
MITSUBISHI
MOTORS
FY2018
Financial Results
May 9, 2019

1. FY2018 Financial Results

2. FY2019 Financial Forecast

3. Concept for the next Mid-Term Plan

FY2018 Financial Results Summary (vs. FY2017)

(Billion yen, 000 units)	Full Year Actual				4Q (Jan - Mar)	
	FY2017	FY2018	Variance		FY2017	FY2018
			Amount	Ratio		
Net Sales	2,192.4	**2,514.6**	+322.2	+15%	674.3	720.5
Operating Profit (OP Margin)	98.2 (4.5%)	**111.8 (4.4%)**	+13.6 (-0.1 P.P.)	+14%	33.6 (5.0%)	26.8 (3.7%)
Ordinary Profit	110.1	**119.9**	+9.8	+9%	29.0	27.5
Net Income*	107.6	**132.9**	+25.3	+24%	37.5	63.7
Sales Volume (Retail)	1,101	**1,244**	+143	+13%	324	350

* Net income attributable to owners of the parent

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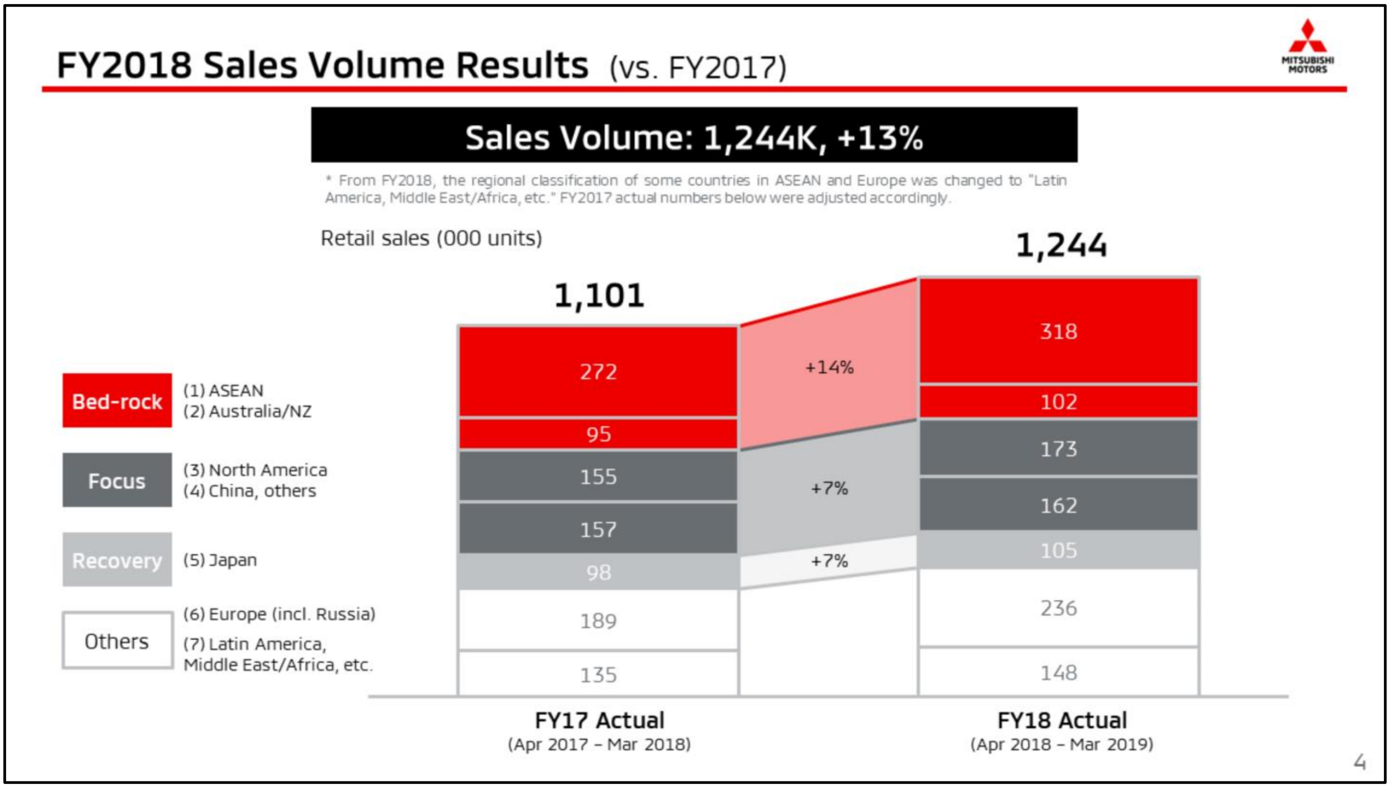
First, our FY18 results are summarized as follows. Net sales increased 15% year on year to ¥2,514.6 billion, and operating profit increased by ¥13.6 billion year on year to ¥111.8 billion. As a result, the operating profit margin was 4.4%.

Ordinary profit was ¥119.9 billion, and net income increased by 24% to ¥132.9 billion, due to the recognition of tax effects on U.S. subsidiaries.

Global unit sales totaled 1.244 million units, an increase of 13% from the previous fiscal year.

For the three-month period to the end of March 2019, net sales were ¥720.5 billion, operating profit was ¥26.8 billion, and the OP margin was 3.7%. The deterioration in OP margin was primarily due to unfavorable foreign currency effects and increasing costs for raw materials such as steel.

From around the end of last year, the global economy has begun to slow and the earnings environment has become more severe. So we have curbed costs and begun adjusting inventory. As a result, we were able to achieve increases in both sales and profits in FY2018, and so far we have remained on track with our recovery.



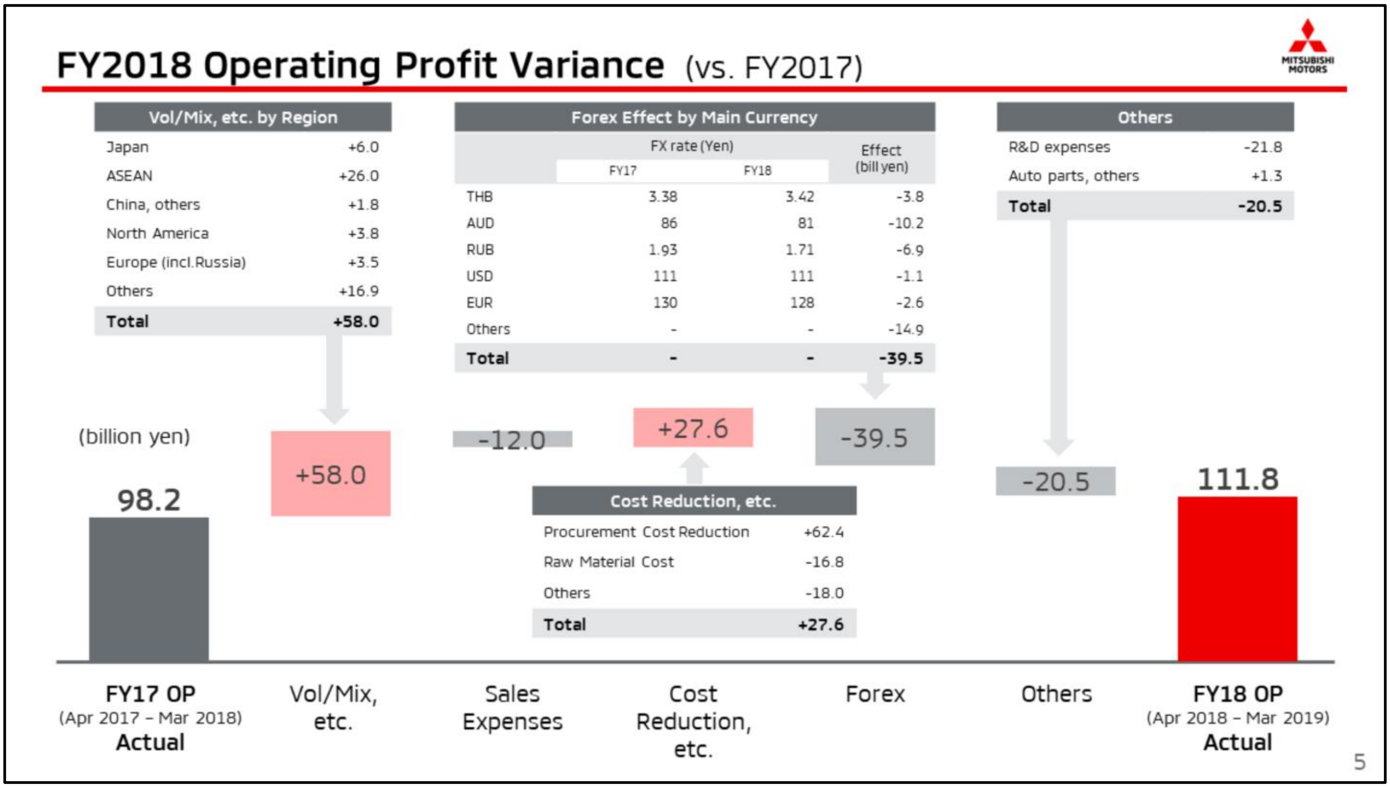
Although we did not reach our initial target of 1.250 million units, we achieved 1.244 million units, a 13% increase year on year.

Sales in the ASEAN region and the Australia/New Zealand region, which were identified as "Bedrock" market in the current "DRIVE FOR GROWTH" mid-term plan, grew 14% year on year, supported by steady sales growth, particularly of the new *XPANDER* model.

In our "Focus" market North America and China, where market conditions are becoming increasingly challenging, sales were slightly higher than in the previous fiscal year. However, we did not achieve our forecast full year sales target.

In Japan, which is a "Recovery" region, sales increased 7% year on year, outpacing growth in the market as a whole, due to the effects of the new model *ECLIPSE CROSS* and the renewal of *OUTLANDER PHEV*.

Elsewhere, sales increased year on year including in Europe and other regions.



In terms of volume/mix, etc. the launch of new models and strong sales of *XPANDER* in ASEAN countries resulted in an increase of ¥58.0 billion.

Sales expenses in North America, Europe and ASEAN increased ¥12.0 billion due to the strengthening of the brand and the increase in advertising expenses associated with the launch of new models.

Cost reductions boosted operating profit by ¥27.6 billion. Despite higher costs due to fluctuations in raw material, we made steady progress in reducing procurement costs.

In addition to the negative impact of the appreciation of the Thai baht, which is the cost currency for us because we have a production base in Thailand, we saw a negative impact on earnings from the depreciation of currencies mainly in resource-rich countries and emerging countries such as the Australian dollar, Russian ruble and Indonesian rupiah. This had a ¥39.5 billion negative impact on operating profit.

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FY2019 Full-Year Forecast (vs. FY2018)

(billion yen, 000 units)	FY18 Actual (Apr 2018 - Mar 2019)	FY19 Forecast (Apr 2019 - Mar 2020)	Variance	
			Amount	Ratio
Net Sales	2,514.6	**2,580.0**	+65.4	+3%
Operating Profit (OP Margin)	111.8 (4.4%)	**90.0 (3.5%)**	-21.8 (-0.9 P.P.)	-19%
Ordinary Profit	119.9	**100.0**	-19.9	-17%
Net Income*	132.9	**65.0**	-67.9	-51%
Sales Volume (Retail)	1,244	**1,305**	+61	+5%

* Net income attributable to owners of the parent

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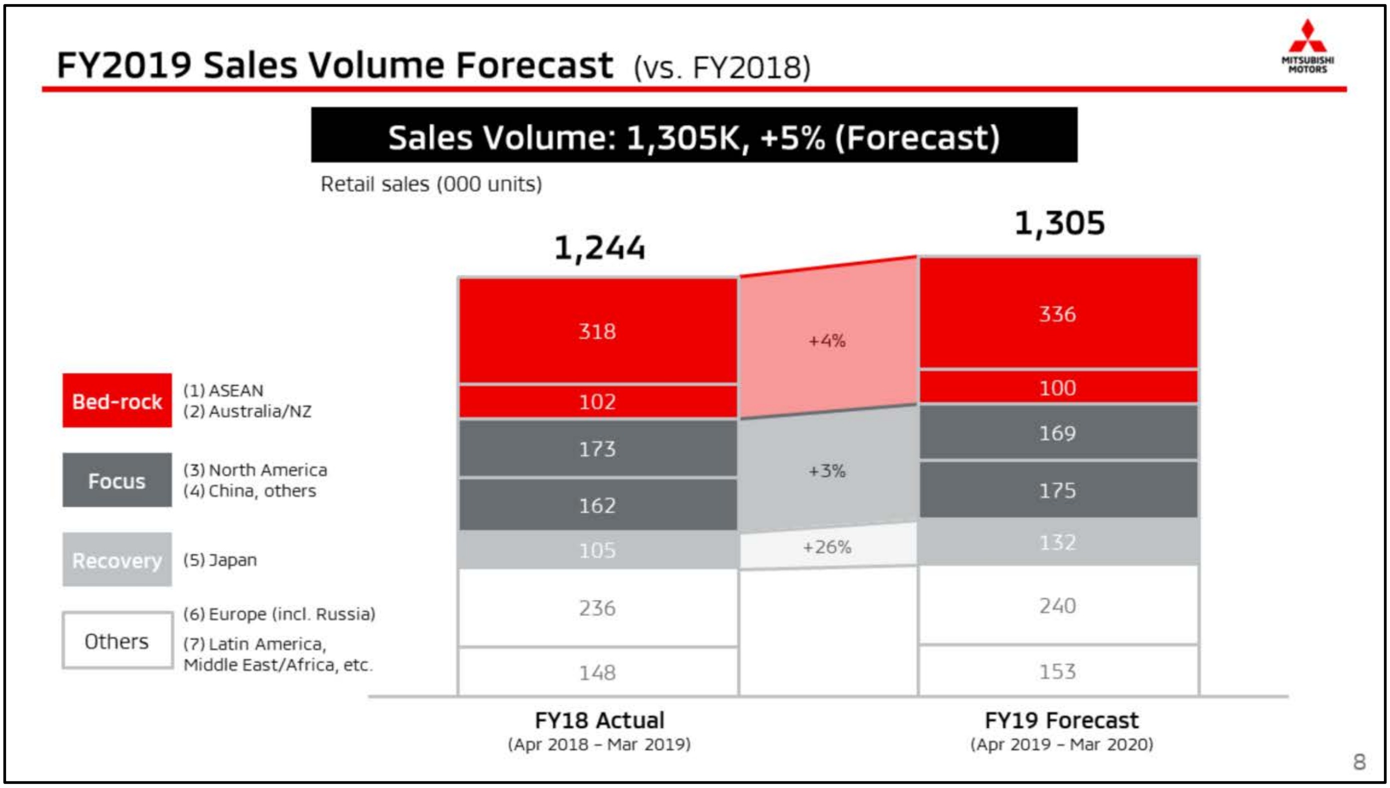
We recognize that the world's political and economic situation surrounding the automobile industry is clearly worse than it was last year.

Globally, the trends impacting our industry include the trade friction between the United States and China and between the United States and Europe, as well as a trend of economic slowdown, capital outflows from emerging countries, and the currency market fluctuation. We also saw turmoil and weakening of cohesion in the European Union due to Brexit, and the growing uncertainty in Japan linked to the outcome of the consumption tax hike and the exit strategy for the monetary easing policy.

In light of these changes in the business environment, in FY2019 we expect sales to rise from the previous fiscal year to 1.305 million units and ¥2.580 Trillion. However, we expect operating profit and OP margin to decline from the previous fiscal year to ¥90.0 billion and 3.5%, respectively.

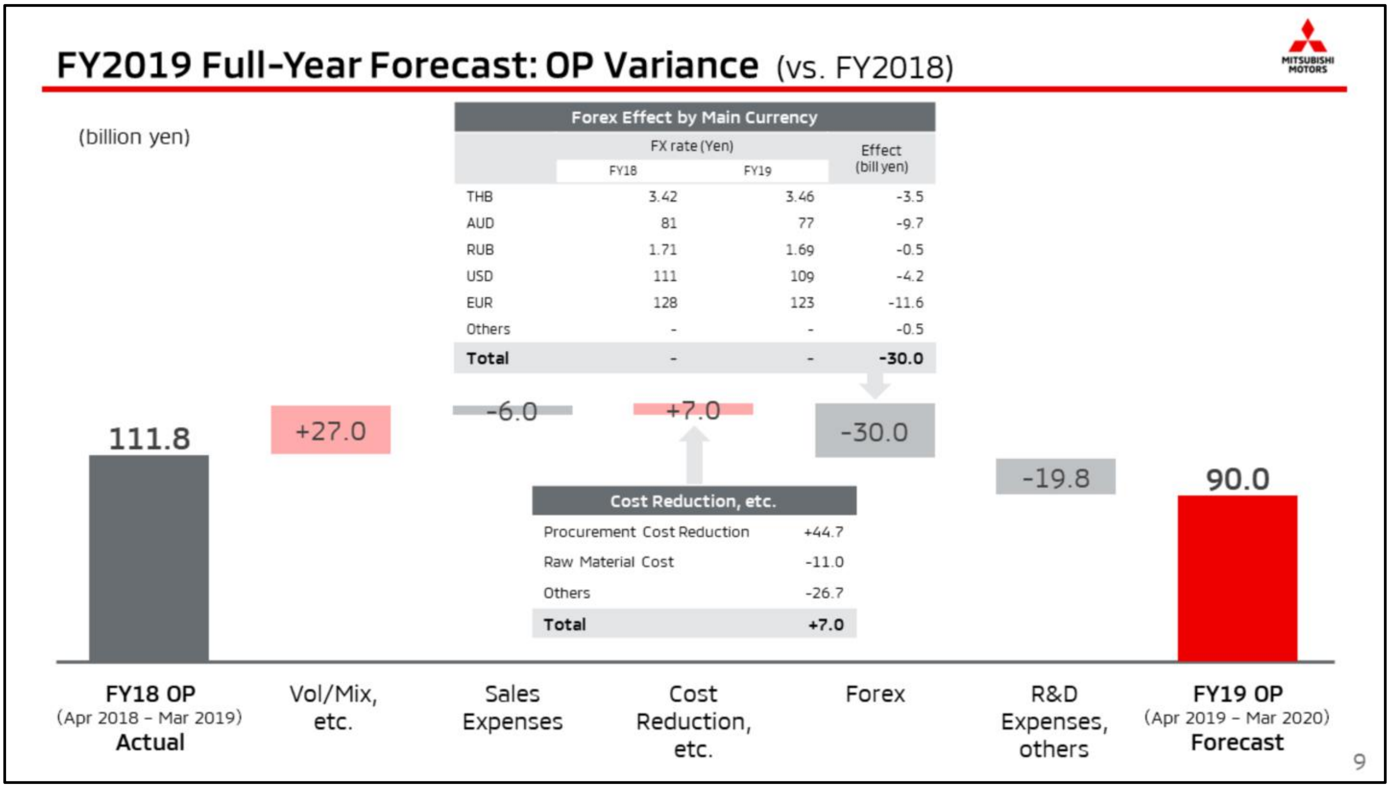
The operating profit is expected to be ¥90.0 billion compared to ¥150.0 billion in the mid-term plan. Negative factors, such as about ¥70 billion from Thai baht and other currencies and about ¥20.0 billion from raw material price hikes, are expected to be offset by sales expansion and cost reduction efforts.

In addition, net income for FY2019 is expected to be ¥65.0 billion due to the reversal of the tax effects of U.S. subsidiaries recorded in FY2018.



Unit sales in fiscal 2018 significantly exceeded those in the previous fiscal year in all regions.

In FY2019, we will do our utmost to build a stronger foundation to enable sustainable growth with profitability centered on our growth in ASEAN countries. In addition, we will work to expand sales and marketing not relying on incentives in Japan, where we expect to launch a number of new models.



Forex Effect by Main Currency

	FX rate (Yen) FY18	FX rate (Yen) FY19	Effect (bill yen)
THB	3.42	3.46	-3.5
AUD	81	77	-9.7
RUB	1.71	1.69	-0.5
USD	111	109	-4.2
EUR	128	123	-11.6
Others	-	-	-0.5
Total	-	-	**-30.0**

Cost Reduction, etc.

Procurement Cost Reduction	+44.7
Raw Material Cost	-11.0
Others	-26.7
Total	**+7.0**

In terms of volume/mix, we forecast an increase of ¥27.0 billion, mainly in ASEAN and Japan, by increasing unit sales and improving the product lineup.

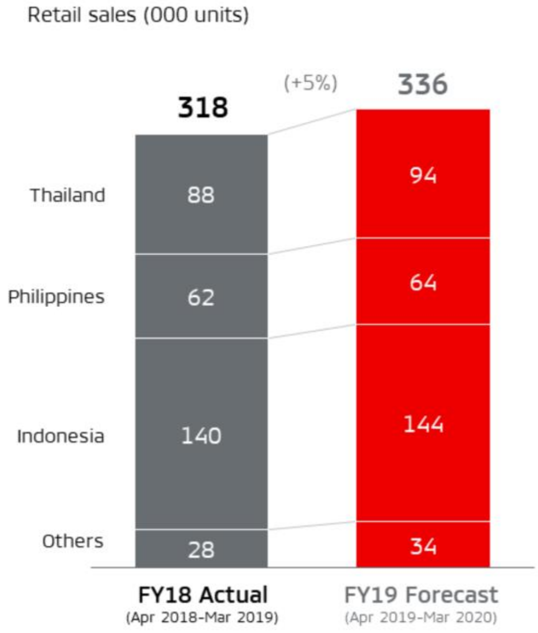
The increase in sales expenses is due to new models launches and brand enhancement.

Among cost reduction, other items include expenses for the renewal of aging facilities, etc.

Foreign exchange rates are forecasted based on the current market level and we expect to see ¥30.0 billion deterioration from the previous fiscal year, mainly in Thai Baht, Australian dollar, U.S. dollar, and Euro.

he increase in R&D costs expenses and others includes the increase in IT investment which was not sufficient in the past.

Regional Strategy: ASEAN



Sales Volume: 336K, +5% (Forecast)

- Aim for increasing both sales volume & profitability
- Focus on SUV/LCV segment
- *XPANDER*: strengthen its life-cycle management

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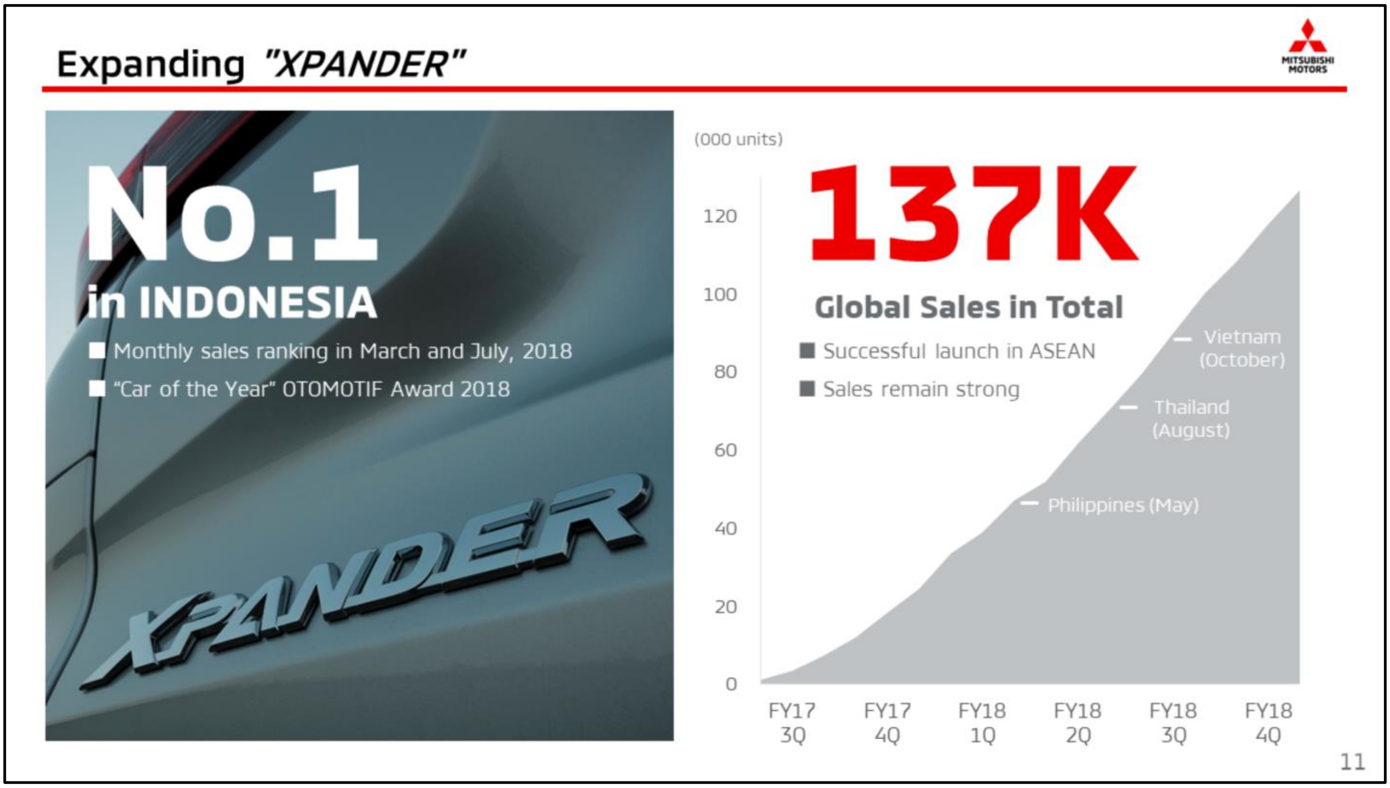
In the ASEAN region, our area of greatest strength, we will invest more resources than ever before to strengthen our sales capabilities in terms of both quality and quantity.

This fiscal year, we are aiming for a further growth by focusing on *XPANDER* for which we have strong sales not only in Indonesia, but in other ASEAN countries such as the Philippines and Thailand.

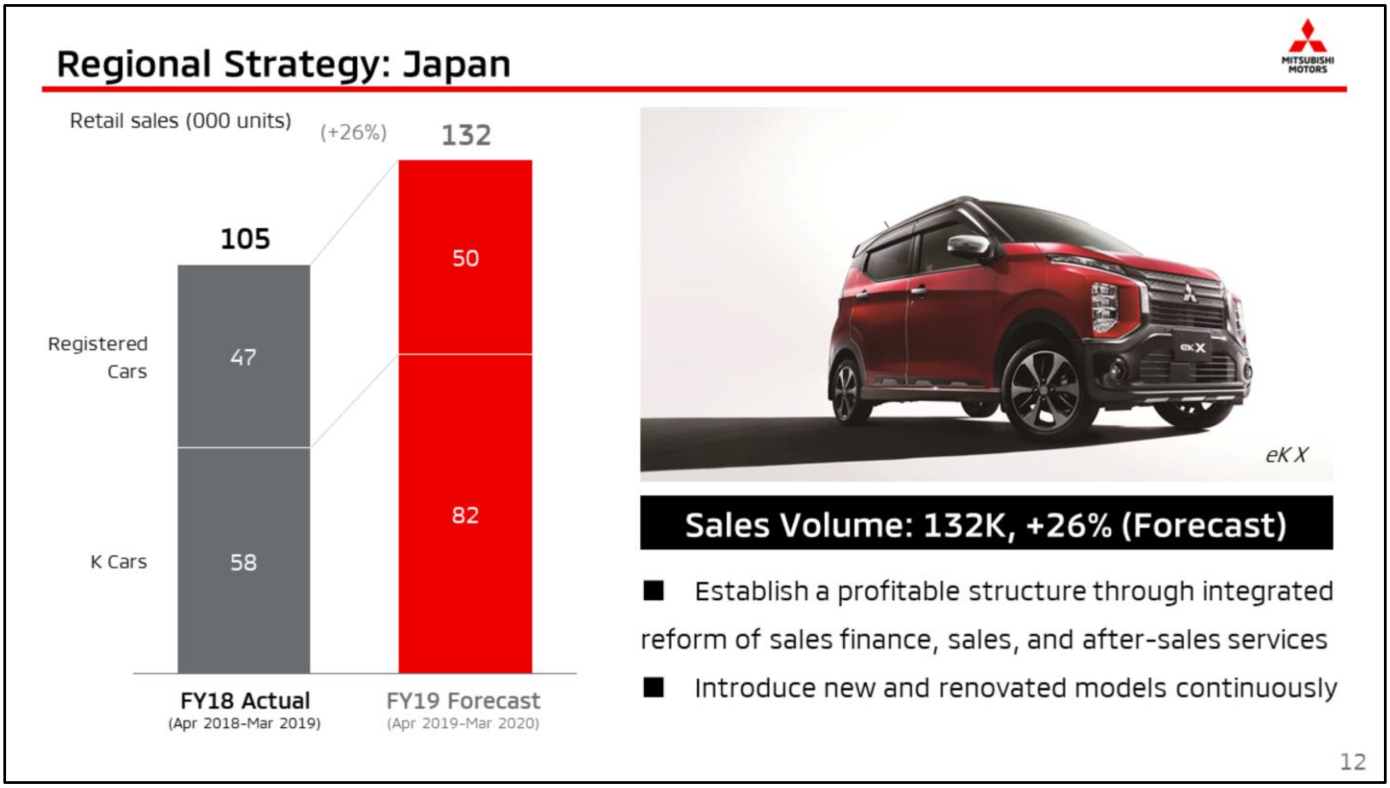
We will also increase sales of the new *TRITON* launched in Thailand in November last year and the new *PAJERO SPORT* which we will be launching.



Sales of *XPANDER*, which was launched in Indonesia in September 2017, remained strong with cumulative global sales exceeding 130,000 units.

In addition to the increase in the sales volume in Indonesia and for exports, we plan to increase the production capacity of our Indonesian factory by FY2020 in order to meet strong sales-demand for our own models as well as providing OEM production for Nissan, which began in February 2019.

In addition, life cycle management of *XPANDER* will become important. We may need to expand its sales territory as well as strengthen its product competitiveness. We believe that transitioning *XPANDER*, which we have developed as an ASEAN focused-model, to become a global strategic model is of great significance.



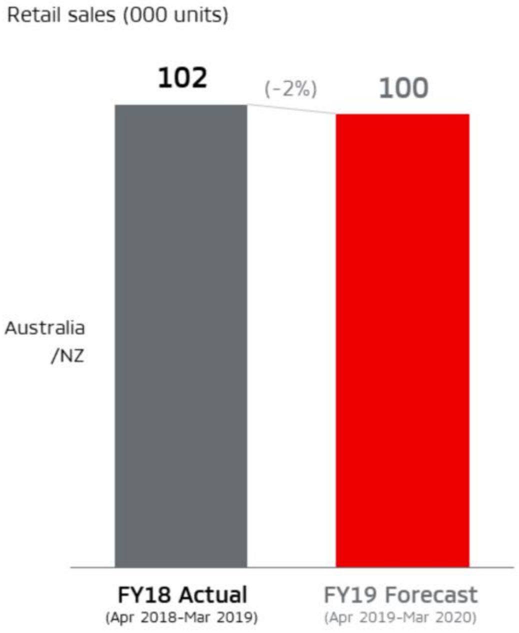
In Japan, which is our home market, we will strive to expand profitability this fiscal year. Last fiscal year, our increased sales volume reflected contributions from *ECLIPSE CROSS*, *OUTLANDER PHEV* launched in August and the new *DELICA D:5*.

In fiscal 2019, in addition to the new *eK Wagon* and *eK X (Cross)* launched in March, the new *eK Space* is expected to be the driving force for the increase of sales volume following its launch in the second half of FY2019.

We will also work to maintain and strengthen the freshness of our products by renovating our existing models such as *RVR*.

We aim to establish a profitable business structure by improving our sales network, after-sales service, and sales financing, and providing services to customers throughout the value chain.

Regional Strategy: Australia/NZ



Sales Volume: 100K, -2% (Forecast)

- Focus on SUV/LCV segment
- Aim to further expand market share

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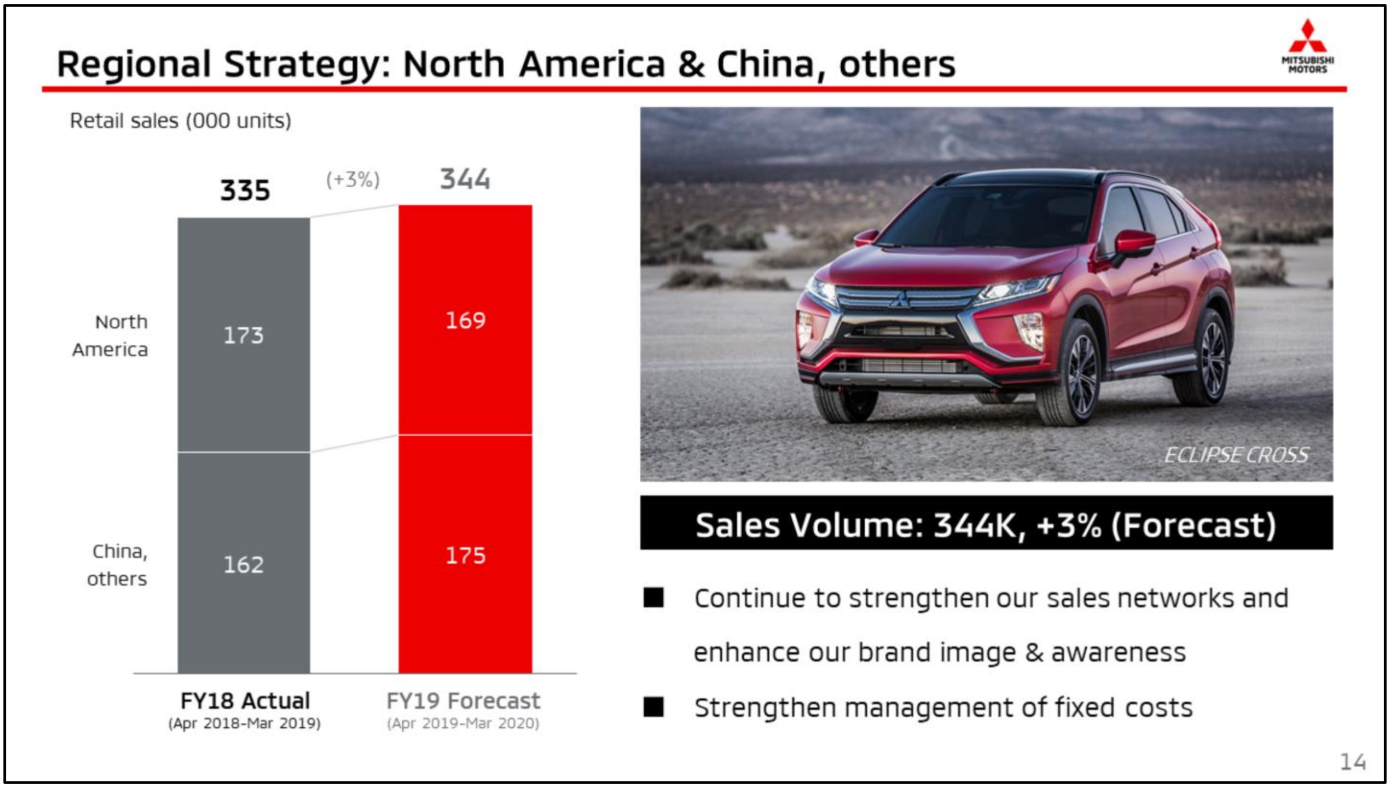
Within the Oceania region, particularly Australia, which is the resource-rich country most affected by the slowdown in the Chinese economy, we aim to further expand our market share by focusing on sales in both the SUV and LCV segments, which are expected to continue to grow in the future.



In China, in addition to strengthening our sales network, we will improve our service levels and effectively utilize web advertising to build a sales foundation from both scale and quality.

To support this growth, we have begun local production of engines and will expand our research and development facilities toward 2020.

In the future, fuel efficiency regulations will become increasingly stringent, and it will be necessary to strengthen our efforts in EV models. Accordingly, we will emphasize relationships with our partner Guangzhou Automobile Co., Ltd., and work to establish a foundation for sustainable growth and expansion of our business.

In North America, the shift from sedan to SUVs has been conspicuous, and competition within the segment is intensifying.

Under these circumstances, we will continue to strengthen our sales capabilities, enhance our brand image and brand recognition, and thoroughly manage costs in a profit-focused manner.

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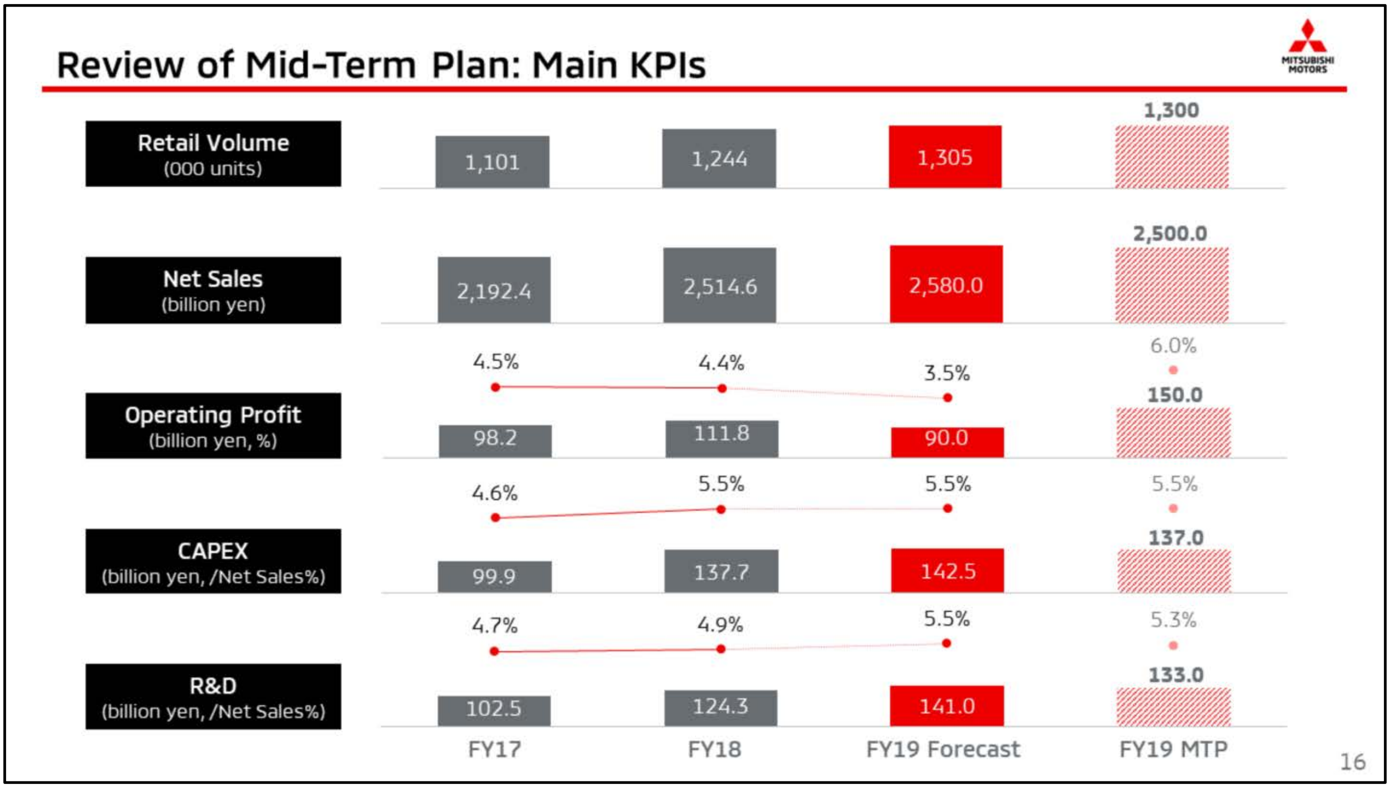


One of the issues set out in the current mid-term plan "Drive for Growth" is the success of new models. Fiscal 2018, was the year to confirm the outcome of *ECLIPSE CROSS* and *XPANDER* which were launched in the fall of 2017.

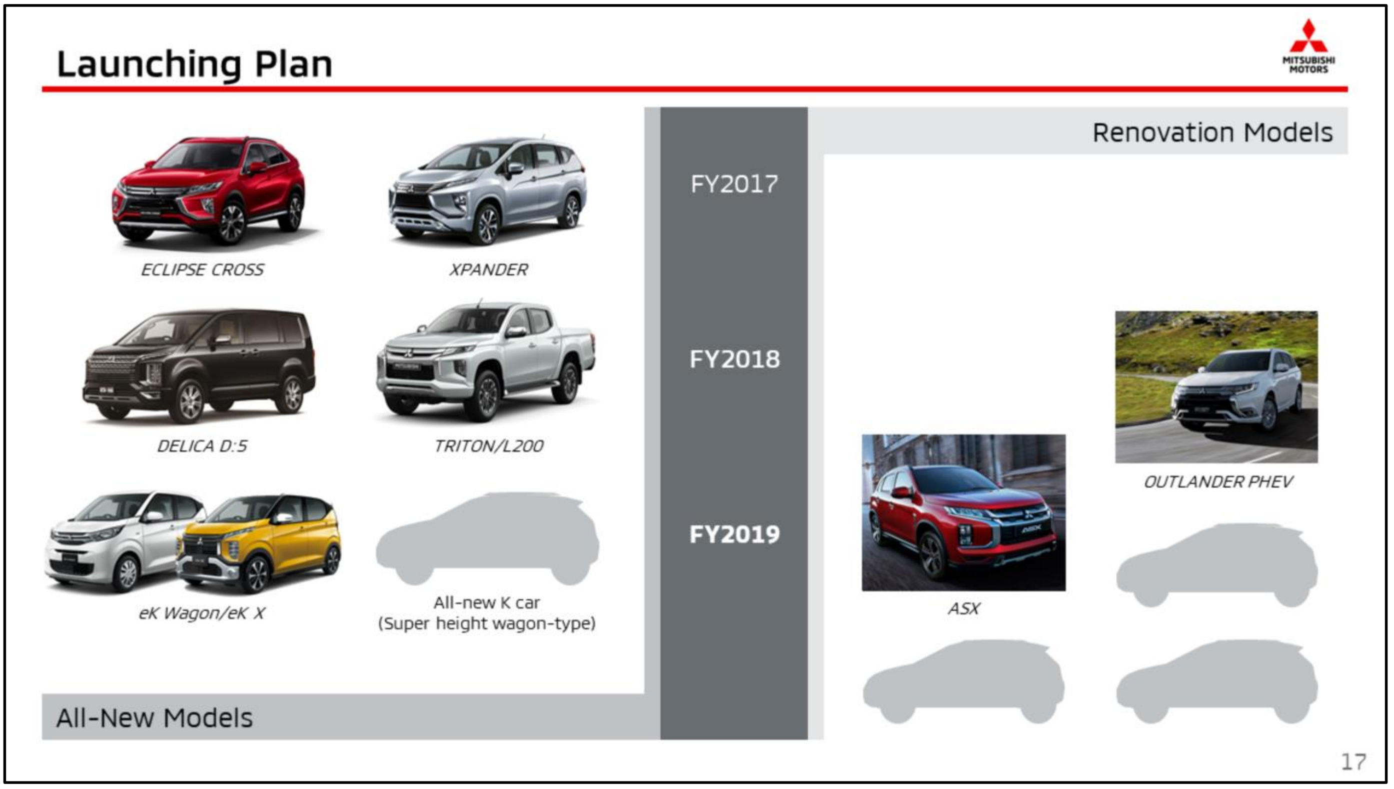
Sales grew in both models. Particularly, the *XPANDER*, which expanded sales territories from Indonesia to Thailand, the Philippines, Vietnam, and other markets, exceeded our ambitious plans, and I feel that the *XPANDER* has rapidly grown into a strategic vehicle that is leading our growth in ASEAN. With the addition of *TRITON*, which was launched in November last year, and new models of *DELICA D:5* and *eK Wagon* and *eK X (Cross)*, which were launched this spring, we are preparing to increase our market share in ASEAN, Australia, New Zealand, and Japan.

One of our themes in the mid-term plan is to “ensure our V-shaped recovery remains firmly on the growth path. In terms of scale, we have increased the visibility of achieving the target of 1.3 million units in FY2019 under the mid-term plan by leveraging the effects of the introduction of new models and the marketing methods we have learned from the alliance.

On the other hand, in terms of profits, we have focused on moderate sales measures to avoid reliance on excessive discounts to expand our scale. As a result, we have achieved increased sales and profits over the past two years, and we can say that our results have generally recovered in line with our plans.

Having said that, in fiscal 2019, despite an increase in revenues, our operating profit is expected to decline, the OP margin is expected to be 3.5%, which is well below the 6% target set in the mid-term plan.
In addition, net income is expected to decline considerably due to the sluggish profitability of this core business and the absence of one-time gains from the previous fiscal year’s US tax effect..

Needless to say, based on our commitment to stable dividends, we intend to maintain our dividend per share at the same level as the previous fiscal year, at ¥20 per share for the full year and ¥10 per share for the interim period, in light of our current financial condition.



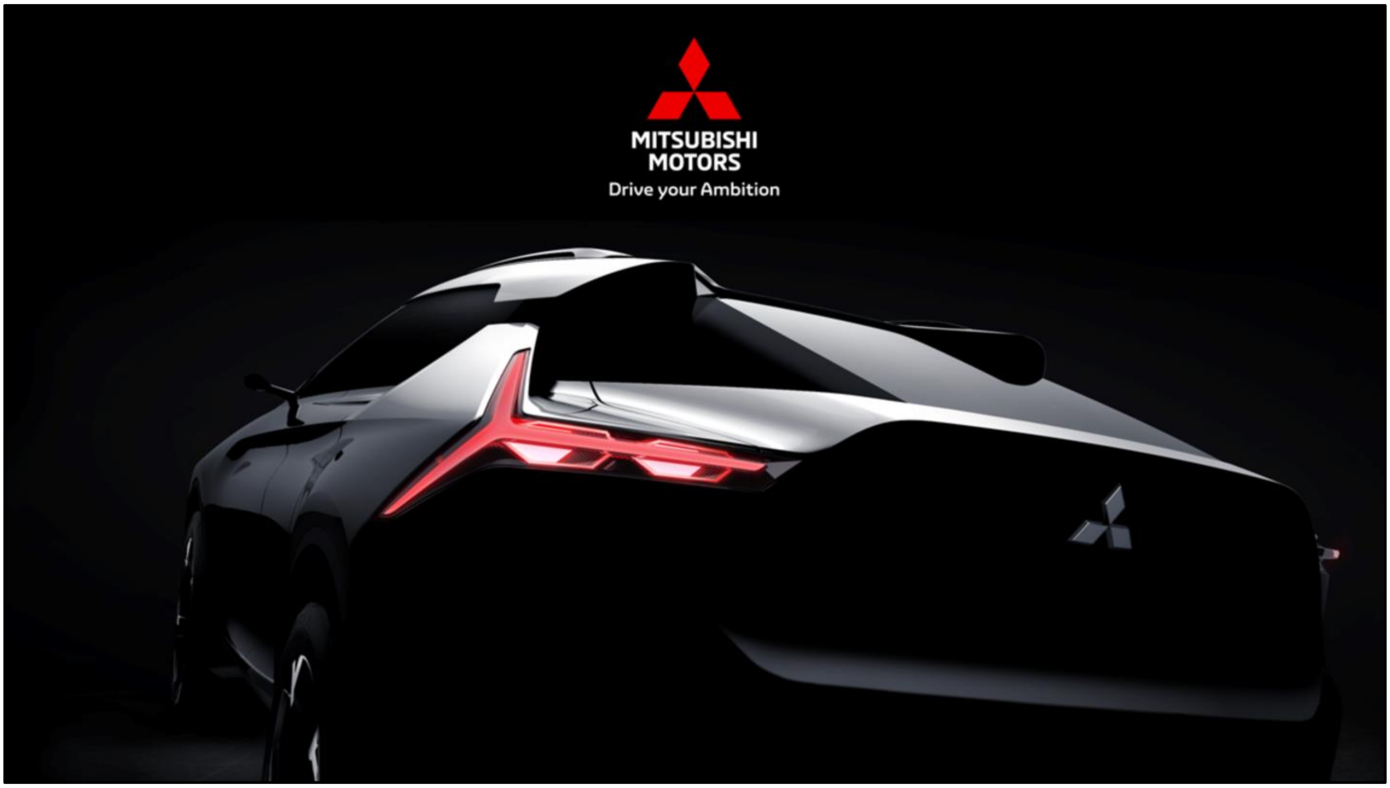
In the FY2019, we will launch a new Kei-car super-hight wagon for the Japanese market.

In a future, we will strengthen and renew our core products, such as Kei-cars, core products for the ASEAN region, and cross-over models for the global market.

We are well aware that there is a strong desire for the revival of our popular products such as *PAJERO* and *LANCER*. What I would like to say here is that it is difficult for manufacturers to achieve sustainable growth without launching models that reflect customer preferences.

Automobile manufacturers have been growing by trial-and-error initiatives to develop core products that are totally different from those 20 or 10 years ago. In order to open up the future, we believe it is necessary to concentrate our development efforts on segments where we can secure competitiveness.

I would like to ask for your understanding of this point.



Despite the negative impact of foreign exchange rates, the biggest reason for the sluggish performance projected for the current fiscal year is that R&D investments for next-generation vehicles have been increasing in advance of the need to comply with stringent environmental regulations and CASE. Increased fixed costs combined with the headwinds of a global economic slowdown have put pressure on the profitability of the automobile industry as a whole.

Since last fall, we have been conducting an in-depth review of our strategy based on the current business environment. In order to prevent side effects from growing beyond our scale and to ensure we return to a healthy and sustainable growth path with profitability, we need to drastically revise our strategies even if we accept a temporary stall in performance.

In conclusion, we decided as the key concept of our strategy to concentrate our limited resources on regions in which we have strengths, as well as on competitive segments that are highly prized by our customers. From the themes of "expansion" and "growth" in the past, we have prioritized the "strengthening of competitiveness" and “innovation", and redefined our goal of becoming a profitable company even if it is small in scale.

As development costs increase for a single vehicle, it is difficult for company of our size to handle every development on our own. Therefore, we are forced to narrow down the model lineup. In order to strengthen our product lineup, we will need to invest in production facilities in addition to R&D. However, we must control increases in fixed costs by carefully selecting investments that will prevent us from increasing production capacity in anticipation of expansion in scale. In other words, it is not realistic to adopt an omni-directional expansion strategy on our scale. Given the global trend toward slower demand, I am confident that at present the best choice is for us to achieve a healthy growth path that is balanced with investments, without rapidly expanding in scale. Under the “Small but Beautiful” concept, which will begin in fiscal 2020, we are examining concrete strategies to strengthen profitability and achieve sustainable growth. I believe that fiscal 2019 will be an important year for us, to make early strategic revisions in anticipation of the next mid-term plan.

APPENDIX

FY2018 Balance Sheet and Free Cash Flow (vs. FY2017)

(billion yen)	FY17 (As end of Mar 2018)	FY18 (As end of Mar 2019)	Variance
Total Asset	1,646.2	2,010.3	+364.1
Cash & Deposits	571.9	500.9	-71.0
Total Liabilities	849.6	1,129.1	+279.5
Interest-bearing Debt	26.6	228.7	+202.1
Total Net Assets	796.6	881.2	+84.6
Shareholders Equity (Equity Ratio)	781.0 (47.4%)	871.8 (43.4%)	+90.8
Net Cash 【Automobiles & Eliminations】	545.3	546.2	+0.9

(billion yen)	FY17 (Apr 2017 - Mar 2018)	FY18 (Apr 2018 - Mar 2019)	Variance
Free Cash Flow 【Automobiles & Eliminations】	22.5	34.0	+11.5

FY2018 Regional Performance (vs. FY2017)

(billion yen)	Net Sales			Operating Profit		
	FY17 Actual (Apr 2017-Mar 2018)	FY18 Actual (Apr 2018-Mar 2019)	Variance	FY17 Actual (Apr 2017-Mar 2018)	FY18 Actual (Apr 2018-Mar 2019)	Variance
Total	2,192.4	**2,514.6**	+322.2	98.2	**111.8**	+13.6
- Japan	349.4	**428.7**	+79.3	-14.1	**4.1**	+18.2
- ASEAN	500.8	**562.5**	+61.7	47.2	**64.2**	+17.0
- China, others	85.4	**101.4**	+16.0	16.1	**13.1**	-3.0
- North America	352.5	**387.8**	+35.3	1.0	**3.5**	+2.5
- Europe	444.7	**514.1**	+69.4	10.7	**-4.3**	-15.0
- Others	459.6	**520.1**	+60.5	37.3	**31.2**	-6.1

* From FY2018, the regional classification of some countries in ASEAN and Europe was changed to "Others." FY2017 actual numbers above were changed accordingly.

FY2019 Regional Sales Forecast (vs. FY2018)

(billion yen)	FY18 Actual (Apr 2018 - Mar 2019)	FY19 Forecast (Apr 2019 - Mar 2020)	Variance
Total	**2,514.6**	**2,580.0**	**+65.4**
- Japan	428.7	550.0	+121.3
- North America	387.8	370.0	-17.8
- Europe	514.1	485.0	-29.1
- Asia	663.9	680.0	+16.1
- Others	520.1	495.0	-25.1

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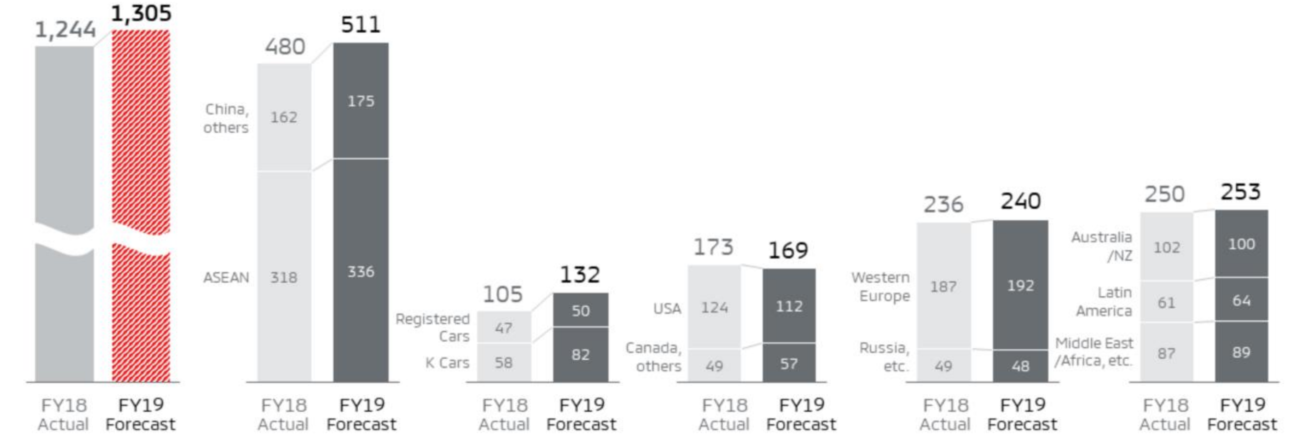
FY2019 Retail Sales Forecast (vs. FY2018)

(000 units)



Total	Asia	Japan	North America	Europe	Others
+61 (+5%)	+31 (+6%)	+27 (+26%)	-4 (-2%)	+4 (+2%)	+3 (+1%)

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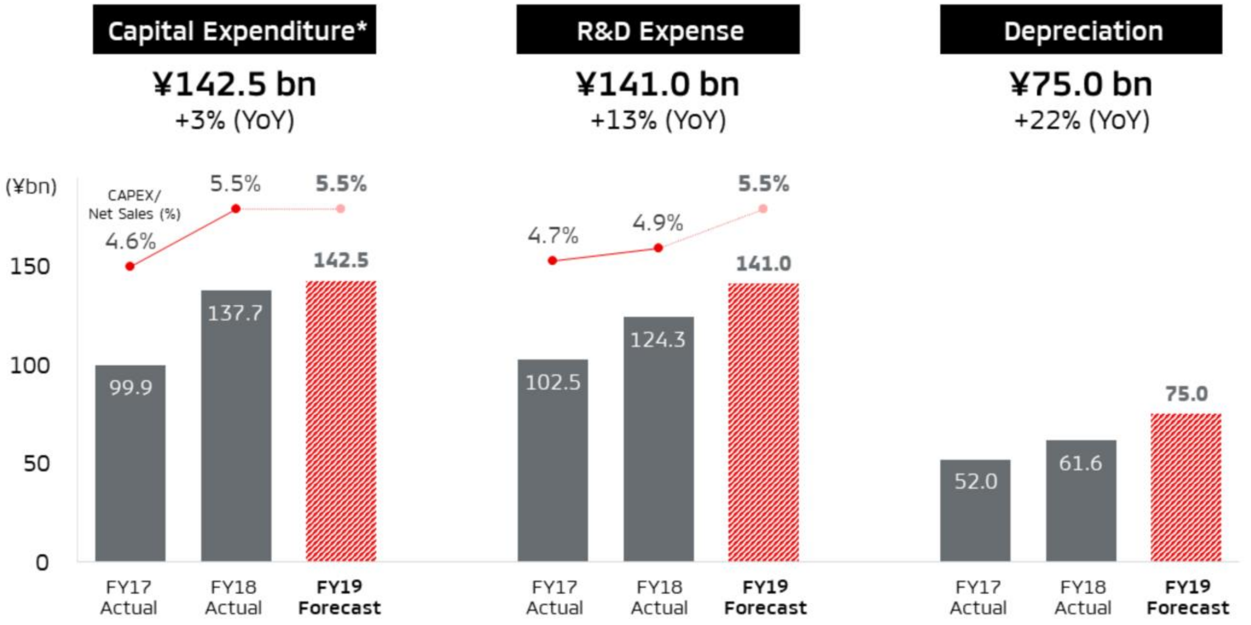
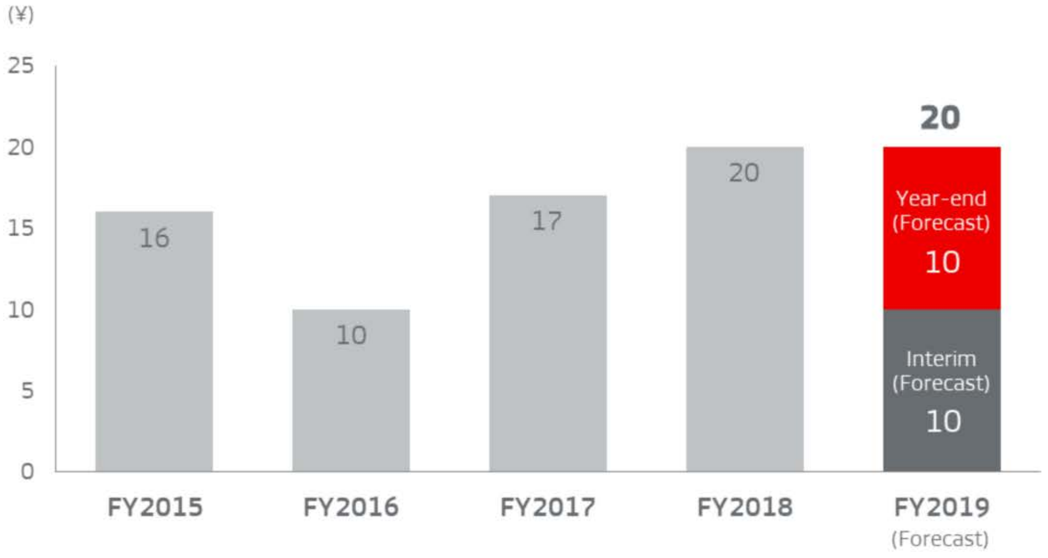
FY2019 Capital Expenditure, Depreciation and R&D Expense Forecasts



*Include one-time factors such as repurchase of SLB assets

Shareholder Returns Forecast

Dividend per share: ¥20 (Forecast)



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