Corporate Governance

Basic Corporate Governance Policy

While maintaining the feasibility 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 heads 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 exercising their duties 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 officers and the executives of the company’s officers 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 system. 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 directors, three of whom are outside directors, one of whom is a woman)–attend Executive Officers’ meetings and other important conferences, and conduct interviews and surveys of executive officers and the executive staff of the company’s officers 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 on their expert knowledge at the Audit Committee meeting and other meetings.

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 reappointment it. Especially in fiscal 2022, the Audit Committee focused on checking and verifying the status of a range of initiatives aimed at enhancing the risk-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 R&D to ensure capital cost-conscious management; promoting measures for developing 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 reorganization prevention initiatives. With regard to improper quality control practices, the Group set up the internal control system, internal control, and external audit system. 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 and degree of 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.

<table>
<thead>
<tr>
<th>Name</th>
<th>Attendance/meetings</th>
<th>Attendance rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masahiko Sagawa</td>
<td>13/13</td>
<td>100%</td>
</tr>
<tr>
<td>Tadashi Kawagoishi</td>
<td>13/13</td>
<td>100%</td>
</tr>
<tr>
<td>Kazuhiro Watanabe</td>
<td>13/13</td>
<td>100%</td>
</tr>
</tbody>
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Notes:
1. Of the above members, Masahiko Sagawa and Terahide Tamura are responsible for investigation.

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 officers 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
Address the issues of the third-party organization, 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 reported and debated various matters to prevent recurrence. In order to determine whether there are areas for improvement related 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 2022. The summary of the assessment method and process of the third-party organization is indicated as follows.

### Assessment methods/processes by the third-party organization

1. **Assessment methods**
   - (1) Directors
     - Review the minutes of the Board of Directors meetings and other documents
     - Survey all Directors
     - Interviews with all Directors
     - Evaluation based on the expertise of the third-party organization
   - (2) Executive Officers
     - Composition of the Board of Directors
     - Support system of the Board of Directors
     - Agenda for Meetings of the Board of Directors
     - Status of Deliberations at Meetings of the Board of Directors
   - (3) Contribution of Directors

2. **Assessment process**
   - Conduct an assessment by a third-party organization based on the following methods and target items of assessment
   - Report on the assessment results on the effectiveness of the Board of Directors based on the third-party organization’s report to the Board of Directors
   - The Company’s Board of Directors conducts 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 secretarial functions, and the functions of the three statutory committees. The company reported the results of this assessment to 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 has started working on measures to improve the effectiveness.

We will continue reviews of the Board and strive to further improve 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 committee for Directors is under the jurisdiction of the Audit Committee, the Compensation committee for Executive Officers is under the jurisdiction of the Human Resource Committee, and the Executive Committee will set different compensation, 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 principles). The Compensation Committee manages the lever ratio and the compensation level of the executive committee.
   - The directors’ compensation scheme should encourage the Directors to demonstrate their supervisory function of management.
   - The compensation level should be set necessary to secure to fulfill responsibilities of the Company’s Directors.
   - The executive officers’ compensation scheme should observe the corporate philosophy of the Mitsubishi Electric Group, and, fully, the rules of all stakeholders including society, customers, shareholders, and employees.

2. **Assessment methods and process**
   - The assessment process assesses the results of the third party organization’s report to the Company’s Board of Directors, and the evaluation report of the third party organization is confirmed by the Audit Committee.

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 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 has started working on measures to improve the effectiveness.

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

### 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 stocks as pure investment. There are no stocks held solely for the purpose of other investments.

1. **Classification of Stocks for Investment Held for Pure Investment Purposes**
   - Stocks for investment held for purposes other than pure investment are held for purposes of investment other than pure investment held solely for profit purposes. These stocks are classified as pure investment held purely for profit purposes.

2. **Classification of Stocks for Investment Held for Purposes Other Than Pure Investment Purposes**
   - Stocks for investment held for purposes other than pure investment are held for purposes of investment other than pure investment held solely for profit purposes. These stocks are classified as pure investment held purely for profit purposes.

### Risk Management Framework

**Risk Management Framework**

Mitsubishi Electric Group is implementing risk management independently by each division and by domestic and overseas associated companies. In addition, the Group has established a CRD*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 existing risks such as market and exchange risks, but also new risks such as economic security, human rights, and the global environment.

1. **In particular, important matters related to management supervision and execution are deliberated upon and decided at the Board of Directors meetings and in the Board of Directors’ meeting.**

2. **For the Status of Stocks Held, please refer to the Annual Security Report.**

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.

**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 our- selves. 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.

**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)

![Framework Diagram](image-url)

**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 same 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 ^lightly 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.

* 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.