

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.

► Corporate Government Guidelines

Overview of Corporate Governance System

We are a company with a Nomination Committee, etc. 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.

Board of Directors and Members of the Board

The Board of Directors is responsible for making decisions concerning important management issues and overseeing business execution.

MMC has established the policy for nominating

candidates for Directors and the composition and size of the overall Board of Directors as follows.

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, 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., 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 eager-

ness 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 19, 2025, the Board comprised 12 Members (2 female Members), and 10 of the 12 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 fairness and transparency are ensured and corporate governance functions effectively.

The Nomination Committee makes decisions on proposals for the appointment and dismissal of Members of the Board to be proposed to the General Meeting of Shareholders, approves proposals for the appointment and dismissal of Executive Officers proposed by Representative Executive Officer, President & CEO to the Board of Directors, and discusses suc-

sion planning for MMC's President.

The Compensation Committee deliberates and makes decisions regarding 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 of the Members of the Board and Executive Officers, supervises the status of implementation and operation of internal control systems, and prepares audit reports; furthermore, it implements internal investigations into matters for which the Board of Directors determined that it is unreasonable for the person who executes the business to conduct an investigation.

Executive Officers

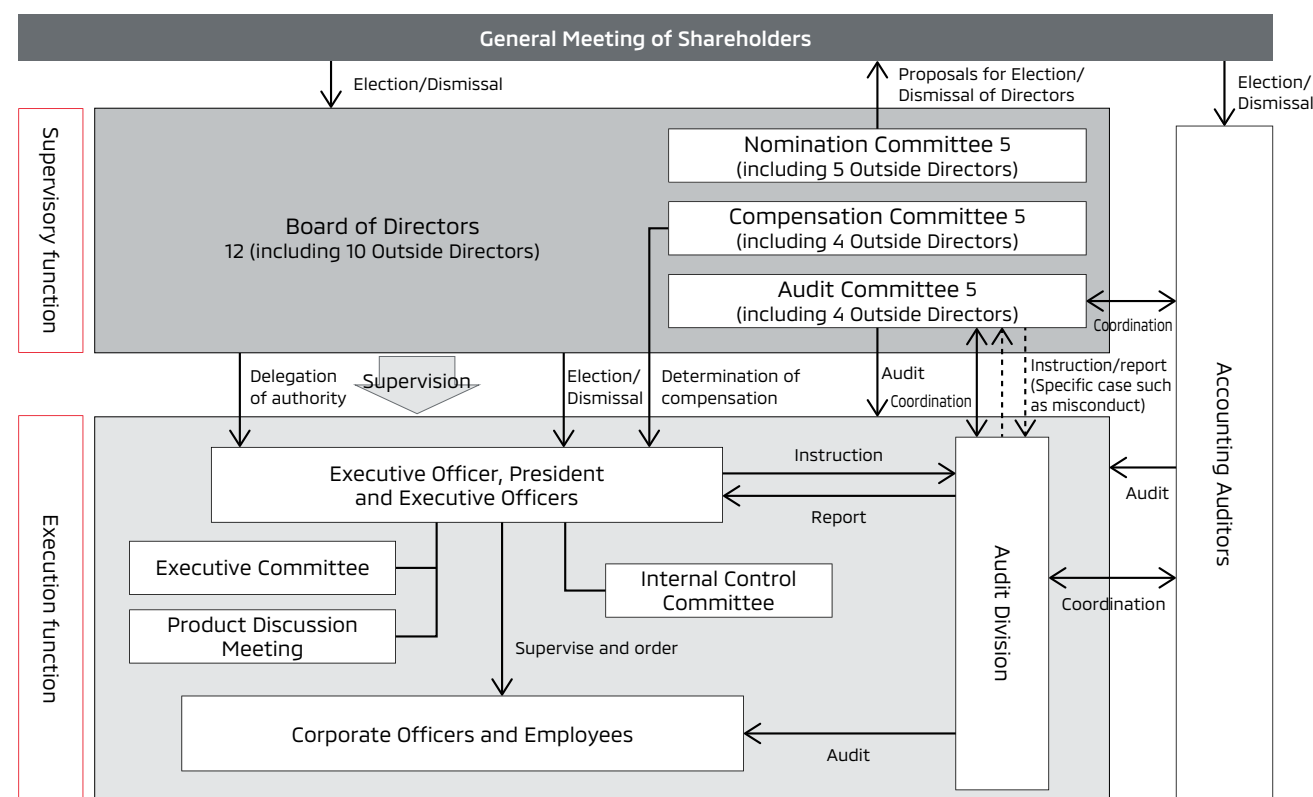
Executive Officers make decisions on business execution delegated to them by the Board of Directors and are responsible for carrying out their execution. The President is selected as head of the executive department by resolution of the Board of Directors. MMC has 10 Executive Officers (including the President) as of June 19, 2025.

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

When executing business, the Executive Officer, Executive Vice President is positioned as the responsible person with authority and responsibility for business execution within the scope of duties, in addition to the President who is the head of the executive department. In addition, delegation of decision-making authority is systematized based on the Delegation of Authority (DOA) Rules, in which items subject to delegation and their scope are defined, and decision-making procedures for major matters are formulated to speed up business execution and improve the transparency of the decision-making process.

Important management matters are decided after deliberation at the "Executive Committee (EC)," which

Corporate Governance Structures (June 19, 2025)



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				●
Kenichiro Sasae	Outside/independent				●
Hideyuki Sakamoto	Outside		●		
Yoshihiko Nakamura	Outside/independent			●	
Joji Tagawa	Outside		●		
Takehiko Kakiuchi	Outside	●			
Kanetsugu Mike	Outside	●			
Junko Ogushi	Outside/independent			●	

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

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is composed of all Executive Officers and chaired by the President.

Furthermore, important matters related to product projects are decided after deliberation at the "Product Meeting (PDM)."

Moreover, matters related to internal control are decided after deliberation at the "Internal Control Committee." For each of these, the President serves as Chairperson and relevant Executive Officers are members.

Conflicts of Interest

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 (hereinafter referred to as 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.

Furthermore, the Company conducts transactions with related parties, such as its Officers or major shareholders, based on the validation of multiple related departments and approval of the person in charge, pursuant to the delegation of authority rules (hereinafter referred to as the "DOA"), after the Company has sufficiently considered the economic rationality to confirm there is no harm to the Company's interests, which is the same process the Company goes through with non-related parties.

Analysis and Evaluation of the Effectiveness of the Board of Directors

To improve the effectiveness of corporate governance, the Company annually evaluates the effectiveness of its Board through a questionnaire survey of all Directors and the results of this survey are reported to the Board.

In FY2024, we conducted a survey of all Directors under the following scope for the purpose of enhancement of Board's oversight capability:

<Aspects evaluated>

1. Structure and operations of the Board
2. Management and business strategy
3. Corporate ethics and risk management
4. Monitoring of management
5. Dialogue with shareholders
6. Committees

Below is a summary of the effectiveness of the Board in FY2024, taking into account the comments received from each Director

- The Company's Board is generally judged to be effective.
- As the external environment is becoming even more uncertain, it is important to continue deepening discussions on mid- to long-term comprehensive management strategies. The Company has recognized the following issues to be addressed to achieve further improvement:
 - Necessity to continuously update management-related information and further enhance the quality

of supervision and decision making

- Necessity to further deepen discussions in terms of formulation of strategies and allocation of management resources from mid- to long-term and broad perspectives, and enhance explanations to stakeholders

Based on the summary and recognition of issues, the Board is considering the following responses:

- Enhancement of reports and discussions on management-related information
 - Improvement of reports and discussions on the status of business execution in key divisions
- Further enhancement of discussions for formulation of future management plans

Through these initiatives, we will further improve the effectiveness of the Board and continue to strengthen corporate governance.

Executive Compensation

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.

<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.

Remuneration for Directors who do not concurrently serve as Executive Officers shall be basic compensation, which is a fixed amount, considering that their role is to supervise the overall execution of business from a standpoint independent from the execution of business. In addition, the chairpersons and members of the Nomination Committee, Compensation Committee, and Audit Committee receive only a fixed amount of remuneration that is added in accordance with their duties.

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

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		
		Base compensation	Short-term performance-linked compensation	Additional individual compensation	Long-term performance-linked compensation	Deferred retirement compensation	
Members of the Board (Excluding Outside Directors)	34	34	—	—	—	—	1
Executive Officers	587	415	43	29	63	36	10
Outside Directors and Outside Audit & Supervisory Board Members	215	215	—	—	—	—	11

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 11 persons served as Outside Directors or Outside Audit & Supervisory Board Members during FY2024, received compensation as Members of the Board.
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 as share-based compensation (BIP Trust; see the page50). 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 high priority management issue management issue for the Group, from FY2022 we have added the following ESG-related items as indicators for determining medium-to-long-term performance-linked compensation.

- Environmental indicator:

We have introduced "CO₂ emissions from business activities" as an indicator for measuring progress in addressing climate change and other increasingly environmental issues.

- Social indicator:

We have introduced "employee engagement" as an indicator of improved job satisfaction and increased initiative among employees.

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

Internal Control Systems

Basic Approach, Policies and Structure

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.

We recognize the gravity of its improper conduct in fuel consumption testing, on top of past quality problems. As one of its priority measures aimed at regaining trust, in FY2017 we 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. (currently Executive Officer for Internal Control.) 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 con-

trol of the Representative 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 Representative Executive Officer, President & CEO and vice-chaired by the Executive Officer in charge of Internal Control Committee, promotes internal control related to the Companies Act. This Internal Control Committee, which convenes twice a year with the participation of all Executive Officers, checks and evaluates the contents reported and/or resolved at subcommittees in each internal control field, such as Compliance, Information Security, Business Continuity Management (BCM), and J-SOX, in accordance with the "Basic Policy on the Establishment of Internal Control Systems." These activities are also reported regularly to the Board of Directors to check their effectiveness.

In response to newly emerging risks, (geopolitical risks, risks related to economic security, and risks concerning business and human rights), that are intricately intertwined with multiple risk factors (strategic, financial, operational, and hazard) for a single event, the Internal Control Promotion Division, under the supervision of the Executive Officer for Internal Control, takes the lead in identifying and preventing potential risks, responding promptly when risks materialize, and visualizing significant risks.

In FY2024, we also launched company-wide "Internal Control KAIZEN Activities," through which each division identifies issues in their business processes and works to implement improvements.

We have been working to establish a global internal control structure by gradually establishing and operating internal control committees from FY2018 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 such responsible department according to their roles, providing various support, checks and balances, and supervision to strengthen the affiliate and promote its development. Additionally, internal rules have been established to ensure that important information at subsidiaries is reported to Mitsubishi Motors in a timely and appropriate manner.

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ate manner, and subsidiaries operate in accordance with these rules. To ensure the reliability of financial reporting, a specialized organization has been set up and is operated under the J-SOX Promotion Committee described above. This organization follows up on and compiles information related to the development of systems at Mitsubishi Motors and its affiliates, the determination of evaluation scope, and the evaluation and improvement status of companies subject to assessment.

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 ensuring compliance with laws and regulations and promoting proper and efficient business execution in line with changes in the internal and external environments.

■ Establishment of Internal and External Consultation Offices

To prevent and promptly detect improper conduct, Mitsubishi Motors has established several consultation offices allowing employees of us or its affiliates in Japan and overseas to report or consult about such conduct. Out of total 136 reports and consultations received in FY2024, the results of the investigation revealed 4 cases of compliance issues, including violations of laws and regulations and harassment. We instructed the relevant departments to promptly take corrective actions and confirmed that they were implemented without fail.

■ Education and Training (Japan)

Every fiscal year we formulate compliance-related education and training programs and offer them to employees stratified by 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. Additionally, we have formulated the "MITSUBISHI MOTORS GLOBAL ANTI BRIBERY POLICY" as a global guideline for the prevention of bribery and corrupt practices. This policy clearly states that we tolerate absolutely no bribery or corrupt practices. Furthermore, this policy is also enforced at both domestic and overseas affiliates.

■ Political Involvement (Political Contributions)

Recognizing that reasonable expenditures are required to appropriately maintain a democratic government, we consider 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

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 Group 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, we have issued a "Global Code of Conduct" to serve as

other laws and regulations related to politics. We also ensure to follow our own internal rules for approval.

■ Information Security

Mitsubishi Motors recognizes its social responsibility to adequately protect its important information assets (information and the IT systems, equipment, media, facilities, and products that handle this information) in the course of its business activities in order to gain the trust of all its stakeholders. We have established an information security policy and revised related information security regulations in FY2024 to ensure that the entire organization is prepared for increasingly diverse and sophisticated cyberattacks.

■ Protection of Personal Information

Based on our Privacy Policy, we have established an organizational response framework, compliance requirements for handling personal information, and a reporting line for information leakage incidents. The Chief Information Security Officer (CISO) oversees all activities related to personal information protection. In addition, rules on personal information protection tend to be 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 Control

We sincerely believe in the importance of strict security export 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 the Security Export Control Committee, led by the Representative Executive Officer, President & CEO, who serves as chief security export control officer.

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. We review the "Global Code of Conduct" as necessary.

Management Structure

At Mitsubishi Motors Group, we have established a compliance framework with the Executive Officer for Internal Control as the person responsible, overseeing, directing, and supervising all compliance activities. This officer also reports regularly to the Board of Directors on the status of compliance activities. In addition, each division appoints a compliance officer, and department heads serving as code leaders, to ensure a structured compliance system across the Company. Compliance officers work closely with the code leaders to prevent compliance violations and information security incidents, including those involving personal data. When a compliance violation occurs, compliance officers take corrective actions, establish measures to prevent recurrence and check its effectiveness, and implement horizontal dissemination, then report to the Executive Officer for Internal Control.

Major affiliates in Japan and overseas also appoint compliance officers. To help prevent compliance violations, we have established and operated Mitsubishi Motors Global Hotline since FY2018.

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

As for internal controls related to financial reporting, we verify compliance structures and financial closing procedures. If inadequate controls are found at those companies under evaluation, we request reporting on the nature of the problem and improvements being made. In FY2024, we checked the status of 18 Group companies (Mitsubishi Motors, 6 domestic affiliates, and 11 overseas affiliates).

In FY2024, we experienced no serious compliance violations that might damage our credibility with customers, investors, or other parties.

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 work to improve our 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," and work as quickly as possible to mitigate these risks.

In divisional risk management, we have appointed risk management officers to each division or plant. These officers work to mitigate 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 check by Mitsubishi Motors of the status of initiatives addressing various risks faced by subsidiaries and associates and activities such as BCP improvements. Improvement suggestions and guidance are provided as required.

These risk management initiatives are regularly reported to the Board of Directors as major internal control activities and their effectiveness is checked.

BCM (Business Continuity Management)

We are working on disaster countermeasures and Business Continuity Management (BCM) in line with our basic policy to prepare disaster such as earthquake and typhoons, or other natural disaster or an outbreak of infectious disease to ensure the safety of customers, as well as employees and their families, and provide mutual support to local communities. Since FY2020, we have held the "BCM Committee" twice a year, chaired by the Executive Officer for Internal Control. By centrally managing related internal initiatives, we aim to strengthen BCM activities during normal times and implement company-wide countermeasures.

In order to establish a system to ensure appropriate measures, we have created an emergency response manual that includes provisions for setting up an emergency response organization and establishing the chain of command. In addition, company-wide BCP operating procedures are also in place. We conduct annual disaster drills at each site under normal conditions, assuming an emergency situation, and also conduct a company-wide BCP drill once a year to confirm coordination between the company-wide BCP headquarters and each site.

In preparation for unforeseen contingencies, we operate an emergency contact system to enable the rapid communication of information to senior management and ensure a swift and accurate response.

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Business-related risks

Important risks that may significantly affect the business results, financial position, cash flow position, etc. of the MMC Group include those listed below. The following matters, however, are not an exhaustive list of all risks, and the MMC Group is also potentially exposed to risk other than those listed

below. Any of the risks listed below might impact the business results, etc. of the MMC Group. Moreover, please note that the following matters concerning the future may differ from actual results in the future since the matters concerning the future were assessed by the MMC Group as of the filing date of the securities report and contains uncertainties.

Risks that are currently of particular concern

Impacts of changes in the market environment	Since the local production and procurement in the United States does not account for a large proportion at the MMC Group, the United States' tariff policy may have a significant impact on profits and losses of our business activities in the United States. In addition, there are concerns about a global economic slowdown due to the tariffs, and an economic slowdown in a country, supply chain disruptions, or turmoil in financial or foreign exchange markets as an indirect consequence of the U.S. tariffs may affect not only the U.S. business but also the operating results, etc. of the MMC Group as a whole.
Risks related to the market and business (operational risks)	
Impacts of parts and raw material procurement	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. Risk that, with the increasing enactment of laws and regulations in various countries that require companies to address human rights, the Company could be accused of violating laws and regulations if human rights risks in the supply chain are not properly addressed.
Impact of product quality and safety	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.
Impact of laws and regulations, etc.	Given the various laws and regulations apply in the countries where the business operates, risk that violations of laws and regulations, or inadequate response in terms of content, effectiveness, and speed, may result in being subject to administrative investigations by regulatory authorities, penalties, or becoming involved in related lawsuits, thereby adversely affecting the compliance and reputation of the Mitsubishi Motors Group.
Impacts of lawsuits and other legal procedures	As we may become involved as parties in various lawsuits and other legal proceedings with users, business partners, third parties and others in the course of our business activities, risk that unfavorable judgments could be made against us in these ongoing legal proceedings or any future legal proceedings. Although the MMC Group holds product liability insurance with a certain limit amount to cover compensation for damages, etc. arising from claims for damages and lawsuits in relation to product liability where the courts ruled in favor of plaintiffs, there exists a risk that the insurance policy may not always cover all the compensation for damages, etc.
Impact of infringement of intellectual property rights	Risk of incurring legal costs due to unlawful infringement of the Mitsubishi Motors Group's intellectual property rights. Risk of the Mitsubishi Motors Group suspending the manufacture and sale of its products, unforeseen license fee payments, compensation payments, evaluation and reduced demand for its products, arising from unexpected allegations of intellectual property infringement by third parties.
Impact of IT and information security	Due to unauthorized access or cyberattacks by malicious hackers against the MMC Group or our business partners (infection of computer viruses, etc.), 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 operating system and services, improper paperwork or destruction/falsification of important data. The risk exists that they may result 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.

Risks related to business strategy and the maintenance of competitiveness (strategic risks)

Impact on the sales strategy and response to competitor trends	Based on our mid-term business plan, "Challenge 2025," we are expanding our business in a manner suitable for the uniqueness of each region and country. We are making efforts to establish a stable revenue base through the continuation of company-wide revenue improvement activities. Furthermore, to realize further growth and tackle challenges heading into the next generation, we planned to steadily increase research and development expenses as well as capital expenditure. Nevertheless, there exists a risk that if such strategy does not progress as planned and we are unable to implement measures that surpass our competitors.
Impact of product and technology development	Risk that we cannot sufficiently capture the values and needs of customers even with our research and development based on detailed study and/or cannot provide customers with new technologies and products in a timely manner because of internal and external factors, causing sales market share, sales and profitability to decline.
Impacts of alliances with other companies	Risks associated with business operations through alliances and joint ventures with other companies, including changes in the business structure resulting from changes in market environments or regulations, changes in the partner's business strategy, disagreements in alliance policy between parties, modifications or dissolution of the alliance or joint venture relationship due to changes in the investment ratio, deterioration in the financial condition of the alliance or joint venture partner, and the risk of not achieving expected results.
Impact of the personnel and labor strategy	Risk that the Group's competitiveness may decline if recruitment and retention do not proceed as planned due to hiring difficulties and increased liquidity in the labor market. 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.
Influence of climate change	Risk that cost of sales rises to address the further strengthening of fuel economy/CO ₂ emissions regulations and other regulations due to climate change countermeasures proceeding more than expected. Risk 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 and its business partners are located.

Risks related to finance and the economy (financial risks)

Impact of foreign exchange rate fluctuations	Risk that the yen conversion value of foreign currency denominated assets and liabilities arising from our business operations may fluctuate significantly, affecting profit and loss for the period, due to highly volatile foreign exchange rates.
Impacts of changes in the market environment	Risk that business activities may be affected by an economic downturn, financial crisis, etc. in an individual region and country. Geopolitical risks may increase transportation costs, make it impossible to secure ships, or cause transportation delays, adversely affecting our production and sales activities.
Credit risk of business partners	Risk that deterioration in the external environment or other factors may cause a downturn in the performance of our business partners, which may affect the collection of our accounts receivable.
Impact of the liquidity of funds	Risk that we may be unable to raise the required amount of funds on appropriate terms from financial markets or correspondent financial institutions due to an economic or financial crisis or deterioration of our credit rating.

Risks related to business continuity (hazard risks)

Impacts of war, terrorism, political instability, and deteriorating security	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.
Impact of natural disasters, accidents and outbreak of infectious diseases	Risk of facilities, such as development, manufacturing and sales bases, being damaged due to a natural disaster, accident or spread of infectious disease on a scale larger than anticipated, or the risk of the procurement of components, manufacture, sale and distribution of products being delayed or suspended.