

# Risk Management

## Basic Policy

The Mitsubishi Electric Group maintains a multi-dimensional risk management system in which all executive officers participate.

Under this system, executive officers are responsible for risk management in their assigned areas of operation. In addition, executive officers exchange information and participate in important management initiatives and decisions through regularly scheduled executive officers' meetings.

In the event an incident occurs that seriously calls into question the Group's social responsibility and is expected to have a profound impact on management, or in the case of such emergencies as large-scale disasters, accidents or

pandemics, a company-wide Emergency Response Center will be established to implement measures under the leadership of the president, to ensure prompt and proper initial response.

Strictly adhering to this management structure and system and aiming to fulfill its responsibilities to stakeholders, the Mitsubishi Electric Group is redoubling its efforts to implement measures aimed at minimizing business risks which may have a significant social impact and detecting them at an early stage, including risks related to corporate ethics and compliance, the environment, and product quality.

## Responding to Environmental Risk

The Mitsubishi Electric Group works to quickly discover latent risks in business activities that can impact or potentially impact the environment in a substantial way. In order to prepare for the event of an accident or emergency that involves an environmental risk such as groundwater or soil pollution, the handling of PCB waste, or the malfunction of an environmental facility, head office divisions, manufacturing facilities, R&D centers, branches, and affiliates in Japan and overseas have developed detailed risk descriptions and procedure manuals that specify departmental responsibilities. Mitsubishi Electric also anticipates the possibility of accidents, complaints, or violations of the law arising on the side of construction subcontractors or companies working under outsourcing

agreements, and informs these outside parties of our risk response procedures and disseminates the proper procedures in their respective organizations.

Each organization runs a test at least once a year to determine if the managers in charge are capable of appropriately responding to an emergency. The tests simulate an emergency that has the potential of occurring, to determine whether initial responses, provisional measures, and communication methods properly function in regard to environmental accidents. When problems are uncovered, the procedures are revised and the new version is publicized throughout the organization.

 [\[Environment\] Environmental Risk management](#)

## Disaster Countermeasures

### Development of a response framework for large-scale disasters

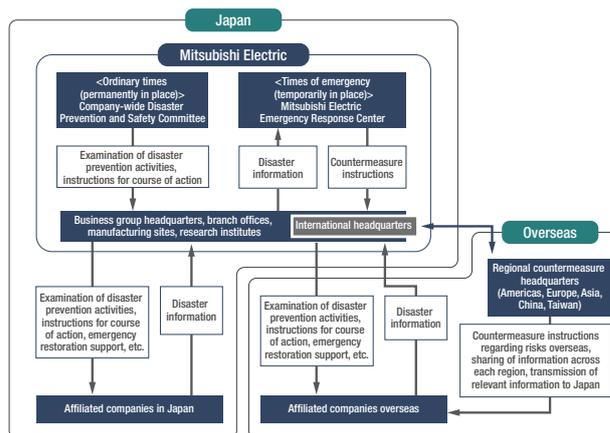
Engaging in business on a global scale entails the risk of being affected by disasters, including earthquakes, regional conflicts, terrorism, and outbreaks of infectious diseases. The Mitsubishi Electric Group is strengthening its

response framework, reexamining its disaster prevention system and disaster countermeasures, to prepare for emergencies.

#### Emergency disaster prevention framework

In the event that any of our company workplaces suffer or are at risk of suffering serious damage as the result of a large-scale disaster, we have a framework in place that is centered on the Mitsubishi Electric Emergency Response Center headed by our president, to enable the entire Mitsubishi Electric Group to respond to the emergency situation.

In addition to verifying the (personal and physical) disaster situation, the Emergency Response Center promptly examines and executes policies in response to business continuity initiatives and requests from society (support for affected areas, donations, etc.). Particularly with regard to overseas sites and affiliated companies overseas, it works closely with each regional response headquarters to ensure employee safety (safety confirmation, livelihood support, etc.) and provide support for business restoration.



Disaster prevention framework

### Our response to the 2016 Kumamoto Earthquake

The Kumamoto earthquake of April 14, 2016 caused severe damage to our Power Device Works (Koshi city, Kumamoto pref.) and LCD Division, including Melco Display Technology Inc. (Kikuchi city, Kumamoto pref.). We immediately established the Mitsubishi Electric Emergency Response Center on the night of the earthquake and commenced the task of confirming the safety of all relevant people and devising business recovery measures. Both sites restored their original production capacities by the end of June, owing to the dedicated effort and cooperation of construction companies, facility and equipment manufacturers, and everyone else concerned. The Mitsubishi Electric Group prays for the speediest possible recovery of the affected regions, and intends to apply the lessons learned from the experience to benefit future initiatives.

#### Framework for ordinary times (creation of a PDCA cycle for disaster response)

In ordinary times, we take steps to ensure that the disaster prevention initiatives we have so far taken continue to be valid, by establishing a Company-wide Disaster Prevention and Safety Committee headed by the executive officer in charge of general affairs, and by implementing continuous improvement activities through a PDCA cycle to make improvements based on periodic examinations and reviews of the disaster response measures of the Mitsubishi Electric Group (at least once a year) and the results of emergency drills. In fiscal 2017, the Company-wide Disaster Prevention and Safety Committee defined as priority issues a review of BCP\* in the event of a large-scale power outage and the strengthening of interdepartmental cooperation during BCP invocation, and brought these issues to the Group.

In light of the 2016 Kumamoto earthquake, a special meeting of the Disaster Prevention and Safety Committee was convened in July after completion of recovery efforts at the two sites, to review what could have been done better in the wake of the earthquake and what needs to be improved. In fiscal 2018, the Committee identified measures and implementation of disaster prevention and BCP training, promotion of seismic retrofitting and disaster mitigation measures, and promotion of BCP among suppliers as priority issues, and disseminated these issues within the Group.

\*BCP: Business Continuity Plan

## Initiatives for business continuity and disaster response

### ■ BCP formulation and regular (annual) review

To fulfill our responsibility as a product supplier, we had all of our offices formulate a BCP assuming the possible outbreak of a new strain of influenza in fiscal 2011 and a BCP assuming the risk of a large-scale earthquake in fiscal 2013.

In fiscal 2014, we began an examination of continuing business at an alternative site and urged major affiliated companies in Japan and overseas to formulate a BCP. To ensure the BCP that is formulated in each office and affiliated company in Japan and overseas remains valid, the BCP is reviewed and countermeasures are upgraded every year.

### ■ Business continuity in the supply chain

We are pursuing initiatives to avoid situations in which a large-scale disaster or other unavoidable circumstance imposes serious damage on suppliers, severs the supply of materials, or obstructs our production activities.

#### 1. Evaluation of BCP risks among suppliers

From fiscal 2015, we have begun an evaluation of BCP risks among our suppliers in Japan using a company-wide unified index, and are bringing visibility to suppliers with high risks.

#### 2. Activities for mitigating supplier risks

To mitigate the risks that have come to light through the BCP risk evaluation of suppliers, we recommend multi-company purchasing, and request our suppliers to multi-site their production centers. We also organize BCP seminars for suppliers, to strengthen awareness and provide support for disaster prevention measures.

#### 3. Activities for ensuring prompt initial response at times of disaster

To ensure prompt initial response at times of disaster, we have created and actively utilize a map search system that allows us to search on a map the locations of suppliers in the vicinity of a disaster point.

Hereafter, we will also promote multi-company purchasing and multi-siting of production centers by suppliers overseas, to ensure stable procurement activities in our overseas production centers.

### ■ Strengthening disaster responses

Each office and affiliated company of the Mitsubishi Electric Group has a disaster response manual, by which it implements preliminary measures (disaster mitigation measures) and disaster prevention drills.

At Shizuoka Works, a BCP drill was held with an anticipated upcoming Nankai Trough earthquake in mind. It included simulations of collecting, analyzing and organizing disaster information, and activities for bringing the situation to a prompt conclusion and allowing business to continue. Issues that had not been envisioned in advance but surfaced during the drill have been incorporated into the BCP review.

Affiliated companies are also instructed to establish the same level of disaster countermeasures as those implemented by Mitsubishi Electric to strengthen emergency preparedness through disaster prevention drills at each site.



Disaster prevention drill at an overseas Mitsubishi Electric site (China)

### ■ Pandemic countermeasures

The development of various modes of transportation and transportation networks, and the globalization of the economy have increased not only the movement of people, but also the risk of pandemic diseases such as the Ebola virus disease and new strains of influenza. Amid the advancing globalization of business, in Japan we commenced initiatives to fulfill our corporate social responsibilities to (1) ensure people's safety, (2) sustain businesses that serve societal functions, and (3) minimize economic impact on our company in the event of an outbreak of a new strain of influenza (through BCP formulation, keeping tabs on the dynamics of business travelers and expatriates, stockpiling masks, etc.). Overseas, and particularly in countries where the probability of an outbreak of a new strain of influenza is high, we provide direction to formulate a BCP that assumes such an outbreak and to otherwise implement countermeasures that are suitable for the situation in each country.

### ■ Ensuring safety overseas

The Mitsubishi Electric Group's Overseas Safety Response Center, under the Corporate Human Resources Division, works closely with overseas sites (overseas offices and affiliated companies of Mitsubishi Electric and affiliates in Japan) to grasp the dynamics and confirm the safety of overseas business travelers, convey various information (travel restrictions, etc. based on information gathered from the Ministry of Foreign Affairs and specialized agencies), and provide employee education. In fiscal 2017, we organized overseas safety seminars for employees scheduled to take up an overseas assignment or business trip, including to affiliates, and visited 14 sites in 10 countries to survey security situations and provide advice on medical and health environments and educational and living conditions. We also participated in the public-private overseas safety cooperation conference sponsored by the Ministry of Foreign Affairs, and exchanged information and views with other companies and organizations. The results of the conference have been incorporated into the risk management activities of our company and overseas sites.

## VOICE (In charge of disaster prevention and BCP)

Tomohiro Uchida (Kumamoto Administration and Human Affairs Dept. Corporate Administration Div. Power Device Works Mitsubishi Electric Corporation)



### Applying the lessons learned from the earthquake

My responsibility at Power Device Works (Kumamoto) is to ensure disaster prevention and BCP. In particular, I am in charge of operating the system for verifying the safety of our employees and managing our emergency stockpile. The Kumamoto earthquake of April 2016 clarified both the benefits and inadequacies of the disaster prevention and BCP initiatives we have taken to date. Our plant was fortunately able to resume operations at an early stage, owing to the generous cooperation of people in and outside the company, but based on this experience, we have strengthened our resolve to reinforce our measures for disaster mitigation.

## Our approach to information security

### Basic Policy

The Mitsubishi Electric Group handles confidential corporate information and personal information appropriately as part of its social responsibility to make certain that such sensitive information does not leak out and cause concern for our customers and society. Confidential corporate information, which includes information on sales and engineering matters, is managed based on the Declaration of Confidential Corporate Information Security Management that was established in February 2005. Information that is entrusted to us by our corporate customers is managed and protected in compliance with a non-disclosure agreement, as well as

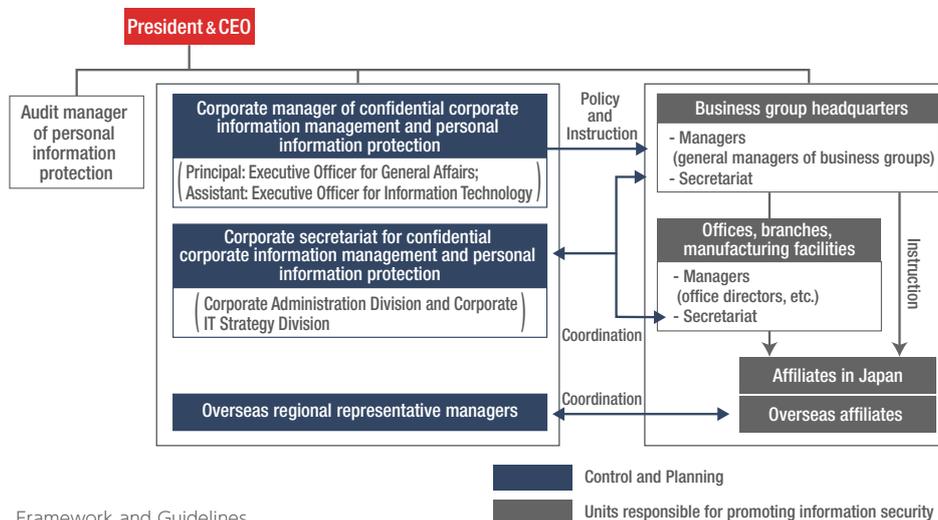
by the same level of security measures that are applied to our own confidential corporate information. Personal information collected from our customers through questionnaires, registration of purchased products, repair services, and other such means is managed based on the "Personal Information Protection Policy" that was established in April 2004. Under this system, we acquired the Privacy Mark certification in all aspects of our business in January 2008, and make ongoing efforts to ensure proper handling of personal information.

### Framework and Guidelines

The President & CEO assigns a Corporate Manager for Confidential Corporate Information Management and Personal Information Protection and an Audit Manager for Personal Information Protection. The Corporate Manager assumes overall responsibility for information security, and the Corporate Secretariat for Confidential Corporate Information Management and Personal Information Protection is in charge of planning and promoting information security measures. Responsibility for the actual utilization and management of confidential corporate information and personal information lies with the general manager of each business group (Confidential Corporate Information Management and Personal Information Protection Managers) and the manager of each business site (office directors, etc.). The Business Group Secretariat and Business Office Secretariat strive to ensure information security by maintaining close coordination and regularly holding meetings with the Confidential Corporate Information Management and Personal Information Protection Secretariat.

The Audit Manager is responsible for implementing and reporting the results of personal information protection audits. In the incident of a leakage of confidential corporate information or personal information or in any other information security incident within the Mitsubishi Electric Group, the matter is reported to the leader through the framework, where it is promptly dealt with in compliance with relevant laws and regulations and is disclosed as necessary in a timely and appropriate manner.

Business Groups also issue instructions and guidance to overseas affiliates in the same way as they do to domestic affiliates, and strive to ensure information security in cooperation with overseas regional offices. The Mitsubishi Electric Group learned a bitter lesson from an accident that occurred in 2010 involving a leak of personal information collected from customers. Based on this experience, it is taking every step to ensure that no leakage of confidential corporate or personal information, or no similar accident, occurs again.



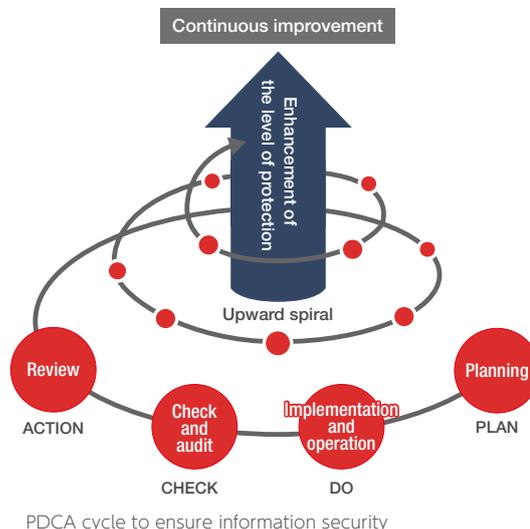
Framework and Guidelines

■ Global activities

To maintain and improve the information security level of the Mitsubishi Electric Group as a whole, including overseas affiliates, various inspections are conducted in line with information security systems prescribed in the Guidelines to Information Security Management Rules for Affiliated Companies.

■ Management Principles

The Mitsubishi Electric Group engages in activities for confidential corporate information management and personal information protection as ongoing improvement activities that are implemented according to the PDCA (Plan, Do, Check, Action) cycle, and employs four security measures to ensure proper management and protection of confidential corporate information and personal information from the organizational, human, physical, and technological perspectives.

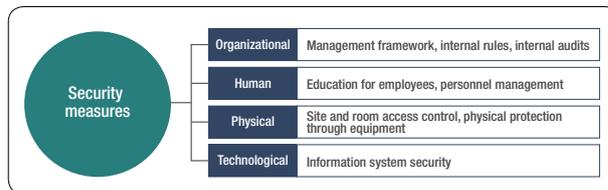


■ Information Security Regulations and Guidelines

The Mitsubishi Electric Group has established regulations and guidelines to ensure information security with respect to four security measures, and reviews them as necessary to stay in compliance with current laws.

■ Information Security Inspections and Audits

The following inspections and audits are performed as part of the C (check) stage of the PDCA cycle. They focus on checking whether confidential corporate information management and personal information protection activities are being implemented properly by the Mitsubishi Electric Group as a whole, and on confirming the status of those activities so that improvements can be made.



Security Measures

Inspections and Audits Related to Information Security

<p>Self-check program on confidential corporate information management and personal information protection</p>	<p>Using a checklist, each Mitsubishi Electric Group company performs a self-inspection of their activities for information security.</p>
<p>Cross-check program on confidential corporate information management and personal information protection</p>	<p>Mitsubishi Electric's business sites mutually check each other's status of information security management. The status of information security in affiliated companies is checked by Mitsubishi Electric.</p>
<p>Personal information protection audits (Personal information protection management system audits)</p>	<p>In Mitsubishi Electric, the status of personal information protection is internally audited under the supervision of the Audit Manager for Personal Information Protection. In affiliated companies in Japan that have acquired the Privacy Mark certification, the same internal audit is conducted by the audit manager in each company.</p>

## Various Measures

### ■ Information Security Education

Mitsubishi Electric provides the following education programs to foster a corporate culture that enforces the proper handling of confidential corporate information and personal information.

#### Education for all employees

An e-learning program on information security is offered once a year to all 40,000-some employees, to disseminate thorough knowledge of various issues on information security, including Mitsubishi Electric's policies, the status of information leakage incidents, a review of the previous year's activities, the Act on the Protection of Personal Information and the Unfair Competition Prevention Act in Japan, and security measures (human, physical, technological, and organizational) to be taken by all employees.

#### Education corresponding to each career stage

Education on confidential corporate information management and personal information protection is provided to new employees, employees in their twenties, thirties and forties, and newly appointed section managers, so that they may fulfill the roles that are expected of them at each career stage.

#### Other specific education

Employees posted overseas are provided with a preliminary education program which includes the status of Mitsubishi Electric's activities for confidential corporate information management and personal information protection, "Trade secret management guidelines" of the Ministry of Economy, Trade and Industry in Japan, and examples of information leakage incidents that have occurred overseas.

### ■ Contractor Management

Confidential corporate information and personal information are entrusted to a contractor only after a proper non-disclosure agreement is concluded between Mitsubishi Electric and the contractor. The agreement stipulates all the security matters that we require. Before entrusting the information to the contractor, we confirm that the contractor will maintain the proper level of protection. After submitting the information, we supervise the contractor by regularly examining a status report on the use and management of the information that we have submitted. Moreover, we make a special agreement that provides for the protection of the personal information that we have submitted.

### ■ Responses to cyber-attacks

Prompt response is also taken in regard to today's increasing threat of cyber-attacks, by establishing a CSIRT (computer security incident response team) and strengthening surveillance. Based on this premise, Mitsubishi Electric and affiliated companies in Japan also conduct exercises where they practice handling suspicious e-mails, so that all employees can act properly in the event that they receive such an e-mail.

## VOICE (In charge of information security)

Yukiko Moody (In charge of business applications Mitsubishi Electric Europe B.V.)



### Mitsubishi Electric Europe's recent initiatives for information security

We are enhancing our employee's Information Security Awareness using e-learning. As a way to visualize the pervading of our education we are sending all employees Dummy Phishing Mails. We receive the number of accesses to the suspicious link and how many people go through the expected procedure after clicking the link. And the result is utilized our future employee education. Additionally though Security Software product was different among Branch Offices and Affiliate Companies, we have determined the standardized product since last year not to cause security level gaps among them.

## Activities for personal information protection

### ■ Personal information protection

Mitsubishi Electric first created company rules on personal information protection in October 2001, and since then requires all employees and affiliated persons to obey those rules strictly. After issuing a personal information protection policy in 2004, Mitsubishi Electric satisfied the requirements of JIS Q 15001:2006 Personal Information Protection Management Systems in January 2008, and was permitted to use the "PrivacyMark," which certifies the establishment of management systems that ensure proper measures for personal information protection. We have maintained our "PrivacyMark" certification until the present through four biennial assessments.

We have also conducted a review of our internal regulations to ensure a proper response to the amended Act on the Protection of Personal Information that came into force in May 2017.

### ■ Proper handling of personal information

Mitsubishi Electric handles personal information appropriately; we acquire it by specifying purpose of use, use it only within the intended scope, and provide it to a third party only with prior consent from users.

