

## Strengthening Governance and Ensuring Compliance



### Medium- to Long-Term Vision for Material Issues

Long Term	<b>Risks</b>	<b>Opportunities</b>	<b>Direction of Responses</b>
	<ul style="list-style-type: none"> <li>● Corporate malfeasance becoming an increasing social problem</li> <li>● Increasing number of cyberattacks and other issues related to information leaks, as well as their increasing severity</li> <li>● Business interruptions due to natural disasters or outbreaks of infectious diseases</li> </ul>	<ul style="list-style-type: none"> <li>● Ensure soundness and transparency by establishing a robust governance system, and earn society's trust</li> <li>● Ensure safety and sustainability of corporate business through enhanced risk management</li> </ul>	<ul style="list-style-type: none"> <li>● Further reinforce governance by working to ensure compliance with laws and regulations and to promote proper, effective business execution</li> <li>● Assess risks appropriately and prevent them from occurring. Minimize the impacts should they occur</li> </ul>
Medium Term	<b>External Environment</b>	<b>Stakeholders' Needs and Expectations</b>	<b>Medium-Term Targets</b>
	<ul style="list-style-type: none"> <li>● Revisions to the Companies Act (2019) to reinforce governance, such as making it mandatory for listed companies to have outside directors</li> <li>● Business interruptions due to natural disasters or outbreaks of infectious diseases</li> <li>● Frequent information leaks due to cyberattacks</li> </ul>	<ul style="list-style-type: none"> <li>● Expectations of business continuity and enhanced trust</li> </ul>	<ul style="list-style-type: none"> <li>● Maintain a robust governance structure by achieving effective and efficient operation of the internal control system</li> <li>● Enact thorough compliance to prevent serious incidents</li> </ul>

## Corporate Governance

### Basic Approach and Policies

Based on its corporate philosophy (Vision & Mission), MITSUBISHI MOTORS considers compliance to be of topmost importance and making the ongoing reinforcement and improvement of governance a management priority, in order to meet the expectations of shareholders, customers and all other stakeholders, and to achieve sustainable growth and increase in corporate value over the medium to long term.

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.

[PDF Corporate Governance Guidelines](#)

### System of Corporate Governance

As of June 21, 2019, the Company has transitioned to a company with three committees, as part of its efforts to enhance its corporate governance and clearly separate supervisory and execution function, and in order to achieve swift execution of business in quick response to environmental changes and to ensure 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 23, 2021 the Board consists of 13 Directors (including 2 female members), 11 of whom oversee the Company as Outside Directors each with considerable experience and a high level of insight. Furthermore, five of the Outside Directors are registered at Tokyo Stock Exchange as Independent Directors.

We believe that these Outside Directors make insightful comments at Board meetings based on their considerable experience and knowledge in such fields as corporate management, finance, accounting and law, 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

MITSUBISHI MOTORS has 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 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. Major shareholder: A shareholder who owns a 10% or greater share of voting rights

\*2. Major business partner: 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. Major lender: 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. Large amount: 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 FY2020, the Company evaluated the effectiveness of the Board based mainly on the four elements "composition of the Board and each committee," "matters for deliberation by the Board and each committee," "oversight functions of the Board and each committee," and "status of deliberations by the Board and each committee" from the perspective of enhancing the Board's oversight function.

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

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

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

## (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 proposals for electing and dismissing Members of the Board, which are proposed at the General Meeting of Shareholders, and engages in deliberations regarding matters such as proposals for appointing and removing the Executive Officers and Corporate Officers, which are proposed at the Board of Directors and the succession planning for the Executive Officer, President & CEO. The committee is composed of five outside directors, and an Independent Outside Director (Main Kohda) serves as the chairperson.



**(ii) Compensation Committee**

The Compensation Committee deliberates and determines the policy regarding determination of remuneration of Directors and Executive Officers, as well as the details of individual remuneration. The committee is composed of four outside directors and one internal director. 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. The committee is composed of four outside directors and one internal director, and an Independent Outside Director (Yaeko Takeoka) serves as the chairperson.

**(3) Executive Officers**

The Board of Directors entrusts the Executive Officer, President & CEO with the authority to make decisions concerning the general execution of business, with the exception of matters stipulated for determination by the Board of Directors based on laws, regulations, the Articles of Incorporation and the rules of the Board of Directors.

The Executive Officer, President & CEO entrusts some of that authority to other executive officers based on rules for the delegation of authority and holds control over the shared business execution framework. Meanwhile, to contribute to the appropriate exercise of authority by the Executive Officer, President & CEO, the Company has established the Executive Committee and the Product Decision Meeting to ensure sufficient deliberation of important management matters and important matters related to product development.

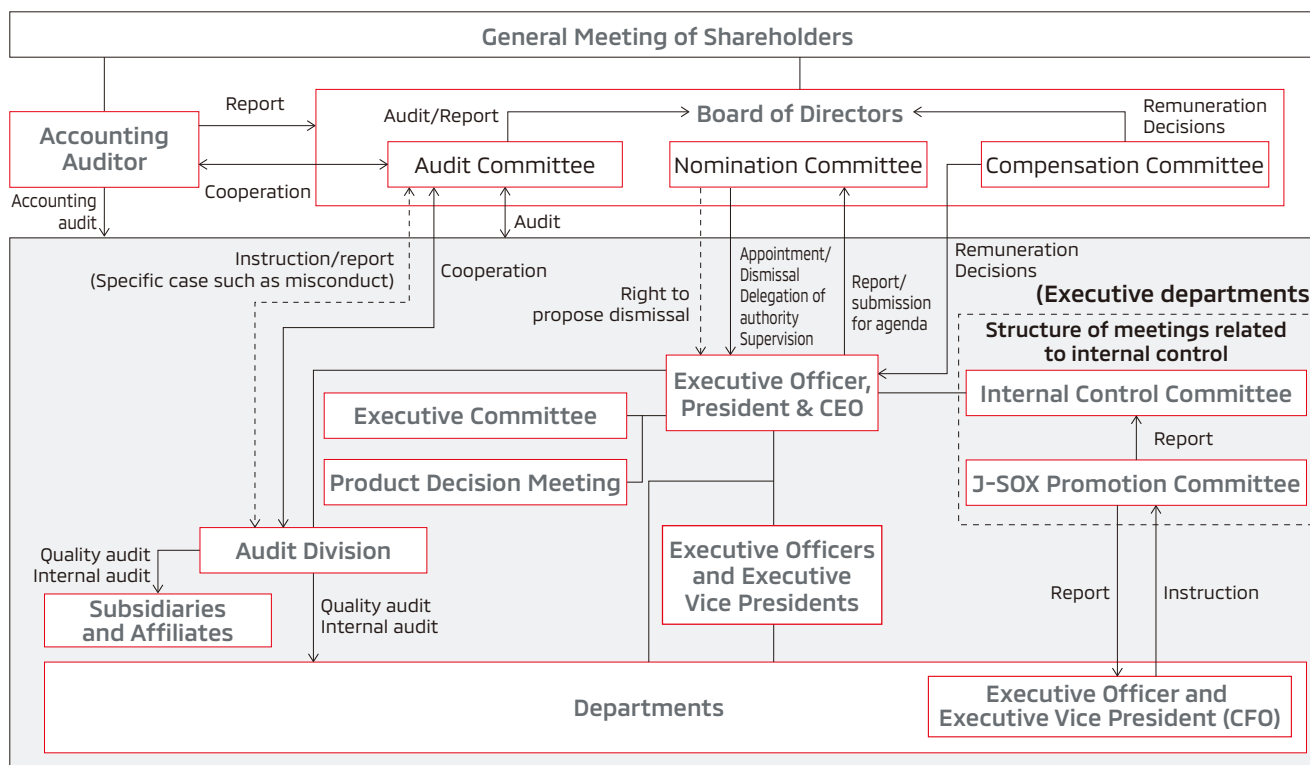
**(4) Conflicts of Interest**

To avoid harming the common interests of the Company 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 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.

**Corporate Governance and Business Execution Structures** (June 23, 2021)





## Status of Audit Committee Audits and Internal Audits

### (1) Status of Audit Committee audits

MITSUBISHI MOTORS' Audit Committee gathers information and conducts organizational audits in relation to the establishment 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 principle 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 (Internal Audit Department and Quality Audit Department) in Internal Audit Division (an independent organization reporting directly to President & CEO) and these departments conduct internal audits based on the annual audit plan.

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

Audit results from internal audits conducted by Internal Audit Division are reported directly to President & CEO.

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

The Audit Committee Members regularly hold meetings with Internal Audit Division 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 Internal Audit Division on the status of the Audit Committee Members' audits.

## Items Relating to Takeover Defense

Not applicable.