

July 27, 2020

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021 [Japan GAAP]

Company name: **MITSUBISHI MOTORS CORPORATION**
 Listing: First Section, the Tokyo Stock Exchange
 Stock code: 7211
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 Scheduled date to file quarterly Report: August 4, 2020
 Scheduled date to deliver cash dividends: TBD
 Quarterly earnings supplementary explanatory documents: Yes
 Quarterly earnings presentation: Yes

1. Consolidated performance for the first quarter of fiscal year ending March 31, 2021 (April 1, 2020 to June 30, 2020)

(Figures less than one million yen are rounded, unless otherwise noted)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2020 1st quarter	229,545	(57.2)	(53,341)	-	(58,711)	-	(176,157)	-
FY2019 1st quarter	536,164	(4.3)	3,857	(86.3)	(1,397)	-	9,312	(67.0)

Reference: Comprehensive income FY2020 1st quarter: ¥(167,993) million (-%) FY2019 1st quarter: ¥(1,133) million (-%)

	Net income per share-basic	Net income per share-diluted
	Yen	Yen
FY2020 1st quarter	(118.36)	-
FY2019 1st quarter	6.26	6.25

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2020	1,724,124	618,922	35.0
March 31, 2020	1,938,123	788,363	39.9

Reference: Shareholders' Equity As of June 30, 2020: ¥604,138 million As of March 31, 2020: ¥772,663 million

2. Cash dividends

Record Date	Cash dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal year end	Annual
FY2019	Yen -	Yen 10.00	Yen -	Yen 0.00	Yen 10.00
FY2020	-				
FY2021 (Forecast)		0.00	-	0.00	0.00

Note: Revisions to the forecasts of cash dividends in the current quarter: Yes

3. Consolidated earnings forecasts for fiscal year 2020 (from April 1, 2020 to March 31, 2021)

(Percentages indicate changes over the same period in the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,480,000	(34.8)	(140,000)	-	(160,000)	-	(360,000)	-	(241.88)

Note: Modifications in the consolidated earnings forecasts from the latest announcement: Yes

Note

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Application of specific accounting treatment for preparing the quarterly consolidated financial statements: Yes

Please refer to "2.Consolidated financial statements (3) Notes to consolidated financial statements -Adoption of specific accounting policies for quarterly consolidated financial statement" in page 5 for details.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards: No

(ii) Changes in accounting policies due to other reasons: No

(iii) Changes in accounting estimates: No

(iv) Restatement: No

(4) Number of shares issued and outstanding (common stocks)

(i) Total number of shares issued and outstanding at the end of the period (including treasury stock)

As of June 30, 2020: 1,490,282,496 shares

As of March 31, 2020: 1,490,282,496 shares

(ii) Number of shares of treasury stock at the end of the period

As of June 30, 2020: 1,913,465 shares

As of March 31, 2020: 1,969,601 shares

(iii) Average number of shares during the period (cumulative from the beginning of the fiscal year)

FY 2020 1st quarter: 1,488,330,167 shares

FY 2019 1st quarter: 1,488,312,896 shares

* Quarterly review procedures:

As of when this summary of quarterly financial results have been released as flash report, we have not completed the review for the quarterly financial reporting required in accordance with the Financial Instruments and Exchange Act.

* Proper use of earnings forecasts, and other special matters:

(Note for the description about financial forecast)

This material contains forward-looking statements, based on judgments and estimates that have been made on the basis of currently available information. By nature, such statements are subject to uncertainty and risk. Therefore, you are advised that the final results might be significantly different from the aforementioned statements due to changes in economic environments related to our business, market trends, fluctuations in interest rates and exchange rate, changes in laws, regulations and government policies, etc.

Potential risks and uncertainties are not limited to the above and Mitsubishi Motors is not under any obligation to update the information in this material to reflect any developments or events in the future.

If you are interested in investing in Mitsubishi Motors, you are requested to make a final investment decision at your own risk, taking the foregoing into consideration. Please note that neither Mitsubishi Motors nor any third party providing information shall be responsible for any damage you may suffer due to investment in Mitsubishi Motors based on the information shown in this material.

(How to obtain additional information materials / details of the earnings release conference)

Additional information materials are disclosed on the MMC web site on the same day as publication of the results. In addition, an audio recording of the earnings release conference held on the same day will, together with the material used for the conference, be posted on the MMC website promptly following conference.

2. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	399,614	432,276
Notes and accounts receivable - trade	137,519	93,288
Finance receivables	268,435	257,235
Merchandise and finished goods	214,083	163,629
Work in process	23,626	22,319
Raw materials and supplies	35,719	40,639
Other	125,665	98,024
Allowance for doubtful accounts	(1,802)	(1,123)
Total current assets	1,202,862	1,106,289
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	109,127	81,778
Machinery, equipment and vehicles, net	140,516	114,090
Tools, furniture and fixtures, net	56,983	39,781
Land	126,183	124,275
Construction in progress	46,813	31,266
Total property, plant and equipment	479,624	391,192
Intangible assets	49,486	29,264
Investments and other assets		
Investment securities	77,005	72,975
Other	134,227	129,576
Allowance for doubtful accounts	(5,083)	(5,174)
Total investments and other assets	206,149	197,377
Total non-current assets	735,260	617,834
Total assets	1,938,123	1,724,124

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	308,378	102,130
Electronically recorded obligations - operating	76,276	52,900
Short-term borrowings	62,426	118,032
Commercial papers	58,300	51,300
Current portion of long-term borrowings	55,661	51,780
Accounts payable - other, and accrued expenses	221,140	173,299
Income taxes payable	11,301	5,243
Provision for product warranties	48,611	48,343
Provision for loss on fuel economy test	2,304	1,893
Other	73,944	74,997
Total current liabilities	918,344	679,921
Non-current liabilities		
Long-term borrowings	99,388	291,256
Retirement benefit liability	48,252	48,602
Other	83,774	85,421
Total non-current liabilities	231,415	425,280
Total liabilities	1,149,759	1,105,202
Net assets		
Shareholders' equity		
Capital stock	284,382	284,382
Capital surplus	200,072	200,061
Retained earnings	407,547	231,361
Treasury shares	(1,728)	(1,679)
Total shareholders' equity	890,273	714,126
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(562)	(381)
Deferred gains or losses on hedges	(99)	(155)
Foreign currency translation adjustment	(82,731)	(75,839)
Remeasurements of defined benefit plans	(34,216)	(33,611)
Total accumulated other comprehensive income	(117,610)	(109,988)
Share acquisition rights	345	351
Non-controlling interests	15,354	14,432
Total net assets	788,363	618,922
Total liabilities and net assets	1,938,123	1,724,124

(2) Consolidated statements of income and Consolidated statements of comprehensive income

Consolidated statements of income	(Millions of yen)	
	FY2019 1st quarter (from April 1, 2019 to June 30, 2019)	FY2020 1st quarter (from April 1, 2020 to June 30, 2020)
Net sales	536,164	229,545
Cost of sales	455,904	226,390
Gross profit	80,259	3,154
Selling, general and administrative expenses		
Advertising and promotion expenses	11,947	4,792
Freight costs	10,976	4,801
Provision of allowance for doubtful accounts	(388)	(382)
Remuneration, salaries and allowances for directors (and other officers)	19,819	17,471
Retirement benefit expenses	929	1,180
Depreciation	4,211	4,632
Research and development expenses	16,009	14,591
Other	12,898	9,408
Total selling, general and administrative expenses	76,402	56,495
Operating profit (loss)	3,857	(53,341)
Non-operating income		
Interest income	1,595	448
Foreign exchange gains	-	626
Share of profit of entities accounted for using equity method	2,409	-
Other	237	434
Total non-operating income	4,243	1,510
Non-operating expenses		
Interest expenses	968	1,347
Foreign exchange losses	7,305	-
Litigation expenses	516	729
Share of loss of entities accounted for using equity method	-	2,723
Other	706	2,079
Total non-operating expenses	9,497	6,880
Ordinary profit (loss)	(1,397)	(58,711)
Extraordinary income		
Gain on sales of non-current assets	108	26
Gain on contribution of securities to retirement benefit trust	9,376	-
Other	76	1
Total extraordinary income	9,562	28

(Millions of yen)

	FY2019 1st quarter (from April 1, 2019 to June 30, 2019)	FY2020 1st quarter (from April 1, 2020 to June 30, 2020)
Extraordinary losses		
Loss on retirement of non-current assets	863	641
Loss on sales of non-current assets	33	1
Impairment loss	-	(*1) 107,488
Loss on COVID-19	-	(*2) 2,071
Business restructuring expenses	-	(*3) 9,592
Other	6	223
Total extraordinary losses	903	120,016
Profit (loss) before income taxes	7,261	(178,699)
Income taxes	(1,815)	(2,076)
Profit (loss)	9,077	(176,623)
Profit (loss) attributable to non-controlling interests	(235)	(465)
Profit (loss) attributable to owners of parent	9,312	(176,157)

Consolidated statements of comprehensive income

(Millions of yen)

	FY2019 1st quarter (from April 1, 2019 to June 30, 2019)	FY2020 1st quarter (from April 1, 2020 to June 30, 2020)
Profit (loss)	9,077	(176,623)
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,510)	181
Deferred gains or losses on hedges	(100)	(97)
Foreign currency translation adjustment	(3,883)	11,833
Remeasurements of defined benefit plans, net of tax	(154)	687
Share of other comprehensive income of entities accounted for using equity method	1,438	(3,974)
Total other comprehensive income	(10,211)	8,629
Comprehensive income	(1,133)	(167,993)
Comprehensive income attributable to owners of parent	(639)	(168,535)
Comprehensive income attributable to non-controlling interests	(494)	542

(3) Notes to consolidated financial statements

Notes on premise of going concern

There is no item to be reported.

Notes on significant changes in the amount of shareholders' equity

The amount of shareholders' equity as of the first quarter ended June 30, 2020 decreased by 176,147 million yen from the end of fiscal year ended March 31, 2020. This is primarily due to 176,157 million yen recorded as loss.

Adoption of specific accounting policies for quarterly consolidated financial statement

Application of specific accounting treatment for preparing the quarterly consolidated financial statements:

Income tax expenses were calculated by multiplying income before income taxes by an effective tax rate that was reasonably estimated by applying tax effect accounting to a projected annual income before income taxes. In case where the estimated effective tax rate is unavailable, statutory effective tax rate is used.

Additional information

Regarding the impact of COVID-19, there is currently no consensus on how infections will spread in the future, or when the spread of infections will be brought under control, etc. Given limited objective information from external sources, the MMC group assumes based on the new mid-term business plan demand will drop, especially in the first half of this fiscal year, with a gradual recovery in the second half of the fiscal year, and also in subsequent fiscal years. Accordingly, accounting estimates such as impairment loss on noncurrent assets and recoverability of deferred tax assets, etc. are recognized based on these assumptions.

Consolidated statement of income

(*1) Impairment loss

The MMC Group recognized an impairment loss on the following asset group:

For the current fiscal year (from April 1, 2020 to June 30, 2020)

(1) Outline of asset group on which an impairment loss was recognized

Location	Usage	Type	Amount (Millions of yen)
Okazaki, Aichi, Kyoto, Kyoto, Kurashiki, Okayama, etc. (5 locations)	Production facilities	Machinery, equipment, buildings and structures, tools, furniture, fixtures, and others	107,403
Kamo, Gifu (1 location)	Production facilities	Land, machinery, buildings and structures, and others	8,107
Ishioka, Ibaraki, etc. (10 locations)	Sales related assets	Buildings and structures, and others	321
Kyoto, Kyoto (2 locations)	Idle assets	Machinery, equipment, and others	84
		Total	115,916

(Note) Impairment loss 115,916 million yen is total of 107,488 million yen of “(*1) Impairment loss” of extraordinary loss and 8,428 million yen as including number of “(*3) Business restructuring expenses”.

(2) Grouping method of assets

Production assets are grouped by the business company and sales related assets are grouped mainly by business unit. In addition, idle assets are treated as individual asset groups.

(3) Circumstances leading to recognition of impairment losses

As a result of formulating our new “Small but Beautiful” mid-term plan designed to rebuild our business as quickly as possible by implementing a broad range of structural reform plans, the existing future vehicle sales volume projections were updated and the updated projections suggested that part of the investments would not be recoverable. Therefore, the carrying amounts of the production and sales-related assets of MMC and its consolidated subsidiaries were written down to their recoverable amounts.

Also, in accordance with the decision made on the reorganization of our production structure, the production assets of consolidated subsidiaries were classified as a distinctive asset group separate from other production assets and the carrying amount of such asset group was written down to the recoverable amount. This impairment loss was recorded as part of business restructuring expenses.

(4) Method of computing the recoverable amount

The recoverable amount is determined by the higher amount of the net selling value or the value in use. The net selling value is reasonably computed using the appraisal value based on the real estate appraisal standard and the assessed value of the inheritance tax based on the road rating, etc. the value in use is computed based on future cash flows (discount rate is mainly 10.9%).

The recoverable amount of idle assets is computed using the net selling value and those idle assets which are substantially difficult to sell are assessed as net selling value of zero.

(5) Amount of impairment loss

Main breakdown of impairment loss 115,916 million yen is as follows:

	(Millions of yen)
Buildings and structures	32,517
Machinery and equipment	37,455
Tools, furniture and fixtures	16,603
Land	3,331
Other	26,008
<hr/> Total	<hr/> 115,916

(*2) Loss on COVID-19

MMC had stopped operations following factory shutdown instruction of the government of key parts manufacturing plant locations for prevention of COVID-19. And also Philippine subsidiaries had stopped operations following factory shutdown instruction of the government for prevention of COVID-19. It was recognized 2,071 million for fixed costs, etc. as deterioration of operating cost and additional direct costs on the period of factory shutdown.

(*3) Business restructuring expenses

Business restructuring expenses are impairment loss of noncurrent assets in domestic sales and production unit 8,428 million yen accompanying with enhancing reorganization of sales structure and production system in Japan. And extra retirement benefit payments in overseas subsidiaries 1,164 million yen.

Segment information

FY2019 1st quarter (from April 1, 2019 to June 30, 2019)

1. Net sales and income (loss) for each reportable segment

(Millions of yen)

	Automobiles	Financial services	Total	Adjustment (Note 1)	Grand total (Note 2)
Net sales					
(1) External customers	530,106	6,058	536,164	-	536,164
(2) Intersegment sales & transfers	2,550	453	3,003	(3,003)	-
Total	532,656	6,511	539,167	(3,003)	536,164
Segment income (loss)	2,941	1,279	4,220	(363)	3,857

Notes: 1. Adjustment represents the elimination of intersegment transactions.

2. Segment income (loss) agrees to the amount of operating income (loss) presented in the consolidated statement of income.

(Supplementary information about geographic information)

1) Net sales to the external customers, classified by the geographic location of the external customers

(Millions of yen)

	Japan	North America	Europe	Asia	Oceania	Other	Total
Net sales							
Net sales to external customers	111,970	73,412	108,947	154,456	45,888	41,490	536,164

Note: Main countries and regions outside Japan are grouped as follows:

- (1) North America.....The United States, Mexico, Puerto Rico
- (2) Europe..... Russia, Germany, U.K, Spain, France
- (3) Asia..... Thailand, Indonesia, the Philippines, China
- (4) Oceania..... Australia, New Zealand
- (5) Other..... U.A.E., Brazil

FY2020 1st quarter (from April 1, 2020 to June 30, 2020)

1. Net sales and income (loss) for each reportable segment

(Millions of yen)

	Automobiles	Financial services	Total	Adjustment (Note 1)	Grand total (Note 2)
Net sales					
(1) External customers	222,812	6,732	229,545	-	229,545
(2) Intersegment sales & transfers	576	1,200	1,776	(1,776)	-
Total	223,389	7,932	231,322	(1,776)	229,545
Segment income (loss)	(55,153)	1,186	(53,967)	625	(53,341)

Notes: 1. Adjustment represents the elimination of intersegment transactions.

2. Segment income (loss) agrees to the amount of operating income (loss) presented in the consolidated statement of income.

(Supplementary information about geographic information)

1) Net sales to the external customers, classified by the geographic location of the external customers

(Millions of yen)

	Japan	North America	Europe	Asia	Oceania	Other	Total
Net sales							
Net sales to external customers	78,366	19,524	25,977	38,643	31,182	35,851	229,545

Note: Main countries and regions outside Japan are grouped as follows:

- (1) North America.....The United States, Mexico, Puerto Rico
- (2) Europe..... Russia, Germany, U.K, Spain, Italy
- (3) Asia.....Thailand, Indonesia, the Philippines, Vietnam
- (4) Oceania..... Australia, New Zealand
- (5) Other.....U.A.E., Brazil

Subsequent event

(Drawing up of the mid-term business plan and Implementaion of structural reforms)

In board of meeting to be held at 27 July, 2020, MMC has decided the new mid-term business plan "Small but Beautiful". This plan focuses on cost rationalization and profitability enhancement to realize solid management foundation aiming at sustainable growth after the plan's three-year period.

The Small but Beautiful plan is based on structural reforms to significantly reduce fixed costs by production capacity optimization, the regional strategy as well as the product/technology strategies. Main actions are as follows. In the first quarter ended June 30,2020, MMC recorded business restructuring expenses to accompany enhancing reorganization, etc. of sales structure and production system. Impact on FY2020 achievement depending on other actions is under investigation and it is not determined.

1. Reducing fixed costs by 20 percent or more compared to FY2019, and concentrating investment on core regions and technologies to enhance profitability
2. Focusing management resources on ASEAN, and attaining target market share in the market
3. Developing businesses in Africa, Oceania and South America as the second pillar following ASEAN
4. Improving profitability with enhancing reorganization of sales structure and production system in Japan (factory closure of PMC, etc.) and suspension of new product introduction in Western europe
5. Strengthening eco-friendly model lineup such as of PHEV and EV by launching new models by FY2022, and introducing new models including SUV, pickup truck and MPV in ASEAN from FY2022 onwards