Message from the CFO

We will continue working to enhance the quality of sales, as well as to manage costs and risks, as we put all our efforts into bringing the Group back into the black and meeting our full-year forecast.

Koji Ikeya
Representative Executive Officer,
Executive Vice President
(CFO)

Fiscal 2020 in Review

Global demand for automobiles has slumped since COVID-19 began affecting the world in earnest in 2020. In developed countries, the situation is gradually beginning to improve. However, recovery is slow and the situation remains problematic in the markets where Mitsubishi Motors excels.

As a result, global sales volume decreased from the previous year, to 801,000 units, and net sales declined ¥814.8 billion (36%), to ¥1,455.5 billion. Amid these circumstances, we formulated a medium-term business plan called “Small but Beautiful.” In the aim of drastically improving profitability, we pursued structural reforms based on a policy of selection and concentration.

We succeeded in lowering fixed costs more than expected, meeting our goal to reduce these costs by more than 20% over a two-year period a year ahead of schedule. Owing to our successes in lowering overhead and fixed costs, as well as with various structural reform activities, we narrowed the operating loss to ¥95.3 billion, compared with the ¥100.0 billion loss we had forecast in February 2021. Earnings momentum bottomed out in the first quarter of fiscal 2020 and is recovering steadily.

Initiatives in Fiscal 2021

In fiscal 2021, we will continue making a steady effort to implement our medium-term business plan, “Small but Beautiful,” to further strengthen our management base.

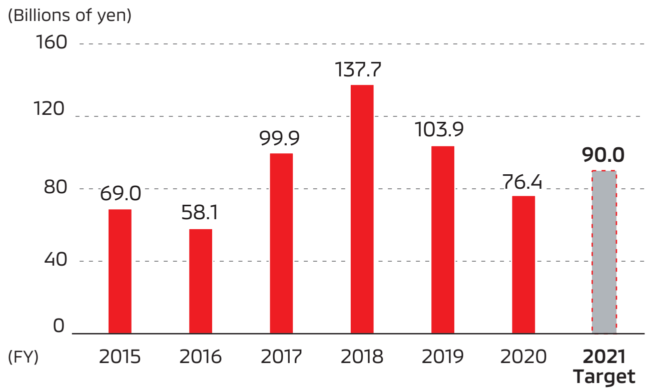
We expect a series of measures we put in place in fiscal 2020 to lower fixed costs to bear fruit throughout fiscal 2021. At the same time, we need to make investments for growth, such as advertising expens-

Operating Performance and Forecast

(Billions of yen, thousands of units)

	FY2020 (Actual)	FY2021 (Forecast)
Sales volume (retail)	801	967
Net sales	1,455.5	2,080.0
Operating profit (loss)	(95.3)	40.0
Ordinary profit (loss)	(105.2)	36.0
Profit (loss) attributable to owners of the parent	(312.3)	15.0

Capital Expenditures



es for the launch of new vehicles, as well as expenses for new product development. In fiscal 2021, we expect the full year's impact of our cost-cutting efforts to cover these forward-looking investments. As a result, we intend to keep overall fixed costs at the same level as in fiscal 2020.

In terms of regional strategies, we will steadily implement necessary measures in countries where the operating environment remains severe. At the same time, we will seize opportunities in countries where the business environment is improving.

Specifically, we expect the operating environment to remain challenging throughout fiscal 2021 in Thailand and the Philippines. We recognize that it will take a certain amount of time to regain our market share in these countries. In these countries, we will step up efforts to strengthen our sales network once COVID-19 gets under control.

On the other hand, we expect strong sales momentum to continue in fiscal 2021 in Indonesia, where the market is recovering steadily; in Malaysia, where revenues and profits continue to expand due to solid sales of the *EXPANDER* and the *Triton*; and in Vietnam, where sales reached a record high in fiscal 2020. In such countries, we will strive to continue boosting sales, taking advantage of the increase in demand.

In New Zealand, we achieved our highest-ever market share in fiscal 2020. In Australia, sales have been strong due in part to the impact of foreign exchange rates. In these countries, we aim to increase sales volume by launching the new *Outlander* and *Eclipse Cross PHEV* models.

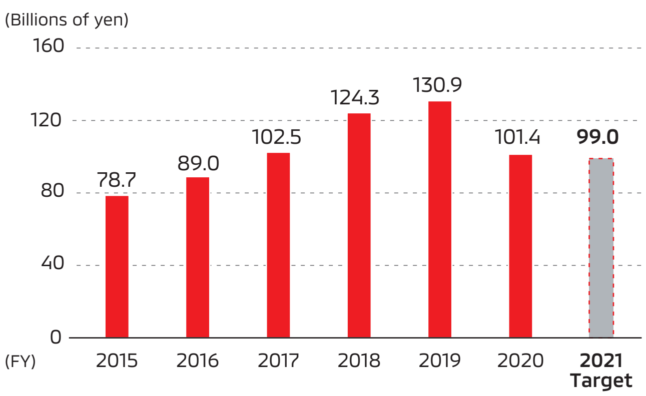
Outlook for Fiscal 2021

In fiscal 2021, we recognize the emerging risk of supply chain disruption, caused mainly by the prolonged impact of COVID-19, surging commodity markets and a shortage in the supply of semiconductors.

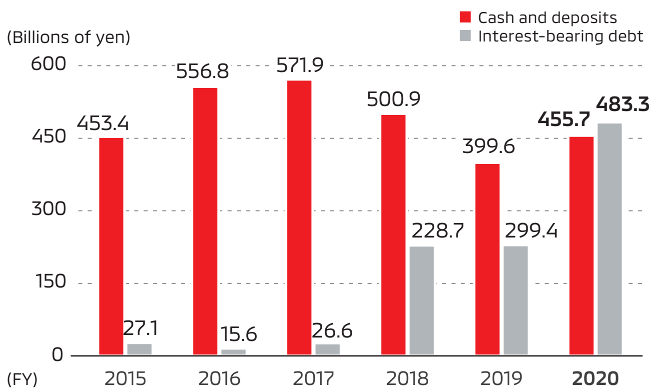
Under these circumstances, we will continue with initiatives aimed at controlling costs. At the same time, we will invest in growth in order to boost sales volume and continue working to enhance the quality of sales. As a result, for fiscal 2021 we forecast net sales of ¥2,080.0 billion, operating profit of ¥40.0 billion, ordinary profit of ¥36.0 billion and profit attributable to owners of the parent of ¥15.0 billion. We anticipate retail sales volume of 967,000 units.

Regretfully, we plan to forego dividend payments for fiscal 2021, as it is unclear whether we will consistently secure sufficient funds for dividend payments. We will endeavor to resume dividend payments as soon as possible. We ask for your understanding and continued support.

R&D Expenses



Cash and Deposits/Interest-Bearing Debt



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