

# President's Message

The Mitsubishi Electric Group celebrated its 100th anniversary on February 1, 2021. I would like to extend my sincere gratitude to all our stakeholders, including members of society, as well as our customers, shareholders and employees, who have helped the Group reach this milestone through their support over the years. Rather than merely focusing on sales and profits, the Mitsubishi Electric Group needs to dedicate itself to contributing to society and solving social issues through its business in order to endure as a company. To work toward this goal, we have included the statement **"we will contribute to realizing sustainability through all of our activities"** as a clear message in our Management Policy, and we have revised our materiality. Going forward, we will contribute to realizing sustainability through all our activities, thereby seeking to further enhance our corporate value, which emphasizes the creation of both economic and social value.

We would like to reiterate our sincere apologies to all our stakeholders for the impact of the series of improper quality control practices that have occurred in our Group.

Mitsubishi Electric received the report on October 1, 2021 from an Investigative Committee of external experts tasked with investigating quality-related improper practice at Mitsubishi Electric. We take this report seriously, and will pursue reform for regaining trust in three areas: **quality assurance, organizational culture and governance.**

The reforms we are implementing are just a first step in this important journey for Mitsubishi Electric and there is a long way to go. I want this to be a moment that brings our entire company together in pursuit of a shared endeavor. We are committed to tackling these issues head-on.

This reform will not happen overnight. And dialogue with all our important stakeholders will be critical to our success in generating the fundamental change we want to see.



We will be engaging with our stakeholders, to gain their understanding and trust through greater transparency around our commitment to safety assurance and the systems we have in place.

The aim of the reforms I have laid out is to transform Mitsubishi Electric into a company where all our employees can come together creatively for the benefit of our customers and broader society through integrated solutions that include products and experiences. We will work to create a new Mitsubishi Electric Group by contributing to sustainability and through reforms in three areas to restore trust.

  
kei Uruma  
President & CEO

# Message from the Executive Officer Responsible for sustainability

We have included the statement "we will contribute to realizing sustainability through all of our activities" as a clear message in our Management Policy. In April 2021, we established the Sustainability Promotion Division to drive these efforts. This division was created within the Corporate Communication Group under the direct control of the president. As the executive officer in charge, I will take the opinions of our stakeholders seriously and make every effort to realize sustainability.

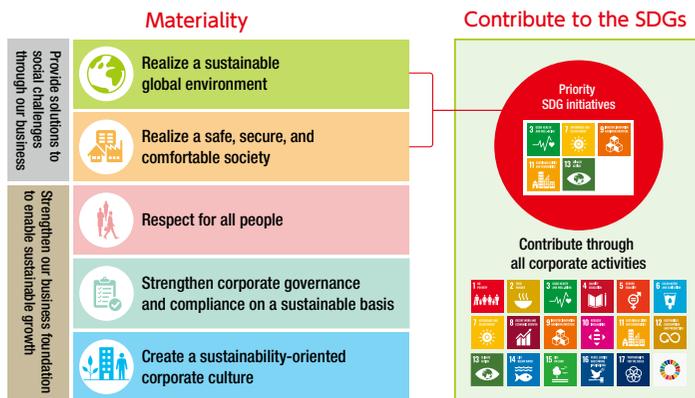


## Revising Our Materiality

In light of global social trends and changes in the management landscape, we have revised our materiality to help realize sustainability. We conducted a survey of customers and Mitsubishi Electric Group employees to understand their desires and expectations, and I also received opinions from subject matter experts. We held multiple internal discussions based on this feedback, and we identified five areas of materiality with a focus on solving social issues, placing priority on the environment, people, and quality as well as other aspects of

the company's direction. We divided these five areas of materiality into two groups: "Provide solutions to social challenges through our business" and "Strengthen our business foundation to enable our sustainable growth."

We also revisited our initiatives for the SDGs. While we will work to contribute to the 17 SDGs through all of our corporate activities, we have selected Goals 3, 7, 9, 11, and 13 to address on a priority basis in the pursuit of achieving a decarbonized society and addressing social challenges in the four fields of Life, Industry, Infrastructure, and Mobility. We can contribute significantly to these goals as a comprehensive electrical and electronics manufacturer, and we will make specific contributions to achieving the SDGs by further promoting initiatives to create value for these goals.



## Working to "Realize a Sustainable Global Environment" and "Realize a Safe, Secure, and Comfortable Society"

The Mitsubishi Electric Group seeks to provide Integrated Solutions to address diversifying social challenges in the four fields of Life, Industry, Infrastructure, and Mobility by uniting all capabilities inside and outside of the Group. To this end, we will enhance the business foundation we have fostered over the past 100 years and further transform our business models.

By combining our strong product and systems with our field knowledge, which includes a variety of operations and maintenance services, together with other advanced digital

technologies such as AI, we will promote digital transformation (DX) in a way befitting of the Mitsubishi Electric Group as we work to provide integrated solutions that fuse products with experiences. We will offer detailed proposals to help solve diversifying social issues, including consultation and diagnosis services to help support customers as they use our devices and services while examining how people use products from sale to disposal. Our railroad solution using an IoT platform is one example of an initiative carried out by the Mitsubishi Electric Group. This solution boosts the efficiency of train maintenance and helps railroad operators share and utilize data together, thereby realizing a greater level of safety and stability in railroad operations.

With regard to the environment, we successfully attained our goals of achieving a low-carbon, recycling-based society that functions in harmony with nature as part of our Environmental Vision 2021 (target year: fiscal 2021). From this fiscal year onward, we will engage in efforts toward goals for 2050. We initially declared an aim to achieve an 80% cut in greenhouse gas emissions by 2050 compared to our performance in fiscal 2014. However, in order to realize a decarbonized society, we have revised this target to achieve net-zero emissions by 2050 across the value chain by achieving thorough energy-saving solutions in structures and facilities as well as by expanding the scale at which we implement renewable energy sources. In addition, we aim to achieve 100% effective utilization of used plastics in 2035. To this end, we will manage objectives in visualizing waste sources, will survey and share information with recycling companies, and implement other initiatives to realize a circular economy.

## Endeavoring to Achieve "Respect for All People" and to "Strengthen Corporate Governance and Compliance on a Sustainable Basis"

We are currently expanding the Workplace Reform Program aimed to realize a work environment where all employees can thrive. In light of a third-party evaluation conducted by external experts, we adopted the "Five Joint Statements of Labor and Management," which includes an explicit message on preventing harassment. We will also gradually introduce a 360-degree feedback system from April 2021 for people in managerial positions.

Mitsubishi Electric is now in the process of reforming its quality assurance, corporate culture, and governance.

As the social environment undergoes significant changes, we find differences in values among people of different generations and positions. A survey conducted with all our employees in fiscal 2021 revealed that employees do not sufficiently engage with the company. We thus renewed our recognition of the need for promoting two-way communication between management and employees—rather than sending out messages in a one-sided manner—thereby considerably engaging while listening to employees' opinions. As a result, I aim to realize a workplace environment in which everyone can work actively with peace of mind.

## Seeking to "Create a Sustainability-Oriented Corporate Culture"

The Mitsubishi Electric Group strives to create a corporate culture that is oriented toward sustainability by addressing social challenges from a mid- to long- term perspective, having sensitivity and adaptability to changes in society, and actively disclosing information to stakeholders.



Representative Executive Officer,  
Senior Vice President  
Mitsubishi Electric Corporation

## Response to Incidents Related to Quality

Mitsubishi Electric would like to reiterate its sincere apologies to all customers, valued stakeholders, and broader society for the impact of these incidents. Mitsubishi Electric received the report on October 1, 2021 from an Investigative Committee of external experts tasked with investigating quality-related improper practices at Mitsubishi Electric. The following details this report and the three areas of reform that Mitsubishi Electric is undertaking in response to the committee's findings.

### 1. Summary of these incidents

-  May 7, 2021 Discrepancies Found in Third-party Certifications and Registrations of Certain Mitsubishi Electric Contactors
-  June 30, 2021 Mitsubishi Electric Reports on Improper Testing of HVAC for Railcars and Air Compressor Unit for Railcars
-  August 17, 2021 Mitsubishi Electric Reports on Improper Testing of 72/84kV Cubicle-type Gas-insulated Switchgear
-  September 1, 2021 Notice Regarding Third Party Certification Periodic Inspection for Mitsubishi Electric UL 489 Listed Low-Voltage Circuit Breakers

### 2. Overview of the Investigative Committee's report

Mitsubishi Electric received the report on October 1, 2021 from an Investigative Committee of external experts tasked with investigating quality-related improper practices at Mitsubishi Electric.

#### Members of Investigative Committee

Chair: Hiroshi Kameda, Partner (Attorney-at-law), Nishimura & Asahi  
 Members: Mitsuhiro Umezu, Professor, Keio University (specialty: business ethics)  
 Masahiko Munechika, Professor, Waseda University  
 (specialty: quality management)

#### 8 Recommendations by the Investigative Committee

- ① Ingrain 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, especially general managers and section chiefs
- ⑤ Bring the head office/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 unit system
- ⑧ Demonstrate management's resolve in strengthening quality compliance

### 3. Three Reform Areas including measures to prevent recurrence

#### (a) Quality assurance reform: Establish the Corporate Quality Assurance Reengineering Group & appoint a Chief Quality Officer from outside the company

Establish a new quality assurance system, share knowledge and provide flexible support across business divisions. Also, by appointing an external executive officer in charge of quality (April 2022), pursue drastic change without being bound by conventional ways of thinking and doing things

- Establish effective quality internal control and quality governance systems
- Manage compliance with laws, regulations and public standards & develop quality infrastructure through IT and digitalization (¥30.0bn investment over two years)
- Revitalize personnel rotation & develop quality assurance personnel
- Re-foster awareness of quality compliance by providing more education on quality

#### (b) Organizational culture reform: Launch company-wide reform project "Team Sousei (Creation)"

Employees and management will work together to formulate an action plan for reform aimed at creating a new Mitsubishi Electric.

- Overcome the inward-looking organizational culture
- Change the behavior of senior management
- Support middle management and manufacturing sites

#### (c) Governance reform: reform the Board of Directors & establish the Governance Review Committee

Undertake sustainable, mid- to long-term initiatives to reform the functions, composition, and secretariat of the Board of Directors, as well as the three statutory committees.

Form a Governance Review Committee comprising outside experts with no existing commercial relationships with the company, to assess internal control and governance systems. Identify issues and compile improvement recommendations by Mar. 2022.

### 4. Future plans

The investigation into quality practices at all of the company's manufacturing facilities and plants (all 22 facilities) will continue, and the company will report accordingly roughly every three months on the findings of the investigation and progress on the steps the company is taking. The company aims for the investigation to be completed by April 2022 and will then proceed with investigations into its group companies.

Also, depending on the progress of discussion with customers or investigations related to this improper quality practice, there may be additional costs due to compensation payout to customers, impact to sales activities and additional actions and preventative measures being conducted due to new discoveries of improper quality practices.

If, in the course of future investigations, issues that need to be publicly announced are identified, the company will promptly do so.

The company takes the suggestions and recommendations of the investigative committee seriously and will make a concerted effort to implement these reforms, including quality culture and protocol reforms, and strive to regain the public's trust through active dialogue with our customers, shareholders, investors and all of our valued stakeholders, updating them with communication that is open and transparent.

The latest information is available on the following website.

 [Restoring trust: Our roadmap for reform](#)