

Working to Ensure Observance of Business Ethics by Practicing “Compliance First”

To restore the trust of society and be recognized as a company with integrity, MMC is endeavoring to ensure that all staff members comply with business ethics.

Business Ethics

Organizational Framework for Promoting Business Ethics

In fiscal 2004, following the reoccurrence of recall-related problems, MMC established CSR Promotion Office to ensure thorough compliance and promote a new corporate culture, while restructuring the compliance framework. We have strengthened the organization to ensure that awareness of compliance spreads to every single employee. We appointed a compliance officer at each major department to ensure compliance, under the direction of the Chief Business Ethics Officer (CBEO), and appointed department managers as code leaders in each department under the compliance officers.

In June 2004, we established the Business Ethics Committee as an advisory body to the Board of Directors. It is made up exclusively of outside experts, and through it, MMC directors receive guidance and advice from an external perspective.

Program to Promote Observance of Business Ethics

In fiscal 2005, under the theme of “From Awareness to Action,” we worked to ensure the observance of business ethics by more thoroughly implementing the initiatives of fiscal 2004. Fiscal 2006 will see the continuance of these measures as follows:

Training of Directors

We held training sessions for all directors at executive officer level and above. They received guidance regarding the “legal responsibility of directors and compliance as well as recall legislation” from specialized lawyers as well as guidance concerning “MMC’s compliance from the Business Ethics Committee’s viewpoint” from Noboru Matsuda, the Chairman of the Business Ethics Committee.

Business Ethics Seminars

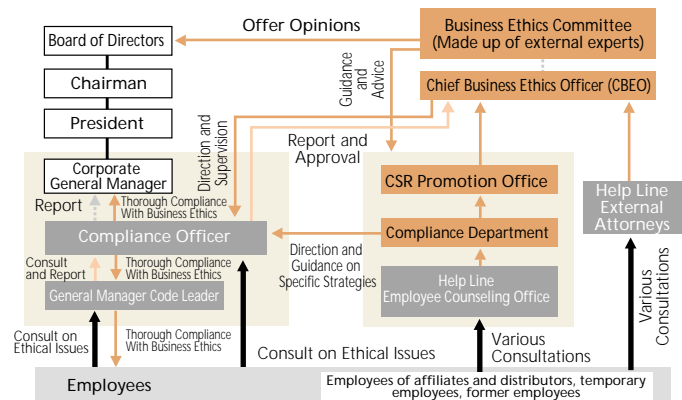
Seminars were conducted three times a year for 629 code leaders, who play a central role in the observance of workplace business ethics. External lecturers provided training relating to code leaders’ obligations, crisis management in the workplace, and legal problems concerning power harassment, sexual harassment, and labor-management relations. The training was aimed at educating code leaders as key figures in the observance of business ethics and the resolution of problems in the workplace.

Meetings to Review Business Ethical Problems in Each Workplace

Meetings were held three times a year in each workplace and led primarily by code leaders. Familiar business ethical problems were examined, and solutions reached by discussions. In fiscal 2005, we promoted the study of recall legislation to prevent the reoccurrence of recall problems, and

this was discussed in each workplace.

Organizational Framework for Promoting Business Ethics



Other Initiatives

Safety Pledge Days

To prevent the regrettable recall concealment problem from being forgotten as time passes, we designated January 10 and October 19 as “Safety Pledge Days,” as two fatal accidents occurred on those days involving large trucks manufactured by Fuso, which is MMC’s former division. All employees will observe a moment of silence on these days, and we will also hold meetings to review business ethics problems around these times.

Improvement of Internal Reporting System

MMC has been developing its internal reporting system. After establishing the Employee Counseling Office in 2000, we set up external counseling channels through external attorneys in 2004. In April 2006, we established “Standards for Dealing with Employee Counseling About Compliance,” which are operational criteria related to the internal reporting system, for the enforcement of the Whistleblower Protection Act.

Measures to Safeguard Personal Information

MMC formulated a policy for the protection of personal information in April 2005, and built a management framework to establish internal regulations as well as appoint a person responsible for personal information management at each department under the direction of the Personal Information Officer. MMC educates staff on the subject through e-learning seminars and other programs, and makes efforts to safeguard personal information in practice. In fiscal 2005, to check the operational status in each department, we carried out audits on 13 departments that manage customer information. In fiscal 2006, we will carry out audits on 25 internal departments that possess more than 1,000 items of personal information regarding employees, business clients, and affiliated companies, excluding customer information.

External assessments provided by the Business Ethics Committee

To Establish True Compliance



Noboru Matsuda

Chairman,
Business Ethics Committee

The Business Ethics Committee was established in June 2004 as an advisory body to the Board of Directors to restore trust in Mitsubishi Motors Corporation (MMC). The committee is composed exclusively of outside experts and it reports to the Board of Directors toward the establishment of compliance. In addition, it provides guidance and advice to the CSR Promotion Office, which promotes the reform of business ethics and corporate culture as well as quality audits.

As the committee chairman, I regard the many measures aimed at the implementation of “Compliance First,” “Safety First,” and “Customers First,” which MMC is currently undertaking, as earnest initiatives on which the company’s survival will depend. I intend to continue to carry out checks and provide guidance regarding these measures from the viewpoint of external oversight and “common sense,” and together with other committee members, I will continue to strive to restore trust in MMC.

Two years have passed since the first Business Ethics Committee meeting was held in July 2004. Up to July 2006, the committee met 26 times, offered MMC constructive criticism regarding each report issued by the company, and oversaw factories and sales companies. In such ways, the committee has promoted and followed up on reform moves aimed at strengthening compliance. During that period, MMC has earnestly reviewed the recall-related problems that triggered a decline in confidence in the company, filled the necessary recall documentation, and investigated and clarified the factors that caused the recall concealment as well as the associated responsibility. MMC then announced specific measures aimed at preventing reoccurrence of similar problems and the revitalization of the company. MMC has been endeavoring to implement those measures, and this series of resolute moves makes me feel that the current management team has a strong commitment to

reform and revitalization.

I believe that MMC is making steady progress, a step at a time, toward revitalization. Nevertheless, the penetration of compliance awareness within the company, and restoring society’s trust in the company, will not be achieved in just one day. I believe that compliance means not only the observance of laws and regulations, but also “honestly fulfilling the expectations and demands that society places on companies.” In other words, for Mitsubishi Motors, which is a company that manufactures cars, compliance does not only mean “making safe cars that perform well and providing them to society.” It also means that “through these activities, Mitsubishi Motors itself should be trusted by society as a company with integrity.” I think this means being recognized as a sincere corporate citizen and being granted a position within society. Moreover, establishing compliance for Mitsubishi Motors will lead to great competitiveness in the form of a “brand of integrity” and end up strongly supporting the Company’s revitalization.

Furthermore, this integrity as a company can only be achieved by the integrity of the actions of each staff member. This is the origin of compliance, and efforts to this end as well as developing personnel with this aim are indispensable. MMC plants have established 5s—*seiri* (organization), *seiton* (orderliness), *seisou* (cleaning), *seiketsu* (cleanliness), and *shitsuke* (discipline). Recently, another “S” has been added, and that is *seijitsusa* (integrity), so we can say that 5S has become 6S. I hope that this will be used as an opportunity to see compliance as an everyday thing, rather than a high-minded ethical principle.

I hope that all staff will correctly understand the current situation and act united as one in the manner of “Compliance First.” I intend to continue to provide guidance and advice regarding MMC’s endeavors from an external perspective.

Corporate Governance

MMC is strengthening its corporate governance primarily by implementing compliance in practice, improving transparency through proactive information disclosure to stakeholders, and clarifying management responsibility.

Corporate Governance Framework

MMC employs the Corporate Auditor System laid down in the Japanese Commercial Code. In addition to mandatory organizations and governance systems, we are improving and strengthening our corporate governance in various ways. These include introducing an executive officer system and setting up advisory committees.

MMC's Board of Directors is responsible for making decisions concerning important management issues and overseeing business execution. In addition, the adoption of the executive officer system clarified the separation of the roles and responsibilities of directors and executive officers.

Managing directors' meetings are composed of directors, executive officers, and auditors, and this internal organization makes decisions concerning Company matters. The meetings are held in principle every other week, with the aim of speeding up decision-making.

Functions of Internal Audit and Statutory Auditors' Audit

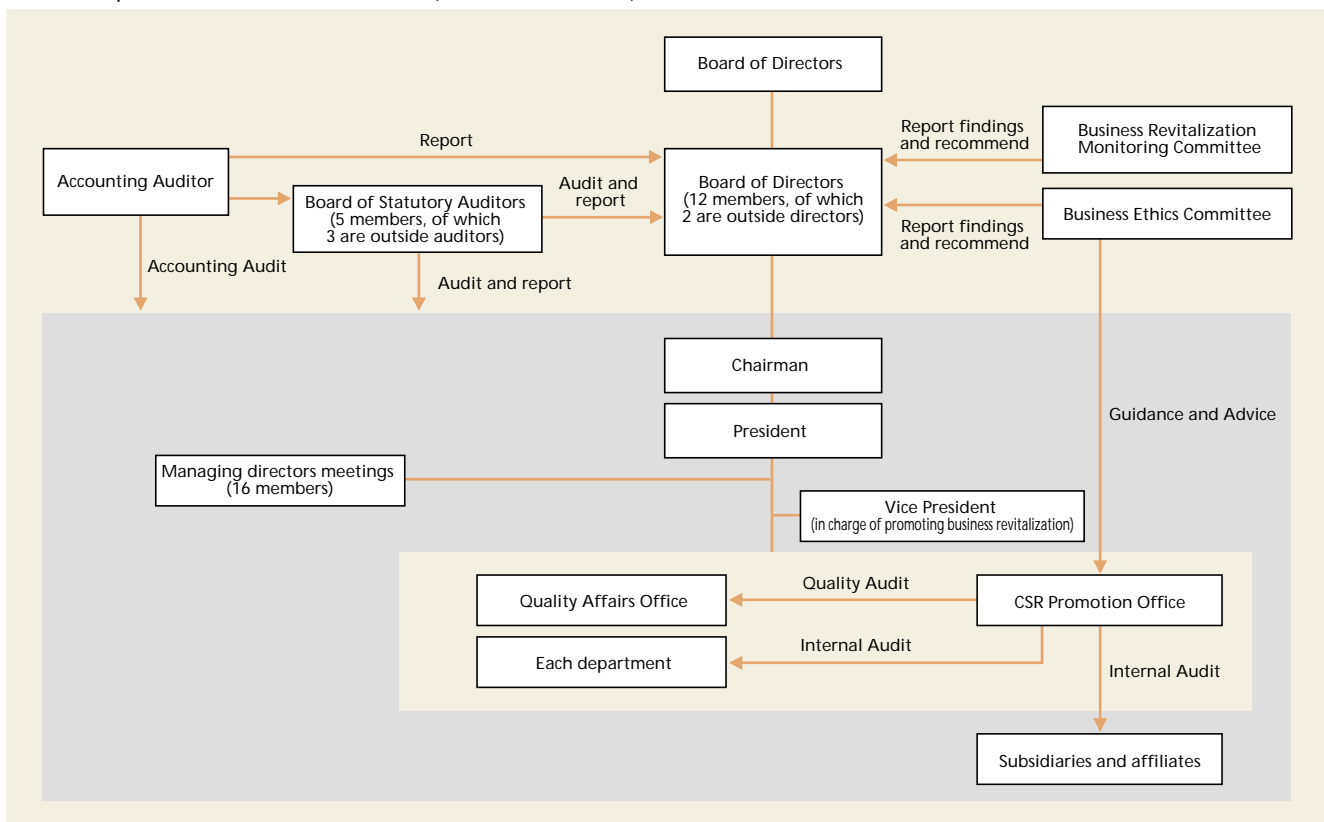
Members of the Board of Statutory Auditors attend meetings of the Board of Directors and other important meetings. They audit the operations of MMC and its subsidiaries, based on business reports received from directors, reviews of key internal business documents and interviews with the internal auditing groups, subsidiaries and independent auditors.

Separate from the Statutory Auditors' audit, MMC has also established two departments within the CSR Promotion Office—the Quality Audit Department and the Internal Audit Department—independent from other business functions, to conduct internal audits from an objective perspective.

The Quality Audit Department monitors whether the Quality Affairs Office is appropriately carrying out operations related to vehicle development and manufacturing based on various laws and regulations in various countries, including the Road Trucking Vehicle Law in Japan. It successively reports audit results to top management and also reports to the Business Ethics Committee twice a year.

The Internal Audit Department conducts regular audits company-wide, including subsidiaries and affiliates in Japan and overseas, to check the appropriateness of busi-

MMC's Corporate Governance Framework (As of June 23, 2006)



ness processes. These audits aim to verify the appropriateness and effectiveness of all internal control systems, including compliance and risk management. The results of internal audits are reported to the top management at MMC and its subsidiaries and affiliates.

During fiscal 2005, MMC established internal audit departments within major overseas subsidiaries and thus created a global internal audit framework. As a result, we will be able to respond to characteristics overseas that vary in each market, and we will strengthen the governance of the MMC Group and bolster internal control systems. In addition, the Statutory Auditors, Internal Audit Department, Quality Audit Department and independent auditors work to strengthen cooperation by regularly exchanging information.

In addition to this internal corporate governance, in June 2004, MMC established the Business Ethics Committee as an advisory body to the Board of Directors. The committee is made up of outside experts. With the aim of spreading awareness of compliance, members of this committee provides MMC directors with guidance and advice from the external perspective.

To ensure the accomplishment of business revitalization, MMC also established the Business Revitalization Monitoring Committee in April 2005. This committee, which is made up of outside experts and five shareholders, monitors the progress of the Mitsubishi Motors Corporate Revitalization Plan.

Development Status of Internal Control Systems

In May 2006, MMC adopted a resolution at a Board of Directors' meeting regarding the "Basic Policy Concerning the Establishment of Internal Control Systems." It is mandatory for this resolution to be put forward at a meeting of the Board of Directors, in accordance with the Company Law.

With regard to the development of internal control systems, MMC will endeavor to further strengthen governance. We will constantly carry out reviews according to changes in the internal and external environments, and attempt to improve and expand systems with the aim of ensuring the appropriateness and efficiency of legal compliance, risk management, and business execution.

In particular, with regard to ensuring the reliability of financial reporting, we are working to develop a framework centered on the Internal Control Promotion Committee, which we established in March 2006. This includes responding to "Evaluation by Executives Relating to the Effectiveness of Internal Control Associated with Financial Reporting," which is scheduled to become legislation.

"Basic Policy Concerning the Establishment of Internal Control Systems"



Hiizu Ichikawa

Managing Director in Charge of Finance Group Headquarters (Chairman, Internal Control Promotion Committee)

As a result of the implementation of the Company Law on May 1, 2006, MMC resolved to adopt the "Basic Policy Concerning the Establishment of Internal Control Systems" at a meeting of the Board of Directors in May. We interpret the recently implemented Company Law to mean that "for companies, while the freedom of management will increase, it will become mandatory to develop systems to prevent scandals." "systems to avoid scandals" refers to "internal control systems." We therefore need to develop such systems not only in theory, but also ensure that the systems suit our actual capabilities so that they work in practice. Moreover, we need to manage them reliably.

Developing internal control systems simply means promoting the visibility of business processes (documentation), preparing company systems in which the PDCA (Plan, Do, Check, Act) cycle runs properly, and implementing them. By starting to implement things that are obvious, including ensuring that all staff members follow "determined rules," we will build a foundation for further growth. Since MMC is in the process of revitalizing its business operations, this will also support that revitalization.

It is only natural that the management team should undertake these measures as their own responsibility, and I believe it is important that every single employee understands these measures well and proactively implements them.

In these circumstances, and based on a strong determination to prevent the occurrence of another scandal, all the directors including myself have resolved to adopt this basic policy after gaining an understanding of the purpose of the law and our own responsibility. In advance, we established the Internal Control Promotion Committee in March 2006, and we will now promote measures to develop these systems on a company-wide basis, primarily through this committee.

Speeding up First-stage Decisions

To speed up first-stage decisions, we have increased the frequency of Judgement Meetings and Quality Meetings.

Promoting Investigation of Important Cases

With regard to particularly important cases among those presented at Quality Meetings, we are making quicker decisions by launching task teams with a high-powered leader of general manager or above.

Strengthening the Functions of Technical Centers

MMC has strengthened the functions of its network of ten Technical Centers across Japan to bolster technical support offered to dealers and encourage verification on actual vehicles when defects arise. Specifically, we increased the number of staff by 19 from June 2004, and in November 2005 we established a new technical support department within the Quality Affairs Office to reinforce support provided to dealers and on-site investigation capabilities.

Recent Examples of Quality Improvement in the Launch of New-model Vehicles

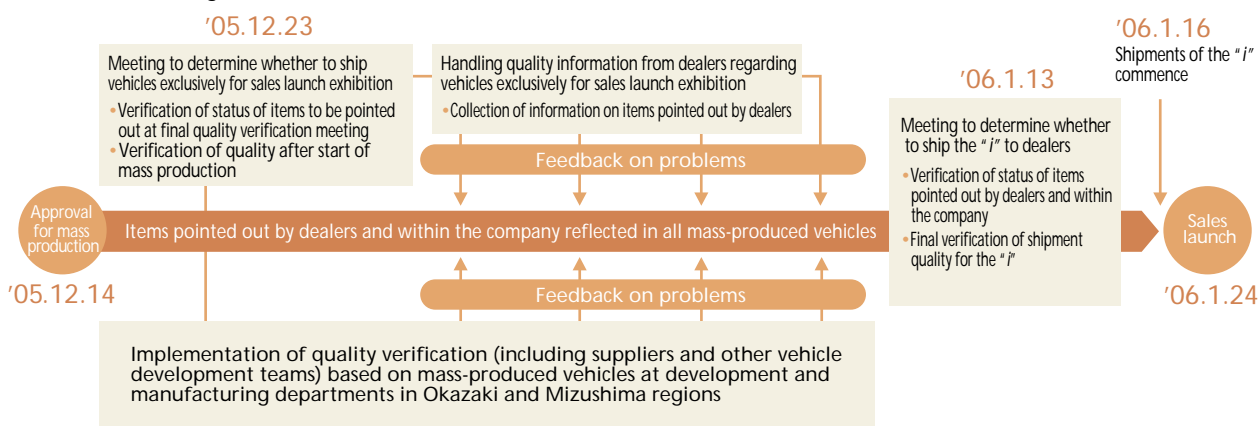
Ensuring Quality in the Launch of "i"

In the case of MMC's "i", the new model minicar launched in January 2006, MMC carried out initiatives on a company-wide basis to improve initial quality before the launch. We implemented quality check activities based on mass-production vehicles equivalent to the vehicles that would be delivered to customers rather than the "test" vehicles traditionally used for quality checks, including those of dealers, suppliers, women's evaluation teams within the company, and market quality information management members. As a result, we were able to improve quality right up to the last moment before delivering the first vehicles for sale to dealers.

Rapid Resolution of Market Problems

In tandem with the launch of the "Outlander" SUV, in October 2005 and the "i", a new minicar in January 2006, MMC sent one engineer from the development departments of both vehicles to MMC's 10 Technical Centers across the country, making a total of 20 engineers. We also collected market information provided by customers across Japan via dealers to rapidly resolve problems in the following manner: The dispatched engineers verified the information on-site and provided feedback to development and manufacturing headquarters, which led to the rapid resolution of problems. By this, we were able to experience the customer's viewpoint more directly. We will make good use of this experience in future development operations.

Activities to Strengthen Initiatives for the "i"



Toshio Kishida
Interior Design Dept.
Development Engineering Office

R&D engineer experiences service first hand

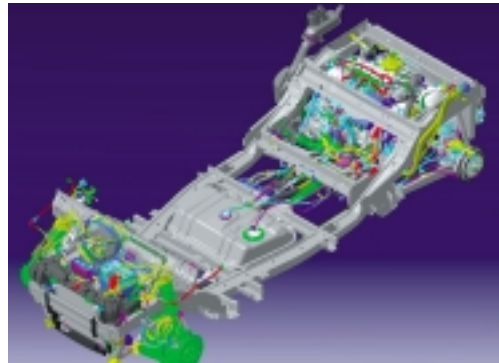
After one week's training, I worked mainly at the Shinagawa and Atsugi technical centers from November 2005. This temporary assignment made me experience the gap between what we as a manufacturer think is acceptable and what the customer thinks is acceptable. This gap is not merely a quality problem, and it can have an impact on MMC's credibility. From this, I learned to think from the viewpoint of the customer more than before. I will make use of this experience in design work in the future, and I believe that my mission is to increase customer trust in MMC.

Building in Design Quality

MMDS (Mitsubishi Motors Development System)

In 2001, MMC introduced the Mitsubishi Motors Development System (MMDS) to assure and improve the quality of all product development processes. This system is based on a total of seven quality gates. Quality gates are a decision-making system for comprehensively checking and assessing the degree of attainment of predetermined standards that must be met by all products and processes at every stage leading up to market launch.

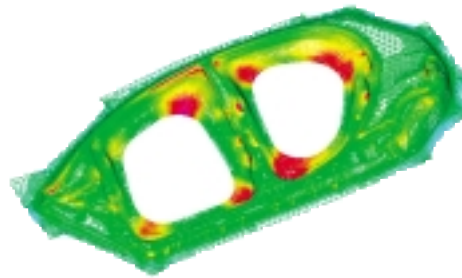
MMC also used this system from the product concept stage for the “Outlander” and the “i”. With the aim of “building in quality,” we aim to create cars that are selected for their quality and commended for their quality.



The rear and midship layout platform for the “i”

Digital Processes

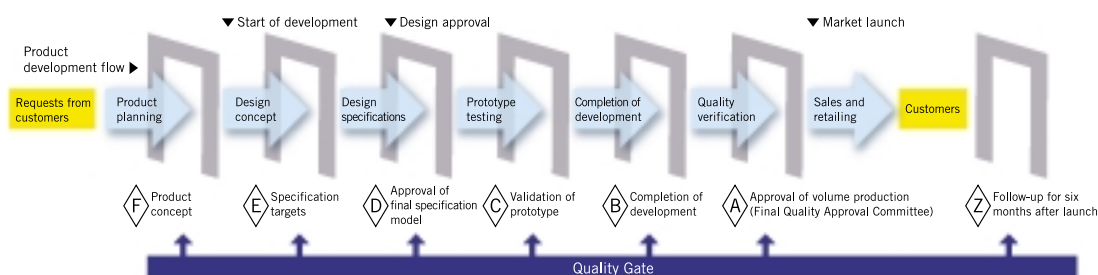
At the development stage of the “Outlander” and the “i”, we used even more advanced digital processes than those introduced for the “Colt” and the “Colt Plus”. Digital processes refer to the creation of digital data for all the components that make up a car. From the start of development, when there is still no prototype vehicle, we can check by computer both the degree of ease of assembly of components and whether there is any interference between components. Thus, digital processes greatly contributed to quality improvement at the design stage for the “Outlander” and the “i”.



Press molding simulation for a side panel of the “i”

Pursuing Quality with Suppliers

Similarly, with regard to the components that MMC purchases from suppliers, all kinds of factors, not only the development stage, but also delivery and the actual precision of components, are contained in a centralized database and rigorous checks are carried out. Based on the premise that major defects should not arise after vehicles have been delivered to the customer, and that they should be eradicated at all stages of development, we are thoroughly pursuing the enhancement of development quality.



Building in Manufacturing Quality

ISQC (In Stage Quality Creation)

MMC calls activities to build in quality during production processes ISQC, and ISQC has been introduced at all production plants.

ISQC is a system that involves not only inspecting the quality of finished vehicles, but also verifying quality in each of the various processes entailed in manufacturing. Specifically, on welding, painting, and assembly lines, ISQC staff members are deployed for each important process. If a vehicle does not pass checks by these staff, it is not permitted to proceed to the next process. MMC selects employees with extensive experience and knowledge as ISQC staff.

MMC has also adopted a unit leader system that is aimed at building in high quality. Each group (unit) has ten members or less and a leader is allocated to each unit. Because it is easy to gain mutual understanding and verify the details of operations, this system enables the manufacture of even higher quality cars.



Checks by an ISQC staff member

This ISQC does not merely entail carrying out rigorous quality checks during production processes. Indeed, the greatest objective is to examine defects that we have identified in ISQC processes and develop design and production equipment aimed at producing cars that have no defects.



Fitting the rear engine in the "i"



Tadahiyo Ohtake
("i" production line)
Minicar Assembling Section
Mini & Commercial Car
Assembling Production Dept.
Mizushima Plant

Making Cars that Customers Can Ride in with Assurance

The "i" minicar has its engine in the rear and midship position to satisfy the demand for safety, comfort, and driving performance. Consequently, although there were many operations that differed from the previous assembly method, all employees worked together to build high quality into these vehicles.

At the production preparation stage, we become comfortable with the attractive structure of the "i" and developed a feeling of affection toward it, which raised our motivation. We also received sufficient training regarding the substantial process changes and new operations. At the mass production stage, MMC deployed ISQC staff and equipment to determine the degree of quality within the assembly line, and thanks to a system where defects did not pass on to the next process, we were able to produce high-quality cars in a consistent manner.

Based on the motto "We will regain trust lost due to quality with quality," we are endeavoring to improve manufacturing quality and raise production efficiency.

Implementing “Customers First” to Enhance Customer Satisfaction

We are providing feedback within the company on the valuable opinions received from customers, and reflecting customers’ voices in products and services.

Initiatives Aimed at Enhancing Customer Satisfaction

Strengthening After-sales Service

MMC believes that strengthening after-sales service is indispensable for regaining customer trust and achieving customer satisfaction. Consequently, we have reinforced systems to convey customer opinions and comments that customers have provided directly to the company, and to recognize problems that arise on-site at dealers. In addition, we are reinforcing after-sales service across the organizational structure through sales, quality, and CSR operations.

Reinforcing Service Operations at Dealers

Improving service technology capabilities

To continually improve the technical capabilities of service staff, MMC has reviewed the Mitsubishi Service Technical Skill Qualification System. We have made it compulsory for service staff with even the highest qualifications to undergo follow-up training every three years. In addition, we have introduced a practical skill evaluation for staff who have achieved medium-level and upper-level qualifications through academic study. In such ways, we aim to maintain and enhance technical skill levels.

At the same time, we have reviewed the technical skill training system. By simplifying the selection of training courses required to obtain qualifications and increasing the percentage of staff that attend courses, we will encourage the acquisition of high-level qualifications and promote the improvement of technical capabilities at various levels.

Service Technology Contest (Regional Competitions and National Competition)

MMC held technical contests for service staff at dealers across the country in an effort to raise the level of technical capability and customer service. In 2005, we held regional competitions by dividing Japan into eight blocks, and 371 people took part. In the national competition, in which 81 people that passed the regional heats took part, a female service staff member won in the Personal Advisor Contest Section.



Service technology contest



Activities to Disseminate the Mitsubishi Standard Vehicle Maintenance Reception Style

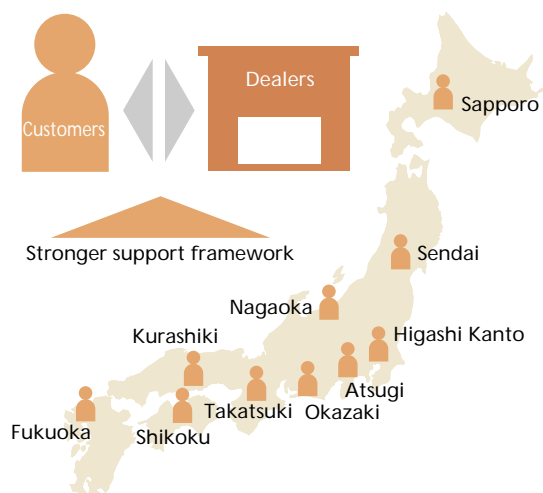
MMC established the Mitsubishi Standard Vehicle Maintenance Reception Style in fiscal 2004 to ensure a standardized style in the process of vehicle maintenance reception, customer handover and subsequent follow-up. To disseminate this standard vehicle maintenance reception style, training sessions for dealers were held across the country. In fiscal 2004, we conducted 69 training sessions and 1,186 people received training. In fiscal 2005, we conducted 265 training sessions and 4,975 people underwent training. We are continuing to conduct training in fiscal 2006 as well.

In addition, to follow up on actual practice at dealers, we are carrying out surveys on the degree of penetration based on an “in-store 10-item checklist” every three months. We compile and analyze these results in the After-Sales Department, and they lead to further improvements.

Strengthening Technical Support Capabilities at Dealers

To develop an advanced nationwide system for vehicle maintenance, MMC has established Technical Centers in 10 locations across Japan. This system provides support for customers and dealers. In the case of vehicle failures where it is difficult to diagnose problems at dealers and advanced technology is required, the Technical Centers support dealers. To speed up response time and ensure greater precision, we added 19 extra staff at Technical Centers from June 2004 onward. Moreover, in November 2005, we established the Technical Support Division with the aim of strengthening dealer support and on-site investigation capabilities. We continue to work to bolster the functions of Technical Centers. P.10

Technical Centers (10 locations)



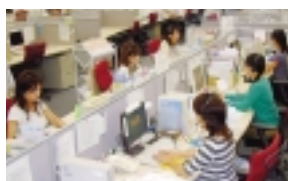
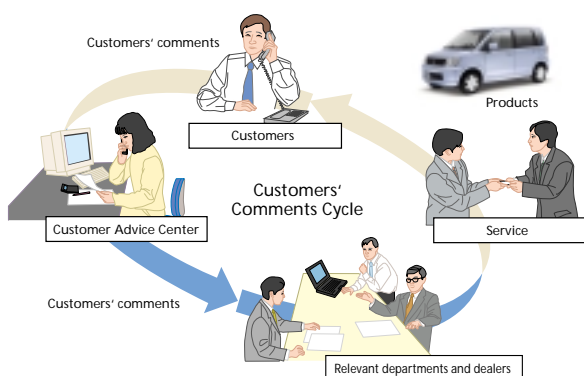
Customer Advice Center

MMC established the Customer Advice Center in 1968 as a point of contact for directly receiving customer opinions. Since then, we have implemented a variety of initiatives based on the desire to respond to customers speedily, precisely and kindly. Open all year round except for the December 31 — January 3 national holidays, the Customer Advice Center is extremely convenient for customers.

Relaying Customers' Comments

MMC provides feedback on customer opinions and comments to the departments concerned via the company intranet and an e-mail magazine that is issued to all employees. Depending on content of the information, we also provide feedback to relevant departments in the company, and we reflect customers' opinions in improvements to products and services.

For example, we provide detailed information to development departments, and they use it as a reference for improving design and testing. In addition, we produce quality information reports based on information on defects that has been directly provided by customers to the company, and we use these reports to support documents for deciding on market measures such as vehicle recalls.



Customer Advice Center

☎ 0120-324-860

(Toll free in Japan)

Open 09:00-17:00
(Saturdays 09:00-12:00
Sundays 12:00-17:00)

Aiming to Improve Counseling Capabilities

At the Customer Advice Center, MMC is improving the skills of consultants so that they can respond accurately to customer inquiries.

Specifically, we regularly carry out quantitative evaluations of the skills of telephone consultants. In addition, we compare the response level of the Customer Advice Center

to that of our competitors. By returning these results to our consultants, we are working to enhance the service level of the Customer Advice Center.

Striving to Rapidly Resolve Problems

Close cooperation with dealers is important in terms of rapidly resolving customer complaints. We regularly conduct training sessions with the Customer Advice Centers of dealers and we are endeavoring to strengthen cooperation with dealers.

Other Initiatives

Basic Training for Dealers

To make customers glad that they have bought a Mitsubishi vehicle, MMC is endeavoring to improve not only the level of products, but also the level of customer service.

At dealers across Japan, we continually conduct training regarding in-store service, product explanation, receiving vehicles, and treating customers who are waiting during operations. Through these activities we are striving to ensure that customers feel satisfied and content when they visit our dealer stores. P.9



Aiming to build long-term relationships with customers

Measures to Renovate Dealer Stores

MMC is renovating dealer stores throughout Japan to ensure that they have an atmosphere that facilitates discussion between staff and customers, making them feel inclined to visit the stores at any time. In fiscal 2005, we renovated 29 dealer stores.



Dealer store renovation