

Corporate Governance

Basic Views and Policy on Corporate Governance

Based on its corporate philosophy (vision and mission), MMC considers compliance to be of topmost importance and accordingly aims to meet the expectations of shareholders, customers and all other stakeholders, while achieving sustainable growth and increases in corporate value over the medium to long term, by making the ongoing reinforcement and improvement of governance a management priority.

In addition, the Company has put together its basic framework for and views on corporate governance in the form of "Corporate Government Guidelines" and publishes these guidelines on the Company's website.

Overview of Corporate Governance System

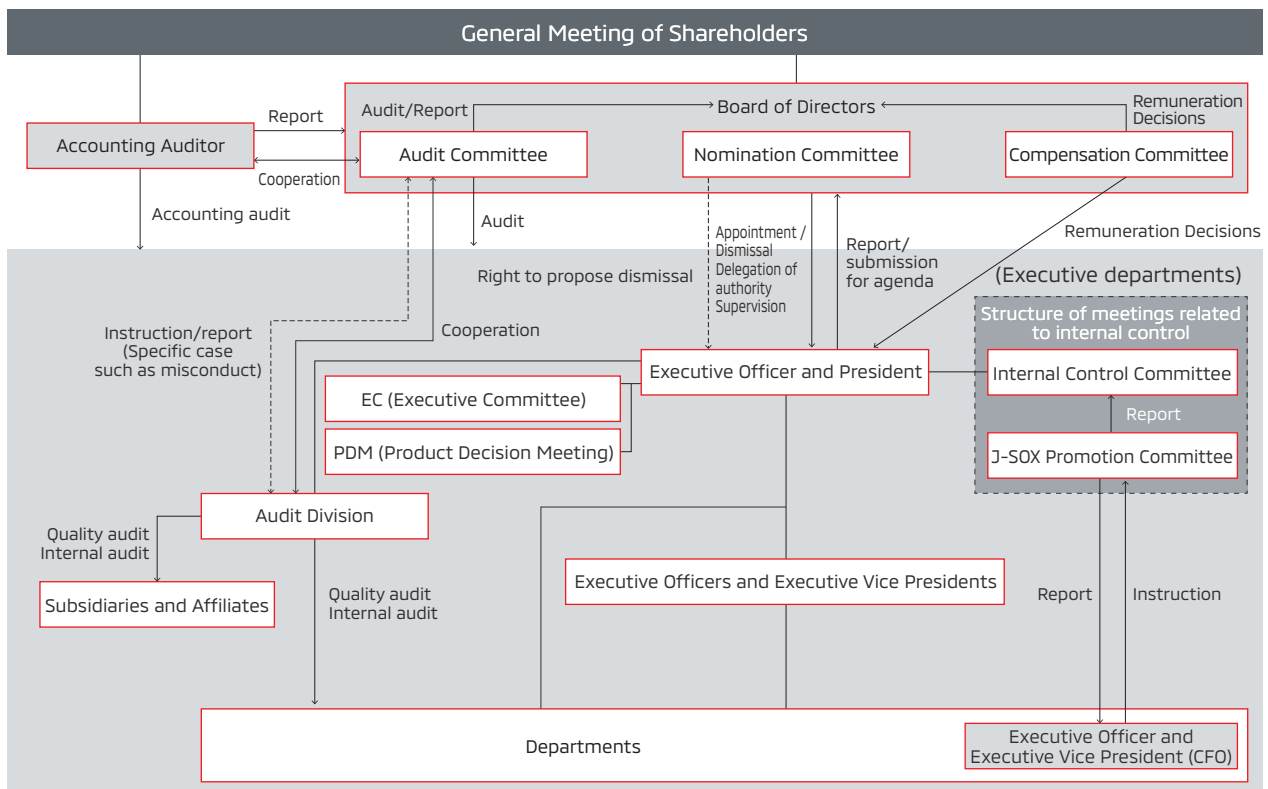
As of June 21, 2019, MMC has transitioned to a company with three committees in order to achieve swift execution of business in quick response to environmental changes by clearly separating supervisory and execution function and ensuring the soundness and transparency of management through further strengthening of supervision and implementation of more thorough risk management.

The Board of Directors is responsible for making decisions concerning important management issues and overseeing business execution. As of June 23, 2021, it is comprised of 13 Members of the Board, including 11 Outside Directors with considerable experience, deep insight and so forth, and MMC has submitted notifications, specifying five of Outside Directors

as Independent Directors to Tokyo Stock Exchange, Inc. MMC has established the following three legally required committees, the majority of which are Outside Directors, in the Board of Directors to develop the system that ensures the supervision of the Directors and Executive Officers by the Board of Directors and effective functioning of corporate governance. The Nomination Committee makes decisions on proposals for electing and dismissing Members of the Board, which are proposed at the General Meeting of Shareholders, and engages in deliberations regarding matters such as proposals for appointing and removing the Executive Officers and Corporate Officers, which are proposed at the Board of Directors and the succession planning for the Executive Officer, President. The Compensation Committee deliberates and makes decisions regarding a policy with respect to determining compensation, etc. of Members of the Board and Executive Officers, and regarding details of compensation, etc. per individual. The Audit Committee audits the execution of duties by Directors and Executive Officers, prepares audit reports, and implements internal investigations based on the judgment of the Board.

Executive Officers make decisions on the execution of business and execute the business of the Company, with the Executive Officer and President as the head of the executive departments entrusted with execution of business in general by resolution of the Board. The Executive Officer and President delegates his or her authority to Executive Officers and Executive Vice

Corporate Governance Framework (As of June 23, 2021)



Corporate Governance

Presidents and other Executive Officers in charge of important functions and holds control over the shared business execution framework. As of June 23, 2021, there were 12 Executive Officers (including the Executive Officer and President).

Corporate Officers manage the functions or business of the Company within a certain scope, pursuant to delegation by the Board or the Executive Officer and President, and carry out business. As of June 23, 2021, there were 10 Corporate Officers.

For the outline of decision-making process for business execution and various committees, MMC has in place a management framework under which the Board chiefly delegates the authority to make decisions on the execution of business to the Executive Officer and President, who is the head of the executive departments, and in addition to the Executive Officer and President, Executive Officers and Executive Vice Presidents have authority and responsibilities with respect to the execution of business within the scope of their duties based on the instructions of the Executive Officer and President. Each Executive Officer and Corporate Officer receives sub-delegation of the Executive Officer and President's decision-making authority, pursuant to the Company's DOA Regulations. These mechanisms are aimed at accelerating the execution of business and improving the transparency of the decision-making process.

Analysis and Evaluation of the Effectiveness of the Board

To improve the effectiveness of corporate governance, the Company annually evaluates the effectiveness of its Board through a questionnaire survey of

all Directors. In FY2020, the Company evaluated the effectiveness of the Board based mainly on the four elements "composition of the Board and each committee," "matters for deliberation by the Board and each committee," "oversight functions of the Board and each committee," and "status of deliberations by the Board and each committee" from the perspective of enhancing the Board's oversight function. As a result of the evaluation, the Company has judged that there are no serious concerns or other issues regarding the effectiveness of the Board. The main issues revealed in the evaluation were as follows.

- Coordination of agenda items and matters to be reported in order to emphasize broader deliberation from the perspective of the Board's oversight functions
- Provision of information regarding examination and decision-making processes on the management side that form a basis for the Board's determinations, corporate and business information that enables the Board to perform its oversight functions, and opportunities to acquire knowledge

The Company will work to continue to strengthen corporate governance by further improving the effectiveness of the Board, including initiatives for major issues recognized through analysis and evaluation of the Board.

Executive Compensation, etc.

MMC is a company with three committees. The Compensation Committee has the authority to determine the policy for determining the content of individual compensation, etc. for Members of the Board and Executive Officers, and the content of individual com-

Total compensation paid to corporate officers, compensation total by type, and number of payees

Classification	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)							Number of payees (persons)
		Monetary compensation			Share-based compensation			Monetary compensation	
		Base Compensation	Short-term Performance-linked Compensation	Additional Individual Compensation	Long-term Performance-linked Compensation	Deferred Retirement Compensation	Stock Options Granted Linked to Performance in Previous Fiscal Years	Others	
Members of the Board (Excluding Outside Directors)	35	33	—	—	—	—	1	—	3
Executive Officers	533	414	—	—	—	22	0	96	12
Outside Directors and Outside Audit & Supervisory Board Members	187	187	—	—	—	—	—	—	15

Notes: The number shown in the above table for Outside Directors and Outside Audit & Supervisory Board Members indicates the number of persons who, of the total of 15 persons served as Outside Directors or Outside Audit & Supervisory Board Members during FY2020, received compensation as Members of the Board. In addition, the number includes three Outside Directors who resigned during FY2020. For Members of the Board who serve concurrently as Executive Officers, MMC pays compensation for their service as Executive Officers and does not pay compensation for their service as Members of the Board.

compensation, etc. for Members of the Board and Executive Officers. The Compensation Committee comprises a total of five members, one Internal Director and four Outside Directors. The Compensation Committee convened a total of nine times in FY2020 and all members had 100% attendance. In FY2020, the Compensation Committee considered and deliberated matters such as the basic policy relating to compensation of Members of the Board and Executive Officers, compensation levels, compensation structure and the introduction of a Board Incentive Plan (BIP) Trust system.

For the contents and method for determining the policy for setting the amount of Executive Compensation or the calculation method, pursuant to the Companies Act, the Compensation Committee establishes the policy for determining the content of individual compensation, etc. for Members of the Board and Executive Officers as follows.

1. The compensation system shall contribute to MMC group's sustainable growth and medium- to long-term improvement of corporate value.
2. The compensation system shall be linked with corporate results in order to motivate Executive Officers to accomplish management strategies and management plans as well as to achieve targeted corporate results in an appropriate manner.
3. The compensation levels shall contribute to securing professionals who measure up to ideal standards for management personnel that MMC expects for those responsible for corporate operation to have.
4. The compensation system shall increase a shared awareness of profits with shareholders and awareness of shareholder-focused management.
5. The decision-making process relating to compensation shall be highly transparent and objective.

Considering the role of Members of the Board in supervising overall execution from a position independent of business execution, MMC established a policy for the compensation of Members of the Board who do not serve concurrently as Executive Officers consisting of only Base Compensation, which is fixed compensation, and an additional fixed amount of compensation according to their duties as the Chairperson or Member of the Nomination Committee, Compensation Committee and Audit Committee.

MMC established a policy for the compensation of Executive Officers (including Executive Officers who serve concurrently as Members of the Board) consisting of Base Compensation, Short-term Performance-linked Compensation and Additional Individual Compensation, as well as Long-term Performance-linked Compensation and Deferred Retirement Compensation as share-based compensation (BIP Trust). The goal of this is to strive for sustained improvement of corporate

value, while sharing value with shareholders, and to secure skilled professionals including those from outside the company and overseas.

Note: For details of executive remuneration, please see the section of our annual securities report entitled "Executive Compensation."

Internal Control Systems

Basic Approach, Policies and Organization

Based on the "Basic Policy on the Establishment of Internal Control Systems" established by resolution of the Board of Directors, Mitsubishi Motors monitors the status of operations and strives to improve and reinforce internal control systems.

Mitsubishi Motors recognizes the gravity of its improper conduct in fuel consumption testing, on top of past quality problems, and in fiscal 2017 made profound reforms to its internal control system as one of its priority measures aimed at regaining trust.

First, it appointed a Vice President in charge of Global Risk Control to manage compliance and operation risk and regularly report on governance improvement measures to the Board of Directors. Furthermore, in order to reinforce, and improve the efficiency of, its handling of internal controls based on laws and regulations, it revised its internal control system. In the revised system, the J-SOX Promotion Committee, under the direct control of the Executive Officer and Executive Vice President (CFO), handles internal control related to financial reporting in accordance with the Financial Instruments and Exchange Act. The Internal Control Committee, chaired by the Executive Officer, President and vice-chaired by the Vice President in charge of Global Risk Control, promotes internal control related to the Companies Act. This Internal Control Committee confirms and evaluates the reports and resolution contents decided on by subcommittees in each internal control field, such as compliance, information security, business continuity management, and J-SOX, in accordance with the "Basic Policy on the Establishment of Internal Control Systems." From fiscal 2018 and onwards, the company will proceed to create a global internal control system through establishing and operating internal control committees at its major affiliates in Japan and overseas.

Mitsubishi Motors has also positioned the Internal Audit Division as independent of business execution. The Internal Audit Division coordinates with other committees, including the Internal Control Committee, with the aim of achieving effective and efficient internal control system operation.

Going forward, we will continue with initiatives to further reinforce governance by working to ensure compliance with laws and regulations and to promote proper, effective business execution in line with changes in the domestic and overseas environments.

Compliance

Basic Approach and Policies

Corporate activities are closely interlinked with various laws and public systems such as those related to the environment, labor, and consumer protection.

Corporate activities must be carried out in compliance with these laws and systems. Mitsubishi Motors recognizes that the failure to appropriately comply with these laws, regulations, and systems would not only impede its business continuity, but would also place significant burdens on society and the environment.

In order to fulfill its social responsibilities as a company by not only complying with laws, international rules, and internal regulations but also by respecting changing social norms to the greatest degree possible, Mitsubishi Motors has issued a "Global Code of Conduct" to serve as a standard of conduct for all executives and employees. We are also redoubling our efforts to enhance our compliance framework and employee training, including those at our major affiliates in Japan and overseas.

■ Establishment of Internal and External Consultation Offices

Mitsubishi Motors has established a contact point for reporting internal problems that employees of MMC and Group companies in Japan can use for notification and consultation to prevent and promptly detect fraud or other improper conduct as well for use in self-correction. In addition, we have set up the Mitsubishi Motors Global Whistleblowing Office, which is available for use by employees in Japan and overseas and works with outside attorneys. In the year ended March 31, 2021, the office fielded 132 notifications and consultations.

■ Education and Training

Every fiscal year we formulate compliance-related education and training programs and provide them for each job rank. Each division also draws up and conducts its own measures under the direction of the compliance officer.

■ Anti-Corruption

The "Global Code of Conduct" clearly stipulates that Mitsubishi Motors executives and employees shall comply with laws and regulations and shall maintain fair and equitable relationships with public servants and business partners. Moreover, we have built and operate a system that is designed to prevent corruption.

■ Political Involvement (Political Contributions)

Recognizing that reasonable expenditures are required to appropriately maintain a democratic government, the Company considers making political contributions to be one aspect of its social responsibility. When making such contributions, we do so in accordance with the Public Offices Election Act, the Political Funds Control Act, and other laws and regulations related to politics. We are also careful to follow our own internal rules for approval.

■ Information Security

Mitsubishi Motors is putting in place and reviewing internal regulations, managing information assets, strengthening measures to combat computer viruses and cyberattacks, providing education to employees via e-learning and other measures, and monitoring information security activities by the Information Security Committee.

■ Protection of Personal Information

Based on our Privacy Policy, we have built a management framework by establishing internal rules and taking other measures. We also conduct ongoing education, such as through the use of e-learning for employees. In addition, rules on personal information protection are being strengthened around the world. We coordinate with our bases in individual countries, putting in place systems to respond appropriately with their laws and regulations on the protection of personal information.

■ Security Export Controls

The Company sincerely believes in the importance of strict security trade controls to prevent the proliferation of weapons of mass destruction and the excessive accumulation of conventional weapons in order to maintain international peace and security. To conduct strict export controls, we have established Security Export Control Regulations. We ensure the legality of our export transactions through our management system, with its The Security Export Control Committee, led by the executive officer, president & CEO, who serves as chief security trade control officer.

Management Structure

In order to prevent compliance infractions, including information security infractions, from a global internal control perspective, each division or function appoints a compliance officer and department heads serve as code leaders, with the Vice President in charge of Global Risk Control providing overall leadership. Major subsidiaries and associates in Japan and overseas also appoint compliance officers. To help prevent compliance infractions, in fiscal 2018 we established and started operating Mitsubishi Motors Global Hotline.

Procedures are in place for reporting of serious compliance concerns ultimately to the Board of Directors via code leaders and compliance officers. As required, compliance officers give their departments appropriate instructions for dealing with problems, taking corrective action and preventing a recurrence.

The Board of Directors is provided with regular reports on these compliance structures, efforts related to education and the formulation or revision of the Global Code of Conduct, as well as the status of any compliance infractions and their countermeasures. Members of the Board of Directors, including outside directors, deliberate on and supervise these matters.

As for internal controls related to financial reporting, we verify compliance structures and procedures for financial summaries. If inadequate controls are found at a company being evaluated, we request reporting on the nature of the problem and improvements being made. In fiscal 2020, we checked the status of 20 Group companies (Mitsubishi Motors, 7 domestic affiliates, and 12 overseas affiliates).

In fiscal 2020, we experienced no compliance infractions requiring disclosure.

Risk Management

Development of Risk Management Framework

MMC has put in place and works to improve its risk management system for the entire Group through three types of risk management activities: priority risk management, departmental risk management and subsidiaries and affiliates risk management.

For priority risk management, MMC selects risks that the entire MMC Group faces directly, that have significant potential impact and a high degree of urgency. For each risk, MMC assigns "risk owners" and works as quickly as possible to reduce these risks.

In departmental risk management, MMC has appointed employees in charge of risk management to each division or plant. These employees work to re-

duce risks through repeated application of the PDCA cycle, which involves identifying and evaluating each risk, devising and implementing countermeasures, and monitoring.

Subsidiaries and affiliates risk management includes initiatives for addressing various types of risks encountered by MMC's subsidiaries and affiliates. MMC periodically confirms the status of activities such as improvement of business continuity plans (BCPs), and proposes and directs improvements, as necessary.

These risk management initiatives are regularly reported to the Board of Directors as key internal control measures, and the effectiveness of these initiatives is confirmed.

In addition, in order to prepare for unforeseen contingencies MMC operates emergency contact systems that enable the rapid communication of information to the senior management, as well as a swift and accurate response. In particular, in order to create a crisis management system to guide MMC's response when serious incidents occur, MMC has formulated an emergency response manual. This manual outlines the establishment of an emergency response organization and clarifies the chain of command, enabling MMC to put appropriate response systems into place.

MMC's basic policy in times of disaster, such as earthquake or other large-scale natural disaster or an outbreak of infectious disease, is to ensure the safety of customers and employees and their families, and to assist local communities. MMC prepares disaster countermeasures and business continuity plans (BCPs) to this end.

MMC conducts drills in communicating among individual plants and Group companies on the basis of a presumed emergency.

As preparations against the possibility that employees will be unable to return to their homes and to stay at the headquarters for a three-day period, MMC conducts initiatives for communicating with local municipal authorities in order to ensure means through which they can communicate with their families and emergency supplies.

MMC has formulated plans of operation that assume a large-scale earthquake or major outbreak of infectious disease. MMC works to improve these BCPs through drills and communication among individual regions.

Given our recent experience of the COVID-19 pandemic, in fiscal 2020 we established the BCM (Business Continuity Management) Committee to promote BCM activities in regular (non-crisis) times.

Corporate Governance

Business-related risks

Risks that may seriously impact the operating results and/or financial position, and the like of the MMC Group, which the management is currently aware of, are outlined below. The Group, however, is also potentially exposed to risk other than those listed below.

Any of risk factors listed below and otherwise might impact its business results and/or financial position.

Please see our securities report for more details on the risks we face and our responses. Matters concerning the future are judged by the MMC Group as of the filing date of securities report unless otherwise stated.

Risks related to the market and business (operational risks)	
Impact of the spread of COVID-19	We face the risk that a global resurgence of COVID-19 could lead to new restrictions on going out and affect the supply chain, continuing to hamper economic activity more than anticipated.
Impact of dependence on particular suppliers	We face the risk of having to suspend manufacturing or incur increased costs in the event that some unforeseen situation arises and interrupts deliveries from suppliers or in the event that it is not possible to procure materials and parts at competitive prices in a timely manner.
Impact of changes in manufacturing cost	We purchase materials and parts from multiple business partners and use these inputs to manufacture products. However, we face the risk that sudden shifts in supply/demand conditions, disasters or changes to the political situation in producing countries could cause the price of materials to rise, increasing the cost of manufacturing the Company's products.
Impact of product quality and safety	We face the risk of incurring major costs and damage to the reputation of our products and consequent drop in demand in the event that the Company has to issue a recall or implement countermeasures on a large scale due to product defects or failures, or in the event that the Company is sued in a large-scale product liability action.
Impact of lawsuits, etc.	We face the risk of lawsuits being brought against the MMC Group by customers, trading partners or other third parties, or of investigation by regulatory authorities in relation to alleged non-compliance with laws and regulations and being deemed non-compliant. In addition, we face the risk that rulings in legal actions currently under dispute could go against the MMC Group's claims or predictions.
Impact of laws and regulations, etc.	<p>The MMC Group is subject to various laws and government regulations concerning the environment, such as gas emissions, fuel consumption, noise, chemical substances, recycling and water resources in the countries where it operates. In the event that the MMC Group fails to conform to or is unable to comply with such laws and regulations, or should such failure lead to sanctions against it, then the Group faces the risk of incurring substantial costs for the purpose of conforming to or complying with any revision, strengthening of or additions to, these laws and regulations.</p> <p>The MMC Group has put in place legal and other compliance structures to respond to a wide range of laws and regulations in Japan and overseas, including those outlined above. However, we face the risk that a legal violation or insufficiencies in the content and promptness of the MMC Group's response could have a negative impact on the Group's compliance reputation.</p>
Impact of infringement of intellectual property rights	<p>We face the risk of a fall in sales or of incurring legal costs in the event that a third party unlawfully uses the MMC Group's intellectual property to manufacture and sell imitations of its products, or in the event of limitations in the legal system in certain countries in relation to the protection of the MMC Group's intellectual property rights.</p> <p>We also face the risk that, in the event of an unexpected infringement of a third-party intellectual property right by the MMC Group, we must halt manufacturing or sales, pay compensation, or experience damage to the reputation of the MMC Group's products and a consequent drop in demand.</p>
Impact of IT and information security	Cyberattacks from outside the Group, lack of proper maintenance or human errors both inside and outside the Group may lead to leakage of confidential, personal and other information, including information concerning the Group's technologies; suspension of the Group's important operations and services; improper paperwork; or destruction/falsification of important data. Such situations may seriously undermine the Group's brand and social credibility, lead to decline in sales, or give rise to legal claims, lawsuits, liability for damages or obligations to pay penalties or fines.

Risks related to business strategy and the maintenance of competitiveness (strategic risks)	
Impact on the sales strategy and response to competitor trends	The MMC Group has strived to retain or expand its sales volume and market share by focusing on the development of products and technologies based on the MMC Group's strength in vehicle electrification and SUV technologies. We have also progressed our regional strategy focused on the key ASEAN and Oceania regions, in line with our basic concept of "selection and concentration," necessary for sustained growth in the intensely competitive environment. However, we face the risk that such strategy may not proceed as planned and that we may be unable to implement measures that surpass our competitors.
Impact of product and technology development	Automobile manufacturers are subject to demands for drastic change in attitudes and technologies. If we are unable to sufficiently satisfy customers' values and needs, or if (due to internal or external factors) we are unable to develop and provide new technologies and products to customers in a timely manner, we face the risk of a decline in our share of sales, leading to decreased sales and profitability. We also face the risk that new technologies we have developed may not be well received by customers if the environment changes more than anticipated, the world's needs change or if our relative development competitiveness declines.
Impact of the personnel and labor strategy	The MMC Group believes it is extremely important to secure highly specialized personnel and to provide them with opportunities for success to achieve sustainable growth to deal with severe environment changes facing the industry. However, we face the risk that recruitment and retention may not proceed as planned due to difficulties in recruitment and increased liquidity in the labor markets.
Influence of climate change	If global climate change escalates further, we face physical risks such as having to suspend the operation of plants due to weather-related disasters. If global climate change measures advance, and fuel efficiency/CO ₂ emissions regulations and regulations on the ratio of electric vehicles sold in the countries and regions that are MMC's markets are further strengthened or introduced, we could face migration risk such as withdrawal from a market due to the investment required to respond to or non-conformity with regulations.
Risks related to finance and the economy (financial risks)	
Impact of foreign exchange rate fluctuations	Fluctuations in the yen and foreign currencies cause changes in the values of receivables and payables that are denominated in foreign currencies. The Company faces the risk that changes in yen-based profits resulting from major foreign currency fluctuations could substantially impact the Group's operating performance and the realization of its business plans.
Impact of credit risks of customer, trading partner and others	The MMC Group is exposed to credit risks in its transactions with dealers and with customers and other trading partners, as well as in its automobile financing business. The Group also faces the risk that losses stemming from such credit risks could exceed its estimates due to deterioration in the external environment or other factors.
Impact of the liquidity of funds	The MMC Group faces the risk of being unable to raise the required funding at appropriate terms in the financial markets owing to an economic or financial crisis, or due to the lowering of its credit rating.
Risks related to business continuity (hazard risks)	
Impact of natural disasters, accidents and outbreak of infectious diseases	The MMC Group faces the risk that a major natural or other disaster, including earthquakes, typhoons, floods, fires and epidemics, could result in the suspension or other serious interruption in the operations of the Group or its suppliers.