

Fiscal 2014 First-Quarter Announcement Q&A Summary

- Date: July 30, 2014
- Mitsubishi Motors Executives in Attendance:
 - Managing Director Yutaka Tabata
 - Senior Executive Officer Hiroshi Noda
 - Senior Executive Officer Yoshihiro Kuroi

Q1. MMC's operating profit goal for 1H FY2014 is 55.0 billion yen. MMC achieved 56% of this goal in 1Q FY2014. This means that with the current forecast the remaining 44% will be achieved in 2Q – a decrease in performance compared to 1Q. Please tell us the factors behind this.

A1. In 1Q FY2014, depreciation of the yen, resulted in over an 8 billion yen upturn compare to the same period in FY 2013. The yen depreciated over MMC's forecasted rate as well. However our forecast yen rate has not been revised. This makes it look as if the yen is actually stronger on paper and is the one reason 2Q appears worse when compared to 1Q. In addition, 1Q results are propped up by the fact that 1Q FY2014 did not have the many advertising expenses for new products that 1Q FY2013 had. In 2Q, operating income is expected to worsen from 1Q. The reasons include increase in advertisement cost as well as incentives for the launch of the new Triton in 3Q this fiscal year. Another reason for a drop in FY2014 is year-on-year R&D expenses. 2Q FY2014 will have R&D expenses stemming from the coming launch of the all-new Triton that 2Q FY2013 did not experience. Overall, volume mix and material cost reduction are forecasted to improve. Forex on the other hand, will have a negative impact causing a decrease in operating income in 2Q compare to 1Q.

Q2. Is forex sensitivity higher than beginning of the fiscal year?

A2. As for forex sensitivity, there is no change from the forecast announced at the beginning of this fiscal year: USD - 2.0 billion yen, Euro - 1.3 billion yen, AUD - 1.2 billion yen, THB - 0.1 billion yen for a total of 4.5 billion yen.

Q3. Please tell us about the outstanding orders for the Outlander PHEV as the end of June, 2014.

A3. Sales in FY2013 recorded 9,000 units in Japan and 12,000 units overseas. In FY2014, sales volume of the Outlander PHEV at the end of June 2014 is at 9,000 units globally,

of which about 2,000 units were sold in Japan. If we add the 6,000 units of outstanding orders as of June then the total of domestic and overseas sales shows upward trends; however domestic sales pace is somewhat slower than overseas. As the Outlander PHEV is a unique vehicle, we will need to communicate to the customer about the model to be well understood in order to increase its sales. In Europe, sales in the Netherlands contributed to the overall volume of the region and we consider we had a successful first year for the Outlander PHEV. Currently we have good feedback in the U.K.

Q4. Automobile demand in Japan decreased about 30% year-on-year in June. What does MMC forecast for Japan market demand moving forward? Regarding automobile demand in Thailand, do you think it is possible for it to recover starting from the second quarter?

A4. Automobile demand in Japan was at 98% year-on-year in 1Q FY2014. MMC's results for the quarter were also 98% year on year, roughly the same amounts as 1Q FY2013. The rush to buy before the consumption tax increase at the end of 4Q FY2013 left us with an amount of undelivered orders but the effect on sales was smaller than expected. The result is an overall demand that is roughly the same year-on-year for 1H FY2014. We see overall demand for 2H FY2014 decreasing by about 10% due to the effects of the buying rush wearing off. For MMC, the rush to buy before the consumption tax increase was great on registered vehicles; but this was amplified in regards to minicars as new minicar models were released at the beginning of the year, resulting in a year-on-year increase in 1Q FY2014. From 2Q FY2014, MMC intends to prop up sales by spreading the Outlander PHEV to other markets in order to avoid a large drop. Overall automobile demand in Thailand over FY2013 was 1,080,000 units. We hope that this increases somewhat in FY2014 compared to MMC forecasts announced at the beginning of the fiscal year; however with political instability, martial law, etc., we are aware that demand may not reach 1,000,000 units in FY2014. Consumption stagnation has started to move again, showing signs of bottoming-out with the military taking control in Thailand. Government Rice-pledging payments and approval of foreign direct investment have restarted. The drop in the Thai market has begun to stop. MMC's original sales plan for Thailand of 100,000 units for FY2014 remains unchanged because MMC thinks that automobile demand there will improve over 2H FY2013 and the all-new Triton is set for release during the year. However the situation in Thailand remains complex and is difficult to predict at this moment, so regarding future forecasts we ask that you let us watch the situation closely for the time being. We will work as

hard as possible in many areas, including expansion of the dealer network and marketing of new vehicles. Regarding ASEAN overall, MMTh' s export business, as well as positive contributions from Indonesia and the Philippines offset the drop in Thailand; so no large loss was recorded and profits will not deviate much.

Q5. You have a loss of 2 billion yen for the North American market in 1Q FY2014. What is your plan towards profitability?

A5. We have been struggling with North American market not being able to make profits. In order to resolve that issue, we have implemented plans to use the market as a local sales as well as exporting hub for the Outlander Sport. To sell this model we had to increase the incentives due to the damage of MMC's brand image that remains due to a failed sales strategy in 2004. We saw some improvement in profits last fiscal year as there was an adjustment in forex. Total volume increased as sales of the Outlander Sport increased and the Mirage was launched into the market. With that in mind, we will work towards profitability through various methods such as strengthening sales through higher dealer incentives as well as improving cost reductions for production of the Outlander Sport at the Illinois plant.

Although we were concerned whether the Mirage would sell in the United States because of its small size, we launched the model into the market anyway to broaden the lineup. Conventionally, small cars have been rather important models in the American market, valued for their high fuel efficiency. We have been told that the Mirage will not contribute to improving the bottom line; and so far this is correct – it has not materialized as a profit center. Even though it does not make a large profit because the Mirage is a small car, in the long term it will have an effect on profit by attracting more customers coming into the dealerships.

Q6. What kind of sales trends do you foresee to achieve the sales target for the Outlander PHEV? As the model will be launched in countries outside of the Netherlands, do you expect to see a steady increase in sales or sudden dramatic rise?

A6. After successfully launched in the Netherlands, we just have started launching the model in other countries in Europe. We had a good start in the U.K. thanks to the large government incentives. It is reassuring to know that some people are switching to the Outlander PHEV from European luxury brands. Retail value for the Outlander PHEV is quite high, so we are aiming to sell the model as company cars in addition to personal

purchase. To that end, we are considering prices and packaging program with leasing companies. Through these attempts we expect that sale of the Outlander PHEV will increase in Europe. In Japan its sales are slow at the moment. From now on we will make efforts to firmly and accurately communicate its competitiveness to our customers. We foresee that its sales in the 2H FY2014 will be greater than that of 1H FY 2014.

- Q7. Volume/model mix had a positive result of 6.5 billion yen. Please explain this in detail. Even considering the influence from forex, the turnaround of volume/model mix seems smaller for net sales of 104 billion yen.
- A7. Despite the increase in volume, model mix worsened in some regions. One of the regions is ASEAN; particularly in Thailand, high-margin models like the Pajero Sport decreased. Wholesale sales volume had 1,000 units increase in ASEAN as a whole. However, the decrease in Thailand affected resulting in negative volume mix. Increases in North Asia could not cover the decrease in ASEAN.
- Q8. While operating income in Asia is decreasing, "Other Regions" recorded over 10 billion yen. Do you think you will be able to continue with sustainable profits there?
- A8. Although there was a slight decrease in volume in Australia and New Zealand compared to the same period last fiscal year, favorable volume mix due to sale increase of the Triton and ASX contributed to improved profitability. We expect this trend will continue in 2Q and onward. Sales volume in Latin America and Middle East & Africa has been stable and we expect the trend to continue for a while in these regions as well.
- Q9. Is Takata's recall cost included in the increase/decrease factors?
- A9. In Japan MMC does not have the vehicle subject for recall. Thus, no recall cost is included. However, in the US there has been a request of investigation by NHTSA to test limited in high temperature and humid area for those outside of recall range. Currently, we are cooperating the investigation, but the cost is not included.

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