

We will make the most of the Alliance to turbocharge our growth and profit in a sustainable way

After a promising yet challenging year in 2016, in 2017 Mitsubishi exceeded its forecasts and demonstrated its potential for a strong and quick recovery. As announced, we launched our mid-term plan "Drive for Growth" and efforts were made companywide to achieve its main objectives. We sought to rebuild customer trust, bring business performance back on a V-shaped recovery and initiate sustainable growth. Throughout the year, the Alliance has been an enabler and an accelerator of these efforts.

In 2017, Renault, Nissan and Mitsubishi sold more than 10.6 million vehicles and became the number one automotive group for passenger cars and light commercial vehicles. In 2018 we expect to exceed 11 million vehicles, and forecast total annual sales of 14 million units by 2022, which shall generate combined revenues of ¥31.8 trillion. Size is a necessary but not sufficient condition for success. Within the Alliance, we turn our scale into a strong competitive advantage through a patient and thoughtful strategy of convergence.

In March 2018, we accelerated convergence in such functions as purchasing, engineering, manufacturing and the supply chain. While ensuring each member company remained autonomous, these convergence moves benefited Mitsubishi in multiple ways. In purchasing, first. Last year, Renault, Nissan and Mitsubishi spent a total of 160,000 Oku-Yen in common purchasing. Mitsubishi benefited by benchmarking Nissan and looking at the Alliance best practices, and also from common purchasing of raw materials like steel, plastic and oil, which helped reduce our costs. In Manufacturing, in the course of this fiscal year our Mitsubishi plant in Indonesia will start producing Nissan vehicles based on Mitsubishi *XPANDER* – and will soon benefit from more joint plant utilization. Finally, in engineering, Mitsubishi and Nissan joined efforts in developing next-generation minicars. This cooperation helped reduce R&D costs and investments. Mitsubishi also proved its contribution to the Alliance by sharing its best practices in engineering, bought-out parts and logistics in the ASEAN region. Its PHEV technology will be also utilized as Alliance's common technology in the future.

On top of accelerating convergence in Alliance functions, we also extended our convergence to new functions such as light commercial vehicles, business development, after-sales service, quality and total customer satisfaction.

All in all, in fiscal 2017, synergies of the Alliance accounted for 28% of Mitsubishi's operating profit. This direct, positive impact of synergies on Mitsubishi's growth and profit will continue as all three alliance member companies strive to achieve the Alliance 2022 strategic plan.

Alliance 2022 calls for more than 9 million vehicles to be produced using common platforms by 2022, and for two-thirds of engines to be shared across Renault, Nissan and Mitsubishi. Alliance members will benefit from next-generation technologies and shared innovation. Given the Alliance mindset to develop once and share, each yen we spend in research and development is amplified through the alliance. Mitsubishi plans to spend ¥122.0 billion on R&D in fiscal 2018, while having access to a wide array of technologies, as the Alliance plans to invest a cumulative ¥6.6 trillion by 2022.

We look to the future of Mitsubishi with confidence. The Alliance will continue to turbocharge its growth and profit as well as Nissan Motor's and Groupe Renault's. We've already made solid progress, yet there is still much work to be done – and each member company is responsible for its own performance.

Together we'll deliver more and in a better way: more and better products and services, more and better technologies, more and better business opportunities. We'll also be more efficient by eliminating duplication, pooling our capacities and resources, avoiding costs and creating incremental revenue opportunities. These win-win-win solutions will significantly contribute to Mitsubishi's growth and profit in the years to come.

I am confident that through the impact of the Alliance and the efforts of all the men and women at Mitsubishi, we will deliver the Drive for Growth objectives.

August 2018



Carlos Ghosn

Carlos Ghosn
Chairman of the Board