

# Roundtable Discussion among Outside Directors



## Main Kohda

Outside Director  
Independent Director  
Nomination Committee chair  
Compensation Committee member

## Tomofumi Hiraku

Chairman of the Board  
Outside Director  
Independent Director  
Nomination Committee member

## Junko Ogushi

Outside Director  
Independent Director  
Audit Committee member

We met with the Company's independent outside directors to discuss the evolution of corporate governance, the mid-term business plan, Challenge 2025, and key issues for future growth.

## The Role of Outside Directors at Mitsubishi Motors

Please share your thoughts on the outside director role and what areas should be emphasized.

**Kohda** The role of the independent outside director is to bring a voice from outside to the management team and provide objectivity and transparency. I became an outside director in 2018, at a time when compliance and performance recovery were priorities, and I said some pretty tough things regarding the need for transparency and objectivity in the decision-making process. Over the past six years, however, the executive team has worked tirelessly. The Company has transformed itself into an entity with a robust management structure, governance has improved, and accountability has become the norm. There is a growing emphasis on long-term perspectives, stakeholder value, and sustainability. I am very happy to see these developments.

**Ogushi** I was appointed as outside director just last year, so I am not familiar with those difficult times, but I recognize that Mitsubishi Motors has implemented reforms and is now in a phase of normal operation—an evolutionary phase, so to speak. In this context, I place particular emphasis on the perspective of the organization as a whole and on the frontlines. These two perspectives may seem to be opposites, but by being objective and focusing on these perspectives, we can identify areas of difficulty or waste that the execution side might tend to overlook. To achieve this, we must continue to study the Company. In addition to receiving explanations from each department, we are striving to understand our business and workplaces through visits to domestic and overseas production sites and information sharing from the Audit Division.

**Hiraku** As chairman of the Board of Directors, I encourage candid discussions among the board members. At the same time, I strive to utilize my own knowl-

edge of industrial policymaking, DX, and global management, based on my experience working at the Ministry of Economy, Trade and Industry and IBM Japan.

I believe corporate managers in the automotive industry bear tremendous responsibilities. Companies in the automotive industry have many business partners and other affiliates, and this is one of Japan's mainstay industries. As industrial structures become increasingly complex, the mobility society is also entering a period of unprecedented change, and companies are constantly being challenged to innovate in order to survive.

**Kohda** The automotive industry is characterized by high unit costs, long usage periods, and an established market for pre-owned vehicles. On a recent trip to Brazil, I saw that the *Lancer Evolution* is extremely popular in the used car market there, and I realized how much of an impact our cars have on the world. Above all, cars are closely interwoven into people's lives. We need to take responsibility for our vehicles from the time of sale to the end of their lives—maybe even after they are scrapped. For this reason, the commitment and pride of the people who make and sell these products are extremely important in this business, and we need to continue nurturing them.

**Ogushi** Understanding the breadth and depth of the automotive business is no simple matter, given the size of the networks involved, the multiple relationships, overlaps that exist in the supply chain, and the diversity of automotive technologies. Looking just at financial statements, it is impossible to evaluate opportunities and risks without knowing what countries and regions sold which models and how many cars, which domestic and overseas plants produced them, what are the environmental and other regulatory trends in the destination countries and regions, and what is the utilization rate of each plant, among other factors. A wide range of knowledge and information is needed to assess whether limited management resources are being invested effectively.

## Governance at Mitsubishi Motors and Its Evolution

What initiatives are needed to strengthen governance further?

**Hiraku** In June 2019, Mitsubishi Motors designated strengthening corporate governance as a top-priority

management issue and has transitioned to a Company with a Nomination Committee, etc. At the time, only 2% of listed companies in Japan had adopted this organizational form, but in retrospect, it was a wise decision. In 2021, when I was appointed chairman of the Board of Directors as an independent outside director, 11 of the 13 directors were outside directors. Of those, five were independent outside directors. The Board of Directors is unanimous in its view that the current composition of independent outside directors and the number of directors is optimal for Mitsubishi Motors at present. That being said, we will continue striving for optimization based on the opinions of investors and other parties, both inside and outside the Company, as well as in response to changing circumstances.

**Kohda** I well remember when we transitioned to Company with a Nomination Committee, etc. Rather than spending time developing a framework, we decided to start by implementing reforms and then continuing to make improvements on the fly. The current Nomination Committee recognizes the significance of that institutional redesign and the spirit that drove it.

Looking at the board's composition, outsiders might have concerns about the effectiveness of directors who are from companies on the registry of major shareholders. In reality, I believe discussions are very fair, sincere, and frank. Meanwhile, many Japanese companies are now looking for outside director candidates who have management experience at global companies. In reality, finding such people is not easy. In this respect, outside directors who hail from the Company's major shareholders are highly experienced. We are able to leverage their knowledge and experience in the Company's management, which is hugely beneficial.

**Hiraku** Outside directors from companies on the registry of major shareholders are not allowed to attend meetings if there is even the slightest possibility of a conflict of interest, and we work to control deliberations strictly. Also, minority interests are a priority for all directors, and the Company has a policy, led by the president, of actively engaging in dialogue with investors.

The effectiveness of the Board of Directors is evaluated annually and is generally regarded as sufficient. I believe, however, that governance is a work in progress that requires iterative evolution. To compensate for the asymmetry of information between outside directors and executive officers, the Company offers various opportunities to obtain information, such as by

having outside directors visit production sites in Japan and overseas. In addition, we are constantly making improvements. For instance, we draft annual plans for deliberation and are revising the agenda selection process, in order to substantively enhance deliberations on the Board of Directors.

**Ogushi** One of our recent initiatives has been to strengthen the internal control system. While Mitsubishi Motors has already achieved a certain level of compliance, when we looked at all of our domestic and overseas bases we felt the internal control system remained somewhat weak. Over the past year, under the leadership of President Kato we have taken measures to enhance the effectiveness of the internal control system. The new Internal Control Promotion Division was established in July 2024, putting in place a system in which internal control and auditing work in tandem. I find this very encouraging. Since the system's effectiveness depends on how it is implemented, we will continue to exchange opinions and discuss the situation with the Internal Control Promotion Division and the Internal Audit Division.

**Kohda** I believe a forward-looking perspective will be important. Through structural reforms, the Company has put various foundations in place, and it is now in the position to draw up strategies that are more focused on the future. Our next emphasis will be on nurturing and taking advantage of future talent. The Nomination Committee already creates and operates a succession plan for the management team; we intend to expand the scope of the plan. We also need to raise awareness of the share price and market capitalization to meet stakeholders' expectations of Mitsubishi Motors going forward. We should not be swayed by short-term fluctuations in the share price,



but management based on the cost of capital will become even more important in light of future investments and other factors.

## The Challenge 2025 Mid-Term Business Plan

### What are your thoughts on Challenge 2025 after its first year?

**Hiraku** Based on the robust and agile management structure that was achieved through the structural reforms of the previous mid-term business plan, the current plan, Challenge 2025, shifts to a growth trajectory. In formulating this plan, we emphasized the importance of returning to the roots of embodying "Mitsubishi Motors-ness." In the second half of 2021, a "15-year plan consideration team" began to discuss the long-term vision and the shape that Mitsubishi Motors is aiming for in a period of major change that is said to occur only once every 100 years. The results of the team's considerations were used as the basis for the themes of the plan's three challenges, ensuring the direction was clear and consistent with the materiality issues. The three challenges are (1) the establishment/strengthening of an absolutely stable revenue base, after dividing the global market into three categories and clarifying the roles of each region, (2) working toward carbon neutrality by accelerating electrification and reducing greenhouse gas emissions, and (3) digitalization/expansion into new business areas. All the new models introduced in fiscal 2023, the plan's first year, earned high marks, indicating generally steady progress under the individual strategies. Economic slowdowns in Thailand and Indonesia, which the Company had identified as growth areas, caused a drop in overall demand, but such changes in the business environment can always occur. From fiscal 2024, I believe that the key to success will be to closely monitor such changes in the global marketplace and respond flexibly and agilely.

**Kohda** To date, Company management has focused mainly on taking a "defensive" approach. Frankly, I am pleased to see the word "challenge" appear as the Company adopts a more proactive stance. I believe this approach reflects the mindset of our employees as business performance recovers and we move to a growth trajectory. Going forward, we will need to select and concentrate on challenges.

In an environment of increasing uncertainty involving diversification of the mobility business, geopolitics, and the global environment, society's expectations and demands continue to change. We must be flexible in deciding what challenges to focus our resources on. In the area of sustainability, which is becoming increasingly important, we will pay particular attention to areas where we work together with suppliers, such as human rights and Scope 3 CO<sub>2</sub> emissions. I believe Mitsubishi Motors' scope of responsibility is expanding.

**Ogushi** As you say, since the main focus of Challenge 2025 is on addressing challenges, we need to focus on monitoring new initiatives and investments. We will place particular emphasis on trends overseas and at Group companies. For example, we have launched a financial services initiative in Asia, and I believe that monitoring our affiliates and investments here will be important.

We also want to emphasize motivation in the proper functioning of internal controls. Some Group companies have been decisive in their implementation of painful reforms, and motivation at those companies is high. While continuing to nurture a spirit of challenge, we will support efforts to conduct internal audits in a calm and objective manner, without giving undue consideration to past history.



## Aspirations for the Future

### What are your aspirations going forward?

**Kohda** In order to continue pursuing "Mitsubishi Motors-ness" and taking on new challenges, I believe it is important for development, sales, marketing, and other divisions to collaborate and mutually enhance each other's value. It will also be essential to hone our communication skills, further enhancing our ability

to disseminate information externally and to incorporate diverse knowledge from inside and outside the Company. We need to think about how to recruit, develop, and encourage the human resources that are best suited for Mitsubishi Motors' development. I would like to see a more in-depth discussion about the evolution of our human capital strategy.

**Ogushi** As this will be my second year in office, I am determined to renew my focus, improve my understanding of the industry and its businesses, and, as I said at the beginning, place an even greater emphasis on taking a bird's-eye view of the organization as a whole and adopting a front-line perspective. We will continue to address various challenges in the face of companies that are larger and more highly capitalized, and some bottlenecks may occur as a result. I plan to work closely with the Audit Division and the Internal Control Promotion Division to keep a close watch for any dip in motivation and to monitor for unreasonable or wasteful behavior.

**Hiraku** As you have both already mentioned, I also hope to see an increase in the number of highly motivated people who embody "Mitsubishi Motors-ness." To this end, I think it is important to show what an essential presence Mitsubishi Motors can be for society. We believe the new models introduced in fiscal 2023 have played a part in this effort. Mitsubishi Motors will continue to deliver value to society in its own unique way, taking advantage of its portfolio of tough, safe, reliable, and comfortable driving performance technologies such as S-AWC, and its portfolio advantage of having all major powertrains available for both internal combustion engine and electric vehicles. I also hope to see an increase the number of fans who want to drive Mitsubishi Motors cars.

