Message from the CFO

We aim to expand earnings and free cash flow after absorbing the rise in costs and investments.

Kentaro Matsuoka
Representative Executive Officer,
Executive Vice President
(CFO)

Fiscal 2022 in Review

In fiscal 2022, as the COVID-19 vaccination rate improved and treatment drugs were developed, the risk of severe cases decreased. This led countries around the world to refocus on easing measures to control infection, and economic activity gradually returned to normal. Nevertheless, a challenging business environment persisted, due to ongoing uncertainty surrounding the Russia–Ukraine situation, logistics disruptions, soaring energy prices, and interest rate hikes aimed at reining in inflation.

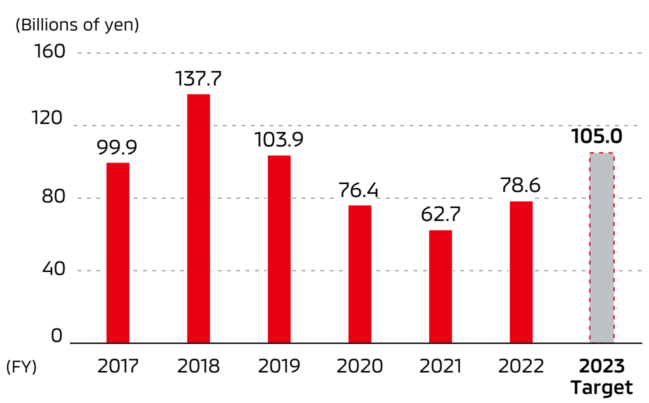
Against this backdrop, in fiscal 2022 the Mitsubishi Motors Group's performance improved substantially year on year. This was partly due to our implementation of "quality-of-sales improvement activities" such as price enhancements and incentive controls across all regions, and partly thanks to favorable exchange rates. Our efforts helped offset the impact of vehicle supply constraints, rising raw material costs, and increased transportation expenses. Sales volume fell 11% to 834,000 vehicles, but successful initiatives to bolster revenue per unit by increasing selling prices led to a 21% increase in net sales to ¥2,458.1 billion. Operating profit more than doubled to ¥190.5 billion, reaching a historic high, and the operating profit margin rose 3.4 percentage points to 7.7%. Ordinary profit amounted to ¥182.0 billion, and profit attributable to owners of the parent totaled ¥168.7 billion, affected by the posting of extraordinary losses related to the businesses in Russia and China.

Operating Performance and Forecast

(Billions of yen, thousands of units)

	FY2022 (Actual)	FY2023 (Forecast)
Sales volume (retail)	834	917
Net sales	2,458.1	2,780.0
Operating profit	190.5	170.0
Ordinary profit	182.0	170.0
Profit attributable to owners of the parent	168.7	110.0

Capital Expenditures



Future Outlook

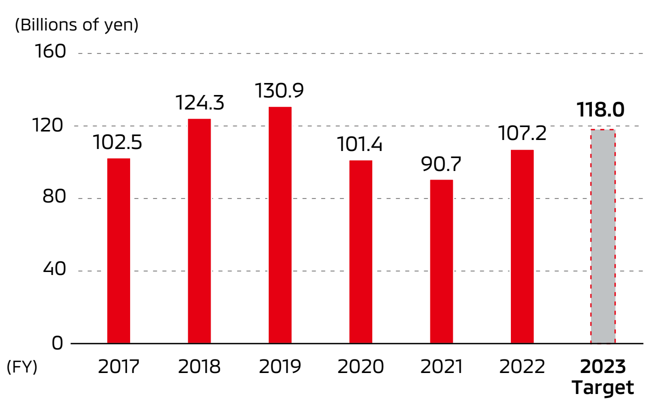
In March 2023, the Mitsubishi Motors Group unveiled a new mid-term business plan, "Challenge 2025." Building on the lean and agile business structure we put in place under our previous mid-term business plan, the new plan aims to establish a stable revenue base, ensure the ability to respond flexibly to changes in the external environment, and step up investment toward the next phase of growth. Specifically, by the plan's final year in fiscal 2025, we are targeting ¥130.0 billion in capital expenditures and ¥150.0 billion in R&D spending, centering on electrification initiatives. Depreciation expenses will rise in line with the increase in capital expenditures. However, by introducing new models, restoring production levels now that the semiconductor supply situation has been resolved and securing shipping capacity, we expect to ramp up sales volume and simultaneously boost per-unit profitability. This will enable us to effectively absorb other cost increases and achieve higher earnings and free cash flow.

In fiscal 2023, the first year of our new mid-term business plan, we have launched the *Triton* and the *Xforce*—new models for the ASEAN market that showcase Mitsubishi Motors-ness. We aim to boost sales volume by further promoting sales of the *Delica Mini*, which got off to a strong start in Japan, and the new *Outlander*, our flagship model. In addition to leveraging Mitsubishi Motors' brand strengths, in fiscal 2023 we plan to continue with quality-of-sales improvement activities. As a result, we anticipate net sales of ¥2,780.0 billion, operating profit of ¥170.0 billion, ordinary profit of ¥170.0 billion, and profit attributable to owners of the parent of ¥110.0 billion.

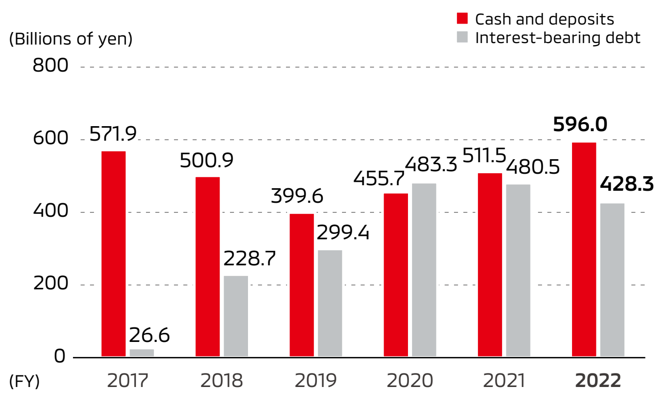
Shareholder Returns

We had been unable to pay dividends since the end of fiscal 2019 because of negative non-consolidated distributable income. This negative distributable income was turned into a positive as of the end of fiscal 2022, and we had a reasonable prospect of being able to afford steady dividends from fiscal 2023. Accordingly, we have decided to resume year-end dividends at ¥5 per share. Our fundamental policy is to maintain stable, long-term dividend payments. Taking our future business and investment plans into overall consideration, we intend to pay an annual dividend of ¥10 per share for fiscal 2023. We will continue to decide our dividend policy with the aim of maintaining stable dividends, while carefully balancing such factors as fluctuations in the operating environment and the need to invest in future growth and accumulate equity capital.

R&D Expenses



Cash and Deposits/Interest-Bearing Debt



(Sales financing companies in Japan are included in the scope of consolidation from fiscal 2018.)