

Corporate Governance

Fundamental Approach to Corporate Governance

MMC is taking three key measures to strengthen corporate governance: ensure legal and regulatory compliance, improve transparency through frequent disclosure of information to stakeholders, and clarify management responsibilities.

1. Corporate Governance Framework (1) Governance Institutions

The Board of Directors and Board of Statutory Auditors audit and oversee business execution. MMC has also sought to improve and strengthen the corporate governance framework beyond statutory requirements through moves such as the introduction of an executive officer system and appointment of advisory committees.

The Board of Directors has 13 members, two of whom are outside directors. The Board is responsible for making decisions concerning important management issues and overseeing business execution. The adoption of the executive officer system in June 2000 clarified the separation of the roles and responsibilities of directors and executive officers. Managing directors meetings, which are attended by 18 members (including directors, executive officers and statutory auditors), are held every two weeks to expedite decision-making within the company.

The Board of Statutory Auditors has five members, three of whom are outside auditors. Statutory auditors attend meetings of the Board of Directors, the managing directors meetings and other key forums. 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 and independent auditors.

Separate from the auditing functions of the statutory auditors, to strengthen the company's "self cleansing" activities 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, these groups conduct internal audits from an objective perspective.

The Quality Audit Department, which had four employees at the end of June 2007, monitors all processes that are carried out within the Quality Affairs Office. It does so to ensure compliance with laws and regulations worldwide related to the development and production of automobiles, including Japanese road safety and transportation laws. The department reports its findings to senior management and also reports to the Business Ethics Committee twice per year.

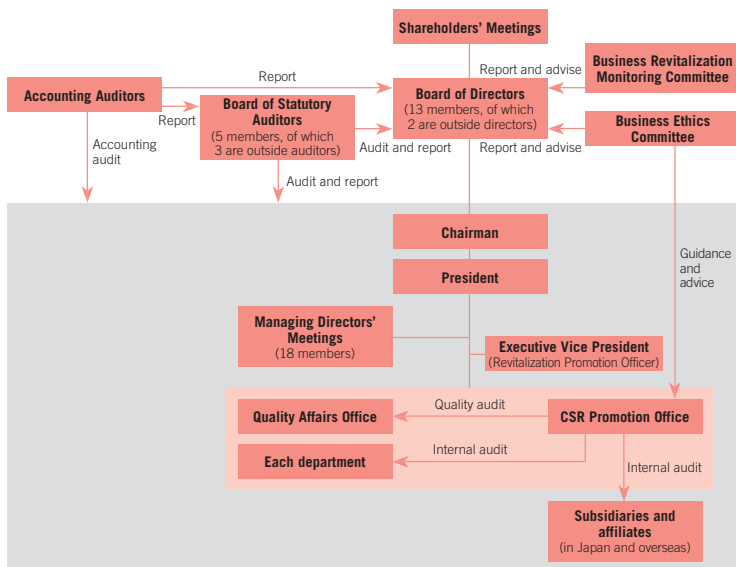
The Internal Audit Department, which had 14 employees at the end of June 2007, conducts regular company-wide audits to check the appropriateness of business processes, including those of subsidiaries and affiliates in Japan and overseas. These audits aim to verify the execution status of all internal control systems, including compliance and risk management. The results of internal audits are reported to senior management of MMC and of its subsidiaries and affiliates, along with proposals for improvement.

In fiscal year 2006, MMC completed the establishment of a global internal audit system with internal auditing functions within all major overseas subsidiaries. MMC continues to work to strengthen internal audit systems and governance structures for the overall company while taking into account specific characteristics of overseas markets and regional differences in regulatory approach.

Advisory committees that report to the Board of Directors supplement the internal governance structures. In June 2004, MMC set up the Business

MMC's Corporate Governance Framework

(As of June 30, 2007)



Ethics Committee, which is made up of outside experts in various fields. As part of efforts to foster a more strongly compliance-oriented internal mindset, this committee provides MMC with directions and advice on ethics-related matters from an external perspective.

The Business Revitalization Monitoring Committee is another important advisory body to the Board. Its responsibility is to monitor progress against the aims of the Mitsubishi Motors Revitalization Plan. Established in April 2005, this committee is composed of external experts and representatives of major shareholders.

(2) Internal Control Systems

Internal control systems are reviewed to respond to any changes in the domestic or overseas environment. MMC aims to strengthen governance structures further and is continually working on system improvements and upgrades to ensure compliance with laws and regulations and to promote proper, effective, and efficient business administration.

With regard to improving the reliability of financial reporting, the Internal Controls Promotion Committee was established in March 2006 to coordinate efforts to plan and develop new systems that will facilitate management's evaluation of the effectiveness of internal controls for financial reporting. These evaluations are scheduled to become mandatory in the near future. Separately, MMC also initiated moves to strengthen corporate governance by establishing management systems for various functions

of subsidiaries and affiliates to clarify the functions of each company.

In May 2006, in line with the statutory requirements of new Japanese corporate laws, the Board of Directors approved a basic policy on the construction of internal control systems.

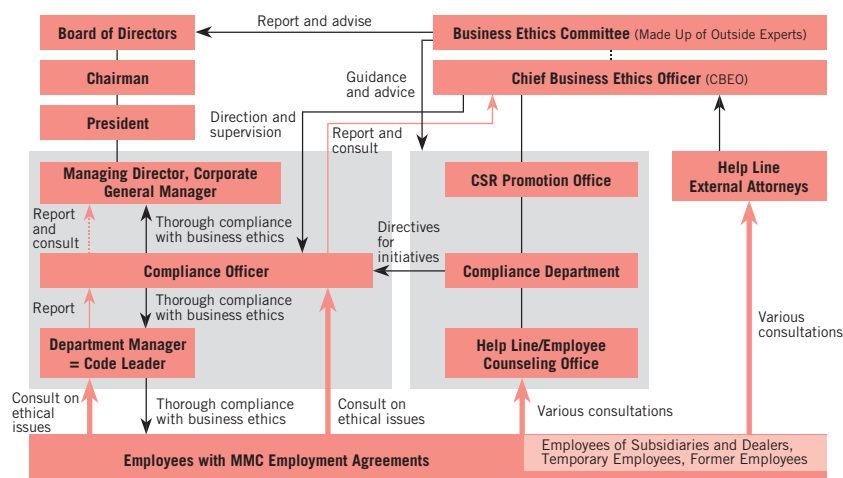
■ Compliance

- Full legal and regulatory compliance and observance of business ethics, based on internal regulations such as the “Corporate Ethics Compliance First” declaration and business ethics guidelines.
- Establishment of an internal reporting system. Application of systems to investigate any information received and to take necessary measures to rectify and prevent any recurrence of identified problems.
- Establishment of the Business Ethics Committee.

■ Risk management

- Specification and application of clear rules for management reporting based on criteria set by the Board of Directors and at managing directors meetings.
- Development of company-wide risk management systems centered on risk management promotion departments.
- Appointment of risk management officers in each operational group.
- Development of emergency response capabilities to react to unforeseen contingencies, including emergency communication and contact systems.

Compliance Promotion Structure



Efficient organizational function and operational execution

- Promotion of task execution based on specific goals established by each division in line with company-wide business plans.
- Clarification of leadership through appointment of senior managers at operational divisions to director level. Maintenance and improvement of management efficiency through regular confirmation by MMC directors of status of operations under their watch. Achievement of business goals.
- Integration of command hierarchies to expedite decision-making processes. Efficient execution of directorial duties through improved internal communications and the development of systems to facilitate efficient organizational function and operational execution.

Information management and storage

- Appropriate management of important information related to key decisions and execution of duties (including minutes of the General Meeting of Shareholders and meetings of the Board of Directors, business plans, investment plans, and product plans).
- Maintenance and proper operation of information security controls.

Ensuring the proper execution of group-wide business operations

- Clarification of responsibilities and authority for subsidiaries and affiliates through the establishment of clear rules governing the management of such companies by the corresponding parent company division with primary supervisory responsibility.
- Ensure the proper execution of group-wide business operations through formulation of rules governing the supervision of subsidiaries' management cycles, together with regular monitoring and evaluation.

Statutory auditors

- Attendance at all important meetings (including Board of Directors and managing directors meetings). Regular exchanges of views with the president of MMC. Links with internal auditing groups and independent auditors. Proper decision-making oversight and efficient audit operations.
- Establishment of the Office of Statutory Auditors and assignment of dedicated staff.

- Precautions taken to ensure the independence of statutory auditors' staff, including consulting the statutory auditors prior to implementing any personnel changes at the office and having the statutory auditors conduct personnel evaluations of staff members.

2. Cooperation Between Statutory Auditors, Internal Audit Departments and Independent Auditors

To strengthen cooperation, the statutory auditors regularly exchange information with independent auditors and MMC's internal audit departments, the Internal Audit Department and the Quality Audit Department.

In fiscal year 2006, the statutory auditors held a total of 15 meetings with independent auditors to hear presentations on auditing systems, related plans and the status of financial audits. These meetings also provided an opportunity for the statutory auditors to explain the status of their audits and related plans.

Meetings were held with the Internal Audit Department during the year to discuss the results of monthly internal audits of MMC and its subsidiaries around the world. The statutory auditors provided feedback on the status of their auditing activities to the Internal Audit Department at these meetings, which were also attended by independent auditors to facilitate the effective exchange of information. In addition, quarterly meetings held with the Quality Audit Department focused on the results of quality assurance audits.

3. Relationships With Outside Directors and Statutory Auditors (as of June 30, 2007)

No conflicts of interest exist between MMC and any of the outside directors or statutory auditors.

Outside directors	Mikio Sasaki	Chairman, Mitsubishi Corporation (main MMC shareholder)
	Hidetoshi Yajima	Chairman, Shimadzu Corporation (MMC business partner)
Outside statutory auditors	Shigemitsu Miki	Chairman, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (major MMC shareholder)
	Hiroshi Kan	Managing Director, Mitsubishi Heavy Industries, Ltd. (main MMC shareholder)
	Yukio Okamoto	Representative Director, Okamoto Associates (no trading relationship at present)