

Dialogue with Outside Directors



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Member of the Nomination Committee
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Expectations for the Mitsubishi Electric Group: Harnessing Human Potential and Balancing Solving Social Issues with Business Growth

Masako Egawa and Haruka Matsuyama, who have been serving as outside directors of Mitsubishi Electric Corporation since June 2023, share their candid views on the initiatives the Mitsubishi Electric Group should take to enhance corporate value sustainably.

Q. What are your impressions of the Board of Directors' operations and the content of discussions?

Egawa A distinctive feature of Mitsubishi Electric's Board of Directors is the high level of transparency in its supervisory function. Outside directors make up a majority, with one chairing the board, and an outside director also chairs each of the three statutory committees. I feel that the board has cultivated a psychologically safe environment where outside directors, each with diverse expertise and deep insights, can leverage their unique strengths and freely share candid opinions. The executive side responds to these board discussions with an open mind, which I assess as contributing to effective board operations. In the Nomination Committee, outside directors engage in vigorous debates on matters such as the qualifications required for the president and CEO, ensuring high effectiveness. In June 2024, new members, including new outside directors, joined the board, and we aim to build trust and foster teamwork with them.

Matsuyama I share Ms. Egawa's impressions. The Board of Directors sets appropriate agendas, in line with our status as a company with a three-committee system, and discussions are always forward-looking and lively. I also appreciate that the outcomes of board discussions are well reflected in the executive side's initiatives. However, given the highly diverse range of the Mitsubishi Electric Group's businesses, discussing all business fields in board meetings naturally takes some time. With this in mind, I want to pursue efficiency, including in the Audit Committee I chair, to ensure that discussions on each agenda item go beyond merely grasping the current situation and delve into more substantive matters.



Q. How do you view the Mitsubishi Electric Group's initiatives for sustainably enhancing corporate value?

Egawa Regarding the business portfolio strategy, I positively evaluate the bold restructuring underway, including the reorganization of the building systems business and automotive equipment business and the functional reorganization of associated companies, including logistics. To aim for further growth, more sharply focused strategy execution, potentially including M&A, will be required in businesses with top-class global competitiveness within the Mitsubishi Electric Group's wide-ranging business fields. In addition to further portfolio review, strengthening the human capital strategy and optimizing business structures for global expansion are key challenges moving forward.

Matsuyama When considering future growth strategies, cross-functional discussions that break down barriers between business units are essential. Furthermore, to execute the business portfolio strategy designed to improve capital efficiency, we need to have open discussions unfettered by past constraints and biases. As an outside director, I aim to stimulate discussions and support executive decision-making by providing a third-party perspective.

Egawa I see the development of the Serendie digital platform as a significant step toward the effort to become a Circular Digital-Engineering Company. I expect this to accelerate new value-creation efforts through cross-business solution offerings. Moving forward, it is crucial to articulate to stakeholders more concrete, differentiated strategies unique to the Mitsubishi Electric Group on how it plans to achieve the fiscal 2031 sales target of 1.1 trillion yen for Serendie-related businesses.

Matsuyama With its numerous outstanding technologies and businesses that contribute to sustainability, the Mitsubishi Electric Group can contribute to society and the environment across many areas by growing its business. I hope the Group will communicate more proactively and clearly about its impact on society. Strengthening external communication not only enhances corporate value but also boosts employee motivation and engagement.

Egawa Regulations on sustainability-related disclosures are becoming stricter, demanding greater specificity and quantification than before. For instance, the Mitsubishi Electric Group has set a long-term carbon neutrality target to "reduce greenhouse gas emissions throughout the entire value chain to net-zero by 2050." I hope to see more transparent and quantitative disclosures on the process to achieve such long-term goals.

Matsuyama While diversity is a key factor in human capital initiatives, achieving gender balance at the managerial level, for example, is still a work in progress. Nowadays, younger generations increasingly share childcare responsibilities, and more employees face work constraints due to caregiving duties and other factors. It is crucial to move away from traditional Japanese corporate thinking that values long working hours and company loyalty and instead foster a mindset that embraces diverse work styles.

Egawa One particular challenge is changing the mindset of middle management. In addition to carrying out unconscious bias training, concrete approaches, such as incorporating diversity progress into managers' performance evaluations, may be necessary. Moreover, enhancing global management requires the inclusion of not only women but also the recruitment of non-Japanese.

Matsuyama We need to consider diversity in a broader sense. Strengthening mid-career hiring is one aspect of this. Especially for a company like Mitsubishi Electric, where many new graduates are hired and remain with the company for a long time, it is important to actively recruit talent with experience outside the company, in order to bring in new perspectives.

Egawa Diversity in human capital leads to improved performance, innovation, and better decision-making. Everyone faces some sort of constraints or personal circumstances, such as childbirth, childcare, and caregiving. As outside directors, we are fully committed to supporting the creation of an environment where people can work flexibly and focus on their jobs despite these challenges.

Q . Please share your assessment of progress on the Three Key Reforms.

Matsuyama I believe each of the Three Key Reforms is being earnestly addressed, and steady progress is being made. Two in particular—the quality assurance reforms and organizational culture reforms—are challenging to instill in every corner of the organization. I hope the company will doggedly continue these efforts with the mindset that persistence pays off. Compliance and growth strategy cannot be considered separately. Establishing a structure that can uphold compliance at ordinary times will prevent the recurrence of improper practices and ensure past mistakes are not forgotten.

Egawa One important development prompted by these reforms was the creation of opportunities for direct dialogue between frontline employees and directors, which we should continue. Despite the Mitsubishi Electric Group's high technical capabilities and growth potential, the low employee engagement scores since the improper quality control practices came to light remain a concern. We will

continue to closely monitor whether the corporate culture is genuinely progressing toward one where “employees feel that they can give their opinions to their superiors,” “failures are tolerated,” and “problems are solved together.”

Matsuyama Understanding the actual situation on the frontlines is crucial. Even if we impose idealistic theories in the name of compliance, if they are disconnected from practical operations, the reforms will eventually lose momentum and become mere formalities. It is essential to continue examining fundamental issues in collaboration with the frontlines, such as what is truly necessary to ensure the required quality and whether the rules themselves are appropriate.

Q . Looking ahead, what agenda items would you like the Board of Directors to prioritize, and what are your aspirations as outside directors?

Egawa Stakeholders, including investors, have high expectations for accelerating initiatives to bring about a new phrase of growth. In promoting growth strategies, it is essential to identify competitive business fields and execute focused investments. I intend to continue providing advice as an outside director, leveraging my own expertise.

Matsuyama Continuing to monitor the progress of the Three Key Reforms and moving forward without letting these activities fade remains a crucial management issue. Additionally, corporate governance and compliance are fundamental to a company's continued existence. I will fulfill my role on the Board of Directors by working to strengthen these aspects as the Group pursues growth strategies.

