

## Corporate Governance



### Basic Approach and Policies

Based on its corporate philosophy (vision and mission), MITSUBISHI MOTORS considers compliance to be its highest priority, and works for the ongoing strengthening and improvement of corporate governance as a priority issue for management with the aim of sustainable growth and improvement of its corporate value to meet the expectations of all of its stakeholders, including its shareholders and customers.

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

**PDF** Corporate Governance Guidelines

### System of Corporate Governance

As of June 21, 2019, MITSUBISHI MOTORS has transitioned to a company with three committees, as part of its efforts to enhance its corporate governance 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.

#### (1) Board of Directors and Members of the Board

##### (i) Composition of Members of the Board

The Board makes decisions on important management issues and oversees the execution of business

by Executive Officers. As of June 30, 2020 the Board consists of 15 Directors (including 4 female members), 12 of whom oversee the Company as Outside Directors each with considerable experience and a high level of insight. Furthermore, the Tokyo Stock Exchange has been provided notice that six of the Outside Directors are Independent Officers.

We believe that these Outside Officers make insightful comments at Board meetings based on their considerable experience and knowledge as professors, novelists, attorneys-at-law, accountants, and diplomats, and sufficiently fulfill their duties as Directors. The Company will continue to build a structure with awareness of the balance and diversity of knowledge, experience and capabilities, as well as the scale, of the Board as a whole.

##### (ii) Independence standards for outside directors

We have established independence standards for outside directors as follows, and we appoint as independent directors those persons who are not at risk of having a conflict of interest with general shareholders.

<Independence standards for outside directors>

The Company's Outside Directors must occupy a neutral position, independent from the Company's operational management and must not be:

1. An executive of a major shareholder\*<sup>1</sup> of the Company
2. An executive of a major business partner\*<sup>2</sup> of the Company, or of a company for which the Company is a major business partner, or the parent company or subsidiary of such a company
3. An executive of a major lender\*<sup>3</sup> to the Company or

4. the parent company or subsidiary of such a company
4. A person affiliated with an auditing firm that conducts statutory audits of the Company
5. A consultant, an accounting professional such as a certified public accountant, or a legal professional such as an attorney-at-law who receives a large amount\*<sup>4</sup> of monetary consideration or other property other than compensation of Members of the Board from the Company (in the event such property is received by a corporation, association or other group, then any person belonging to such group)
6. An executive of a company with which the Company shares a Director
7. An executive of an organization that is receiving a large\*<sup>4</sup> donation or grant from the Company
8. A person to whom any of 1 through 7 has applied during the past 3 years
9. A person with a close relative (second degree of kinship) to whom any of 1 through 7 applies
10. A person whose total period in office as an Outside Director exceeds 8 years
11. Other persons for whom the possibility of a relationship with the Company appears strong under substantive and comprehensive consideration of the situation

\*1. A shareholder who owns a 10% or greater share of voting rights

\*2. A business partner of the Company with annual transactions valued at 2% or more of either the Company's consolidated net sales in the most recent fiscal year or the business partner's consolidated net sales in the most recent fiscal year

\*3. A financial institution that provides the Company with loans amounting to 2% or more of the Company's consolidated total assets at the end of the most recent fiscal year

\*4. An amount of consideration received from the Company that is 10 million yen or more



**(iii) 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.

In FY2019, 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 in light of the change to a company with three committees in June 2019.

As a result of the evaluation, the Company has judged that there are no serious concerns or other issues regarding the effectiveness of the Board. The main issues revealed in the evaluation were as follows.

- Enforcement of policies to enable further enhancement of deliberations related to important matters pertaining to the Board's oversight function, including the mid-term business plan and governance frameworks
- Enhanced prior analysis of, and provision of a broad variety of information pertaining to, matters for deliberation
- Mid-to-long term consideration of the Board's composition

We 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.

**(2) Committees**

The Board has the following three statutory committees of which Outside Directors comprise the majority of the Members and the Company has established a system that monitors Directors and Executive Officers as well as facilitates corporate governance.

**(i) Nomination Committee**

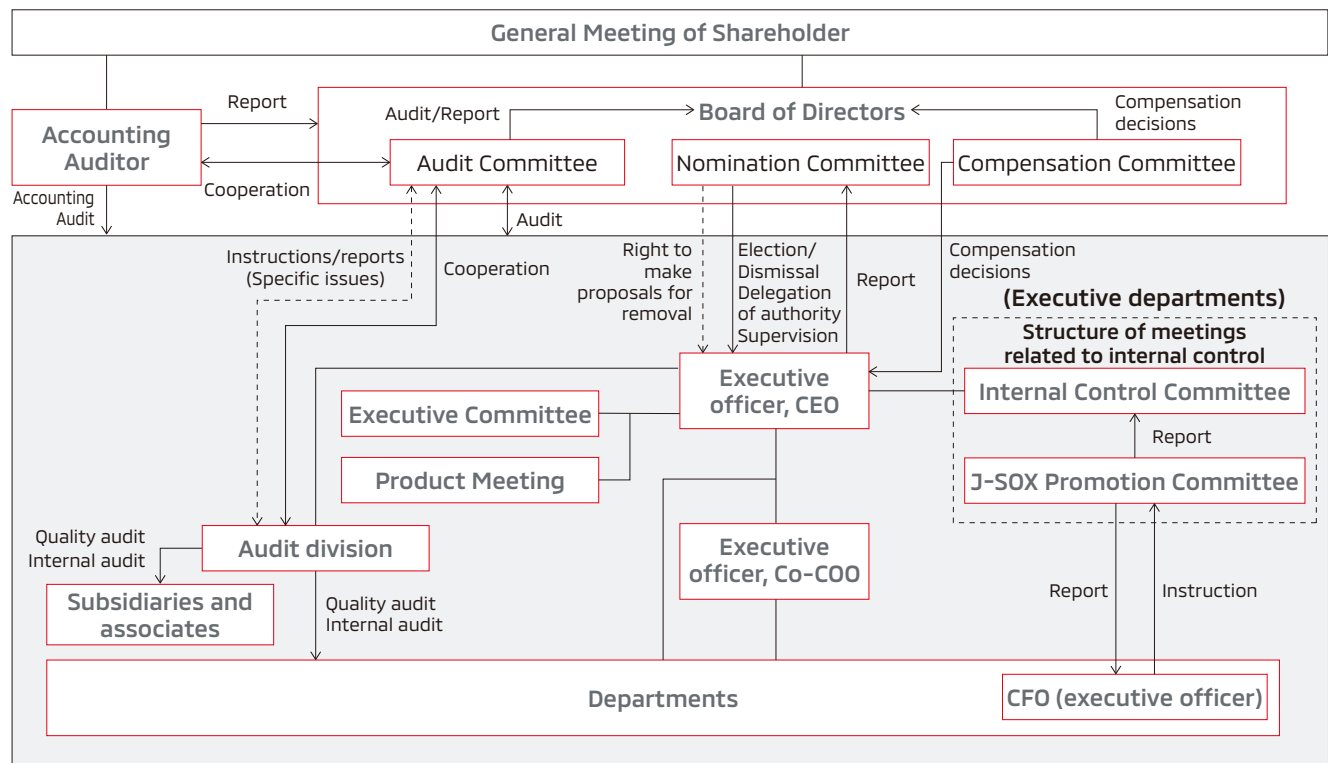
The Nomination Committee makes decisions on resolution proposals for the appointment of Directors. The

Nomination Committee also deliberates matters such as appointment and dismissal standards for Directors, Executive Officers, and Executive Managing Officers and appointment and dismissal proposals and succession plans for the Company's CEO. An Independent Outside Director (Main Kohda) serves as the chairperson.

**(ii) Compensation Committee**

The Compensation Committee deliberates and deter-

**Corporate Governance Framework** (As of June 30, 2020)





mines the policy regarding determination of remuneration of Directors and Executive Officers, as well as the details of individual remuneration. An Outside Director (Shunichi Miyanaga) serves as the chairperson.

### (iii) Audit Committee

The Audit Committee supervises the execution of the duties of Directors and Executive Officers and prepares audit reports, and also implements internal investigations based on the judgment of the Board. An Independent Outside Director (Yaeko Takeoka) serves as the chairperson.

### (3) Executive Officers

Executive Officers decide matters related to execution of business and execute the business of the Company, with the CEO as the division head entrusted with execution of business in general by resolution of the Board. The CEO grants his or her authority to the Co-COOs, the CFO, and other chief officers and executive officers in charge of departments with important functions and holds control over the shared business execution framework. As of June 18, 2020, there were 13 Executive Officers (including the Representative Executive Officer and CEO).

### (4) Executive Managing Officers

Executive Managing Officers manage the functions or business of the Company within a certain scope, pursuant to delegation by the Board or CEO, and carry out business. As of June 18, 2020, there were 11 Executive Managing Officers.

### (5) Conflicts of Interest

To avoid harming the common interests of the Com-

pany and its shareholders, the Company conducts transactions with interested parties such as executives and major shareholders in the same manner as other transactions: we engage in such transactions after giving due consideration to their economic rationale, checking with multiple related departments and upon the approval of the responsible person to whom authority has been delegated. Particularly with regard to transactions that are in competition with or that represent conflicts of interest between the Company and its directors or executive officers, the rules of the Board of Directors stipulate prior approval from the Board of Directors and reporting both before and after any such transaction.

In addition, the rules of the Board of Directors stipulate that directors with special conflicts of interest may not participate in voting on such Board of Directors resolutions.

## Status of Audit Committee Audits and Internal Audits

### (1) Status of Audit Committee audits

The Company's Audit Committee gathers information and conducts organizational audits in relation to the implementation and operation status for internal control systems (including internal controls pertaining to financial reporting), such as those for main affiliates in Japan and overseas, status of progress with and operation of compliance activities, verification of the appropriateness of risk evaluations, and risk management frameworks and the like, through Audit Committee meetings that are held monthly in princi-

ple and other meetings with Internal Audit Divisions, interviews with Executive Officers, and the like, based on audit policy and audit plans.

### (2) Status of internal audits

The Company has established internal audit departments (the Internal Audit Department and the Quality Audit Department) in the Audit Division (an independent organization reporting directly to the CEO) and these departments systematically conduct internal audits based on the annual audit plan.

The Internal Audit Department conducts audits to determine whether operational management of the Group is being conducted with transparency using appropriate processes. The Quality Audit Department conducts audits regarding the proper execution of the quality-related work of the Group.

Audit results from internal audits conducted by the Internal Audit Department and the Quality Audit Department are reported directly to the CEO.

### (3) Cooperation between the Audit Committee and internal audit departments

The Audit Committee Members regularly hold meetings with the Internal Audit Department to receive information regarding the auditing system, auditing plans, and internal audit results within the Company and at its affiliated domestic and overseas companies, and to provide feedback to the Internal Audit Department on the status of the Audit Committee Members' audits.

## Items Relating to Takeover Defense

Not applicable.