

Contribution to Local Economy through Business Activities



FY2019 Materiality Targets and Results

○: As planned △: Delayed

Details of Main Initiatives	Ideal Image	FY2019 Targets	Indicators	FY2019 Results	Self-Evaluation
Employment	Continuous creation of local employment	Maintain same level as in FY2018	Actual employment	Created local employment for 11,000 people in three countries: Thailand, Indonesia and the Philippines (including non-full-time employees)	○
Human resource development	Support for the development of personnel responsible for the development of the local economy	Under the same policy as FY2018, offer the same level of training opportunities	Number of training sessions, number of participants	<ul style="list-style-type: none"> Representative examples of training • Dispatched local employees to Japan • Conducted business-level-enhancement seminars for local employees • Performed "manufacturing training" to enhance skills 	○
Investment	Continuous implementation of capital investment in factories that supports the growth of the local economy and meets the need for business enhancement	Implementation of capital investment	Rate of progress on investment plan	<ul style="list-style-type: none"> • Related to new vehicles • Put manufacturing and export structures in place • Expanded headquarters functions 	○
Technology transfer	Support for creation of markets by providing technology/expertise for electric vehicles and electric vehicle infrastructure	<ul style="list-style-type: none"> • Implementation of KD production project in Thailand • Start of sales of finished models in Indonesia • Continuous communication with government 	Results of projects and initiatives	<ul style="list-style-type: none"> • Conducted joint research with governments, universities and research institutes in Indonesia, the Philippines and Vietnam • Began selling electric vehicles in Indonesia • Promoted a KD*1 production project for electric vehicles in Thailand • Decided to begin selling electric vehicles in the Philippines in FY2020 • Decided on the opening of DENDO DRIVE STATIONS in the Philippines 	○
	Reforming the manufacturing industry value chain in the local society by improving the competitiveness of factories	Implementing factor analysis in order for each factory to improve itself and making improvements through PDCA	Plant ranking KPI scores	Leveraged the Alliance Product Way*2 to promote improvements in factory quality, local sites and productivity; achieved year-on-year improvements	○
Export	Supporting growth of the local economy through the acquisition of foreign currency by means of export	Export more units than in FY2018	Units exported	Units exported in FY2019 Thailand: 330,000 Indonesia: 67,000	○

*1 Refers to knockdown production—a practice of importing major parts for local assembly and sale

*2 Production method shared between Renault, Nissan and Mitsubishi

Basic Approach

MITSUBISHI MOTORS has been developing business in the ASEAN region since prior to the rise of motorization, and we have grown up alongside these countries while developing close ties with the region based on the idea that "regional development" is "MITSUBISHI MOTORS development."

"Contributing to local economies through business" is a material issue, and we are promoting activities with the aim of "contributing to local economies through employment, human resource development, investment, technology transfer and export by developing business in the ASEAN region." *3

By providing ASEAN customers with the products that they need, in addition to expanding business

from now on, by responding to social needs unique to the ASEAN region we will also leverage our distinctive technologies and services in the areas of environmental and social contribution.*4

*3 For details on identifying material issues, see page 11.

*4 See pages 76–78 for specific examples.



Management Structure

Local subsidiaries take charge of planning and implementing activities in line with initiatives that target material issues in the ASEAN region. MITSUBISHI MOTORS' Sales Division, which maintains administrative and supervisory functions, is responsible for promoting these initiatives. In Thailand, Indonesia and the Philippines, where MITSUBISHI MOTORS' production bases are located, every six months we check with local subsidiaries on the rate of progress and results of initiatives, reporting to the management team via the Sustainability Committee.

Employment

We believe that the mission of MITSUBISHI MOTORS is to lead the way for the continuous growth of the business and to create local employment. We have production bases in Thailand, Indonesia and the Philippines. In fiscal 2019, our number of local employees in those three countries remained at 11,000, the same level as in fiscal 2018. In fiscal 2020, we plan to create employment in line with our business plans.

Human Resource Development

MITSUBISHI MOTORS supports the growth of personnel responsible for the development of the local economy by furnishing them with specialist knowledge and skills through their experience of work at the Company. We provide training courses and on-the-job training (OJT) according to the situation in each country. In addition, in fiscal 2019 five local employees from Thailand were dispatched to Japan for training as local employees/managers capable of being active in global business. In Indonesia, we conducted training for more than 300 local employees according to their business level. In the Philippines, more than 300 employees received manufacturing training in the aim of enhancing the production division's capabilities, boosting their level of specialization. In fiscal 2020, we plan to continue providing training courses and OJT according to conditions in each country.

Investment

In addition to supporting the growth of the local economy, we are proactively making capital investment in factories in response to the need for business expansion. Demand for the XPANDER, a compact MPV we produce in Indonesia, vastly exceeded initial plans. In response, in fiscal 2019 we expanded facilities there, boosting production capacity from 160,000 units to 220,000 units. In Thailand, our largest overseas production site, we continued to renew global vehicle models, through the fiscal 2019 launch of the new-model PAJERO SPORT, an SUV. We also made progress on reconfiguring our production structure, such as by building a new paint factory. In the Philippines, we have decided to export the L300, a commercial van, and we are making progress on putting production facilities in place.



Technology Transfer

In the ASEAN region, meeting environmental regulations is becoming a more important issue than ever. While mobility is on the rise and there is a global shift to electric vehicles, there is a rush to introduce electric vehicles in the ASEAN region, as well. Utilizing electric vehicle technology and expertise, which is one of the strengths of MITSUBISHI MOTORS, we are leading the way ahead of other companies by conducting joint studies alongside governments, universities and research agencies in each country to contribute to drafting government policy related to the popularization of electric vehicles. In Indonesia, we began selling complete build up vehicle of plug-in hybrid vehicle (PHEV) in fiscal 2019. We have decided to begin KD production of PHEV model in Thailand in fiscal 2020 and to begin selling PHEV model in the Philippines from fiscal 2020. In addition, at five dealers we have decided to open DENDO DRIVE STATIONS (V2H systems that utilize electric vehicles). We will continue contributing to the creation of the market through the provision of technology and expertise related to electric vehicles and EV infrastructure.

Also, in terms of technology transfer by production sites, we are working to strengthen the competitiveness of factories such that the value chain of the manufacturing industry in the local society is transformed. Specifically, we are introducing the Alliance Production Way, using the method's KPIs to measure the quality, inventory, costs and productivity of facto-

ries. We are working to enhance competitiveness by using a PDCA cycle to improve factory quality, promote on-site improvements and bolster productivity. In fiscal 2019, our KPIs improved year on year in Thailand, the Philippines and Indonesia, up for the second year in a row since introducing the Alliance Production Way.

Export

Through exports, we are supporting the continuous growth of local economies. Utilizing its strategic location, the factory in Thailand, which is our largest overseas production site, is exporting key models, including pickup truck and SUVs to the ASEAN region and worldwide. In fiscal 2019, we maintained a stable export business, exporting 330,000 units from Thailand. The XPANDER, a compact MPV, was popular in export markets, as well. As a result, exports from Indonesia exceeded 67,000 units, mainly to the ASEAN region. We have decided to begin exporting the L300, a commercial van, from the Philippines, and we will continue promoting a mutually complementary structure for production within the ASEAN region. Through the stable growth of local production, we are contributing to the local economy, including the further creation of employment and the development of the automobile industry.