

# To secure earnings by contributing to society, we will accelerate selection and concentration in line with our areas of strength and earnings.

During the term of "Small but Beautiful," our new mid-term business plan running through fiscal 2022, we will focus on promoting structural reforms focused on cost and profitability improvements. As a result, we intend to ensure a solid management base that puts Mitsubishi Motors on the path to sustainable growth after the plan's conclusion. To this end, we will change our strategic direction. We will move away from omnidirectional expansion and accelerate the process of concentration and selection. Mitsubishi Motors will decisively complete structural reforms to reinforce fields where it is already competitive. Through this plan, we will realize a corporate structure capable of generating steady profits.

Specific measures include revising our production capacity, sales structure and product lineup, as well as slashing fixed costs. Furthermore, we will concentrate our investment of management resources in the ASEAN region, which is an area of strength. We will enhance the environmental technologies used in the distinctive plug-in hybrid electric vehicles (PHEVs) and hybrid electric vehicles (HEVs) we have developed, along with 4WD technologies, combining these with alliance partners' technologies to provide vehicles at the state-of-the-art global level, boosting our profitability. By combining these technologies, we will provide environmentally friendly automobiles that contribute to a society in which people, automobiles and nature coexist harmoniously.

### Specific Initiatives

- Concentrate investment on core regions and products, and reduce fixed costs by 20% or more compared to fiscal 2019.
- Focus management resources on the ASEAN region, increasing market share there to more than 11%
- Develop operations in Africa, Oceania and South America as the second pillar of business following the ASEAN region
- Reorganize operations in Japan, including the suspension by Pajero Manufacturing Co., Ltd.
- Strengthen our lineup of eco-friendly models (PHEVs and EVs) by launching new models by fiscal 2022; introduce new models, including SUVs, pickup trucks and MPVs in the ASEAN region from fiscal 2022

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

Under our previous mid-term business plan, while emphasizing core regions and products we pursued a fundamental path of omnidirectional growth, emphasizing expansion of our market share on a global basis. To this end, we planned aggressive investments. Net sales increased to some extent, but at the same time fixed costs ballooned on all fronts. We invested insufficient resources in the core ASEAN region and experienced difficulty in ensuring profitable sales in the global market.

Operating in a challenging environment, Mitsubishi Motors lacked the scale to sustain its omnidirectional expansion strategy. Facing this reality, we revised our strategic direction late in fiscal 2018, after passing the

halfway mark on that mid-term business plan.

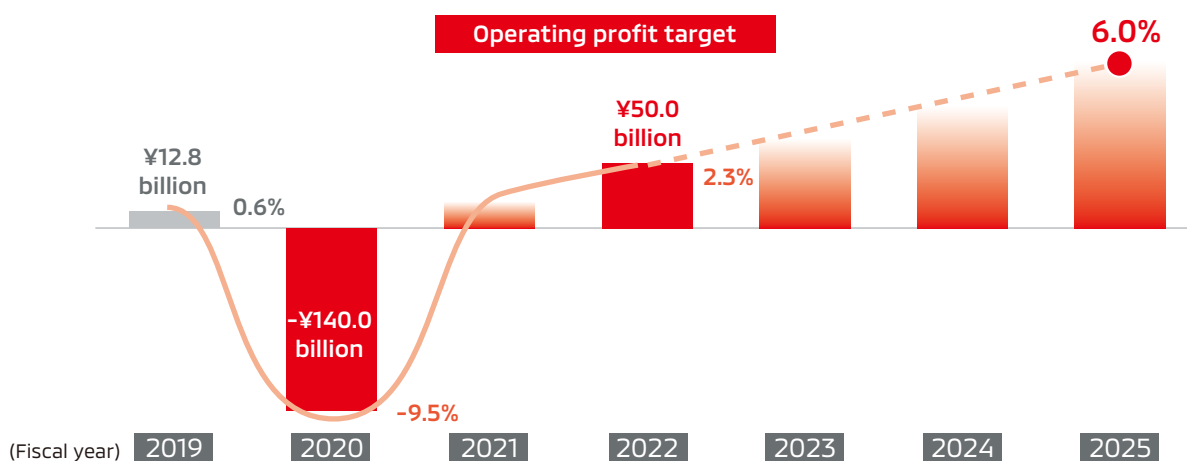
Nevertheless, because of the upfront investments we had made up to that point, by fiscal 2019 our overall fixed costs were more than 20% higher than at the start of the plan. We accelerated implementation of our revised strategy, but sluggish demand for automobiles and adverse exchange rates made it increasingly difficult for us to generate profits. The COVID-19 pandemic has exacerbated this situation. Although the operating environment remains uncertain, in an effort to turn performance around we will learn from our past pursuit of an omnidirectional expansion strategy. We will move forward with initiatives prioritize reforming the cost structure.

## Management KPIs

As the operating environment remains challenging, we will substantially revise our cost structure. At the same time, we will work to gradually regain profitability by stepping up efforts aimed at future growth and creating new businesses. By steadily putting the new

mid-term business plan into action, by fiscal 2025 we intend to return the operating profit margin to 6%. As a first step toward profit recovery, by fiscal 2022 we aim to achieve operating profit of ¥50.0 billion and an operating profit margin of 2.3%.

Following a fundamental policy of selection and concentration, we are working to improve profitability by shifting the focus of our business structure to the ASEAN region and shrinking low-profit businesses.



FY2019	FY2020	FY2022	
1,127,000 units	845,000 units	1,054,000 units	Sales volume (retail)
-¥82.8 billion	-¥249.0 billion	¥31.0 billion	Free cash flow* <sup>1</sup>
¥130.9 billion	¥114.0 billion	¥99.0 billion	R&D expenses* <sup>2</sup>
¥103.9 billion	¥100.0 billion	¥100.0 billion	Capital expenditures
¥74.8 billion	¥65.5 billion	¥80.0 billion	Depreciation
0.6%	-9.5%	2.3%	Operating profit margin

\*1 Automobile business and eliminations  
\*2 Including depreciation and amortization

## Reducing Fixed Costs

We plan to quickly begin implementing measures to reduce fixed costs, aiming to generate results at an early stage. By fiscal 2021, we aim to lower fixed costs by 20% or more compared with fiscal 2019 levels.

<b>Indirect labor costs</b>	<ul style="list-style-type: none"> <li>● Reduce by 15% through human resource optimization (reallocation, restraint of new hiring and voluntary retirement plan) and revising the compensation system</li> </ul>
<b>Marketing expenses</b>	<ul style="list-style-type: none"> <li>● Revise strategically</li> <li>● Increase cost-effectiveness</li> </ul>
<b>Depreciation</b>	<ul style="list-style-type: none"> <li>● Enhance investment appropriateness</li> <li>● Process impairments, based on plans for the future</li> </ul>
<b>Development expenses</b>	<ul style="list-style-type: none"> <li>● Reduce overall expenses through selection and concentration</li> <li>● Freeze investments in new products in Europe</li> </ul>
<b>Reorganization of the production structure</b>	<ul style="list-style-type: none"> <li>● Consolidate and streamline production lines: Halt production at Pajero Manufacturing Co., Ltd</li> </ul>
<b>General and administrative expenses</b>	<ul style="list-style-type: none"> <li>● Curtail expenses in line with business restructuring</li> <li>● Reduce office space through work style reforms</li> </ul>

**By fiscal 2021, reduce by 20% or more**  
(compared with fiscal 2019 levels)

## Regional Strategies

We have divided each region into one of two categories: growth driver or area for profitability improvement. We are concentrating management resources on the regions we have positioned as growth drivers, such as our mainstay—the ASEAN region. We will roll out products generated in the ASEAN region into other areas, such as Oceania, South Asia, South America, the Middle East and Africa. In addition to maximizing product value and enhancing brand strength, we are thus positioning these regions as our second pillar of growth.

Meanwhile, low levels of profitability persist in some

regions, which we have cited as regions for improving profitability. There, we are building structures to ensure steady earnings. Specifically, in China we are collaborating with partners to enhance business and turn the region into a growth driver. In our home market of Japan, we are reorganizing our production and sales structures to ensure the region generates steady profits. In North America, we will streamline fixed costs to some extent, achieving a balance between income and expenditures. In Europe, we will freeze the introduction of new models and substantially lower fixed costs in a bid to improve profitability.

### Growth Drivers

- ASEAN region: Concentrate resources on core business area
- Oceania, South Asia, South America and Middle East/Africa: Develop into a second pillar of business by maximizing the use of products for the ASEAN region

### Profitability Improvement

- China: Become a growth driver through collaboration with partners
- Japan: Restructure the production and sales networks
- North America: Reduce fixed costs
- Europe: Freeze the introduction of new products

## Product and Technology Strategies

As product strategies, during Phase I (fiscal 2020 to fiscal 2022) we will enhance our lineup of eco-friendly models. In particular, we will roll out the *Eclipse Cross PHEV* and launch a next-generation *Outlander*. In China, we also plan to introduce a new-model EV we developed in cooperation with the Guangzhou Automobile Group. Thereafter, we will launch a next-generation *Outlander PHEV*.

Phase II, which begins in fiscal 2022, will be a period for strengthening our ASEAN lineup. In fiscal 2022, we plan to launch the next-generation *TRITON*. Beginning in fiscal 2023, we will introduce the *XPANDER HEV*, the next-generation *XPANDER* and the next-generation *Pajero Sport*. We also plan to develop and launch new models targeting the ASEAN region.

Selection and concentration are central to our

technology strategies. We will further hone technology areas of strength to bolster earnings of core models for core markets. Simultaneously, Mitsubishi Motors will leverage advanced technologies from within the alliance to promote efficient, highly productive development.

In particular, we are working to increase performance on next-generation diesel and frame models. We will address the emergence into the market of electric vehicles by making our own advances in this field, centering on next-generation PHEVs and HEVs. Furthermore, we will respond to customer demand for sophisticated services with new technologies involving autonomous driving and EVs. We will incorporate new alliance technologies into our vehicles to ensure we continue to roll out attractive products.

Phase I: Fiscal 2020–2022

Combine our own technologies with those of alliance partners  
**Enhance our lineup of eco-friendly models (PHEVs and EVs)**

Phase II: From fiscal 2022

**Strengthen ASEAN lineup**

## Strengthening Collaboration with Partners

We are beginning to consider stepping up our collaboration with Nissan Motor in areas where it has leading-edge technologies—autonomous driving, connectedness and EVs—and in the complementary supply of powertrains and platforms. We expect to collaborate more closely in the ASEAN region and Japan, further expanding our OEM business. We will also consider increasing cooperation in the area of production. In Japan, we intend to reinforce the kei-car business. Collaborating more closely with Renault, we will accept OEM production of the *EXPRESS* in Australia, boosting operations in the commercial vehicle segment in Oceania.

As another aspect of our efforts to step up collaboration with business partners, we will further strengthen operations with Mitsubishi Corporation in the ASEAN region on both the production and sales fronts. As well as augmenting profitability in countries where we already do business, we will consider steadily ramping up operations by strengthening production in Vietnam, Malaysia and Myanmar. By applying best practices cultivated in the ASEAN region, we intend to develop second and third pillars of business in Africa, South Asia and other areas. China is slated to become one of the most environmentally stringent markets in the world. There, we will promote joint development with the Guangzhou Automobile Group.

Utilize the alliance: Nissan Motor and Renault



Increase collaboration in autonomous driving, connections and EVs  
 Consider the complementary supply of powertrains and platforms