

## 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, we have put together its basic framework for and views on corporate governance in the form of “Corporate Government Guidelines” and publishes these guidelines on our website.

**PDF** Corporate Governance Guidelines

### System of Corporate Governance

We have adopted the form of a company with a Nomination Committee, etc, 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.

We have 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 as follows.

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 we 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 22, 2023, 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)

#### Independence Standards and Qualification 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 and Qualification for Outside Directors>

The Outside Directors of us shall not be any of the following and shall be in a neutral position independent from our management.



1. An executive of a major shareholder\*<sup>1</sup> of MITSUBISHI MOTORS
2. An executive of a major business partner\*<sup>2</sup> of us, 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 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 us
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 us (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 we share a corporate officer
7. An executive of an organization that is receiving a large donation or grant from us
8. A person to whom any of one through seven has applied during the past three years
9. A person with a close relative (second degree of kinship) to whom any of one through seven applies
10. A person whose total period in office as an Outside Director exceeds eight years
11. Other persons for whom the possibility of a relationship with us appears strong under substantive and comprehensive consideration of the situation

\*<sup>1</sup> a major shareholder: a shareholder who owns a 10% or greater share of voting rights

\*<sup>2</sup> a major business partner: a major client of the Company with annual transactions valued at 2% or more of our consolidated net sales in the most recent fiscal year, or a major supplier to us with annual transactions valued at 2% or more of the supplier's consolidated net sales in the most recent fiscal year

### Analysis and Evaluation of the Effectiveness of the Board of Directors

To improve the effectiveness of corporate governance, we annually evaluate the effectiveness of its Board.

In FY2022, in pursuit of enhancing the oversight capability of the Board, we conducted individual interviews of all Directors in addition to the questionnaire survey about the aspects listed below, and the evaluation and analysis were reported to the Board on March 28, 2023. In the course of the evaluation this year, we employed an external consultant for the questionnaire survey and interviews to ensure in-depth analysis and evaluation along the latest corporate governance intelligence and secure objectiveness and transparency in the process.

<Aspects evaluated>

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

As a result, it was confirmed that the Board has improved on the structure, framework, and operations compared to the FY2021 and is sufficiently effective in total in its work. The following are the Board's strengths recognized through the evaluation:

- (i) Fostered respect and trust in the executive team's managerial efforts
- (ii) Steady and continuous work to improve its effectiveness and substantive discussions to improve corporate value
- (iii) Mutual trust among Directors based on the effective exercise of roles and responsibility by each of the diverse Outside Directors, with their distinguished personalities, acumen, and experiences.

The evaluation also confirmed improvements in the following two issues identified in FY2021 through implementation of the action plan.

#### Issue in FY2021 and Initiative in FY2022 (1)

Shift the focus of deliberations and discussions of the Board to broader matters.

Initiative: Enhanced reporting on matters that underpin the mid-term business plan, such as products, technology, new businesses, and other matters.

#### Issue in FY2021 and Initiative in FY2022 (2)

Explore more opportunities to understand deeper the business environment and operations and obtain information about the background of the executive team's thoughts and decisionmaking regarding management matters, which should be the fundamentals for judgments and oversight by the Board.

Initiative: Inception of periodic reporting to the Board regarding business overviews and relevant topics, enhancement of informal discussions and the understanding of issues through continued regular Independent Directors' meetings, the holding of opportunities for richer communications between Directors and senior executives, visits by Directors to domestic and overseas sites, continued efforts for practical improvements in the operations of Board meetings, etc.

The FY2022 evaluation concluded that the Board has developed solid governance base around, among other things, the structure, framework, and operations and should have more and even richer discussion about broader-and longer-perspective strategies of us.

Toward the further effectiveness of the above, the following points were identified as key aspects.

- (i) Development of a common understanding about environmental changes and management issues that the Company faces
- (ii) Formulation of a more robust outlook of the future of the relevant industry's structure surrounding automotive and mobility matters and the further deepening of insights about the MITSUBISHI MOTORS core competencies
- (iii) The importance of a greater variety of opportunities for interactive and multilateral communica-



tions and discussions between the Board and the executive teams for the purpose of helping adaptations to forthcoming changes in the world

We will endeavor continuously for more heightened effectiveness of the Board and enhanced corporate governance by incorporating the results of this evaluation into the agendas of Board meetings in FY2023 and other relevant efforts.

### 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 MITSUBISHI MOTORS' President. The committee is composed of five Outside Directors, and an Independent Outside Director (Ms. Main Kohda) serves as the chairperson.

In FY2022, the Nomination Committee met 10 times. In determining the agenda item for the election of Directors to be proposed to the General Meeting of Shareholders, the Nomination Committee prepared a list of candidates and interviewed them for the election of new independent Outside Directors, and deliberated on approval of the proposal for the election of Executive Officers to be proposed by the President to the Board of Directors, and on succession planning for the President, and other matters.

### Compensation Committee

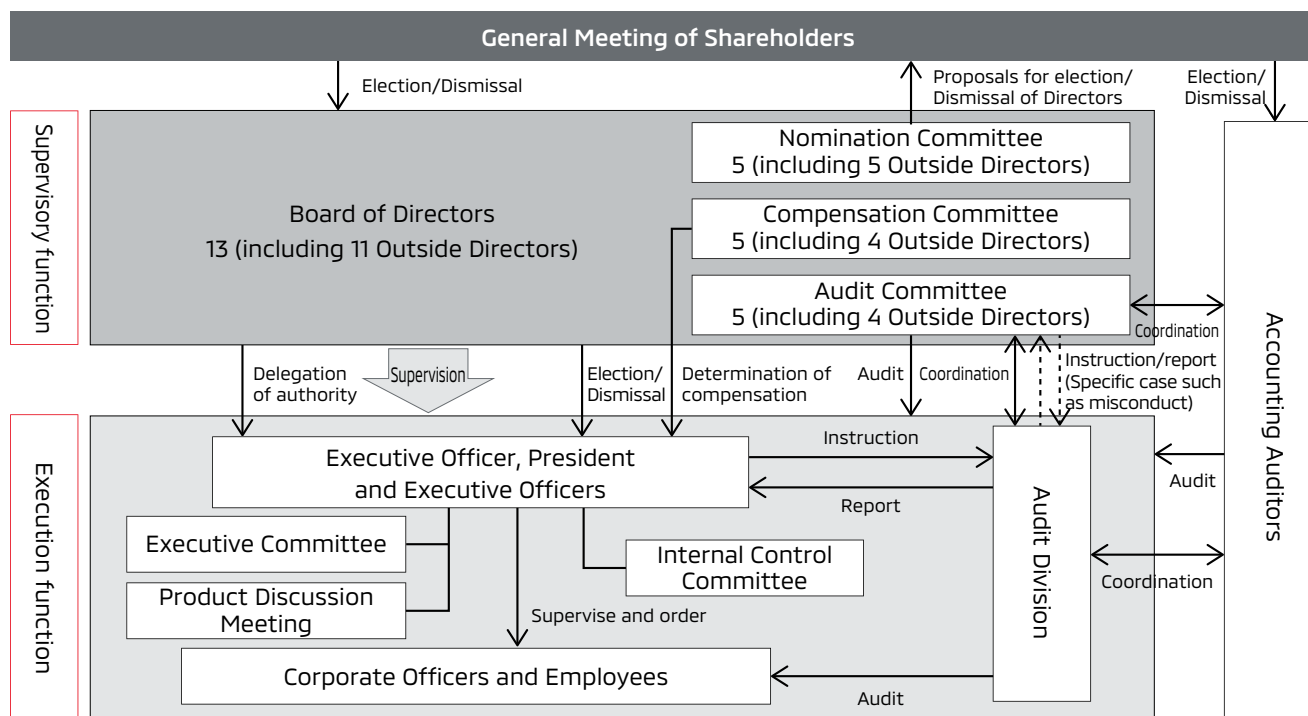
The Compensation Committee deliberates and determines the policy regarding determination of remuneration of Directors and Executive Officers, as well as the details of individual remuneration. The committee is composed of four Outside Directors and one Internal Director. An Outside Director (Mr. Shunichi Miyana-ga) serves as the chairperson.

The Compensation Committee met nine times in FY2022. The Committee deliberated on the determination of the individual Compensation Plan for Directors and Executive Officers, review of the current Compensation Plan for Directors, and other matters.

### Audit Committee

Among other activities, the Audit Committee audits the execution of duties by Directors and Executive Officers, supervises the status of the formulation and operation of the internal control system and prepares audit reports. Additionally, the Audit Committee conducts internal investigations on matters that the Board or the Audit Committee deems inappropriate for the executive side to conduct. The Audit Committee consists of four Outside Directors and one Internal Director, and an Independent Outside Director (Yoshihiko Nakamura) serves as the chairperson.

### Corporate Governance and Business Execution Structures (June 22, 2023)



Target  
● 8.7Target  
● 16.5

In FY2022, the Audit Committee met 15 times. The status of Audit Committee audits outlined at right.

### Executive Officers

The Board make decisions on matters that require a resolution of the Board pursuant to laws, regulations or provisions of the Articles of Incorporation, matters delegated to the Board by a resolution at a General Meeting of Shareholders, and certain material matters related to business management. Executive Officers are given the authorization to make decisions relating to the execution of business excluding any of the above matters.

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

As of June 22, 2023, there are 11 Executive Officers (including the President).

### Outline of Decision-Making Process for Business Execution and Various 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 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 matters on management are decided after deliberation at the Executive Committee, 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.

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

Transactions between MITSUBISHI MOTORS and Directors or Executive Officers that particularly compete with our business operations or conflict with our 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, we conduct 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, after we have sufficiently considered the economic rationality to confirm there is no harm to our interests, which is the same process we go through with non-related parties.

## Status of Audit Committee Audits and Internal Audits

### Status of Audit Committee audits

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

In the Audit Committee during the fiscal year under review, 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; response to the Guidelines under the amended Whistleblower Protection Act; 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); response to the amendment of the Code of Ethics of the Japanese Institute of Certified Public Accountants (JICPA); 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 90 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 9 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 three-pillar 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 (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 to communicate its findings every year.

### Status of internal audits

MITSUBISHI MOTORS has established internal audit departments (the Internal Audit Department and the Quality Audit Department) in the Internal Audit Division (an independent organization reporting directly to Executive Officer, President & CEO) and these departments systematically conduct internal audits based on the annual audit plan.

As of the end of March 2023, the Internal Audit Division consists of 24 members\* with specialties, including those with a variety of managerial experience, certified internal auditors, and eligible internal auditors. The Internal Audit Department (consisting of 15 members\*) conducts audits to determine whether operational management of the Group is being conducted with transparency using appropriate processes. The Quality Audit Dept. (6 members\*) audits the appropriateness of product quality-related activities by MMC and subsidiaries and affiliates in Japan and overseas.

The results of the internal audit conducted by the Internal Audit Division are reported to Executive Officer, President & CEO and the Audit Committee.

Besides coordinating meetings with the Audit Committee six times a year and holding regular meetings with full-time Audit Committee Members once a month, the Internal Audit Division also exchanges

information at tripartite audit meetings with full-time Audit Committee Members and Accounting Auditors.

\* As of June 30, 2023, the Internal Audit Division consists of 25 members (15 from the Internal Audit Department, 7 from the Quality Audit Department, and 3 from the Division itself).

### Cooperation between the Audit Committee and internal audit departments

The Audit Committee Members regularly hold meetings with the Internal Audit Division to receive information regarding the auditing system, auditing plans, and internal audit results within us and at its affiliated domestic and overseas companies, and to provide feedback to the 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.

## Executive Remuneration

### Basic Views and Policy

MITSUBISHI MOTORS' Compensation Committee, which is chaired by an Outside Director, has established the following policy regarding remuneration for Directors 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 FY2022 is contained in the FY2022 Annual Securities Report (pages 91–96).

FY2022 Annual Securities Report

(WEB) [https://www.mitsubishi-motors.com/content/dam/com/ir\\_en/pdf/yuka/2023/yuka20230629e.pdf](https://www.mitsubishi-motors.com/content/dam/com/ir_en/pdf/yuka/2023/yuka20230629e.pdf)

From FY2022, based on the recognition that the response to sustainability is one of the crucial issues of the MMC group, we added ESG-related items as the index to determine the Medium-and Long-term Performance-linked Compensation for Executive Officers.

#### ● Environmental indicator:

We have introduced "CO<sub>2</sub> 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 advancement of employee job satisfaction and increased initiative through securing diversity and work-life balance, and promoting Human Resources development.