Improper Quality Control Practices and Three Reforms

1. Overview of Incidents

Mitsubishi Electric would like to reiterate its sincere apologies to all customers, valued stakeholders, and broader society for the impact of these incidents. At Mitsubishi Electric, we take these incidents seriously and ensure that thorough measures are taken to prevent recurrence by analyzing the relevant factors and pursuing the root causes. We also regularly disclose details on these initiatives via our portal site as soon as information becomes available.

2. Investigative Committee’s Investigation

We have established the Emergency Response Division headed by the president and commissioned a quality-related investigation by an Investigative Committee of external experts in response to the series of improper quality control practices. First, we will focus on completing the investigation with the Investigative Committee.

Investigation Method

Target: Mitsubishi Electric

Method: Questionnaire survey; information brought to a dedicated email address of the third-party committee or Nishimura & Asahi separately; forensic investigation; interview survey

Investigation Committee members

Chairman: Hiroshi Kimeda
Member: Masahiko Munechika
Member: Mitsuhiro Umezu

3. Overview of Measures to Prevent Recurrence

Based on the report submitted by the Investigative Committee, we will proceed with implementing the three reforms.

Investigative Committee Recommendations

1. Organize a company-wide understanding and correct perception of quality
2. Check and review processes such as procedure manuals from a third party’s perspective
3. Strengthen the quality control division
4. Support and strengthen middle management
5. Bring the headquarters/corporate function departments and the manufacturing sites closer
6. Encourage affiliation with the company rather than the existing strong affiliations at a plant/works level
7. Implement measures based on the business group system
8. Demonstrate management’s resolve in strengthening quality compliance

Three Reform Areas

- Quality assurance reform
  - Establish the Corporate Quality Assurance Reengineering Group under the direct control of the CEO
- Organizational culture reform
  - Implement the red line system: "Failure to follow the red line results in immediate termination of the employee"
- Governance reform
  - Reform the Board of Directors to strengthen management supervisory functions

4. Initiatives for the Three Reforms

Organizational culture reforms: "Robust Policies" for the creation of a New Mitsubishi Electric Group

- Team Sousei (Creation): a company-wide reform project consisting of 45 members selected through internal recruitment, formulated the "Robust Policies" for organizational culture reforms. Various measures have been implemented based on the policies since FY2023.

<table>
<thead>
<tr>
<th>Robust Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality assurance reforms: &quot;Product quality is our top priority&quot;</td>
</tr>
<tr>
<td>Organizational culture reforms: &quot;New Mitsubishi Electric Group&quot;</td>
</tr>
<tr>
<td>Governance reforms: Reform the Board of Directors and establish the Governance Review Committee</td>
</tr>
</tbody>
</table>

Quality assurance reforms: Strengthen quality governance by going back to the premise that "Product quality is our top priority"

Under the leadership of the new Chief Quality Officer, the Corporate Quality Assurance Reengineering Group will lead efforts to “reconstruct the control function,” “address issues relating to technical capabilities and resources,” and “re-foster an awareness of quality compliance.”

Organizational culture reforms: "New Mitsubishi Electric Group"

"Employees feel that they can consult with their superiors," "failures are tolerated," and "problems are solved together"

Governance reforms: Reform the Board of Directors and establish the Governance Review Committee

"Better tomorrow"