

# Message from the Chairperson of the Board of Directors



## Making the Board of Directors More Effective to Drive the Transformation into a Truly Global Enterprise and Grow Corporate Value

### Hiroyuki Yanagi

Outside Director  
Chairperson of the Board of Directors,  
Member of the Nomination Committee  
and the Compensation Committee

Hiroyuki Yanagi, who assumed the position of Chairperson of the Board of Directors in June 2024, shares his thoughts on the Mitsubishi Electric Group's management challenges, his assessment of the progress of the Three Key Reforms, and his aspirations for future board operations.

### Deepening Board Discussions and Enhancing the Board's Effectiveness

In the two years since I became an outside director at Mitsubishi Electric Corporation, the Board of Directors has evolved. First, it has transformed from a venue for reporting

to a forum for active questioning and exchange of opinions. Second, looking at the composition of outside directors, women are better represented, and a non-Japanese director joined in June 2024. Furthermore, the range of expertise among members has expanded, bringing more diverse perspectives and broader viewpoints to the board.

Beyond these structural changes, the focus of each agenda item has also shifted. The emphasis has moved to the medium-term management plan, Business Area (BA) strategies, and functional strategies. The board has progressed from the initial strategy formulation phase, which involved issue identification and organizational proposals, to the execution phase, with the main focus now on "how to execute and achieve results." For instance, our discussions have become more concrete as we advance decision-making and implementation of measures, such as the structural reform of the automotive equipment business and investments in key growth businesses including the power semiconductor devices business. I feel a real sense of progress in management.

### Expectations for the Serendie Digital Platform and Employee Inspiration

In the Circular Digital-Engineering initiative, which is at the core of the Group's management strategy, concrete strategies have begun to take shape with the launch of the DX Innovation Center and the Serendie digital platform. Management figures compiled and analyzed from related businesses have been explained, external interest is growing, and internally, it has become clear that this is a focal point for effort. In considering the business portfolio strategy, the board expects this business to become a new growth area that cuts across BAs and business groups.

Serendie is a portmanteau of serendipity and digital engineering. The name reflects Mitsubishi Electric's uniqueness. As the Mitsubishi Electric Group promotes this business, I hope that everyone will value the process of generating diverse inspirations by combining logical thinking with rich sensibilities. This will lead to the creation of new value in diverse forms.

## Crafting a Unique Mitsubishi Electric Group Narrative to Address Increasingly Complex Social Issues

Stakeholders demand both contributions to a sustainable world and business development. The Group will seek to craft and communicate its narrative uniqueness, telling the story of how the Group will enhance corporate value while relating in a future-oriented way with the global environment, society, and individuals. This will sharpen the Mitsubishi Electric Group's brand image. For instance, as an application of Serendie, the Group is beginning to contribute to solving environmental and social issues by providing solutions like optimal energy use in infrastructure such as railways and power systems, and in buildings. The quality and quantity of these contributions will continue to increase. Weaving these contributions and outcomes into the sustainability management story as key focal points should make the Mitsubishi Electric Group's distinctiveness more apparent.

## Strengthening Global Management

While the Mitsubishi Electric Group has strong vertical alignment in its Business Areas (BAs) and business groups, I feel the Group needs to strengthen the corporate functions that cut across the entire Group globally, such as human capital, marketing, production, and R&D, as horizontal connections. With the overseas revenue ratio already exceeding 50% of the Group's total, cross-business global management is essential for future growth. On the board, we aim to deepen discussions on this challenge to ensure that the Mitsubishi Electric Group continues to grow as a truly global enterprise. For example, in human capital, the head office has begun reorganizing HR-related departments to accelerate the global talent strategy. In addition, the

Group has introduced global job grading. These moves should promote the development of global talent and the active appointment of non-Japanese individuals to executive and managerial positions. Global management that effectively coordinates vertical and horizontal functions is indispensable.

## Progress and Evaluation of the Three Key Reforms

The Three Key Reforms initiated in 2021 have been steadily advancing. Progress on the roadmap with action and outcome targets is managed using quantitative evaluations based on data and qualitative assessments reflecting the realities of the worksite. It is commendable that the roadmap itself has become frontline-driven, with sites self-propelling efforts.

First, in terms of organizational culture reforms, Team Sousei (creation) has been a crucial core, stimulating intra-organizational communication through one-on-one and town hall meetings, enhancing unity between management and the frontline. When visiting manufacturing sites, I often hear employees say they sense the change in organizational culture. In terms of quality assurance reforms, various best practices are now being shared between manufacturing sites. For instance, the standardization of component design across business groups is a true transformation and highly commendable.

Moving forward, it is essential to prevent these experiences from fading by deepening sharing within the Group and passing them down. Once the Three Key Reforms become self-perpetuating, I hope to see the Group advance beyond reforms to a stage where it enhances its inherent quality capabilities, technological prowess, human capital and organizational strength.



## Emphasizing an Actualism-Based Approach: Actual Job Site, Actual Products, Actual Conditions

As chairperson of the board, I want to prioritize an actualism-based approach—actual job site, actual products, actual conditions—in board operations. While various opinions are actively exchanged, discussions in the boardroom can easily become disconnected from these actualities. I aim to shape a board that is conscious of these three actuals, where both execution and supervision emphasize observing the actual sites and products and understanding the essence of what is going on by listening to the voices of employees, who are the main actors. The board will foster a management environment that encourages everyone at the Mitsubishi Electric Group to passionately take on new challenges without fear of failure, and this, I am confident, will further enhance corporate value.