# Overview of Operations by Region

### Sales Volume
(Thousands of units)

| | FY2017 | FY2018 | FY2019 | FY2020 (Forecast) |
|---|---|---|---|---|
| ASEAN | 272 | 318 | 290 | 236 |
| Oceania | 95 | 102 | 88 | 65 |
| Latin America/Middle East/Africa, others | 135 | 148 | 136 | 106 |
| China, others | 157 | 162 | 143 | 143 |
| Japan | 98 | 105 | 95 | 75 |
| North America | 155 | 173 | 160 | 105 |
| Europe | 189 | 236 | 215 | 115 |
| Total | 1,101 | 1,244 | 1,127 | 845 |

### Net Sales
(Billions of yen)

| | FY2017 | FY2018 | FY2019 | FY2020 (Forecast) |
|---|---|---|---|---|
| ASEAN | 500.8 | 562.5 | 551.9 | 411.0 |
| Oceania | 241.0 | 221.6 | 176.8 | 165.0 |
| Latin America/Middle East/Africa, others | 218.6 | 298.5 | 249.6 | 179.0 |
| China, others | 85.4 | 101.4 | 41.7 | 21.0 |
| Japan | 349.4 | 428.7 | 460.5 | 387.0 |
| North America | 352.5 | 387.8 | 315.1 | 190.0 |
| Europe | 444.7 | 514.1 | 474.7 | 127.0 |
| Total | 2,192.4 | 2,514.6 | 2,270.3 | 1,480.0 |

### Operating Profit
(Billions of yen)

| | FY2017 | FY2018 | FY2019 |
|---|---|---|---|
| ASEAN | 47.2 | 64.2 | 63.6 |
| Oceania | 18.6 | 13.3 | (4.4) |
| Latin America/Middle East/Africa, others | 18.7 | 17.9 | 4.0 |
| China, others | 16.1 | 13.1 | (1.5) |
| Japan | (14.1) | 4.1 | (12.6) |
| North America | 1.0 | 3.5 | (18.2) |
| Europe | 10.7 | (43.0) | (18.1) |
| Total | 98.2 | 111.8 | 12.8 |

Note: From FY2018, certain countries in Europe and ASEAN have been reclassified to Latin America/Middle East/Africa, others. Figures for FY2017 have been retroactively adjusted to account for this change.
Regarding retail sales in China, we changed the calculation method for retail sales volume from FY2019. As a result, retail sales recorded in FY2019 may include retail sales recorded in or before FY2018.

## ASEAN (Thailand, Indonesia, the Philippines, Vietnam and Other Countries)

### Performance in the year ended March 31, 2020

In fiscal 2019, sales volume in the ASEAN region was affected by economic deceleration in China in the second half, which caused the market to shrink. In addition, performance was significantly affected by the COVID-19 pandemic toward the end of the fiscal year. As a result, sales volume in the region fell 28,000 units year on year, to 290,000 vehicles.

Sales amounted to ¥551.9 billion year on year, down ¥10.6 billion, and operating profit decreased ¥0.6 billion year on year, to ¥63.6 billion.

*XPANDER*

### Outlook for the year ending March 31, 2021

We expect the ASEAN market to recover through the second half, although the impact of the COVID-19 remains uncertain. As a result, we expect sales volume for the region to be 236,000 vehicles, down 54,000 units from fiscal 2019, and forecast sales of ¥411.0 billion, down ¥140.9 billion.

*Pajero Sport*

## Oceania (Australia, New Zealand)

### Performance in the year ended March 31, 2020

In fiscal 2019, automobile demand was down due to economic deceleration of the region's largest trading partner, China. Furthermore, a state-of-emergency declaration through the end of the fiscal year caused dealers to suspend sales efforts, resulting in sales volume of 88,000 vehicles, down 14,000 units.

Affected by the lower sales volume, regional sales fell ¥44.8 billion year on year, to ¥176.8 billion. We posted an operating loss of ¥4.4 billion for the region, compared with operating profit of ¥13.3 billion in the previous fiscal year.

*Triton/L200*

### Outlook for the year ending March 31, 2021

In fiscal 2020, we expect sales volume to amount to 65,000 vehicles, down 23,000 units from fiscal 2019, and forecast sales of ¥165.0 billion, down ¥11.8 billion.

*Pajero Sport*

## Latin America/Middle East/Africa, others

### Performance in the year ended March 31, 2020

In fiscal 2019, sales volume came to 136,000 vehicles, down 12,000 units year on year, as the result of lower sales in Latin America and the Middle East and Africa.

Due to the decreased sales volume, sales fell ¥48.9 billion year on year, to ¥249.6 billion, and operating profit was ¥4.0 billion year on year, down ¥13.9 billion.

### Outlook for the year ending March 31, 2021

In fiscal 2020, we forecast sales volume of 106,000 vehicles, down 30,000 units from fiscal 2019, and sales of ¥179.0 billion, down ¥70.6 billion.


*Triton/L200*

## China, others

### Performance in the year ended March 31, 2020

In fiscal 2019, sales volume amounted to 143,000 vehicles, down 19,000 units year on year. In addition to lackluster demand, sales volume was affected by sluggish economic activity in the face of the COVID-19 pandemic.

Sales declined ¥59.7 billion, to ¥41.7 billion year on year due to the lower sales volume. We recorded an operating loss for the region of ¥1.5 billion, compared with operating profit of ¥13.1 billion in the previous fiscal year.

### Outlook for the year ending March 31, 2021

The Chinese market is already in a state of recovery, and sales are expected to recover as we move into the second half of the fiscal year. We therefore believe sales volume will remain flat, at 143,000 vehicles. We forecast sales for the region of ¥21.0 billion, down ¥20.7 billion from fiscal 2019 levels.

*Outlander*

## Japan

### Performance in the year ended March 31, 2020

In fiscal 2019, sales volume (retail) in the Japanese market amounted to 95,000 vehicles, down 10,000 units year on year. Despite an energetic new-vehicle launch, including a full model change for the eK series, performance was affected by a downturn following a spike ahead of the consumption tax hike, as well as the impact of the COVID-19 pandemic.

In line with the lower sales volume, sales decreased ¥31.8 billion year on year, to ¥460.5 billion. We posted an operating loss for the region of ¥12.6 billion, compared with operating profit of ¥4.1 billion in the preceding fiscal year.

### Outlook for the year ending March 31, 2021

Total demand is on a recovery trend, after bottoming out in May. However, even after the lifting of the state of emergency, the COVID-19 pandemic has failed to subside. As a result, we expect some uncertainty to remain with respect to normalization of the supply chain and recovering of economic activity. Taking these factors into consideration, we expect sales volume to be 20,000 units lower than fiscal 2019 levels, at 75,000 vehicles. We forecast sales of ¥387.0 billion, down ¥73.5 billion year on year.

*eK X space*

*eK space*

## North America (United States, Mexico, Puerto Rico, others)

### Performance in the year ended March 31, 2020

In fiscal 2019, the North American sales segment grew increasingly competitive, and demand was sluggish at the end of the fiscal year due to the COVID-19 pandemic, making the competitive environment even more stringent. As a result, sales volume was down 13,000 units year on year, to 160,000 vehicles.

Owing to the lower sales volume, sales fell ¥72.7 billion year on year, to ¥315.1 billion. We posted an operating loss of ¥18.2 billion, compared with operating profit of ¥3.5 billion in the previous fiscal year.

### Outlook for the year ending March 31, 2021

Overall, the North American market appears to be recovering, but concerns about a second wave of the pandemic persist. Taking this situation into account, we forecast sales volume of 105,000 vehicles for fiscal 2020, down 55,000 units from fiscal 2019 levels. We forecast sales of ¥190.0 billion, down ¥125.1 billion year on year.

*Outlander*

*Outlander Sport*

## Europe (Russia, Germany, the United Kingdom, Spain, Italy, others)

### Performance in the year ended March 31, 2020

In fiscal 2019, sales volume was down 21,000 units year on year, to 215,000 vehicles. Although we followed our plans to strategically expand sales of the *Outlander PHEV*, a strong model for Mitsubishi Motors, overall demand was soft.

As a result, sales in the region fell ¥69.4 billion year on year, to ¥474.7 billion, and the operating loss widened from ¥4.3 billion in the previous fiscal year to ¥18.1 billion.

### Outlook for the year ending March 31, 2021

In Europe, we face major ongoing uncertainties and expect performance to be affected by our change in development strategy. Accordingly, we expect sales volume to fall 100,000 units from fiscal 2019 levels, to 115,000 vehicles. We forecast regional sales of ¥127.0 billion, down ¥347.7 billion.

*Outlander PHEV*

*Eclipse Cross*

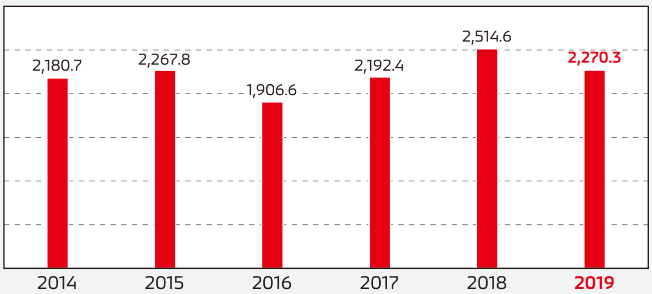
## Consolidated Financial Summary

| | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|---|---|---|---|---|---|---|
| **For the year:** | | | | | | (In billions of yen) |
| Net sales | 2,180.7 | 2,267.8 | 1,906.6 | 2,192.4 | 2,514.6 | 2,270.3 |
| Operating profit | 135.9 | 138.4 | 5.1 | 98.2 | 111.8 | 12.8 |
| Ordinary profit (loss) | 151.6 | 141.0 | 8.9 | 110.1 | 119.9 | (3.8) |
| Profit (loss) attributable to owners of the parent | 118.2 | 72.6 | (198.5) | 107.6 | 132.9 | (25.8) |
| Sales volume (retail) (Thousands of units) | 1,090 | 1,048 | 926 | 1,101 | 1,244 | 1,127 |
| R&D expenses | 74.6 | 78.7 | 89.0 | 102.5 | 124.3 | 130.9 |
| Capital expenditures | 68.0 | 69.0 | 58.1 | 99.9 | 137.7 | 103.9 |
| Depreciation | 53.3 | 53.6 | 46.2 | 52.0 | 61.6 | 74.8 |
| Return on equity (ROE) (%) | 19.7 | 10.9 | (29.2) | 14.6 | 16.1 | (3.1) |
| **Per share data:** | | | | | | (In yen) |
| Earnings per share | 120.16 | 73.80 | (164.11) | 72.23 | 89.26 | (17.32) |
| Diluted earnings per share | – | – | – | 72.20 | 89.18 | – |
| Dividends per share | 16.00 | 16.00 | 10.00 | 17.00 | 20.00 | 10.00 |
| **At year-end:** | | | | | | (In billions of yen) |
| Total assets | 1,582.8 | 1,433.7 | 1,484.4 | 1,655.3 | 2,010.3 | 1,938.1 |
| Net assets | 670.8 | 685.3 | 703.5 | 796.6 | 881.2 | 788.4 |
| Cash and deposits | 440.3 | 453.4 | 556.8 | 571.9 | 500.9 | 399.6 |
| Interest-bearing debt | 144.5 | 27.1 | 15.6 | 26.6 | 228.7 | 299.4 |
| Equity ratio (%) | 41.6 | 46.8 | 46.5 | 47.2 | 43.4 | 39.9 |
| Number of shares outstanding (Thousands) | 983,661 | 983,661 | 1,490,282 | 1,490,282 | 1,490,282 | 1,490,282 |

1. For fiscal 2014, profit attributable to owners of the parent refers to net income.
2. Diluted net income per share is not indicated for fiscal 2014, 2015, 2016 and 2019 because no dilutive shares existed.
3. Changes in accounting methods have not been retroactively applied to previous fiscal years.

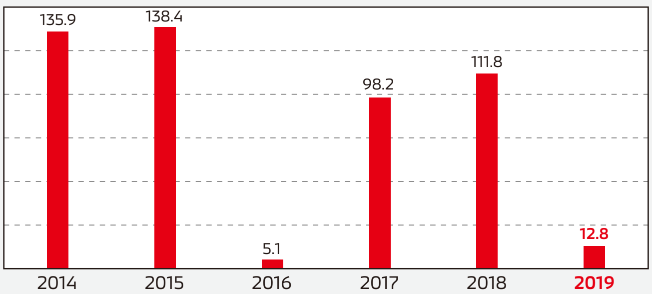
### Net Sales

(Billions of yen)



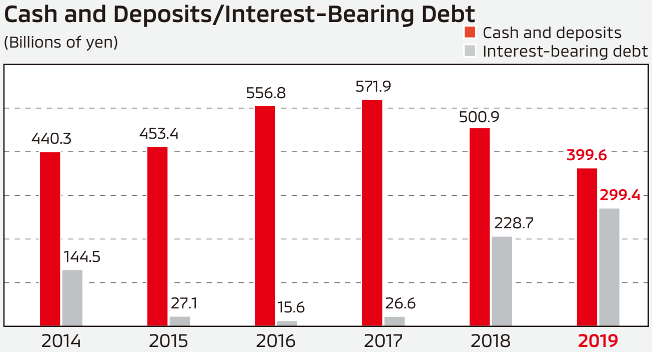

### Operating Profit

(Billions of yen)



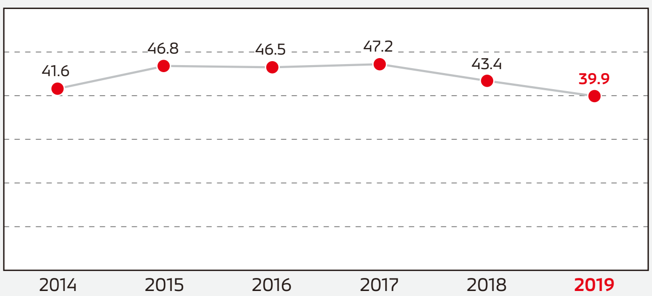

### Cash and Deposits/Interest-Bearing Debt

(Billions of yen)




### Equity Ratio

(%)



# Operational Review

## Results of Operations

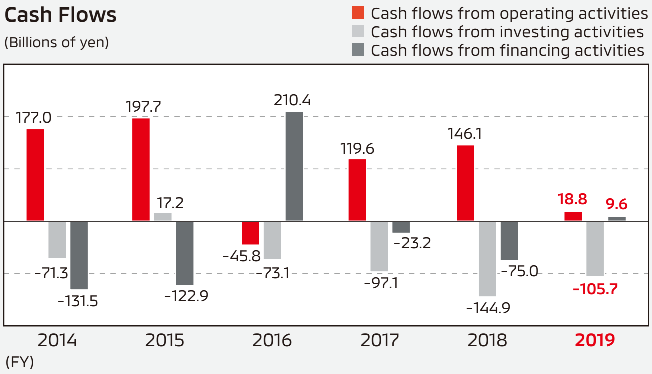
Amid the ongoing economic uncertainty triggered by the U.S.-China trade issues, the fiscal year under review started on a challenging note for the MMC Group.

Under such circumstances, the MMC Group launched new *Pajero Sport* and new *XPANDER CROSS* in the key ASEAN region. In Japan, the MMC Group strove to maximize the contribution to the full-year results of *eK X* and *eK Wagon*, new Kei-car height wagons launched at the end of the previous fiscal year and also launched *eK X space* and *eK space*, new super-height kei wagons, in March 2020, to boost sales volume.

However, the market conditions rapidly deteriorated toward the end of the fiscal year under review because of the worsening effects of the spread of COVID-19 on the global economy since the start of this year, in addition to weak automobile demand in trading countries in ASEAN and Oceania, which are MMC's major markets, due to China's economic slowdown. As a result, the full-year sales volume (retail) decreased from the previous fiscal year to 1,127 thousand units (down 117 thousand units or 9% year on year).

While the demand for automobiles continued to decline, the MMC Group has worked hard on thorough cost control and careful selection of investments to reduce the total amount of overhead and fixed costs to improve the balance of revenue and expenditure. However, the negative impact of COVID-19 far exceeded our assumption. On top of this, exchange rates have moved against the MMC Group since the previous fiscal year. Consequently, the MMC group posted a decrease in both net sales and operating profit with net sales of ¥2,270.3 billion (down ¥244.3 billion or 10% year on year) and operating profit of ¥12.8 billion (down ¥99.0 billion or 89% year on year). Also, in addition to the drop in operating profit, the recording of share of loss of entities accounted for using equity method led to ordinary loss of ¥3.8 billion and loss attributable to owners of parent of ¥25.8 billion.

**Cash Flows**
(Billions of yen)




Of decreases in operating profit from the previous fiscal year, ¥50.5 billion is attributable to deterioration in sales volume and the vehicle model mix, 30% of which is deemed attributable to the influence of COVID-19.

## Financial position

Total assets as of March 31, 2020 amounted to ¥1,938.1 billion (down ¥72.2 billion from the end of the previous fiscal year). Cash and deposits amounted to ¥399.6 billion (down ¥101.3 billion from the end of the previous fiscal year). Total liabilities amounted to ¥1,149.7 billion (up ¥20.6 billion from the end of the previous fiscal year). Of total liabilities, the interest bearing debt balance was ¥299.4 billion (up ¥68.4 billion from the end of the previous fiscal year). Net assets as of March 31, 2020 amounted to ¥788.4 billion (down ¥92.8 billion from the end of the previous fiscal year).

## Cash flows

Cash flows for the current fiscal year consisted of a net inflow of ¥18.8 billion from operating activities (down ¥127.3 billion year on year), a net outflow of ¥105.7 billion from investing activities (down ¥39.2 billion year on year), and a net inflow of ¥9.6 billion from financing activities (improvement of ¥84.6 billion from the previous fiscal year). In addition, the balance of cash and cash equivalents at the end of the current fiscal year decreased by ¥89.9 billion from the end of the previous fiscal year to ¥399.6 billion, partially due to a decrease of ¥12.6 billion in effect of exchange rate change on cash and cash equivalents and other factors.

### Overview of Cash Flow

| (FY) | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Shareholders' equity ratio (%)*1 | 46.8 | 46.5 | 47.2 | 43.4 | **39.9** |
| Shareholders' equity ratio (fair value basis)*2 | 57.8 | 67.2 | 68.5 | 43.5 | **23.5** |
| Cash flows/Interest-bearing debt ratio*3 | 0.1 | (0.3) | 0.2 | 1.6 | **15.9** |
| Interest coverage ratio*4 | 120.2 | (38.7) | 34.1 | 38.9 | **4.8** |

*1 The shareholders' equity ratio is shareholders' equity divided by total assets.
*2 The shareholders' equity ratio (fair value basis) is market capitalization divided by total assets.
*3 The cash flows/interest-bearing debt ratio is interest-bearing debt divided by cash flow.
*4 The interest coverage ratio is cash flow divided by interest paid.

Notes:
1. Each indicator is calculated from consolidated financial figures.
2. Market capitalization is calculated based on the number of issued shares excluding treasury stock.
3. Cash flow refers to operating cash flow.
4. Interest-bearing debt includes all liabilities recorded on the balance sheet for which interest is paid. From fiscal 2018, lease obligations are included in this figure.

## Business-related risks

Risks that may seriously impact the operating results and/or financial position, and the like of the MMC Group, which the management is currently aware of, are outlined below. The Group, however, is also potentially exposed to risk other than those listed below. Any of risk factors listed below and otherwise might impact its business results and/or financial position.

Matters concerning the future are judged by the MMC Group as of the filing date of securities report unless otherwise stated.

### Impact of the economic and social situation in Japan and overseas

Overseas sales accounted for around 80% of the MMC Group's consolidated net sales in the previous fiscal year. The MMC Group operates business in countries in the ASEAN region, the Oceania region, North America and Europe, besides Japan. Dramatic changes in political, economic and social situations in these regions and a far greater-than-anticipated decline in demand for automobiles due to such abrupt changes, therefore, may make it difficult for the MMC Group to achieve its corporate and business strategies it upholds, and as a result, seriously impact the MMC Group's operating results and/or financial position. In addition, business operations in overseas markets expose the MMC Group to latent risks including, but not limited to, abrupt changes in laws, taxation systems and regulations; emergencies, such as acts of terrorism; and unpredictable risks including the outbreak of infectious diseases, such as COVID-19 this time. In the event any of these risks materialize, they may seriously impact the operating results and/or financial position of the MMC Group.

### Impact of intensifying competition in the automotive industry

In the auto industry, competition has further intensified on a global scale against the backdrop of recent declines in overall demand, stepped-up competition in development of next-generation technologies, new entrants from other industries and the rise of emerging companies. Amid such intensifying competition, the MMC Group has strived to retain or expand its sales volume and market share by launching attractive products the Group is specialized in, including pickup trucks and SUVs, primarily in its core ASEAN market. However, in cases such as where the MMC Group fails to supply new products tailored to the needs of customers in an appropriate and timely manner, or fails to implement measures to maintain or reinforce its competitiveness in an effective manner, such failure may seriously impact the operating results and/or financial position of the MMC Group.

### Impact of natural disasters, accidents and outbreak of infectious diseases

The MMC Group maintains production and other facilities in Japan and many other parts of the world. The occurrence of a major natural or other disaster, including earthquakes, typhoons, floods, fires and epidemics, in these areas may result in the suspension or other serious interruption in the operations of the MMC Group or of its suppliers. The MMC Group has prepared and implemented a business continuity plan and disaster countermeasures based on a scenario that such risks are highly likely to materialize and they would have a serious impact on the MMC Group's operations. Also, based on lessons learned from the epidemic of the new coronavirus, the Group newly established the BCM (Business Continuity Management) Committee to prepare the Group for any emerging threats in the future. A disaster occurring on a scale larger than anticipated, however, may seriously impact the operating results and/or financial position of the MMC Group.

### Impact of laws and regulations, etc.

The MMC Group is subject to various laws and regulations, etc. governing protection of the global environment, product safety and other matters in the countries where it operates. In the event that the MMC Group fails to conform to or is unable to comply with such laws and regulations, or should such failure lead to sanctions against it, then large costs may be incurred for the purpose of conforming to or of complying with any revision, strengthening of or additions to, these laws and regulations and this may seriously impact the operating results and/or financial position of the MMC Group.

Other than the above laws and regulations, the MMC Group's business activities are also subject to a wide range of laws and regulations in Japan and overseas. For example, the business activities are under restrictions by consumer protection regulations, approvals and licenses for businesses and investments, labor regulations, environmental protection regulations, foreign exchange regulations, import-export trade regulations including those for security purposes, various tax laws, anti-monopoly laws, anti-bribery laws and the like. In some cases, the MMC Group's businesses may be conducted based on a legislative foundation that has not been developed sufficiently, or the burden of expenses may increase for responding to lack of comprehensive system of laws and regulations, application and interpretation of inconsistent laws and regulations, unilateral changes made by supervisory authorities in regulatory measures, and others. In addition, any unexpected change may be made in rates of taxes imposed on products or services supplied by these businesses, technical requirements for environmental restrictions, income taxes and tariffs, a broad range of laws and regulations including exchange restrictions on investment principals and dividend reflux, and others.

In order to deal with these legal and regulatory risks, the MMC Group has put in place a system to ensure that the Group complies with laws and regulations, etc.; and each department in charge has implemented measures to prevent potential non-compliance with laws and regulations, etc. Moreover, the MMC Group has also enhanced a structure to respond promptly to any compliance-related matters detected by the Group in an effort to minimize the risk that such matters negatively affect its social credibility and reputation. However, the possibility that a law violation may be committed in the future is not zero. If there is a fact of law violation, or the content, promptness and others of its response are insufficient, the fact or insufficiency may have a negative impact on the MMC Group's social credibility and reputation, and consequently, on its operating results or financial position.

### Impact of changes in manufacturing cost

The MMC Group sources parts and raw materials, etc. from a large number of suppliers to manufacture its products. As for changes in market conditions, the Group predicts the outlook to the extent possible based on analyst and other information and incorporates the predicted influence in its earnings forecasts. Any rise in the manufacturing cost of MMC's products due to changes in demand and other market conditions may seriously impact the operating results and/or financial position of the MMC Group.

### Impact of foreign exchange rate fluctuations

Fluctuations in the yen and other foreign currencies cause the values of both foreign currency-denominated receivables and payables to vary. Appreciation of the yen drives down the value of foreign-denominated receivables, while depreciation of the yen drives up the value, and vice versa the value of payables. As overseas sales account for around 80 percent of the MMC Group's overall sales, the Group holds receivables denominated in foreign currencies, including US dollars, Euros and Australian dollars. Further, as the MMC Group manufactures products to export globally at a Thai subsidiary, it also holds liabilities denominated in foreign currencies, primarily the baht. In FY2019, the yen rose by 7 yen and 6 yen against Euros and Australian dollars, respectively, year on year. Such appreciation of the yen, coupled with the appreciation of the baht, the major currency for the Group's liabilities denominated in foreign currencies, drove down its consolidated operating profit by a total of 45.1 billion yen.

At present, the MMC Group has worked on measures to reduce the impact of exchange rates, such as the export of the vehicles manufactured in Indonesia, and sales expansion in Thailand of the vehicles manufactured in the country, to contain the impact of foreign exchange rates over the medium-to long-term. However, significant fluctuations in foreign currencies may still seriously impact the operating results and/or financial position of the MMC Group.

### Impact of failure to achieve mid-term business plan targets mainly due to differences between the premises on which the plan was drawn up and real-world conditions

The MMC Group has drawn up a mid-term business plan setting out operational strategy for the medium term. Although the mid-term business plan has been developed based on certain premises that are deemed reasonable by the Group at the time of its development, in cases such as where risks other than those described in this section, including changes in economic and social conditions, become prominent and the Group fails to implement appropriate measures against such risks, the MMC Group may fail to achieve midterm business plan targets, and the operating results and/or financial position of the MMC Group may be seriously impacted.

### Impact of product quality and safety

The MMC Group endeavors to improve the quality and assure the safety of the MMC Group's products. However, in the event that MMC has to issue a recall or implement countermeasures, etc. on a large scale due to product defects or failures, or in the event that MMC is sued in a large-scale product liability action, the large costs incurred and the damage to reputation of the MMC's products and consequent drop in demand, etc. for its products may seriously impact the operating results and/or financial position of the MMC Group.

In order to minimize the impact to the management, the MMC Group has made every effort to rapidly investigate the cause and implement measures based on information from markets in cooperation with relevant departments for improving quality, and examine potential risks appropriately.

### Impact of lawsuits, etc.

In cases where any lawsuits are brought against the MMC Group by customers, trading partners or other third parties in the course of the MMC Group conducting its business, or the MMC Group is investigated by regulatory authorities in relation to alleged non-compliance with laws and regulations and are deemed non-compliant, the operating results and/or financial position of the MMC Group may be seriously impacted.

In addition, in the event that rulings, etc. in legal actions, etc. currently under dispute go against the MMC Group's claims or predictions, these may seriously impact the operating results and/or financial position of the MMC Group.

Although the MMC Group holds product liability insurance to fully cover compensation for damages and legal costs arising from claims for damages and lawsuits in relation to product liability where the courts ruled in favor of plaintiffs, the ruling requiring the Group to pay the amount of compensation larger than anticipated may seriously impact the operating results and/or financial position of the MMC Group.

With respect to respective lawsuits, etc. in February 20, 2010, MASRIA Co., Ltd. (hereafter "Plaintiff"), a former MMC distributor in Egypt, filed a lawsuit against MMC for dissolution of a distributor agreement between MMC and the Plaintiff including a 900 million USD claim for damages. The judgments in both the courts of first and second instance found in favor of MMC on October 26, 2010, and July 3, 2012, respectively, based on the reasoning that the case was not within the Egyptian court's legal jurisdiction. The case is now before the final appellate court after the Plaintiff appealed on July 21, 2012, against the judgment of the court of second instance.

The case has been found to not be within the Egyptian court's jurisdiction, and the distributor agreement was spelled out clearly, as indicated above. Furthermore, MMC's notice to terminate the distributor agreement with the Plaintiff followed due legal process and the terms of the agreement, thus making the Plaintiff's claim irrational. For these reasons, at present MMC does not consider this legal case will result in any serious impact on the operating results and/ or financial position of the MMC Group.

Furthermore, on January 21, 2020, the Frankfurt Public Prosecutor authorities visited Mitsubishi Motors R&D Europe GmbH, the Company's R&D hub, and MMD Automobile GmbH, the Company's sales hub, both in Germany for an investigation (hereinafter, the "on-site investigations"). The subject of the on-site investigations are passenger cars with 2.2 litre diesel engine with the emission standard "Euro 5b," as well as 2.2 litre & 1.6 litre diesel engine with the emission standard "Euro 6b" (Those engines are no longer manufactured.). Specifically, the Prosecutor stated that there has been a suspicion that those engines are equipped with a so-called "defeat device" that makes sure that the permissible limits for nitrogen oxides (NOx) are met on bench tests, but not in real-life use.

We will continue our internal inspection on this matter and also cooperate fully with the prosecutors.

### Impact of dependence on particular suppliers

The MMC Group sources raw materials and parts, etc. from a large number of suppliers. The necessity to procure materials and parts characterized by higher quality or more advanced technologies at more competitive prices may bring about a situation in which orders are concentrated upon a specific supplier. There may also be only a limited number of suppliers able to supply parts, etc. for which a specific technology is required. Consequently, we may have to suspend manufacturing or incur increased costs, and the operating results and/or financial position of the MMC Group may be seriously impacted in the event that some unforeseen situation arises and interrupts deliveries from such suppliers or in the event that it is not possible to procure materials and parts at competitive prices in a timely manner.

Furthermore, these risks could materialize due to unexpected events on the side of primary, secondary and subsequent suppliers, and other factors including emergency situations, such as natural disasters and terrorist acts, and epidemic of infectious diseases. The MMC Group therefore has made every effort to respond promptly to these risks when they materialize, and to minimize the influence of the risks by gathering and updating information concerning the supply chain, including secondary and subsequent suppliers, in cooperation with primary suppliers.

### Impact of credit risks of customer, trading partner and others

The MMC Group is exposed to credit risks in its dealings with dealers and with customers and other trading partners and in its automobile financing business.

The MMC Group has made every effort to preserve receivables appropriately through the continuous evaluation of country risks and trading partners' financial positions to minimize credit risks against dealers and other trading partners, and reduce the occurrence of bankruptcy and control the uncollectible amount by the MMC Group's own examination and collection management for the automobile financing business. However, in the event that losses stemming from such credit risks exceed the MMC Group's estimates due to the deteriorating external environment and other factors, the operating results and/or financial position of the MMC Group may be seriously impacted.

### Impact of infringement of intellectual property rights

In order to distinguish its products from those of other auto manufacturers the MMC Group endeavors to protect its own technologies, know-how and other intellectual property as well as to prevent the infringement of third-party intellectual property rights. However, in the event that a third party unlawfully uses the MMC Group's intellectual property to manufacture and sell imitations of its products, or in the event that limitations in the legal system in certain countries in relation to the protection of the MMC Group's intellectual property rights result in a fall in sales or in legal costs, or in the event that an unexpected infringement of a third-party intellectual property right by the MMC Group requires a halt in manufacturing or sales or the payment of compensation, or causes damage to reputation of the MMC's products and a consequent drop in demand, the operating results and/or financial position of the MMC Group may be seriously impacted.

### Impact of IT and information security

The information technology, networks, and systems that the MMC Group uses in its operations, products, services, etc. come in a wide variety, including those managed by subcontractors. Given the advancement of connected services and IoT technologies, the MMC Group has implemented security management measures for hardware and software. Despite the implementation of such measures, however, cyber attacks from outside the Group, lack of proper maintenance or human errors both inside and outside the Group may lead to leakage of confidential, personal and other information, including the information concerning the Group's technologies; suspension of the Group's important operations and services; improper paperwork; or destruction/falsification of important data. These situations, if they actually take place, may seriously undermine the Group's brand and social credibility; give rise to legal claims, lawsuits, liability for damages, obligation to pay penalty or fine; and as a consequence, may seriously impact the operating results and/or financial position of the MMC Group.

### Influence of climate change

In response to rising temperatures worldwide since the Industrial Revolution, the Paris Climate Agreement was signed in 2015, as a coordinated effort to hold down global average temperature increase.

The MMC Group has stipulated its medium- to long-term policy for environmental initiatives across the entire Group in its "Environmental Vision 2020." In addition, the Group identified material issues (priority issues) in 2018, has established the initiatives to address climate change and energy issues as one of its priority issues, and thus, has sought to develop low-emission vehicles and electric vehicles, save energies at its business locations, and promote recycling of renewable energies.

If the global climate change escalates further, however, the MMC Group may have to suspend the operation of its plants due to weather-related disasters, and to invest in measures to address tighter environmental regulations on carbon emissions, and as a consequence, the operating results and/or financial position of the MMC Group may be seriously impacted. Moreover, should the Group fail to implement sufficient measures to address climate change, the Group's sales could decrease and its operating results and/or financial position could be seriously impacted as the Group may be forced out of market due to non-conformity with environment regulations and its reputation may be damaged.

## Consolidated Balance Sheet

(Millions of yen)

| | As of March 31, 2019 | As of March 31, 2020 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and deposits | 500,924 | 399,614 |
| Notes and accounts receivable - trade | 126,398 | 137,519 |
| Finance receivables | 294,423 | 268,435 |
| Merchandise and finished goods | 175,052 | 214,083 |
| Work in process | 18,553 | 23,626 |
| Raw materials and supplies | 40,803 | 35,719 |
| Short-term loans receivable | 681 | 726 |
| Other | 125,410 | 124,938 |
| Allowance for doubtful accounts | (1,790) | (1,802) |
| Total current assets | 1,280,457 | 1,202,862 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 106,095 | 109,127 |
| Machinery, equipment and vehicles, net | 131,431 | 140,516 |
| Tools, furniture and fixtures, net | 61,482 | 56,983 |
| Land | 116,201 | 126,183 |
| Construction in progress | 37,306 | 46,813 |
| Total property, plant and equipment | 452,517 | 479,624 |
| Intangible assets | 39,786 | 49,486 |
| Investments and other assets | | |
| Investment securities | 93,328 | 77,005 |
| Long-term loans receivable | 5,115 | 4,086 |
| Retirement benefit asset | 5,033 | 3,058 |
| Deferred tax assets | 58,772 | 54,972 |
| Other | 81,724 | 72,109 |
| Allowance for doubtful accounts | (6,426) | (5,083) |
| Total investments and other assets | 237,548 | 206,149 |
| Total non-current assets | 729,852 | 735,260 |
| Total assets | 2,010,309 | 1,938,123 |

(Millions of yen)

| | As of March 31, 2019 | As of March 31, 2020 |
|---|---|---|
| **Liabilities** | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 391,785 | 308,378 |
| Electronically recorded obligations - operating | 50,311 | 76,276 |
| Short-term borrowings | 44,419 | 62,426 |
| Commercial papers | 50,800 | 58,300 |
| Current portion of long-term borrowings | 50,377 | 55,661 |
| Lease obligations | 777 | 3,422 |
| Accounts payable - other, and accrued expenses | 196,695 | 221,140 |
| Income taxes payable | 11,352 | 11,301 |
| Provision for product warranties | 48,915 | 48,611 |
| Provision for loss on fuel consumption test | 3,758 | 2,304 |
| Other | 74,072 | 70,521 |
| Total current liabilities | 923,267 | 918,344 |
| Non-current liabilities | | |
| Long-term borrowings | 83,122 | 99,388 |
| Lease obligations | 1,499 | 20,197 |
| Deferred tax liabilities | 20,018 | 20,357 |
| Retirement benefit liability | 51,615 | 48,252 |
| Other | 49,582 | 43,220 |
| Total non-current liabilities | 205,838 | 231,415 |
| Total liabilities | 1,129,105 | 1,149,759 |
| **Net assets** | | |
| Shareholders' equity | | |
| Share capital | 284,382 | 284,382 |
| Capital surplus | 200,072 | 200,072 |
| Retained earnings | 463,092 | 407,547 |
| Treasury shares | (1,728) | (1,728) |
| Total shareholders' equity | 945,818 | 890,273 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 7,353 | (562) |
| Deferred gains or losses on hedges | 652 | (99) |
| Foreign currency translation adjustment | (61,281) | (82,731) |
| Remeasurements of defined benefit plans | (20,758) | (34,216) |
| Total accumulated other comprehensive income | (74,033) | (117,610) |
| Share acquisition rights | 356 | 345 |
| Non-controlling interests | 9,062 | 15,354 |
| Total net assets | 881,203 | 788,363 |
| Total liabilities and net assets | 2,010,309 | 1,938,123 |

## Consolidated statement of income

(Millions of yen)

| | For the fiscal year ended March 31, 2019 | For the fiscal year ended March 31, 2020 |
|---|---|---|
| Net sales | 2,514,594 | 2,270,276 |
| Cost of sales | 2,057,340 | 1,932,762 |
| Gross profit | 457,254 | 337,514 |
| Selling, general and administrative expenses | | |
| Advertising and promotion expenses | 72,971 | 48,407 |
| Freight costs | 53,900 | 51,058 |
| Provision of allowance for doubtful accounts | 395 | 484 |
| Remuneration, salaries and allowances for directors (and other officers) | 74,157 | 76,886 |
| Retirement benefit expenses | 4,071 | 3,987 |
| Depreciation | 13,963 | 18,505 |
| Research and development expenses | 65,920 | 73,826 |
| Other | 60,058 | 51,570 |
| Total selling, general and administrative expenses | 345,439 | 324,726 |
| Operating profit (loss) | 111,815 | 12,788 |
| Non-operating income | | |
| Interest income | 5,045 | 5,351 |
| Dividend income | 1,647 | 536 |
| Share of profit of entities accounted for using equity method | 17,005 | – |
| Other | 2,996 | 1,821 |
| Total non-operating income | 26,694 | 7,709 |
| Non-operating expenses | | |
| Interest expenses | 3,709 | 3,889 |
| Foreign exchange losses | 6,909 | 11,277 |
| Litigation expenses | 1,996 | 1,632 |
| Share of loss of entities accounted for using equity method | – | 4,263 |
| Other | 6,043 | 3,276 |
| Total non-operating expenses | 18,659 | 24,341 |
| Ordinary profit (loss) | 119,850 | (3,843) |
| Extraordinary income | | |
| Gain on sales of non-current assets | 656 | 8,704 |
| Gain on sales of investment securities | 1 | 199 |
| Reversal of provision for fuel economy test | 2,922 | – |
| Gain on step acquisitions | 1,081 | – |
| Gain on sales of shares of subsidiaries | – | 413 |
| Gain on contribution of securities to retirement benefit trust | – | 9,376 |
| Other | 216 | 98 |
| Total extraordinary income | 4,877 | 18,793 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 2,508 | 4,097 |
| Loss on sales of non-current assets | 195 | 252 |
| Impairment loss | 854 | 2,292 |
| Loss on sales of facilities | – | 2,376 |
| Subsidiary transfer cost | – | 1,879 |
| Loss on disaster | 2,216 | – |
| Other | 600 | 250 |
| Total extraordinary losses | 6,376 | 11,147 |
| Profit (loss) before income taxes | 118,352 | 3,801 |
| Income taxes - current | 22,576 | 19,790 |
| Income taxes for prior periods | (761) | – |
| Income taxes - deferred | (38,458) | 6,067 |
| Total income taxes | (16,644) | 25,857 |
| Profit (loss) | 134,996 | (22,055) |
| Profit (loss) attributable to non-controlling interests | 2,124 | 3,723 |
| Profit (loss) attributable to owners of parent | 132,871 | (25,779) |

## Consolidated statement of comprehensive income

(Millions of yen)

| | For the fiscal year ended March 31, 2019 | For the fiscal year ended March 31, 2020 |
|---|---|---|
| Profit (loss) | 134,996 | (22,055) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 195 | (7,916) |
| Deferred gains or losses on hedges | (79) | 8 |
| Foreign currency translation adjustment | 3,567 | (22,336) |
| Remeasurements of defined benefit plans, net of tax | (2,599) | (13,606) |
| Share of other comprehensive income of entities accounted for using equity method | (4,699) | (1,551) |
| Total other comprehensive income | (3,614) | (45,402) |
| Comprehensive income | 131,381 | (67,458) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 129,186 | (69,588) |
| Comprehensive income attributable to noncontrolling interests | 2,195 | 2,129 |

## Consolidated statement of changes in net assets

(Millions of yen)

| For the fiscal year ended March 31, 2019 | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 284,382 | 203,938 | 363,382 | (220) | 851,482 |
| Cumulative effects of changes in accounting policies | | | (2,386) | | (2,386) |
| Restated balance | 284,382 | 203,938 | 360,995 | (220) | 849,096 |
| Changes during period | | | | | |
| Dividends of surplus | | | (29,783) | | (29,783) |
| Profit (loss) attributable to owners of parent | | | 132,871 | | 132,871 |
| Purchase of treasury shares | | | | (1,507) | (1,507) |
| Change in scope of consolidation | | | (991) | | (991) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (3,866) | | | (3,866) |
| Change in scope of equity method | | | | | – |
| Net changes in items other than shareholders' equity | | | | | – |
| Total changes during period | – | (3,866) | 102,097 | (1,507) | 96,722 |
| Balance at end of period | 284,382 | 200,072 | 463,092 | (1,728) | 945,818 |

| | Accumulated other comprehensive income | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Share acquisition rights | Non-controlling interests | Total net assets |
| Balance at beginning of period | 7,158 | 526 | (59,966) | (18,232) | (70,514) | 106 | 15,487 | 796,562 |
| Cumulative effects of changes in accounting policies | | | | | | | | (2,386) |
| Restated balance | 7,158 | 526 | (59,966) | (18,232) | (70,514) | 106 | 15,487 | 794,176 |
| Changes during period | | | | | | | | |
| Dividends of surplus | | | | | | | | (29,783) |
| Profit (loss) attributable to owners of parent | | | | | | | | 132,871 |
| Purchase of treasury shares | | | | | | | | (1,507) |
| Change in scope of consolidation | | | | | | | | (991) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | | (3,866) |
| Change in scope of equity method | | | | | | | | – |
| Net changes in items other than shareholders' equity | 195 | 126 | (1,315) | (2,525) | (3,519) | 249 | (6,424) | (9,694) |
| Total changes during period | 195 | 126 | (1,315) | (2,525) | (3,519) | 249 | (6,424) | 87,027 |
| Balance at end of period | 7,353 | 652 | (61,281) | (20,758) | (74,033) | 356 | 9,062 | 881,203 |

| For the fiscal year ended March 31, 2020 | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 284,382 | 200,072 | 463,092 | (1,728) | 945,818 |
| Cumulative effects of changes in accounting policies | | | 445 | | 445 |
| Restated balance | 284,382 | 200,072 | 463,538 | (1,728) | 946,264 |
| Changes during period | | | | | |
| Dividends of surplus | | | (29,766) | | (29,766) |
| Profit (loss) attributable to owners of parent | | | (25,779) | | (25,779) |
| Purchase of treasury shares | | | | (0) | (0) |
| Change in scope of consolidation | | | (795) | | (795) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | – |
| Change in scope of equity method | | | 350 | | 350 |
| Net changes in items other than shareholders' equity | | | | | – |
| Total changes during period | | | (55,990) | (0) | (55,990) |
| Balance at end of period | 284,382 | 200,072 | 407,547 | (1,728) | 890,273 |

| | Accumulated other comprehensive income | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Share acquisition rights | Non-controlling interests | Total net assets |
| Balance at beginning of period | 7,353 | 652 | (61,281) | (20,758) | (74,033) | 356 | 9,062 | 881,203 |
| Cumulative effects of changes in accounting policies | | | | | | | | 445 |
| Restated balance | 7,353 | 652 | (61,281) | (20,758) | (74,033) | 356 | 9,062 | 881,649 |
| Changes during period | | | | | | | | |
| Dividends of surplus | | | | | | | | (29,766) |
| Profit (loss) attributable to owners of parent | | | | | | | | (25,779) |
| Purchase of treasury shares | | | | | | | | (0) |
| Change in scope of consolidation | | | | | | | | (795) |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | | – |
| Change in scope of equity method | | | | | | | | 350 |
| Net changes in items other than shareholders' equity | (7,916) | (751) | (21,450) | (13,457) | (43,576) | (10) | 6,291 | (37,295) |
| Total changes during period | (7,916) | (751) | (21,450) | (13,457) | (43,576) | (10) | 6,291 | (93,286) |
| Balance at end of period | (562) | (99) | (82,731) | (34,216) | (117,610) | 345 | 15,354 | 788,363 |

## Consolidated statement of cash flows

(Millions of yen)

| | For the fiscal year ended March 31, 2019 | For the fiscal year ended March 31, 2020 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | 118,352 | 3,801 |
| Depreciation | 62,179 | 74,789 |
| Impairment loss | 854 | 2,292 |
| Loss (gain) on contribution of securities to retirement benefit trust | – | (9,376) |
| Increase (decrease) in allowance for doubtful accounts | 431 | (621) |
| Increase (decrease) in retirement benefit liability | 4,554 | 288 |
| Interest and dividend income | (6,692) | (5,887) |
| Interest expenses | 3,709 | 3,889 |
| Foreign exchange losses (gains) | (1,107) | 3,366 |
| Share of loss (profit) of entities accounted for using equity method | (17,005) | 4,263 |
| Loss (gain) on sales and retirement of non-current assets | 2,047 | (4,354) |
| Decrease (increase) in trade receivables | 51,237 | (19,268) |
| Decrease (increase) in finance receivables | (29,412) | 26,202 |
| Decrease (increase) in inventories | (20,372) | (34,340) |
| Increase (decrease) in trade payables | (9,495) | (49,759) |
| Other, net | 8,927 | 36,926 |
| Subtotal | 168,208 | 32,212 |
| Interest and dividends received | 10,415 | 9,820 |
| Interest paid | (3,757) | (3,954) |
| Payments related to fuel economy test | (1,443) | (1,577) |
| Income taxes paid | (27,370) | (17,715) |
| Net cash provided by (used in) operating activities | 146,053 | 18,786 |
| Cash flows from investing activities | | |
| Decrease (increase) in time deposits | 1,409 | 11,391 |
| Purchase of property, plant and equipment | (123,200) | (111,549) |
| Proceeds from sales of property, plant and equipment | 5,024 | 13,004 |
| Purchase of intangible assets | (15,363) | (17,830) |
| Proceeds from sales of investment securities | 5 | 457 |
| Decrease (increase) in short-term loans receivable | 18 | (331) |
| Long-term loan advances | (5) | (1,147) |
| Collection of long-term loans receivable | 413 | 766 |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | – | 3,739 |
| Purchase of shares of subsidiaries resulting in change in scope} of consolidation | (6,668) | – |
| Other, net | (6,539) | (4,212) |
| Net cash provided by (used in) investing activities | (144,906) | (105,712) |
| Cash flows from financing activities | | |
| Increase (decrease) in short-term borrowings | (11,609) | 13,624 |
| Increase (decrease) in commercial papers | 15,800 | 7,500 |
| Proceeds from long-term borrowings | 53,989 | 81,803 |
| Repayments of long-term borrowings | (79,943) | (60,373) |
| Dividends paid | (29,750) | (29,738) |
| Dividends paid to non-controlling interests | (14,191) | (393) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (7,197) | – |
| Other, net | (2,063) | (2,797) |
| Net cash provided by (used in) financing activities | (74,966) | 9,624 |
| Effect of exchange rate change on cash and cash equivalents | 3,896 | (18,460) |
| Net increase (decrease) in cash and cash equivalents | (69,923) | (95,762) |
| Cash and cash equivalents at beginning of period | 559,036 | 489,456 |
| Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation | 232 | 5,894 |
| Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries | 111 | – |
| Cash and cash equivalents at end of period | 489,456 | 399,588 |