

Corporate Governance

Basic Corporate Governance Policy

While maintaining the flexibility of its operations and promoting management transparency, Mitsubishi Electric, as a Company with Three-committee System, works to strengthen the supervisory functions of management with the goal of realizing sustained growth. Our fundamental policy is to build and improve a corporate structure that is more able to meet the expectations of society, customers, shareholders, employees and all of its stakeholders while endeavoring to further increase corporate value.

Implementation Status of Corporate Governance

Corporate Management Structure

In June 2003, Mitsubishi Electric became a Company with Three-committee System. Key to this structure is the separation of supervisory and executive functions; the Board of Directors plays a supervisory decision-making role and Executive Officers handle the day-to-day running of the Company.

A salient characteristic of Mitsubishi Electric's management structure is that the roles of Chairman of the Board, who heads the supervisory function, and the President & CEO, who is head of all Executive Officers, are clearly separated. Additionally, neither is included among the members of the Nomination and Compensation Committees. The clear division of supervisory and executive functions allows the Company to ensure effective corporate governance.

Currently, the Chairman of the Board is not selected and the Board of Directors is chaired by Outside Director.

The present Board of Directors is comprised of twelve members (five of whom are Outside Directors, one of whom is a woman), who objectively supervise and advise the Company's management by executing their duties based on the objectives and authority of the Companies Act, as well as by delegating to Executive Officers the decision authority for executing all operations, except the matters listed in the items of paragraphs 1 and 4 of Article 416 of the Companies Act.

The Board of Directors has three internal bodies: the Nomination, Audit and Compensation Committees. Each body has five members, the majority of whom are Outside Directors, who are chosen by the Board of Directors taking into account the experience and specialties of each person. Each Committee undertakes its duties based on the objectives and authority of the Companies Act.

The bureaus have been established for the Board of Directors and each of the Committees to support directors. The Audit Committee is supported by dedicated independent staff.

Executive Officers make decisions about the execution of operations on mat-

ters delegated by the Board of Directors within the range of duties allocated to each Executive Officer based on the objectives and authority of the Companies Act, and then execute such operations. Important items among such matters delegated by the Board of Directors are deliberated and decided upon in Executive Officers' meetings attended by all Executive Officers.

Internal Control System

1. For the execution of the duties of the Audit Committee, its independence is secured by assigning employees whose job is exclusively to assist the Audit Committee members. In addition, internal regulations regarding the processing of expenses and debts incurred in the execution of the duties of the Audit Committee members are established and such expenses and debts are properly processed.

A system for reporting to the Audit Committee is developed to report information about the Company and its subsidiaries to the Audit Committee via the divisions in charge of internal control, and an internal whistle-blower system is developed and its details are reported to the Audit Committee members.

Furthermore, the Audit Committee members attend important meetings including Executive Officers' meetings and conduct investigations such as interviews with Executive Officer and the executives of the Company's offices and subsidiaries, and undertake deliberations to determine audit policies, methods, implementation status, and results of the audit by regularly receiving reports from the Independent Auditor and Executive Officers in charge of audits.

2. Internal regulations and systems to ensure the properness of operations within the Mitsubishi Electric Group are established. Executive Officers take responsibility for constructing such systems within the areas over which they are appointed. Important matters are deliberated by convening Executive Officer

meetings.

Executive Officers regularly monitor the status of management of the systems. The divisions in charge of internal control monitor the status of design and management of internal control system and regulations. Also an internal whistle-blower system is developed and its details are reported to the Audit Committee members.

Furthermore, the status of management of the system is audited by internal auditors, and the audit results are reported regularly to the Audit Committee via Executive Officers in charge of audit.

Upon receipt of the Governance Review Committee's recommendation on improper quality control practices, the Board of Directors will deliberate again on the resolution, including whether or not the decision should be revised.

Audit Committee

1. Organization, members, and procedures of the Audit Committee

The Audit Committee is made up of five Director, three of whom are Outside Director. The Committee audits the legality, adequacy, and efficiency of the execution of the duties by Director and Executive Officers and creates an audit report to be submitted to the shareholders' meeting with its resolution.

Tadashi Kawagoishi, a member of the Audit Committee, has long years of experience in the accounting and financial operations of the Company. Kazunori Watanabe, a member of the Audit Committee, is a Certified Public Accountant and has a considerable degree of knowledge about finance and accounting.

The Audit Committee has four dedicated staffers who take direct orders from Audit Committee members and support them in executing their duties.

2. Frequency of the Audit Committee meeting and attendance of each Audit Committee member

In fiscal 2022, Mitsubishi Electric held a regular Audit Committee meeting once a month in principle (and two special meetings). Each meeting would take about two hours. The attendance of each Audit Committee member is as shown below.

Title	Name	Attendance/meetings	Attendance rate
Outside Director (Chairman)	Hiroshi Obayashi	13/13	100%
Director (full-time)	Masahiko Sagawa	13/13	100%
Director (full-time)	Takashi Sakamoto	13/13	100%
Outside Director	Kazunori Watanabe	13/13	100%
Outside Director	Takashi Oyamada	13/13	100%

Notes: 1. Out of the above members, Masahiko Sagawa and Takashi Sakamoto are responsible for investigation.  
2. Masahiko Sagawa and Takashi Sakamoto retired on June 29, 2022.

3. Activities of the Audit Committee members

The Audit Committee members—mainly those responsible for investigation (full-time Audit Committee members)—attend Executive Officers' meetings and other such important conferences, and conduct interviews and surveys of Executive Officers and the executive staff of the Company's offices and affiliates in accordance with the policies and assignments agreed upon the Committee.

Divisions in charge of internal control, including the Corporate Auditing Division, submit internal audit reports to the Audit Committee members, who hold meetings such as those to discuss internal audit policies and periodic report meetings to exchange opinions. Outside Audit Committee members visit

our offices, affiliates, and other locations with the members responsible for investigation as needed and offer their opinions based on their expert knowledge at the Audit Committee meeting and other occasions.

In addition, the Audit Committee members discuss policies and methods of auditing with accounting auditors, who furnish them with reports on the status and results of the audits of the Company that they themselves conduct, and exchange opinions with them.

4. Agenda of the Audit Committee

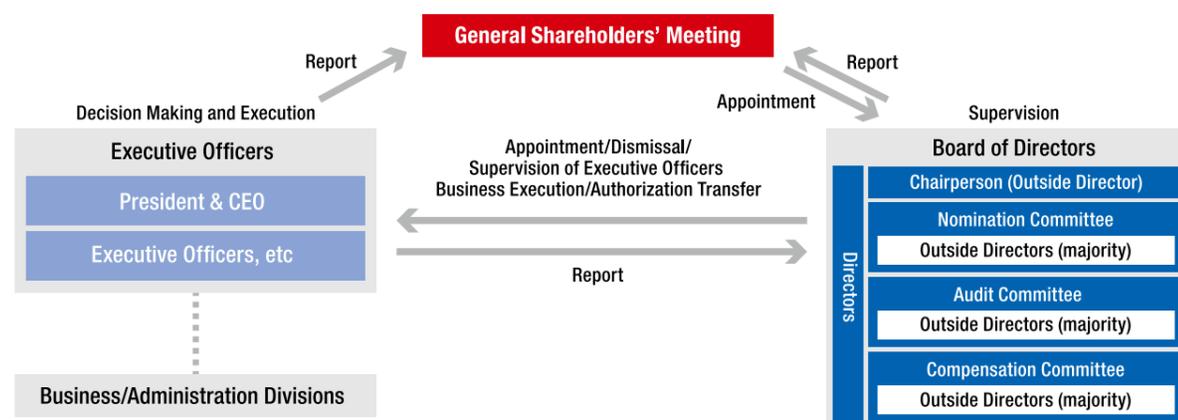
The main agenda of the Audit Committee include the determination of audit policies and activity planning, check on the execution of the duties by Directors and Executive Officers and the establishment and operation of the internal control system, check on methods of auditing by the Independent Auditor and validity of results, and evaluation of the Independent Auditor and decision on whether to reappoint it.

Especially in fiscal 2022, the Audit Committee focused on checking and verifying the status of a range of initiatives aimed at enhancing the mid-to-long term corporate value of the Group. These initiatives include: strengthening the management structure, including internal control and compliance systems; strategically allocating management resources and responding to businesses with issues; improving profitability and asset efficiency; strengthening the use of ROIC to ensure capital cost-conscious management; promoting measures for deploying and developing talent; and contributing to the achievement of the SDGs. Furthermore, the Group takes its recent product and service quality, work-related, and information security issues extremely seriously as a top management priority, and is promoting a number of reoccurrence prevention initiatives. With regard to improper quality control practices, the Group set up the Investigative Committee consisting of external experts. At a company-wide level, the committee is investigating the facts and determining the causes, and formulating and implementing measures to prevent any recurrence. The Audit Committee requests each responsible Executive Officer, etc. to report on the status, as appropriate, provides opinions, and follows up on the status of formulation and implementation of measures to prevent recurrence that are being implemented sequentially. In addition, the Company commissioned the Governance Review Committee comprised of external experts to conduct an overall review of the internal control system and the Company's Directors and Executive officers. The Audit Committee will continue to closely monitor ongoing investigations, the identification of causes, and the progress of the formulation and implementation of measures to prevent recurrence, as well as the status of operational improvement of the internal control system. The Audit Committee asked questions and stated opinions after each responsible Executive Officer explained the following: with regard to work-related issues, the Company is promoting the Mitsubishi Electric Workplace Reform Program and working to prevent recurrence; with regard to information leakage due to unauthorized entry, the Company is working to reinforce comprehensive information security measures to prevent recurrence; in order to ensure their steady implementation.

5. Effectiveness evaluation of the Audit Committee

The Audit Committee conducts evaluation to improve performance every year. In the Audit Committee review in fiscal 2022, outside Audit Committee members concluded that the members responsible for investigation (full-time Audit Committee members) periodically report their activity results and that management information is properly shared in a timely manner in the Audit Committee. Although we believe that this evaluation in effect endorses the performance of the Audit Committee, we will continue to make efforts to improve performance.

Corporate Governance Framework



Status of Internal Audit

1. Organization, members, and procedures for internal audit

An internal audit is intended to contribute to the sound management and strengthened management structure of Mitsubishi Electric and its affiliates in Japan and overseas by improving management efficiency, strengthening risk management, thoroughly observing the code of corporate ethics and ensuring compliance, and enhancing internal control.

With approximately 60 members acting independently in Japan and overseas, Mitsubishi Electric's Corporate Auditing Division conducts internal audits of the Company from a fair and impartial standpoint. In addition, the division's activities are supported by auditors with extensive knowledge of their particular fields, assigned from relevant business units. The Corporate Auditing Division reports the results of such audits to the President & CEO and the Audit Committee.

2. Relationship with the divisions in charge of internal control

In the Mitsubishi Electric Group, the administration divisions such as the Corporate Strategic Planning Division, the Corporate Accounting Division, the Corporate Legal & Compliance Division, and the Corporate Export Control Division inspect the establishment and operation of the internal control system and regulations, etc. under their scope of responsibility for internal control. In addition, each business division has its own compliance department, which reliably spreads companywide compliance policies and inspects the compli-

ance status in each business division.

The Corporate Auditing Division internally audits the operation and other aspects of the internal control system, evaluates the internal control related to the establishment of internal whistle-blower system and financial review, and mutually exchanges necessary information with each division in charge of internal control.

3. Mutual relationship among internal audit the audit by the Audit Committee, and accounting audit

The Corporate Auditing Division reports the internal audit policies and internal audit results to the Audit Committee and exchanges opinions with the Audit Committee members on a regular basis.

The Corporate Auditing Division also reports internal audit results to the accounting auditors and continuously works with them, discussing the evaluation of the internal control related to financial review as needed.

Providing Directors with Appropriate Information at the Appropriate Time, and Conducting Reviews of the Board with Analyses and Evaluations

We held a total of 20 Board of Directors meetings in fiscal 2022 and deliberated on the resolutions related to important matters such as basic policies on management, selection of Executive Officers, and internal control system. The Board of Directors also received a report from the executive functions and debated content and progress of this fiscal year's management plan, response progress on management challenges per business, as well as important matters discussed at the Executive Officers' meetings.

As for the series of incidents related to improper quality control practices, we have established an Investigative Committee of external experts and are working on investigation of the facts and determination of the underlying causes at a

company-wide level. The Board of Directors has also regularly confirmed the progress of the investigation in the Board of Directors meetings and has been reported and debated various measures to prevent recurrence.

In order to examine whether there are areas for improvement relating to the effectiveness of the Board of Directors, the company requested Board Advisors, Inc., a third-party organization, to assess the effectiveness of the Board of Directors of the company from August to September 2021.

The summary of the assessment method and process of the third-party organization are indicated as follows.

Assessment methods/processes by the third-party organization

(1) Assessment methods

- ① Review the minutes of the Board of Directors meetings and other documents
- ② Survey of all Directors
- ③ Interviews with all Directors
- ④ Evaluation based on the expertise of the third-party organization

(2) Target items of assessment

- ① Composition of the Board of Directors
- ② Support system of the Board of Directors
- ③ Agenda for Meetings of the Board of Directors
- ④ Status of Deliberations at Meetings of the Board of Directors
- ⑤ Contribution of Directors

- ⑥ Activities of the three statutory committees
- ⑦ Monitoring system of the Executives
- ⑧ Response to the improper inspection practices

(3) Assessment process

- ① Conduct an assessment by a third-party organization based on (1) Assessment methods and (2) Target items of assessment
- ② Report on the assessment results on the effectiveness of the Board of Directors based by the third-party organization to the Company's Board of Directors
- ③ The Company's Board of Directors conduct discussions on future actions based on above assessment report

As a result, the third-party organization identified that there is a need for improvement in the effectiveness of the company's Board of Directors in terms of Board functions, Board composition, Board secretariat functions, and the functions of the three statutory committees.

The company reported the results of this assessment of the effectiveness of the Board of Directors by the third party organization to the Board of Directors,

and as a result of discussions on future actions among the Board members, the Board of Directors confirmed that it takes the results of this assessment very seriously and have started working on measures to improve the effectiveness.

We will continue reviews of the Board and strive to further improve of the effectiveness of the Board of Directors.

Policies Regarding Decisions on Compensation, etc.

1. Basic Policies

As a Company with a Three-committee System, the Company segregates the supervisory function and the execution function of management. The supervisory function of management is assigned to the Directors and the Board of Directors and the execution function of management is assigned to the Executive Officers. The compensation scheme for Directors and the compensation scheme for the Executive Officers will be set differently, corresponding to the contents and responsibilities of each of the duty and position. The compensation will be determined by the Compensation Committee based on the following basic policies:

- (1) Directors
  - (a) The compensation scheme should encourage the Directors to demonstrate their supervisory function of management.
  - (b) The compensation should be the amount necessary to secure talent to fulfill responsibilities of the Company's Directors.
- (2) Executive Officers
  - (a) The compensation scheme should observe the corporate philosophy of the Mitsubishi Electric Group, and be fully accountable to all stakeholders including society, customers, shareholders, and employees.
  - (b) The compensation should be the amount necessary to secure talent to fulfill responsibilities of the Company's Directors.
  - (c) The compensation should function as an incentive for sustained performance growth and the improvement of corporate value.
  - (d) The compensation should reflect a fair and impartial evaluation of the achievements and contributions toward their respective roles and responsibilities.

2. The System and the Policy for Determining Compensation for Directors and Executive Officers

(1) Directors

The compensation scheme for Directors shall consist exclusively of basic compensation (fixed compensation), in light of the Directors' role to provide advice and supervise management from an objective and independent perspective.

(2) Executive Officers

The compensation scheme for Executive Officers shall be as follows, with an emphasis on the improvement of medium-term corporate value and shareholder value.

- (a) Basic compensation
 

Fixed compensation is set in accordance with the roles and responsibilities of each Executive Officer and is paid monthly in cash by dividing the position-based annual standard amount by 12.
- (b) Performance-based bonus
 

The bonus payment amount shall be determined by "Corporate Performance Evaluation" and "Individual Evaluation." The payment amount will fluctuate in the range of 0% to 200% depending on the evaluation results. The amount to be paid to each individual shall be calculated as below and paid in a lump sum in cash after the end of each fiscal year.

[Individual payment amount = Position-based standard amount x (Corporate performance evaluation coefficient + Individual evaluation coefficient) (in the range of 0-200%)]

- (c) Performance-based stock compensation (Performance Share Units (PSU))
 

In principle, the number of shares to be issued as performance-based stock compensation (PSU) varies between 0% and 200%, depending on the comparison result (in percentile) between the Company's TSR (total shareholder return) for the three years and the TSR of a pre-selected group of comparable companies. The comparable companies are selected from domestic and overseas companies in the business areas in which the Company operates. The number of shares to be delivered to each individual is calculated as follows:

[Number of shares delivery to each individual = Standard PSU points for the position x PSU grant rate (in the range of 0-200%)]

- (d) Restricted Stock Units (RSU)
 

In order to promote continuous shareholding and shareholder value during the term of office, the Restricted Stock Unit (RSU) program shall in principle, deliver shares, with transfer restrictions, equivalent to the standard amount for the position at the end of each fiscal year. The transfer restrictions shall be lifted at retirement (when the Company's Director or Executive Officers retires from his/her position).

3. Method of Setting Compensation Levels and Compensation Compositions Ratios

The compensation levels and compensation ratios of Directors and Executive Officers are set each year according to their roles and responsibilities based on a comparison with market compensation levels using compensation survey data of external professional organizations. When comparing with market compensation levels, major domestic manufacturers similar to the Company in terms of scale, type of business, global expansion, etc., are selected as the compensation benchmark group.

(1) Directors

The basic compensation levels of Directors are set in consideration of the compensation levels of non-executive internal directors and outside directors of the compensation benchmark companies, their roles and responsibilities, and other factors.

(2) Executive Officers

The compensation, etc. of Executive Directors is set in consideration of the trends in compensation levels of executive officers at the compensation benchmark companies, the management strategy and business environment of the Company, the objectives of incentive compensation and the degree of difficulty in achieving the targets, the roles and responsibilities of the Executive Officer concerned and other relevant factors. Additionally, from the perspective of pay-for-performance, the compensation composition has been set with a higher ratio of incentive compensation to place greater emphasis on the link between performance and the medium- and long-term improvement of corporate value and shareholder value.

4. Compensation Governance

As a Company with a Three-committee system, the Company has set forth the following:

- The major roles and authority of the Compensation Committee
 

The Company's Compensation Committee has the authority to determine the details of compensation, etc. for individual Directors and Executive Officers of the Company. It mainly determines the policies for determining executive compensation etc., the details of compensation, etc. For individual Directors and Executive Officers, company-wide performance evaluations related to the incentive compensation of Executive Officers, and the individual evaluations of Executive Officers. The Compensation Committee is chaired by an Outside Director.
- Decision-making process and annual schedule
 

In the deliberation and determination of the policy for determining executive compensation, etc., the Company's Compensation Committee gathers information and receives advice from compensation consultants from an external professional organization with abundant global experience and knowledge, from the standpoint of ensuring independence of its judgement and enhancing the effectiveness of the roles and authority of the Compensation Committee. The Compensation Committee conducts deliberation and determination based on such information as well as due consideration of the environment and general trends surrounding the compensation for management.

5. Stock Ownership Guidelines

We believe it is important to ensure that our Executive Officers share the same value with our shareholders on a long-term and sustainable basis. To this end, we require Executive Officers to continuously hold the Company's stock during their term of office, even after the target amount has been reached.

6. Malus and Clawback Provisions

The Company shall introduce "malus and clawback provisions" so that, in the event of any material misconduct or violation by an Executive Officer, or in the event of any material revision to the financial results of prior fiscal years, the Compensation Committee may, by resolution, demand that such Executive Officer forfeit his/her right to receive incentive compensation (malus) or return his/her paid compensation (clawback). The compensation that may be subjected to those provisions shall be performance-based bonuses to be paid or already paid, points granted before the delivery of shares and shares before the lifting of transfer restrictions, and some or all of the shares already delivered.

Please refer to our annual securities report for the compensation of Directors and Executive Officers. [https://www.MitsubishiElectric.com/en/investors/library/securities\\_report/index.html](https://www.MitsubishiElectric.com/en/investors/library/securities_report/index.html)

Outside Directors

With the addition of two Outside Directors who have experience in managing a company in the manufacturing industry, the Company now has seven Outside Directors, each of whom has no special interest with the Company. Although companies in which each of the Outside Directors holds office in or has been a director or officer of include those with trading relationships with the Company, no such relationships have an impact on the independence of each relevant Outside Directors based on the scale or nature of such trading, and thus they possess no risk of giving rise to any conflict of interest with the general shareholders of the Company.

Outside Directors are expected to supervise management from a high-level perspective based on their abundant experience. Those who are comprehensively judged to possess the character, acumen, and business and professional experience suited to fulfill that role, and who satisfy the requirements of independent executives specified by the Tokyo Stock Exchange and the requirements specified in Mitsubishi Electric's Guidelines on the Independence of Outside Directors (see note at below) and thus possess no risk of giving rise to any conflict of interest with the general shareholders of the company, are selected as Outside Director candidates by the Nomination Committee.

Independency Guideline for Outside Directors

Mitsubishi Electric Corporation nominates persons with experience in company management in the business world, attorneys and academics, among other specialists, who are appropriate to oversee the Company's business operations and not falling under any of the following cases, as candidates for Outside Directors. Each of the following 1, 2, 4 and 5 includes a case in any fiscal year during the past three fiscal years.

- Persons who serve as Executive Directors, Executive Officers, managers or other employees (hereinafter "business executors") at a company whose amount of transactions with the Company accounts for more than 2% of the consolidated sales of the Company or the counterparty
- Persons who serve as business executors at a company to which the Company has borrowings that exceed 2% of the consolidated total assets
- Persons who are related parties of the Company's independent auditor
- Persons who receive more than 10 million yen of compensation from the Company as specialists or consultants
- Persons who serve as Executive Officers (Directors, etc.) of an organization to which the Company offers contribution that exceeds 10 million yen and 2% of the total revenue of the organization
- Persons who are the Company's major shareholders (holding more than 10% of voting rights) or who serve as their business executors
- Persons who are related parties of a person or company that have material conflict of interest with the Company

In addition, Outside Directors enhance the checking function of management by receiving reports about the activity status of internal auditors, the audit committee, accounting auditors, and divisions in charge of internal control via the Board of Directors, and providing valuable comments regarding Mitsubishi Electric's management from an objective perspective. By doing this, they bring greater transparency to the management framework and strengthen the Board's function of supervising management.

Outside Directors (as of June 29, 2022)

Title	Name	Positions Held	Reasons for Nomination	Board Attendance Rate (FY2022)
Outside Director	 Mitoji Yabunaka	Chairman of the Nomination Committee Member of the Compensation Committee	Mr. Yabunaka's experience and insights as an expert in international affairs cultivated through the course of his career are highly beneficial to Mitsubishi Electric. Serving as Outside Director of the Company since June 2012, he has overseen the Company's business operations, and he is also currently serving as Chairman of the Board of Directors, Chairman of the Nomination Committee and Member of the Compensation Committee. The Company expects him to oversee the Company's business operations, by using a wide range of experience and insights especially in the fields of governance, human resources and human resources development, and global affairs at the Board of Directors and each Committee.	100% (20/20)
Outside Director	 Hiroshi Obayashi	Chairman of the Audit Committee Member of the Nomination Committee	Mr. Obayashi's experience and insights cultivated through the course of his career as a lawyer (public prosecutor, attorney-at-law) are highly beneficial to Mitsubishi Electric. Serving as Outside Director of the Company since June 2013, he has overseen the Company's business operations, and he is also currently serving as Chairman of the Audit Committee and Member of the Nomination Committee. The Company expects him to oversee the Company's business operations, by using a wide range of experience and insights especially in the fields of governance, legal affairs and compliance, and human resources and human resources development at the Board of Directors and each Committee.	95% (19/20)
Outside Director	 Kazunori Watanabe	Chairman of the Compensation Committee Member of the Audit Committee	Mr. Watanabe's experience and insights as a certified public accountant cultivated over the course of his career are highly beneficial to Mitsubishi Electric. Serving as Outside Director of the Company since June 2015, he has overseen the Company's business operations, and he is also currently serving as Chairman of the Compensation Committee and Member of the Audit Committee. The Company expects him to oversee the Company's business operations, by using a wide range of experience and insights especially in the fields of governance, finance and accounting, and human resources and human resources development at the Board of Directors and each Committee.	100% (20/20)
Outside Director	 Hiroko Koide	Member of the Nomination Committee Member of the Compensation Committee	Ms. Koide's experience and insights as a business specialist cultivated over the course of her career in international corporate management are highly beneficial to Mitsubishi Electric. Serving as Outside Director of the Company since June 2016, she has overseen the Company's business operations, and she is also currently serving as Member of the Nomination Committee and the Compensation Committee. The Company expects her to oversee the Company's business operations, by using a wide range of experience and insights especially in the fields of corporate management and corporate strategies, governance, human resources and human resources development, and global affairs at the Board of Directors and each Committee.	100% (20/20)
Outside Director	 Takashi Oyamada	Member of the Nomination Committee Member of the Audit Committee	Mr. Oyamada's experience and insights as a business specialist cultivated over the course of his career in bank management are highly beneficial to Mitsubishi Electric. Serving as Outside Director of the Company since June 2019, he has overseen the Company's business operations, and he is also currently serving as Member of the Nomination Committee and the Audit Committee. The Company expects him to oversee the Company's business operations, by using a wide range of experience and insights especially in the fields of corporate management and corporate strategies, governance, finance and accounting, and human resources and human resources development at the Board of Directors and each Committee.	100% (20/20)
Outside Director	 Tatsuhiro Kosaka	Member of the Nomination Committee Member of the Compensation Committee	Mr. Kosaka's experience and insights as a business specialist cultivated over the course of his career in management of a manufacturing company are highly beneficial to Mitsubishi Electric. The Company expects him to oversee the Company's business operations, by using a wide range of experience and insights especially in the fields of corporate management and corporate strategies, governance, global affairs, and engineering, manufacturing and R&D at the Board of Directors and each Committee.	—
Outside Director	 Hiroyuki Yanagi	Member of the Nomination Committee Member of the Compensation Committee	Mr. Yanagi's experience and insights as a business specialist cultivated over the course of his career in management of a manufacturing company are highly beneficial to Mitsubishi Electric. The Company expects him to oversee the Company's business operations, by using a wide range of experience and insights especially in the fields of corporate management and corporate strategies, governance, global affairs, and engineering, manufacturing and R&D at the Board of Directors and each Committee.	—

Note: Mitsubishi Electric Corporation held twenty Board of Directors meetings during fiscal 2022.

Status of Stocks Held

Status of Stocks Held

- Criteria and Approach on Classification of Stocks for Investment  
With regard to the classification of stocks for investment held for pure investment purposes and stocks for investment held for purposes other than pure investment, the Company classifies stocks held solely for profit purposes from changes in the stock value or dividends on stock as pure investment. There are no stocks held solely for pure investment.
- Stocks for Investment Held for Purposes Other Than Pure Investment Purposes  
The Company holds stocks that are determined to be necessary for business operations, taking into consideration maintaining and strengthening relationships with business partners. The Company comprehensively judges whether or not stocks held are significant, from the viewpoint of their profitability, business feasi-

bility, holding risks, and other aspects are verified and confirmed yearly in the Executive Officers' meeting and in the Board of Directors' meeting. Furthermore, the Company performs verifications with regard to profitability, as to whether the income gained from related businesses and total dividends received are reaching a level above the capital cost, with regard to business feasibility, whether there are not any significant changes in business relationships or amounts of transactions, etc., and with regard to holding risks, whether the corporate value of the investee has fallen or not. When stocks are thus judged to have a low holding significance, the Company considers the reduction thereof such as by selling them, taking into consideration the situation of the company concerned.

 \*For the Status of Stocks Held, please refer to the Annual Security Report. [https://www.MitsubishiElectric.com/en/investors/library/securities\\_report/](https://www.MitsubishiElectric.com/en/investors/library/securities_report/)

Compliance

Our Concept of Compliance

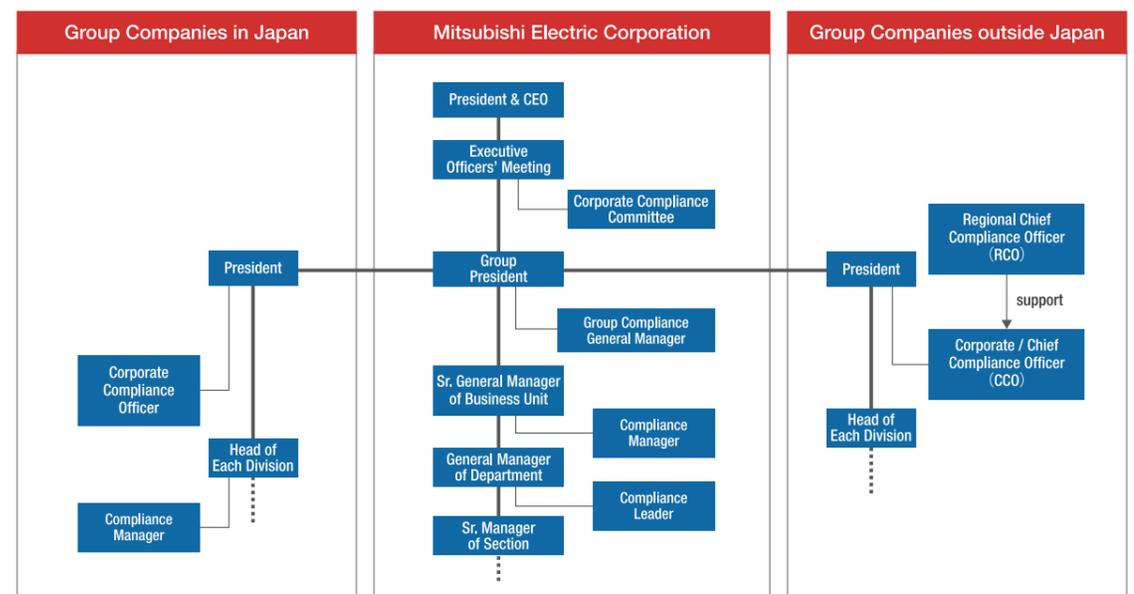
The Mitsubishi Electric Group regards "ethics and compliance" as the foundation of corporate management, and issues a compliance message from top management to all officers and employees as part of its efforts to establish even stronger relationships of trust with customers, stakeholders and society.

Compliance Motto – "Always Act with Integrity"

The Mitsubishi Electric Group established a compliance motto "Always Act with Integrity" for all Mitsubishi Electric Company's officers and employees on June 1, 2021. "Integrity" means the strong will and attitude to persist in doing the right thing and having character traits such as "being fair," "being honest," "being sincere," "taking responsibility for one's behavior" and "respecting others."

*Always Act with Integrity*

Mitsubishi Electric Group compliance promotion structure



Risk Management

Risk Management Framework

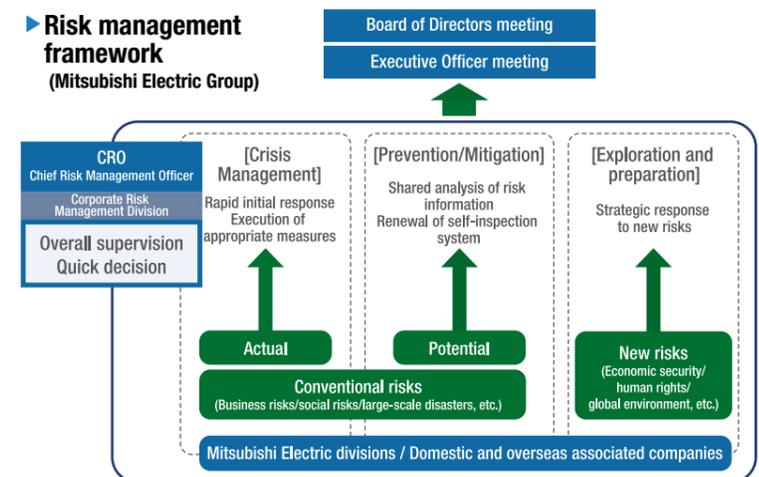
Risk management is implemented independently by each division and by domestic and overseas associated companies. In addition, the Group has established a CRO\*1 and a Corporate Risk Management Division\*2 to supervise the entire Group and has also built a framework to enable quick decision making. The Group addresses not only conventional risks such as large-scale disasters and social risks, but also promotes agile and strategic exploration of and preparation for new risks such as economic security, human rights, and the global environment.

In particular, important matters related to management supervision and execution are deliberated upon and decided at the Board of Directors meetings and the Executive Officer meetings.

\*1 Chief Risk Management Officer (Established in January 2022)

\*2 Established in January 2022

Risk management framework (Mitsubishi Electric Group)



## Our Approach to Information Security

### Basic Policy

In order to prevent the recurrence of a data leak incident caused by unauthorized system access, the Mitsubishi Electric Group will continue to strengthen its information management and utilization systems and other functions, and it will strengthen its security measures for cyberattacks. As a specific target, we will aim to achieve level 3 or higher in the Cybersecurity Maturity Model Certification (CMMC).\*

Mitsubishi Electric manages information entrusted to the company by its customers and stakeholders and confidential corporate information relating to sales, engineering, intellectual property, and other areas. This management is carried out based on the Declaration of Confidential Corporate Information Security Management established in February 2005. In light of past events, we will once again work to increase awareness of this declaration further within the Mitsubishi Electric Group and strive to protect and manage information even more carefully.

\* Framework for Cybersecurity Maturity Model Certification set forth by the U.S. Department of Defense. Level 3 or higher means that excellent security measures and management systems are put in place.

### Information Security

A new "Corporate Information Security Division" was established under the direct control of the president, to oversee all the Group's information security management. Since April 2020, it has integrated three functions that were previously separate: management of confidential corporate information and personal data protection, information system security, and product security. Since April 2021, we have enhanced the structure and add members of Corporate Information Security Division. In addition, we will invest more than ¥50 billion to implement cybersecurity measures and establish sustainable information security management system so that we can achieve Level 3 or higher of the Cybersecurity Maturity Model.

The Executive Officer in charge of Information Security is responsible for the Group's overall information security management. Under this officer's direction, the Corporate Information Security Division is in charge of planning and implementing the Group's information security management structure and rules as well as activities to ensure the security of information systems. The Division is striving to ensure information security by working closely with the Computer Security Incident Response Team (CSIRT) established in each business group and office that utilizes and manages the data and systems.

As other companies suffered cyberattacks that affected their factory productivity, Mitsubishi Electric also formed a section to ensure factory security, thereby bolstering preparedness.

In addition, as part of PSIRT activities\*1 to promote product security measures, we were accredited as a CNA\*2 in November 2020 and we now assign CVE IDs\*3 to vulnerabilities that affect Mitsubishi Electric products and publish them by ourselves. This has strengthened a framework to practice efficient vulnerability handling with external stakeholders. Identified vulnerabilities are reported, instructions are given in keeping with this framework, and appropriate response is taken to prevent secondary damage.

Business groups and offices (offices, branches, works [production plants]) issue instructions and guidance on information security to affiliates in and outside Japan. Paying special attention to the circumstances and special characteristics of overseas affiliates, the Corporate Information Security Division will build close cooperative relations with overseas regional representative managers at sites in the Americas, Europe, China, and other Asian countries to ensure information security.

\*1 PSIRT is an abbreviation for Product Security Incident Response Team, which works on the security quality of products and services.

\*2 CVE Numbering Authority. CVE is an abbreviation for Common Vulnerabilities and Exposures.

\*3 Internationally used vulnerability identifiers

### Personal Information Protection

In efforts to protect personal information, Mitsubishi Electric first created company rules on personal information protection in October 2001, and since then it has required all employees and affiliated persons to obey those rules strictly. Mitsubishi Electric issued a personal information protection policy in 2004, complying with the requirements of JIS Q 15001:2006 Personal Information Protection Management Systems. In January 2008, we were granted the right 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. We have also conducted a review of our internal regulations to ensure a proper response to Japan's amended Act on the Protection of Personal Information, which went into force in April 2022.

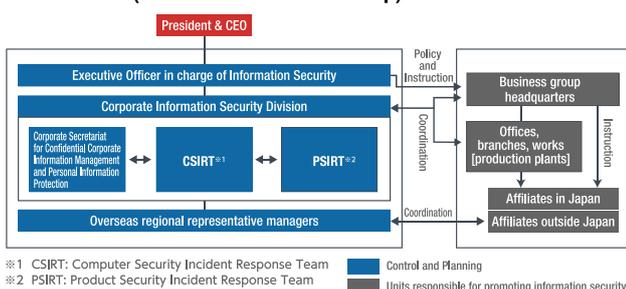
### Cyber-Attack Countermeasures

Cyber-attacks have become a major threat for businesses as they are growing increasingly sophisticated and diverse year-by-year. The Mitsubishi Electric Group is centrally managing the network, devices, and servers (cloud) and working to implement a multilayered defense which is based on the concept of zero-trust security\* for the network, devices, and servers (cloud) as countermeasures for cyber-attacks that are growing increasingly sophisticated and diverse, along with the wider use of cloud services and the wider adoption of teleworking. A multilayered defense lets us protect ourselves from cyber-attacks, detect suspicious signs and intrusions, and put in place a system to respond immediately should an incident occur, to prevent or minimize damage.

In addition, we have implemented multi-factor authentication that supports operations being conducted through access from offices, teleworking sites, and business trip destinations, and we manage authentication in a centralized manner. Internet websites are constantly exposed to many external threats, and so we only launch websites that are approved by Mitsubishi Electric in order to maintain a high security level.

\* Concept of not giving trust to anything either inside or outside of the company, and testing and authorizing all communication attempts.

### Framework (Mitsubishi Electric Group)



※1 CSIRT: Computer Security Incident Response Team  
 ※2 PSIRT: Product Security Incident Response Team

### Leaks of data due to unauthorized system access

On October 8, 2021, Mitsubishi Electric detected unusual access from overseas and it was confirmed that the some domestic customer information at our affiliate company was leaked from the company on October 15, 2021. The incident was reported to the customers individually and they confirmed no impact from the incident. We cut off the exploited communication channel and issued a report to the relevant authorities.

Although we have already implemented emergency measures for both devices and servers to prevent recurrence, we believe we need to develop a multilayered defense at a higher level to protect ourselves from targeted attacks that use sophisticated and diverse approaches. Mitsubishi Electric strengthens the monitoring of the cloud service that was accessed illicitly and accelerates the implementation of zero-trust security measures to ensure the prevention of recurrence. In addition, the Mitsubishi Electric Group as a whole strengthens security measures through comprehensive multilayered protection, such as the strengthening of domestic and overseas network access controls, endpoint security measures, authentication platforms, including multi-factor authentication, and monitoring. Going forward, we will continuously work to strengthen security in coordination with relevant authorities. As for measures, we will introduce the concept of central management and work to ensure consistent security measures.