
FY2017 First Half
Financial Results
Mitsubishi Motors Corporation
November 7, 2017
Eclipse Cross

1. FY2017 1H Results Summary

2. FY2017 1H Results Detail

3. Progress on Growth Strategy

FY2017 1H Results Summary (vs. FY2016 1H)

(billion yen, thousand units)

	FY16 (Apr-Sep 2016) Actual	FY17 (Apr-Sep 2017) Actual	Variance	
			Amount	Ratio
Net sales	864.9	**947.7**	+82.8	+10%
Operating profit (Margin)	-31.6 (-3.7%)	**44.2 (4.7%)**	+75.8	-
Net income*	-219.6	**48.4**	+268.0	-
Free Cash Flow	-97.8	**-36.8**	+61.0	-
Sales Volume (Retail)	436	**498**	+62	+14%

*Net income attributable to owners of the parent

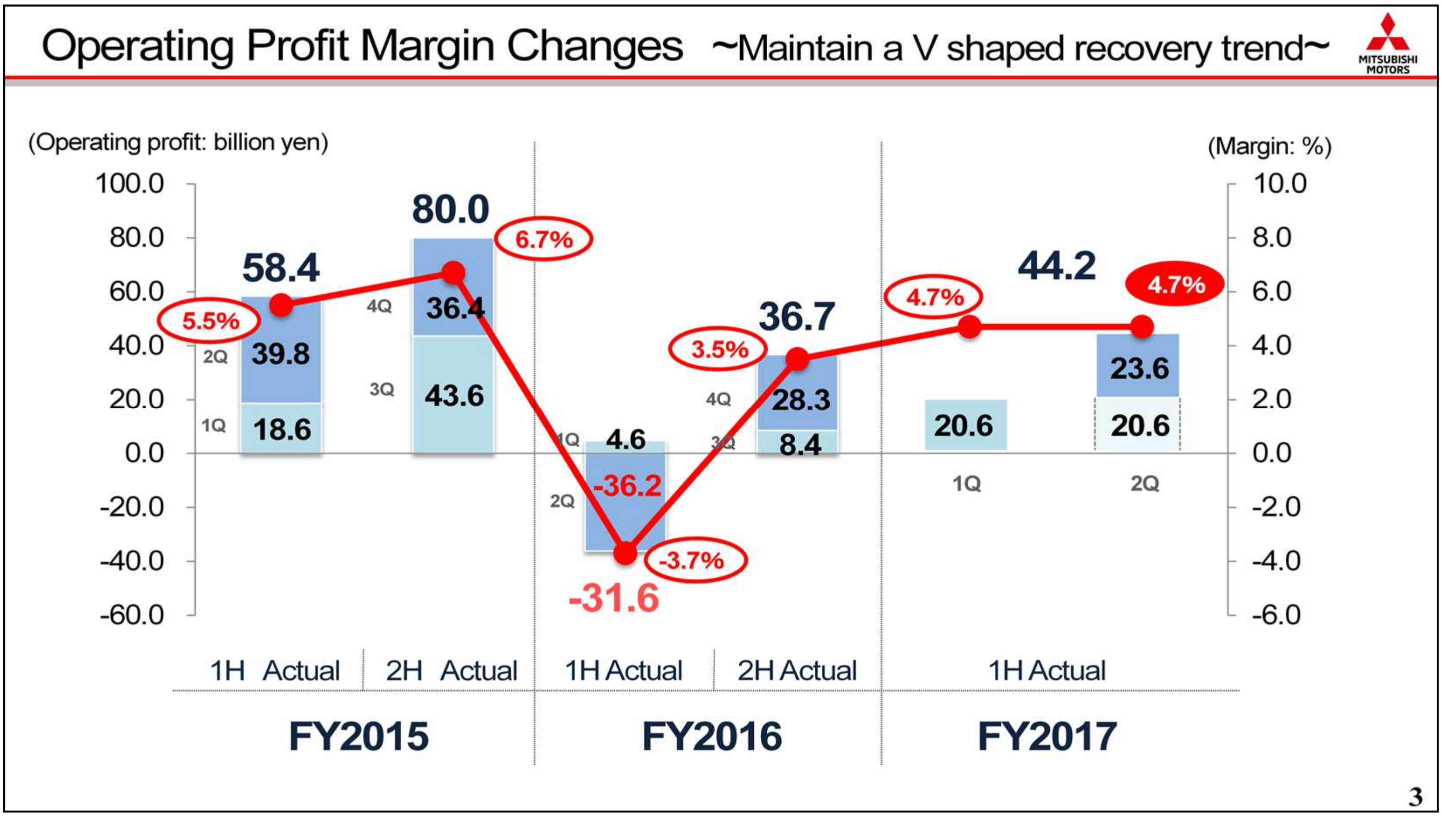
2

For the six months to September 30, 2017, Mitsubishi Motors maintained its progress to achieve FY17 business plan.

Net sales were 947.7 billion yen. Operating profit totaled 44.2 billion yen, which equates to an operating margin of 4.7 per cent. Net income was 48.4 billion yen. We ended up with great improvement in all categories compared to 2016.

We ended the period with negative free cash flow of 36.8 billion yen, due primarily to payments related to the improper conduct of fuel economy testing last year. We aim to return to positive free cash flow by the end of this fiscal year, in spite of sharply increased investments.

Sales volumes rose 14 percent to 498,000 units, due primarily to recovery in Japan, and stronger growth in China, where the locally produced Outlander is selling well.



We maintained the trend to put the Business Plan on track for a V-shaped recovery in the First Half.

In FY2015, the large yen depreciation helped us report a record operating profit margin exceeding 6% on a full year basis.

In FY2016, the operating margin plunged substantially in the first half due to the issue of improper conduct in fuel economy testing and the appreciation of yen, but we recovered to 3.5% in the second half as a result of renewing the business administration methodology and introducing benchmarking in addition to be supported by overseas sales.

In the first quarter of FY2017, we maintained this momentum to reach an operating margin of 4.7%. In the second quarter, we maintained the same level margin as in the first quarter.

FY2017 Full-Year Forecast 【vs. FY2016 Actual】

MITSUBISHI MOTORS

- No change from the initial announcement (May 9) -

(billion yen, thousand units)

	FY16 (Apr 2016-Mar 2017) Actual	FY17 (Apr 2017-Mar 2018) Forecast	Variance	
			Amount	Ratio
Net sales	1,906.6	**2,000.0**	+93.4	+5%
Operating Profit (Margin)	5.1 (0.3%)	**70.0 (3.5%)**	+64.9	Approx. 14 times
Ordinary Profit	8.9	**79.0**	+70.1	Approx. 9 times
Net income*	-198.5	**68.0**	+266.5	-
Sales Volume (Retail)	926	**1,029**	+103	+11%

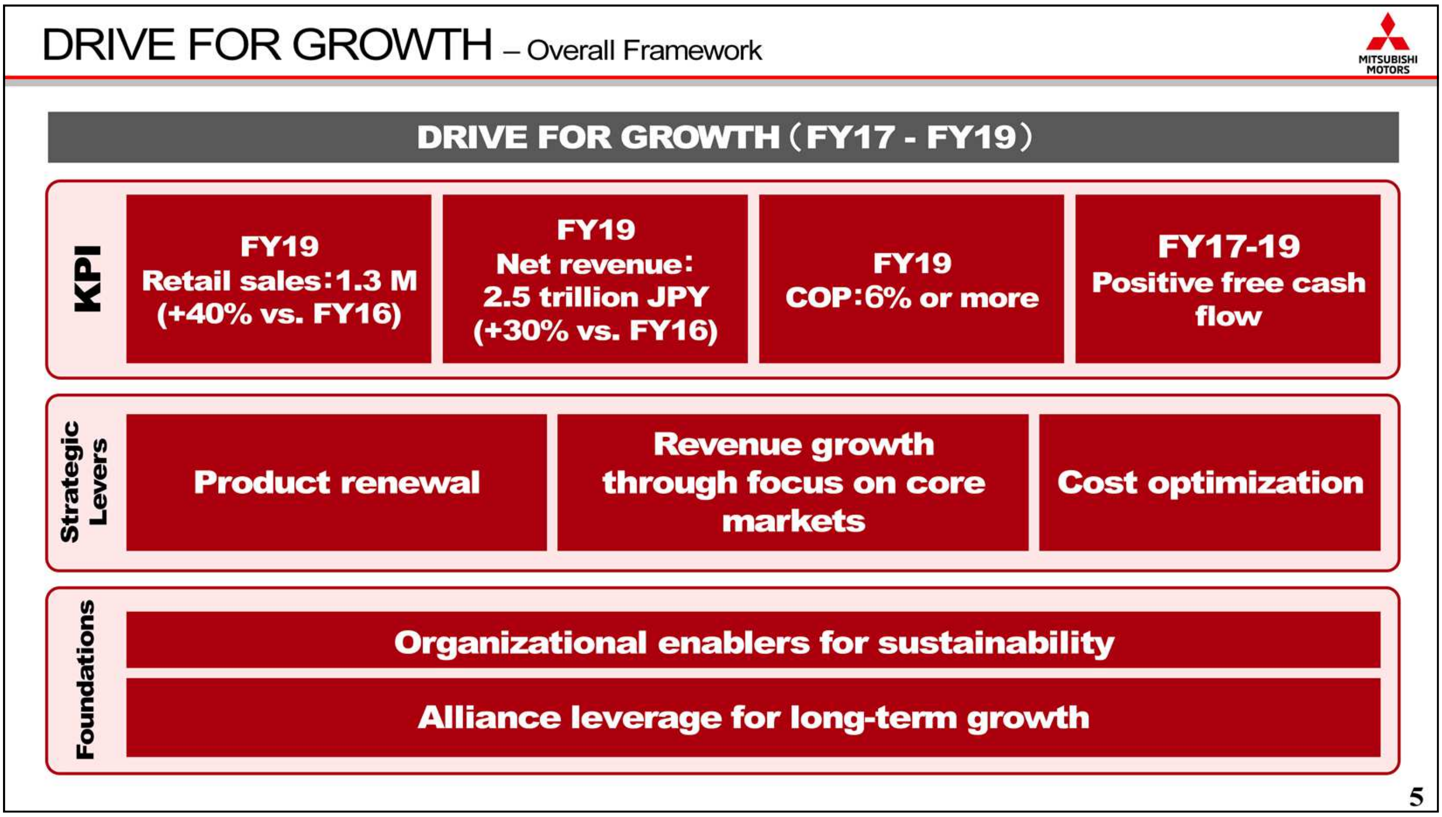
*Net income attributable to owners of the Parent

4

Relative to our financial forecast for the full fiscal year 2017, we are maintaining our full-year guidance announced at the time of the FY2016 full year financial results announcement.

We continue to forecast a 5 per cent increase in net sales to 2 trillion yen. Operating profit is projected to reach 70 billion yen, representing a margin of 3.5 per cent. Sales volume is expected to rise 11 per cent year on year to 1.029 million units.

The board of directors approved today a half-year dividend payment of 7 yen per share, as first announced at the beginning of the fiscal year.



We have announced the new Mid-Term Plan, "Drive for Growth" on October 18. The aim of the mid-term plan is to establish a solid foundation as a company to maintain profitable growth despite the drastic changing environment of the future.

The following three points are considered as important focus items to lay a solid foundation.

1)First, a swift recovery of trust, which has been damaged by fuel economy testing issue last year.

2)Next, is to bring the mid-term plan on track for a V-shaped recovery.

3)Success of new model cars to be launched under the mid-term plan until FY2019.

4 KPIs (retail sales of 1.3 million units, net revenue of 2.5 trillion, COP of 6% or more, positive free cash flow) were set as target for the next three years. To realize these KPIs, three strategic levers and two foundations supporting the roadmap will be established.

MMC will make concerted effort and work together to achieve this KPI.

At the recent Tokyo Motor Show, we also unveiled a new marketing tag-line, Drive your Ambition. We have renewed our corporate mark and communication mark.

MMC's new brand strategy under the new "Drive your Ambition" global tagline, a strategy that reflects an adventurous and progressive mindset for inspirational design and product.

“MITSUBISHI e-EVOLUTION CONCEPT,” a concept car that we demonstrated at the Tokyo Motor Show, shows our new brand message.

We are hoping to further refine our SUV and electrification technologies and combine them with AI, connectivity and other technologies to add new value to vehicles.

Product renewal

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Launching 2 new models

XPANDER

Eclipse Cross

7

In the mid-term plan, "product renewal" is the mainstay of our strategy. We started production and sales of 2 new models in fiscal 2017.

40,000 orders have been already placed for the XPANDER compact MPV in Indonesia, where production began on schedule in October. The XPANDER will be exported to the Philippines and Thailand from 2018, contributing to an increased brand and sales presence in ASEAN.

In Europe, exports of the all-new Eclipse Cross SUV, highly evaluated by all over the world, have also begun, to be followed by 80 markets including Australia, North America, and Japan.

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9

I will explain the first half results in detail and the progress on growth strategy.

As mentioned earlier, we maintained its V-shaped recovery with the same trend as in the first quarter.

First, I will explain first half analysis of Increase/decrease of operating profit.

FY2017 1H Analysis of Increase/Decrease of Operating Profit (vs. FY2016 1H)

(billion yen)

Vol/Mix by region	
Japan	+4.0
ASEAN	+7.7
China and others	+3.4
North America	-0.6
Europe	-5.2
Others	-1.4
Total	+7.9

Forex effect by main currency			
	Forex rate(yen)		Effect (billion yen)
	FY16 1H	FY17 1H	
USD	108	111	+2.8
EUR	119	126	+3.9
AUD	80	86	+5.7
THB	3.03	3.32	-14.3
Others	-	-	+2.8
Total	-	-	+0.9

Others	
R&D expenses	-1.9
Cost on quality measures in market and Others	+58.7
Total	+56.8

10

This page gives first half analysis of operating profit movements.

Volume and model mix produced a positive impact of 7.9 billion yen as a result of solid sales growth in China and ASEAN.

Sales expenses had a negative impact of 9.2 billion yen due to increased incentives and advertisement for brand rebuilding on our main models particularly in the U.S. and Japan.

Cost reductions produced a positive impact of 19.4 billion yen. Synergies included in this total were 11.5 billion yen.

In FX, we saw a positive impact of 0.9 billion yen as the depreciation of the Thai Baht was offset by benefits from other currency movements.

Others had a positive impact of 56.8 billion yen, reflecting the large amount of cost on quality measures in market recorded last fiscal year.

FY2017 1H Balance Sheet Summary

(billion yen)

	FY16 (end of Mar. 2017) Actual	FY17 1H (end of Sep. 2017) Actual	Variance
Total assets	1,484.4	**1,533.9**	**+49.5**
Cash and deposits	556.8	**523.0**	**-33.8**
Total liabilities	780.9	**782.3**	**+1.4**
Interest-bearing debt	15.6	**29.8**	**+14.2**
Total net assets	703.5	**751.6**	**+48.1**
Shareholders' Equity (Equity ratio)	690.5 (46.5%)	**734.7** **(47.9%)**	**+44.2**
Net Cash	541.2	**493.2**	**-48.0**

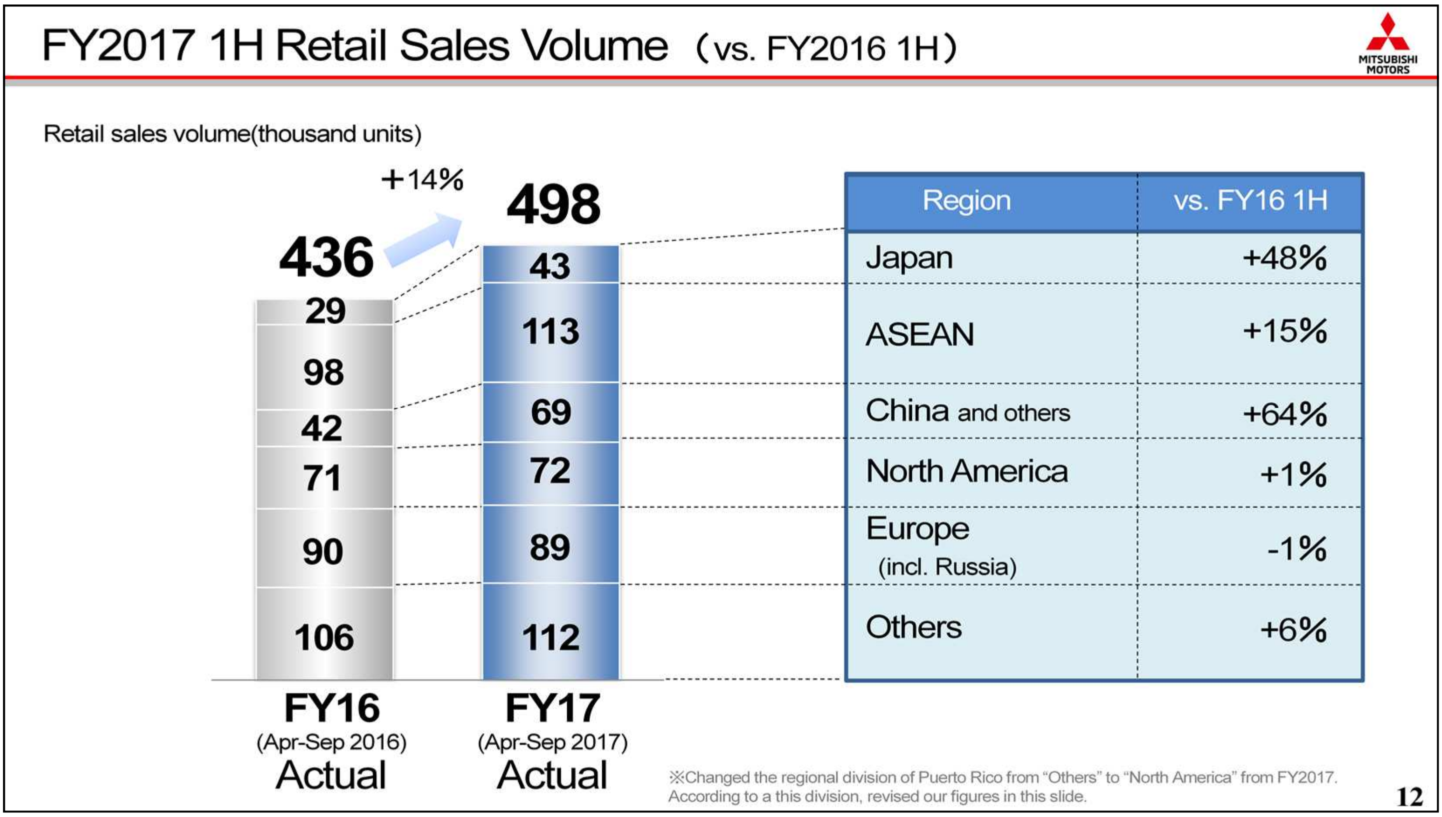
11

This page gives a summary of our balance sheet.

In terms of cash and deposits, the net cash position at the end of the first half amounted to 523.0 billion yen, a decrease of 33.8 billion yen from the end of the last fiscal year.

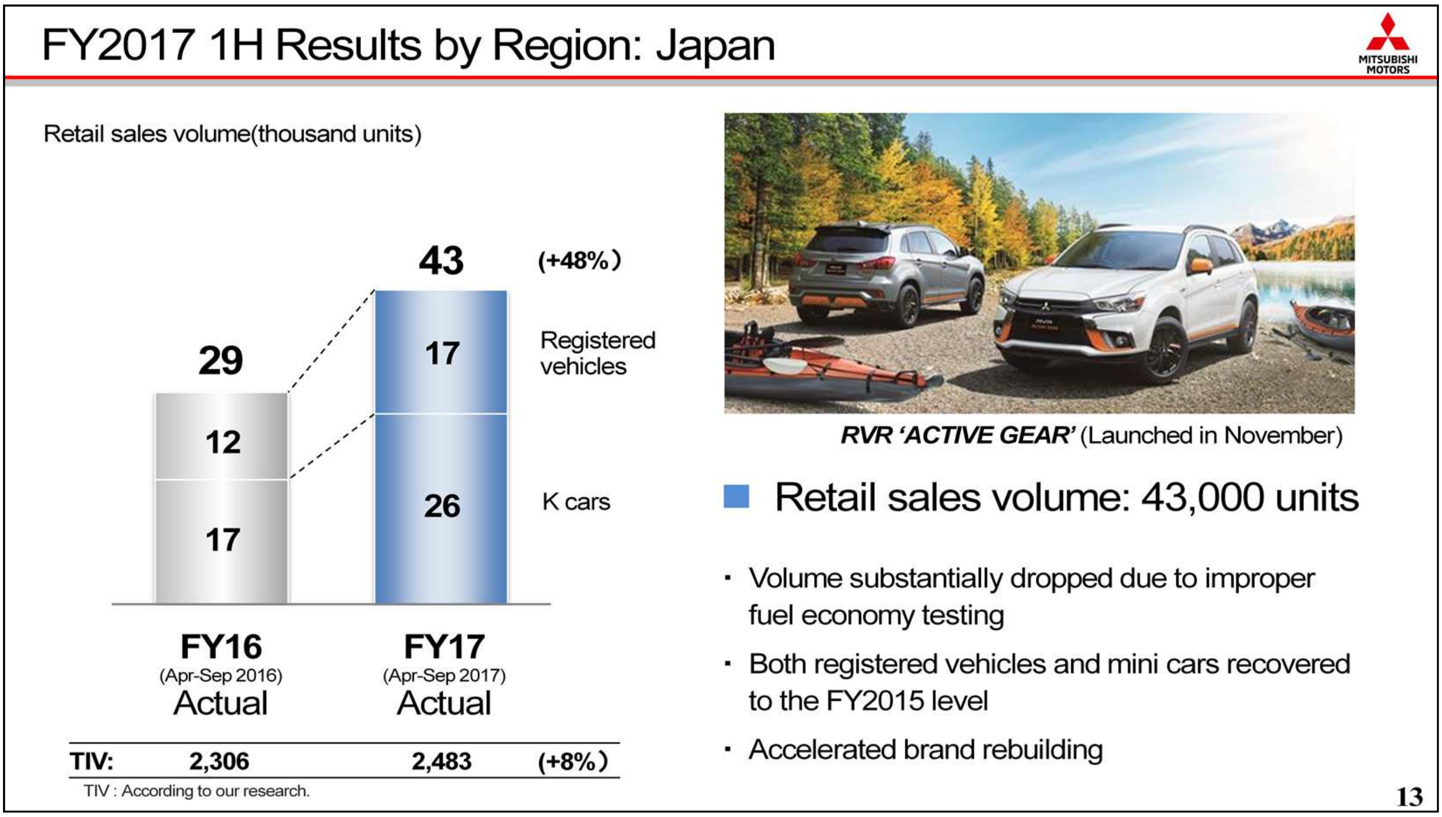
The equity ratio was 47.9%, which indicates our sound financial condition.

As we have previously said, we will continue to actively invest cash on hand in effective growth strategies while maintaining our healthy financial position to protect the company’s value.



Global sales volumes rose 14% year-on-year to 498,000 units, due to the recovery in Japan, where sales plunged last fiscal year due to the issue of improper conduct in fuel economy testing, as well as the growth driven by the strong sales of local produced models in China.

I would like to explain sales volume in detail by region.

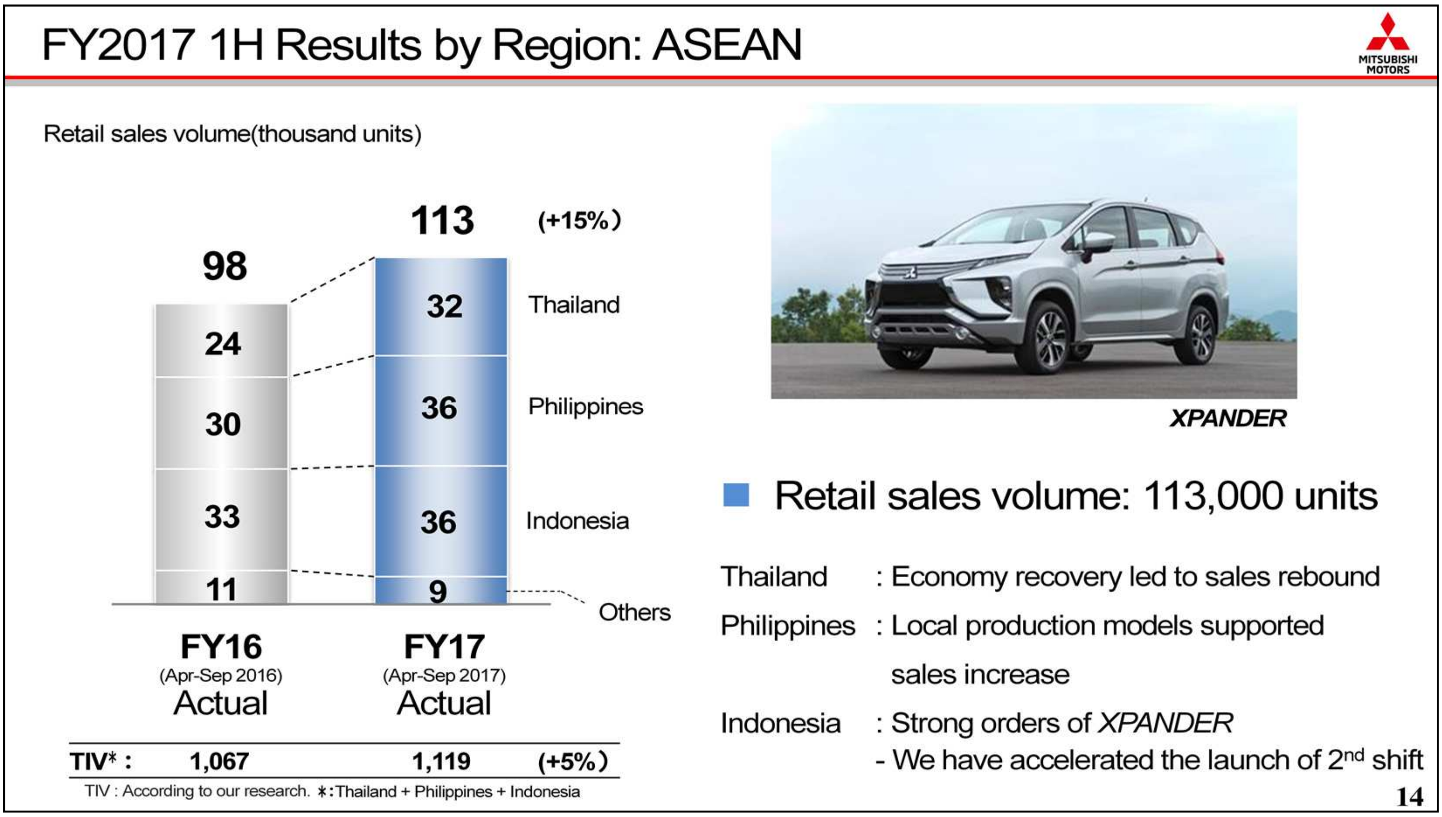


In Japan, sales volume rose by 48% over the same period last year, recovering from negative impact of improper conduct of fuel economy testing.

We are continually working hard to regain customer trust, in order to recover lost market share.

As part of our product renewal program, we launched the RVR, eK series "ACTIVE GEAR" that is popularly set for Delica D:5 and Outlander.

One important initiative of the brand rebuilding will be the continued expansion of our Dendo Drive Stations, our dedicated EV dealerships. We have opened five new dealerships in October, following on from the first outlet in Setagaya last year.

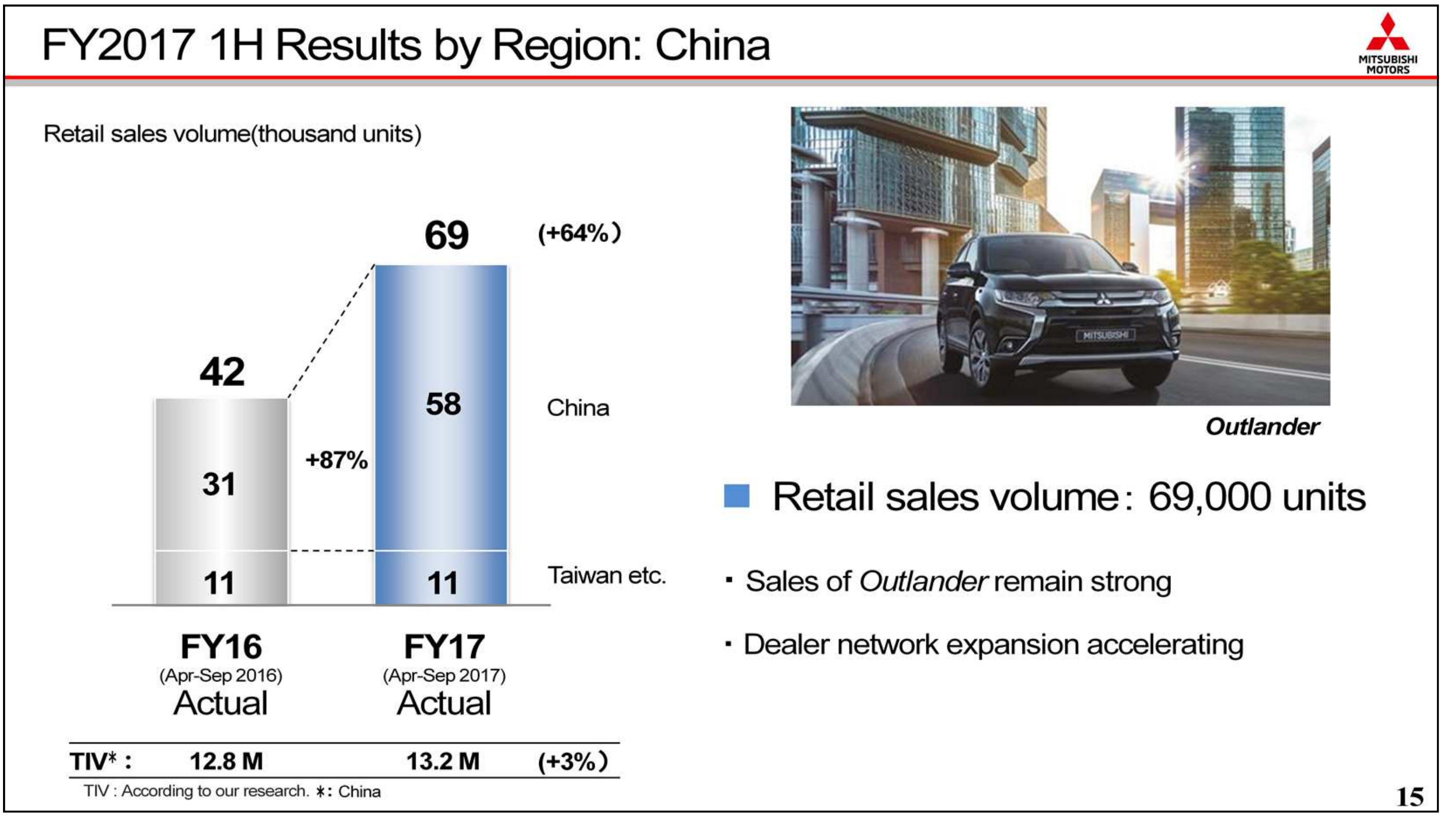


Sales in ASEAN continued to be strong and rose by 15% over the same period last year.

Thailand, a recovery in demand, combined with the service campaign aimed at enhancing trust in our company, helped lift sales of pick-up trucks in particular.

In the Philippines in which we have a high market share, the volume of the Pajero Sport grew significantly on a year-on-year basis. During the second half, the volume of the Mirage series localized production this year maintain steady growth and are now working to expand sales in the passenger car market, where demand is improving.

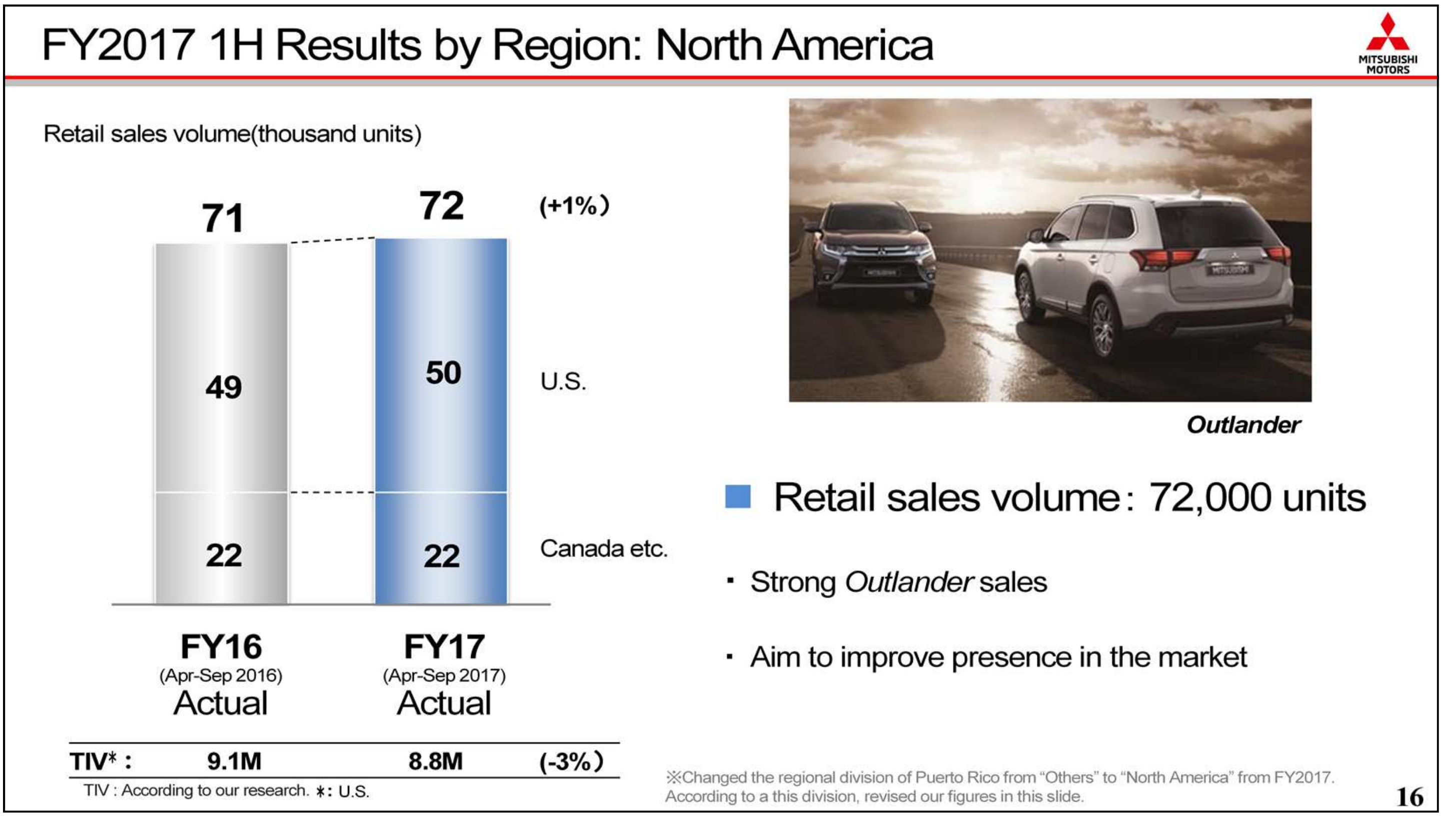
In Indonesia, 2 shifts per day manufacturing operation was pull ahead in October earlier than its original plan in order to catch up strong demand of XPANDER.



Sales in China increased by 87% over the same period last year driven by the "Outlander" which has been locally produced.

In future, we will strengthen advertisement and also work to enhance the dealer network and efficiency of dealer shop performance to further increase our market share.

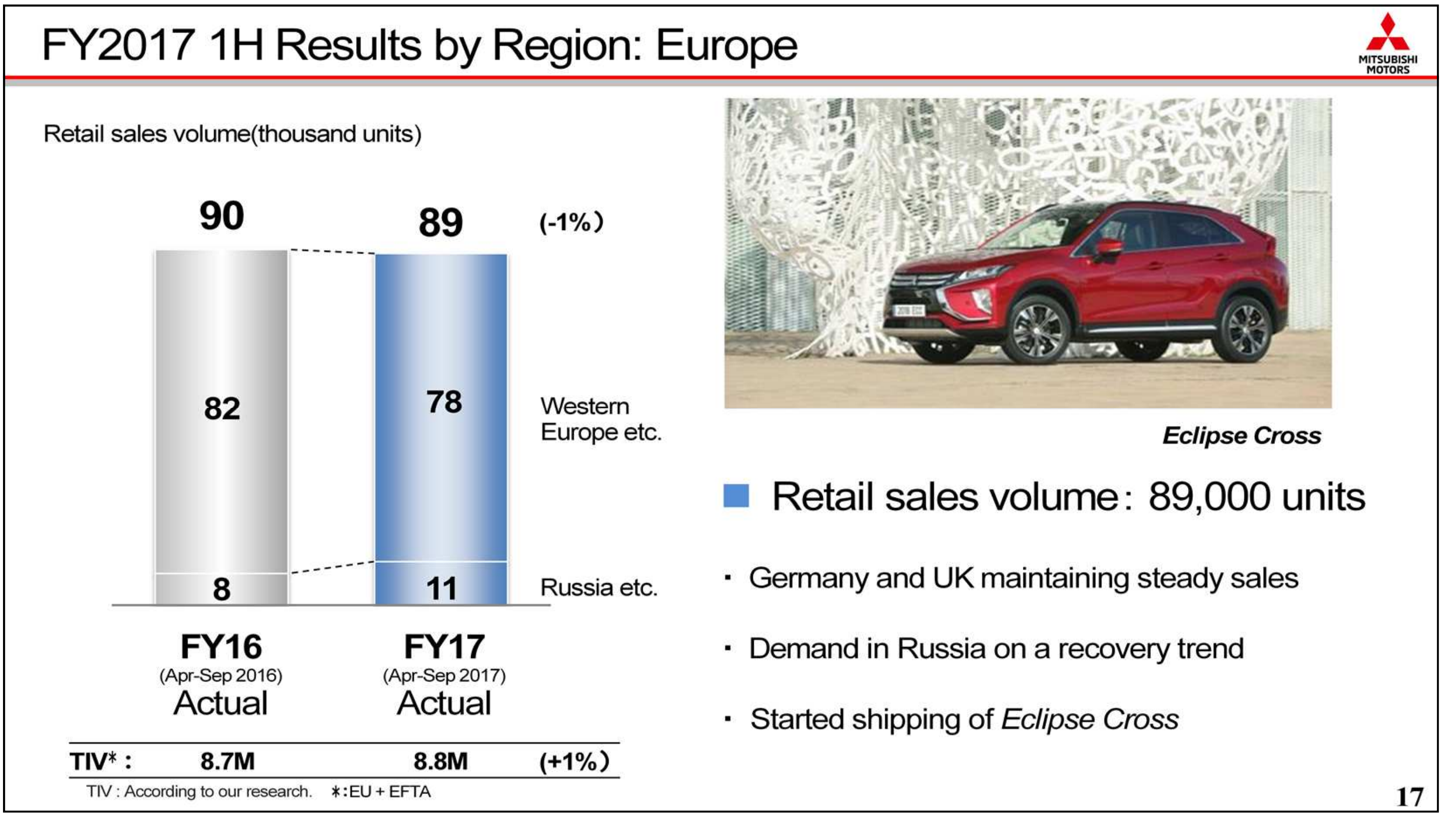
We will work to accelerate the start up of new dealers. We plan to increase them from 210 at the end of FY2016 to 400 by the end of FY2019. Our dealer network will expand to 300 by the end of FY2017.



In the US, we were affected by the continuing impact of incentives in the wider market. Even so, sales of our key "Outlander" model continued to grow and the volume of our sales slightly increased compared to the same period last year.

We plan to launch the "Eclipse Cross" and "Outlander PHEV" in the US during this fiscal year to build the Mitsubishi brand as a provider of SUV models.

We are also seeking to implement more sales initiatives to support our dealers and to improve our presence in this important market.

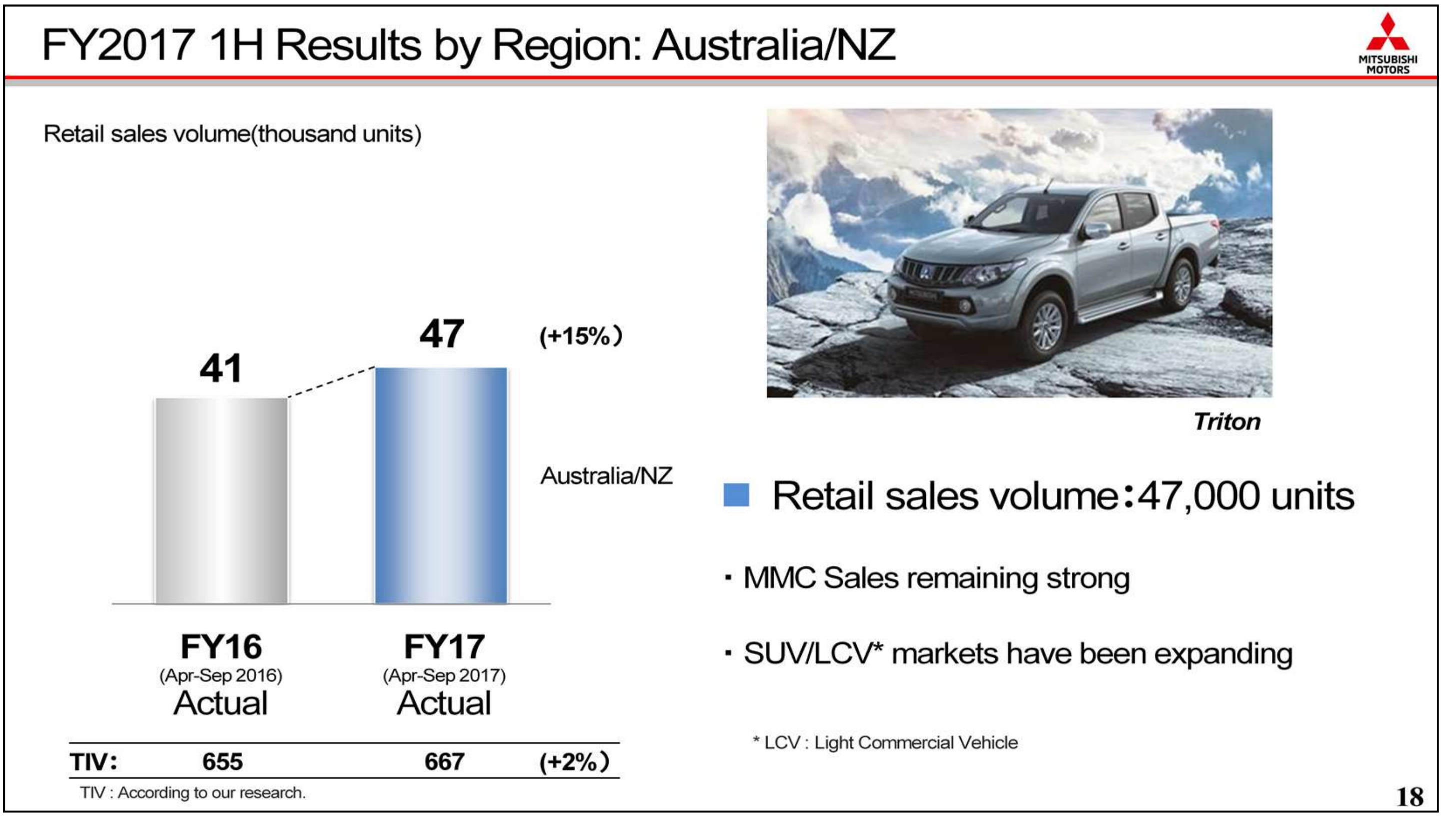


In Western Europe, we significantly increased volume in Germany (+26%), in which we are relatively strong. Similarly, solid sales growth continued in the U.K (±0%).

In Russia, where demand has been on a recovery trend, we have expanded local production to boost sales volume. In September, we announced the localized production of the new Pajero Sport, which will further enhance volumes this fiscal year.

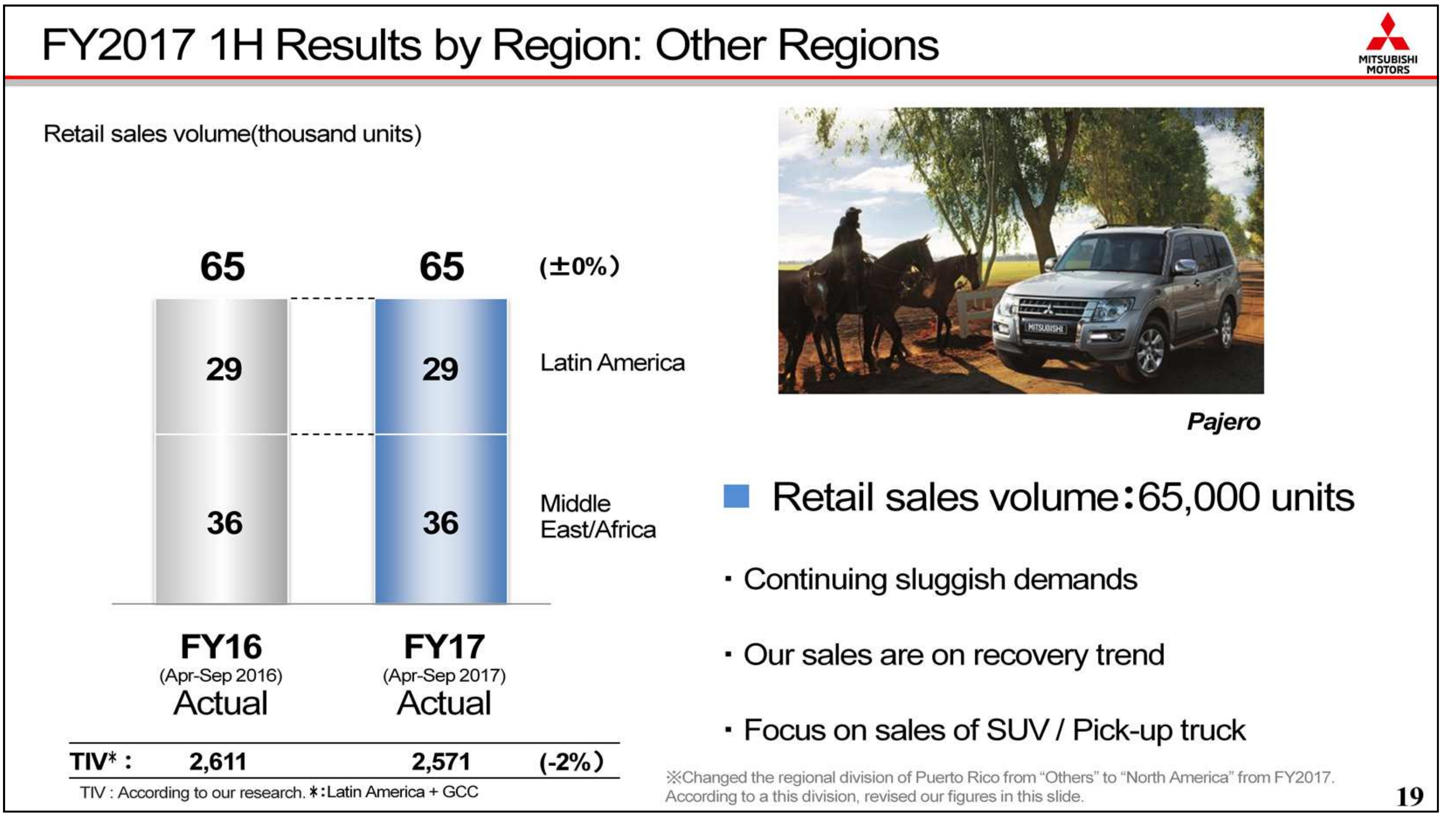
In other countries of Western Europe, the sales of our key “Outlander” model continued to erode due to intensifying competition. Offset by this impact overall volumes maintained almost same level over the same period last year.

Shipment of the Eclipse Cross to Europe began in early October. In the second half, we will work on expanding sales volume by this model.



In Australia and NZ in which we have a high market share, stable sales have continued during recent years. Sales of mainly SUV and pick-up trucks which we have a competitive advantage have steadily increased in 2Q, greatly exceeding total demand.

We will continue to focus on the sales of SUV/LCV models which are our strengths and on the growing trend in the Australian/NZ market.



In Latin America and Middle East and Africa, while we still face the difficult sales environment, our sales are on recovery trend.

Next, I will explain progress on the future growth strategy.

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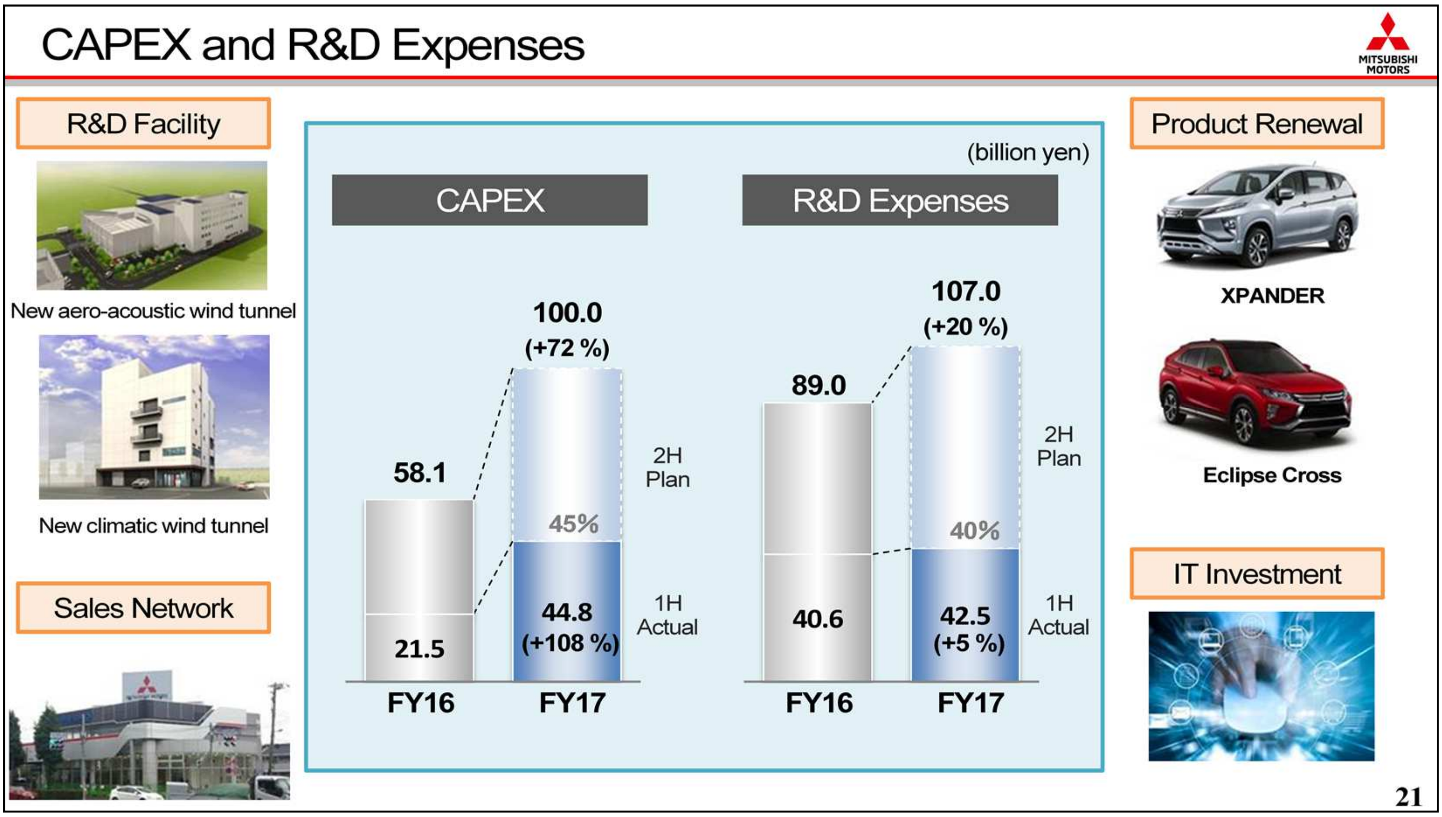


We are steadily promoting investment towards future growth.

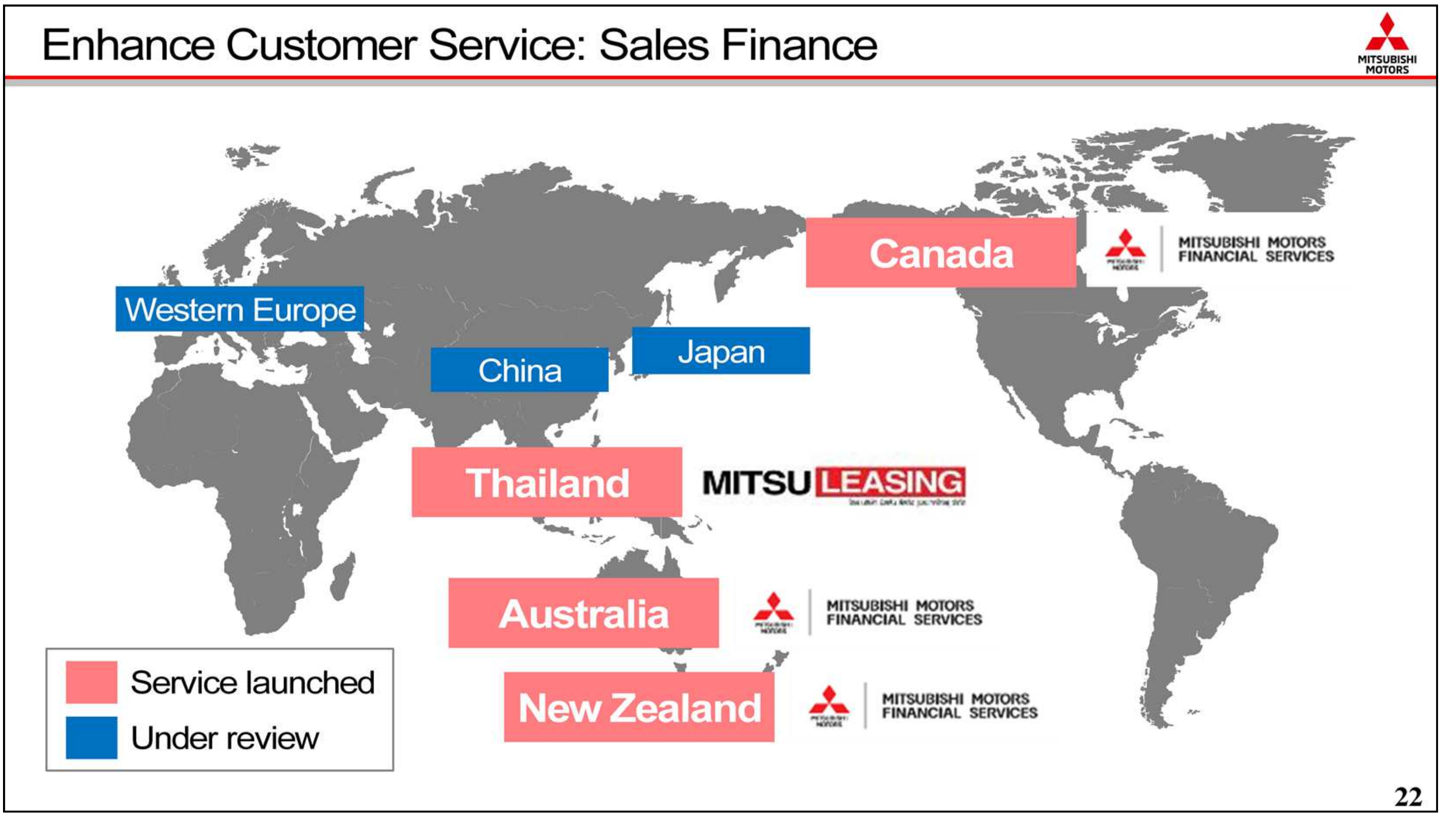
CAPEX for FY2017 has increased 72% compared to FY 2016 and we plan to increase R&D expenses by 20%.

The rate of progress for CAPEX is 45%, R&D expenses 40% for the First Half, progressing smoothly compared to the annual plan.

The main items of CAPEX are production related investment for Xpander and Eclipse Cross, construction investment for new testing facilities at Okazaki, and deployment of Dendo Drive Stations/Building of sales network for re-establishment of the brand. Furthermore, investment into IT to realize a working-friendly environment.

Moreover, we plan to increase R&D expenses after 3Q, actively promoting development for new models and minor changes.

We will steadily implement the planned investment for the Second Half, building a strong foundation to realize sustainable growth.



We are providing financial services by utilizing alliance with Nissan to enhance customer loyalty and improve COP margin.

This fiscal year, we have already started providing MMC sales finance services in Australia, New Zealand, Canada, and Thailand which would have been difficult on a stand-alone basis.

Furthermore, we will review the promotion of financial services in regions which MMC had weak presence up till now such as China.

We will steadily establish a solid foundation as a company to maintain profitable growth in addition to achieving the targets for this fiscal year.

Appendix

24

FY2017 1H Regional Actual(vs. FY2016 1H)

(billion yen)

	Net Sales			Operating Profit		
	FY16 Actual ('16/4-'16/9)	FY17 Actual ('17/4-'17/9)	Variance	FY16 Actual ('16/4-'16/9)	FY17 Actual ('17/4-'17/9)	Variance
Total	**864.9**	**947.7**	**+82.8**	**-31.6**	**44.2**	**+75.8**
- Japan	107.3	160.4	+53.1	-22.6	-12.7	+9.9
- ASEAN	156.3	216.4	+60.1	20.5	20.3	-0.2
- China and others	35.4	46.6	+11.2	0.1	8.4	+8.3
- North America	150.4	147.4	-3.0	-11.0	3.6	+14.6
- Europe	215.8	180.8	-35.0	-23.7	4.0	+27.7
- Others	199.7	196.1	-3.6	5.1	20.6	+15.5

※Changed the regional division of Puerto Rico from "Others" to "North America" from FY2017. According to a this division, revised our figures in this slide.

FY2017 2Q Analysis of Increase/Decrease of Operating Profit (vs. FY2016 2Q)

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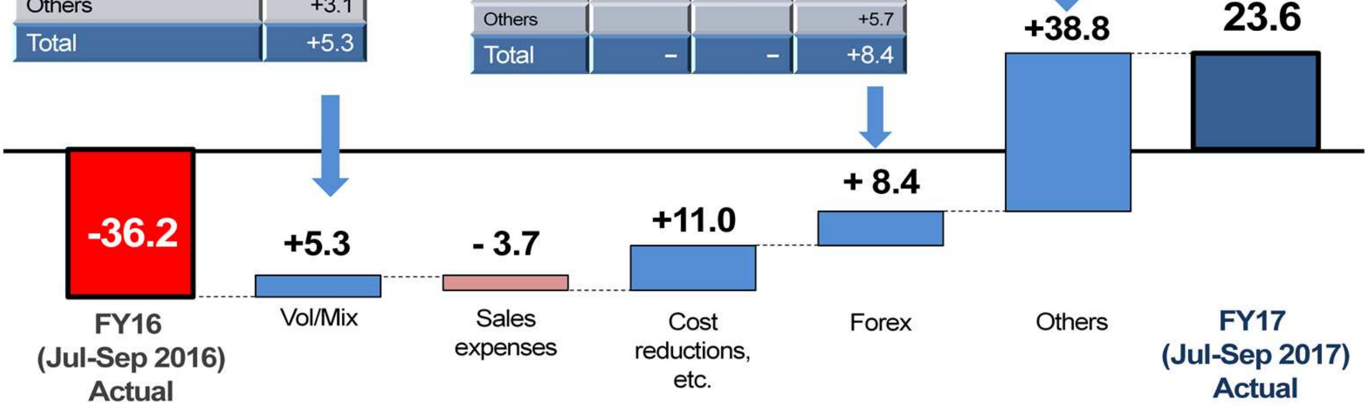
(billion yen)

Vol/Mix by region	
Japan	+1.0
ASEAN	+2.4
China and others	-0.6
North America	+0.6
Europe	-1.2
Others	+3.1
Total	+5.3

Forex effect by main currency	Forex rate(yen)		Effect (billion yen)
	FY16 2Q	FY17 2Q	
USD	103	111	+2.8
EUR	115	130	+4.9
AUD	77	87	+5.2
THB	2.97	3.36	-10.2
Others			+5.7
Total	–	–	+8.4

Others	
R&D expenses	-1.2
Cost on quality measures in market and others	+40.0
Total	+38.8



Capital expenditure / Depreciation / R&D expense

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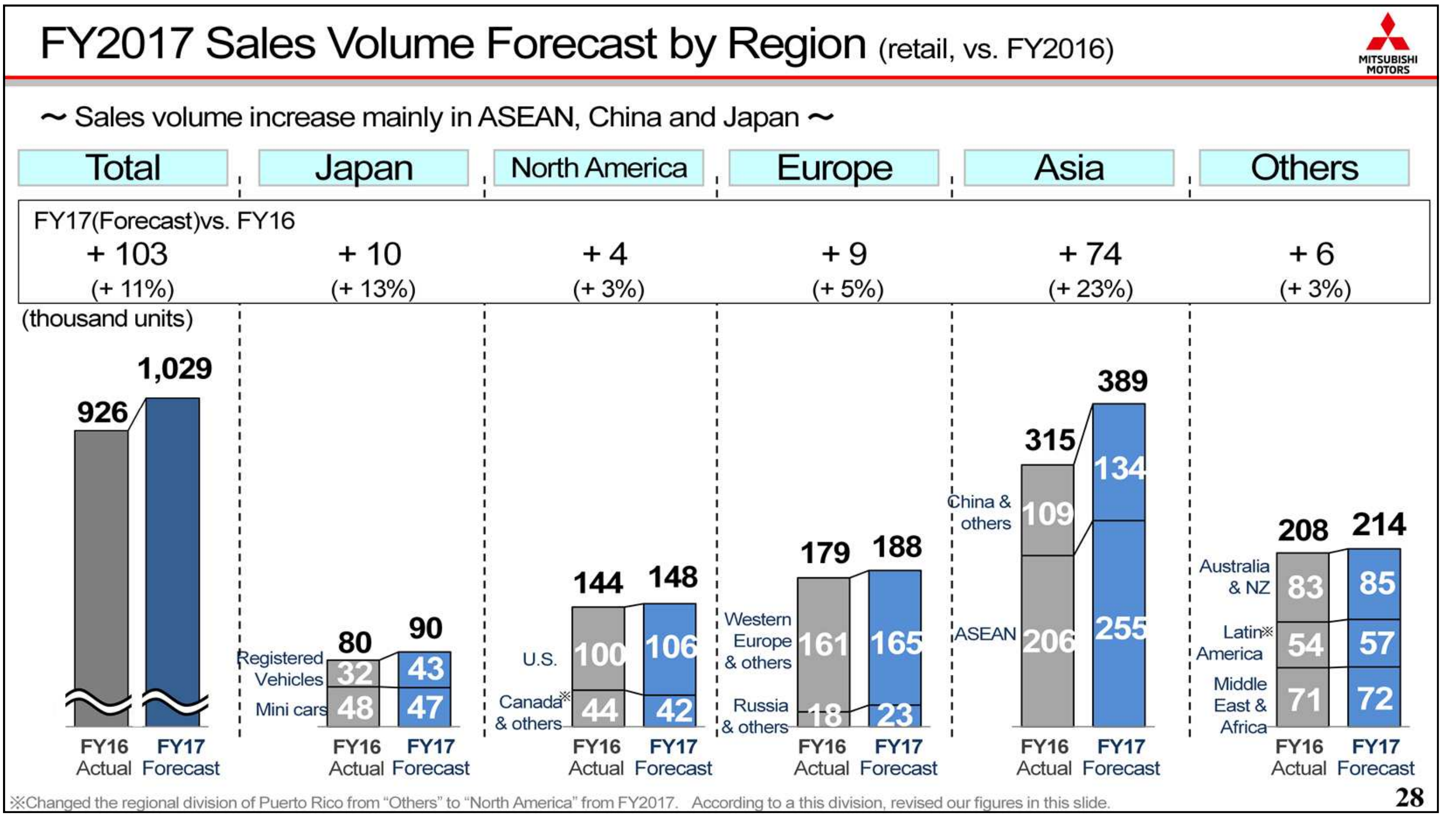
(billion yen)

	FY16 (Apr-Sep 2016) Actual	FY17 (Apr-Sep 2017) Actual	FY17 (Apr 2017-Mar 2018) Forecasts
CAPEX (YoY)	21.5 (-39%)	44.8 (+108%)	100.0 (+72%)
Depreciation (YoY)	23.8 (-8%)	23.3 (-2%)	53.0 (+15%)
R&D expense (YoY)	40.6 (+5%)	42.5 (+5%)	107.0 (+20%)



FY2017 Sales Volume Forecast by Region (retail, vs. FY2016)
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～ Sales volume increase mainly in ASEAN, China and Japan ～
Total
Japan
North America
Europe
Asia
Others
FY17(Forecast)vs. FY16
+ 103 (+ 11%)
+ 10 (+ 13%)
+ 4 (+ 3%)
+ 9 (+ 5%)
+ 74 (+ 23%)
+ 6 (+ 3%)
(thousand units)
926
1,029
80
90
Registered Vehicles
32
43
Mini cars
48
47
144
148
U.S.
100
106
Canada※ & others
44
42
179
188
Western Europe & others
161
165
Russia & others
18
23
315
389
China & others
109
134
ASEAN
206
255
208
214
Australia & NZ
83
85
Latin※ America
54
57
Middle East & Africa
71
72
FY16 Actual
FY17 Forecast
※Changed the regional division of Puerto Rico from "Others" to "North America" from FY2017. According to a this division, revised our figures in this slide.
28

FY2017 Regional Forecast (vs. FY2016)

(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

(MTP) Strategic Levers – Product Renewal

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11 new models launch during MTP Period

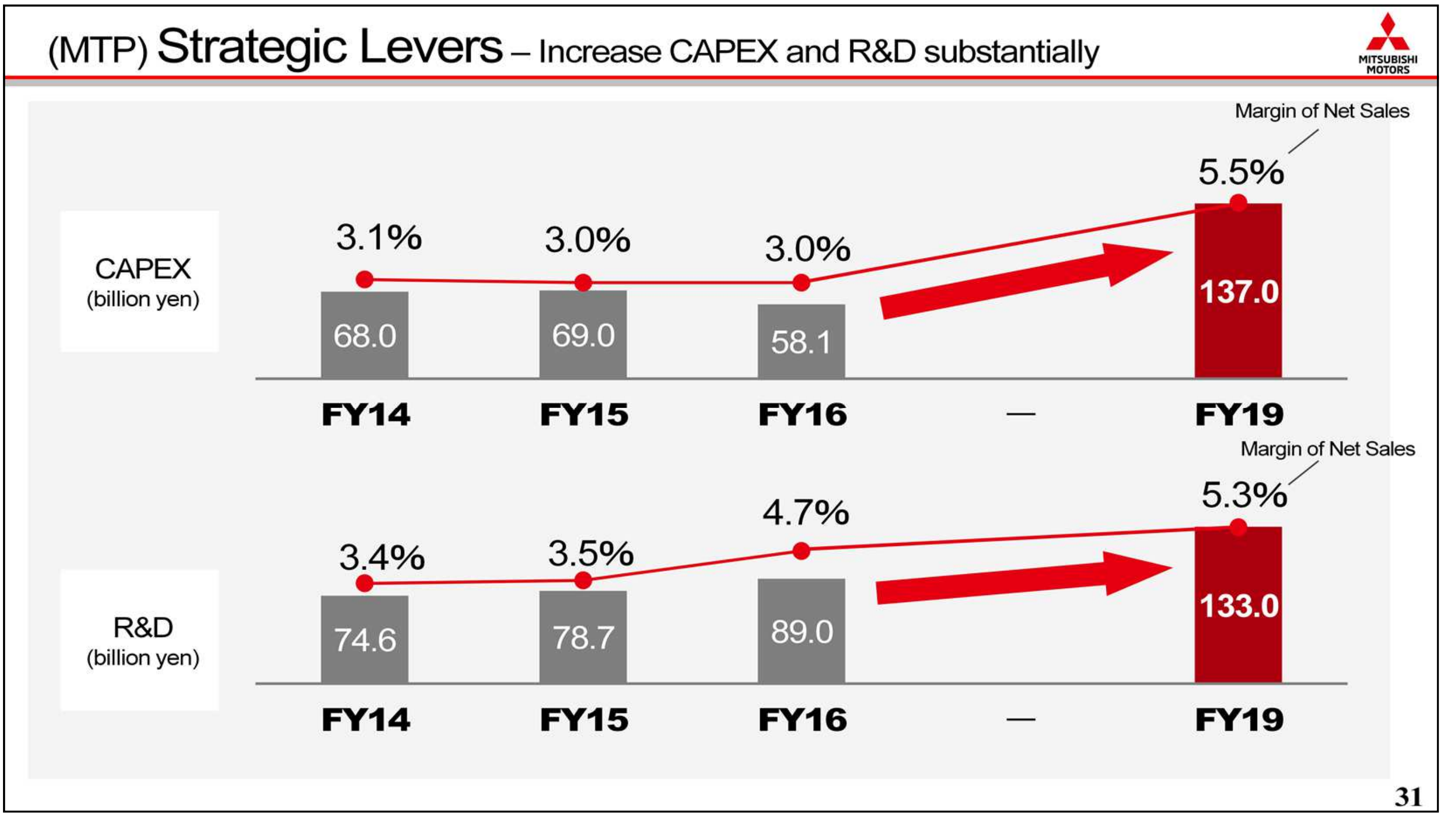
New models/full model changes

XPANDER

Eclipse Cross

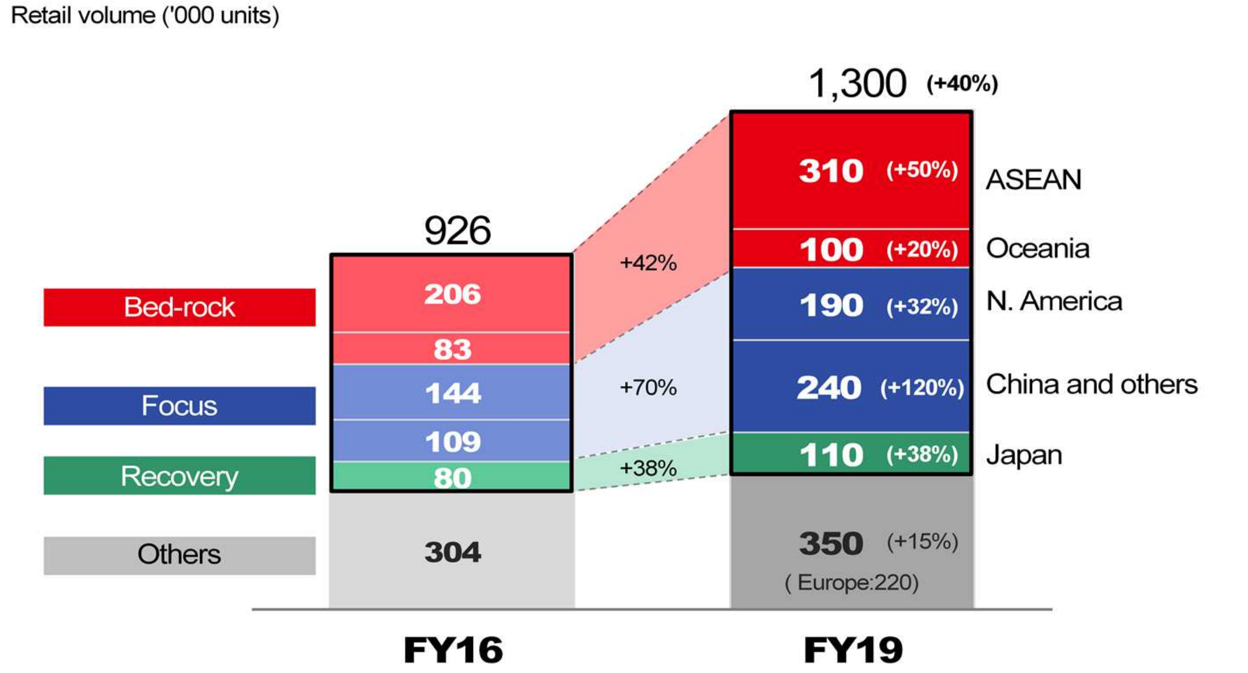
Minor changes

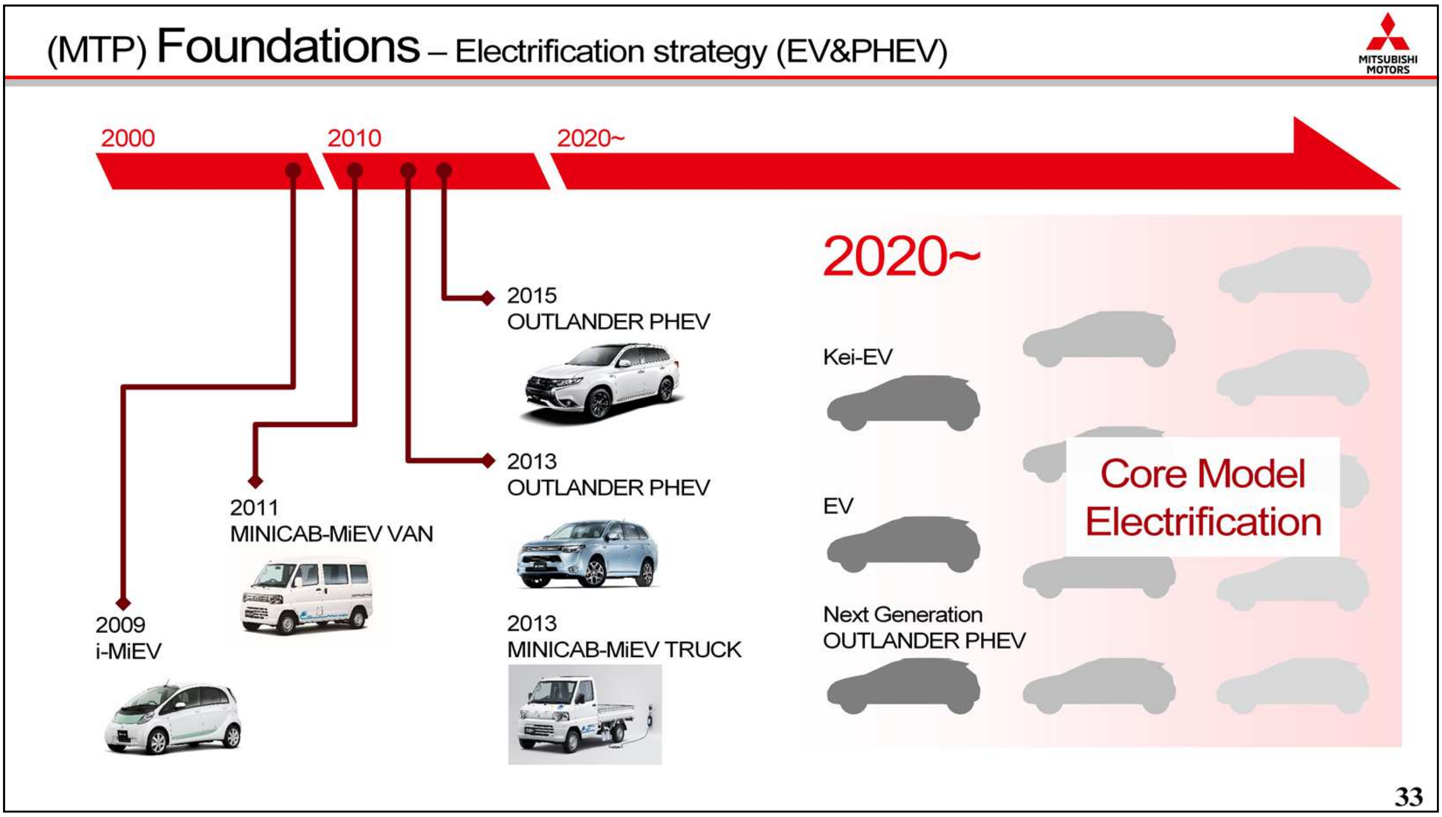
30



(MTP) Strategic Levers – Increase CAPEX and R&D substantially
MITSUBISHI MOTORS
CAPEX
(billion yen)
Margin of Net Sales
3.1%
3.0%
3.0%
5.5%
68.0
69.0
58.1
137.0
FY14
FY15
FY16
—
FY19
R&D
(billion yen)
Margin of Net Sales
3.4%
3.5%
4.7%
5.3%
74.6
78.7
89.0
133.0
FY14
FY15
FY16
—
FY19
31

(MTP) Strategic Levers – Regional Strategy – Focus on core markets




(MTP) Foundations – Electrification strategy (EV&PHEV)
MITSUBISHI MOTORS
2000
2010
2020~
2015
OUTLANDER PHEV
2013
OUTLANDER PHEV
2011
MINICAB-MiEV VAN
2009
i-MiEV
2013
MINICAB-MiEV TRUCK
2020~
Kei-EV
EV
Next Generation
OUTLANDER PHEV
Core Model
Electrification
33

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- **Feasibility of each target and initiative as laid out in this presentation;**
- **Fluctuations in interest rates, exchange rates and oil prices;**
- **Changes in laws, regulations and government policies; and**
- **Regional and/or global socioeconomic changes.**

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