It has been a year since you were appointed as outside directors. What are your thoughts on the management of the Board of Directors and the content of their discussions?

Kosaka: I was appointed when Mitsubishi Electric was confronting significant challenges due to improper quality control practices and labor issues. However, over the last few years, we have seen significant developments in governance. In fiscal 2023, for the first time, outside directors became the majority on the Board, with outside directors also chairing the Board of Directors and the three statutory committees. We commission third parties to evaluate the effectiveness of the Board of Directors, ensuring objectivity. We are now focused on further enhancing both the monitoring function and the effectiveness of the Board of Directors. In fiscal 2024, we will ceaselessly continue our efforts toward transformation.

Yanagi: I share this sentiment. The Board indeed need further transformation, including of the composition of the Board of Directors. Although the Board have increased female representation and achieved a better balance of expertise among the directors, a gap still remains in view of the absence of any non-Japanese directors. Diversity on the Board of Directors is essential for the Company to broaden its global perspectives. The Board should also delve deeper into discussions about enhancing cross-organizational collaboration and competitiveness, especially considering the current challenges with regard to collaboration within our business groups and between those groups and other corporate divisions.

How do you assess Mitsubishi Electric's sustainability management? As directors, which areas of sustainability management are you focusing on?

Yanagi: In sustainability management, many companies seem to not fully...
express their unique characters and values. How a company presents its story is crucial. Mitsubishi Electric has a commendable purpose, which is to contribute to the realization of a vibrant and sustainable society through continuous technological innovation and ceaseless creativity. The starting point of this narrative should be to describe the social model as proposed by the “vibrant and sustainable society.” I hope the overarching vision will be to contribute to such a society with our diverse technologies.

Kosaka Mitsubishi Electric is well-positioned to leverage its business strengths in areas such as climate change measures, economic security including for energy and semiconductor supply chains, as well as defense and space for national security. I expect the Company to contribute to solving social challenges in these domains and, by doing so, create a positive cycle of improving profits simultaneously. As we are a corporate group with approximately 150,000 employees worldwide, it is also a paramount mission for us to enhance human capital measures and contribute to the well-being and happiness of a diverse range of people, including our employees. The Company also need to thoroughly promote investment in GX (green transformation), DX (digital transformation), human capital development, diversity, and so forth.

Q. How do you view the initiatives toward becoming a “Circular Digital-Engineering Company”?

Kosaka The concept is clear. The Company will collect and analyze data from customers and society to identify their needs and apply our superior engineering prowess to provide solutions and services that will be useful to customers and society. This concept aligns with current global trends. Going forward, we will need further discussions to describe the concept in more detail.

Yanagi On delving deeper into this concept, one can see that specificity is a key point. Ideally we should rigorously develop several company locations as showcases while also refining our technologies to customers, and establish solid business models. As an outside director, I’m particularly interested in observing the extent to which the Company is amassing foundational technologies for digital analysis and simulation, as well as the essential features that the associated systems and components should possess.

Kosaka Recently, other companies have showcased case studies of advanced digital usage. The challenge for the Company is determining how the Company can develop solutions and services that are unique to the Company. I am also looking forward to the roles that the DX Innovation Center, which opened in April 2023, will play in this endeavor.

Yanagi The introduction of the Business Area (BA) system in fiscal 2023 marks the foundational step in our transformation towards becoming the “Circular Digital-Engineering Company.” This system, which merges several domains, allows Mitsubishi Electric’s wide-ranging business fields to showcase their distinctiveness and excellence. Instead of just being seen as parts of a conglomerate, these domains are now poised to capitalize on the increased opportunities that highlight their synergies.

Q. When promoting the human capital strategy, which areas do you think you should focus on?

Kosaka For many years in Japan, the seniority system and lifetime employment were the mainstream. However, we are now witnessing a paradigm shift, where supporting each person’s flexible work style and career development is seen as a key driver to enhance company performance. In the labor market, there is an accelerated movement of labor towards growing industries and domains. With these significant changes in mind, it is essential for Mitsubishi Electric to boldly shift resources to growing businesses by assessing the businesses within its business portfolio strategy.

Yanagi As our overseas sales ratio now accounts for more than 50%, it is important that we globalize our human capital to cater to overseas needs. As the basis for this, we aim to provide young employees with extensive overseas experience and to actively recruit non-Japanese talent. We are also currently considering the implementation of a global job grading system, which I believe can be effectively used for personnel transfers and successor development across countries.

Kosaka Today, the belief that diversity drives innovation is widely accepted, and we need to enhance initiatives for this area. In terms of nationality, a non-Japanese national was appointed as a executive officer for the first time in fiscal 2024. We are also evaluating the introduction of non-Japanese outside directors, which we consider to be important. Regarding gender
diversity, we have significant room for improvement. The ratio of female managers is only 2.6% as of fiscal 2023. Building a more diverse talent pipeline is essential and such change will not occur overnight. Thus, the Company is also considering recruiting experienced professionals from outside the Group.

Q. How do you see the progress of the Three Key Reforms?

Yanagi We have now established a clear operation schedule for the Three Key Reforms, which are the quality assurance reform, organizational culture reform, and governance reform. I view them positively, as they pave the way for us to acquire and analyze the data we need, with field workers taking the initiative to explore matters more deeply. Regarding the organizational culture reform, we, the outside directors, have engaged in dialogues with employees. Their enthusiasm is palpable, and they, along with members of the Team Sousei, will be the key players in driving these reforms forward.

Kosaka The reforms are being steadily progressed. These include creating a culture where employees feel empowered to express their views to their managers, fostering cross-organizational collaborations, and facilitating personnel rotations between locations. Under the leadership of President Uruma, the executive side has been rigorously pursuing these reforms with a firm belief that there’s no turning back. We are beginning to see the results of these efforts. The monitoring side has also been working hard. It has been diligently checking details and has engaged in in-depth discussions at meetings of the Board of Directors. For the quality assurance reform, President Uruma has taken a hands-on approach. It has been dilegently checking details and has engaged in in-depth discussions at meetings of the Board of Directors. For the quality assurance reform, President Uruma has taken a hands-on approach. The Mitsubishi Electric Group is implementing the Three Key Reforms in response to a series of improper quality control practices. One of these, the governance reforms, include efforts to strengthen directors’ monitoring function with respect to business execution. Recently, as part of this project, a roundtable discussion was held among all seven outside directors and six members involved with the reform project. By sharing not only what has changed in Mitsubishi Electric as a result of the reform project’s efforts but also the challenges that must be overcome, opinions were exchanged from diverse perspectives regarding the progress of organizational culture reform. The discussion concluded with a confirmation that the Board of Directors will continue to provide advice and support as well as to closely monitor the reform.

Q. Could you share your primary focus in dialogues with stakeholders and within Mitsubishi Electric’s governance? Additionally, what are your plans as an outside director?

Yanagi In the context of the Three Key Reforms, there are challenges about how the Board of Directors’ monitoring is functioning properly. We need to clearly demonstrate our progress on this matter to our stakeholders. Further, I would like to continue advising Mitsubishi Electric on how to integrate domains under the BA system. This will pave the way for the next growth phase beyond the reforms, harnessing the company’s diverse technological and business strengths into unique and superior advantages.

Kosaka We are committed to continually monitoring the reforms and supporting the transition towards increasing corporate value over the medium-to-long-term. To do this, we will actively support appropriate risk-taking measures, including intensively investing in growing businesses, restructuring businesses with issues, and conducting M&A that generate significant synergies. In the Board of Directors’ meetings, while we ensure that the company invests for growth, we will also keep an eye on shareholder returns, including dividends and buybacks of treasury shares simultaneously. We will not only have these discussions in the meetings. We will also visit various locations to listen to employees directly about their views and issues so that we can further enhance discussions in the Board of Directors’ meetings.

Roundtable discussion with Outside Directors and members involved with the reform project for the purpose of monitoring the Three Key Reforms

The Mitsubishi Electric Group is implementing the Three Key Reforms in response to a series of improper quality control practices. One of these, the governance reforms, include efforts to strengthen directors’ monitoring function with respect to business execution. Recently, as part of this project, a roundtable discussion was held among all seven outside directors and six members involved with the reform project. By sharing not only what has changed in Mitsubishi Electric as a result of the reform project’s efforts but also the challenges that must be overcome, opinions were exchanged from diverse perspectives regarding the progress of organizational culture reform. The discussion concluded with a confirmation that the Board of Directors will continue to provide advice and support as well as to closely monitor the reform.

- How to improve employees’ understanding of the need for change
- The current situation of working at the manager level
- Employee engagement, including job satisfaction