FY2020–2022
Mid-Term Business Plan
“Small but Beautiful”
July 27, 2020
Our Challenges

To Secure Profit Through Contributing to Society

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

Focusing Points of Mid-Term Business Plan

- Carrying out structural reforms
- Growth based on ASEAN
- Strengthening environmental technologies
- Providing our reliability through 4WD and off-road performance
Review of Previous Mid-Term Business Plan “Drive for Growth”

Net Sales
(left axis)

Operating Profit
(right axis)

Drive for Growth

Fixed Cost

Drive for Growth

FY2015 FY2016 FY2017 FY2018 FY2019

¥bn

2,270.3

12.8

1.3x
Positioning Structural Reforms

**Structural Reforms**

*U-shaped Profit Recovery*

- **Cost Structure Reform**
  - Fixed cost reduction: -20% or more

- **Profitability Reform**
  - Realization of regional & product strategies

Previous Mid-Term Business Plan

“Drive for Growth”

Profitability, Corporate Value

Omnidirectional expansion strategy

Profit growth focused on regions and products where we have strengths

FY2017

FY2020

End of FY2022

Realization of Sustainable Growth
Fixed Cost Reduction

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

**Marketing expenses**
- Strategic review
- Cost effectiveness improvement

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

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

**Restructuring of production bases**
- Integration of production lines: Pajero Mfg. cease

**General and administrative expenses**
- Restraining costs according to the state of business restructuring
- Reducing office space through work style reforms

**TOTAL:** >20% or more

Drive for Growth

-20% or more
Framework of Mid-Term Business Plan

**Initiative items**

- Regional Strategy
- Product & Technological Strategy
- Production
- Stronger Partnerships

**Policy**

- Shift to a business structure centered on ASEAN and improve Operating Profit by downsizing low-profit businesses
- Strengthen environmental technologies centered on PHEV and utilize advanced technologies from the Alliance

Reduce fixed cost by -20% or more over the 2 years by consolidating investments into core regions and products
Regional Strategy

Growth Driver

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

Profitability Improvement

- **China**: Becoming a Growth Driver through collaboration with partners
- **Japan**: Restructuring production and sales network
- **North America**: Reducing fixed costs
- **Europe**: Freezing the introduction of new products
Regional Strategy: From Global To Regions Centered on ASEAN

Operating Profit

- **Global**
- **ASEAN**

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit (bn ¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2007</td>
<td>108.6</td>
</tr>
<tr>
<td>FY2008</td>
<td>30.4</td>
</tr>
<tr>
<td>FY2009</td>
<td>12.8</td>
</tr>
<tr>
<td>FY2010</td>
<td>10.6</td>
</tr>
<tr>
<td>FY2011</td>
<td>10.6</td>
</tr>
<tr>
<td>FY2012</td>
<td>10.6</td>
</tr>
<tr>
<td>FY2013</td>
<td>10.6</td>
</tr>
<tr>
<td>FY2014</td>
<td>10.6</td>
</tr>
<tr>
<td>FY2015</td>
<td>10.6</td>
</tr>
<tr>
<td>FY2016</td>
<td>10.6</td>
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<tr>
<td>FY2017</td>
<td>10.6</td>
</tr>
<tr>
<td>FY2018</td>
<td>10.6</td>
</tr>
<tr>
<td>FY2019</td>
<td>10.6</td>
</tr>
</tbody>
</table>

Drive for Growth

Market Share (According to research)

- **ASEAN 4** (Thailand, Indonesia, Philippines, Vietnam) 6.4%
- Japan 4.3%
- Europe 1.0%
- North America 0.9%

10.6%
Regional Strategy: ASEAN Business

**Production**

Establish a mutually complementary structure by strengthening production operations

**Sales**

Aim to expand quality-based sales

ASEAN Sales Target

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>291</td>
<td>375K</td>
</tr>
<tr>
<td>Market</td>
<td>10.6%</td>
<td>11.4%</td>
</tr>
</tbody>
</table>

*According to research. Market share: ASEAN 4 (Thailand, Indonesia, Philippines and Vietnam)*
### Regional Strategy: ASEAN Business

#### Thailand

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales volume (Retail)</td>
<td>81</td>
<td>98 Kunits</td>
</tr>
<tr>
<td>Market share (%)</td>
<td>8.6</td>
<td>9.3 %</td>
</tr>
</tbody>
</table>

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

#### Vietnam

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales volume (Retail)</td>
<td>30</td>
<td>43 Kunits</td>
</tr>
<tr>
<td>Market share (%)</td>
<td>9.8</td>
<td>10.0 %</td>
</tr>
</tbody>
</table>

- **Start production & sales of OUTLANDER PHEV**

#### Indonesia

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

#### Philippines

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

#### Vietnam

- **XPANDER:** to maintain a high market share
- **Add local production model (XPANDER) and start preparations for new plants**
Regional Strategy: Reorganization of Japan Business

**Sales**

*Achieve stable profitability by thoroughly reducing fixed costs and improving profitability*

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

**Production**

*Integrate production lines based on regional strategies*

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

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**Graph:**

- **Improve operating rate of domestic plants**
  - FY2019: 76%
  - FY2022: 83%
Product Strategy: Phase I - Compliance with Environmental Regulations

FY2020 - 2022
Enhance lineup of environment-friendly vehicles (PHEV/EV models) by fusing proprietary technologies with alliance/partner technologies

<table>
<thead>
<tr>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
</tr>
</thead>
</table>
| **SUV PHEV**  
*ECLIPSE CROSS PHEV* | **SUV**  
New *OUTLANDER* | **All-new EV for Chinese Market**  
New *OUTLANDER PHEV* |
| | | **Kei-car EV** |

Current *ECLIPSE CROSS*

- Joint development with GAC
- Further refining our PHEV technologies
- Joint study with Nissan
## Product Strategy: Phase II – Clarification of ASEAN Focus

### After FY2022

**Strengthen ASEAN lineup**

<table>
<thead>
<tr>
<th>FY2022</th>
<th>FY2023-</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PICKUP TRUCK</td>
<td>MPV HEV</td>
<td>PPV/SUV</td>
</tr>
<tr>
<td>New TRITON</td>
<td>XPANDER HEV</td>
<td>New PAJERO SPORT</td>
</tr>
<tr>
<td></td>
<td>New XPANDER</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Current XPANDER</td>
<td></td>
</tr>
<tr>
<td></td>
<td>All-new models</td>
<td></td>
</tr>
</tbody>
</table>

**New TRITON**

**New XPANDER**

**New PAJERO SPORT**
Technologic Strategy: Realization of Increasing Profitability

- Next Generation Diesel/Improvement of frame model performance
- Promotion of electrification focusing on next-generation PHEV/HEV
- Adoption of new alliance technologies (autonomous driving and EV, etc.)

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

Further Expansion Of OEM business

More collaboration in manufacturing

Kei-car business: Joint development /production, EV tech

Commercial Vehicle OEM from Renault (July 2020 - )

ASEAN

Japan

Australia

NISSAN

RENAULT

Deepening collaboration in autonomous driving, connected and EV
Studying mutually complemented production of powertrains and platforms
Strengthen Collaboration with Mitsubishi Corp. and GAC Group

**ASEAN**
- Mitsubishi Corp.
  - Enhance profitability in existing countries by strengthening collaboration of production and sales
  - Strengthen production operations in Vietnam, Malaysia and Myanmar

**China**
- GAC/Mitsubishi Corp.
  - Compliance with environmental regulations in collaboration with GAC
  - Promote joint development, starting with the introduction of new EVs
  - Strengthen local development by establishing new R&D centers, etc.

**Emerging Regions**
- (Africa, South Asia, others)
  - Mitsubishi Corp.
  - Further strengthen collaboration

**South America**
- Mitsubishi Corp.
  - Expand sales of core-models (ASEAN products) in Peru/Chile
  - Strengthen pickup truck fleet for mining businesses
Management KPI

Operating Profit TARGET

<table>
<thead>
<tr>
<th>Year</th>
<th>12.8 ¥bn</th>
<th>50.0 ¥bn</th>
<th>6.0%</th>
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<tbody>
<tr>
<td>FY2019</td>
<td>-9.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2020</td>
<td></td>
<td>2.3%</td>
<td></td>
</tr>
<tr>
<td>FY2022</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2025</td>
<td>0.6%</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>112.7</th>
<th>845</th>
<th>1,054 K units</th>
<th>Sales Volume (Retail)</th>
</tr>
</thead>
<tbody>
<tr>
<td>-82.8</td>
<td>-249.0</td>
<td>31.0 Billion yen</td>
<td>Free Cash Flow*1</td>
</tr>
<tr>
<td>130.9</td>
<td>114.0</td>
<td>99.0 Billion yen</td>
<td>R&amp;D Expense*2</td>
</tr>
<tr>
<td>103.9</td>
<td>100.0</td>
<td>100.0 Billion yen</td>
<td>CAPEX</td>
</tr>
<tr>
<td>74.8</td>
<td>65.5</td>
<td>80.0 Billion yen</td>
<td>Depreciation</td>
</tr>
</tbody>
</table>

*1: Automobiles & Eliminations  *2: include Depreciation
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