

# President's Message

## We will strive to solve social challenges through our businesses

The Mitsubishi Electric Group positioned the realization of sustainability as the cornerstone of our corporate management in fiscal 2023. We have clarified five social challenge areas for us to focus on, and we are engaging in efforts to solve these social challenges through our businesses.

### Toward preventing the recurrence of improper quality control

First of all, I would like to reiterate our sincere apologies to our many stakeholders for the impact of the improper quality control practices that we have been reporting since last year. At Mitsubishi Electric, we take the occurrence of these incidents extremely seriously, and have been making efforts to take exhaustive recurrence prevention measures by analyzing the contributing factors and pursuing the root causes. As the CEO of the company, I will drive reforms in three areas—quality assurance, organizational culture, and governance—toward the restoration of public trust.

### Three reform areas

Based on reports submitted by the Investigative Committee, we have been pursuing reforms in three areas.

(1)Quality assurance reform : We have been strengthening the quality assurance system by establishing the Corporate Quality Assurance Reengineering Group as an organization under the direct control of the CEO, by inviting Mr. Yoshikazu Nakai from outside of the company to serve as the head of this Group and as the Chief Quality Officer (CQO), by reconstructing our control functions as we assign authority for shipments and other areas at each production site to this Group, and by having the Quality Governance Subcommittee periodically monitor activities. We also plan to invest more than 30 billion yen in two years to strengthen the infrastructure of the quality assurance system.

We have yet to be able to thoroughly find out why improper quality control practices continued for decades at certain plants and why no one could stop such practices. I believe, however, that our organizational culture prevented people from speaking out against improper practices, thereby leading them to lose their sense of conscientiousness for ensuring quality and ultimately causing them to engage in such practices.

(2)Organizational culture reform: I believe there is a need to change the awareness and behavior of both superiors and subordinates. When a subordinate seeks advice or shares information, their superior must always accept it at first and then try to solve the problem together. In this process, it is important that the superior fully understands the concept of managing an organization. At the same time, however, subordinates also need to actively speak out. To this end, our employees who volunteered launched a company-wide transformation project team called "Team Sousei (Creation)" in October 2021. All our employees were invited to apply for this team, and applications were received from 465 employees in two weeks. Of these applicants, 45 were selected to become team members and Team Sousei started with 300 other supporters.

Some of them were uncertain as to whether reforms can really be achieved through their own visions at the beginning, but the atmosphere changed after holding repeated discussions that fostered a sense of unity for team members to make changes themselves. When I talk with the positive and enthusiastic team members, I myself often feel energized too. Although reforms do involve difficulties, we will not be afraid to go ahead with a strong will to carry out actions through to the end.

Robust Policies announced in April 2022 are the guiding principles for organizational culture reform that Team Sousei proposed to the company. Members from Team Sousei and executive officers are currently visiting business sites in Japan to hold briefings so that they can spread the policies to each and every employee. We have also formed a transformation-project team in each business group or division to ensure the promotion and implementation of reforms.

In fiscal 2023, we will introduce several measures as part of our efforts to reform communication, including building human relationships irrespective of individuals' positions. These measures include addressing everyone by the neutral honorific "-san" rather than addressing them by their titles, and by gradually implementing one-on-one



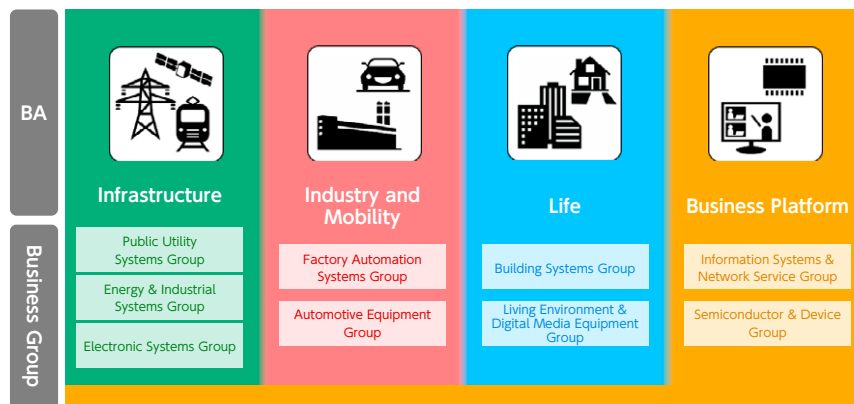
meetings to promote communication between superiors and subordinates. Since assuming the position of the CEO, I am currently on my second round of visiting all the sites of Mitsubishi Electric to engage in dialogues with employees. For this second round of visits, I aim to talk one-on-one, while gathering about 20 employees from each job level in groups to exchange opinions as a two-way meeting. I will listen to a variety of opinions through these dialogues and I will utilize them for various future reforms.

(3)Governance reform: We asked Mr. Mitoji Yabunaka, Outside Director, to chair the Board of Directors starting last year from the viewpoint of strengthening corporate governance. As we engage in business for an extended period, things that are viewed as common sense within the company may actually be abnormal in the eyes of an external party. I believe it is extremely important to incorporate the viewpoints of people outside of the company, hold discussions to revisit how to preserve quality and prevent improper conduct, and work swiftly to make all necessary changes. Based on this, the Company have appointed seven Outside Directors among our 12 directors in total. The company have selected Mr. Tatsuro Kosaka and Mr. Hiroyuki Yanagi as Outside Directors owing to their expertise in manufacturing, the field at the foundation of the Mitsubishi Electric Group.

As for the Board of Directors, we will promote diversity, considering appointing more female directors.

## Management structure

To achieve sustainability management, we created a new management structure in April 2022 that designates Business Area (BA) Owners who consider and drive business strategies with mid-to-long term perspectives. Through this, Mitsubishi Electric will facilitate the acceleration of M&As and business restructuring from a company-wide perspective, as well as to work in



Four Business Areas (BA) that will enhance sustainability management

driving the creation of new businesses, the enhancement of technological and business fields, and the strategic shifting of resources, thereby maximizing its corporate value as the company seeks to strive more than ever in solving social challenges through its business activities.

## Transforming into a "Circular Digital-Engineering company" to realize sustainability

At the Mitsubishi Electric Group, we define our Purpose, Values, and Commitment as follows.

In fiscal 2023, we reviewed our management policy that is grounded in our Purpose. Our new management policy positions the realization of sustainability as the cornerstone of our management, and clearly reiterates our aim for "solving social challenges through our businesses." From this approach, we will pursue sustained enhancement of our corporate value and fulfill our responsibility to society, to our customers, shareholders and employees, and to all other stakeholders.

<b>Purpose</b>	We, the Mitsubishi Electric Group, will contribute to the realization of a vibrant and sustainable society through continuous technological innovation and ceaseless creativity.
<b>Our Values</b>	Trust/Quality/Technology/Ethics and Compliance/Humanity/Environment/Society
<b>Commitment</b>	<p><b>Changes for the Better</b></p> <p>"Changes for the Better" represents the Mitsubishi Electric Group's attitude to "always strive to achieve something better," as we continue to change and grow. Each one of us shares a strong will and passion to continuously aim for change, reinforcing our commitment to creating "an even better tomorrow."</p>

In line with this, we have also reviewed our corporate strategy in which we have defined our aim to transform into a "Circular Digital-Engineering company" that provides evolved Integrated Solutions by co-creation and by integrating knowledge within and outside the Group.

"Circular Digital-Engineering company" may be an unfamiliar term. In our businesses, we start by looking at challenges among society and customers, then we consider measures to solve these challenges, and we go on to conduct research and development, manufacturing and sales, and provide maintenance services. In this process, we engage in manufacturing in which products and services are designed for long-term use, and we reuse these products by collecting materials from them instead of disposing of them after use. There is a circulation in the physical sense within our businesses.

When the sales division receives an order from a customer, we have a process in which the design and materials divisions start working, followed by the production and quality control divisions, and then the construction and service divisions. These operations also include the general affairs, accounting, legal, and other staff divisions. These connections represent the "engineering" part of this term. We want to grow in a circular manner by boosting efforts in engineering and interdepartmental communication, and we expressed this desire in the term "Circular Digital-Engineering company."

Integrated Solutions offer support for providing a system during its entire life cycle. With our Integrated Solutions, we flexibly respond to the needs of individual customers by seamlessly providing the three processes of (1) consulting, (2) system engineering, and (3) maintenance and operation. To realize Integrated Solutions, it is vital to use digital twins that intricately reproduce a real space within digital space. Safe and smart maintenance and operation can be realized by reproducing the real space of the customer's operational environment in a digital space, identifying the best operating conditions, and then applying them to the real operational environment. It is possible to analyze new data obtained through operations and recognize potential challenges that even the customer was not aware of. Considering solutions to eliminate these challenges will further strengthen our core components, field knowledge, and advanced digital technologies that are the strengths of the Mitsubishi Electric Group. In this way, the Mitsubishi Electric Group will improve its ability to solve and respond to increasingly complex challenges faced by society and customers with its Integrated Solutions, thereby expanding its value proposition. This will allow us to become a company that is continually needed by society and customers, and we will use this process as our driving force to continue to grow.

### Initiatives based on our materiality

The Mitsubishi Electric Group has identified five areas for our materiality, and has carried out activities to realize sustainability. Our materiality can be split up into two different perspectives, one of which is to "provide solutions to social challenges through our businesses." We have clarified five areas of focus as follows: (1) Carbon neutral, (2) Circular economy, (3) Safety/ Security, (4) Inclusion, and (5) Well-being.



Materiality

Business Area (BA) owners will work in these challenge areas, take an overall look at the business and consider the ideal direction it should go, and then aim to address social challenges through each business. Associating each business with social challenges will allow each and every employee to become aware that their work contributes to solving social challenges, which will lead to a sense of joy and fulfillment in working.

I believe it is important that each one of our employees correctly understands integrity with

respect to strengthening our corporate governance, compliance, and business foundation. "Always Act with Integrity" is the compliance motto for all officers and employees at the Mitsubishi Electric Group. "Integrity" means having a strong will and mindset to persist in doing the right thing, as well as having character traits such as fairness, honesty, sincerity, taking responsibility for one's behavior, and respecting others. As our shared understanding of this motto, each one of us reflects on their own behavior by always thinking about whether their own actions or decisions have been done with integrity.

We will also further boost diversity among all employees, including efforts to train female managers and to expand the childcare and nursing leave systems so that they are easier for male employees to use. As we work to create a system to realize this, we will actively incorporate the opinions of our employees, especially those in the younger generation.

## Always Act with Integrity

Mitsubishi Electric Group Compliance Motto

### Participation in international frameworks

Since 2018, the Mitsubishi Electric Group has participated in the UN Global Compact, an international framework with the aim to realize a sustainable society. We consider that it is our responsibility to fulfil our roles for the Ten Principles in four areas including human rights and the environment, and we are engaged in various initiatives to this end. To reinforce human rights initiatives, we joined the Responsible Business Alliance (RBA), a corporate alliance that pursues social responsibility in the global supply chain, in February 2022. We will align our initiatives with the global standard of the RBA Code of Conduct and make continual improvements to our sustainability initiatives, while also asking suppliers to make similar improvements as we offer them support in these activities. Based on the spirit of the common goal in the industry, we aim to become a company that is trusted by society by reinforcing sustainability initiatives using the approach and methods of the RBA.

### Driving technological development and utilizing intellectual property

We, the Mitsubishi Electric Group, have engineers in many diverse fields, such as control, power electronics, and so on. We also work to support each of these technologies at our laboratories and other facilities, where we work to enhance the fundamental technologies that serve as the foundation for our business, while also exploring and creating new technologies that serve as the source of our growth in the future. I believe this is a strength that is unique to us.

Intellectual property is another one of our strengths. In fiscal 2022, we were ranked fifth in the world and first among Japanese companies for seven consecutive years in the number of

international patent applications per company. In addition, we launched Open Technology Bank® activities in 2021 to promote internal and external collaboration based on intellectual property. These activities involved organizing and consolidating our patents, our manufacturing know-how, and so on into different categories and visualizing them for internal and external parties. This allowed us to grasp the Mitsubishi Electric Group's technologies at a glance, making it easy to link and combine technologies together smoothly. By taking the technology assets at the Mitsubishi Electric Group that contribute to solving challenges in various areas and making them open to the public, I hope we will create synergy in collaboration with external parties.

Previously, we aimed to utilize intellectual property to compete with companies, but going forward we will also leverage our intellectual property as a tool to drive co-creation both inside and outside of the company.



## Communication and co-creation with society

We opened METoA Ginza (located in Tokyo Plaza Ginza in Chuo-ku, Tokyo) in 2016 as an event space for customers to learn about the activities at Mitsubishi Electric, but starting in March 2022, we have worked to evolve it into a place for co-creation. With the catch phrase "Start an exciting sustainable experience here," this location lets people have fun experiencing Mitsubishi Electric's solutions that help solve social challenges. We will gradually change the exhibits and introduce bidirectional communication with stakeholders



Mitsubishi Electric's METoA Ginza Event Space

on a step-by-step basis through our official websites and social media so that we can create many solutions that society needs.

In December 2021, we opened "XCenter," an exhibition site with the themes of digital transformation and smart cities in the Tokyo Building (Chiyoda-ku, Tokyo), where Mitsubishi Electric is located. By allowing many people to experience Mitsubishi Electric's technologies and products at XCenter, we promote co-creation aimed at realizing DX and smart cities.

## Creating a company where people can feel happy and motivated in their work

For us to continue existing as a company despite the dramatic changes of the times, I believe it is important for us to be able to quickly and nimbly shift in response to such changes. I feel that in the future, we will need to have a willingness to shift from our current state if this is determined to be necessary.

What I really want to create is a company where employees can feel happy and motivated in their work. If employees can work in such an environment, they will seek to communicate with the people around them. They will become active in many different places, which will result in various teams forming spontaneously. Through this process, I want to create a workplace where people can realize what they really want to accomplish. As a result, we will start to see a strong overlap between our Purpose and the motivation of each employee. This will further boost the value that we can offer to customers.

The future direction that the Mitsubishi Electric Group should seek to realize is a company where employees feel secure and work happily as they deliver products and solutions that bring joy and smiles to customers, shareholders, and people in society. We will carry out reforms to create a new Mitsubishi Electric Group.

**Kei Uruma**  
President & CEO

# Message from the Executive Officer Responsible for Sustainability

## Toward Realizing Sustainability

The Mitsubishi Electric Group has stipulated the following within its management policy in May 2022: “We will return to our fundamental principle of ‘addressing social challenges through our businesses’ and position the realization of sustainability as the cornerstone of our management. From this approach, we will pursue a sustained enhancement of our corporate value and fulfill our responsibility to society, to our customers, shareholders and employees, and to all other stakeholders.”

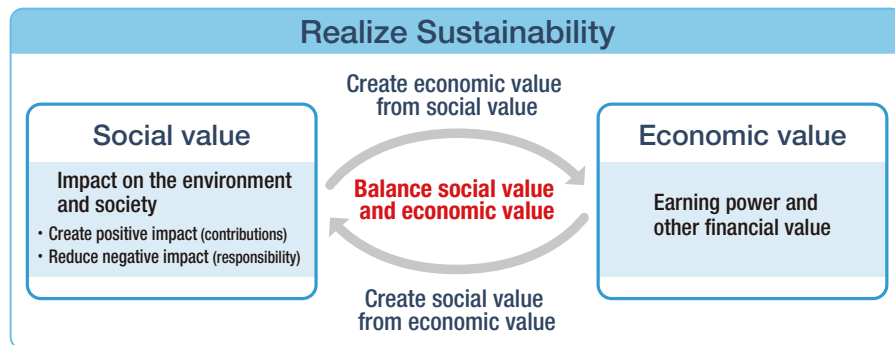
Realizing sustainability means contributing toward solving various social challenges, and thereby pursuing sustainability in the environment and society. It also means the Company becoming a corporate group that is needed by society for many years to come. While fulfilling our responsibilities as a member of society, we will commit to solving social challenges in all kinds of activities, particularly our main businesses, and thereby enhance both social and economic value. It is crucial to engage in human resource development for this purpose and to invest in management resources for technology development. Mitsubishi Electric’s mission has been to offer products and solutions to society for solving social challenges. We will further enhance our mission and work to thoroughly explain social and economic value.

## To Create a Sustainable Society Full of Prosperity

Mitsubishi Electric’s purpose is as follows: “We will contribute to the realization of a vibrant and sustainable society through continuous technological innovation and ceaseless creativity.” This purpose represents the reason for the Company’s existence, and it expresses the goal that we never stop pursuing. To realize a vibrant and sustainable society within this modern age, we believe we need to focus more on the people who use goods, rather than on goods themselves, and to offer products and solutions that help each and every one of our customers and the people standing



beyond our customers to feel happiness and satisfaction in their daily lives. These customers include our valued colleagues and employees. As such, at Mitsubishi Electric, we have used the phrase “Sustainable Society Full of Prosperity” to define the kind of society that we aim to create by 2050. We envision a company in which all employees respect each other, that considers people’s dreams and future while solving social challenges ranging from the global environment to daily life, and that makes all people happy, including shareholders and people in society in addition to employees. With these thoughts in mind, we have decided to commit to the sustainability vision of “Creating Harmony with People and the Planet.”



## Materiality Initiatives to Solve Social Challenges

What should we work on to create the Sustainable Society Full of Prosperity as expressed in our sustainability vision? To find the answer to this question, we engaged in backcasting based on our ideal society in 2050 to identify the five challenge areas that the Mitsubishi Electric Group will solve through its main businesses: Carbon neutrality, Circular economy, Safety/Security, Inclusion, and Well-being.

**Carbon neutrality** : A decarbonized society with fewer CO<sub>2</sub> emissions from our company and society itself, and with mitigations against climate change.

**Circular economy** : A society that effectively uses and sustainably circulates resources.

**Safety/Security** : A resilient society that can respond to various environmental changes and risks.

**Inclusion** : A society in which all kinds of people are respected and anyone can live freely, fairly, and in a lively manner.

**Well-being** : Comfortable lives and physical and mental well-being for each and every individual.

To create a Sustainable Society Full of Prosperity, first we need to aim to achieve these challenges within society and life. Going forward, we plan to analyze risks and opportunities for Mitsubishi Electric businesses in each challenge area and establish medium-term goals together with the business group headquarters. The Mitsubishi Electric Group will work on these challenge areas through five materiality themes: Realize a sustainable global environment; Realize a safe, secure, and comfortable society; Respect for all people; Strengthen corporate governance and compliance on a sustainable basis; and Create a sustainability-oriented corporate culture.

We are very much aware that three of these five materiality themes—Respect for all people, Strengthen corporate governance and compliance on a sustainable basis, and Create a sustainability-oriented corporate culture—are certainly the top priority issues for Mitsubishi Electric, which is working on its three reforms. We regard our quality assurance culture reforms, governance reforms, and organizational culture reforms as the three materiality initiatives for strengthening our management foundation that supports sustainable growth, and we will build these initiatives to become substantial and effective.

Mitsubishi Electric aims to further enhance the corporate value by working to solve social challenges from a medium-to-long term perspective, by having sensitivity and adaptability to changes in society, and by actively disclosing information to its stakeholders.

### Sustainability Vision

## Creating Harmony with People and the Planet



*Yoji Saito*  
 Yoji Saito  
 Executive Officer and CCO

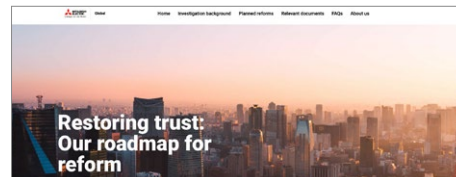
# Improper Quality Control Practices and Three Reforms

## 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.



Portal site (in Japanese text)



Portal site (in English text)

## 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) Ingrain a company-wide understanding and correct perception of quality (ensuring quality through adherence with protocols)	
(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	

\* General managers and section chiefs of manufacturing site/office

## 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 Kameda (Attorney-at-law, Nishimura & Asahi)
- Member: Mitsuhiro Umezumi (Professor at Keio University, specializing in corporate ethics)
- Member: Masahiko Munechika (Professor at Waseda University, specializing in quality management)

Summary of the number of cases of improper quality control practices pointed out by the Investigative Committee

	Disclosed in Oct. 2021	Disclosed in Dec. 2021	Disclosed in May 2022	Subtotal
Number of sites investigated	2	5	22	22
Bases among these at which improper quality control practices occurred	2	5	15	16
*There is an overlap in the number of bases within the figures released in Oct. 2021, Dec. 2021, May 2022.				
Number of cases of improper quality control practices	18	29	101	148

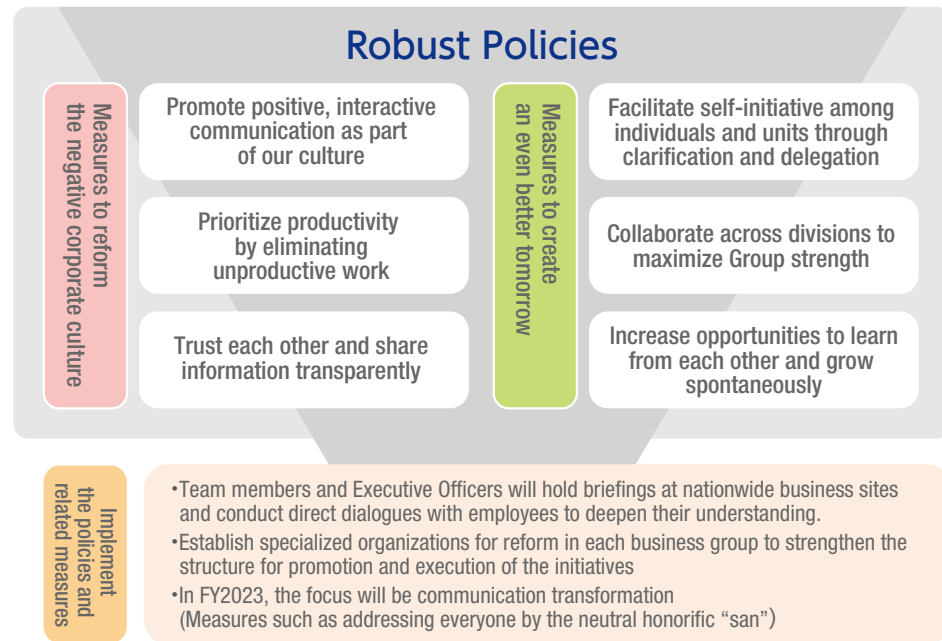
### Three Reform Areas

- ◆ **Quality assurance reform**
  - Establish the Corporate Quality Assurance Reengineering Group under the direct control of the CEO
  - Strengthen new quality assurance functions led by the head office
  - Share knowledge and provide flexible support across business groups
  - Appoint a Chief Quality Officer from outside the company (April 2022)
  - Plan to invest over ¥30 billion for investments in infrastructure development, etc.
- ◆ **Organizational culture reform**
  - Company-wide reform project "Team Sousei (Creation)" formulates "Robust Policies" for organizational culture transformation
  - Establish specialized organizations in each business group to promote and implement the reform
  - Reform the personnel system
  - Overcome the inward-looking organizational culture, change the behavior of senior management, support middle management and front-line workers
- ◆ **Governance reform**
  - Reform the Board of Directors to strengthen management supervisory functions
  - Establish a Governance Review Committee

## 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.



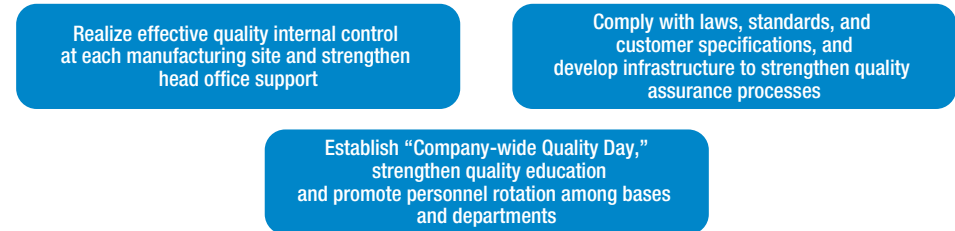
*Changes for the Better start with ME*

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

Human Resources

### 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."

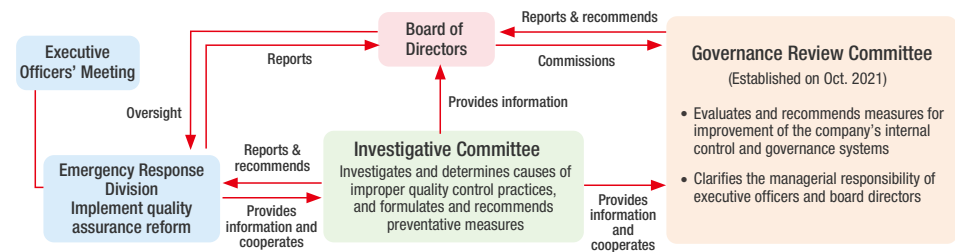


Quality

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

Strengthen management supervisory function, and improve internal control and governance systems

- Undertake sustainable, medium- 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 of three lawyers with no existing commercial relationships with the company, to assess internal control and governance systems.



Corporate Governance