

## Strengthening Governance and Ensuring Compliance



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

Long Term	Risks	Opportunities	Direction of Responses
	<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	External Environment	Stakeholders' Needs and Expectations	Medium-Term Targets
	<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, and revisions to the Act on the Protection of Personal Information and the Whistleblower Protection Act (2022)</li> <li>Business interruptions due to natural disasters or outbreaks of infectious diseases</li> <li>Frequent information leaks and business interruptions due to cyberattacks and other issues</li> <li>War, terrorism, political instability, deterioration of public safety and other factors in our key markets</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> <li>Mount an emergency response when risks emerge, strengthen internal information sharing</li> </ul>

## Corporate Governance

### Basic Approach and Policies

Based on its Vision and Mission, MITSUBISHI MOTORS considers compliance to be of topmost importance and is 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.



## Board of Directors and Directors

### Policy for the Nomination of Candidates for Directors and Composition of Members of the Board

The Board makes decisions on important management issues and oversees the execution of business by Executive Officers.

MITSUBISHI MOTORS 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.

#### <Basic Policy>

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, it shall be 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. To this end, candidates for Directors shall be nominated.

In accordance with this 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., 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.

Also, 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 (2 female Members). 11 of the 13 Directors are Outside Directors with extensive experience and high levels of insight, and 5 of the Outside Directors are Independent Outside Directors.

We publish individual Directors' knowledge, experience and expertise (skill matrix) on our website.

[WEB](https://www.mitsubishi-motors.com/en/sustainability/governance/policy_skill.html) [https://www.mitsubishi-motors.com/en/sustainability/governance/policy\\_skill.html](https://www.mitsubishi-motors.com/en/sustainability/governance/policy_skill.html)

### Independence Standards and Qualification for Outside Directors

The Company 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 and Qualification for Outside Directors>

The Outside Directors of the Company shall not be any of the following and shall be in a neutral position independent from the Company's management.

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 corporate officers 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 corporate officer
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 major shareholder: a shareholder who owns a 10% or greater share of voting rights

\*2 a major business partner: a major client of the Company with annual transactions valued at 2% or more of the Company's consolidated net sales in the most recent fiscal year, or a major



supplier to the Company with annual transactions valued at 2% or more of the supplier's consolidated net sales in the most recent fiscal year

\*3 a major lender: a financial institution that provides the Company with loans amounting to 2% or more of the Company's consolidated net sales 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

### 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 FY2021, the Company evaluated the effectiveness of the Board based mainly on the 4 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.

- 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 examination and decision making by the executive side.

MITSUBISHI MOTORS 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.

## 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.

### Nomination Committee

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 the President to the Board of Directors, and discusses succession planning for the Company's President. The committee is composed of 5 outside directors, and an Independent Outside Director (Main Kohda) serves as the chairperson.

In FY2021, the Nomination Committee met 10 times. In addition to selecting Board of Directors candidates and executive officers, the committee deliberated on such items as the Policy of the Nomination of Candidates for Directors, etc., the skill matrix, and succession planning for the President.

### 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 4 Outside Directors and 1 Internal Director. An Outside Director (Shunichi Miyanaga) serves as the chairperson.

The Compensation Committee met 9 times in FY2021. In addition to determining regular Remuneration for Directors and Executive Officers amounts and

other matters, the committee reviewed the remuneration system for Directors and Executive Officers and deliberated on the inclusion of new targets related to ESG, which are increasingly being recognized as an important management issue. As a result, from FY2022 we have introduced ESG-related topics (CO<sub>2</sub> emissions for business activities and employee engagement) as performance indicators for remuneration linked to medium-to-long term.

### Audit Committee

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. The committee is composed of 4 Outside Directors and 1 Internal Director, and an Independent Outside Director (Yaeko Takeoka) serves as the chairperson.

In FY2021, the Audit Committee met 15 times. Please see page 109 for the status of Audit Committee audits.

## Executive Officers

The Board of Directors decides on matters requiring resolution by the Board of Directors pursuant to laws and regulations and the Articles of Incorporation, matters delegated by the resolution of the General Meeting of Shareholders, and certain important matters related to the management of the Company's business. The authority to make decisions on business execution for other matters is delegated to the Executive Officers.

Executive Officers are responsible for making decisions on business execution delegated by the Board of Directors. The President is appointed as the head of

the executive departments by resolution of the Board of Directors.

As of June 23, 2022, the Company had 12 Executive Officers (including the President).

**Outline of the Decision-Making Process for Business Execution and Various 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 appointed. In order to speed up business execution and improve the transparency of the decision making process, based on the Delegation of Authority (DOA) Rules, the Company defined the matters delegated and their scope and established decision making procedures for major matter.

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).

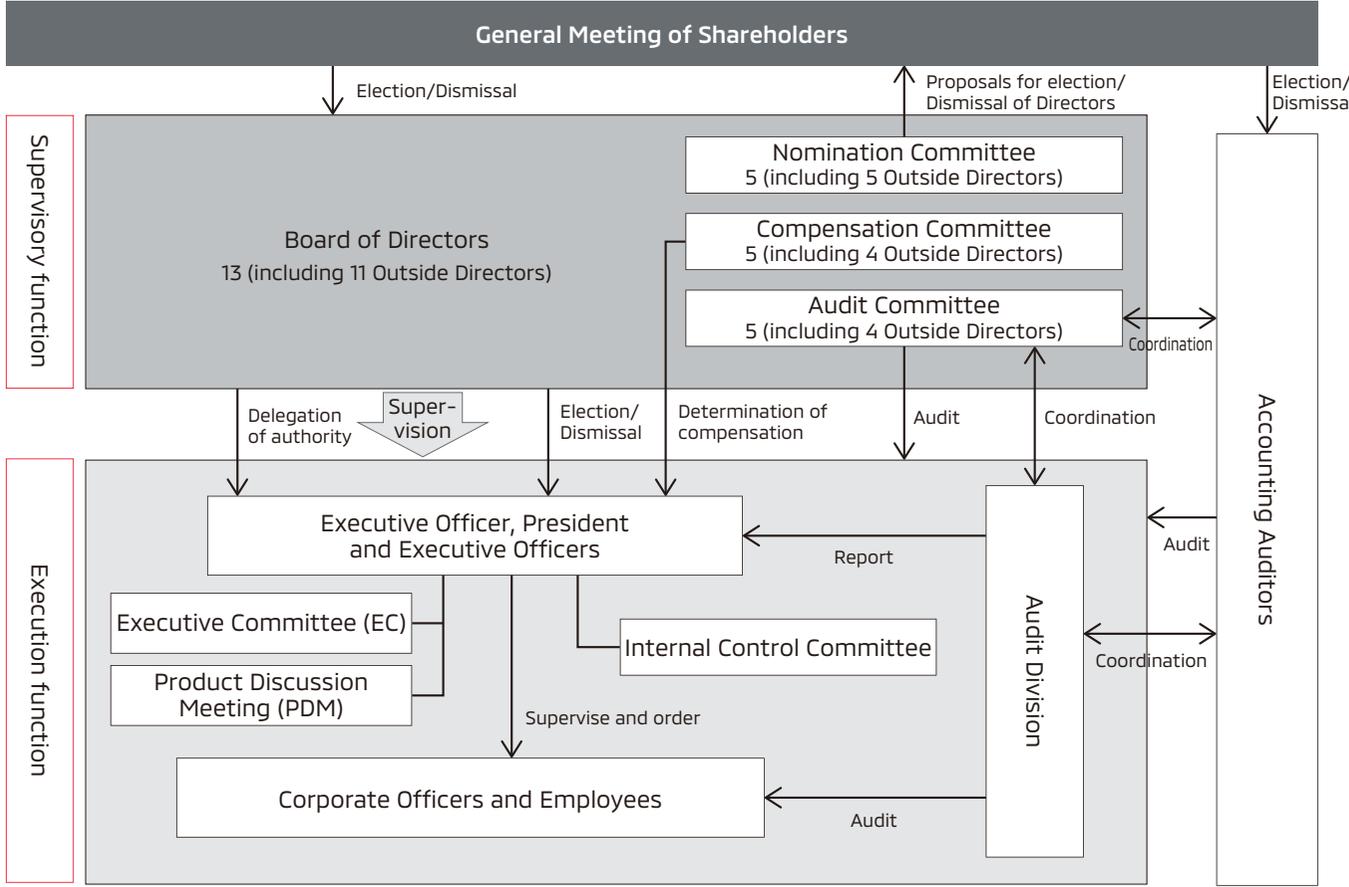
Additionally, matters related to internal control are decided after deliberation at the Internal Control Committee.

Each of these committees are chaired by the President and the relevant Executive Officers serve as members.

**Conflicts of Interest**

To avoid harming the common interests of the MITSUBISHI MOTORS 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 transac-

**Corporate Governance and Business Execution Structures (June 23, 2022)**



tions 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.



Target ● 8.7



Target ● 16.5

## Status of Audit Committee Audits and Internal Audits

### 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. In the fiscal year under review, some audits of overseas offices that are usually undertaken by the Audit Committee were suspended due to the spread of COVID-19, but we strived to implement effective audits utilizing telephone lines, the Internet and other communication methods.

In the Audit Committee during the fiscal year under review, there were resolutions approved, matters discussed, and reports made concerning the audit policies and audit plans; audit methods; the assignment of audit duties; the status of the improvement and maintenance of the internal control systems; audit plans made, audit methods used, and the suitability of the results of audits performed by the Accounting Auditors; communications in relation to Key Audit Matters (KAM); and the monthly reports on the status of duties executed by the Full-time Member of the Audit Committee.

In addition to the meetings above, based on its

audit policies and audit plans, the Audit Committee held 6 meetings (approximately 120 minutes per meeting) with the internal audit divisions during the year, performed audits, and collected information on the operating status of internal controls through the divisions. The Audit Committee also interviewed Executive Officers and others 11 times during the year (approximately 90 minutes per interview) to confirm how the MMC group's major subsidiaries and affiliates in Japan and overseas as well as divisions address issues on the development and operation of the internal control system, compliance, risk management, etc.

In addition to the meetings above, full-time Members of the Audit Committee attended important meetings including meetings of Executive Committee; inspected important approval/decision documents; interviewed Executive Officers and Corporate Officers; visited and audited, or conducted hearings with MMC's major business locations and its major subsidiaries and affiliates in Japan and overseas; provided training for and had liaison meetings with auditors of subsidiaries and affiliates in Japan; and performed the tripartite audit system (i.e., internal audits, auditors' audits, and accounting audits). The status of duties executed by full-time Members of the Audit Committee is reported in the meeting of the Audit Committee which is to be held once a month in principle.

The status of activities carried out by the Audit Committee is reported to the Board of Directors twice a year. The Audit Committee also exchanges opinions with Executive Officer, President & CEO, to communicate its findings.

### Status of internal audits

MMC has established the Internal Audit Dept. and the Quality Audit Dept. as internal audit departments

within the Internal Audit Div., an independent organization that reports directly to Executive Officer, President & CEO. These departments conduct planned internal audits based on the annual audit plan.

The Internal Audit Dept. conducts internal audits to determine whether operational management of MMC and subsidiaries and affiliates in Japan and overseas is being conducted with transparency using appropriate processes. The Quality Audit Dept. audits the appropriateness of product quality-related activities by MMC and subsidiaries and affiliates in Japan and overseas.

Audit results by the Internal Audit Div. are reported directly to Executive Officer, President & CEO. To ensure the appropriateness of accounting audits, regular tripartite audit meetings are held with full-time Audit Committee Members and Accounting Auditors.

### 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. Additionally, the Audit Committee summarizes audit activities it has conducted, including the details of reports received from the Internal Audit Division, and reports the results to the Board twice a year.

## Items Relating to Takeover Defense

Not applicable.