

Basic Corporate Governance Policy

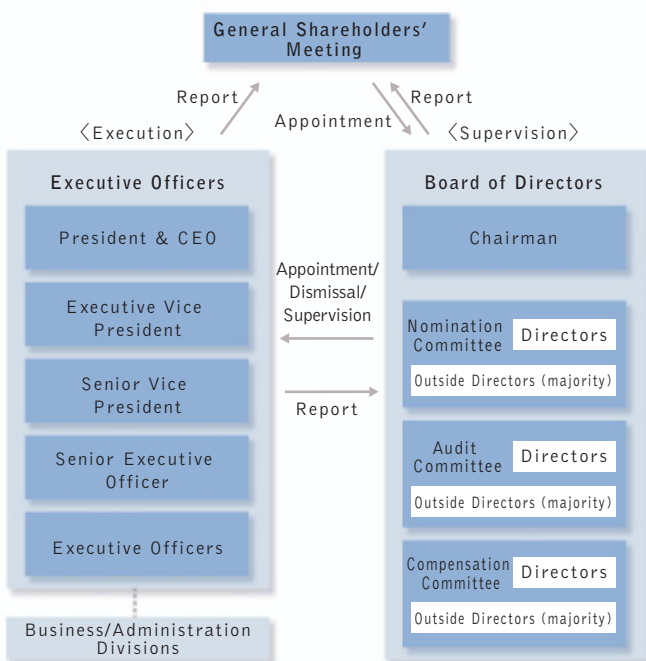
Mitsubishi Electric strives to pursue continuous growth by enhancing flexibility in its operations and by promoting management transparency. At the same time, the Company consistently endeavors to reinforce the supervisory functions of management. Our basic policy consists of the establishment of an efficient corporate governance structure that is responsive to various expectations from diverse stakeholders (including both customers and shareholders, among others) and through this, we aim to boost our corporate value.

Current Status of Implementation of Various Measures Relating to Corporate Governance

Company Organization and Development of Internal Control Systems

In June 2003, Mitsubishi Electric reformed its management structure when it changed its corporate structure to a committee system. The supervisory and executive powers of management were thus separated, with the board of directors handling supervisory decisions and executive officers handling executive decisions.

The present board is comprised of twelve directors (five of whom are outside directors) offering advice and supervision to management from an objective standpoint. The board of directors has three internal bodies: the Nomination, Audit and Compensation Committees. Each body has five members, three of which are outside directors. The Audit Committee has its own dedicated, independent support staff.



A key feature of our management structure is the separation of the Chairman and the CEO, with the Chairman acting as head of the supervisory functions as a member of the board of directors and the

President & CEO acting as the head of the executive officers. Neither the Chairman nor the President is a member of the Nomination or Compensation Committee. This clear separation of supervisory and executive powers makes our corporate governance more effective.

To maintain compliance and secure management efficiency, each executive officer possesses responsibility for their individual scope of duties, with operating conditions being audited by internal auditors (Corporate Auditing Div.). The internal auditors and outside auditors report their audit results to the Audit Committee and executive officers in charge.

Development of Risk Management System

The risk management system is constructed so that each executive officer possesses responsibility for his assigned duties. In addition, important management implementations are discussed and decided by all the executive officers in the executive officers' meetings. The synergistic effect of all executive officers participating in management and information creates a multi-dimensional risk management system.

Internal Audit and Inspections by the Audit Committee and Independent Auditors

The Corporate Auditing Div. conducts its internal audits from a fair and impartial standpoint by having its own dedicated staff, in addition to supporting auditors that represent the special interests of relevant departments.

The Audit Committee consists of five directors, of which three are outside directors. In accordance with the policies and assignments agreed to by the committee, inspections are conducted by competent members into the performance of the directors and executive officers, as well as affiliated companies.

The Audit Committee receives reports from the internal auditors (Corporate Auditing Div.) and exchanges information through a series of periodic meetings and discussions on auditing policies. In addition, the Audit Committee has the opportunity to discuss policies and methods of audits with independent auditors, and it will receive reports on the status and results of the audit, along with the mutual exchange of opinions.

KPMG AZSA & Co. has been retained as the independent auditor. KPMG AZSA & Co. appoints partners in charge, and the firm has designated Mr. Yoshihiko Nakamura, Mr. Hiroto Kaneko, and Mr. Ryoji Fujii as the partners in charge of handling the auditing of Mitsubishi Electric. Support staff for handling the auditing tasks will consist of appropriate CPAs and JAs from KPMG AZSA & Co. Mitsubishi Electric will maintain an environment in which fair and impartial audits can be conducted, and that includes providing relevant management information to KPMG AZSA & Co.