

## What we need to work on now to improve the Mitsubishi Electric Group's corporate value



Representative Executive Officer  
President & CEO

**Kei Uruma**

Outside Director  
Chairman of the Board of Directors

**Mitoji Yabunaka**

In October 2021, Mr. Mitoji Yabunaka became the Chairman of the Board of Directors of Mitsubishi Electric. This was the first time an Outside Director had assumed this role, and this decision was made to strengthen governance. Based on the themes of restoring trust after improper quality control practices and promoting future sustainability, we held a dialogue between Mr. Yabunaka and President & CEO Kei Uruma.

### Expectations for the company-wide reform project "Team Sousei (Creation)"

**Yabunaka:** When I was asked to succeed the former Chairman of the Board of Directors, the first thing I felt was the weight of the responsibility involved. With this serious situation in which improper quality control practices have been identified, we are at a very important phase to change the entire company under the leadership of Mr. Uruma, who was elected as the new President by the Nomination Committee. As I have served as Chairman of the Nomination Committee, I accepted the offer, and I am willing to support the reforms to the best of my ability.

**Uruma:** Mr. Yabunaka and I have had discussions so far at the Board of Directors' meetings. After I assumed the position of President, we have had even more opportunities to discuss a wider range of topics. Your advice on how to change our organizational culture and other matters based on your experiences is very helpful.

**Yabunaka:** When I was working for the Ministry of Foreign Affairs, I had also

headed an organizational reform project after a problem occurred. From my experience there, I learned that for employees to be able to work with pride again, it is essential for the company as a whole to seriously deepen discussions and truly work together on reforms. I have high expectations for the "Team Sousei (Creation)" company-wide reform project led by young employees gathered through in-house recruitment.

**Uruma:** Team Sousei formulated and announced its Robust Policies both internally and externally at the end of March 2022. In the first step, 45 team members discussed how they would like to change their workplace, while interviewing more than 2,000 employees in the company. In the second step, cross-departmental challenges related to organizational climate were categorized from a company-wide perspective, and their solutions were considered by appointing persons responsible for each category. In the third step, the members were further divided into two teams: one for digging deeper into each activity and one for establishing reform guidelines, with both working together to develop the Robust Policies. As a result, the Robust Policies turned out extremely well, with each word filled with their passion for the reforms.

### Turning a crisis into an opportunity for organizational reforms

**Yabunaka:** Meetings have been held between the Outside Directors and the Team Sousei members only, so that the directors could hear details about the actual activities. There were many challenges when the activities began, and some team members said that they felt distanced from individuals in higher positions. I think the overall atmosphere has changed greatly and for the better, thanks to the efforts of Mr. Uruma and other Executive Officers to gather members' thoughts and opinions through direct communication with them.

**Uruma:** Just the other day, I was talking with Team Sousei members in a meeting, and I noticed that they only regarded their bosses as people who they need to report to. However, sometimes they ought to consider "utilizing" their bosses as well. I told the Team Sousei members that they could tell me directly if they need any help and utilize me as a project leader.

**Yabunaka:** This is a big change. They felt distant from the president before, but they feel closer to him now. It will be extremely important for employees to be able to see the top management face to face and feel that they are working together.

**Uruma:** Currently, Team Sousei has entered the implementation phase. The staff members have been divided into two groups: the project promotion staff at the headquarters and the introduction staff in each department, and their supporters assist with their activities. There are many challenges to overcome, such as how to motivate 150,000 group employees, but we are committed to achieving the reforms and transformations. Even if the team members do make efforts in various aspects, this may all amount to nothing if they end up rebounding off an invisible wall within the company. The management must firmly support their activities to avoid such a situation.

**Yabunaka:** Facing a crisis is a good opportunity for the organization to change. It is very regrettable that improper quality control practices occurred, but in a sense, now is a great opportunity for Mitsubishi Electric to be reborn. I do want them to boldly proceed with these reforms.

### Positioning the realization of sustainability at the cornerstone of our management

**Uruma:** In fiscal 2023, the Company introduced the Business Area Owner system and it has made reforms to the organization with a focus on social challenges. Under the new system, we have clearly declared that we will make concerted, company-wide efforts to address social challenges, positioning the realization of sustainability at the cornerstone of our management.

**Yabunaka:** I think it is highly significant that Mitsubishi Electric has expressed a clear message about its direction and value in contributing to society by making use of the technologies it has cultivated. In the future, it is necessary to seriously consider and hold discussions at each workplace about what people on the floor can do.

**Uruma:** I feel that the question is how we take ownership of these efforts to realize sustainability. Taking ownership means that each and every employee continues to think about the social challenges they need to address, hone their skills, and develop mechanisms for solving the challenges, with the Mitsubishi Electric Group's Purpose as the starting point. We aim to contribute to the happiness of a wide range of people in the future by solidly fostering a climate and environment that enable continuous technological innovation and ceaseless creativity for resolving social challenges.

**Yabunaka:** There are many fields where Mitsubishi Electric can utilize its technologies to lead society forward. I think the realization of carbon neutrality is a typical example. Since the Earth Summit in Rio de Janeiro in 1992, I have witnessed global trends around climate change as I participated in international conferences. The importance of addressing climate change continues to grow around the world over time, and today, we are entering an era in which corporate reputa-

tion is directly affected by how seriously they are working on climate issues. **Uruma:** Indeed, we believe that at the same time that carbon neutrality presents significant opportunities, we recognize that we have a responsibility to address this issue as members of society. In order to achieve carbon neutrality in the entire value chain by fiscal 2050, we have set a new interim target of reducing greenhouse gas emissions from Group plants and offices by 50% or more by fiscal 2031 compared to fiscal 2014. We will steadily work to contribute to the decarbonization of society as a whole according to our roadmap.

### Aiming to be a company where employees can dream and take on challenges

**Uruma:** Human resources strategies are also a key aspect for building a foundation to improve corporate value. Many people within the younger generation want to work for a company where they can build robust achievements for their career, and it is essential to provide them with appropriate opportunities for education and experience. We are currently working on creating a system to take the knowledge that previously was locked up within each individual, and to systematize this and pass it on as a valuable asset of the Company. Recently, new movements have been born through the initiatives of Team Sousei, such as the start of efforts to establish "Melcollege" where employees can connect and learn from each other across business and departmental boundaries.

**Yabunaka:** I would like all employees to be sensitive to changes in society and look to the wider world. I would also like them to deepen their exchanges with people from different fields and expand their imagination, such as creating new things by combining the technologies held by the Company and their departments. In addition, I encourage employees to seriously exchange and share opinions together without being afraid to argue. Through serious discussions, it is not uncommon for people to come across ideas that are different from their own and that help them gain new awareness. It is also important to have an environment that accepts entirely new ideas and bold forms of individuality with a broad mind.

**Uruma:** I think that what is needed is a place to utilize and nurture new ideas. Nothing new will be born if we reject proposed new ideas on the grounds that there seems to be no place to use it within the Company or that it is difficult in terms of costs. Setting up a mechanism to put ideas out first will help improve employees' motivation, even if the ideas do not end up working at the first step. I hope employees will be able to dream about technologies and products that go beyond conventional wisdom, looking ahead to the next 10 or 20 years to come.

**Yabunaka:** Despite its innovative technologies, I'd say Mitsubishi Electric may have been a rather conservative company until now. But it is precisely because we live in an era of such rapid change that people place more value on things that are a little strange but that are also interesting and that give people something to dream about, as opposed to something that is stereotypical and lacking in individuality. I hope that Mitsubishi Electric will be an interesting company where employees can continue to take on challenges while envisioning a bright future.