

# Governance

## Corporate Governance

### Basic Views Regarding Corporate Governance

Based on its corporate philosophy (vision and mission), MITSUBISHI MOTORS 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 part of the goal of further strengthening corporate governance, since June 21, 2019 the Company has changed to a company with three committees in order to (i) make explicit the separation of supervisory and executive functions, (ii) work to further enhance supervisory functions and ensure thorough risk management in order to safeguard the soundness and transparency of management and (iii) realize agile execution of business in order to rapidly respond to changes in the business environment.

### Board of Directors and Members of the Board

The Board of Directors is responsible for making deci-

sions concerning important management issues and overseeing business execution.

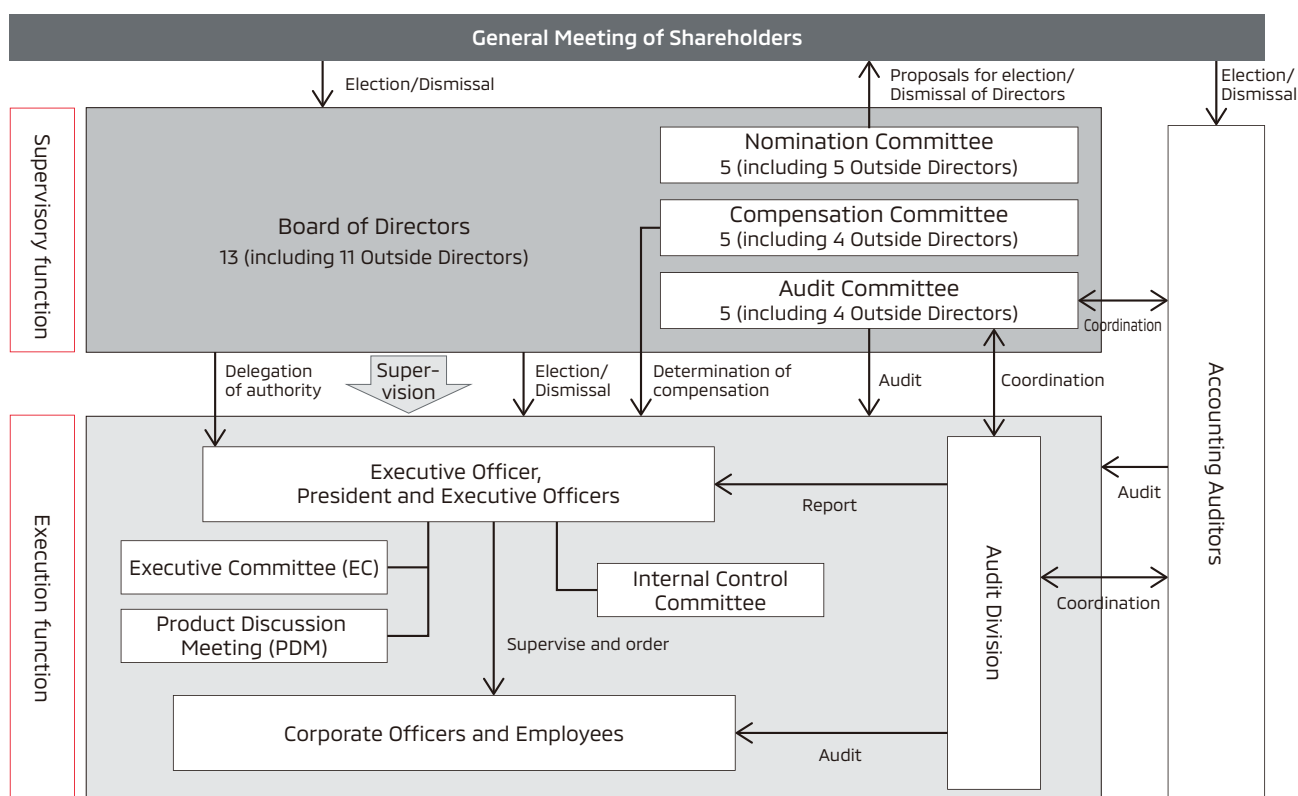
The Company has established the following basic policy regarding the policy for nominating candidates for Directors and the composition and size of the overall Board of Directors. As it is important that the appropriate number of Directors, internal or outside, with diversity in terms of knowledge, experience, expertise and background, engage in vigorous discussions from a variety of perspectives in order for the Board to objectively and multi-dimensionally deliberate on management policies and execution of specific matters, and to appropriately supervise the execution status of operation by Executive Officers, candidates for Directors shall be nominated to realize this.

In accordance with the above policy, the independence and diversity of the Board shall be ensured.

In order to strengthen the supervisory function of the Board, the majority of Board members shall be Outside Directors. Furthermore, in order to fulfill their duties from an independent and objective standpoint, at least one-third of the Directors shall be Independent Directors, and consideration shall be given to their total term of office. In addition, the majority of the Nomination, Compensation, and Audit Committees, respectively, shall be Outside Directors, and in principle, the chairperson of each committee shall be an Outside Director.

Outside Directors shall be nominated based on their diverse knowledge, experience, and expertise, which cannot be obtained from Internal Directors alone, for example, specialists in law, accounting, finance, etc.,

Corporate Governance Structures (June 23, 2022)



persons with management experience at global companies above a certain size, and persons with a wealth of knowledge of world affairs or social and economic trends, etc. Importance shall be placed on their eagerness to devote the necessary time and efforts to understand the business of the Company as a group, and discuss the direction the Company as a group should take, and to express their opinions to the management without hesitation. In addition, the diversity of backgrounds such as gender, age, and internationality shall be also taken into account, as it shall be recognized that multiple perspectives contribute to business promotion and appropriate supervision and auditing.

As for Internal Directors, Executive Officer, President & CEO, and a person who can appropriately serve as a member of the Audit Committee based on his or her execution experience of operation at the Company shall be nominated.

It shall be ensured that the Board is composed of the number of people who can openly and constructively discuss and exchange opinions.

As of June 23, 2022, the Board comprised 13 Members (two female Members). Eleven of the 13 Directors are Outside Directors with extensive experience and high levels of insight, and five of the Outside Directors are Independent Outside Directors.

## Committees

The Board of Directors has the following three statutory committees, which supervise Directors and Executive Officers together with the Board of Directors. Each committee is composed of a majority of Outside Directors, and the Chairpersons of each committee are Outside Directors. Through this, a system is in place in which corporate governance functions in a fair and transparent manner.

The Nomination Committee makes decisions on reso-

lution proposals for the appointment and dismissal of Directors to be submitted to the General Meeting of Shareholders. The Nomination Committee is also responsible for approval of appointment and dismissal proposals for Executive Officers to be submitted by the President to the Board, and deliberation on matters concerning succession plans for the Company's President, etc.

The Compensation Committee deliberates and determines the policy for determining matters such as the remuneration of Directors and Executive Officers, as well as matters such as the details of individual remuneration.

The Audit Committee audits the execution of duties by Directors and Executive Officers, supervises the status of formulation and operation of the internal control system and prepares audit reports. Additionally, the Audit Committee conducts internal investigations on matters that the Board deems inappropriate for the executive side to conduct investigations.

## Executive Officers

Executive Officers are given the authorization to make decisions relating to the execution of business excluding any of the above items. Executive Officers are responsible for making decisions on business execution delegated by the Board. The President is appointed as the head of the executive departments by a resolution of the Board. As of June 23, 2022, there are 12 Executive Officers (including the President).

## Decision-Making Process in the Execution of the Business of the Company and Related Committees

In the execution of business, in addition to the President, who is the head of the Executive Officers, Executive Vice Presidents who have authority and responsibilities as persons in charge with respect to the execution of business within the scope of their duties are also

## Knowledge, Experience and Specialization of the Board of Directors as a Whole (Skill Matrix)

Name	Classification	Person with management experience at a listed company	Person with expertise in the automotive field	Person with specialization in law, accounting or finance	Expert in world affairs, social and economic trends, etc.
Tomofumi Hiraku	Outside/independent				●
Takao Kato			●		
Hitoshi Inada				●	
Shunichi Miyanaga	Outside	●			
Main Kohda	Outside/independent				●
Yaeko Takeoka	Outside/independent			●	
Kenichiro Sasae	Outside/independent				●
Hideyuki Sakamoto	Outside		●		
Yoshihiko Nakamura	Outside/independent			●	
Joji Tagawa	Outside		●		
Takahiko Ikushima	Outside			●	
Takehiko Kakiuchi	Outside	●			
Kanetsugu Mike	Outside	●			

Note: The table above does not represent all the knowledge and experience possessed by each director.

## Governance

appointed. Moreover, the Company has systematized decision making authority based on the Delegation of Authority (DOA) Rules and defined the matters delegated and their scope. The Company also established decision making procedures for major matters and is working to speed up business execution and improve the transparency of the decision making process.

Important matters on management are decided after deliberation at the Executive Committee (EC), which is composed of all Executive Officers and chaired by the President.

Important matters relating to product development projects are decided after deliberation at the Product Decision Meeting (PDM).

Additionally, matters related to internal control are decided after deliberation at the Internal Control Committee. Each of these committees are chaired by the President and the relevant Executive Officers serve as members.

### Conflicts of Interest

The Company conducts transactions with related parties such as its Officers or major shareholders based on validation with multiple related departments and approval of the person in charge, pursuant to the delegation of authority rules, after the Company has sufficiently considered the economic rationality to confirm there is no harm to the common interests of the Company and its shareholders, which is the same process the Company goes through with non-related parties. Transactions between the Company and Directors or Executive Officers that particularly compete with the Company's business operations or conflict with the Company's interests require prior resolution from, and after-the-fact reporting to, the Board in accordance with the rules of the Board.

In addition, the Rules of the Board stipulate that Directors with a special interest in a resolution of the Board shall not participate in such resolution.

### 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 FY2021, 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 examined 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.

- Shifting the focus of deliberations and discussions of the Board to broader matters
- Deepening understanding of the environment surrounding of management and the status of the execution side, which is a prerequisite for the decisions and supervision by the Board, and enhancing opportunities to obtain information on the background of consideration and decision making by the executive side.

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

MITSUBISHI MOTORS' Compensation Committee, which is chaired by an outside director, has established the following policy regarding remuneration for Directors and Executive Officers.

#### 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)	34	34	—	—	—	—	—	—	1
Executive Officers	659	464	127	24	—	19	2	20	12
Outside Directors and Outside Audit & Supervisory Board Members	195	195	—	—	—	—	—	—	13

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 13 persons served as Outside Directors or Outside Audit & Supervisory Board Members during FY2021, received compensation as Members of the Board. In addition, the number includes two Outside Directors who resigned during FY2021.

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.

<Basic approach>

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.

Based on these policies, the Compensation Committee determines the method calculating remuneration and individual remuneration amounts of the directors and executive officers.

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.

The Company 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; see the below). 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.

Based on the recognition that addressing sustainability is a key management issue for the Group, from fiscal 2022 we have added the following ESG-related items as indicators for determining long-term performance-linked compensation.

- Environmental indicator:  
We have introduced "CO<sub>2</sub> emissions from business activities" as an indicator for measuring progress in addressing climate change and other increasingly serious environmental issues.
- Social indicator:  
We have introduced "employee engagement" as an indicator of enhanced employee job satisfaction and

increased initiative due to efforts to maintain diversity and work-life balance, and promote HR development.

Note: For details of executive compensation, 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" resolved at the Board of Directors, MITSUBISHI MOTORS monitors the status of operations and strives to improve and reinforce internal control systems.

In fiscal 2017 the Company appointed a Global Risk Control Officer to manage compliance and operational hazard risks and report regularly to the Board of Directors on governance improvement measures. (In fiscal 2022, the name of the post was changed to the Executive Officer for Internal Control/Corporate Affairs.) 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, 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 & CEO 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 2022, we expanded the scope of risks covered to address multiple new risk factors that have emerged in recent years (geopolitical, economic security, business and human rights risks) and are intertwined. In addition, we have established the Internal Control Promotion Office under the supervision of the Executive Officer for Internal Control/Corporate Affairs to identify and prevent potential risks, respond to emergencies when risks materialize, and make the Company's major risks visible.

We have been working to establish a global internal control structure by gradually establishing and operating internal control committees from fiscal 2018 at main affiliates in Japan and overseas. In addition, we have established a system in which a designated department is responsible for the overall management of each affiliated company, and related internal departments support the responsible department according to their roles, providing various support, checks and balances, and supervision to strengthen the affiliate and promote its development. Furthermore, internal

## Governance

rules have been established to ensure that important information at subsidiaries is reported to the Company in a timely and appropriate manner, and subsidiaries operate in accordance with these rules. To ensure the appropriateness of financial reporting, a specialized organization has been set up under the J-SOX Promotion Committee described above. This organization follows up on and gathers information about systems in place at the Company and its affiliates, the scope of evaluation, the evaluation status of companies subject to evaluation, the improvement status and other matters.

We have 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.

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, we have 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 associates in Japan and overseas.

### Management Structure

At MITSUBISHI MOTORS, to prevent compliance infractions and information security incidents, under the direction of the Executive Officer for Internal Control/Corporate Affairs each division appoints a compliance officer, and department heads serve as code leaders.

#### ■ 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, 2022, the office fielded 134 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

Our measures to ensure information security include putting in place and reviewing internal regulations, managing information assets, strengthening measures against ransomware and other 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, as the protection of personal information is being strengthened worldwide and restrictions on the transfer of personal information outside countries and regions are becoming stricter, we have established a system to respond to the personal information protection laws and regulations of each country and to take appropriate legal action in cooperation with our offices in each country.

#### ■ 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.

Compliance officers work closely with the code leaders to prevent compliance violations within their departments. When a compliance violation occurs, corrective actions are taken, prevention of recurrence and effectiveness are confirmed, and horizontal deployment is implemented and reported to the Executive Officer for Internal Control/Corporate Affairs.

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.

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.

In the event of a major incident, an emergency response organization is set up in accordance with the emergency response manual, and a system is in place to ensure that an appropriate response is taken.

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 FY2021, we checked the status of 20 Group companies (MITSUBISHI MOTORS, 7 domestic associates, and 12 overseas associates).

In FY2021, we experienced no serious compliance infractions requiring disclosure.

## Risk Management

### Basic Approach and Policies

MITSUBISHI MOTORS has defined a policy for the management of business risks in the form of the Basic Policy on the Establishment of Internal Control Systems, and promotes risk management activities throughout the entire MITSUBISHI MOTORS Group. We consider it one of our most critical management issues to appropriately assess risks to the MITSUBISHI MOTORS Group's business, prevent risks from occurring, and engage in appropriate management to minimize the impact of risks if they do occur.

### Development of Risk Management Framework

We have 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, divisional risk management and affiliated company risk management.

For priority risk management, we select risks that the entire MITSUBISHI MOTORS Group faces directly, that have a high potential impact and a high degree of urgency. For each risk, we assign "risk owners," who are of vice president or corporate vice president level, and work as quickly as possible to reduce these risks.

In divisional risk management, we have appointed risk management officers to each division or plant.

These officers work to reduce risks through repeated application of the PDCA cycle involving identifying and evaluating each risk, devising and implementing countermeasures, and monitoring.

Affiliated company risk management involves regular confirmation by MITSUBISHI MOTORS of the status of initiatives addressing various risks faced by subsidiaries and associates and activities such as business continuity planning improvements. Improvement suggestions and guidance are provided as required.

As a new strengthening measure, the Internal Control Promotion Office was established in fiscal 2022. As risks that are intricately intertwined with strategy, finance, operational and hazard risks (geopolitical risks, risks related to economic security, risks related to business and human rights, etc.) have surfaced in recent years, the Company has established a system to expand the scope of risks for management.

These risk management initiatives are regularly reported to the Board as major internal control activities, and their efficacy is verified.

In addition, to prepare for unforeseen contingencies we have developed urgent information communication system that enable the rapid communication of information to directors and other key personnel, as well as a swift and accurate response. In particular, to create a crisis management system to respond when serious incidents occur, we have formulated an emergency response manual, which we revise as appropriate. This manual outlines the establishment of an emergency response organization and clarifies the chain of command, enabling us to put appropriate response systems into place.

The MITSUBISHI MOTORS basic policy in times of disaster such as earthquake or other natural disaster or an outbreak of infectious disease—to ensure the safety of customers, as well as employees and their families, and assist local communities. We are preparing disaster countermeasures and business continuity plans (BCPs) to this end.

We conduct drills in communicating among various manufacturing facilities 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 for a three-day period (in accordance with the Metropolitan Tokyo Ordinance on Measures for Stranded Individuals), we have ensured means through which they can communicate with their families, cached emergency supplies and are conducting initiatives by communicating with local municipal authorities.

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

Further, in light of the spread of COVID-19, the Company newly established a "BCM (Business Continuity Management) Committee" from FY2020 and will endeavor to promote BCM activities on a regular basis.

## 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 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 the securities report unless otherwise stated.

### Risks related to the market and business (operational risks)

<b>Impact of parts and raw material procurement</b>	<p>Risk that, if supplies from suppliers are stopped, or if it is not possible to procure in a timely way and at competitive prices due to such unexpected reasons as rapid changes in the supply and demand of raw materials, parts, etc., changes in the political situation of the country of procurement, tightening of import/export regulations related to economic security, and occurrence of natural disasters, production of our products will be delayed or stopped, and costs may increase</p> <p>Risk that, if unforeseen human rights violations at a supplier occur and/or are discovered, they will damage the Group reputation</p>
<b>Impact of product quality and safety</b>	<p>Risk that if recalls, improvement measures, etc. due to product defects or failures become large scale, or if there is a large-scale liability claim from customers due to product defects or failures, the Group may be affected by the incurring of substantial costs, evaluation of the Company's products, damage to its brand image, decline in sales, etc.</p>
<b>Impact of laws and regulations, etc.</b>	<p>Being subject to various laws and government regulations concerning the environment in the countries where the Group operates, the risk that the Group fails to conform to or is unable to comply with laws and regulations, or that such failure should lead to sanctions against it</p> <p>Risk that large costs may be incurred for the purpose of conforming to and of complying with revised or new enhanced regulations, or that there may be delays or suspension in the procurement of components or the manufacture, sale and distribution of products, etc.</p> <p>Risk that if there is a fact of law violation, or the content, effect, promptness and others of its response are insufficient, the fact or insufficiency may have a negative impact on the Group's compliance reputation</p>
<b>Impact of legal procedures</b>	<p>Risk of present or future disputes with users, business partners, third parties, or investigations by regulatory authorities in relation to alleged non-compliance with laws and regulations resulting in rulings that cause claims and forecasts of the Group to change</p> <p>Risk that although the MMC Group holds product liability insurance to fully cover compensation for damages and legal costs arising from claims for damages and lawsuits in relation to product liability where the courts ruled in favor of plaintiffs, a ruling could require the Group to pay the amount of compensation larger than anticipated</p>
<b>Impact of infringement of intellectual property rights</b>	<p>Risk that a third party unlawfully uses the Group's intellectual property to manufacture and sell imitations of its products, or that limitations in the legal system in certain countries in relation to the protection of the Group's intellectual property rights result in a fall in sales or in legal costs</p> <p>Risk that an unexpected infringement of a third-party intellectual property right by the Group requires a halt in manufacturing or sales or the payment of compensation, or causes damage to reputation of the Group's products and a consequent drop in demand</p>
<b>Impact of IT and information security</b>	<p>Risk that, due to hacking and cyberattacks on our infrastructure, products, and services, inadequate management or human error within the Group or at contractors, or occurrence of natural disasters there may be leakage of confidential, personal, and other information including information concerning our technologies, suspension of our important operations and services, improper paperwork or destruction/falsification of important data resulting in an impairment of the Group's brand image and social credibility causing sales to decline, legal claims, lawsuits or liability for damages, obligation to pay penalties or fines, or operational problems such as production suspension</p>

<b>Risks related to business strategy and the maintenance of competitiveness (strategic risks)</b>	
<b>Impact of product and technology development</b>	Risk of not sufficiently capturing the values and needs of customers or that even if the values and needs of customers have been captured, our sales share could decline due to being unable to develop and provide customers with new technologies and products in a timely manner because of internal and external factors Since the Group's business focuses on ASEAN, the risk that our sales share could decline due to products not being accepted by customers outside the ASEAN region due to a mismatch with changes in the environment and needs in other regions Risk that such new technologies will ultimately not be well received by customers if the environment changes more than anticipated, the world's needs change or our relative development competitiveness declines
<b>Impact on the sales strategy and response to competitor trends</b>	We have also progressed our regional strategy focused on key areas of ASEAN and Oceania, in line with our basic concept of "selection and concentration," necessary for sustained growth in the intensely competitive environment. Nevertheless, we face the risk that such strategy may not progress as planned and we may be unable to implement measures that surpass our competitors.
<b>Impact of alliances with other companies</b>	Risk that alliances and joint ventures with other companies may change or cannot be maintained due to changes in the business strategy of the other party or inconsistencies between parties, the risk that expected results may not be achieved, and the risk that the financial condition of an alliance/joint venture partner could deteriorate
<b>Impact of the personnel and labor strategy</b>	Risk that recruitment and retention do not proceed as planned due to difficulties in recruitment and increased liquidity in the labor markets Risk of a loss of trust and confidence among our customers due to any Group company and related party acting in a way that creates a human rights problem, or of damage to our brand image due to a deterioration of our social trust that impacts our business foundations
<b>Influence of climate change</b>	Risk that cost of sales rises to address the further strengthening of fuel economy/CO <sub>2</sub> emissions regulations and other regulations due to climate change countermeasures proceeding more than expected, or that costs of production and procurement rise due to expanding the introduction of carbon pricing, etc. Risk that the procurement of components, manufacture, sale and distribution of products, etc. are delayed or suspended due to more frequent or severe natural disasters, such as flooding, than predicted in countries or regions where manufacturing bases of the Group are located
<b>Risks related to finance and the economy (financial risks)</b>	
<b>Impact of changes in the market environment</b>	Risk that business activities may be affected by an economic downturn, financial crisis, etc. in an individual region and country, and that if transportation costs rise, it could be difficult to secure ships for transportation, or ship arrangements could be delayed, adversely affecting our production and sales activities
<b>Impact of foreign exchange rate fluctuations</b>	Risk of significant fluctuations in exchange rates in situations where the values of foreign currency denominated assets (accounts receivable-trade, etc.) and liabilities (accounts payable-trade, etc.) change as exchange rates between the Japanese yen and foreign currencies fluctuate
<b>Credit risk of business partners</b>	Risk that a loss stemming from such credit risk exceeds the Group's expectations due to a deterioration of the external environment, etc.
<b>Impact of the liquidity of funds</b>	Risk of being unable to raise the required funding at appropriate terms in the financial markets due to an economic or financial crisis, etc. or due to a lowering of the Group's credit ratings
<b>Risks related to business continuity (hazard risks)</b>	
<b>Impact of natural disasters, accidents and outbreak of infectious diseases</b>	Risk of facilities in manufacturing bases and other locations being damaged or the procurement of components or the manufacture, sale and distribution of products being delayed or suspended, due to a natural disaster, accident or spread of an infection on a scale larger than anticipated
<b>Impacts of war, terrorism, political instability, and deteriorating security</b>	Risk of the procurement of components or the manufacture, sale and distribution of products being delayed or suspended, or the risk of costs increasing, due to terrorism, war, civil war, political instability, security instability, or the like occurring on a larger scale than expected