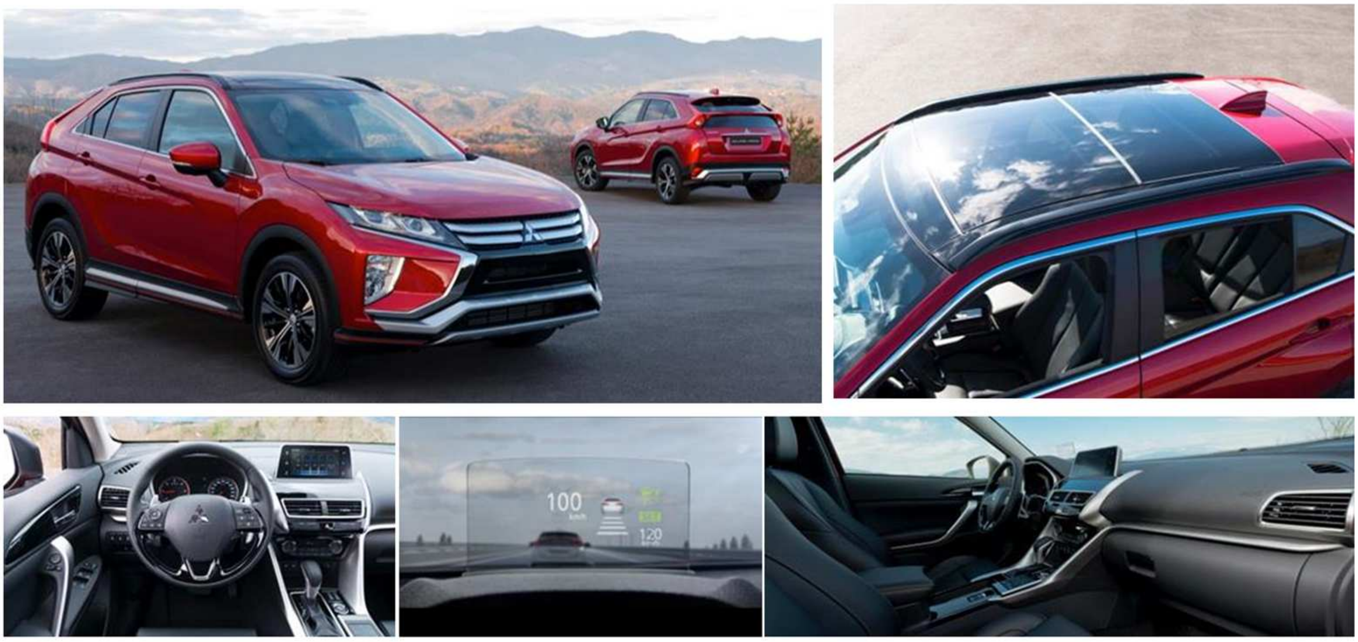
While the extended dealer network is vital to expand sales, we will at the same time take initiatives to improve the quality of dealers. Through these initiatives, we will try to achieve the sales of at least 300,000 units in the early 2020's.

We are also working on the local engine production project and production is planned to be launched in December 2018. We will boost our earnings power by increasing the local content ratio.

Introduction of Global Strategy Model

MITSUBISHI MOTORS

***ECLIPSE CROSS*: To be launched in FY2017 2H**



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We will release “Eclipse Cross,” which is our new global model, starting with Europe where the first shipment will take place in October and then rolling it out in other regions.

We consider this model to be our flagship SUV brand in the coming years. At this year’s Geneva Motor Show at which the Eclipse Cross was debuted to the world, the new model was highly praised for its stylish coupe shape. Next page, please.

Introduction of Regional Strategy Model

MITSUBISHI MOTORS

MITSUBISHI XM Concept

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I have just mentioned our compact MPVs which we will start producing in Indonesia. The compact MPV is a popular segment in Indonesia.

This compact MPV is an important regional strategic model not only for Indonesia, but for the surrounding ASEAN countries to which we are also planning to export the product.

We further consider supplying it to Nissan Motor on an OEM basis.

The picture you see here is “MITSUBISHI XM Concept,” which we released at the Indonesia International Auto Show last year and is the concept of this compact MPV.

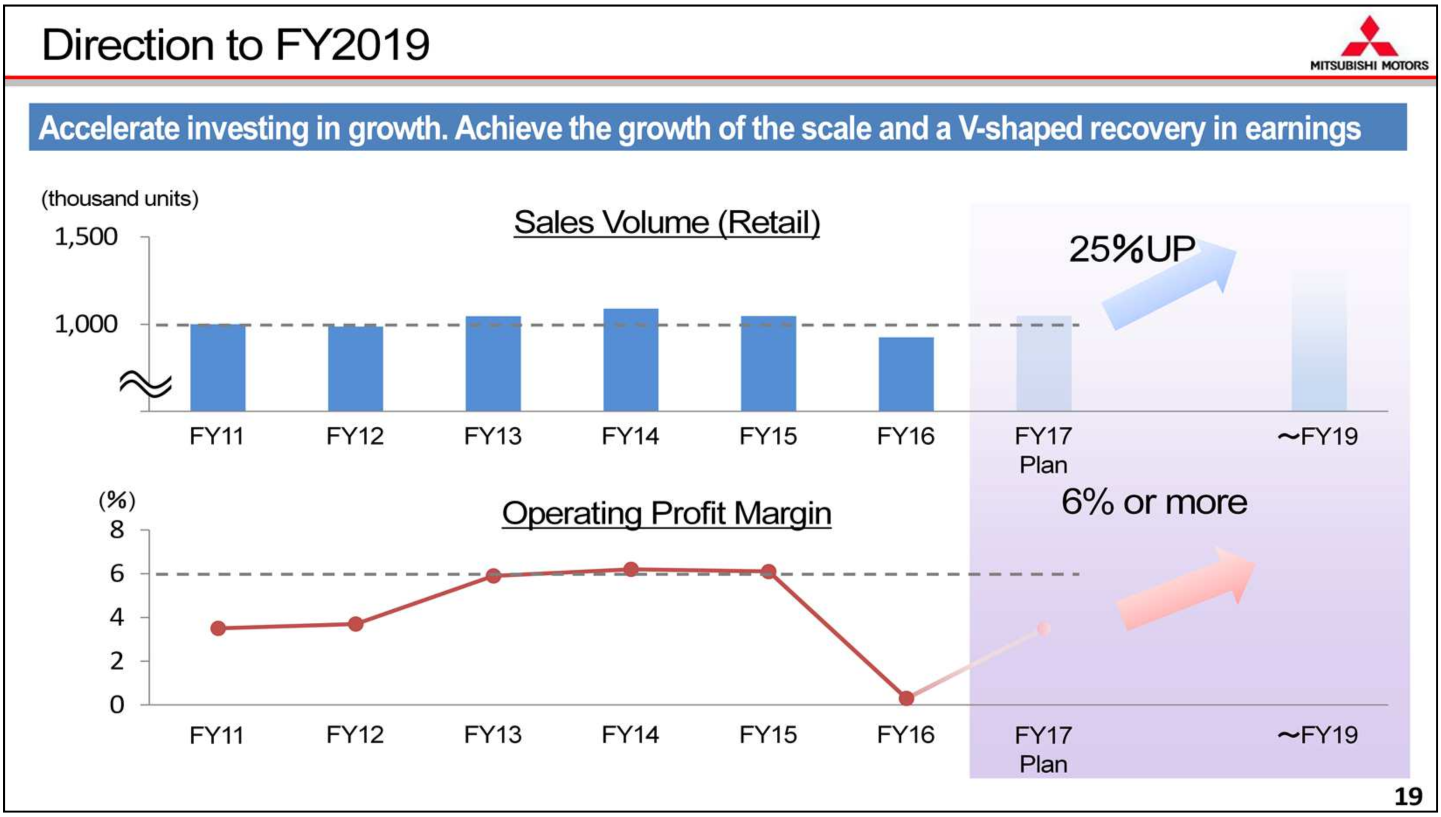
For us as a member of the Renault-Nissan alliance, FY2017 will be a year to take a new step forward.

In fact, we set up 32 cross-company teams to evaluate synergies in each area. As a result, we have begun to see specific synergy effects primarily in joint purchasing, logistics and sales finance areas.

For example, we started joint transportation of vehicles in Thailand and are now conducting an assessment of deploying the shared logistics to Indonesia and the Philippines. Also, in Procurement, we achieved over 3 billion yen cost reductions last year utilizing the benchmark data. Joint purchasing will start in this fiscal year and the purchasing initiatives will be implemented extensively.

With regard to products and technologies, Nissan Motor is considering taking OEM supply of MPVs from us in Indonesia. In new technology fields, we have in mind a plan for our plug-in hybrid technologies to be adopted by Nissan’s vehicles.

We will continue to consider proactively and extensively how we can create synergies taking advantage of our strengths in ASEAN and Nissan Motor’s strengths in the U.S. and China.



We firmly believe that taking a quantum leap in profitability in the coming years will enable us to regain your trust and meet your expectations.

We will never lessen our efforts to promote reforms, but will further accelerate investment in growth.

After all these efforts are made, we will leverage the alliance with Nissan Motor to achieve the growth of the scale and a V-shaped recovery in earnings.

More specifically, while our sales volume has hovered around 1 million units since FY2008, we will target a 25% increase to reach 1.25 million units.

With this goal, combined with the operating efficiency improvement effort, we will return to the range of 6% of operating margin.

We are working out and refining plans so that we will be able to accomplish these goals during the next mid-term plan period to FY2019.

We will use all our endeavors to deliver sustainable growth of our corporate value by implementing disciplined management practices.

Appendix

Impact from improper conduct in fuel economy testing

MITSUBISHI MOTORS

(billion yen)

items		Initial forecast (Jun. 22, 2016)	Actual	Variance vs(Jun. 22, 2016)	Previous forecast (Jan. 31, 2017)	Variance vs(Jan. 31, 2017)
Impact on Operating Profit		- 55.0	- 36.0	+ 19.0	- 40.0	+4.0
Extraordinary Loss		**- 150.0**	**- 165.5**	**- 15.5**	**- 159.7**	**- 5.8**
	Payments to Customers	(- 50.0)	(- 58.6)	- 8.6	(- 58.2)	- 0.4
	Customer service expenses other than those above	(- 15.0)	(- 17.6)	- 2.6	(- 16.8)	- 0.8
	Sales-related expenses	(- 40.0)	(- 41.4)	- 1.4	(- 40.8)	- 0.6
	Production and purchasing	(- 35.0)	(- 36.0)	- 1.0	(- 33.4)	- 2.6
	Other	(- 10.0)	(- 11.9)	- 1.9	(- 10.5)	- 1.4
Total		**- 205.0**	**- 201.5**	**+3.5**	**- 199.7**	**- 1.8**

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FY2016 Regional Results (vs. FY2015)

MITSUBISHI MOTORS

(billion yen)

	FY15 Actual	FY16 Actual	Variance
Net Sales	**2,267.8**	**1,906.6**	**-361.2**
- Japan	412.9	297.3	-115.6
- North America	324.8	297.1	-27.7
- Europe	514.6	433.5	-81.1
- Asia	482.6	433.5	-49.1
- Others	532.9	445.2	-87.7
Operating Profit	**138.4**	**5.1**	**-133.3**
- Japan	-2.4	-35.8	-33.4
- North America	6.2	-16.6	-22.8
- Europe	22.1	-21.6	-43.7
- Asia	74.9	51.2	-23.7
- Others	37.6	27.9	-9.7

FY2017 Regional Forecast (vs. FY2016)

MITSUBISHI MOTORS

(billion yen)

	FY16 Actual	FY17 Forecast	Variance
Net Sales	**1,906.6**	**2,000.0**	**+93.4**
- Japan	297.3	350.0	+52.7
- North America	297.1	320.0	+22.9
- Europe	433.5	440.0	+6.5
- Asia	433.5	520.0	+86.5
- Others	445.2	370.0	-75.2

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•Changes in laws, regulations and government policies; and
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