

# Corporate Governance

## Basic Views on Corporate Governance

As a part of our initiatives to strengthen our business foundation to enable sustainable growth, the Mitsubishi Electric Group recognizes the importance of corporate governance as a fundamental precondition for our continued existence. The Group's fundamental policy is to further enhance its corporate value by constructing, maintaining, and sustainably strengthening a corporate governance system that more accurately meets the expectations of society, our customers, shareholders, employees, and all other stakeholders.

As a company with a three-committee system, Mitsubishi Electric segregates the supervisory and executive functions; the Board of Directors plays a supervisory decision-making role, and the Executive Officers handle the day-to-day running of the Company. This system maintains the flexibility of its operations and promotes management transparency, leading to swift and decisive management decision-making. Through this system, the Company aims to promote sustainable growth in corporate value and shareholders' value. To this end, the Company recognizes the importance of a highly independent Board of Directors adequately fulfilling its roles and responsibilities in corporate governance as a supervisory function.

The Board of Directors formulates and publishes "Mitsubishi Electric Corporation Corporate Governance Guidelines" based on the views outlined above. The purpose of the Guidelines is to promote a clear understanding of the fundamental approach and framework of corporate governance and to build long-lasting, mutually trusting relationships through constructive dialogue with shareholders. The Board will inspect and review the Guidelines on an ongoing basis to ensure that the basic policy is effectively implemented and enhance our corporate governance practices.

## Corporate Governance Framework

To promote the segregation of supervisory and executive functions, the Mitsubishi Electric's Board of Directors is dedicated to supervising management with specific details of deliberations stipulated as the Board of Directors' deliberation criteria. By delegating to the Executive Officers, the authority to make all business execution decisions within the limits permitted by the Companies Act, the Company ensure swift and decisive decision-making and appropriate risk-taking in business execution.

Both the Board of Directors and the three statutory committees are chaired by independent outside directors, and a majority of their members are independent outside directors as well, thereby improving the effectiveness of the supervisory function.

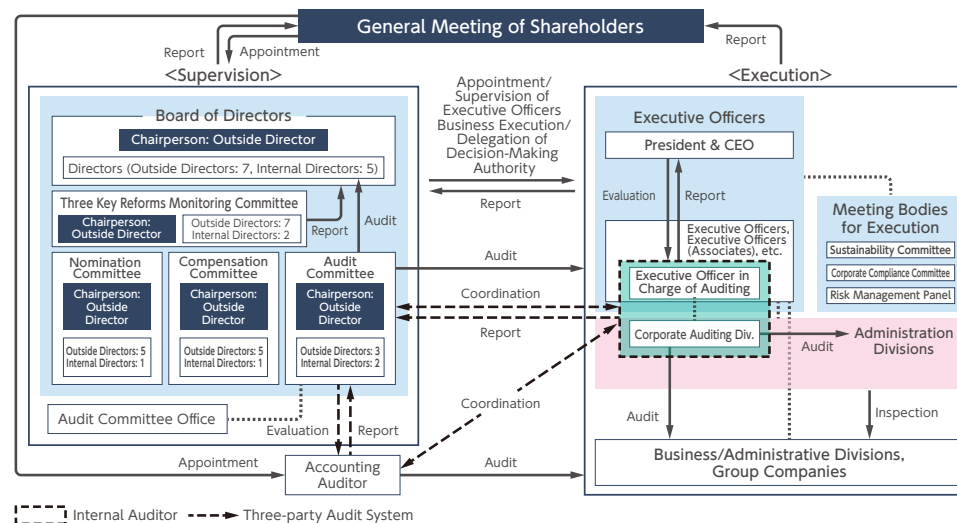
In addition, the Executive Officers' Meeting has been established as a voluntary body to deliberate and make decisions on important business matters from the perspective of pursuing synergy and multifaceted risk management, in addition to sharing information among Executive Officers.

**Mitsubishi Electric's Board of Directors** (June 29, 2023)



Back row: from the left, Kuniaki Masuda, Hiroyuki Yanagi, Hiroko Koide, Kazunori Watanabe, Tatsuro Kosaka, Tadashi Kawagoishi, Jun Nagasawa  
Front row: from the left, Satoshi Takeda, Kei Uruma, Mitoji Yabunaka, Masako Egawa, Haruka Matsuyama

## Corporate Governance Framework



## Board of Directors

Because the Board of Directors is dedicated to supervising management, the Board is able to fully discuss critical decisions that form the foundation of management, such as the Group's basic management policies (Purpose, Our Values, Commitment, Management Policy, and Corporate Strategy) and the Group's key agenda items set by the Board. From July 2023 to June 2024, the key agenda items includes medium- to long-term management strategy, sustainability management, human resources strategy, DX, three key reforms, etc. The Board of Directors sufficiently discuss based on reports on the status of execution, and monitors as needed whether initiatives are being addressed in line with the basic policies and Corporate Strategy, and strives to improve corporate value sustainably over the medium- to long-term. The Board also strive to support swift and decisive decision-making and to appropriately evaluate business execution so that Executive Officers are encouraged to take appropriate risks.

### Activities of the Board of Directors (Fiscal 2023)

In fiscal 2023, the Company held Board of Directors meetings thirteen times (three special meetings). Each meeting took about three hours. The main content of each discussion is as follows. In addition to the regular meetings, other meetings are held to exchange opinions among outside directors and with employees.

Agenda	Discussion content	Time Allocated
Key agenda items	In order to promote the medium- to long-term sustainable improvement of the corporate value of the Mitsubishi Electric Group, we established and discussed "key agenda items" for the Group (medium- to long-term management plan, organizational culture reform, sustainability initiatives, and human capital strategy from July 2022 to June 2023). The "Three Key Reforms Monitoring Committee," established under the Board of Directors continuously supervised the progress and effectiveness of the three key reforms (quality assurance, organizational culture, and governance), which were aimed at restoring trust in the Company in response to a series of improper quality control practices that had been identified since June 2021.	Approx. 34%
Statutory resolution items	Matters required by the Companies Act, including basic policies of management, matters necessary for the execution of duties by the Audit Committee, the establishment of systems necessary to ensure the legality of duties executed by the Executive Officers and the properness of other corporate operations, the business report and its supplementary schedules, the financial statements, and their supplementary schedule, the consolidated financial statements, dividends of surplus, convocation of the General Meeting of Shareholders and appointment of Executive Officers	Approx. 7%
Execution status report	Received reports from Executive Officers on the progress and results of business operations etc., and held sufficient discussions	Approx. 31%
Other	Financial results, schedule of Board of Directors' meetings, evaluation of effectiveness of the Board of Directors, reports on status of holding cross-shareholdings, reports on interviews with investors, etc.	Approx. 28%

### Information Gathering by the Directors

Mitsubishi Electric establishes the bureaus for the Board of Directors and the three statutory committees responsible for communication and coordination with the Directors including independent outside directors and Executive Officers (management). The Directors will request information necessary to supervise management from the bureaus and related departments, and the bureaus and departments in charge will provide such information in a timely and appropriate manner.

The independent outside directors will actively seek a wide range of necessary information, not only from the Executive Officers and the bureaus, but also through direct dialogue with other employees.

The Board of Directors will conduct regular reviews to ensure that information is provided appropriately, giving particular attention to the opinions of independent outside directors.

## Evaluation of Effectiveness of the Board of Directors

In order to continue the evaluation of the effectiveness of the Board of Directors' composition and operations and pursue sustainable improvements in the monitoring board functions, the Board of Directors conducts an annual third-party evaluation of the effectiveness of the Board of Directors, and discusses the issues identified and initiatives for improvement. The Company requested Board Advisors, Inc., a third-party organization, to assess the effectiveness of the Board of Directors of the Company from July to September 2022. The assessment results have been delivered to the Company, along with suggestions for how to address issues that need to be improved.

Based on these results of evaluations and suggestions, the Board of Directors will improve its operations, including setting more appropriate key agenda items and further strengthen its management monitoring functions based on external perspectives.

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

Assessment methods	(a) Review the minutes of the Board of Directors meetings and other documents (b) Survey of all Directors* (c) Interviews with all Directors (d) Evaluation based on the expertise of the third-party organization
Target items of assessment	(a) Overall assessment (b) Composition of the Board of Directors (c) Support system of the Board of Directors (d) Agenda for Meetings of the Board of Directors (e) Status of Deliberations at Meetings of the Board of Directors (f) Contribution of Directors (g) Activities of the three statutory committees (h) Monitoring system of the Executives

\*Excluding two newly appointed independent outside directors

### Fiscal 2023 Summary of the assessment results on the Board of Directors' effectiveness

Efforts have been made to address the issues identified by the examination of the effectiveness of the Board of Directors in fiscal 2022, and the following improvements in the effectiveness of the Board of Directors have been achieved.

Issues identified by the examination of the effectiveness of the Board of Directors in fiscal 2022	The following improvements in the effectiveness of the Board of Directors have been achieved: "The supervisory functions of the Board of Directors have been strengthened by having a majority of the Board composed of independent Outside Directors" "The composition of the Board of Directors has been improved through the appointment of two new Outside Directors with management experience in the manufacturing industry" "Discussions at the Board of Directors have been elevated by setting relevant agendas and facilitating the Board's proceedings under the new chairperson" "The operation of the Board of Directors has shown some improvements through the advance delivery of materials, the provision of information, etc."
Issues expected to be addressed	The following four issues are expected to be addressed in order to further improve the effectiveness of the Board of Directors: "Enhanced monitoring" "Elevating discussions at the Board of Directors meetings with relevant agendas" "Further strengthening the functions of the Board of Directors Secretariat" "Strengthening the functions of the Nomination Committee"

## Nomination Committee

The Nomination Committee has authority over the appointment and dismissal of Directors and the decision on proposals regarding the appointment and dismissal of the President & CEO to be submitted to the Board of Directors. The Committee is also responsible for leading the succession planning of independent outside directors, discussing the personnel requirements for the President & CEO and the content and operational status of succession planning (the appointment and training of candidates), and reporting back to the Board of Directors.

Under this authority and role, the Nomination Committee recognizes the value of diverse perspectives, such as gender, internationality, work experience, and age, in fostering business development. As such, the Committee has established criteria for selecting Directors that prioritize a balanced mix of knowledge, experience, and abilities for the Board as a whole. Candidates are carefully chosen in accordance with these criteria.

Proposals regarding the appointment of the candidates for Directors and dismissal of Directors submitted to the General Meeting of Shareholders are comprehensively judged and decided by the Nomination Committee, and the appointment and dismissal of the Executive Officer by the Board of Directors.

The Nomination Committee is chaired by independent outside directors, and a majority of the members are also independent outside directors to ensure sufficient independence and objectivity.

### Activities of Nomination Committee (Fiscal 2023)

Based on the objectives and authority of the Companies Act, the Nomination Committee determined the candidates for Directors to be submitted to the General Meeting of Shareholders.

In addition, in order to ensure objectivity and transparency in the selection and dismissal of the President and CEO, the committee also has the authority on decisions regarding proposals to be submitted to the Board of Directors regarding the selection and dismissal of the President and CEO. The committee also led the succession of Independent Outside Directors, discussed personnel requirements for the President and CEO and the contents and status of operation of succession planning (appointment and training of successor candidates), and submitted its recommendations to the Board of Directors.

The Company held nine Nomination Committee meetings during the fiscal 2023. Each meeting took about 40 minutes.

## Audit Committee

The Audit Committee is chaired by an independent outside director and the full-time internal audit committee members also assist the Audit Committee's ability to collect information.

The Audit Committee members recognize that they owe fiduciary duty to shareholders, which include contributing to sustainable growth and enhancing corporate value.

To achieve this, the Committee will not limit itself to conducting defensive audits, such as operational and accounting audits. Rather, for enhanced information sharing, it will also attend important meetings such as Executive Officers' Meetings and Corporate Compliance Committee Meetings, hold meetings with senior management as appropriate, and assess the management policy and the progress of business execution in each division and base. This will help investigate any potential management issues and risks from the perspectives of legality, appropriateness, and efficiency.

When conducting such investigations, the Audit Committee will properly confirm the development and operation status of the internal control system and provide its opinions, in collaboration with the internal auditors for internal audits and the external accounting auditors for external audits.

The Audit Committee is chaired by independent outside directors, and a majority of the members are also independent outside directors to ensure sufficient independence and objectivity.

### Activities of Audit Committee (Fiscal 2023)

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

Divisions in charge of internal control, including the Corporate Auditing Div. submitted 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 visited our offices, affiliates, and other locations with the members responsible for investigation as needed and offered their opinions based on their expert knowledge at the Audit Committee meeting and other occasions.

In addition, the Audit Committee members discussed policies and methods of auditing with accounting auditors, who furnished them with reports on the status and results of the audits of the Company that they themselves conducted, and exchanged opinions with them.

The Company held fifteen Audit Committee meetings during the fiscal 2023. Each meeting took about two hours.

## Compensation Committee

The Compensation Committee has the authority to determine the policies for determining compensation for Directors, Executive Officers, etc.; the details of compensation for individual Directors and Executive Officers; and the Company-wide performance evaluations and individual assessment of compensation, etc., related to the incentive compensation of Executive Officers.

Under this authority and role, the Compensation Committee deliberates on matters relating to compensation, giving due consideration to the diversity and skills perspective. In addition, the compensation system for Executive Officers was reviewed in fiscal 2023, and discussions is held on how to ensure that the system is fully operational.

The compensation scheme for Directors and the compensation scheme for the Executive Officers are set differently, corresponding to the contents and responsibilities of each duty and position. The compensation is determined based on the basic policies set by the Compensation Committee. Please refer to "Compensation for Directors and Executive Officers" for the details.

The Compensation Committee is chaired by independent outside directors, and a majority of the members are also independent outside directors to ensure sufficient independence and objectivity.

### ► Compensation for Directors and Executive Officers

### Activities of Compensation Committee (Fiscal 2023)

The Compensation Committee executed its duties based on the objectives and authority stipulated under the Companies Act. Specifically, the Committee discussed and decided on the policy regarding the determination of compensation for Directors and Executive Officers, the details of individual compensation for Directors and Executive Officers, performance evaluation regarding incentive compensation for Executive Officers, and compensation for each individual.

In addition, the Compensation Committee, at its meeting held in May 2022, decided to revise the compensation system for the Company's Executive Officers and to apply this system from fiscal 2023. Please refer to the Annual Securities Report for the details concerning the said system.

The Company held eleven Compensation Committee meetings during the fiscal 2023. Each meeting took about one hour.

## Criteria for Election to Board of Directors

Mitsubishi Electric recognizes the importance of ensuring that the Board of Directors is competent in various areas of corporate management and corporate strategies, ESG, finance and accounting, legal affairs and compliance, human resources and human resources development, global affairs, engineering, DX and R&D, and business development and investment. Therefore, the Company has identified these as skills that should be possessed by the Board of Directors.

The outside directors, in particular, are chosen after consideration to ensure a well-balanced Board composition. For instance, the Board includes individuals with extensive experience in corporate management and in-depth knowledge of international affairs, lawyers with expertise in compliance and other internal controls, as well as certified public accountants and tax accountants with extensive expertise in accounting and tax practices.

The specific skills possessed by individual Directors are disclosed through a skills matrix that describes the capabilities that the Board of Directors as a whole should possess and the status of securing such capabilities.

## Independency Guideline for Outside Directors

Mitsubishi Electric has specified the independence standards for outside directors.

The 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 Independency Guideline for Outside Directors and thus possess no risk of giving rise to any conflict of interest with the general shareholders of the Company, are nominated as the outside director candidates by the Nomination Committee.

In the Independency Guideline for Outside Directors defined by the Company, the independence of candidates is more strictly judged by setting specific numerical criteria, such as the amount of transactions, etc., as well as by the standard of the Financial Instruments Exchange.

### Mitsubishi Electric Corporation Independency Guideline for Outside Directors

The Company 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 (a), (b), (d), and (e) includes a case in any fiscal year during the past three fiscal years.

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

## Training for Directors and Executive Officers

Mitsubishi Electric recognizes the importance of Directors and Executive Officers having a thorough understanding of the business characteristics, finances, and organizational structure of each of our businesses, as well as the general roles and responsibilities expected of corporate officers, and being able to supervise, advise, and make business decisions from a company-wide perspective.

Based on this recognition, training is provided on the new roles, responsibilities, and actions, etc., expected of Directors and Executive Officers prior to their taking office. To continue to fulfill their roles and responsibilities as Directors and Executive Officers after their appointment, the Company provides compliance education and updated training materials for them. The Company also provides the Directors and Executive Officers with sufficient information about the characteristics and latest status of Business Areas and Business Groups to promote understanding as well as opportunities to gain an understanding of the business and listen to the voices of on-site managers and employees by visiting Works.

## Succession Planning/Training of Successor Candidates

The Nomination Committee deliberates on the contents regarding the personnel requirements of the President & CEO and succession planning (appointment and training of successor candidates) based on proposals drafted by the President & CEO, monitors the status of appointment and training of successor candidates, and reports to the Board of Directors.

The personnel requirements for the President & CEO are positioned as criteria for training of successor candidates, and the Committee is promoting the succession plan under the monitoring of the Nomination Committee so that successor candidates meet these criteria.

The Nomination Committee and the Board of Directors supervise the systematic training of successor candidates by sufficiently deliberating on these matters.

## Compensation for Directors and Executive Officers

### Process for Determining Compensation

In order to ensure the independence of judgment and enhance the effectiveness of the roles and authority of the Compensation Committee, the Committee gathers information and receives advice from compensation consultants of an external professional organization with abundant global experience and knowledge. The Committee deliberates and makes decisions about the policies for determining compensation for Directors, Executive Officers, etc. based on such information, giving due consideration to the surrounding environment and general trends in managerial compensation.

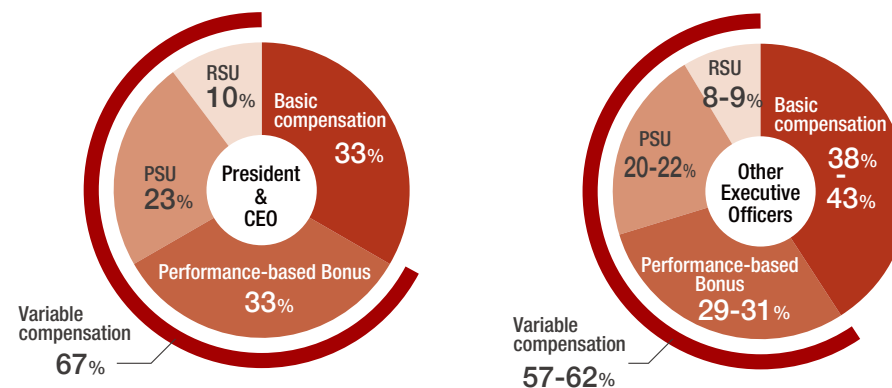
### Policy on Determining Compensation Amounts

Mitsubishi Electric 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 the Directors and the compensation scheme for the Executive Officers are set differently, corresponding to the contents and responsibilities of each duty and position.

	Directors	Executive Officers
Basic Policy	<ul style="list-style-type: none"> <li>The compensation scheme should encourage the Directors to demonstrate their supervisory function of management.</li> <li>The compensation should be the amount necessary to secure suitable talent to fulfill responsibilities of the Company's Directors.</li> </ul>	<ul style="list-style-type: none"> <li>The compensation scheme should observe the Purpose of the Group, and be fully accountable to all stakeholders including society, customers, shareholders, and employees.</li> <li>The compensation scheme should encourage the execution of duties in line with management strategies and provide strong incentives to achieve management goals.</li> <li>The compensation scheme should function as an incentive for sustained performance growth and the improvement of corporate value.</li> <li>The compensation scheme should reflect a fair and impartial evaluation of the achievements and contributions toward their respective roles and responsibilities.</li> </ul>
The System for Determining Compensation	The compensation scheme for Directors consists exclusively of basic compensation (fixed compensation), in light of the Directors' role to provide advice and supervise management from an objective and independent perspective.	The compensation scheme for Executive Officers consists of basic compensation, performance-based bonus, performance-based stock compensation and restricted stock unit, with an emphasis on the improvement of medium-term corporate value and shareholder value.
Compensation Levels	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.	

\*Please refer to Annual Securities Report for the details.

### Composition of standard compensation for fiscal 2023



\*PSU: Acronym for Performance Share Unit

\*RSU: Acronym for Restricted Stock Unit

\*The ratio of "Basic compensation: Performance-based bonus: Stock compensation (PSU + RSU)" is "1: 1: 1" for the President & CEO, and within the range of "1: (0.67 to 0.8): (0.67 to 0.8)" for the other Executive Officers. The ratio has been set so that the higher the position of the Executive Officer, the greater the ratio of variable compensation.

The weight of short-term and medium- to long-term are considered to be the same, and the ratios of performance-based bonus and stock compensation have been equally set.

### Stock Ownership Guidelines

Mitsubishi Electric believes 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, the Company requires its Executive Officers to continuously hold its stock during their term of office, even after the target amount has been reached.

### Malus and Clawback Provisions

According to "Malus and Clawback Provisions," 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 their right to receive incentive compensation (malus) or return their paid compensation (clawback). The compensation that may be subject to those provisions is 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.

### Sustainability Initiatives Reflected in Compensation for Directors, Executive Officers, etc.

The promotion of sustainability initiatives is one of the indicators of compensation for Executive Officers, and is reflected in incentive compensation for achievement of performance indicators in non-financial items such as sustainability and ESG areas.

## 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, the Corporate Auditing Div. 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.

### Relationship with the divisions in charge of internal control

Mitsubishi Electric's Corporate Management Divisions and Corporate Staff Groups, such as the Corporate Strategic Planning Div., the Corporate Accounting Div., the Corporate Legal & Compliance Div., and the Corporate Export Control Div. 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 Area or Business Group has its own compliance department, which reliably spreads company-wide compliance policies and inspects the compliance status in each Business Area or Business Group.

The Corporate Auditing Div. 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.

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

The Corporate Auditing Div. 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.

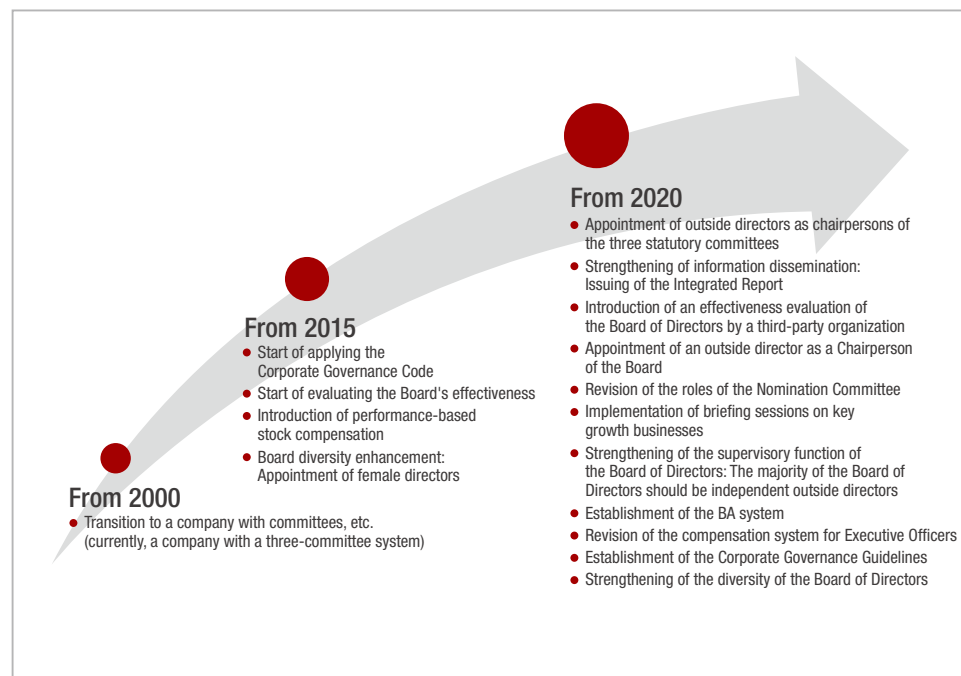
The Corporate Auditing Div. also reports internal audit results to the accounting auditors and continuously works with them, discussing the evaluation of the internal control related to financial review as needed.

### Activities to ensure the effectiveness of internal audits

The Corporate Auditing Div. prepares and sends an audit report to the head of the audited department after the internal audit is conducted, and instructs the head of the audited department to formulate improvement measures as necessary. In order to ensure the effectiveness of internal audits, the Corporate Auditing Div. confirms the improvement measures developed by the audited department through the written responses submitted by the audited department, and conducts follow-up audits and evaluations to confirm the implementation progress as necessary.

In addition, the Corporate Auditing Div. prepares a report summarizing the internal audit for the first and second half of the year as a regular report, and report it, via the Executive Officers in charge, to the Audit Committee, and the President & CEO twice a year.

## Initiatives to date to strengthen corporate governance



 [Mitsubishi Electric Corporation Corporate Governance Guidelines](#)

 [Mitsubishi Electric Corporation Initiatives to Comply with the Corporate Governance Code](#)

 [Corporate Governance Report](#)