MITSUBISHI MOTORS

# FY2020 Third-Quarter Financial Results

February 2, 2021

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## 3Q YTD/FY2020 Financial Results Summary (vs. 3Q YTD/FY2019)

| (Billion yen, 000 units) | 3Q YTD (APR-DEC) | | | Quarterly | | |
|---|---|---|---|---|---|---|
| | FY2019 | FY2020 | Variance | 1Q | 2Q | 3Q |
| Net Sales | 1,666.9 | 952.8 | -714.1 | 229.5 | 345.4 | 377.9 |
| Operating Profit (OP Margin) | 3.6 (0.2%) | -86.7 | -90.3 | -53.3 | -29.3 | -4.1 |
| Ordinary Profit | -2.7 | -92.9 | -90.2 | -58.7 | -28.3 | -5.9 |
| Net Income* | -11.8 | -244.0 | -232.2 | -176.2 | -33.7 | -34.1 |
| Free Cash Flow (Automobiles) | -120.0 | -169.2 | -49.2 | -211.5 | 8.5 | 33.8 |
| Sales Volume (Retail) | 876 | 569 | -307 | 139 | 212 | 218 |

* Net income attributable to owners of the parent

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First, please refer to the 3Q/FY20 summary on the slide 3.

Sales decreased 43% year on year to ¥952.8 billion due to sluggish global demand for automobiles resulting from the spread of COVID-19.

Operating loss mainly due to the  global sales stagnation was reduced by company-wide efforts to cut overhead and fixed costs and restructuring activities. However, the cumulative third quarter operating loss amounted to ¥86.7 billion.

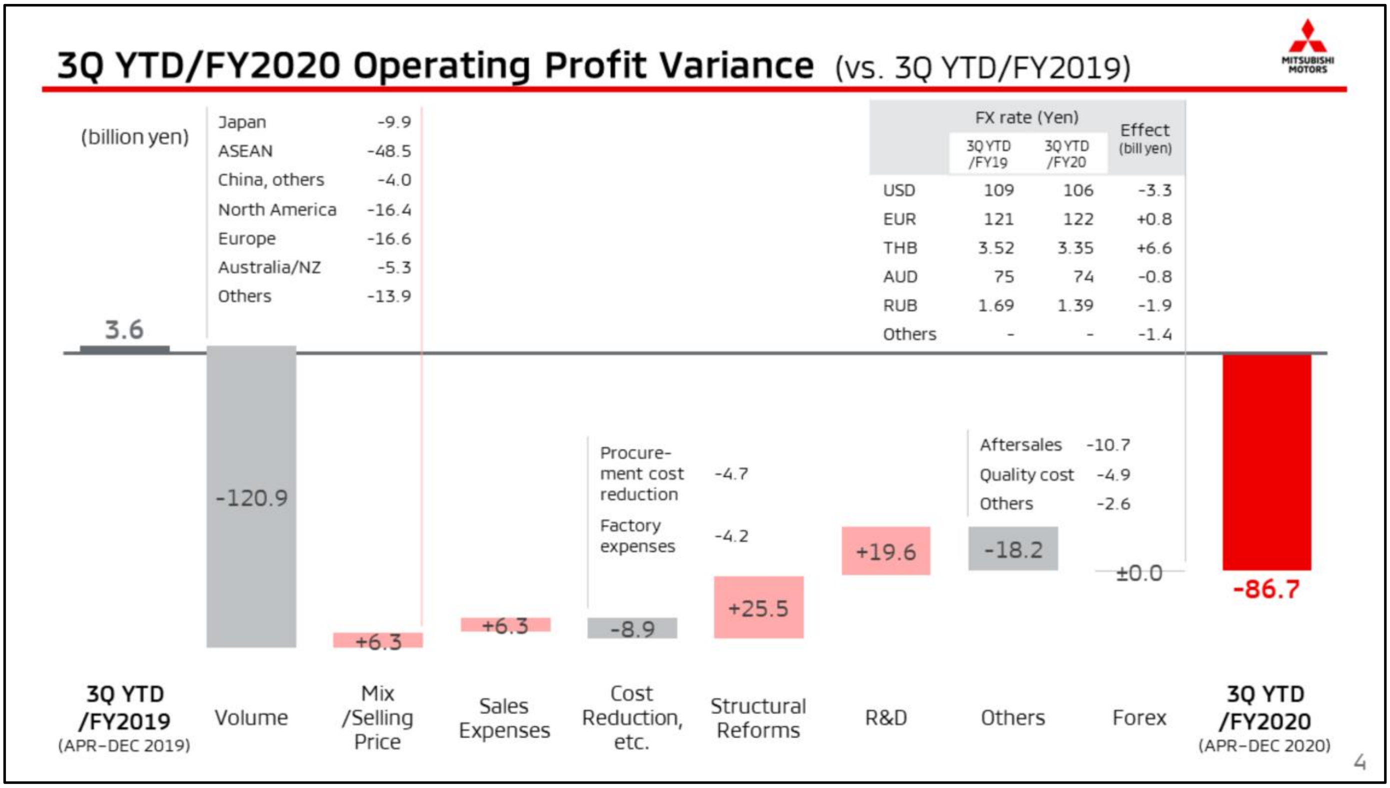
Ordinary profit was negative ¥92.9 billion, and net income was negative ¥244 billion, mainly due to the recording of extraordinary losses from the implementation of structural reforms.

Free cash flow turned positive from the second quarter, and the cumulative negative FCF shrank significantly.

Sales volume was 569,000 units globally.

In Q3 (October-December), net sales were ¥377.9 billion, operating loss was ¥4.1 billion, ordinary loss was ¥5.9 billion, and net loss was ¥34.1 billion. And, unit sales were 218,000 units.

Earnings momentum has improved since hitting the bottom in the first quarter as we confirmed a return to profitability in December. In the third quarter, we were able to recover to the point where we are close to profitability.




The factors behind the YoY changes in Operating Profit are as shown in the slide 4.

In terms of Vol/Mix etc., a decrease in unit sales had a negative impact of ¥120.9 billion. However, there was a positive impact of ¥6.3 billion due to improvements in the regions and model mix, resulting in a total negative impact of ¥114.6 billion.

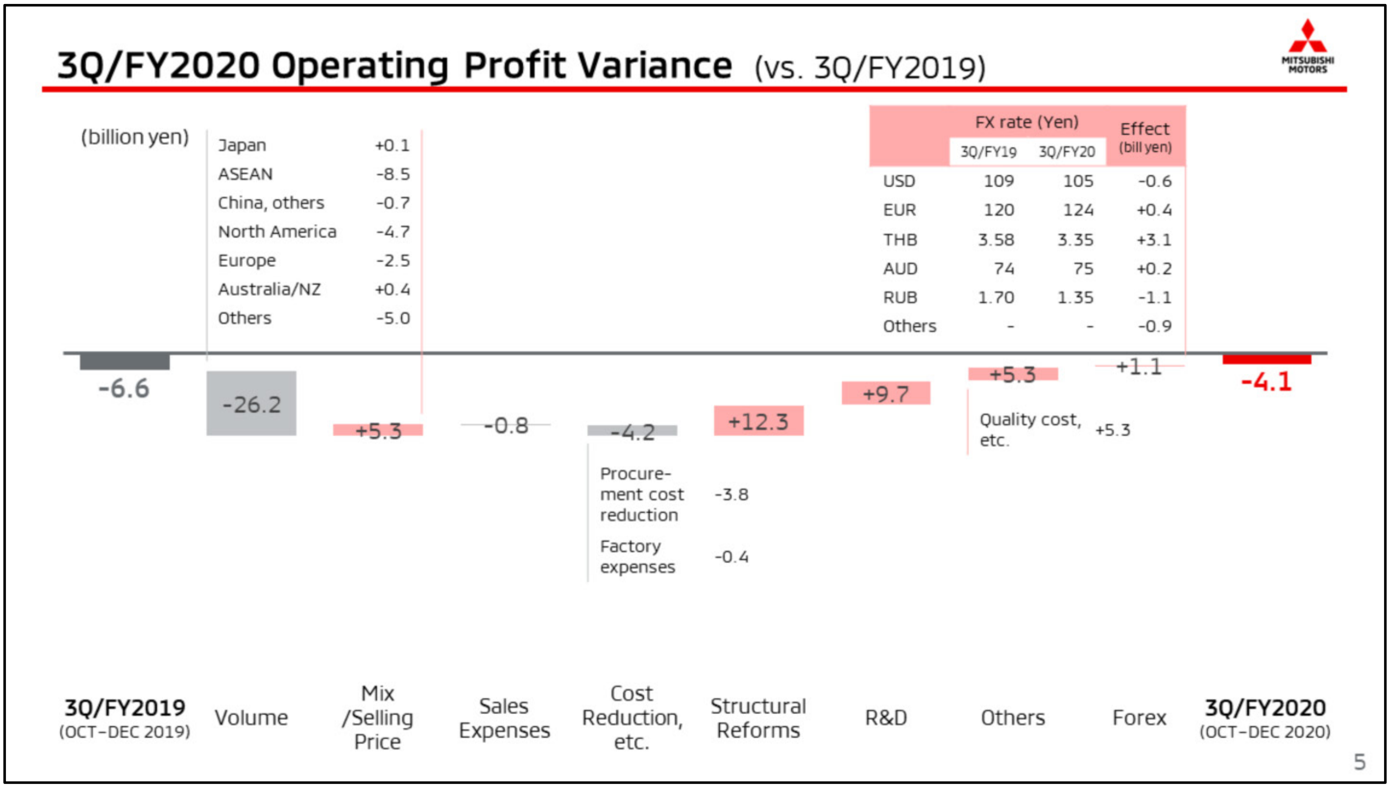
Despite an increase in sales expenses in some regions associated with recovering new car sales, sales expenses improved by ¥6.3 billion from the previous year due to the effects of restraints in line with the plan.

Cost reductions, etc., were largely affected by production adjustments in 1H/FY2020, and the effect of material cost reductions shrank.

Structural reforms and R&D cost reviews, which we have been working on since the beginning of the term, proceeded at a faster pace than expected, and as you can see on the slide, produced significant positive effects.

And in other elements, the cumulative total worsened by ¥18.2 billion year-on-year, including deterioration in after-sales business and increase of quality cost.

The Thai baht, which is the cost currency, showed an improvement, but there was no impact on earnings due to the deterioration in the U.S. dollar, Russian ruble and other currencies.




This slide explains the factors behind year-on-year changes in operating profit for the 3Q of FY2020.

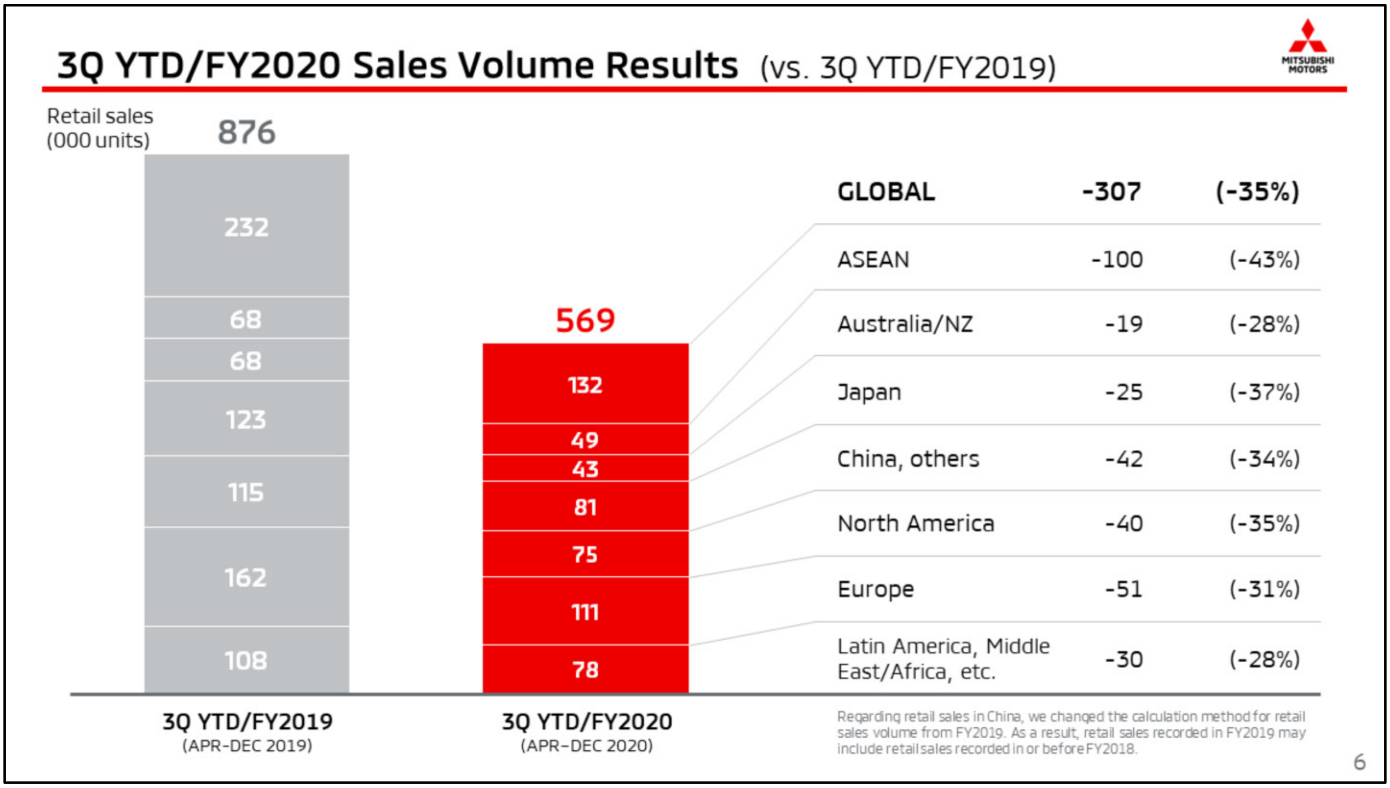
In terms of Vol/Mix etc., the impact of lower sales was partially offset by improvements in the mix of regions and models and the improvement in marginal profit from cost structure reforms. The negative profit impact was limited to ¥20.9 billion.

Although we were able to control selling expenses in line with our plan, there was an increase in sales expenses for the new car launch in some regions, which caused a slight deterioration in sales expenses.

Cost reductions including materials were affected by lower capacity utilization, resulting in a decrease in profits of ¥4.2 billion.

On the other hand, the positive effects of structural reforms amounted to ¥12.3 billion. The decrease in R&D expenses reflects the difference from the 3Q of last year in which a major product development project was nearing its final stage. New product development for ASEAN is progressing faster than expected.

Overall, yen appreciation had an impact, but the favorable turn in the Thai baht, the cost currency, contributed to a ¥1.1 billion year-on-year increase in profit.




Our total sales in all regions decreased by 35% from the previous year to 569,000 units. Global automobile demand is on a recovery trend in China, the United States, and other countries, but the recovery in the regions where we excel has been delayed.

The core market for us, ASEAN countries hit the bottom in the first quarter, but the pace of recovery has not reached the initial expectations. Thus, our cumulative sales were 132,000 units, down 43% from the previous year.

In Australia and NZ, a moderate recovery continued, and the decline of our sales tended to improve from the 1H/FY2020. Our sales was down 28% from the previous year to 49,000 units.

In Japan, overall demand for automobiles was recovering, but the impact of the spread of COVID-19 has been increasing again recently. We are implementing structural reforms, such as restraining fleet sales and revising selling prices, which resulted in a 37% year-on-year decrease to 43,000 units.
The new *ECLIPSE CROSS PHEV* we launched in December last year was well received by the automobile media. And, with the increasing customer interest in xEVs, we have made a strong start.

In other regions as well, there was no significant change in the external environment, and in all regions, there was a decrease of around 30% compared to the previous year.

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## FY2020 Financial Forecast

| (Billion yen, 000 units) | FY2019 (APR 2019 - MAR 2020) | FY2020 (APR 2020 - MAR 2021) | Variance | | Variance from Previous Forecast |
|---|---|---|---|---|---|
| | | | Amount | Ratio | |
| Net Sales | 2,270.3 | 1,460.0 | -810.3 | -36% | -20.0 |
| Operating Profit (OP Margin) | 12.8 (0.6%) | -100.0 | -112.8 | - | +40.0 |
| Ordinary Profit | -3.8 | -120.0 | -116.2 | - | +40.0 |
| Net Income* | -25.8 | -330.0 | -304.2 | - | +30.0 |
| Sales Volume (Retail) | 1,127 | 802 | -325 | -29% | -22 |

* Net income attributable to owners of the parent

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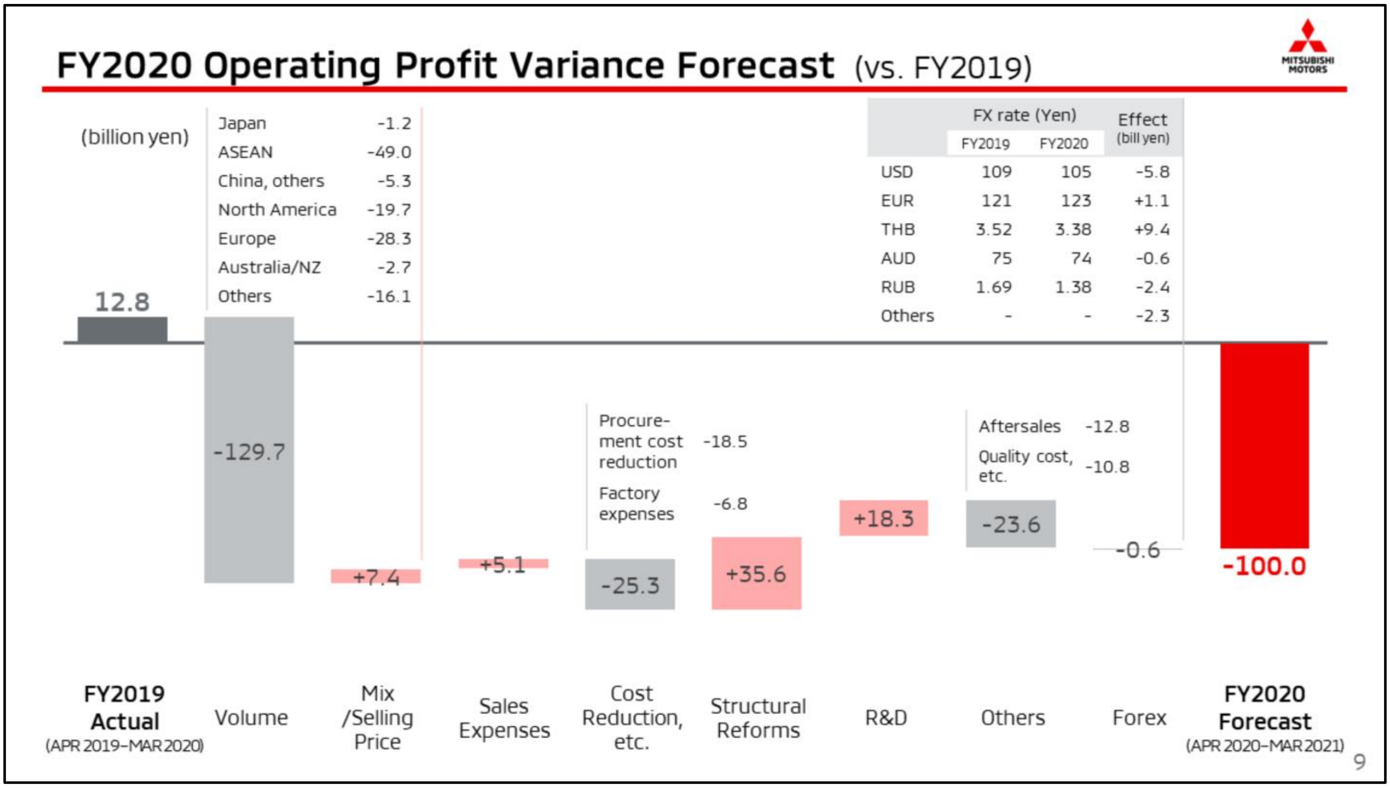
In the winter, when viral activity is becoming more active, national mobility restrictions are becoming more stringent. In addition, uncertainty in the external environment has again intensified, including a shortage of supply in the semiconductor supply chain due to strong demand.

On the other hand, we have been able to implement our cost structure reforms faster than anticipated, and even taking into account the harsh sales condition, there is a clear prospect that we will be able to curb losses compared to our initial plan.
Contributing to the recovery in earnings are restraints on discounts and revisions to initiatives for fleet sales.

We have revised down the full-year unit sales forecast from 824,000 units to 802,000 units and, accordingly, revised down the full-year net sales forecast from ¥1.48 trillion to ¥1.46 trillion, taking into account risk items such as the re-expansion of COVID-19 and changes in import duty measures in the ASEAN region.

On the other hand, we are making steady progress in improving profitability.
Operating loss is revised upward from the previous forecast of ¥140.0 billion to a loss of ¥100.0 billion, ordinary loss is revised upward from ¥160.0 billion to ¥120.0 billion, and net loss is revised upward from ¥360.0 billion to ¥330.0 billion.

Although the uncertain external environment continues, we will continue to work together on structure reforms in order to achieve the new full-year earning forecast.




In line with the revision of the full-year operating profit outlook, we have also revised the factors behind changes compared to the previous fiscal year.

In terms of Vol/Mix etc., we expect a slight deterioration from the previous forecast due to the revised impact of the decrease in unit sales and a review of the Mix/selling price improvement.

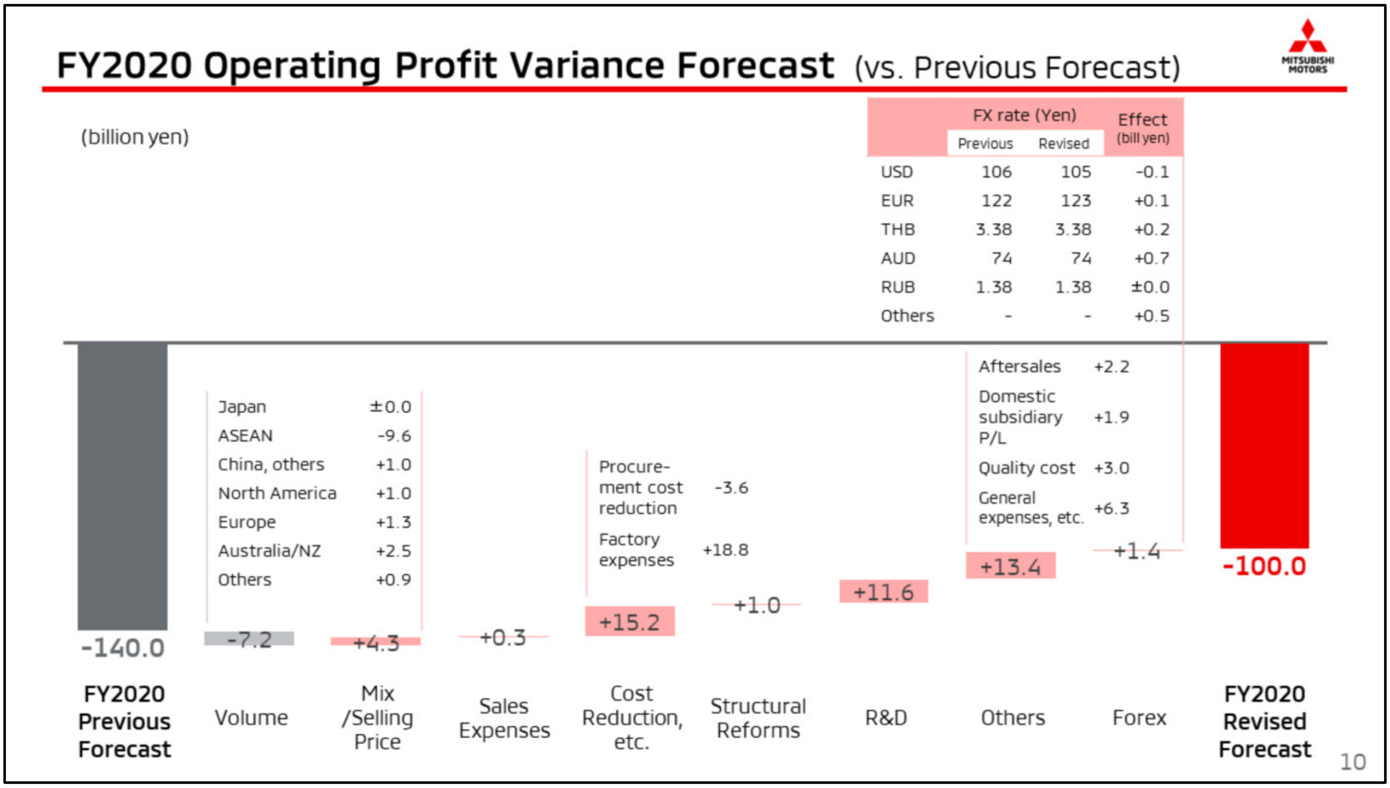
With regard to selling expenses, we have revised selling expenses in each country in line with our basic policy of selection and concentration, and we are expecting a positive effect in line with the previous forecast.

Regarding cost reductions, production adjustments in line with sales reduction and inventory reduction plans following the COVID-19 prevented material cost reduction activities from progressing as usual. However, the impact is expected to improve compared to the previous forecast due to the success of efforts to curb plant-related expenses.

We anticipate significant positive effects from the progress of structural reforms and the concentrated R&D investment in core regions and products as scheduled.

Other items incorporate risks such as after-sales business and quality-related expenses.

Regarding the impact of foreign exchange rates, we have revised the full-year rates for each country again in line with the current market environment, as shown on the slide. As a result, we expect a negative effect of ¥600 million year on year.




The factors behind changes from the previously announced forecast are as follows.

In terms of Vol/Mix etc., we will limit the impact of the decline in sales through improving mix and revising selling prices, to a ¥2.9 billion deterioration compared to the previous forecast.

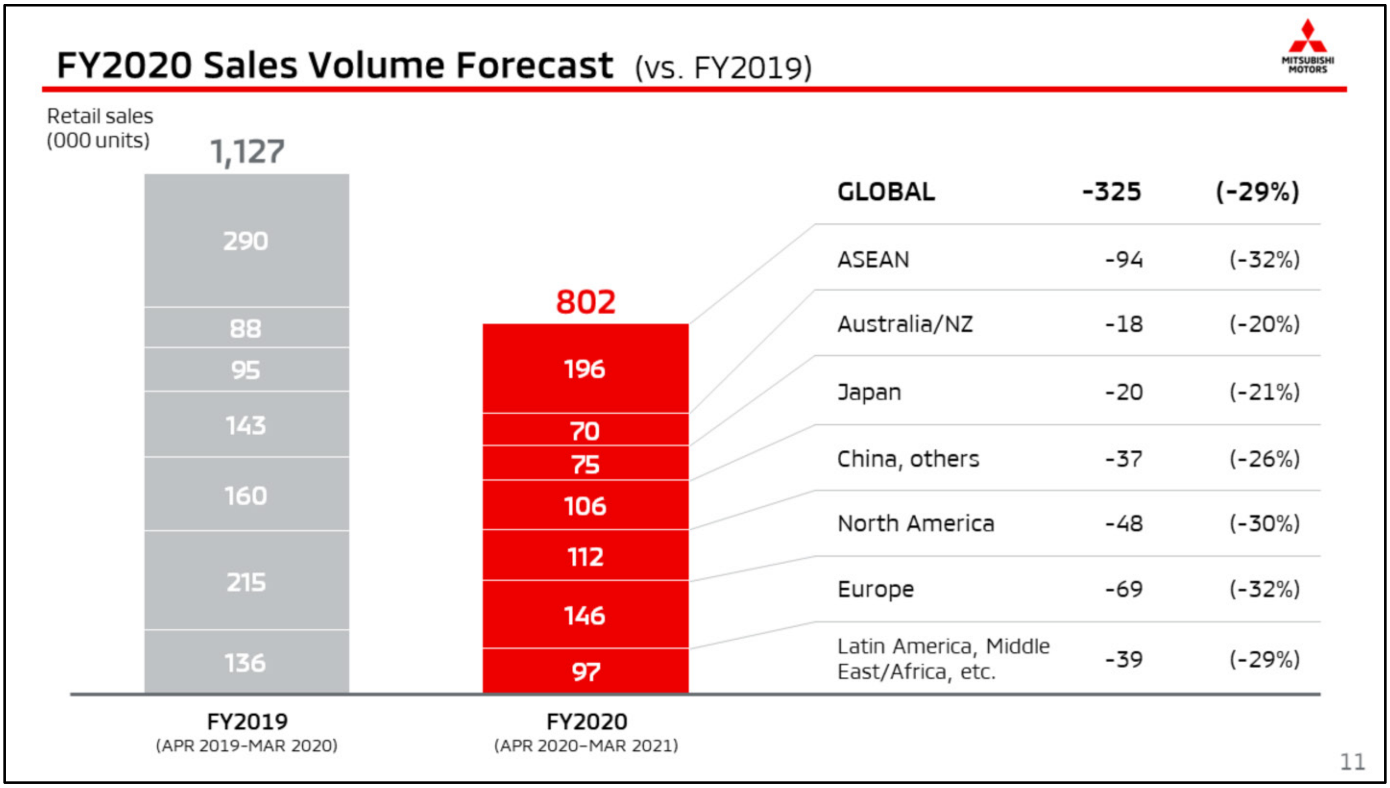
As for selling expenses, we anticipate a slight upturn from the previous plan.

With regard to cost reductions, while material and other cost reductions are impacted by lower operation rates, we expect a positive effect of about ¥15.2 billion from the previous forecast due to greater-than-expected progress in curbing plant-related expenses.

Structural reforms and R&D expenditures are all on track to achieve greater-than-expected progress, so we anticipate significant positive effects.

In other items, we expect after-sales business, domestic subsidiary business, quality cost, etc. to all improve from the previous forecast.

Regarding the impact of foreign exchange rates, we have revised the full-year rates for each country again in line with the current market environment, as shown on the slide. As a result, an upturn of around ¥1.4 billion is forecast compared to the previous forecast.



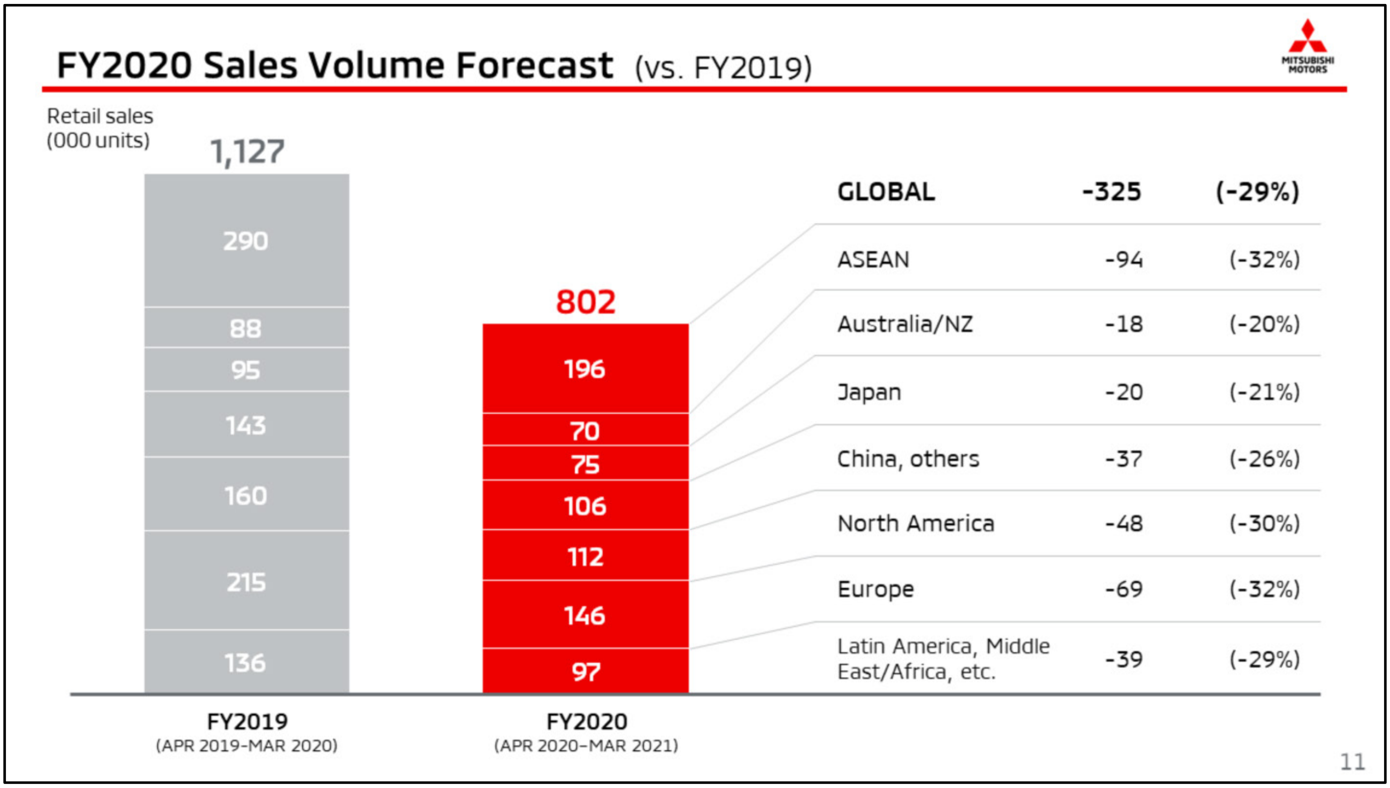

The forecast of retail sales volume for FY2020 by region is as shown in this slide.

As I mentioned at the beginning, there is a possibility that the recovery in automobile demand will again slow due to the expansion of mobility restrictions in each country as a measure to prevent the spread of COVID-19, the transformation of import tariff measures in ASEAN, and the shortage of supply in the semiconductor supply chain. Based on these impacts, we revise our sales outlook for FY2020 from 824,000 units to 805,000 units.

In ASEAN which is our core market, the recovery trend in Vietnam, and Malaysia has become apparent. In Indonesia, stricter mobility restrictions have been adopted to combat COVID-19, and the economy has been sluggish as a result. In the Philippines, the pace of recovery in demand has slowed due to restrictions on economic activities and the issuance of safeguards. In addition, the spread of COVID-19 is again expanding in Thailand, and there are concerns that sales will slow down in the future. As a result of factoring in the impact of these factors, we lowered the unit sales forecast from the previous plan to 196,000 units.

On the other hand, in Australia and New Zealand, the recovery trend is continuing, albeit moderately, and our sales are gradually recovering. Therefore, we will slightly raise the full-year forecast to 70,000 units.

In Japan, where demand for automobiles was recovering, uncertainty increased again due to the impact of the state of emergency issued at the beginning of the year. Sales of the new *ECLIPSE CROSS*, which we launched in December 2020, have been strong. Taking into account the impact of the worsening external environment, we will keep the full-year forecast of 75,000 units unchanged.




In addition, the Chinese market continued to recover from April onwards. However, although we halted the significant decrease in sales in 1H/FY2020, we felt that it would be difficult to dispel the decline, and lowered the forecast from the previous plan to 106,000 units. In North America, the market as a whole is on a recovery trend, but this fiscal year we prioritized strategic inventory adjustments and improved sales quality, and the previous forecast remains unchanged at 112,000 units. In Europe, in addition to the impact of the repeated lock-down, we anticipated a significant decrease in sales due in part to the impact of our change in development strategy. However, the situation is trending gradually, and we will slightly raise the full-year forecast to 146,000 units.

This is our sales forecast with awareness of uncertainty in the markets in which we excel, and we will do our utmost to achieve excesses.

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## Progress of Structural Reforms

| Initiative items | Content of implementation | Evaluation |
|---|---|---|
| Indirect labor cost | ■ Headcount rationalization (reallocation, restraint on new hiring and voluntary retirement plan), Compensation system revision | |
| Marketing expenses | ■ Restraining non-core regions in line with "selection and concentration"<br>■ Allocation in line with core regions and sales expansion schedules | |
| Depreciation | ■ Impairment of fixed assets | |
| R&D cost | ■ Reductions associated with product and regional strategies<br>■ Freezing of the development of new products in Europe | |
| Restructuring of production bases | ■ Suspension of production of Pajero Mfg.<br>■ Consolidation and closure of production lines | |
| G&A expenses | ■ Reduction of expenses, such as travel expenses and outsourcing expenses<br>■ Consolidation of subsidiary and other offices into head office building | |
| Progress ahead of initial plan | | |

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As indicated, all structural reforms have progressed faster than planned or as planned. We also expect most of reform costs to be recorded during the current fiscal year. Regarding the reduction of fixed costs, in the new mid-term plan “Small but Beautiful,“ we set a target of a 20% fix-cost reduction by the end of FY2021 compared to FY2019. Despite the extraordinary factor caused by the COVID-19, we expect to be able to achieve a reduction of around 18% in total fixed costs compared to the previous year due to the acceleration of various measures.

In terms of specific implementation status, first we were able to optimize our workforce (reallocation, restraint on new hiring, and voluntary retirement system) as well as reviewing our compensation system, as planned, and this will result in cost reduction that is slightly higher than planned.

With regard to marketing expenses, we expect to achieve significant reductions in our overall budget while improving cost-effectiveness by controlling costs in non-core regions and concentrating a portion of those costs in core regions, in line with the basic concept of "selection and concentration.“

As announced in the first quarter, depreciation and amortization will be reduced as planned through impairment losses on fixed assets.

## Progress of Structural Reforms

| Initiative items | Content of implementation | Evaluation |
|---|---|---|
| Indirect labor cost | ■ Headcount rationalization (reallocation, restraint on new hiring and voluntary retirement plan), Compensation system revision | |
| Marketing expenses | ■ Restraining non-core regions in line with "selection and concentration"<br>■ Allocation in line with core regions and sales expansion schedules | |
| Depreciation | ■ Impairment of fixed assets | |
| R&D cost | ■ Reductions associated with product and regional strategies<br>■ Freezing of the development of new products in Europe | |
| Restructuring of production bases | ■ Suspension of production of Pajero Mfg.<br>■ Consolidation and closure of production lines | |
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| Progress ahead of initial plan | | |

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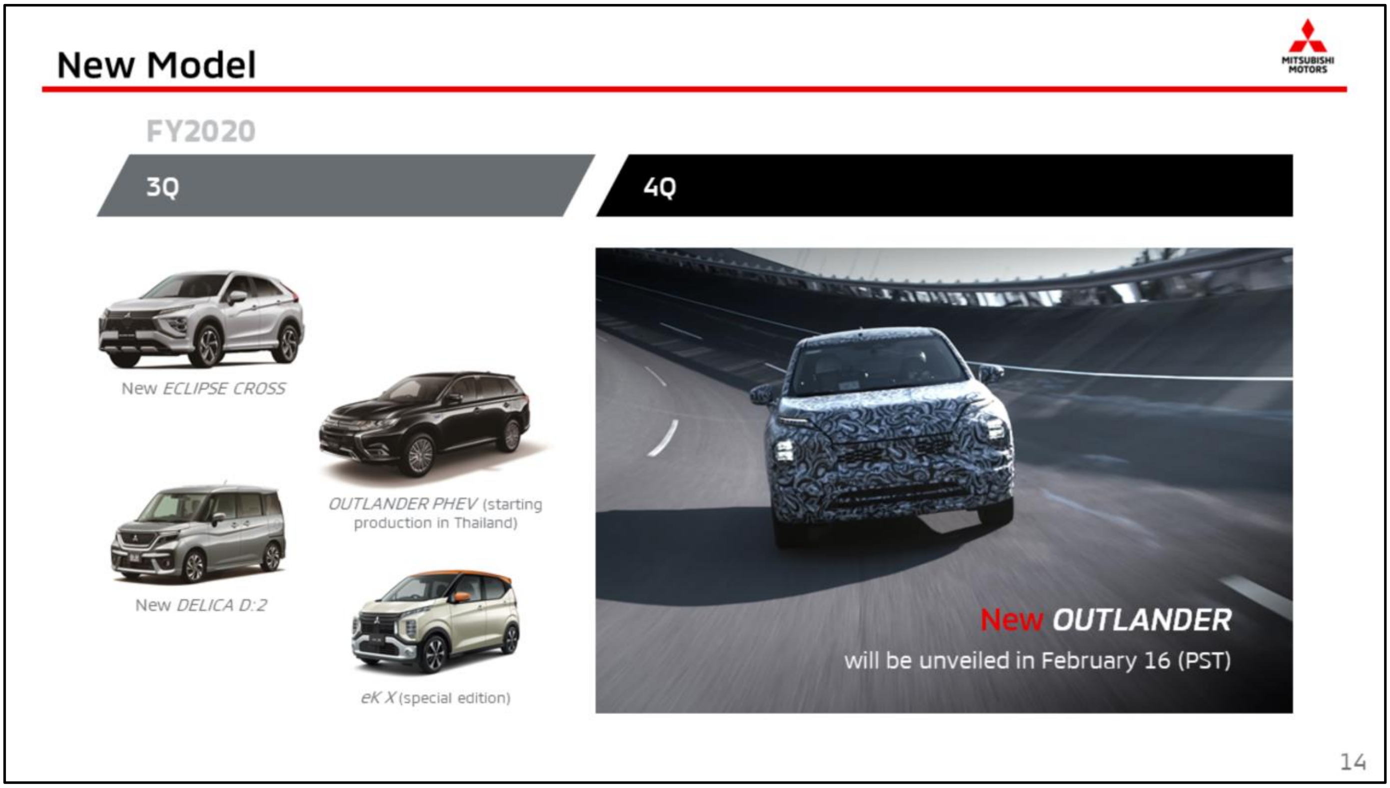
Similarly, we worked on "selection and concentration" in development costs, curbing development costs for non-core regions, and concentrating investment in core regions, thereby establishing a system that enables us to develop products in line with our strategy. As a result, we expect to achieve reductions that exceed our plans and more efficient development. Reductions that exceeded the plan will lead to strengthening of strategic products in ASEAN and investment for future development strategies such as complying with carbon neutral requirements.

Regarding the restructuring of the production system, as announced in July, we made a decision to suspend production of PMC and consolidated production lines, thereby putting in place a high capacity utilization system in line with sales.

As for G&A expenses, we can expect substantial reductions due to greater-than-expected reductions in all items, such as travel expenses and outsourcing expenses, and consolidation of subsidiary and other offices into the head office building.




Among the elements we should focus on during the current mid-term plan, as I mentioned in July, we will deliver to our customers attractive products that enable them to experience a sense of security and driving enjoyment through the promotion of the environmental technologies that we excel at and the evolution of our genetic 4WD technologies and off-road performance. In line with this major policy, the "New Environmental Plan Package" announced recently calls for the promotion of electrification focused on PHEV technologies.

As already mentioned, in the 3Q/FY2020, we began sales of the new *ECLIPSE CROSS* model, which also added the PHEV model. In addition, we began producing and selling *OUTLANDER PHEV* in Thailand in preparation for increasingly stringent environmental regulations.

In the domestic market, we have upgraded our *eK X* and *eK X Space* to equip safety features, and have launched as a special edition model of G Plus Edition, and we have also launched a full model change of compact mini-van *DELICA D:2* at the end of December.

On February 17, Japan time, we plan to hold an online presentation meeting for the Cross-Over SUV *OUTLANDER*, which has undergone a full model change. We plan to follow up and announce the streaming link later so that you can see the presentation. We plan to launch the new *OUTLANDER* globally, starting with the United States, Canada, and Puerto Rico.

We continue to develop technologies and expand our lineup of environmentally friendly models in accordance with our plan.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# APPENDIX

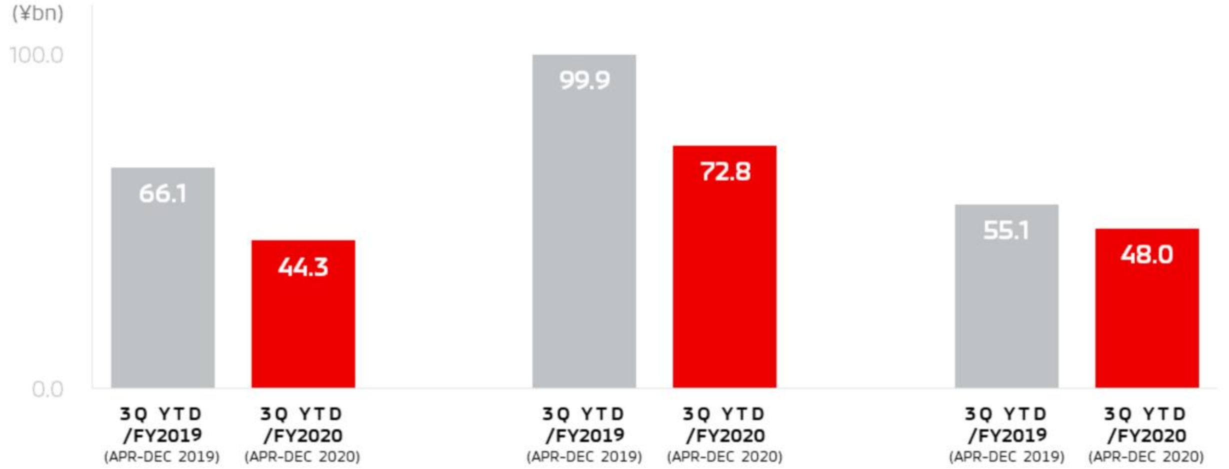
# 3Q/FY2020 Balance Sheet (vs. FY2019)

| (billion yen) | FY2019 (As end of MAR 2020) | 3Q/FY2020 (As end of DEC 2020) | Variance |
|---|---|---|---|
| Total Assets | 1,938.1 | 1,790.5 | -147.6 |
| Cash & Deposits | 399.6 | 502.6 | +103.0 |
| Total Liabilities | 1,149.7 | 1,238.2 | +88.5 |
| Interest-bearing Debt* | 299.4 | 533.3 | +233.9 |
| Total Net Assets | 788.4 | 552.3 | -236.1 |
| Shareholders' Equity (Equity Ratio) | 772.7 (39.9%) | 536.8 (30.0%) | -235.9 |
| | | | |
| Net Cash 【Automobiles & Eliminations】 | 378.4 | 226.2 | -152.2 |

*Include Lease Obligations

# 3Q YTD/FY2020 Capital Expenditure, R&D Expense and Depreciation

| CAPEX | R&D Expense | Depreciation |
|---|---|---|
| **¥44.3 bn** | **¥72.8 bn** | **¥48.0 bn** |
| -33% (YoY) | -27% (YoY) | -13% (YoY) |



## 3Q YTD/FY2020 Regional Performance (vs. 3Q YTD/FY2019)

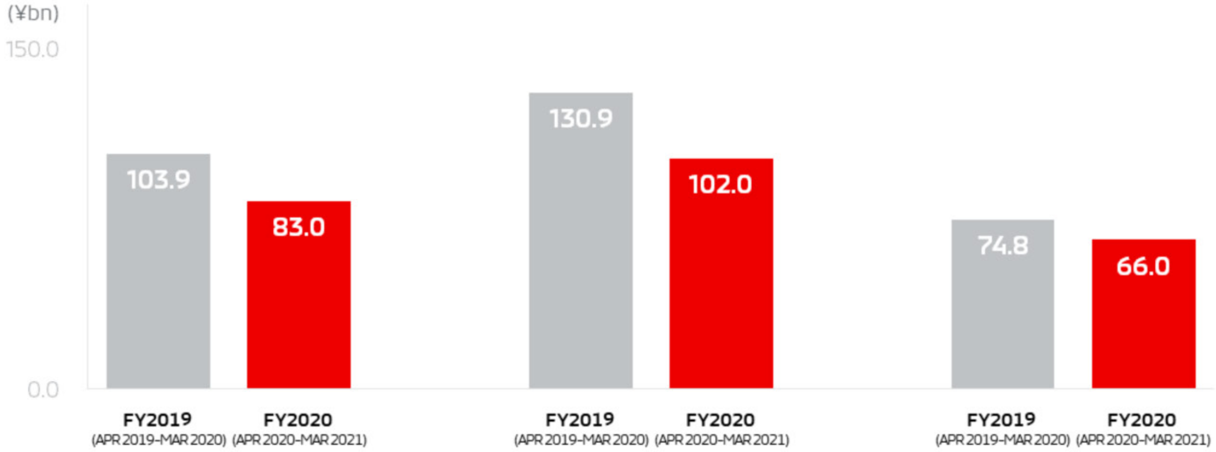
| (billion yen) | Net Sales | | | Operating Profit | | |
|---|---|---|---|---|---|---|
| | 3Q YTD /FY2019 (APR-DEC 2019) | 3Q YTD /FY2020 (APR-DEC 2020) | Variance | 3Q YTD /FY2019 (APR-DEC 2019) | 3Q YTD /FY2020 (APR-DEC 2020) | Variance |
| **GLOBAL** | **1,666.9** | **952.8** | **-714.1** | **3.6** | **-86.7** | **-90.3** |
| - Japan | 332.5 | 289.2 | -43.3 | -15.1 | -24.9 | -9.8 |
| - ASEAN | 444.8 | 217.8 | -227.0 | 48.2 | 4.8 | -43.4 |
| - China, others | 35.3 | 13.7 | -21.6 | -0.8 | -2.7 | -1.9 |
| - North America | 214.3 | 111.1 | -103.2 | -14.2 | -19.6 | -5.4 |
| - Europe | 347.7 | 123.6 | -224.1 | -14.3 | -19.7 | -5.4 |
| - Australia /NZ | 133.8 | 116.0 | -17.8 | -2.0 | -12.6 | -10.6 |
| - Others | 158.5 | 81.4 | -77.1 | 1.8 | -12.0 | -13.8 |

## FY2020 Regional Sales Forecast (vs. FY2019)

| (billion yen) | FY2019 (APR 2019 - MAR 2020) | FY2020 (APR 2020 - MAR 2021) | Variance |
|---|---|---|---|
| **GLOBAL** | **2,270.3** | **1,460.0** | **-810.3** |
| - Japan | 460.5 | 428.0 | -32.5 |
| - ASEAN | 551.9 | 326.0 | -225.9 |
| - China, others | 41.7 | 18.0 | -23.7 |
| - North America | 315.1 | 200.0 | -115.1 |
| - Europe | 474.7 | 177.0 | -297.7 |
| - Australia/NZ | 176.8 | 165.0 | -11.8 |
| - Others | 249.6 | 146.0 | -103.6 |

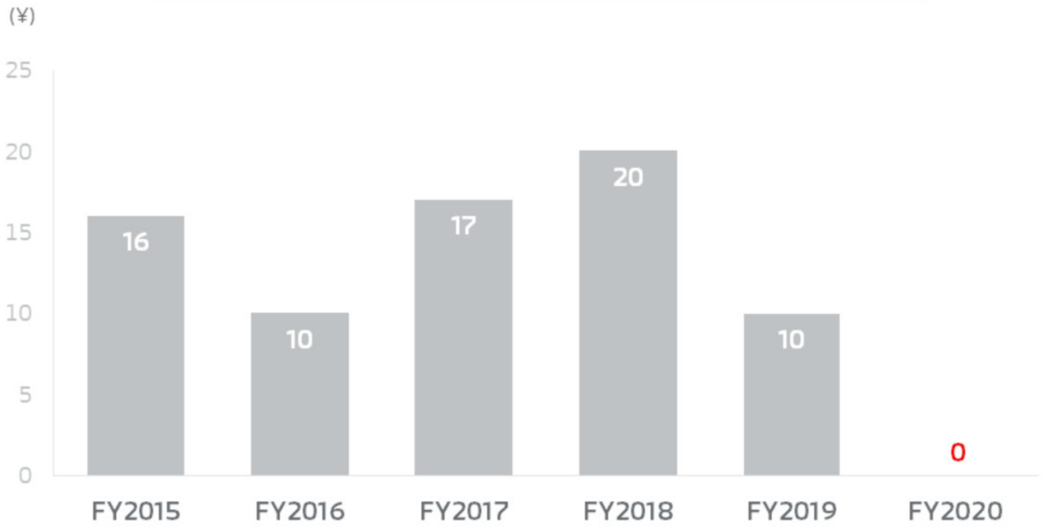
## FY2020 Capital Expenditure, R&D Expense and Depreciation Forecast

| CAPEX | R&D Expense | Depreciation |
|---|---|---|
| **¥83.0 bn** | **¥102.0 bn** | **¥66.0 bn** |
| -20% (YoY) | -22% (YoY) | -12% (YoY) |



# FY2020 Shareholder Returns

**Dividend per share: ¥0**



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