



FY2020-2022
Mid-Term Business Plan
"Small but Beautiful"
July 27, 2020

To Secure Profit Through Contributing to Society

- Conducting business with an emphasis on contributing to all stakeholders and society
- Selection and concentration in line with our strengths and earnings area

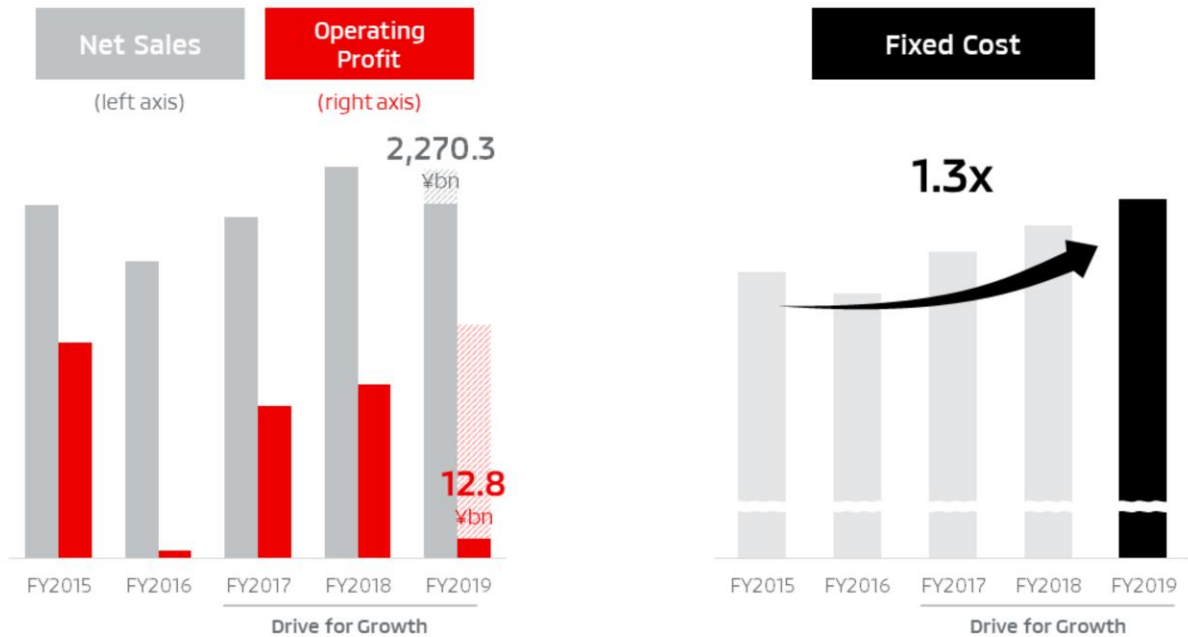
Focusing Points of Mid-Term Business Plan

- Carrying out structural reforms
- Growth based on ASEAN
- Strengthening environmental technologies
- Providing our reliability through 4WD and off-road performance

Our mission to generate profits through business development that emphasizes contributions to all stakeholders and society. And for that we recognize that we should be accelerating the "selection and concentration" in areas where we have strengths and can make profit.

Based on this proposition, what we must focus on during this mid-term plan period are: (1) steadily implementing structural reforms
(2) enhancing growth based on ASEAN
(3) strengthening our strengths in environmental technologies, and
(4) providing customers with safe and attractive products by further advancing our genetic, 4WD and off-road capabilities.

Review of Previous Mid-Term Business Plan "Drive for Growth"

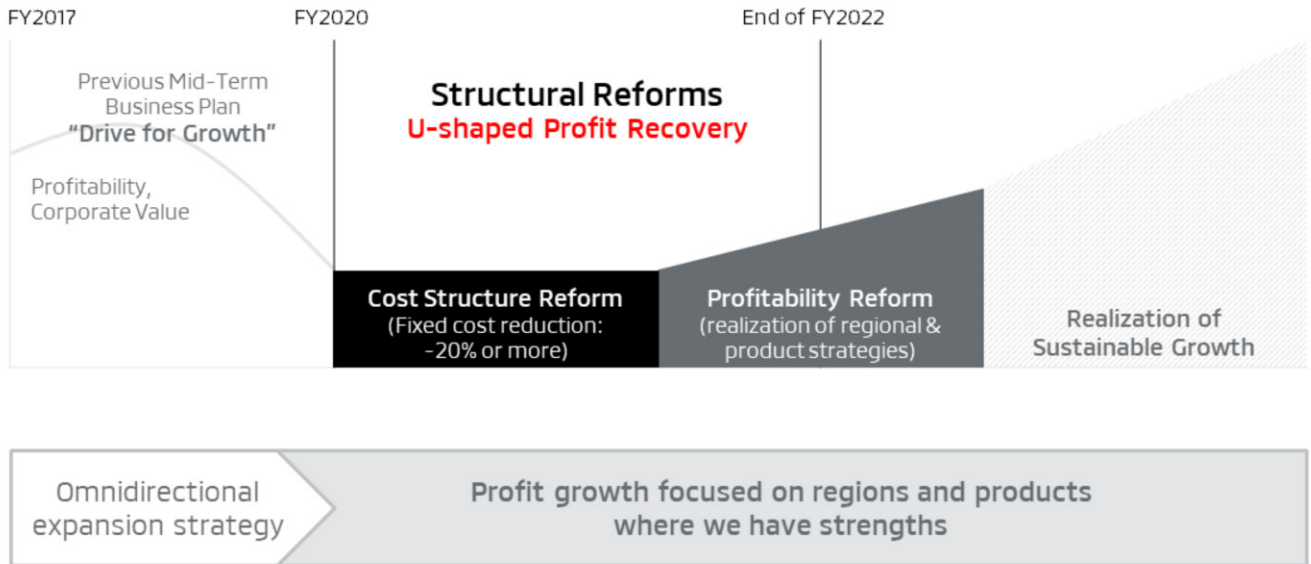


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During the previous mid-term plan, "Drive for Growth," we planned to invest aggressively, placing emphasis on core regions and products, and focusing on expanding our market shares globally. As you can see on the table, net sales little grew, but at the same time fixed costs expanded across the board, resulting in a shortage of investment resources for the core market like the ASEAN region. At the same time, it was difficult to secure profitability in the global market.

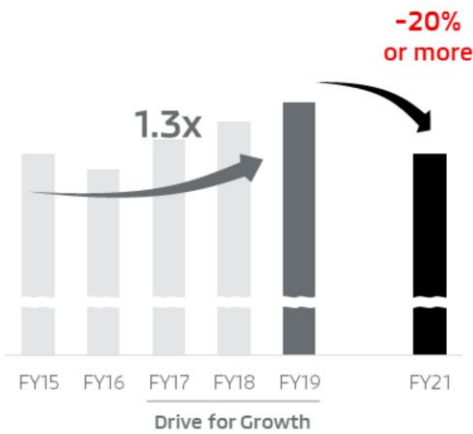
In a challenging business environment, it is not realistic for us to continue to pursue an all-round expansion strategy. As you know, we revised our strategy direction in the second half of FY2018, after the middle of the mid-term plan period. However, due to the prior upfront investment, fixed costs as a whole increased by more than 20% in FY2019 compared with the year before the "Drive for Growth" mid-term plan, and the implementation of revised strategies was accelerated. However, due to sluggish growth in automobile demand and unfavorable foreign exchange rates, it became even more difficult to secure profits. In addition, the situation was even more severe due to the outbreak of COVID-19. Although the business environment is extremely uncertain, in order to pave the way for a recovery in business performance, our top priority is that, based on a review of the global expansion strategy we once pursued, all executives and employees share a stronger sense of crisis and implement cost structure reforms with persistent determination.

Positioning Structural Reforms



As indicated, the overall earnings recovery image will inevitably be a U-shaped recovery. First of all, we see the next two years as a period to reform our cost structure focused on fixed cost reductions. Thereafter, we expect to increase visibility of the efforts of new regional and product strategies based on the "selection and concentration" and the effects of the reforms in profitability will gradually become apparent. This will lead to further sustained growth from FY2023 onwards.

Fixed Cost Reduction



Indirect labor cost

- Headcount rationalization (reallocation, restraint on new hiring and voluntary retirement plan, etc.)
- Compensation system review: -15% reduction

Marketing expenses

- Strategic review
- Cost effectiveness improvement

Depreciation

- Investment Optimization
- Impairment loss accounting based on the future plan

R&D cost

- Total cost reduction through selection and concentration
- Freezing of the introduction of new products in Europe

Restructuring of production bases

- Integration of production lines: Pajero Mfg. cease

General and administrative expenses

- Restraining costs according to the state of business restructuring
- Reducing office space through work style reforms

TOTAL:

>20% or more

The initiatives of fixed cost reduction we are going to achieve in 2 years are shown on the slide.

First, we aim to reduce indirect labor costs by about 15% by optimizing the personnel of each division through the reallocation of personnel, restraints on new hiring, and the introduction of a voluntary retirement program, and by reviewing the compensation system.

Marketing expenses are allocated in accordance with the concept of "selection and concentration" so that we are able to reduce overall costs with improved cost effectiveness. Specifically, we will seek to maximize cost-effectiveness by shifting the focus of our advertising and promotion activities from mega markets such as Europe where it is difficult to make profits to regions, mainly the ASEAN region, where we can expect profits.

Regarding depreciation and amortization, we will find out appropriate depreciation costs by optimizing investment based on future plans.

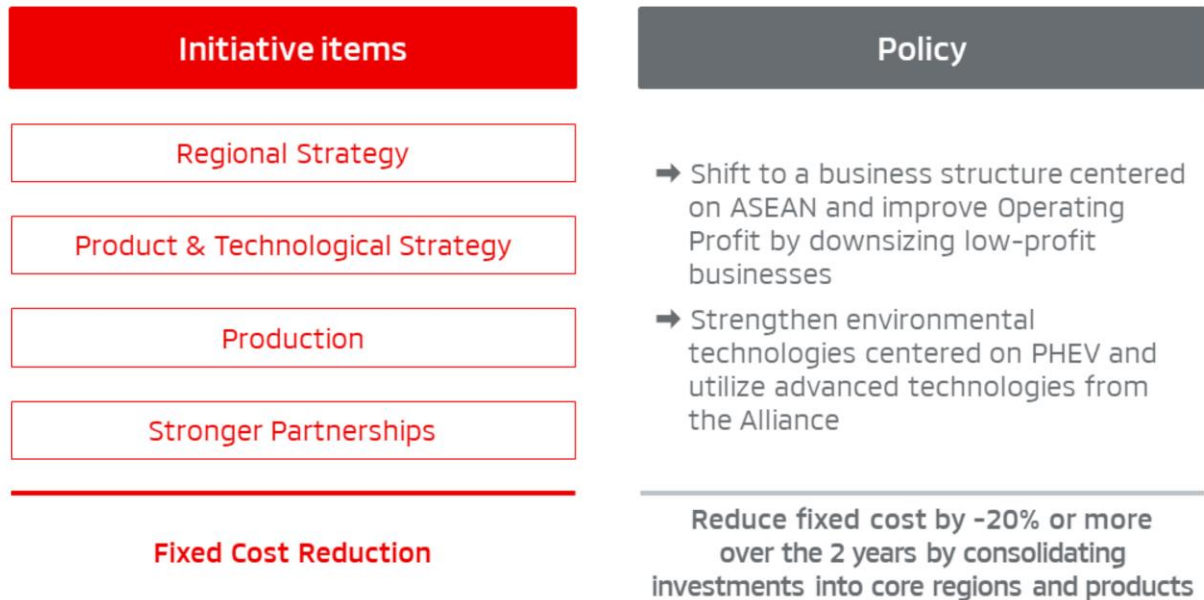
As well as other initiatives, we will reduce overall development costs through "selection and concentration." In particular, we will focus on products for the ASEAN region and freeze the launch of new products in Europe, thereby reducing overall costs and establishing an efficient development system.

Regarding the reorganization of productions, we will consolidate production lines and build a production system that is commensurate with the number of sales volume to destinations. Therefore, we have decided to discontinue the production at Pajero Manufacturing Co., Ltd.

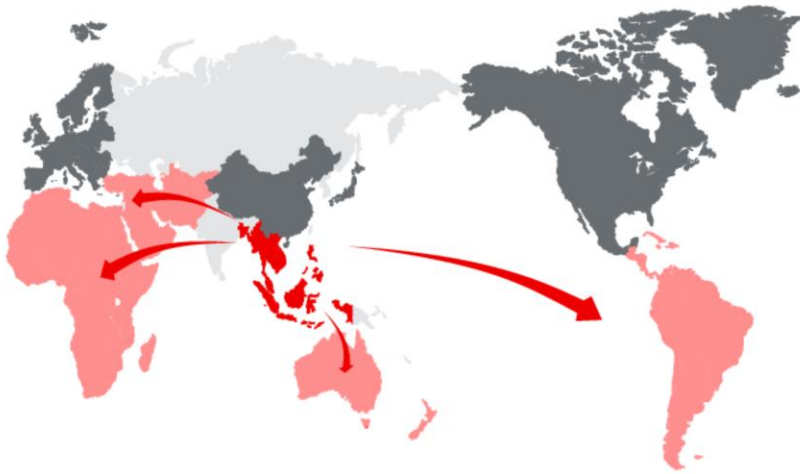
General and administrative expenses will be reduced by more than 15% compared with the previous year by controlling expenses with a sense of urgency (depending on the state of business reconstruction) and reducing office space through work style reforms.

We believe that, by implementing these measures, we will be able to reduce fixed costs by more than 20% by the end of FY2021 compared to FY2019. We will swiftly embark on measures to reduce costs and make every effort to achieve results as soon as possible.

Framework of Mid-Term Business Plan



The structural reform framework is one of the initiatives outlined here. As the basis for each measure, under the basic policy of "selection and concentration," we will shift to a business structure focused on the ASEAN region and reduce low-profit businesses in order to improve operating profit. In addition, we will build efficient development/production/sales systems by strengthening environmental technologies focused on PHEV, while utilizing the alliance and strengthening collaboration with partners in advanced technologies such as CASE.



Growth Driver

- **ASEAN:**
Concentrate resources to core business area
- **Oceania, South Asia, South America, Middle East/Africa:**
Second pillar of business development by maximizing the use of products for ASEAN

Profitability Improvement

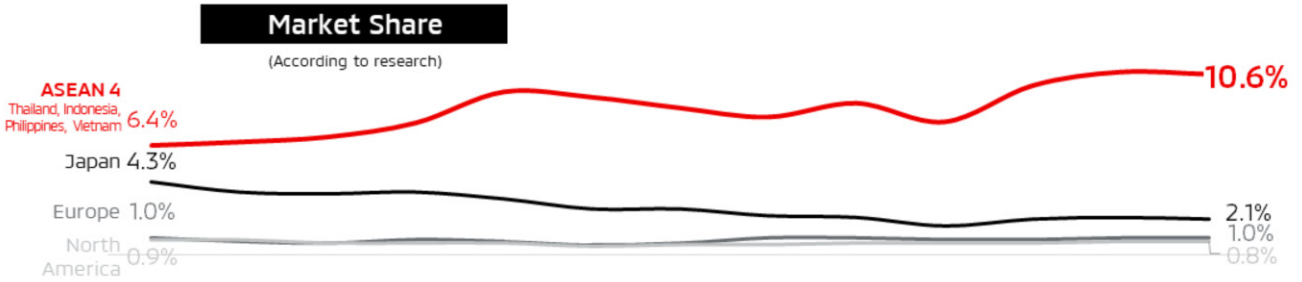
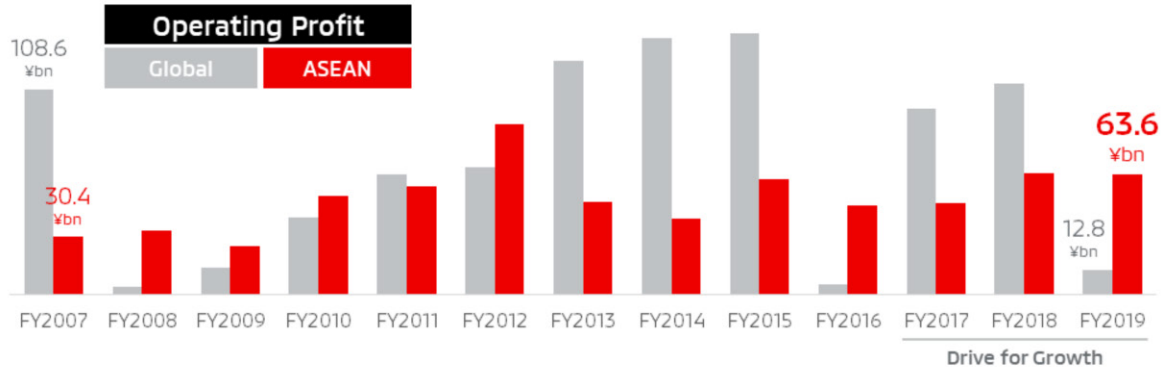
- **China:** Becoming a Growth Driver through collaboration with partners
- **Japan:** Restructuring production and sales network
- **North America:** Reducing fixed costs
- **Europe:** Freezing the introduction of new products

First, I would like to explain our regional strategy. We will divide the entire business into two regions: growth drivers and profitability improvement.

In order to further strengthen our core region of ASEAN, we will intensively allocate the most of our management resources. The ASEAN-oriented products will be rolled out to Oceania, South Asia, South America, the Middle East, Africa, and elsewhere to establish a second pillar while at the same time maximizing product value and strengthening our brand.

On the other hand, we will build a structure to enable us to generate profits consistently in regions where profits remain low. Specifically, we will strengthen China as a growth driver through collaboration with partners. In Japan, our home market, we aim to achieve stable profitability by restructuring our production and sales network. In North America, we will strive to further reduce fixed costs and achieve a balance between income and expenditures. In Western Europe, we aim to improve profitability by freezing the launch of new products and drastically reducing fixed costs.

Regional Strategy: From Global To Regions Centered on ASEAN



The table in this slide shows changes in operating profit and market share since FY2007. As you can see, operating profit on a global basis has been declining since peaking in FY2015, but operating profit in the ASEAN region turned upward again in FY2016 and has been growing steadily since then. While other major markets have been declining, ASEAN's market share increased significantly from 6.4% in FY2007 to over 10% in FY2019. From these track records, we believe that focusing on regions centered on ASEAN, rather than targeting the global market, is an important strategy for securing mid to longer term growth.

Regional Strategy: ASEAN Business

Production

Establish a mutually complementary structure by strengthening production operations



Sales

Aim to expand quality-based sales



The regional strategy in ASEAN, we will strengthen our production operations and establish a mutually complementary structure in the ASEAN region to mitigate the impact of the fluctuation of currency exchange rates (appreciation of the Thai baht). With regard to sales, we aim to expand sales with quality through strengthening our sales network. By strengthening production and sales, we will expand our market share in the four major ASEAN countries to around 11.4% by FY2022, and take on the challenge of establishing a top two or three position in each country.

Regional Strategy: ASEAN Business



Thailand

- **Dealer deployment:**
Store replacement and new development in Bangkok and rural open area
- **Start production & sales of *OUTLANDER PHEV***

Indonesia

- ***XPANDER* : Long selling**
- **Strengthen dealer network and sales quality**

Philippines

- **Start producing and exporting light commercial vehicles to ASEAN**

Vietnam

- ***XPANDER* : to maintain a high market share**
- **Add local production model (*XPANDER*) and start preparations for new plants**

Specific strengthening measures taken by each country are shown in this slide. First, we will further strengthen our production in Thailand. We aim to improve production efficiency by establishing a sophisticated painting plant. We will also concentrate on strengthening our sales network in Bangkok and open rural areas. In addition, we will begin manufacturing and selling the *OUTLANDER PHEV* in order to comply with tightening environmental regulations.

In Indonesia, we will strengthen our production business improve cost competitiveness, and effectively utilize capacity. Also, we will strengthen our sales network, particularly dealerships for passenger cars, and at the same time strengthen the quality of sales at each dealership. On top of that, we will strive to maintain monthly sales levels and promote long-selling of the *XPANDER* series. Through these measures, we aim to increase our market share to 11.4% by FY2022.

In the Philippines, we will commence production and export of small commercial vehicles *L300* to ASEAN countries.

In Vietnam, we will develop cost-competitive products by maintaining a high share of *XPANDER* as well as *XPANDER CROSS* we launched recently, and increasing the number of models produced locally such as *XPANDER* which we have started local production in July. In addition, we will start a preliminary study of the establishment of a new plant in preparation for the full-fledged motorization.

Regional Strategy: Reorganization of Japan Business

Sales

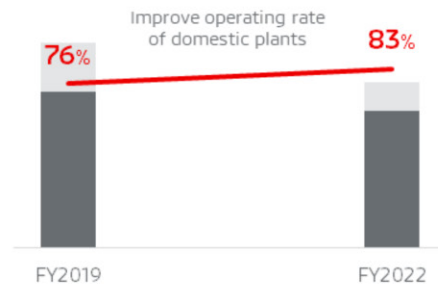
Achieve stable profitability by thoroughly reducing fixed costs and improving profitability

- Captive dealers:
 - close/consolidate unprofitable stores
- Independent dealers:
 - Strengthen partnerships with leading dealers
- Improving profitability:
 - Strengthen sales of eco-friendly vehicles and improved branding power centered on PHEV
 - Introduce a new sales incentive system incorporating the principle of competition and review margin scheme
 - Strengthen the sharing and subscription business

Production

Integrate production lines based on regional strategies

- Production cease of Pajero Manufacturing Co., Ltd.:
Transferring production to Okazaki Plant for improvement of operation rate and productivity



In Japan, the home market, we definitely need to reorganize both production and sales operations, and we believe that this will enable us to achieve stable profitability. Regarding production, we decided a production shutdown at Pajero Manufacturing Co., Ltd. and integrate it into Okazaki Plant, considering the necessity of integrating and closing production lines based on our regional strategies. We expect that this will result in a substantial improvement in the operating rate and an increase in productivity.

We will also accelerate the reorganization of our sales companies which we have already begun in the current fiscal year and improve their efficiency. Specifically, we will consolidate unprofitable dealers and strengthen partnerships with leading independent dealers.

Furthermore, as measures to improve profitability, we will improve the branding power by strengthening sales of eco-friendly products focusing on PHEV technology, introduce a sales award system and a margin scheme incorporating the principle of competition, and strengthen the sharing and subscription business.

Product Strategy: Phase I - Compliance with Environmental Regulations



FY2020 - 2022

Enhance lineup of environment-friendly vehicles (PHEV/EV models)
by fusing proprietary technologies with alliance/partner technologies

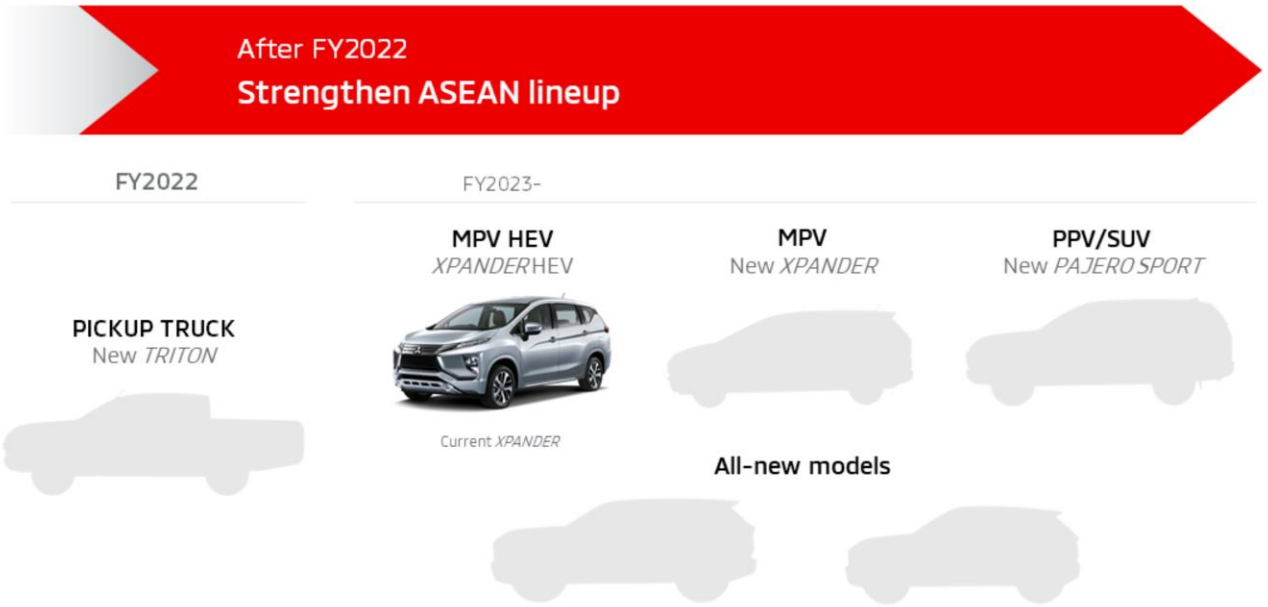


Next, I would like to explain our product strategy.

First, we will position the period from FY2020 to FY2022 as Phase I and enhance a lineup of environment-friendly vehicles by fusing proprietary technologies with alliance/partner technologies.

Specifically, from FY2020 to FY2021, we plan to launch the *ECLIPSE CROSS PHEV*, a new *OUTLANDER* and new EVs through joint development with our partner, Guangzhou Automobile Co., Ltd., in the Chinese market where environmental regulations are expected to become the most stringent in the world. After that toward FY2022, we will introduce a new *OUTLANDER PHEV*, built on more refined PHEV technologies. And, as part of collaboration with Nissan, we have started a study of co-developing an EV version of Kei-car.

Product Strategy: Phase II – Clarification of ASEAN Focus



We will define the period from FY200 onwards as Phase II to strengthen an ASEAN lineup.

In the Pickup-Truck Segment, we plan to launch the next *TRITON* in FY2022. And then from FY2023 onwards, in the MPV segment, we plan to develop and launch an *XPANDER HEV*, the next gen's *XPANDER*. In the PPV/SUV segment, we plan to develop and launch a new *PAJERO SPORT* and, on top of that, a brand-new model for ASEAN.

We will do our utmost to further strengthen our brand in each segment of the ASEAN region.

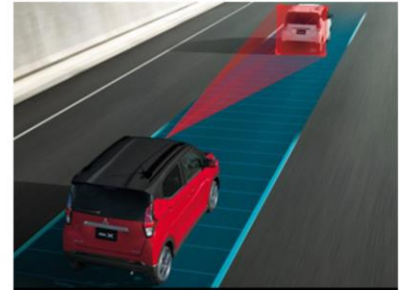
Technologic Strategy: Realization of Increasing Profitability



**Next Generation Diesel/
Improvement of frame
model performance**



**Promotion of
electrification focusing on
next-generation PHEV/HEV**



**Adoption of new alliance
technologies**
(autonomous driving and EV, etc.)

- Further refine our technological strengths by selecting and focusing on development fields centered on ASEAN
- Provide vehicles equipped with the world's most advanced technology through the utilization of the alliance

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The core of our technological strategy is also based on "selection and concentration". In other words, we will further refine our competitive-edge technologies in order to increase profitability from core models for the core markets. At the same time, we will utilize advanced technologies in the Alliance to promote efficient and highly productive development.

Specifically, we will work to improve the performance of the next-generation diesel and frame models, and to promote electrification focusing on next-generation PHEV and HEV in order to cater for the rise of EVs.

Furthermore, in order to deliver the sophisticated services demanded by customers, we will establish a system that enables us to continuously introduce attractive products through utilizing new Alliance technologies such as autonomous driving and EVs.

Utilization of the Alliance: Nissan and Renault



Further
Expansion Of
OEM business

ASEAN



More
collaboration
in manufacturing



Kei-car business:
Joint development
/production, EVtech

Japan



Commercial
Vehicle OEM from
Renault (July 2020 -)

Australia

NISSAN

RENAULT

Deepening collaboration in autonomous driving, connected and EV
Studying mutually complemented production of powertrains and platforms

The Alliance has been important tools for us, but we believe that in the future we will be able to maximize synergies through more efficient use of the alliance.

In order to create further synergies with Nissan Motor, we started a study of strengthening our collaboration in competitive-edge technologies such as autonomous driving, connected vehicles, and EVs, as well as in mutually complementary capabilities for powertrains and platforms. On the regional axis, we will strengthen collaboration in ASEAN and Japan. Specifically, we will further strengthen our OEM business. We are also exploring how we can expand collaboration in the production business. In Japan, we will further strengthen our Kei-car business.

As for the strengthening of collaboration with Renault, we announced in the recent joint interview with the Alliance. By receiving an OEM supply of "EXPRESS" in Australia, we will strengthen our commercial vehicle segment in the Oceania region.

Strengthen Collaboration with Mitsubishi Corp. and GAC Group



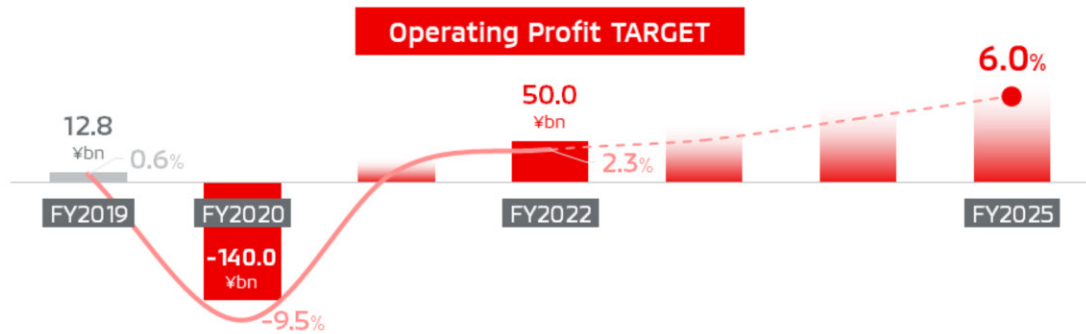
For us, strengthening collaboration with partners is essential to creating new growth drivers.

Specifically, in the ASEAN region, we will study how we can increase profitability in existing countries and strengthen production operations in Vietnam, Malaysia and Myanmar where growth potential is expected by deepening cooperation with Mitsubishi Corporation, our partner, in both production and sales.

In addition, we will cooperate on fostering the second and third pillars by deploying the "best practice" we cultivated in ASEAN to Africa, South Asia, and other areas. In addition, we will work to expand sales of core models, and strengthen pickup truck fleet business for mining in Peru and Chile in South America.

To comply with the environmental regulations in China, which are said to become the most stringent in the world in the future, we will promote joint development with Guangzhou Motor Co., Ltd. We will also establish a new R&D center to increase local development efficiency.

Management KPI



112.7	845	1,054 K units	Sales Volume (Retail)
-82.8	-249.0	31.0 Billion yen	Free Cash Flow*1
130.9	114.0	99.0 Billion yen	R&D Expense*2
103.9	100.0	100.0 Billion yen	CAPEX
74.8	65.5	80.0 Billion yen	Depreciation

*1: Automobiles & Eliminations *2: include Depreciation

Regarding management indicators, Amid the ongoing harsh business environment, we will boldly review and improve our cost structure while at the same time strengthening existing areas and sowing seeds for future growth and gradually recovering profitability. By steadily implementing the measures I have outlined, we aim to increase OP margin to 6% by FY2025. Our earnings recovery is U-shaped as I mentioned before. As a first step, we aim to achieve an operating profit of ¥50 billion and an operating profit margin of 2.3% in FY2022.



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