



[Translation]

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Annual Securities Report

The 152nd Business Term
From April 1, 2022 to March 31, 2023

Mitsubishi Electric Corporation

7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo

The 152nd Business Term (from April 1, 2022 to March 31, 2023)

Annual Securities Report

1. This is an English translation of the Annual Securities Report (“Yukashoken Hokokusho”) pursuant to Article 24, paragraph 1 of the Financial Instruments and Exchange Act of Japan, via the Electronic Disclosure for Investors’ Network (“EDINET”) system as set forth in Article 27-30-2 of the same Act. The translation includes a table of contents and pagination that are not included in the electronic filing.
2. This report does not contain the attachments to the Annual Securities Report (“Yukashoken Hokokusho”) submitted via the above method, but English translations of the Independent Auditors’ Report have been appended to the back of this report.

Mitsubishi Electric Corporation

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[Cover]

[Filed Document]	Annual Securities Report (“Yukashoken Hokokusho”)
[Applicable Law]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	June 29, 2023
[Fiscal Year]	The 152nd business term (from April 1, 2022 to March 31, 2023)
[Company Name]	Mitsubishi Denki Kabushiki Kaisha
[Company Name in English]	Mitsubishi Electric Corporation
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[Place Where the Filed Document is Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

Cautionary Statement

While the statements herein, including the forecasts regarding the Mitsubishi Electric Group, are based on assumptions considered to be reasonable under the circumstances on the date of announcement, actual results may differ significantly from forecasts.

The main factors materially affecting the expectations expressed herein include but are not limited to the following:

- (1) Changes in worldwide economic and social conditions, as well as regulations, taxation and other legislation
- (2) Changes in foreign currency exchange rates
- (3) Changes in stock markets
- (4) Changes in the fund-raising environment
- (5) Changes in the supply and demand of products, as well as the material procurement environment
- (6) Establishment of important patents, status of significant licenses and disputes related to key patents
- (7) Litigation and other legal proceedings
- (8) Issues related to quality and defects in products or services
- (9) Laws, regulations and issues related to the global environment, especially responses to climate change
- (10) Laws, regulations and issues related to human rights
- (11) Radical technological innovation, as well as the development, manufacturing and time-to-market of products using new technology
- (12) Business restructuring
- (13) Information security incidents
- (14) Large-scale disasters, including earthquakes, tsunamis, typhoons, volcanic eruptions and fires
- (15) Social, economic and political upheaval due to heightened geopolitical risks, war, conflict, terrorism or other factors
- (16) Social, economic and political upheaval due to pandemics or other factors
- (17) Important matters related to Mitsubishi Electric Corporation’s directors and executive officers, major shareholders, affiliated companies and other stakeholders

Part I Information on the Company

I. Overview of the Company

1. Key Financial Data

(1) Consolidated financial data

(Millions of yen, unless otherwise stated)

	148th business term	149th business term	150th business term	151st business term	152nd business term
Years ended	March 2019	March 2020	March 2021	March 2022	March 2023
Revenue	4,519,921	4,462,509	4,191,433	4,476,758	5,003,694
Profit before income taxes	315,958	281,986	258,754	279,693	292,179
Net profit attributable to Mitsubishi Electric Corp. stockholders	226,648	221,834	193,132	203,482	213,908
Comprehensive income attributable to Mitsubishi Electric Corp. stockholders	189,306	117,132	401,559	356,926	348,064
Mitsubishi Electric Corp. stockholders' equity	2,399,946	2,429,743	2,754,293	2,975,941	3,239,027
Total equity	2,511,155	2,538,859	2,870,611	3,097,397	3,363,224
Total assets	4,356,211	4,409,771	4,797,921	5,107,973	5,582,519
Mitsubishi Electric Corp. stockholders' equity, per share (yen)	1,118.83	1,132.69	1,283.88	1,409.08	1,533.98
Basic earnings per share attributable to Mitsubishi Electric Corp. stockholders (yen)	105.65	103.41	90.03	95.41	101.30
Diluted earnings per share attributable to Mitsubishi Electric Corp. stockholders (yen)	105.65	103.41	90.03	95.41	101.30
Mitsubishi Electric Corp. stockholders' equity ratio (%)	55.1	55.1	57.4	58.3	58.0
Return on equity (%)	9.7	9.2	7.5	7.1	6.9
Price earnings ratio (times)	13.5	12.9	18.7	14.8	15.6
Cash flows from operating activities	239,817	395,834	542,119	282,371	166,711
Cash flows from investing activities	(210,668)	(203,997)	(176,552)	(114,867)	(148,533)
Cash flows from financing activities	(112,067)	(156,454)	(157,352)	(241,319)	(119,568)
Cash and cash equivalents at end of year	514,224	537,559	767,406	727,179	645,870
Employees (persons)	145,817	146,518	145,653	145,696	149,655

Notes: 1. The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS").

2. Diluted earnings per share attributable to Mitsubishi Electric Corp. stockholders is equal to Basic earnings per share attributable to Mitsubishi Electric Corp. stockholders as no dilutive securities existed.

(2) Financial data of the Company

(Millions of yen, unless otherwise stated)

Fiscal year	148th business term	149th business term	150th business term	151st business term	152nd business term
Year end	March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	2,717,760	2,639,209	2,459,282	2,557,436	2,712,165
Ordinary income	184,441	143,216	177,521	172,920	163,372
Net income	164,533	157,854	185,526	179,389	146,293
Common stock	175,820	175,820	175,820	175,820	175,820
Number of issued shares (thousands of shares)	2,147,201	2,147,201	2,147,201	2,147,201	2,147,201
Total net assets	1,241,462	1,282,260	1,460,424	1,490,180	1,572,363
Total assets	2,841,159	2,866,812	3,057,070	3,065,591	3,161,763
Net assets per share(yen)	578.76	597.76	680.76	705.59	744.66
Dividends per share(yen)	40.00	40.00	36.00	40.00	40.00
[Of the above, interim dividends per share] (yen)	[14.00]	[14.00]	[10.00]	[14.00]	[14.00]
Basic net income per share(yen)	76.70	73.59	86.48	84.11	69.28
Diluted net income per share(yen)	—	—	—	—	—
Stockholders' equity ratio (%)	43.7	44.7	47.8	48.6	49.7
Return on equity (%)	13.5	12.5	13.5	12.2	9.6
Price earnings ratio (times)	18.5	18.1	19.5	16.8	22.8
Dividend payout ratio (%)	52.2	54.4	41.6	47.6	57.7
Employees(persons)	35,203	35,649	36,162	36,700	35,136
[Average number of temporary employees] (persons)	[7,202]	[7,105]	[6,838]	[6,682]	[6,505]
Total shareholder return (%)	86.0	83.2	105.9	92.0	104.3
[comparison index: Dividend-included TOPIX] (%)	[95.0]	[85.9]	[122.1]	[124.6]	[131.8]
Highest stock price (yen)	1,776.00	1,658.00	1,785.50	1,817.00	1,602.50
Lowest stock price (yen)	1,146.00	1,096.50	1,235.00	1,225.50	1,273.00

Notes: 1. Diluted net income per share is not included in the table above as no dilutive securities existed.

2. The highest and lowest stock prices are market price on the Prime Market of Tokyo Stock Exchange from April 4, 2022, and market price on the first section of Tokyo Stock Exchange prior to April 4, 2022.

2. History

Month/Year	History
January 1921	Mitsubishi Electric Corporation was founded succeeding Kobe Shipyard Electric Works of Mitsubishi Shipbuilding & Engineering Co., Ltd. (currently Mitsubishi Heavy Industries, Ltd.) Established Kobe Works (currently Kobe Works, Energy Systems Center) to manufacture transformers, motors, electric fans, etc.
November 1923	Established Nagasaki Factory (currently Nagasaki Works) received outsourcing from Nagasaki Shipyard Electric Works of Mitsubishi Shipbuilding & Engineering Co., Ltd. to manufacture large-scale heavy electrical equipment such as turbine generators and DC generators for ships.
September 1924	Established Nagoya Works to manufacture standard electrical products such as general-purpose induction motors, and electric home appliances.
December 1940	Established Osaka Factory (currently Itami Works, Transmission & Distribution Systems Center), transferred wireless device and precision factory from Kobe Works.
February 1943	Established Fukuyama Factory (currently Fukuyama Works) and Nakatsugawa Factory (currently Nakatsugawa Works).
April 1943	Established Koriyama Factory (currently Communication Networks Center Koriyama Factory).
June 1943	Established Wakayama Factory (currently Air-Conditioning & Refrigeration Systems Works).
February 1944	Established Himeji Factory (currently Himeji Works).
March 1944	Head Office Research and Development Department changed its name to Research and Development Center. (currently Advanced Technology R&D Center, etc.)
May 1949	Listed on Tokyo Stock Exchange.
October 1953	Established Radio Equipment Works (currently Electronics and Communication Systems Center, Communication Networks Center) in response to increasing demand for wireless communication equipment and televisions, etc.
April 1954	Established Shizuoka Factory (currently Shizuoka Works) to manufacture refrigeration equipment for consumers such as refrigerators and air conditioners, etc.
August 1959	Established Kitaitami Factory (currently High Frequency & Optical Device Works) as a semiconductor mass production factory.
October 1960	Established Kamakura Works for the purpose of building a main electronics factory such as wireless/electronic applied equipment and electronic computers in Kanto region.
May 1962	Established a joint venture navigation and simulation systems manufacturing company, Mitsubishi Precision Co., Ltd. with General Precision, Inc.
March 1963	Merged Ryoden Kiki Kabushiki Kaisha and changed its name to Gumma Works.
May 1964	Established Itami Works Sanda Factory (currently Sanda Works) to manufacture small switch control devices.
October 1964	Established Inazawa Works to manufacture elevators. (currently Mitsubishi Electric Building Solutions Corporation Inazawa Building Systems Works)
August 1965	Established Research & Development Department (currently Corporate Research & Development Group).
August 1970	Established Manufacturing Development Laboratory (currently Manufacturing Engineering Center) as a company-wide manufacturing engineering center focusing on hardware.
June 1972	Established Ako Factory (currently Transmission & Distribution Systems Center Ako Factory) to manufacture large-scale transformers.
August 1973	Established Mitsubishi Electric America, Inc. (currently Mitsubishi Electric US, Inc.) in the U.S.
April 1974	Established Power and Industrial Systems Center (currently Kobe Works, etc.).
June 1975	Established Corporate Marketing Group.
June 1977	Introduced business group system and established four business groups as Heavy Machinery Group, Electronic Systems Group, Industrial Products Group, and Consumer Products Group.
September 1977	Established Melco Sales Singapore Pte. Ltd. (currently Mitsubishi Electric Asia Pte. Ltd.) in Singapore.
June 1978	Established Mitsubishi Electric Taiwan Co., Ltd. in Taiwan.
April 1979	Established Marugame Works (currently Power Distribution Systems Center) to manufacture closed type power distribution board and circuit breakers.
June 1981	Established Computer & Information Systems Laboratory (currently Information Technology R&D Center) to improve research and development of information processing, transmission, and optic radio wave equipment.

Month/Year	History
September 1981	Established Kitaitami Works Fukuoka semiconductor Factory (currently Power Device Works).
October 1983	Reorganized six business groups as Energy and Industry Systems Group, Consumer Products Group, Electronic Products & Systems Group, Computer and Systems Group, Electronic Devices Group, and International Operations Group.
June 1989	Established Automotive Equipment Group.
June 1993	Reorganized nine business groups as Power & Industrial Systems Group, Public-Use & Building Systems Group, Electronic Products & Systems Group, Information & Communication Systems Group, Audio-Visual & Information Systems Group, Living Environment Systems Group, Factory Automation Systems Group, Automotive Equipment Group, and Semiconductor Group. Established Corporate Engineering, Manufacturing & Information Systems.
August 1995	Established Mitsubishi Electric Information Technology Center America, Inc. (currently Mitsubishi Electric Research Laboratories, Inc.) as a research center in the U.S.
September 1995	Established Mitsubishi Electric Information Technology Centre Europe B.V. (currently Mitsubishi Electric R&D Centre Europe B.V.) as a research center in Europe.
June 1996	Reorganized sales business structure in Europe, and integrated sales companies in the UK, Germany, France, and other European countries to Mitsubishi Electric Europe B.V.
October 1997	Established Mitsubishi Electric (China) Co., Ltd as an investment holding company to support business strategies in China.
April 1998	Split Information & Communication Systems Group into Communication Systems Group and Information Systems Group.
April 1999	Integrated Power & Industrial Systems Group and Public-Use & Building Systems Group to Public Utility Systems Integrated Group. Established Building Systems Group.
May 1999	Completed and commenced operations of the first recycling plant for the household appliance industry (currently Hyper Cycle Systems Corporation).
February 2000	Established Information Network Service Group.
June 2000	Public Utility Systems Integrated Group changed its name to Public Utility Systems Group. Integrated Audio-Visual & Information Systems Group and Living Environment Systems Group to Living Environment & Digital Media Equipment Group.
October 2000	Founded a joint venture home elevator manufacturing company, Mitsubishi Hitachi Home Elevator Corporation with Hitachi, Ltd.
April 2001	Merged Information Systems Group with Information Network Service Group and changed its name to Information Systems & Network Service Group to accelerate IT-related business.
June 2001	Enactment of Mitsubishi Electric Group's "Changes for the Better" corporate statement.
April 2002	Established Mitsubishi Electric US Holdings, Inc. as a holding company in the U.S.
June 2003	Mitsubishi Electric Corporation became a Company with Three-committee System as a corporate governance reform.
October 2003	Founded a joint venture electrical equipment business company for manufacturing plants, Toshiba Mitsubishi-Electric Industrial Systems Corporation with Toshiba Corporation. Semiconductor Group changed its name to Semiconductor & Device Group.
April 2005	Split Public Utility Systems Group into Public Utility Systems Group and Energy & Industrial Systems Group.
April 2010	SPC Electronics Corporation into a wholly-owned subsidiary.
September 2010	Established Mitsubishi Electric India Private Limited as a comprehensive sales company in India.
June 2011	Established Mitsubishi Electric Vietnam Company Limited as a comprehensive sales company in Vietnam.
September 2012	Established Mitsubishi Electric do Brasil Comercio e Servicos Ltda. as a comprehensive sales company in Brasil.
December 2012	Established PT. Mitsubishi Electric Indonesia as a comprehensive sales company in Indonesia.
January 2013	Established Mitsubishi Electric Turkey A.S. as a comprehensive sales company in Turkey.
October 2014	Established Mitsubishi Electric (Russia) LLC as a comprehensive sales company in Russia.
February 2016	DeLclima S.p.A. (currently Mitsubishi Electric Hydronics & IT Cooling Systems S.p.A.), an Italian company engaged in the commercial air conditioning products business, into a wholly-owned subsidiary.

Month/Year	History
April 2020	Established Business Innovation Group. Dissolved Communication Systems Group and its functions were transferred to Public Utility Systems Group and Corporate Research and Development Group.
January 2021	Revised its corporate philosophy system, comprising its Purpose, Our Values, and Commitment.
April 2021	Established Process & Operation Reengineering Group and Corporate Communication Group. Established Industrial Mechatronics Systems Works, transferred the functions for manufacturing of computerized numerical controllers (CNCs), electrical discharge machines and laser processing machines from Nagoya Works.
October 2021	Established Corporate Quality Assurance Reengineering Group.
April 2022	Established four Business Areas: Infrastructure, Industry & Mobility, Life, and Business Platform. Established Mitsubishi Electric Building Solutions Corporation which succeeded building systems business of the Company.
April 2023	Established Mitsubishi Electric Software Corporation, merged six software design subsidiaries. Revised its Business Area (BA) management structure and established Strategic Planning Offices in each BA, and split Business Platform BA into Business Platform BA and Semiconductor & Device Group. Electronic Systems Group changed its name to Defense & Space Systems Group. Dissolved Corporate Communication Group.

3. Description of Business

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS). The Mitsubishi Electric Group, which is composed of the Company, 209 consolidated subsidiaries and 40 equity method companies, engages in five business segments (Infrastructure, Industry & Mobility, Life, Business Platform, Others) and our products range from all types.

Major business outline for each segment of the Group and the relation of principal affiliated companies for the fiscal year ended March 31, 2023 are described as follows.

In this fiscal year, the classification of reportable segments was changed. Details are described in “V. Financial Information, 1 Consolidated Financial Statements and other, (1) Consolidated Financial Statements, Note 5. Segment information.”

Segment, main products and business lines	Manufacturing	Sales/Installation/Services	Comprehensive Sales Companies
Infrastructure Electrical equipment for locomotives and rolling stock, wireless and wired communications systems, network cameras and their systems, large display devices, turbine generators, hydraulic turbine generators, nuclear power plant equipment, motors, transformers, power electronics equipment, circuit breakers, gas insulated switchgears, switch control devices, surveillance-system control and security systems, transmission and distribution ICT systems, satellite communications equipment, satellites, radar equipment, antennas, missile systems, fire control systems, broadcasting equipment, and others	Mitsubishi Electric Public Utility Equipment Corporation Mitsubishi Electric Control Panel Corporation Mitsubishi Electric Power Products, Inc. Mitsubishi Electric TOKKI Systems Corporation Mitsubishi Precision Co., Ltd. SPC Electronics Corporation Toshiba Mitsubishi-Electric Industrial Systems Corporation Seiryō Electric Co., Ltd. Miyoshi Electronics Corporation MEDCOM Sp. z o.o.	Mitsubishi Electric Plant Engineering Corporation Ryoko Co., Ltd. Hitachi Mitsubishi Hydro Corporation	
Industry and Mobility Programmable logic controllers, inverters, servomotors, human-machine interface, motors, hoists, magnetic switches, no-fuse circuit breakers, short-circuit breakers, transformers for electricity distribution, time and power meters, uninterruptible power supply, industrial fans, computerized numerical controllers, electrical discharge machines, laser processing machines, industrial robots, clutches, automotive electrical equipment, electric vehicle-related equipment, ADAS-related products, car electronics and car mechatronics, car multimedia, and others	DB Seiko Co., Ltd. Mitsubishi Electric Automotive America, Inc. Mitsubishi Electric Thai Auto-Parts Co., Ltd. Mitsubishi Electric Automotive (China) Co., Ltd. Mitsubishi Electric Automotive de Mexico, S.A. de C.V. Mitsubishi Electric Automotive Czech s.r.o. Mitsubishi Electric Automation Manufacturing (Changshu) Co., Ltd. Mitsubishi Electric Dalian Industrial Products Co., Ltd. Shizuki Electric Co., Inc. Shuhlin Electric & Engineering Corporation	Setsuyo Astec Corporation Melco Mobility Solutions Corporation Mitsubishi Electric Mechatronics Engineering Corporation Meldas System Engineering Corporation Mitsubishi Electric Automation Korea Co., Ltd. SETSUYO ENTERPRISE CO., LTD. Mitsubishi Electric Automation, Inc. Mitsubishi Electric Automation (China) Ltd.	Mitsubishi Electric Industrial Solutions Corporation and other regional comprehensive sales companies (8 companies) Mitsubishi Electric Europe B.V. Mitsubishi Electric US, Inc. Mitsubishi Electric & Electronics (Shanghai) Co., Ltd. Mitsubishi Electric (H.K.) Ltd. Mitsubishi Electric Taiwan Co., Ltd. Mitsubishi Electric Asia Pte. Ltd. Mitsubishi Electric Europe B.V.
Life Elevators, escalators, building security systems, building management systems, room air conditioners, package air conditioners, chillers, showcases, compressors, refrigeration units, air-to-water heat pump boilers, ventilators, hot water supply systems, IH cooking heaters, LED bulbs, indoor lighting, LCD televisions, refrigerators, electric fans, dehumidifiers, air purifiers, vacuum cleaners, jar rice cookers, microwave	Mitsubishi Electric Lighting Corporation Mitsubishi Electric Shanghai Electric Elevator Co., Ltd. Mitsubishi Electric Consumer Products (Thailand) Co., Ltd. Shanghai Mitsubishi Electric & Shangling Air-Conditioner and Electric Appliance Co., Ltd. Mitsubishi Electric (Guangzhou) Compressor Co., Ltd. Mitsubishi Electric Hydronics & IT Cooling Systems S.p.A. Siam Compressor Industry Co., Ltd. Mitsubishi Electric Air Conditioning Systems Europe Ltd. Shanghai Mitsubishi Elevator Co., Ltd. Kang Yong Electric Public Co., Ltd.	Mitsubishi Electric Building Solutions Corporation Ryoden Elevator Construction, Ltd. Mitsubishi Space Software Co., Ltd. Mitsubishi Electric Living Environment Systems Corporation Mitsubishi Electric Life Network Co., Ltd. Mitsubishi Electric Air Conditioning & Refrigeration Equipment Sales Co., Ltd. Mitsubishi Electric Air Conditioning & Refrigeration Systems Co., Ltd. Mitsubishi Elevator Hong Kong Co., Ltd. Mitsubishi Electric Kang Yong Watana Co., Ltd. Mitsubishi Electric Air-Conditioning & Visual Information Systems (Shanghai) Ltd. AG MELCO Elevator Co., L.L.C.	Mitsubishi Electric Taiwan Co., Ltd. Mitsubishi Electric Europe B.V. Ryoden Corporation KANADEN CORPORATION MANSEI CORPORATION
Business Platform Network security systems, information systems equipment, systems integration, power modules, high-frequency devices, optical devices, LCD devices, and others	Melco Power Device Corporation Vincotech Holdings S.r.l.	Mitsubishi Electric Information Network Corporation Mitsubishi Electric Information Systems Corporation Mitsubishi Electric IT Solutions Corporation Melco Semiconductor Engineering Corporation Itec Hankyu Hanshin Co., Ltd.	
Others Procurement, logistics, real estate, advertising, finance, and other services		Mitsubishi Electric Trading Corporation Mitsubishi Electric Engineering Co., Ltd. Mitsubishi Electric Logistics Corporation Mitsubishi Electric System & Service Co., Ltd. Mitsubishi Electric Life Service Corporation Mitsubishi Electric Software Corporation The Kodensha Co., Ltd. Melco Trading (Thailand) Co., Ltd. Mitsubishi Electric Financial Solutions Corporation KITA KOUDENSHA Corporation	

- Notes: 1. Comprehensive sales companies include several companies that are responsible for selling products from a number of businesses, and therefore these are placed into their own separate category rather than grouped by business segment.
2. Consolidated subsidiaries are shaded in , while equity method companies are shaded in
3. Meldas System Engineering Corporation has changed its company name to Mitsubishi Electric Mechatronics Technologies Corporation as of April 1, 2023.
4. Ryoden Corporation has changed its company name to RYODEN CORPORATION as of April 1, 2023.

4. Subsidiaries and Affiliated Companies

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
(Consolidated subsidiaries) Mitsubishi Electric Information Systems Corporation	Minato-ku, Tokyo	Millions of yen 2,600	Planning, design, development, and sales of information systems, and provision of various solutions and related services	100.0	Yes	The Company outsources software development work. It has lease transactions of buildings with the Company.
Mitsubishi Electric Information Network Corporation	Minato-ku, Tokyo	1,250	Development, manufacturing, sales, and maintenance of IT platforms, network integration, data center services, planning, construction, and operation of information systems, and provision of outsourcing services for information systems	100.0	Yes	The Company outsources information processing work, and uses its communication network. It provides maintenance services for the Company's information system products. It has lease transactions of buildings with the Company.
Mitsubishi Electric IT Solutions Corporation	Nakano-ku, Tokyo	1,000	Planning, design, development, manufacturing, and sales of information systems, mainly package systems, and provision of solutions	100.0	Yes	The Company purchases some of its products.
Mitsubishi Electric Building Solutions Corporation	Chiyoda-ku, Tokyo	5,000	Development, manufacturing, sales, maintenance, and repairs of elevator equipment, maintenance and repairs of refrigerating and air conditioning equipment, etc., and total building management and operation	100.0	Yes	It is engaged in sales, installation, and maintenance of the Company's refrigerating and air conditioning equipment.
Mitsubishi Electric Engineering Co., Ltd.	Chiyoda-ku, Tokyo	1,000	Development, design, manufacturing, sales, construction, installation and preparation of various documents of electric and electronic equipment	100.0	Yes	The Company outsources design work, and purchases some of its products.
Mitsubishi Electric Software Corporation	Minato-ku, Tokyo	1,000	Research, development, design, manufacturing, and sales of systems, software, and other peripheral equipment, etc.	100.0	Yes	The Company outsources software development and design work.
Mitsubishi Electric System & Service Co., Ltd.	Setagaya-ku, Tokyo	600	Repairs, sales, installation, and maintenance of home appliances, housing-related equipment, electronic equipment, and factory automation control equipment products	100.0	Yes	It provides repairs, sales, installation, and maintenance for the Company's home appliances, housing-related equipment, electronic equipment, and factory automation control equipment products. It has lease transactions of land and buildings with the Company.
Mitsubishi Electric Plant Engineering Corporation	Taito-ku, Tokyo	350	Maintenance services and engineering for energy and electric plants and equipment	100.0	Yes	It provides maintenance for the Company's energy and electric plants and equipment.

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
Mitsubishi Electric Mechatronics Engineering Corporation	Higashi-ku, Nagoya-shi	Millions of yen 300	Installation, adjustment, repairs, and maintenance of electric products for machine tools, electrical machining equipment, laser processing machines, other peripheral equipment, and systems	100.0	Yes	It is engaged in installation and maintenance of the Company's electric products for machine tools. It has lease transactions of buildings with the Company.
Melco Semiconductor Engineering Corporation	Nishi-ku, Fukuoka-shi	30	Design and development of semiconductors and technological development of process testing	100.0	Yes	The Company outsources design and development work. It has lease transactions of buildings with the Company.
Mitsubishi Electric Lighting Corporation	Kamakura-shi, Kanagawa	3,785	Manufacturing and sales of lighting equipment for various facilities, household lighting equipment, lamps, and other lighting-related equipment	100.0	Yes	It manufactures and sells lighting equipment and lamps under the Company's brand. The Company purchases some of its products.
Mitsubishi Precision Co., Ltd.	Minato-ku, Tokyo	3,167	Manufacturing and sales of simulator products, precision electronic equipment, electronic application equipment, etc.	74.8	Yes	The Company purchases some of its products
Mitsubishi Electric TOKKI Systems Corporation	Shinagawa-ku, Tokyo	600	Manufacturing, sales, and repairs of radar application equipment, electronic application equipment, and optical equipment	100.0	Yes	The Company purchases some of its products.
SPC Electronics Corporation	Chofu-shi, Tokyo	600	Manufacturing and sales of various microwave and millimeter wave equipment, high frequency application equipment, etc.	100.0	Yes	The Company purchases some of its products.
Mitsubishi Electric Control Panel Corporation	Hyogo-ku, Kobe-shi	390	Development, manufacturing, sales, and maintenance of power distribution and surveillance control systems for power generation and social infrastructure, control panels, switchboards, electronic equipment products, and printed circuit boards and components	100.0	Yes	The Company purchases some of its products. It has lease transactions of land and buildings with the Company.
Mitsubishi Electric Public Utility Equipment Corporation	Tamba-shi, Hyogo	300	Manufacturing and sales of electrical equipment for locomotives and rolling stock, and equipment for power generation and distribution	95.0	Yes	The Company purchases some of its products.
DB Seiko Co., Ltd.	Himeji-shi, Hyogo	96	Manufacturing and sales of automotive equipment, industrial electronic equipment, etc.	78.7	Yes	The Company purchases some of its products.
Melco Power Device Corporation	Tamba-shi, Hyogo	30	Manufacturing of power devices	67.0	Yes	The Company outsources manufacturing. It has lease transactions of land and buildings with the Company.

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
Melco Mobility Solutions Corporation	Fukushima-ku, Osaka-shi	Millions of yen 500	Sales and maintenance of automotive equipment, information and communications equipment, and environmental equipment	100.0	Yes	It sells the Company's automotive equipment, etc.
Mitsubishi Electric Air Conditioning & Refrigeration Equipment Sales Co., Ltd.	Chiyoda-ku, Tokyo	350	Sales and installation of air-conditioning and refrigeration equipment	100.0	Yes	It is engaged in sales and installation of the Company's air-conditioning and refrigeration equipment.
Setsuyo Astec Corporation	Kita-ku, Osaka-shi	90	Sales of factory automation control equipment, power distribution control equipment, semiconductor products, etc.	100.0	Yes	It sells the Company's products.
Ryoko Co., Ltd.	Chiyoda-ku, Tokyo	20	Sales of electrical equipment for locomotives and rolling stock	100.0	Yes	It sells the Company's electrical equipment for transport vehicle.
Mitsubishi Electric Industrial Solutions Corporation and other regional comprehensive sales companies (8 companies)	Naka-ku, Yokohama-shi, etc.	20 - 300	Sales of electric equipment, and undertaking of related construction	100.0	Yes	They sell the Company's products.
Mitsubishi Electric Life Service Corporation	Minato-ku, Tokyo	3,000	Buying and selling, leasing and brokerage of real estate, as well as management and operation of welfare facilities	100.0	Yes	The Company outsources management and operation of its welfare facilities, etc. It has lease transactions of land and buildings with the Company.
Mitsubishi Electric Logistics Corporation	Shibuya-ku, Tokyo	1,735	Freight transport and warehousing	[1.3] 99.2	Yes	The Company outsources transport, storage, and cargo handling operations. It has lease transactions of land and buildings with the Company.
The Kodensha Co., Ltd.	Chuo-ku, Tokyo	1,520	Undertaking of electrical construction involving indoor wiring, power stations and substations, power cables, communications, etc., as well as sales of electric equipment, etc.	51.2	Yes	It undertakes electrical installation work using equipment and products supplied by the Company.
Mitsubishi Electric Trading Corporation	Chiyoda-ku, Tokyo	1,000	Domestic and overseas procurement and sales of materials, export of components and equipment for overseas plants, and undertaking outsourced work related to overseas business	[4.2] 100.0	Yes	The Company outsources procurement and physical management of materials. It has lease transactions of offices with the Company.

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
Mitsubishi Electric Air Conditioning & Refrigeration Systems Co., Ltd.	Shinagawa-ku, Tokyo	Millions of yen 400	Installation and maintenance of refrigeration and cold storage equipment, and air-conditioning equipment, as well as installation work of air-conditioning and refrigeration plants	[37.5] 100.0	Yes	It is engaged in installation and maintenance of the Company's refrigeration and cold storage equipment, and air-conditioning equipment.
Ryoden Elevator Construction, Ltd.	Shinjuku-ku, Tokyo	200	Sales and installation of elevators, and manufacturing, sales, and installation of freight elevators for parcels	[100.0] 100.0	Yes	None
Meldas System Engineering Corporation	Higashi-ku, Nagoya-shi	100	Sales of NC units, electrical discharge and laser processing machines, robotic systems, etc.	100.0	Yes	It sells the Company's equipment for industrial use.
Mitsubishi Electric Life Network Corporation	Saiwai-ku, Kawasaki-shi	2,800	Sales of home appliances, electric materials, housing-related equipment, air-conditioning and refrigeration equipment, etc.	100.0	Yes	It sells the Company's home appliances, electric materials, housing-related equipment, air-conditioning and refrigeration equipment, etc.
Mitsubishi Electric Living Environment Systems Corporation	Taito-ku, Tokyo	2,627	Sales of home appliances, electric materials, housing-related equipment, air-conditioning and refrigeration equipment, etc.	[27.0] 100.0	Yes	It sells the Company's home appliances, electric materials, housing-related equipment, air-conditioning and refrigeration equipment, etc.
Mitsubishi Electric US Holdings, Inc.	U.S. (Cypress)	Thousands of USD 391,890	Holding company in the U.S.	100.0	Yes	It is a holding company of the Company's main U.S. operating companies.
Mitsubishi Electric US, Inc.	U.S. (Cypress)	31,623	Sales, installation, and maintenance of elevators, sales of air-conditioning and refrigeration equipment, electronic components, visual information equipment, etc., procurement of materials, and supervision of the Americas region	[100.0] 100.0	Yes	It sells the Company's products.
Mitsubishi Electric Automotive America, Inc.	U.S. (Mason)	28,000	Manufacturing and sales of automotive equipment	[100.0] 100.0	Yes	It is engaged in manufacturing of equipment using components supplied by the Company, as well as import and sales of finished products.
Mitsubishi Electric Power Products, Inc.	U.S. (Warrendale)	25,850	Manufacturing, sales, and engineering of power transmission and transformation equipment, and electrical equipment for transport vehicles, etc.	[100.0] 100.0	Yes	It is engaged in manufacturing of equipment using components, etc. supplied by the Company, as well as import and sales of finished products.
Mitsubishi Electric Automation, Inc.	U.S. (Vernon Hills)	8,000	Sales and services of factory automation control equipment products, etc.	[100.0] 100.0	Yes	It sells the Company's products.

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
Mitsubishi Electric Automotive de Mexico, S.A. de C.V.	Mexico (Querétaro)	Thousands of MXN 938,038	Manufacturing and sales of automotive equipment	[2.7] 100.0	Yes	It is engaged in manufacturing and sales under license from the Company.
Mitsubishi Electric Europe B.V.	The Netherlands (Amsterdam)	Thousands of EUR 100,597	Sales, installation, and maintenance of elevators, sales of energy and electric equipment, electronic equipment, electronic components, home appliances, air-conditioning and refrigeration equipment, industrial equipment, automotive electrical equipment, etc., and supervision of the Europe region	100.0	Yes	It sells the Company's products.
Mitsubishi Electric Hydronics & IT Cooling Systems S.p.A.	Italy (Veneto)	10,000	Design, manufacturing, and sales of air-conditioning equipment, etc. for business use	100.0	Yes	It sells air-conditioning equipment, etc. for business use to the Group.
Vincotech Holdings S.à r.l.	Luxembourg	36	Holding company of the Vincotech Group, which is engaged in development, manufacturing, and sales of industrial power devices	100.0	Yes	It is a holding company of operating companies handling power devices in Europe, etc.
Mitsubishi Electric Air Conditioning Systems Europe Ltd.	U.K. (Livingston)	Thousands of GBP 14,900	Manufacturing and sales of air-conditioning equipment for business use	[10.0] 100.0	Yes	It is engaged in manufacturing and sales under license from the Company.
Mitsubishi Electric Automotive Czech s.r.o.	Czech (Slany)	Thousands of CZK 350,000	Manufacturing and sales of automotive equipment	[10.0] 100.0	Yes	It is engaged in manufacturing and sales under license from the Company.
Mitsubishi Electric Air Conditioning Systems Manufacturing Turkey Joint Stock Company	Turkey (Manisa)	Thousands of TRY 1,135,100	Manufacturing and sales of air-conditioning equipment	100.0	Yes	It is engaged in manufacturing and sales under license from the Company.
Mitsubishi Electric India Private Limited	India (Grugram)	Thousands of INR 5,500,000	Sales of home appliances, industrial equipment, air conditioning and refrigeration equipment, electronic components, etc.	100.0	Yes	It sells the Company's products.
Mitsubishi Electric Asia Pte. Ltd.	Singapore	Thousands of SGD 127,587	Sales of home appliances, industrial equipment, air-conditioning and refrigeration equipment, electronic components, etc., and supervision of the Asia region	100.0	Yes	It sells the Company's products.
Siam Compressor Industry Co., Ltd.	Thailand (Chonburi)	Thousands of THB 1,603,800	Manufacturing and sales of air-conditioning compressors	[25.0] 98.0	Yes	It is engaged in manufacturing and sales under license from the Company.

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
Mitsubishi Electric Consumer Products (Thailand) Co., Ltd.	Thailand (Chonburi)	Thousands of THB 1,200,000	Manufacturing and sales of air-conditioning equipment	[25.0] 90.0	Yes	It is engaged in manufacturing and sales under license from the Company.
Mitsubishi Electric Thai Auto-Parts Co., Ltd.	Thailand (Rayong)	400,000	Manufacturing and sales of automotive equipment	100.0	Yes	It is engaged in manufacturing and sales under license from the Company.
Mitsubishi Electric Kang Yong Watana Co., Ltd.	Thailand (Bangkok)	95,100	Sales and after-sale services of home appliances, and sales of standard electrical equipment	50.1	Yes	It sells the Company's products.
Melco Trading (Thailand) Co., Ltd	Thailand (Bangkok)	10,000	Procurement and sales of electric and electronic materials, and trading related to parts and equipment	[100.0] 100.0	Yes	Procurement, sales, and trading for the Group's overseas factories.
Mitsubishi Electric (H.K.) Ltd.	China (Hong Kong)	Thousands of HKD 490,862	Sales and engineering of energy and electric equipment, electronic components, etc., sales of air-conditioning and refrigeration equipment and home appliances, procurement of materials, and supervision of the Hong Kong region	100.0	Yes	It sells the Company's products.
Mitsubishi Elevator Hong Kong Co., Ltd.	China (Hong Kong)	35,000	Sales, installation, and maintenance of elevators	[75.0] 75.0	Yes	None
Mitsubishi Electric (Guangzhou) Compressor Co., Ltd.	China (Guangzhou)	Thousands of USD 122,220	Manufacturing and sales of air-conditioning compressors	[13.7] 100.0	Yes	It is engaged in manufacturing and sales under license from the Company.
Mitsubishi Electric (China) Co., Ltd.	China (Beijing)	86,734	Supervision of the China region	100.0	Yes	It is the Group's regional supervising company in China.
Mitsubishi Electric Automotive (China) Co., Ltd.	China (Changshu)	103,000	Manufacturing and sales of automotive equipment	[10.0] 100.0	Yes	It is engaged in manufacturing and sales under license from the Company.
Shanghai Mitsubishi Electric & Shangling Air-Conditioner and Electric Appliance Co., Ltd.	China (Shanghai)	58,000	Manufacturing and sales of air-conditioning equipment	[11.2] 52.4	Yes	It is engaged in manufacturing and sales under license from the Company.
Mitsubishi Electric Shanghai Electric Elevator Co., Ltd.	China (Shanghai)	53,000	Manufacturing, sales, and maintenance of elevators	[20.0] 60.0	Yes	None

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
Mitsubishi Electric Automation Manufacturing (Changshu) Co., Ltd.	China (Changshu)	Thousands of USD 43,400	Manufacturing of factory automation control equipment	[10.0] 100.0	Yes	It is engaged in manufacturing of equipment using components supplied by the Company, as well as sales of finished products.
Mitsubishi Electric Air-Conditioning & Visual Information Systems (Shanghai) Ltd.	China (Shanghai)	24,878	Sales of air-conditioning equipment and visual information equipment	[100.0] 100.0	Yes	It sells the Company's products.
Mitsubishi Electric Automation (China) Ltd.	China (Shanghai)	19,487	Sales and services of factory automation control equipment, power distribution control equipment, electrical discharge and laser processing machines, etc.	[100.0] 100.0	Yes	It sells the Company's products.
Mitsubishi Electric & Electronics (Shanghai) Co., Ltd.	China (Shanghai)	7,000	Sales and engineering of electronic components, etc., as well as procurement of materials	[100.0] 100.0	Yes	It sells the Company's products.
Mitsubishi Electric Dalian Industrial Products Co., Ltd.	China (Dalian)	Millions of yen 3,000	Manufacturing of factory automation control equipment, power distribution control equipment, electrical discharge and laser processing machines, etc.	[10.0] 100.0	Yes	It is engaged in manufacturing of equipment using components supplied by the Company, as well as sales of finished products.
Mitsubishi Electric Taiwan Co., Ltd.	Taiwan (Taipei)	Thousands of TWD 1,274,710	Sales of energy and electric equipment, industrial equipment, air-conditioning and refrigeration equipment, home appliances, electronic equipment, electronic components, etc., procurement of materials, and supervision of the Taiwan region	100.0	Yes	It sells the Company's products.
SETSUYO ENTERPRISE CO., LTD.	Taiwan (New Taipei)	5,100	Sales of and services for factory automation control equipment, power distribution control equipment, etc.	[100.0] 100.0	Yes	It sells the Company's products.
Mitsubishi Electric Automation Korea Co., Ltd.	Korea (Seoul)	Thousands of KRW 2,000,000	Sales of and services for factory automation control equipment, power distribution control equipment, electrical discharge and laser processing machines, etc.	[49.0] 100.0	Yes	It sells the Company's products.
136 other companies						

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
(Associated and joint ventures) Toshiba Mitsubishi-Electric Industrial Systems Corporation	Chuo-ku, Tokyo	Millions of yen 15,000	Sales, engineering, construction, and services for electrical equipment in manufacturing plants, as well as development and manufacturing of primary equipment	50.0	Yes	The Company purchases some of its products. It sells the Company's products.
Ryoden Corporation	Toshima-ku, Tokyo	10,334	Sales of electric equipment, electronic components, information equipment, other general machinery and equipment, and various materials, and undertaking of related construction, etc.	35.6	Yes	It sells the Company's products.
KANADEN CORPORATION	Chuo-ku, Tokyo	5,576	Sales of electric equipment, electronic components, information, mechatronic equipment, and various materials, and undertaking of related construction	20.2	Yes	It sells the Company's products.
Shizuki Electric Co., Inc.	Nishinomiya-shi, Hyogo	5,001	Manufacturing and sales of capacitors for electronic equipment, equipment products, power, and automotive, power systems, and information equipment	21.2	Yes	The Company purchases some of its products.
Hitachi Mitsubishi Hydro Corporation	Minato-ku, Tokyo	2,000	Sales, engineering, installation, construction, and maintenance of hydroelectric system, development, design, and manufacturing of primary equipment	30.0	Yes	It sells the Company's products.
Mitsubishi Electric Financial Solutions Corporation	Shinagawa-ku, Tokyo	1,010	Leasing of electrical machinery and equipment, automobiles, etc., and installment sales, loan partnership sales, installment purchase arrangements, factoring	45.0	Yes	Leasing and installment sales of the Company's products. It leases office equipment and others to the Company
MANSEI CORPORATION	Fukushima-ku, Osaka-shi	1,005	Sales of electric equipment, electronic devices, information and communication equipment, facility equipment, industrial machinery, etc.	[0.1] 22.0	Yes	It sells the Company's products.
KITA KOUDENSHA Corporation	Chuo-ku, Sapporo-shi	840	Undertaking of electrical construction involving indoor wiring, power stations and substations, power cables, communications, etc., as well as sales of electric equipment, etc.	[1.1] 28.8	Yes	The Company supplies equipment and products to it.
Seiry Electric Co., Ltd.	Itami-shi, Hyogo	523	Sales, manufacturing, maintenance, and operation of information and communication equipment, and systems	23.2	Yes	It sells the Company's products.

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
Miyoshi Electronics Corporation	Kawanishi-shi, Hyogo	Millions of yen 400	Manufacturing and sales of electronic application equipment, semiconductors, and information and communication equipment	42.8	Yes	The Company outsources manufacturing. The Company purchases some of its products.
Itec Hankyu Hanshin Co., Ltd.	Fukushima-ku, Osaka-shi	200	Sales of electronic equipment, development of systems for railway, building management and medical service, outsourcing of various system development, provision of various solutions and technical services	30.0	Yes	The Company purchases some of its products. It sells the Company's products.
MEDOCOM Sp. Z o.o.	Poland (Warsaw)	Thousands of PLN 1,100	Manufacturing, sales and maintenance of auxiliary power for transport vehicle and propulsion control device, etc.	49.2	Yes	It is engaged in manufacturing, sales, and maintenance using components supplied by the Company.
AG MELCO Elevator Co. L.L.C.	UAE (Dubai)	Thousands of AED 10,000	Sales, installation, and maintenance of elevators	[5.0] 39.0	Yes	None
Kang Yong Electric Public Co., Ltd.	Thailand (Samut-prakan)	Thousands of THB 198,000	Manufacturing and sales of refrigerators, electric fans, ventilators, and electric pumps	[0.0] 45.7	Yes	It is engaged in manufacturing and sales under license from the Company. The Company purchases some of its products.
Shanghai Mitsubishi Elevator Co., Ltd.	China (Shanghai)	Thousands of USD 155,000	Manufacturing, sales, installation, and maintenance of elevators	[8.0] 40.0	Yes	None
Shihlin Electric & Engineering Corporation	Taiwan (Taipei)	Thousands of TWD 5,209,722	Manufacturing and sales of electrical equipment, energy and electric equipment, and factory automation equipment	21.2	Yes	It receives license as well as supplies of products and components from the Company.
24 other companies						

- Notes: 1. "Interlocking Directorship, etc." under "Description of Relationship, etc.," includes secondees and transferees currently serving as executives, in addition to the executives and employees of the Company concurrently serving as executives.
2. Numbers in brackets ("[]") in the column "Ratio of Voting Rights Held" refer to the ratio of indirect voting rights held (inclusive).
3. Of the companies listed above, Mitsubishi Electric US Holdings, Inc. and Mitsubishi Electric Air Conditioning Systems Manufacturing Turkey Joint Stock Company are classified as specified subsidiaries.
4. Of the companies listed above, The Kodensha Co., Ltd., Ryoden Corporation, KANADEN CORPORATION, Shizuki Electric Co., Inc., MANSEI CORPORATION, KITA KOUDENSHA Corporation and Seiryō Electric Co., Ltd. submit either an annual securities report or securities registration statement.
5. Of the companies listed above, the revenue (excluding inter-company revenues among consolidated subsidiaries) of Mitsubishi Electric Europe B.V. exceeded 10% of consolidated revenue. Its key financial information for fiscal 2023 are: revenue, 565,581 million yen; profit before income taxes, 27,202 million yen; and net profit, 20,647 million yen; and as of March 31, 2023 are: total equity, 87,682 million yen; and total assets, 369,471 million yen. The respective amounts of Mitsubishi Electric Europe B.V. is consolidated amounts of its company and two subsidiaries.
6. For the effective use of funds of the Mitsubishi Electric Group, the Group financing system is in place to best utilize funds available within the Group. Under the system, the Company borrows funds from Mitsubishi Electric Building Solutions Corporation and other companies, which together with the Company's own funds are loaned to other companies including Mitsubishi Electric Life Service Corporation.
7. Meldas System Engineering Corporation has changed its company name to Mitsubishi Electric Mechatronics Technologies Corporation as of April 1, 2023.
8. Ryoden Corporation has changed its company name to RYODEN CORPORATION as of April 1, 2023.

5. Employees

(1) Consolidated basis

As of March 31,2023

Business Segment	Number of employees (persons)
Infrastructure	21,840
Industry & Mobility	31,897
Life	61,833
Business Platform	11,557
Others	16,575
Common	5,953
Total	149,655

Note: The number of employees refers solely to full-time employees of the Company and its consolidated subsidiaries.

(2) The Company

As of March 31,2023

Number of employees (persons)	Average age	Average length of service (years)	Average annual salary (yen)
35,136 [6,505]	41.3	16.9	8,273,671

Business Segment	Number of employees
Infrastructure	11,537
Industry & Mobility	11,010
Life	5,289
Business Platform	2,562
Common	4,738
Total	35,136

Notes: 1. The number of employees refers solely to full-time employees of the Company. The number of brackets is average per year of the number of temporary employees, etc.

2. Average annual salary includes bonuses and extra wages.

(3) Relationship with labor union

Mitsubishi Electric Group organizes labor unions by company. The Company's labor union is called Mitsubishi Electric Union. The relationship between management and labor union has been stable since the labor union was formed.

(4) Percentage of women in management, Percentage of men on childcare leave, and Differences in wages between male and female employees

1) The Company

Fiscal year ended March 31, 2023					Supplementary explanation
Percentage of women in management (%) (Note 1)	Percentage* of men on childcare leave (%) (Note 2)	Difference in wages between male and female employees (%) (Note 1)			
		All workers	Regular employees (Note 3)	Part-time and fixed term employees	
2.6 (Note 4)	76.1 (Note 5)	61.5	63.6 (Note 6)	63.2 (Note 7)	*Percentage of employees taking childcare leave, etc. and leave for childcare purposes

Notes 1 Calculated in accordance with the provisions of the “Act on Promotion of Women’s Participation and Advancement in the Workplace” (Act No. 64 of 2015). Wage differences between male and female employees are calculated based on total annual wages excluding retirement benefits and commuting subsidies.

2 Based on the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991), the percentage of employees who took childcare leave, etc. and leave for childcare purposes is calculated based on Article 71-4-2 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991).

3 Regular employees include both regular employees and full-time, non-regular employees hired for an indefinite period.

4 In recent years, the percentage of female employees in management has steadily increased compared to previous years as a result of the formulation and implementation of measures to systematically provide work experience and training opportunities to foster female employees from a young age and to actively provide internal information on various support systems for balancing work and family life.

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Percentage of women in management	1.8%	2.0%	1.9%	2.3%	2.6%

5 The percentage of male employees on childcare leave surpassed the target of “70% or more by the fiscal year ending March 31, 2026” established in the action plan based on the provisions of the “Act on Promotion of Women’s Participation and Advancement in the Workplace” (Act No. 64 of 2015).

6 With regard to wage differences between male and female regular employees, regular employees include “auxiliary employees,” who receive a lower level of remuneration. In particular, about half of regular female employees are “auxiliary employees,” which in turn drives down average wages.

7 With regard to wage differences between male and female part-time and fixed-term employees, non-regular employees mainly include “auxiliary employees” hired under fixed-term employment contracts, but also include approximately 20% of regular employees who are rehired after retirement. Approximately 95% of these rehired employees are male, and their remuneration is higher than that of “auxiliary employees,” resulting in a gender-based wage gap caused by such differences in the composition of the workforce and other factors.

2) Consolidated subsidiaries

Domestic consolidated subsidiaries with over 1,001 permanent employees (Note 1)

Fiscal year ended March 31,2023						Supplementary explanation
Company Name	Percentage of women in management (%) (Note 2)	Percentage* of men on childcare leave (%)	Difference in wages between male and female employees (%) (Note 2,6)			
			All employees	Regular employees (Note 5)	Part-time and fixed term employees	
Mitsubishi Electric Plant Engineering Corporation	0.7	92.5	61.3	67.2	66.0	*Percentage of employees taking childcare leave, etc. and leave for childcare purposes (Note 3)
Mitsubishi Electric TOKKI Systems Corporation	0.0	72.7	70.0	70.1	67.8	*Percentage of employees taking childcare leave, etc. (Note 4)
DB Seiko Co., Ltd.	0.0	66.7	70.6	71.0	84.7	*Percentage of employees taking childcare leave, etc. and leave for childcare purposes (Note 3)
Mitsubishi Electric Building Solutions Corporation	0.7	58.0	56.8	55.6	59.2	*Percentage of employees taking childcare leave, etc. and leave for childcare purposes (Note 3)
Mitsubishi Electric Living Environment Systems Corporation	1.3	9.7	61.7	61.2	78.0	*Percentage of employees taking childcare leave, etc. and leave for childcare purposes (Note 3)
Mitsubishi Electric Information Network Corporation	3.6	117.9**	71.9	71.0	90.1	*Percentage of employees taking childcare leave, etc. and leave for childcare purposes (Note 3) **In many cases, the birth of a child and the taking of leave for childcare or leave for childcare purposes straddled fiscal years.
Mitsubishi Electric Information Systems Corporation	4.0	43.3	79.2	78.7	73.5	*Percentage of employees taking childcare leave, etc. (Note 4)
Melco Power Device Corporation	0.0	11.1	71.1	72.2	80.1	*Percentage of employees taking childcare leave, etc. (Note 4)
Mitsubishi Electric Engineering Co., Ltd.	3.6	60.9	63.0	65.8	48.5	*Percentage of employees taking childcare leave, etc. and leave for childcare purposes (Note 3)
Mitsubishi Electric Software Corporation	3.2	26.7	76.9	77.7	69.8	*Percentage of employees taking childcare leave, etc. (Note 4)

Fiscal year ended March 31,2023						Supplementary explanation
Company Name	Percentage of women in management (%) (Note 2)	Percentage* of men on childcare leave (%)	Difference in wages between male and female employees (%) (Note 2,6)			
			All employees	Regular employees (Note 5)	Part-time and fixed term employees	
Mitsubishi Electric Life Service Corporation	0.8	52.2	59.7	66.7	67.1	*Percentage of employees taking childcare leave, etc. and leave for childcare purposes (Note 3)
Mitsubishi Electric System & Service Co., Ltd.	1.3	59.4	51.8	53.8	70.7	*Percentage of employees taking childcare leave, etc. and leave for childcare purposes (Note 3)
Mitsubishi Electric Logistics Corporation	2.0	66.7	55.9	59.3	61.1	*Percentage of employees taking childcare leave, etc. and leave for childcare purposes (Note 3)
Diamond Personnel Co., Ltd.	0.0	50.0	76.6	74.1	73.9	*Percentage of employees taking childcare leave, etc. (Note 4)

Notes 1 Employees who are employed on a permanent basis, regardless of the type of employment contract, refer to the employees who fall under any of the following categories.

- (1) Those employed for an indefinite period of time
 - (2) Those who have been continuously employed for the past year or more, or those who are expected to be continuously employed for one year or more from the time of hiring.
- 2 Calculated in accordance with the provisions of the “Act on Promotion of Women's Participation and Advancement in the Workplace” (Act No. 64 of 2015). Wage differences between male and female employees are calculated based on total annual wages excluding retirement benefits and commuting subsidies.
 - 3 Based on the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991), the percentage of employees who took childcare leave, etc. and leave for childcare purposes is calculated based on Article 71-4-2 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991).
 - 4 Based on the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991), the percentage of employees who took childcare leave, etc. is calculated based on Article 71-4-1 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991).
 - 5 Regular employees include both regular employees and full-time, non-regular employees hired for an indefinite period.
 - 6 Although there is a difference in degree among companies, the background of the wage difference between male and female is generally similar to the situation of the Company.

Domestic consolidated subsidiaries with 301 to 1,000 permanent employees

Fiscal year ended March 31,2023						
Company Name	Percentage of women in management (%) (Note 1)	Percentage* of men on childcare leave (%) (Note 2)	Difference in wages between male and female employees (%) (Note 1,4)			Supplementary explanation
			All employees	Regular employees (Note 3)	Part-time and fixed term employees	
Mitsubishi Electric Public Utility Equipment Corporation	0.0	-	69.8	72.1	90.0	
Nagasaki Ryoden Technica Co., Ltd.	0.0	-	63.8	64.3	77.7	
Mitsubishi Electric Control Panel Corporation	2.3	-	69.5	73.7	45.9	
Ryoshin Technica Corporation	0.0	-	77.9	76.0	91.0	
Marugame Ryoden Technica Corporation	0.0	-	68.3	79.2	68.1	
Mitsubishi Precision Co., Ltd.	2.8	-	71.9	77.3	76.3	
Ryoei Technica Corporation	2.1	-	77.1	75.9	89.3	
Ryoden Shonan Electronics Corp.	0.0	-	75.5	83.0	92.0	
Meiryō Technica Corporation	0.0	21.1	57.9	62.5	50.9	*Percentage of employees taking childcare leave, etc.
Mitsubishi Electric Mechatronics Engineering Corporation	1.1	-	56.7	64.8	72.3	
Mitsubishi Electric FA Industrial Products Corporation	0.0	-	65.4	66.6	73.7	
Sanryo Technica Co., Ltd.	7.7	-	60.9	65.7	89.7	
Koshin Electric Corporation	0.0	-	65.5	66.3	74.5	
Himeryō Technica Co., Ltd.	0.0	30.0	73.5	74.2	66.6	*Percentage of employees taking childcare leave, etc.
Melco Mobility Solutions Corporation	4.8	-	64.4	69.7	47.3	
Ryoden Elevator Construction, Ltd.	0.0	13.3	67.4	68.0	52.7	*Percentage of employees taking childcare leave, etc.
Ryo-sa BUILWARE Corporation	0.0	75.0	74.6	76.2	63.2	*Percentage of employees taking childcare leave, etc.
Meltec Business Co., Ltd.	9.4	-	74.4	74.0	78.6	
Inaryō Technica Co., Ltd	0.0	50.0	52.6	52.1	30.2	*Percentage of employees taking childcare leave, etc.
Toko Building Systems Corporation	0.0	-	72.8	69.8	101.9	
Mitsubishi Electric Lighting Corporation	3.5	-	56.5	57.8	72.5	
Mitsubishi Electric Home Appliance Co., Ltd.	0.0	100.0	51.0	52.2	62.4	*Percentage of employees taking childcare leave, etc.

Fiscal year ended March 31,2023						Supplementary explanation
Company Name	Percentage of women in management (%) (Note 1)	Percentage* of men on childcare leave (%) (Note 2)	Difference in wages between male and female employees (%) (Note 1,4)			
			All employees	Regular employees (Note 3)	Part-time and fixed term employees	
Mitsubishi Electric Life Network Corporation	2.1	-	63.3	62.4	65.5	
Seiryō Technica Co., Ltd	0.0	-	66.3	66.8	88.0	
Mitsubishi Electric Applied Refrigeration Systems Co., Ltd	0.0	33.3	66.1	68.5	79.2	*Percentage of employees taking childcare leave, etc.
Mitsubishi Electric IT Solutions Corporation	2.5	75.0	82.1	81.1	87.6	*Percentage of employees taking childcare leave, etc.
Melco Power Semiconductor Chip Corporation	0.0	-	75.7	74.8	82.7	
Melco Semiconductor Engineering Corporation	0.0	-	71.7	74.4	67.5	
MELCO ADVANCED DEVICE CORPORATION	0.0	100.0	63.7	65.3	65.0	*Percentage of employees taking childcare leave, etc.
The Kodensha Co., Ltd.	2.7	-	69.7	69.1	67.2	
MD Logistics Field Service Corporation	0.0	-	55.6	73.3	66.0	
iPLANET Inc.	4.5	-	65.8	68.7	52.8	
Mitsubishi Electric Trading Corporation	6.3	-	69.4	72.1	53.4	

Notes 1 Calculated in accordance with the provisions of the “Act on Promotion of Women’s Participation and Advancement in the Workplace” (Act No. 64 of 2015). Wage differences between male and female employees are calculated based on total annual wages excluding retirement benefits and commuting subsidies.

2 The figures shown here are for domestic consolidated subsidiaries that voluntarily disclose the percentage of male employees taking childcare. Based on the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991), the percentage is calculated based on Article 71-4-2 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991).

3 Regular employees include both regular employees and full-time, non-regular employees hired for an indefinite period.

4 Although there is a difference in degree among companies, the background of the wage difference between male and female is generally similar to the situation of the company.

Domestic consolidated subsidiaries with 101 to 300 permanent employees

Fiscal year ended March 31,2023						
Company Name	Percentage of women in management (%) (Note 1)	Percentage of men on childcare leave (%)	Difference in wages between male and female employees (%)			Supplementary explanation
			All employees	Regular employees	Part-time and fixed term employees	
Meiryō Denshi Corp.	4.0	-	-	-	-	
Ryosai Technica Co., Ltd	0.0	-	-	-	-	
TOYOKIKO SEISAKUSHO CO., LTD.	0.0	-	-	-	-	
Tada Electric Co., Ltd.	0.0	-	-	-	-	
Ryoden Kasei Co., Ltd.	3.8	-	-	-	-	
Ryosan Industry Corporation	0.0	-	-	-	-	
SPC Electronics Corporation	0.0	-	-	-	-	
Tsuryo Technica Corporation	8.3	-	-	-	-	
BCC Co., Ltd	0.0	-	-	-	-	
Meldas System Engineering Corporation (Note 2)	3.6	-	-	-	-	
Setsuyo Astec Corporation	0.0	-	-	-	-	
Koryo Electric Co., Ltd.	0.0	-	-	-	-	
Setsuryo Technica Co., Ltd.	25.0	-	-	-	-	
Sanwa Electric Co., Ltd.	0.0	-	-	-	-	
HANSHIN YUSOKI CO., LTD.	0.0	-	-	-	-	
Okinawa Ryoden Building Systems CO., LTD.	6.3	-	-	-	-	
Mitsubishi Electric Air Conditioning & Refrigeration Systems Co., Ltd.	0.0	-	-	-	-	
Mitsubishi Electric Air Conditioning & Refrigeration Equipment Sales Co., Ltd.	1.6	-	-	-	-	
Sowa Technica Inc.	0.0	-	-	-	-	
Hyper Cycle Systems Co., Ltd.	0.0	-	-	-	-	
Ryoden Asahi Technica Co. Ltd	0.0	-	-	-	-	
Giyu Kaiun Co., Ltd.	0.0	-	-	-	-	
Mitsubishi Electric Insurance Service Co., Ltd.	20.3	-	-	-	-	
Mitsubishi Electric Industrial Solutions Corporation	2.0	-	-	-	-	

Fiscal year ended March 31,2023						Supplementary explanation
Company Name	Percentage of women in management (%) (Note 1)	Percentage of men on childcare leave (%)	Difference in wages between male and female employees (%)			
			All employees	Regular employees	Part-time and fixed term employees	
Kyushu Mitsubishi Electric Sales Corporation	2.8	-	-	-	-	
Sanyo Mitsubishi Electric Sales Corporation	0.0	-	-	-	-	

Notes 1 Calculated in accordance with the provisions of the “Act on Promotion of Women's Participation and Advancement in the Workplace” (Act No. 64 of 2015).

2 Meldas System Engineering Corporation has changed its company name to Mitsubishi Electric Mechatronics Technologies Corporation as of April 1, 2023.

For details, including future efforts to promote women's activities, please refer to “II. Business Overview 2. Policies and Initiatives on Sustainability (3) Human Capital.”

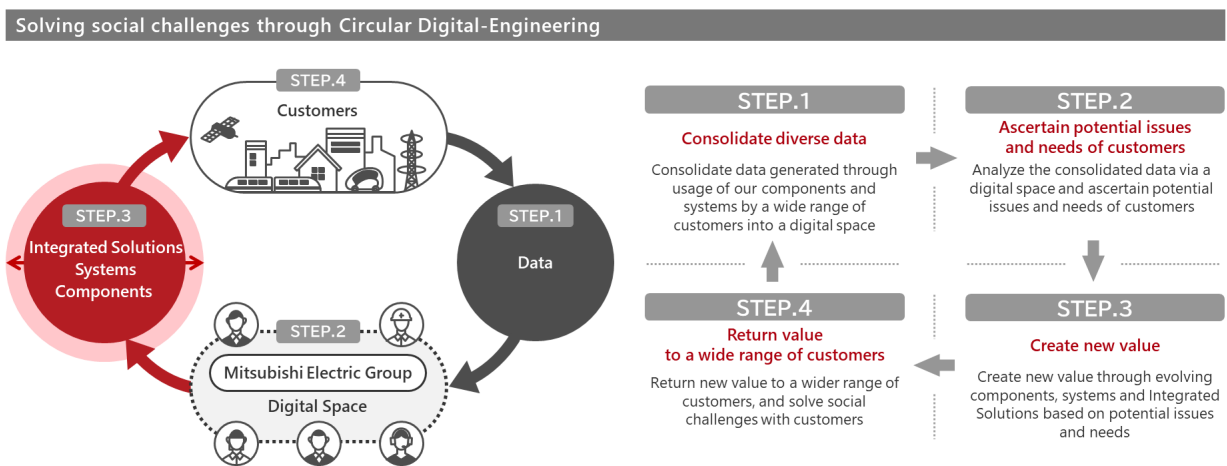
II. Business Overview

1. Management Policy, Business Environment and Corporate Agenda

(1) Management policy

The Mitsubishi Electric Group's Purpose of "contributing to the realization of a vibrant and sustainable society through continuous technological innovation and ceaseless creativity" encapsulates the reason of our existence in society. Led by this corporate philosophy, in addition to its threefold balanced management policy consisting of "Growth," "Profitability & Efficiency," and "Soundness," the Mitsubishi Electric Group positions realizing sustainability as the core of its management based on its roots of "addressing social challenges through our businesses." The Group will thus seek to sustainably increase its corporate value and fulfill its responsibilities to the stakeholders, including society, customers, shareholders and employees. Furthermore, it will contribute to solving various social challenges by integrating knowledge within and outside the Group and through co-creation, transforming itself into a "Circular Digital-Engineering" company that provides enhanced component systems and data-based solutions.

Leverage strong intra-group connections and knowledge sharing in order to consolidate and then analyze data in the digital space to create new value and contribute to solving key social challenges



(2) Business environment and corporate agenda

1) Business environment

The global economy outlook is anticipated to slow down, particularly in Europe and the U.S. due to monetary tightening in various countries to control inflation, although consumption will continue to increase modestly owing to relaxation of movement restrictions. Furthermore, as geopolitical risks such as the prolonged situation in Ukraine and the conflict between the US and China increase, it is feared that the business environment will change beyond our expectations.

2) Corporate agenda

Three Key Reforms to Regain Trust (Quality Assurance, Organizational Culture, and Governance) to Be Deepened, Developed, and Steadily Instilled

The Company seriously takes the full extent of the improper quality control practices identified to date and the findings and recommendations from the Investigative Committee and Governance Review Committee and is taking measures to prevent any recurrence in its entire group so that a similar incident never occurs. In addition, the Company positions three key reforms to regain trust (quality assurance, organizational culture and governance) as top management priorities and, deepening and developing these priorities, is committed to reforming toward the creation of a new Mitsubishi Electric.

In the quality assurance reforms (revising engineering processes), based on efforts such as normalizing manufacturing management, design frontloading, and data-driven quality control and procedures, the Company is rebuilding an organizational capability to provide customers with technically correct explanations and reducing workloads by having managers communicate and negotiate with customers, with a goal of restructuring the organization so that there is no need to engage in improper quality control practices in the first place.

In the organizational culture reforms (facilitating two-way communication), the Company is cultivating a culture in which people feel comfortable in raising issues with their managers, and also in which people collaborate to solve problems.

In the governance reforms (building a compliance system focused on prevention), the Company is building “systems for governance and internal control that incorporate external perspectives and eliminate any incentive to act improperly.”

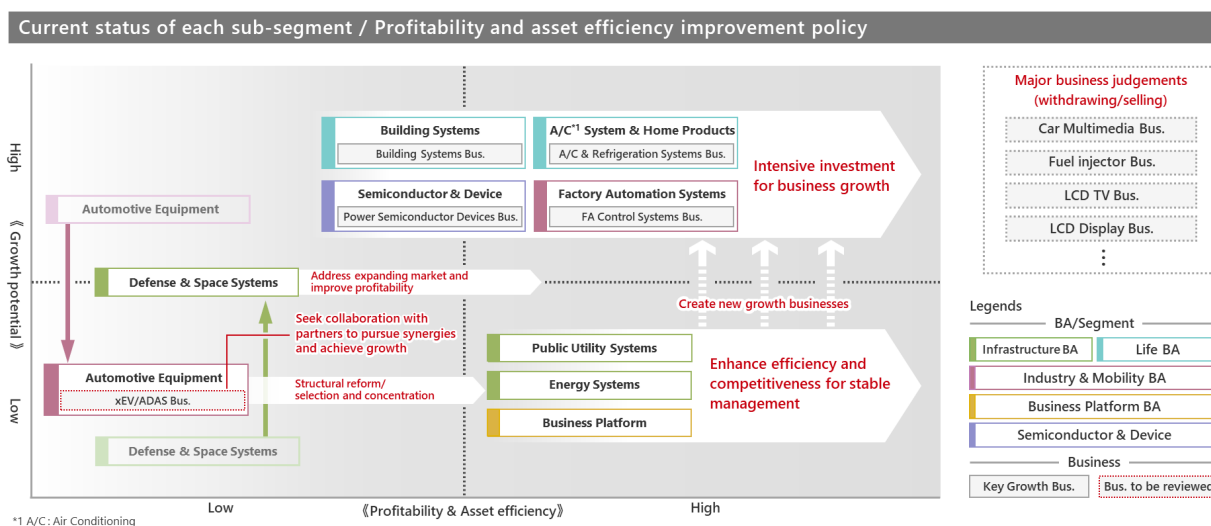
As announced in “Results of Investigation into Improper Quality Control Practices in the Company’s Associated Companies” (available only in Japanese, released on April 14, 2023), all improper quality control practices found by the investigation at the Company’s associated companies are violation of contracts, which, we believe, are caused mainly as a result of management and the Company’s system having pressured the staff on the site into such practices, as is the case with the improper quality control practices occurred at the Company’s Works. Therefore, the Company will deploy and instill the quality assurance reforms and measures for strengthening the control function, which the Company is currently implementing, to the associated companies as well.

Acceleration of Portfolio Strategies and Business Transformation under the New Business Area Management Structure

The Company will further evolve and develop the Business Area (BA) management structure to speedily implement business model transformation responding to social changes. BA Owners who supervise each BA will accelerate, through maximization of the asset efficiency based on reallocation of resources with a bird’s eye view within the BA and integration of technologies and know-how, such initiatives as solution of social challenges by demonstrating synergies beyond walls of business groups, review of portfolio strategies, and building of optimal organizations and systems according to the characteristics of each business of the BA, and at the same time, promote dynamic collaboration of people and technologies among BAs and provision of the solution business.

In addition, the “DX Innovation Center” was newly established in April 2023 with the aim of accelerating transformation into the “Circular Digital-Engineering” company that contributes to solving social challenges. The Center will build digital infrastructures and spaces to organically link a broad range of data that is being accumulated at each BA with the aim of creating and promoting various digital solution businesses, and accelerate and promote such initiatives as data analysis and usage leveraging the aforementioned infrastructures and spaces, securing and development of digital technology-oriented human resources, and co-creation with customers and partners.

Improve profitability and asset efficiency in each sub-segment



Strengthening Business Structure

In fiscal 2024, the interim year of the Medium-term Management Plan, we will review the progress up to date and implement various measures of the key growth businesses toward achieving the Medium-term Management Plan by, for example, accelerating and driving the business restructuring including M&As. Along with this, the Group will implement specific actions such as further price pass-through given continued high material prices and logistics costs and acceleration of a resource shift through identification of underperforming businesses and models and make investments in consideration of ROIC*, a comprehensive business efficiency indicator to improve profitability and capital efficiency. In addition, looking at geopolitical risks in the supply chain, the Group will build a procurement structure for optimal global production.

Furthermore, the Group will steadily promote the operation DX with the aim to increase the sophistication of business management and improve productivity utilizing data and digital technologies.

With regard to legal and ethical compliance, the Group takes its recent product and service quality, work-related, and information security issues extremely seriously and is promoting a number of reoccurrence prevention initiatives. Based on the Mitsubishi Electric Group compliance motto of “Always Act with Integrity,” the Group will diligently work to strengthen cross-organizational functions of head office corporate divisions, build an internal control system that emphasizes predictive indicators and prevention through visualization of risks and expansion of mechanisms to prevent improper conduct, and formulate and operate a compliance program.

The Group also intends to continually improve its corporate governance through formulating and appropriately responding to guidelines based on Japan’s Corporate Governance Codes, while striving for appropriate and timely disclosure of information, in order to acquire a higher level of trust from society, customers, shareholders, suppliers, and employees working together. The Company believes that human resources are the base for all business operations. We will create an environment where various types of human resources can display their capabilities to the maximum by, for example, encouraging two-way communication allowing employees with new ideas to work in cooperation and develop businesses as a team, nurturing human resources who can address changes, and creating comfortable workplaces. Through these initiatives, we aim to become a company where more people wish to work and continue to work at the Mitsubishi Electric Group. Also, the Group respects human rights of all people, recognizing broad relationships with people and societies in countries and regions where the Group operates the business and will continue to promote diversity to enable various human resources to work actively.

* ROIC (Mitsubishi Electric version): A comprehensive business efficiency indicator which is calculated by asset items (fixed assets, working capital, etc.) per different segments (and not by capital and liability) so that it is easier to track and improve performances of each business segment.

Medium-term Management Plan for FY2026

Through these measures, the Group will strive to create further value in order to achieve the financial targets of its Medium-term Management Plan for fiscal 2026: consolidated revenue of 5 trillion yen +, operating profit margin of 10%, ROE of 10%, and cash generation of 3.4 trillion yen over a five-year period. In terms of cash generation of 3.4 trillion yen over a five-year period, we set the capital allocation policy to allocate 2.8 trillion yen mainly to Key Growth Businesses with the top priority to investment in growth, and to aim for enhancing shareholder returns through profit growth of 0.6 trillion yen.

Operating profit ratio by segment is as follows. In line with the management restructure effective April 1, 2023, the classification of reportable segment of Business Platform was changed to 2 segments such as Business Platform and Semiconductor & Device. Also, some businesses that were previously included in the Information Systems & Network Service of Business Platform have been reclassified in Others due to the organizational restructure. Operating profit ratio is shown for both the former segments and the newly reclassified segments for fiscal 2023.

<Operating profit ratio by business segment>

Former Segments	Fiscal 2023 Actual	New Segments from Fiscal 2024	Fiscal 2023 Actual (After Segment Reclassification)	Target for Medium-term Management Plan for Fiscal 2026
Infrastructure	2.8%	Infrastructure	2.8%	7%
Industry & Mobility	5.8%	Industry & Mobility	5.8%	14%
Life	5.2%	Life	5.2%	11%
Business Platform	9.3%	Business Platform	6.5%	9%
		Semiconductor & Device	10.4%	12%

Steadily executing the strategies above, the Group will work to further enhance its corporate value.

The above are forward-looking statements based on the judgment of the Company as of the date of submission of the Annual Securities Report (June 29, 2023).

2. Policies and Initiatives on Sustainability

(1) Sustainability

1) Governance

a. Basic policy on Sustainability

The Mitsubishi Electric Group implements sustainability-oriented initiatives in all corporate activities in accordance with its "Purpose," "Our Values," and "Commitment." Our Management policy states, "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." We will pursue initiatives for achieving a sustainable society to incorporate the expectations, requests, and opinions from society into activities, and to minimize the negative impact on society and the environment.

b. Actions to promote the realization of sustainability

To realize sustainability, we have set the following four points as actions to advance:

Contribution to a sustainable society through our businesses	To contribute to the realization of a "vibrant and sustainable society" by solving social and environmental issues through our business activities
Responsibility for a sustainable society	To conduct business responsibly in a manner that does not cause or exacerbate social challenges or environmental issues
Risk management for long-term social and environmental changes	To adapt to changes in society and the environment not only in the short and medium terms but also in the long term. To create business opportunities and sustainable development. To predict risks and to control or minimize their impacts on business management
Communication with stakeholders	To communicate with society, customers, shareholders, employees, and other stakeholders through highly transparent disclosure of information in a way that reflects society's expectations, requests, and opinions in our corporate management

c. Promotional System for Sustainability

The policies and planning for the sustainability activities of the Mitsubishi Electric Group are decided by the Sustainability Committee, which is chaired by the Chief Strategy Officer (CSO), the Executive Officer in charge of corporate planning and sustainability, and appointed by Mitsubishi Electric's Executive Officers meeting. The Sustainability Committee comprises of the heads of Mitsubishi Electric's corporate divisions and corporate strategic planning divisions (as of April 1, 2023, there are 34 members in charge of environmental, social and governance aspects from divisions such as Corporate Strategic Planning and Corporate Human Resources). Based on the materiality, the Committee discusses monitoring the results of activities, decisions on future activity plans, and responses to law amendments, and promoting initiatives from a perspective that spans the entire Mitsubishi Electric Group. In addition, the corporate divisions are responsible for the promotion of specific initiatives such as ethics and legal compliance, quality assurance and improvement, environmental protection activities, social contribution activities, and stakeholder communication.

The Sustainability Planning Division provides the secretariat for the Sustainability Committee. We have established the Sustainability Planning Division under the direct control of the President as the core organization responsible for this task from fiscal 2024 in order to realize sustainability.

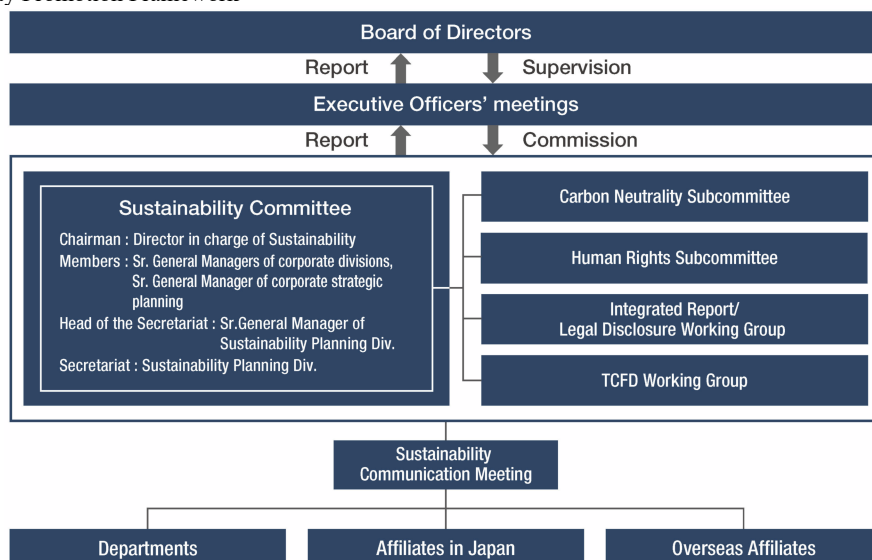
The Sustainability Committee generally holds meetings at least three times a year, and the details on the discussion are reported to the senior executives at the Executive Officers' Meeting. From fiscal 2022, the details on the discussion are also reported to the Board of Directors. The Board of Directors regards the statuses of sustainability initiatives as one of the "key agenda items" for the Mitsubishi Electric Group (medium- and long-term management plan, organizational culture reform, sustainability initiatives, and human capital strategy from July 2022 to June 2023), and it holds full discussions from the perspective of risk management and profit-generating opportunities, receiving diverse opinions from independent outside directors, as well as supervising the status of initiatives by Executive Officers.

The promotion of sustainability initiatives is one of the compensation indicators for Executive Officers, and the achievement of performance indicators in non-financial areas such as sustainability and ESG-related areas is reflected in incentive compensation.

In order to deal with sustainability challenges that involve multiple divisions in a cross-sectional manner, we also have established 'Subcommittees' as permanent meetings and 'Projects' as temporary meetings under the Sustainability Committee. The two subcommittees, the "Carbon Neutrality Subcommittee" and the "Human Rights Subcommittee," promote initiatives in response to legal and social requirements. In addition, we have established the "Integrated Report/Legal Disclosure Working Group" and "TCFD Working Group" to consider the clarification of individual categories of activities and the roles of participating divisions, information disclosure in accordance with norms, and other matters. Subcommittees and projects are led by the relevant corporate division, and the progress of these subcommittees' initiatives is confirmed at each Sustainability Committee meeting.

Further, to share and execute the policies and plans established by the Sustainability Committee, we have established the "Sustainability Communication Meeting" aimed at collaboration between internal divisions and affiliates in Japan and overseas.

Sustainability Promotion Framework



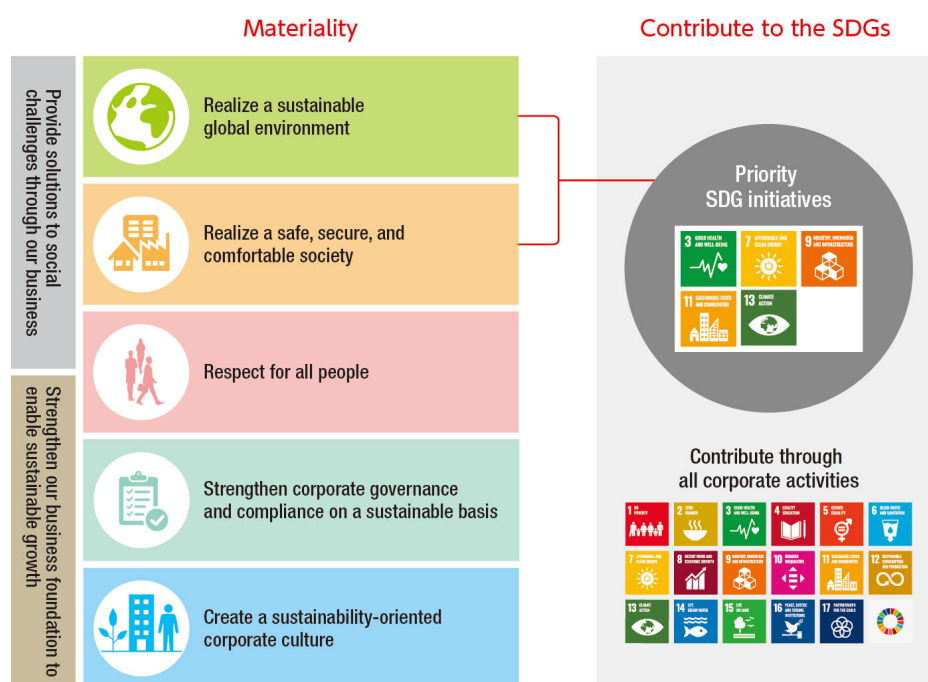
2) Strategy

The Mitsubishi Electric Group has positioned the realization of sustainability at the cornerstone of our management based on the principle of "Provide solutions to social challenges through our businesses." To address sustainability at the management level and to promote it over the long term, we have identified five areas as materiality to "Provide solutions to social challenges through our businesses" and as part of our "Strengthen our business foundation to enable sustainable growth." Through these materiality initiatives, we will create economic and social value and will contribute to solving social challenges, starting with contributing to the achieving the SDGs. In our materiality-related initiatives, we promote continuous activities for improvement by implementing the PDCA cycle for mid- to long-term goals as well as for targets/Key Performance Indicators (KPIs). In terms of targets and KPIs, we have identified 17 essential company-wide sustainability-related targets* for fiscal 2024 from among a range of initiatives, and the Sustainability Committee confirms and drives progress towards these targets to increase corporate value.

With regard to the SDGs, we believe that they are in line with our Purpose of contributing to solving social challenges, and we will contribute to the achievement of the 17 Sustainable Development Goals (SDGs) through all of our corporate activities.

* Please refer to (1) 4) Metrics and Targets for the 17 targets/Key Performance Indicators (KPIs).

Materiality of the Mitsubishi Electric Group



Reasons why materiality is important

Materiality	Reasons why it is important
Realize a sustainable global environment	Environmental challenges such as climate change and resource/energy issues are hurdles at a global scale. The Mitsubishi Electric Group will contribute to solving these issues with the aim of realizing a sustainable global environment.
Realize a safe, secure, and comfortable society	Aiming to solve diversifying social challenges, the Mitsubishi Electric Group will contribute to the realization of a safe, secure, and comfortable society by providing integrated solutions that combine the strengths of both inside and outside the Group in the Business Areas and segments of Infrastructure, Industry & Mobility, Life, Business Platforms, and Semiconductor & Devices.
Respect for all people	The protection of human rights is a global issue. Everyone's rights as individuals must be respected. The Mitsubishi Electric Group will respect human rights in all of our activities and realize a workplace environment that helps all employees work actively.
Strengthen corporate governance and compliance on a sustainable basis	Corporate governance and compliance are fundamental preconditions for a company's continued existence. The Mitsubishi Electric Group will continue to reinforce these areas.
Create a sustainability-oriented corporate culture	The Mitsubishi Electric Group will contribute to realizing sustainability through all of our activities. To this end, we will proactively communicate with stakeholders and foster a corporate culture that encourages employees to pursue initiatives from a mid- to long-term perspective.

3) Risk Management

With overseas revenue accounting for over 50%, the Mitsubishi Electric Group aims to transform into a "Circular Digital-Engineering Company" in a wide range of business areas. We also take the various compliance incidents that came to light seriously and have been working to improve our internal control system and others. To fulfil its responsibility to all stakeholders beginning with society, customers, shareholders, and employees, and to realize sustainability, the Group appropriately manages risks associated with the conduct of its business while strengthening its internal control system with an emphasis on prevention. Specifically, the framework incorporates risk management into business activities whereby risks are managed according to the size and characteristics of each business. Significant risks common to the entire Group are managed and prioritized according to their impact on the management of the Group as a whole.

For new risks, such as human rights, demand for decarbonization, geopolitical risks, and game-changing trends in the future, we will respond in an effective manner through cross organizational and flexible team behavior.

Please refer to "II. Business Overview 3. Business and Other Risks" for the risk response system and the specific risks recognized.

4) Metrics and Targets

In terms of initiatives related to materiality, we have set targets/Key Performance Indicators (KPIs) and carry out continuous improvement activities based on the PDCA cycle.

Materiality	Item	Long-term goals	Targets/Key performance indicators (KPIs)	Scope
Realize a sustainable global environment	Carbon neutrality	[Scope 1, 2, 3] Fiscal 2051: Aiming for net zero greenhouse gas emissions in the entire value chain	[Scope 1, 2] Fiscal 2031: Aim for net zero greenhouse gas emissions from factories and offices	Mitsubishi Electric Group
		Achieving a decarbonized society through innovation and integrated solutions	Provide products, services, and solutions that contribute to carbon neutrality	Mitsubishi Electric Group
		Circular economy	Contributing to the realization of a circular economy	Fiscal 2024: 90% or more effective use of waste plastics (domestic)
	Realize a safe, secure, and comfortable society	Safety/security, inclusion, and well-being	Achieving safety/security, inclusion, and well-being through our business activities	Provide products, services, and solutions that contribute to safety/security
Provide products, services, and solutions that contribute to inclusion and well-being				Mitsubishi Electric Group

Materiality	Item	Long-term goals	Targets/Key performance indicators (KPIs)	Scope
Respect for all people	Human rights	Establishing human rights initiatives based on international norms and implementing responsible supply chains	Fiscal 2024: Implementation of the Human Rights Impact Assessment based on the United Nations Guiding Principles on Business and Human Rights in all business groups	Mitsubishi Electric Group
			Fiscal 2025: Establishing a mechanism for respecting human rights in the supply chain based on the RBA ^{*1} process	Mitsubishi Electric Group
	Human capital	Realize workplace where diverse and versatile human capital gathers and works together	Fiscal 2026: Employee Engagement Score ^{*2} of 70% or more (Mitsubishi Electric) and 60% or more (Some of related companies)	Mitsubishi Electric Group, Japan
			Fiscal 2031: Ratio of female/non-Japanese in senior management ^{*3} 30% or more	Mitsubishi Electric
		Fiscal 2031: Ratio of female in managerial positions 12% or more	Mitsubishi Electric	
Strengthen corporate governance and compliance on a sustainable basis	Governance	Increase effectiveness of the Board of Directors	Maintain the ratio of independent outside director of Mitsubishi Electric over 50%	Mitsubishi Electric
	Quality	Preventing the recurrence of improper quality control practices	Promote three reforms (quality assurance, organizational culture and governance), monitoring of the three reforms by the Board of Directors, and appropriate information disclosure	Mitsubishi Electric Group
	Compliance	True understanding and practices of a compliance motto "Always Act with Integrity"	Provide compliance education on a continuous basis	Mitsubishi Electric Group
	Information security	Improve the Cybersecurity maturity level	Fiscal 2029: Achieve level 2 or higher ^{*4} in the Cybersecurity Maturity Model Certification	Mitsubishi Electric Group
Create a sustainability-orientated corporate culture	Understanding and practices of sustainability	Understanding and practices of sustainability by employees	Fiscal 2026: Understanding on the operation of business in line with the corporate purpose and goals according to the results of the employee awareness survey 75% or more	Mitsubishi Electric
	Communication	Promote communication with stakeholders both inside and outside the company	Fiscal 2024: Issue the Sustainability Report and the Integrated Report, hold dialogues with experts, and conduct sustainability report questionnaires	Mitsubishi Electric Group

*1 RBA (Responsible Business Alliance) : An alliance that promotes corporate social responsibility in global supply chains

*2 Ratio of employees who respond that they feel that they are proud and motivated to work for the Company in the employee awareness survey

*3 Senior management: Directors, Executive Officers and Executive Officers (Associate)

*4 Framework for Cybersecurity Maturity Model Certification set forth by the U.S. Department of Defense (CMMC 2.0)

Please refer to the Sustainability Report 2023, which will be published at the end of July 2023, for details of fiscal 2023 results and fiscal 2024 targets. Please refer to the back number of the Sustainability Report for past goals and achievements.
<https://www.MitsubishiElectric.com/en/sustainability/reports/index.html>

(2) Financial Information Based on Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

The Mitsubishi Electric Group has expressed its support for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), and as such, the Group promotes efforts and discloses information in line with these recommendations.

We view response to the TCFD as an activity to fulfill our "responsibility to a sustainable society" and "contribute to a sustainable society through our business" by addressing the global environmental challenge posed by climate change. Moreover, we view it as "risk management in response to long-term social and environmental changes" towards the realization of sustainability, and "communication with stakeholders" to promote the resolution of social issues.

1) Governance

a. TCFD Working Group

During fiscal 2023, the TCFD Working Group was established under the auspices of the Sustainability Committee with the aim of stepping up efforts to address risks and opportunities associated with climate change, both in terms of "risk management in response to long-term social and environmental changes" and "communication with stakeholders."

As a point of reinforcement, the project considered the financial impact assessment based on scenario analysis and the global environmental risks management in the risk management of the Mitsubishi Electric Group.

b. Considering the financial impact assessment based on scenario analysis

We have identified and extracted the corporate divisions that are considered to be relatively highly sensitive to the impacts of climate change by examining the following documents and records as well as assessing them from a bird's-eye view: external assessments (ESG investment guidelines, various climate-related initiatives, etc.) of the magnitude and sensitivity of the effects that climate change has on industries; greenhouse gas emission amounts by division; and the business portfolio of each corporate division. We next estimated the financial impacts on our current business plans over the long-term in an uncertain future year based on the assumption of scenarios in which climate change is below 2°C and in which climate change is 4°C. We then verified the resilience of these businesses and examined the degree of impacts on the Mitsubishi Electric Group's overall business as well as the accuracy and validity of the information disclosed. In fiscal 2024, with the aim of conducting a financial impact assessment of the Mitsubishi Electric Group as a whole and disclosing the results in fiscal 2025, we will continue this study and expand it into a consistent analysis of all corporate divisions.

c. Examination of global environmental risk management in the risk management of the Mitsubishi Electric Group

With regard to risk management, we have established a risk management framework for the Mitsubishi Electric Group, positioned global environmental risks including climate change within this framework, and improved management processes for risks related to the global environment. In fiscal 2024, we aim to further contribute to the global environment by deepening and clarifying the identification, assessment, and management of risks and opportunities related to climate change.

2) Strategy

a. Climate Change Risks and Opportunities in the Short, Mid-to-Long Term

The Mitsubishi Electric Group identifies and assesses risks and opportunities related to climate change.

Table 1 Examples of Climate-related Risks and Initiatives by the Mitsubishi Electric Group

Risks	Examples of the Group's Initiatives
■ Transition Risks	
Policy and Legal Risks (Short-to-Long Term) <ul style="list-style-type: none"> • Increase in carbon pricing • Strengthened obligation of emission reports • Orders and regulations for existing products and services by relevant authorities • Litigation 	<ul style="list-style-type: none"> • Reduction of GHG^{*1} emissions through promotion of environmental plans and setting and taking initiative on SBT^{*2} • Promotion of environmentally conscious design (global warming, resource conservation, recyclability, hazardous substances, packaging) • Capital investment related to environmental activities, including energy saving and global warming countermeasures • Implementation of supply chain management (formulation and implementation of green procurement standards) • Reporting of Scope 1, 2 and 3 emissions and implementation of third-party certification • Acquisition and maintenance of ISO 14001 certification • Confirmation of legal compliance through environmental audits • Disclosure of initiatives related to climate change and other environmental issues
Technology Risks (Mid-to-Long Term) <ul style="list-style-type: none"> • Replacement of existing products and services with low-emission alternatives • Failed investment in new technologies • Cost of transition to low-emission technologies 	<ul style="list-style-type: none"> • Development of new technologies through R&D investment • Implementation of intellectual property activities • Mobile capital investment mainly in key growth businesses • Capital investment related to environmental activities, including energy saving and global warming countermeasures
Market Risks (Mid-to-Long Term) <ul style="list-style-type: none"> • Changes in customer behavior • Uncertainty in market signals • Rise in raw material costs 	<ul style="list-style-type: none"> • Promotion of environmentally conscious design • Capital investment related to environmental activities, including energy saving and global warming countermeasures • Market research and feedback on product development
Reputation Risks (Mid-to-Long Term) <ul style="list-style-type: none"> • Changes in consumer preferences • Criticisms of the industrial sector • Increased concerns among stakeholders, or negative feedback from them 	<ul style="list-style-type: none"> • Reduction of GHG emissions through promotion of environmental plans and setting and taking initiative on science based targets • Capital investment related to environmental activities, including energy saving and global warming countermeasures • Promotion of environmentally conscious design • Response to environmental risk management • Implementation of natural environment conservation activities, including the protection of local biodiversity • Disclosure of initiatives related to climate change and other environmental issues
■ Physical Risks	
Acute Risks (Short-to-Long Term) Increased severity of extreme weather such as cyclones and floods	<ul style="list-style-type: none"> • Formulation and periodic review of BCPs^{*3} • Implementation of supply chain management (formulation and implementation of green procurement standards, decentralization of production sites by purchasing from multiple companies, etc.)
Chronic Risks (Mid-to-Long Term) Changes in precipitation patterns and extreme variations in weather patterns	<ul style="list-style-type: none"> • A certain amount of investment every year in environmental activities, including initiatives against climate change • Reduction of GHG emissions through promotion of environmental plans and setting and taking initiative on science based targets

*1 Greenhouse gas *2 Science Based Targets *3 Business continuity plan

Table 2 Examples of Climate-related Opportunities and Initiatives by the Mitsubishi Electric Group

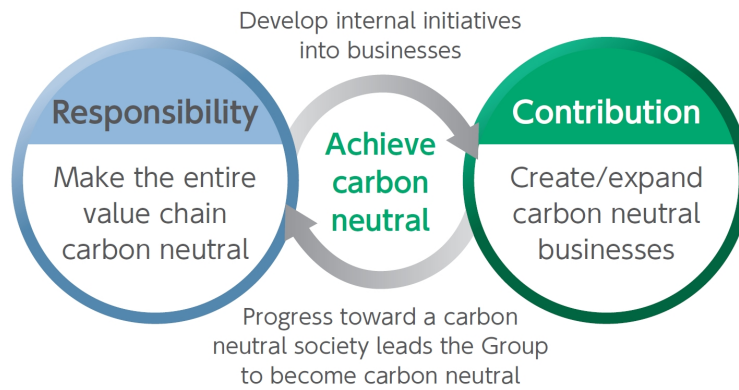
Social Challenges (Opportunities)	Examples of the Group's Initiatives
■ Resource Efficiency	
<ul style="list-style-type: none"> ● Use of more efficient modes of transport (modal shift) ● Use of more efficient production and distribution processes ● Promotion of recycling ● Relocation to a more efficient building ● Reduction in water usage and consumption 	<ul style="list-style-type: none"> ● Development of products suitable for resource conservation, such as thinner materials and smaller tubes ● Promotion of plastic recycling ● Energy conservation and reduction of operation costs for buildings as a whole through ZEB (net Zero Energy Building), etc. ● Development of Ville-feuille® and other linked control technologies for mobility and building equipment ● Provision of systems for water distribution management, water storage and discharge through dam management, and water intake management for agricultural water ● Promotion of reclaimed water use ● Strengthening of products and solutions that support e-F@ctory ● Promotion of a modal shift ● Localization of production and sales bases
■ Energy Source	
<ul style="list-style-type: none"> ● Use energy sources that contribute to carbon neutrality ● Use of new technologies ● Shift toward decentralized energy generation 	<ul style="list-style-type: none"> ● Effective use of electricity and response to needs for system stabilization accompanying the expansion of renewable energy and decentralization of power sources <ul style="list-style-type: none"> - Large energy storage systems - VSC-based high-voltage direct current systems "HVDC-Diamond®" - Smart medium voltage DC distribution network system D-SMiree - Distributed power supply system/VPP system - Multi-region digital power supply system (multi-region EMS) - Heat pump technology
■ Products and Services	
<ul style="list-style-type: none"> ● Development and/or expansion of goods and services that contribute to carbon neutrality ● Development of new products or services through R&D and innovation ● Ability to diversify business activities ● Shift in consumer preferences 	<ul style="list-style-type: none"> ● Development of energy-saving products optimized for local climate conditions and needs ● Development of innovative new products such as the Misola, a lighting fixture that imitates a deep blue sky and natural light in indoor spaces. ● Development for further improving energy efficiency of railway vehicles and Railway LMS on INFOPRISM, a solution for streamlining maintenance ● Demonstration of ZEB-related technologies, including the construction of demonstration facilities ● Development and supply of the EcoMBR filtration membrane cleaning system for water treatment ● Provision of smart meters ● Development and supply of energy conservation equipment that facilitates the measurement of energy consumption and the collection and analysis of energy consumption data ● Global supply of high-efficiency equipment, including electric power train systems ● Development and supply of low-loss SiC devices ● Centralized GHG emissions data management solution "cocono" ● Localization of production and sales sites ● Balanced promotion of short-, medium- and long-term research and development
■ Resilience	
<ul style="list-style-type: none"> ● Participation in renewable energy programs and adoption of energy efficiency measures ● Resource substitutes/diversification 	<ul style="list-style-type: none"> ● Effective use of electricity and response to needs for system stabilization accompanying the expansion of renewable energy and decentralization of power sources ● Contribution to preventing global warming by using observation satellites, strengthening the monitoring of meteorological phenomena and the global environment, understanding of disaster situations, and promoting disaster prevention ● Meteorological radar system ● Field Edge® image-based water level measurement device ● Provision of BCP solutions, such as data centers, teleworking, and video conferencing services

b. Promotion of carbon neutrality

The Mitsubishi Electric Group is working to achieve carbon neutrality from the aspects of responsibility and contribution. While continuing and growing our business, we aim to achieve net zero greenhouse gas emissions from our own operations and to achieve carbon neutrality throughout our value chain by 2050. In May 2022, we announced an interim target of "reducing our own emissions to 50% of the fiscal 2014 level by fiscal 2031," and in May 2023, we changed the interim target to "aiming for net zero greenhouse gas emissions from factories and offices by fiscal 2031" to proactively join in the international trend to limit the increase in global average temperature to 1.5°C or less. In Japan, we also participate in the GX League, a collaboration between industry, government, academia, and private citizens to achieve carbon neutrality by 2050, which is led by the Ministry of Economy, Trade and Industry (METI).

We will apply our internal initiatives to our business and return the positive impacts on the Mitsubishi Electric Group resulting from progress made in these initiatives throughout society to our business. In this way, we will work to achieve carbon neutrality by mutually reinforcing each other's efforts.

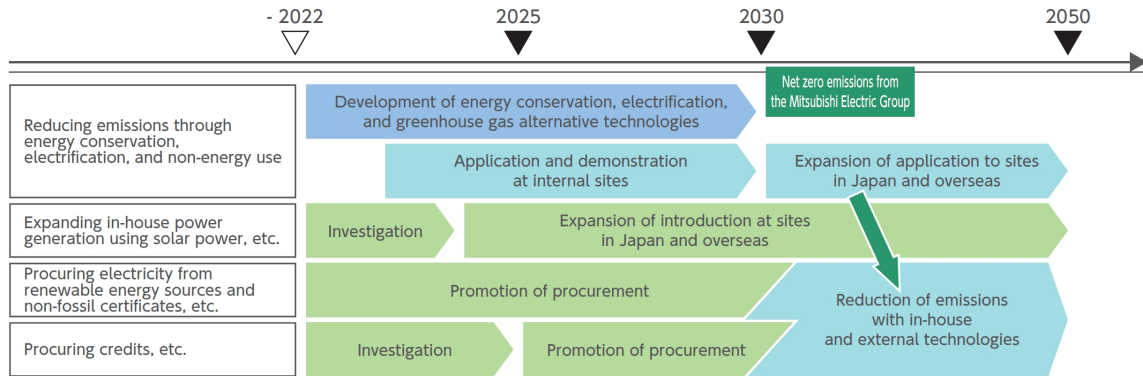
Adopted dual approaches to carbon neutral: Responsibility and Contribution.



Basic policy for promoting carbon neutral

(a) Responsibility: Carbon neutral initiatives in the entire value chain

The Mitsubishi Electric Group has set out to achieve net zero greenhouse gas emissions in the entire value chain by 2050. As initiatives to reduce such emissions at factories and offices, we aim to achieve net zero greenhouse gas emissions from factories and offices by fiscal 2031 by (1) reducing emissions through energy conservation, electrification, and non-energy use; (2) expanding in-house power generation using solar power, etc.; (3) procuring electricity from renewable energy sources and non-fossil certificates, etc.; and (4) procuring credits, etc.

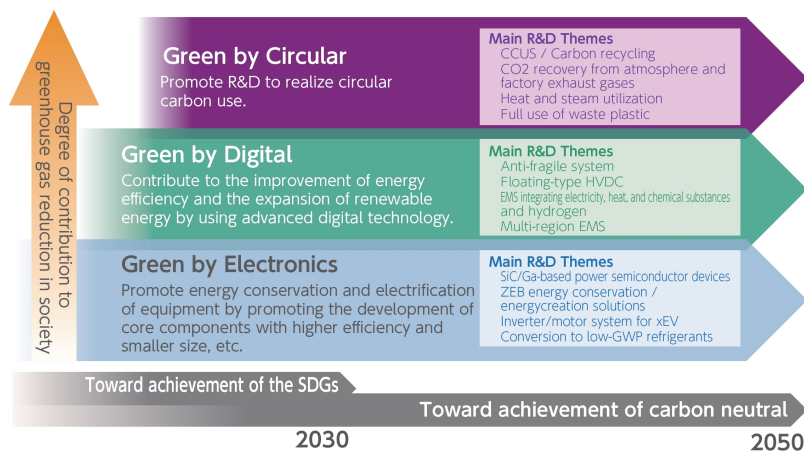


Roadmap for reducing emissions from factories and offices

(b) Contribution: Create/expand businesses that contribute to carbon neutral.

To make society as a whole carbon neutral, we have established a development roadmap up to 2050 and will accelerate R&D in three innovation areas: Green by Electronics, Green by Digital, and Green by Circular.

As an example of our efforts, we have established the Mitsubishi Electric Energy & Carbon Management Collaborative Research Center with Tokyo Institute of Technology to promote research and development of energy and carbon management technologies, including environmental value trading of electricity, heat, and chemical substances as well as carbon recycling technologies.



CCUS(Carbon dioxide Capture, Utilization and Storage), HVDC(High Voltage Direct Current)
EMS(Energy Management System), ZEB(net Zero Energy Building), GWP(Global Warming Potential)

Development roadmap for achieving carbon neutral

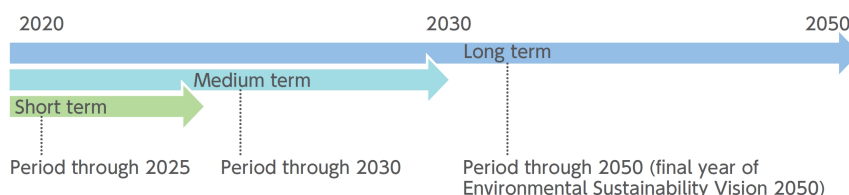
c. Scenario-based Analysis and Resilience

The corporate activities of the Mitsubishi Electric Group are assessed through scenario analysis based on IPCC* representative concentration pathway scenarios. The assessment is made based on two scenarios: a scenario that shows the state of transition (social trend) when keeping the global average temperature rise to below 2°C compared to pre-industrial levels (the 2°C scenario), and a scenario in which the temperature rises nearly 4°C as a result of continuing with conventional global warming countermeasures (the 4°C scenario).

* IPCC: Intergovernmental Panel on Climate Change

The scenario analysis forecasts up to 2050 with periods classified as shown below.

- Long-term: Period through 2050 (final year of Environmental Sustainability Vision 2050)
- Medium-term: Period through 2030
- Short-term: Period through 2025



(a) Risks related to climate change and the Mitsubishi Electric Group's initiatives

Climate-related risks can be broadly divided into risks associated with the transition to a decarbonized society (transition risks) and risks associated with the physical impacts of global warming (physical risks). These risks can result in increased expenses (for production, internal administration, financing, etc.) and decreased revenues

If the 2°C scenario progresses, social demand for reducing greenhouse gas emissions is expected to grow, raw material costs are expected to rise due to changes in the energy demand and supply balance, and the amount of generated power by renewable energy sources is expected to increase, in the transition to a decarbonized society. As a result of efforts to realize such a society, the likelihood of transition risks arising from the tightening of laws and regulations on greenhouse gas emissions and an increase in the burden of technological development will be relatively high (compared to physical risks).

If the 4°C scenario progresses, there is expected to be a significant increase in the frequency and severity of heavy rains and floods and a chronic rise in temperature. Physical risks such as the suspension of operations and disruption to supply chains due to disaster will be relatively high (compared to transition risks).

To address these risks, the Mitsubishi Electric Group is implementing the initiatives shown in "Table 1: Examples of Climate-related Risks and Initiatives by the Mitsubishi Electric Group."

For example, even if laws and regulations strengthen the curtailment of greenhouse gases under the 2°C scenario, the Group can mitigate the impacts of such a regulatory move, as it is already working to reduce its emissions through its Environmental Plan and participating in science-based targets. Similarly, the impact of rising raw material costs can be mitigated by further promoting environmentally conscious design, which is already being implemented with respect to tackling global warming, resources conservation, and improved recyclability. We are also making capital investments related to environmental activities, including energy saving and other measures to combat global warming. Additionally, we are investing in the research and development of new technologies in a well-balanced manner from the short, medium, and long-term perspectives.

In response to physical risks, such as flooding, which will materialize under the 4°C scenario, we have formulated a business continuity plan and review it once a year while moving ahead with the decentralization of production sites. We are also taking steps to prevent production problems in the supply chain, such as by purchasing from multiple companies and having our suppliers operate multiple production plants.

(b) Examples of climate-related opportunities and initiatives by the Mitsubishi Electric Group

As the 2°C or 4°C scenario progresses, social issues arising from climate change and the need to respond to them are expected to become more apparent.

For example, if the 2°C scenario progresses, it is predicted that the amount of power generated by renewable energy will increase. The Mitsubishi Electric Group is capable of contributing to addressing needs for effective use of electricity and system stabilization that stem from such expansion of renewable energy and the decentralization of power sources, by providing large energy storage systems, smart medium- and low-voltage direct current distribution network systems, distributed power source operation systems / virtual power plant (VPP) systems, and multi-region digital power delivery systems (multi-region EMS).

If the 4°C scenario progresses, frequent heavy rain and floods are expected. Using observation satellites, the Group is able to enhance the monitoring of meteorological phenomena and the global environment, understand disaster situations, and help prevent disasters.

The Mitsubishi Electric Group has a wide range of businesses. Our strength is our ability to provide a wide range of products, services, and solutions that contribute to solving social issues arising from climate change. We therefore believe that we have sustainable growth opportunities over the short to long term through our solutions to these social challenges as shown in Table 2 "Examples of Climate-related Opportunities and Initiatives by the Mitsubishi Electric Group."

(c) Resilience of climate change strategies

As a result of this assessment of the risks and opportunities associated with climate change and our efforts to address them, we believe that the Mitsubishi Electric Group is resilient to the risks associated with climate change and can achieve sustainable growth by resolving social issues caused by climate change under both the 2°C or 4°C scenarios.

3) Risk Management

a. Processes for addressing climate change risks and opportunities

The Mitsubishi Electric Group uses a business strategy decision-making process and a comprehensive risk management process to identify, assess, and manage risks and opportunities related to the global environment, including climate change.

Each of Mitsubishi Electric's department (business groups, corporate divisions), and affiliated companies in Japan and overseas will identify climate change-related risks that are relevant to them, consider how to respond to such risks and turn them into opportunities, and proactively incorporate them into their business and divisional strategies. The CSO (Chief Strategy Officer) will also formulate an overall management strategy for the Mitsubishi Electric Group based on the formulated business and divisional strategies, the policies for seizing opportunities related to climate change, the return on investment of measures to achieve carbon neutrality, and the carbon costs estimated by ICP (Internal Carbon Pricing).

At the same time, as part of the Mitsubishi Electric Group's comprehensive risk management, we will identify, assess, and properly manage issues that have significant impacts on management in various risk areas, including risk management related to climate change.

b. Mitsubishi Electric Group risk management system and positioning of global environmental risks

The Mitsubishi Electric Group's global environmental and other risks, including risks related to climate change, are primarily managed by each corporate division of Mitsubishi Electric and its subsidiaries and affiliates in Japan and overseas. In addition, under the direction of the Chief Risk Management Officer (CRO), the corporate division (i.e., the division in charge of the risk) identifies, assesses, and manages risks based on its knowledge in each area of expertise.

Risks in each specialty area identified and assessed by the divisions in charge of such risks are consolidated by the Corporate Risk Management Division, and their impacts on group management are evaluated through relative comparisons among each risk, etc. The CRO determines their materiality, and all Executive Officers discuss the risks (comprehensive evaluation of risks/measures).

Risks comprehensively assessed through the above process are shared with relevant parties, including management.

The Group considers global environmental risks, including climate change, to be highly material because they have significant impacts on the realization of a sustainable global environment, one of the Group's materialities.

c. Management process for risks related to the global environment

Global environmental risks, including climate change, are identified, assessed, and managed by the Executive Officer in charge of Corporate Total Productivity Management & Environmental Programs and the Corporate Environmental Sustainability Department, the department in charge of risk, under the direction of the CRO, in accordance with the Mitsubishi Electric Group risk management system described above.

Based on the results of such comprehensive risk assessment, the Executive Officer in charge of Corporate Total Productivity Management & Environmental Programs and the Corporate Environmental Sustainability Department identify and assess risks by subdividing global environmental risks into smaller risks, taking into account legal trends, technological trends, market trends, external evaluations, and other factors. Based on the results, the Executive Officer and the Department formulate an environmental plan as a medium-term risk management measure and an environmental implementation plan as a one-year measure.

Each group organization (business groups, affiliated company, etc.) formulates its own annual environmental implementation plan based on these plans and reports the results to the Executive Officer in charge of Corporate Total Productivity Management & Environmental Programs and the Corporate Environmental Sustainability Department.

The Executive Officer in charge of Corporate Total Productivity Management & Environmental Programs and the Corporate Environmental Sustainability Department then review the results of the identifying and assessing of global environmental risks, taking into account the results of each organization and social trends, and in turn report the results to the Corporate Risk Management Division and, if necessary, revise the environmental plan and reflect the results in the environmental implementation plan for the following fiscal year.

4) Metrics and Targets

a. Calculating and Understanding Greenhouse Gas Emissions in the Value Chain

The Mitsubishi Electric Group calculates and tracks greenhouse gas emissions (Scope 1, 2 and 3) in its value chain. For calculation and assessment, we refer to the GHG Protocol and the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain published by Japan's Ministry of the Environment.

b. Long-Term Target

In our long-term environmental management vision up to 2050, the so-called Environmental Sustainability Vision 2050, the Mitsubishi Electric Group has set a target to reduce greenhouse gas emissions throughout the entire value chain to net-zero by 2050.

c. Mid-Term Targets

The Mitsubishi Electric Group has reviewed its Scope 1 and Scope 2 targets in order to strengthen its efforts towards reducing greenhouse gas emissions, and it has set a new target during fiscal 2024 of "Achieving net zero greenhouse gas emissions from factories and offices by fiscal 2031."

In addition, the following greenhouse gas emission reduction targets were approved by the Science Based Targets initiative in January 2020.

- Scope 1 and 2: Reduce greenhouse gas emissions by 18% by 2030 compared to fiscal 2017 levels

- Scope 3*: Reduce greenhouse gas emissions by 15% by 2030 compared to fiscal 2019 levels

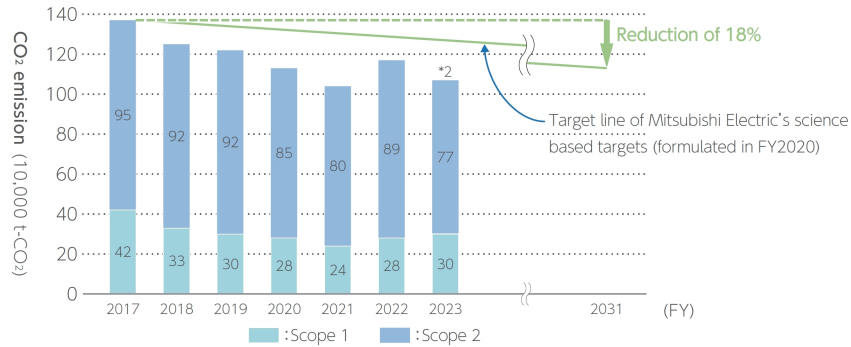
- * Scope 3 emissions cover Category 11 (Use of sold products)

d. Short-Term Targets

Since fiscal 1994, the Mitsubishi Electric Group has formulated an Environmental Plan every three years that sets out specific activity targets. We are presently pursuing various activities in line with the current Environmental Plan 2023 (fiscal 2022 to 2024) which sets out indicators and targets in four areas based on the action guidelines of the Environmental Sustainability Vision 2050, namely: "environmental contribution through products and services," "reducing the environmental impact of business activities," "pursuing business innovations," and "publicizing and sharing new values and lifestyles."

e. Progress

Initiatives to achieve greenhouse gas emission reduction targets are making steady progress.



Scope 1 and 2 emissions^{*1} (Mitsubishi Electric Group)

*1 Scope 2 is located based. The CO₂ emission coefficient for electricity is calculated in reference to the following: Japan—the figures published by The Electric Power Council for a Low Carbon Society (ELCS); Overseas—the figures published by International Energy Agency. The global warming potential for greenhouse gases is calculated in reference to figures published in the IPCC Fifth Evaluation Report

*2 Figures for fiscal 2017 to 2022 are actual figures that have been verified by third parties. Figures for fiscal 2023 are calculated by the Company at the time of submission, as third-party verification is ongoing.

For the final figures after third-party verification, refer to Sustainability Report 2023 to be released in the end of July 2023.
<https://www.MitsubishiElectric.com/en/sustainability/reports/index.html>

(3) Human Capital

1) Governance

a. Basic Policy on Human Capital

In the Mitsubishi Electric Group Medium-term Management Plan for FY2026, the Mitsubishi Electric Group states it will contribute to realizing a vibrant and sustainable society, including response to decarbonization, by increasing the provision of integrated solutions through the strengthening of the business management foundation, promoting digital transformation, and other activities. People are the driving force behind this sustainable growth, and we will continue to promote "human capital management", which views "people as the capital that creates future value." To regain the trust of society and to develop as a "Circular Digital-Engineering" company amid increasingly intense global competition, the Mitsubishi Electric Group will implement all kinds of reforms by mobilizing all of our human capital, i.e., our diverse and versatile "individual" powers.

b. Promotion framework

The Mitsubishi Electric Group has assigned a Chief Human Resource Officer (CHRO) to be responsible for formulating its human capital strategy. In awareness of the link between management strategies and human capital strategies, we first identified the people issues that would hinder implementation of the management strategy and, through repeated discussions with each Chief Officer and Business Area Owner, organized the company's specific priorities and response policies, which were formulated under the supervision of the Board of Directors. We will continue to implement improvements systematically and report on process/progress at regular Board of Directors meetings.

2) Strategy

As shown below, based on our ideal state for human capital, the organizational structure, and organizational climate, we are striving to develop human capital and to improve the internal environment (including the improvement of our organizational culture).



a. Human capital development

Recognizing that "business development and social contribution cannot be achieved without employee growth," we will raise the overall level of our employees by investing in education and training for all employees, and nurture "diverse and versatile human capital" who will practice "Changes for the Better" by thinking independently, acting proactively, and continuing to take on challenges.

Examples of initiatives

(a) Human Capital Development System Supports the Skills Development of Each and Every Employee

The Mitsubishi Electric Group's training system for all employees, including those of group companies, consists of passing down everyday business know-how and mindset through on-the-job training. Knowledge and skills that are difficult to acquire through on-the-job training as well as career development are provided through off-the-job training on a supplementary basis while proactively holding online seminars. Off-the-job training consists of conferring information on ethics, legal compliance, and other matters. Exceptional teachers from inside or outside the company provide expertise and skills training, or motivational training. Tests and competitions to improve skill levels are conducted, and practical training or international study opportunities at overseas sites and universities in Japan and abroad are provided.

With regard to new graduate employees and mid-career hires, we provide company orientation and training sessions to give them employee mindset and educate them on basic knowledge, management principles, compliance, and other matters.

Mitsubishi Electric has also introduced job-level specific training to provide each individual with the opportunity to acquire the abilities and skills required at each stage of their career, with the aim of enabling them to fulfill their respective roles and expectations. This training program places particular emphasis on strengthening communication skills for younger employees and management skills, including leadership and the development of subordinates and junior colleagues, for mid-level and managerial employees, in an effort to foster a culture of development throughout the workplace.

For managers, we are working to support the acquisition of skills such as measures to revitalize communication in the workplace, active listening, and stress management methods, so that they can provide support tailored to the needs of each employee working directly under their supervision. We will promote the development of core human capital in order to create a workplace with openness for communication.

Training and development measures	Management candidate development	Key functional person development	☆MELCO Seminar (M-Semi)		Functional training			Level-specific training	
			Area of specialty	Common areas	Global	Skill training	Individual functional training		
	Mitsubishi Electric Business Innovation School (MBS)	Advanced Technology System Course JIT improvement instructor / driver development	<ul style="list-style-type: none"> • Sales • Career produce • Communication and AI/Media • Information software • Electronics / Devices and Machines • Electricity / Energy and Control • Quality, Environment, Production Planning / Development 	<ul style="list-style-type: none"> • Globalization • Business knowledge / Intellectual production capacity • New business creation skills • Corporate principles / Governance 	Overseas OJT system Study abroad system	Training before overseas assignment Language study abroad / Dispatching to domestic language schools	Mitsubishi Electric Group skills competition Company-wide supervisor meeting	Administrative division personnel training (Purchasing, accounting, general affairs, etc.) Job-level specific training / Management training	Company-wide welcoming ceremony / New employee training
Career development support	Supporting each and every employee to envision and shape their future career by developing the necessary skills		<ul style="list-style-type: none"> ☆Career consulting room Role/achievement review system* Total life program ☆Self-development support system ☆Job-Net* ☆Career Challenge System* 						
Knowledge sharing	Place to accumulate, pass down, and develop information related to technology and business. Human networking beyond individual areas of business		<ul style="list-style-type: none"> ☆Melcollege ☆Engineering Divisions' Meeting ☆Engineers' Meeting Chief Engineers' Meeting Engineering Committee ☆Technical help desks ☆Mitsubishi Electric quality-related information sharing system 						
Training for all employees	Ensuring basic knowledge for Mitsubishi Electric Group employees is provided and an appropriate mindset is developed within them		Compliance, safety, quality, sustainability, diversity, etc.						

☆Main measures and systems that employees can utilize independently

* Includes some non-development measures.

(b) Transfer Opportunities that contribute to Employees' Career Development

In order to support employees' autonomous career development, Mitsubishi Electric instituted an internal recruitment system (Job-Net) and job search system (Career Challenge System).

Job-Net enables employees to apply for job openings within the Mitsubishi Electric Group that are posted on the intranet.

Career Challenge System is a system in which employees register their career aspirations, experience, skills, and so forth and the recruiting department then makes offers to them.

Both Job-Net and Career Challenge System allow for transfers to be realized through mutual matching between employees and the recruiting department. Approximately 100 employees were transferred using these systems in fiscal 2023.

(c) Promotion and training of international staff from overseas affiliates to senior management positions

In our overseas affiliates, we are driving promotion of quality international staff to senior management positions with the purpose of enhancing the management of local businesses and improving employee engagement. We intend to achieve this by organically linking training and placement, including career development through training and the formulation of succession plans.

In addition to the training plans in each company and each region (regional management), Mitsubishi Electric also takes initiative in conducting training in Japan. To be specific, engineers in overseas affiliates stay in Japan to participate in training to learn technologies and skills at production sites. Selected executives and those in management positions in overseas affiliates gather at the Mitsubishi Electric headquarters to go through training to learn the necessary knowledge and mindset as a global leader as well as to understand management in the Mitsubishi Electric Group.

While participating in training from overseas, the international staff grow as individuals and develop a sense of unity as the Mitsubishi Electric Group and a network, which transcends national borders and is connected globally.

b. Improvement of the internal environment

To achieve sustainable growth, we believe it is important to create a work environment in which each and every employee can maximize their abilities within a limited time frame. We will therefore promote a sense of unity and collaboration with our organization by respecting diversity, individual fulfillment, and enhancing engagement as well as improving the working environment to realize one in which everyone can work realizing a safe, secure, and rewarding.

Examples of initiatives

(a) Respect for diversity: Workforce Diversity & Inclusion

(i) Women's Participation

Mitsubishi Electric has formulated measures such as systematically providing work experience and training opportunities for new employees to promote their development, and actively disseminating information on various support systems for balancing work and family life within the company.

In addition, the Company has developed "Career forum for young female employees," which provides opportunities for female employees to become aware of work-life integration and to develop a positive career vision, and distributed a "Handbook on supporting work/childcare balance for employees and supervisors" to help employees on childcare leave return to work smoothly and to maximize their abilities while caring for their children. We have also made it a rule to provide opportunities for regular meetings with supervisors before and after returning to work, and promote to create an environment in which female employees can easily build their careers.

(ii) Employment of People with Disabilities

The Mitsubishi Electric Group has been actively employing people with disabilities in various companies from the perspectives of sustainability and diversity promotion. We promote barrier-free initiatives to create comfortable work environments for people with disabilities.

In October 2014, Mitsubishi Electric established Melco Tender Mates Corporation, a special subsidiary* that specializes in businesses mainly suited to people with intellectual disabilities. As of March 15, 2023, people with disabilities comprised 2.48% of the total workforce at Mitsubishi Electric and its special subsidiaries combined.

The company name of Melco Tender Mates Corporation expresses the principle that employees with and without disabilities are equal partners in the workplace and peers who mutually care for each other. The company mainly engages in the cleaning service, cafe, business card, food service, and health promotion (massage) businesses, and employs 122 people with disabilities as of March 15, 2023. A cookie factory was established in fiscal 2018, the Nagoya Office opened in fiscal 2021, the Himeji Office opened in fiscal 2023 and the Itami Office opened in fiscal 2024. The company will continue to gradually expand its businesses to increase its employment of people with disabilities.

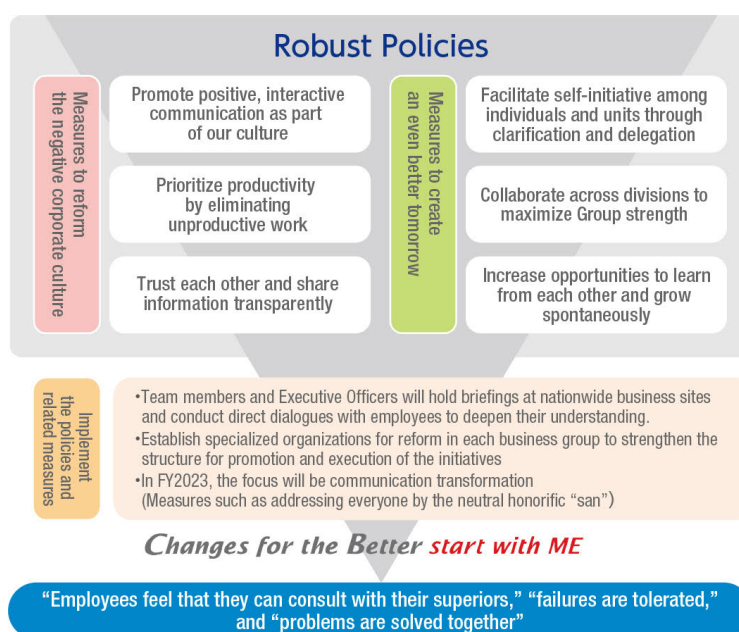
* Special subsidiary: A company that meets certain requirements under Act to Facilitate the Employment of Persons with Disabilities (Employment Promotion Act for Persons with Disabilities), and is deemed to be one business establishment (employed by the parent company) of the parent company (Mitsubishi Electric Corporation) after receiving permission from the Minister of Health, Labor and Welfare, and also is included in the parent company's employment rate for persons with disabilities as an exception.

(iii) LGBTQ

Mitsubishi Electric respects diversity and promotes initiatives that deepen understanding on sexual diversity (LGBTQ), with the aim of realizing a workplace environment where all individuals can maximize their own ability and work actively. In June 2021, the president sent out a message that we would develop a workplace environment that was comfortable for LGBTQ people and all other employees to work. We have designated June as the Mitsubishi Electric Pride Month and we will conduct initiatives to understand sexual diversity (seminars for the management and human capital divisions to understand LGBTQ, and e-learning for employees). We have established an external contact point for consultation for use by not only LGBTQ people but also their superiors (supervisors who are holding a higher level position in the company) and colleagues at the workplace.

(b) Individual Fulfillment: Organizational Culture Reform

The Mitsubishi Electric Group takes the multiple work-related issues that it experienced until fiscal 2020 within the Group seriously, and has been working on the Mitsubishi Electric Workplace Reform Program that aims at creating a workplace where employees can openly communicate with one another, thorough and appropriate care of employees with mental health issues, and other goals. Regarding this program, we completed the application of short-term priority measures in fiscal 2022 and implemented long-term measures focusing on "improvement of work engagement," "active communication," and "fostering of organizational culture and mindset" in fiscal 2023. Going forward, we will integrate these efforts with "organizational culture reform," which is one of the three reforms, and we will more vigorously pursue their implementation. To create a workplace environment where employees can thrive and engage more easily, Mitsubishi Electric has set key performance indicators (KPIs) related to a "rewarding work" and "work life balance." We will regularly monitor these indicators, thereby continuing to work to further improve and entrench our organizational culture and workplace environment.



3) Metrics and Targets

As targets of the materiality "Respect for all people," targets and KPIs related to human capital are listed in "(1) 4) Metrics and Targets." Mitsubishi Electric's major achievements and targets in the area of other human capital are listed in the table below. For indicators related to diversity, the proportion of female managers, the proportion of male employees taking childcare leave, and the gender pay gap, see "1. Overview of the Company, 5. Employees."

The figures in the table below are for the Company. Consolidated subsidiaries are also taking steps to promote diversity.

Category	Indicator	Segment	Result (% , unless otherwise stated)					Target (%)
			FY2019	FY2020	FY2021	FY2022	FY2023	FY2026
Supporting Career Development	Percentage of employees who responded that they felt that their career goals can be met at the Company	-	-	-	48.0	43.0	42.0	-
	Annual investment amount in human capital development and training per employee* (thousands of yen)	-	-	-	-	86.0	124.0	-
Maintaining a favorable working environment	Employee Engagement Score (Percentage of employees who are proud and motivated to work for the Company)	-	-	-	63.0	54.0	54.0	70.0
	Percentage of employees who responded that they had a good work-life balance	-	-	-	66.0	65.0	66.0	70.0

Category		Indicator	Segment	Result (%)					Target (%)	
				FY2019	FY2020	FY2021	FY2022	FY2023	FY2026	
Maintaining a favorable working environment	Diversity	Ratio of female managers	-	1.8	2.0	1.9	2.3	2.6	4.5	
		Childcare leave take-up rate (Male)	-	55.4	59.1	64.9	67.8	76.1	-	
		Gender pay gap	All employees		54.9	58.5	60.7	61.0	61.5	-
			Full-time employees		61.2	62.3	63.5	63.6	63.6	-
			Non-regular employees		71.0	66.5	63.5	62.4	63.2	-
Employment rate of people with disabilities	-	2.2	2.3	2.3	2.4	2.5	-			

*Total amount of training expenses and expenses in the training supervising department. Employees include temporary employees.

The forward-looking statements referred to above are based on judgments made by the Company as of the filing date of the Annual Securities Report (June 29, 2023).

The Mitsubishi Electric Group produces its Sustainability Report to communicate with stakeholders about its sustainability initiatives. For the latest status of initiatives, please refer to the Sustainability Report 2023, which will be published at the end of July 2023.

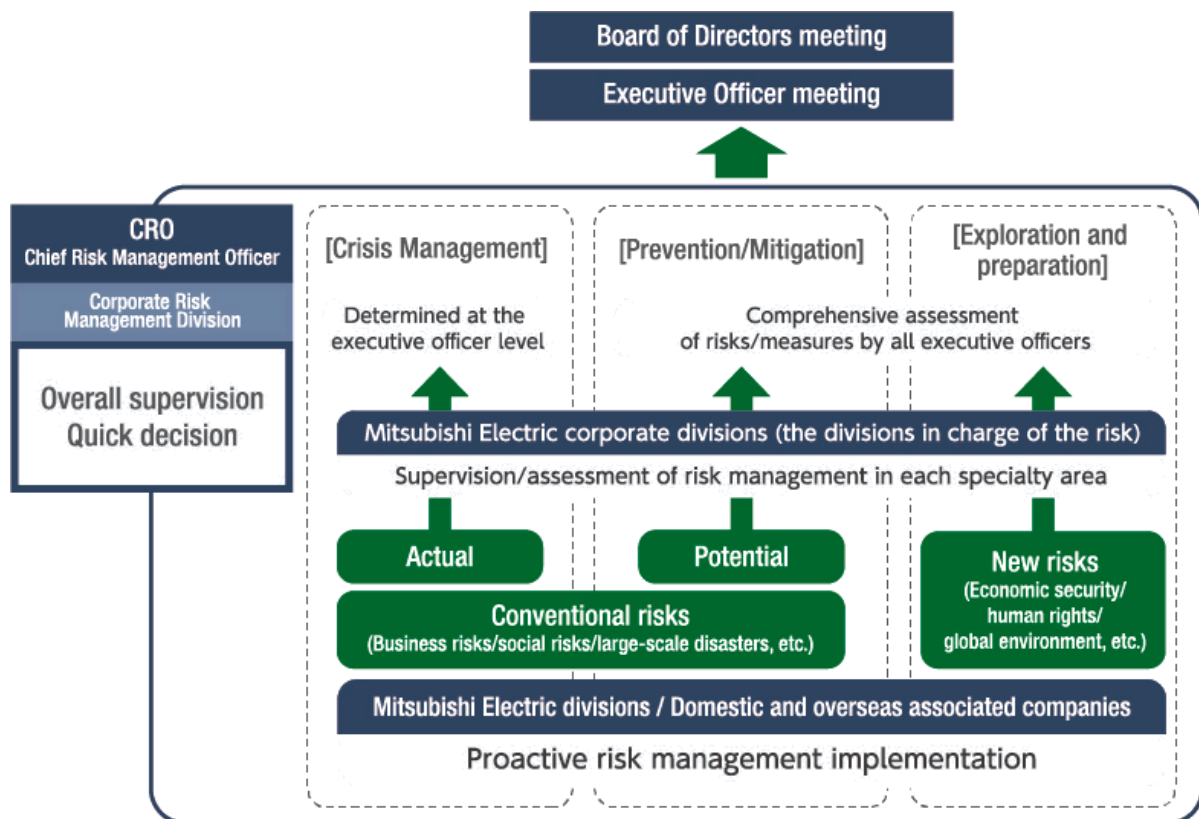
<https://www.MitsubishiElectric.com/en/sustainability/reports/index.html>

3. Business and Other Risks

(1) Risk management framework of the Mitsubishi Electric Group

Risk management is implemented independently by each division and by domestic and overseas associated companies. In addition, the Group has built a framework to enable appropriate and quick decision making where Mitsubishi Electric's each corporate division (division in charge of risk management) supervises and assesses each division and domestic and overseas associated companies in their respective specialized areas, and a CRO (Chief Risk Management Officer) and a Corporate Risk Management Division supervise the entire Group.

We will focus on a wide variety of risks according to their degree of impact on the management of the entire Group, and will not only respond to conventional risks such as large-scale disasters and social risks, but also flexibly and strategically investigate and prepare for new risks in areas such as economic security, human rights, and the global environment. In particular, important matters related to management supervision and execution are deliberated upon and decided at the Board of Directors meetings and the Executive Officer meetings.



(2) Business and Other Risks

The Mitsubishi Electric Group, with more than 50% of the Group's revenue from overseas, aims to transform into a "Circular Digital-Engineering" company in a wide range of business fields. We also seriously consider various compliance events that have emerged, and are working to improve internal control systems.

In conducting its business, various factors may affect actual financial standings and operating results of the Group. Major factors that may affect actual financial standings, operating results, and the decision of investors are as follows:

Viewpoints1

Increased geopolitical risk

Supply chain disruption

Expansion of cyber-attacks, etc.

1) The impact of the social, economic, and political upheaval due to heightened geopolitical risks

The international situation around Ukraine has changed the level of geopolitical risk, particularly in Europe. It has destabilized social conditions and slowed the global economic recovery. In addition, heightened tensions between the U.S. and China have increased the possibility of unforeseeable business risks becoming evident.

The Group conducts business in a wide range of areas from social infrastructure to home appliance, with more than 50% of

the Group's revenue from overseas. Domestic revenue includes not only products that are used domestically, but also products that are incorporated into customers' products and exported overseas.

Therefore, the Group's performance may be adversely affected by more severe economic slowdown than expected in countries and regions around the world, which could result in changes in demand for the Group's products or sales trends of customer products in which the Group's products are used. This could occur against the background of circumstances due to the prolonged situation in Ukraine and worsening global inflation, among other factors.

To respond to these rapid changes in the economic security policies of various countries worldwide, the Corporate Economic Security Division, which is under the direct control of the president, investigates and analyzes policy developments and legal systems and conducts an integrated risk management from the viewpoint of economic security related to the control of sensitive technologies, information security, investment, development, and supply chain in the entire Group.

2) Changes in supply chain (material procurement) environment

Although there are signs of improvement in the overall tightness of demand for semiconductors, prices for some industrial and automotive semiconductors, electronic components, and materials continue to rise and procurement remains difficult. In addition, the upgrading of supply chains has become a pressing issue due to supply disruptions caused by infectious diseases and natural disasters, expanding economic security regulations, and social demands for human rights issues.

In light of these developments, the Group will continue to focus on securing supplies for stable procurement and controlling price hikes in order to supply competitive products to the market. In addition, changes can be expected to arise in the supply chain due to tensions between specific countries and regions, or regulations in each country related to human rights or the environment. However, the Group will build a sustainable procurement system that can mitigate various procurement risks and respond to environmental changes. The Group will also strategically promote BCP measures to enable the continuation of its production activities.

3) Environment surrounding information security

If the Group's confidential corporate information including information entrusted to the Group by its customers and stakeholders, as well as information relating to sales, engineering, intellectual property, and other areas, were to be destroyed or leaked outside the Group due to infection by a computer virus, unauthorized access, or other unforeseen circumstances, or if the kind of cyber-attack that would affect factory production were to occur, this may affect the business activities and performance of the Group. In addition, if information systems were to malfunction due to large-scale failure to software or hardware, unknown vulnerabilities in the systems of the Group and systems outside the Group's control, the disruption of communications services provided by external operators, large-scale disasters, or other causes, this may affect the business of the Group.

As a response to such risks, the Group will promote activities to reinforce its information security infrastructure, strengthen its countermeasures to the latest patterns of cyber-attacks, which are becoming increasingly sophisticated and diversified, and maintain and enhance resilient information systems. We will also strive to protect confidential information, including strengthening measures to prevent human-caused information leaks.

Viewpoints2

Game change / Technological innovation

Increased social demands for human rights issues

Risks related to climate change

4) Acceleration of technological innovation and intensifying competition

Among the key issues for realizing sustainability, international legislative and regulatory efforts are accelerating to address climate-related issues, human rights, and other issues. These could lead to changes to established values and social structures, triggering rapid technological innovation (game change). Rapid acceleration of technological innovation may lead to intensified competition, which may introduce the risk of impact on the Group's performance.

In anticipation of a highly uncertain business environment, the Group will endeavor to build a solid revenue base that is resilient in the face of these changes. For example, in the area of research and development, we will attempt to design the society of the future and create new value in a timely manner by integrating knowledge from inside and outside the Group through collaboration with external research institutions, such as universities, and through joint creation with our customers.

5) Laws and regulations and increased social demands for human rights

The Group recognizes the following risks with respect to human rights.

- Risk of violating laws and regulations being enacted in various countries that require companies to address human rights if such requirements are not met appropriately and in a timely manner
- Risk of economic sanctions being imposed on companies if they are found to be complicit in human rights abuses
- Reputation risk such as loss of trust in the company involved in human rights violations

To address these risks, the Group is strengthening its initiatives based on international norms such as the United Nations “Guiding Principles on Business and Human Rights.”

In addition, Mitsubishi Electric has joined the Responsible Business Alliance (RBA), a corporate alliance that promotes social responsibility in the global supply chain. The Company will actively address human rights issues in the Company and the supply chain.

6) Laws and regulations and increased social demand for achievement of a sustainable global environment

Among environmental risks, the Group places the highest priority on addressing climate-related risks. The risks related to climate changes can be broadly classified into the following: risks related to the transition to a decarbonized society (transition risks); and risks related to the physical impacts of global warming if it progresses (physical risks). These risks could result in various outcomes such as increased costs (e.g., production, internal administrative, and financing costs) and decreased revenues.

In response to these risks, the Group will strengthen the business operations, taking into consideration governance, strategy, risk management, and metrics and targets for climate-related issues in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). In addition, the Group will work to control business risks and create opportunities to promote solutions to social issues.

Viewpoints³

Infectious disease and Large-scale disasters

7) The impact of infectious disease and large-scale disasters (earthquakes, tsunamis, typhoons, floods, volcanic eruptions, and fires), etc.

An infectious disease or a large-scale disaster (earthquakes, tsunamis, typhoons, floods, volcanic eruptions, and fires) could cause direct damage to Mitsubishi Electric Group facilities and disrupt business activities of the Group, which has numerous main facilities in and outside Japan, including manufacturing facilities, sales offices, research laboratories, and the head office. In addition, supply chain disruptions could have an impact on procurement, production, logistics, etc., which could result in substantial losses.

In the event of emergencies such as an infectious disease or a large-scale disaster, the Group will establish a Corporate Crisis Management Office. Its purpose is to centrally manage company-wide information, ensure the safety of each business site, and restore and continue business activities (BCP). The Group will also build a supply chain for stable procurement that will enable the continuation of production activities.

Viewpoints⁴

Quality of products and services and related compliance risks

8) Product quality and various compliance risks

The recording of losses due to defects or deficiencies in products or services, or the deterioration of social reputation due to the occurrence of related compliance violations may impact overall business management.

In response to such risks, the Group will strengthen its quality assurance system and establish an effective internal control system with an emphasis on preventive functions.

9) The impact of financial market risks (foreign currency exchange rates and stock markets)

If the foreign exchange market or stock market is affected by each of the increasingly complex separate risks indicated in items 1) through 8) above, or by the combined effects of these risks, the Group may be affected by the following.

<Foreign currency exchange rates>

In addition to North America, Europe, and China each accounting for roughly 10% of total Group revenue, the Group purchases imported materials that are denominated in U.S. dollars or euros, and sells export goods and purchases imported materials that are denominated in foreign currencies in its Asian production bases.

The Group strives to avoid foreign currency exchange rate fluctuations through the use of forward exchange contracts, etc. However, sudden changes in exchange rates that cause major deviations from the exchange rates expected by the Group may affect the Group's performance.

<Stock markets>

The Group's basic policy is to "not own cross-shareholdings in principle," but at the same time, the Group may hold stocks that are determined to be necessary for business operations. Falls in stock market prices may lower the value of marketable stocks held by the Group and reduce its pension assets.

As a response to such risks, the Group makes a comprehensive judgment of the significance of its stockholdings, from the viewpoint of their profitability, business feasibility, holding risks, etc., and verifies and confirms them at the Executive Officer meetings and the Board of Directors every year. When stocks are judged to have a low holding significance, the Group considers the reduction thereof, such as by selling them, taking into consideration the situation of the companies concerned.

The above are forward-looking statements based on the judgment of the Company as of the date of submission of the Annual Securities Report (June 29, 2023).

4. Management Analysis of Financial Position, Operating Results and Cash Flows

The main measures implemented by the Group during the fiscal year ended March 31, 2023 and planned for implementation during the fiscal year ending March 31, 2024 are as indicated in “1. Management Policy, Business Environment and Corporate Agenda.” Below is our analysis of the financial position, operating results, and cash flows of the Group for fiscal 2023 based on these measures.

(1) Overview of business performance

The economy in the fiscal year ended March 31, 2023 continued to see recovery in the corporate and household sectors in the U.S. In China, there was downward pressure due to the impact of movement restrictions caused by the expansion of COVID-19, and the subsequent recovery was only moderate. In Japan, gradual recovery continued primarily in the household sector. In Europe, the paces of recovery were even slower in the corporate and household sectors. There was also the impact of the rise in some material prices, high logistics costs and the prolonged electronic components shortage.

In this environment, the Mitsubishi Electric Group has been working harder than ever to maximize profitability by accelerating business transformation and its business portfolio strategy under a new business area management structure, while continuously implementing initiatives to bolster its competitiveness and business structure.

As a result, the business performance for the fiscal year ended March 31, 2023 is as follows.

<Consolidated Performance>		(In billions of yen)		
	Fiscal 2022	Fiscal 2023	Year on year	
Revenue	4,476.7	5,003.6	up 526.9	
Operating profit	252.0	262.3	up 10.3	
Profit before income taxes	279.6	292.1	up 12.4	
Net profit attributable to Mitsubishi Electric Corp. stockholders	203.4	213.9	up 10.4	

1) Revenue

Revenue increased by 526.9 billion yen year-on-year to 5,003.6 billion yen owing primarily to the weaker yen. The Life segment saw an increase in the building systems business in Asia and Japan, and the air conditioning systems & home products business also increased due mainly to an expansion in demand for air conditioners in Europe, Japan and North America. The Industry & Mobility segment saw an increase in the factory automation systems business due mainly to an increase in demand for capital expenditures related to products in the decarbonization area. The automotive equipment business also increased due to robust demand for electric vehicle-related equipment. The Business Platform segment saw an increase in the information systems & network service business due mainly to increases in the system integrations and the IT infrastructure service businesses. The semiconductor & devices business also increased due to robust demand for power modules. The Infrastructure segment saw the energy systems businesses remaining substantially unchanged year-on-year, while the public utility systems business saw an increase in the public utility area outside Japan and the defense & space systems business saw an increase in the defense systems business.

<Impact of Exchange Rate Fluctuations on Revenue>

	Average exchange rate for fiscal 2022	Average exchange rate for fiscal 2023	Impact of exchange rate fluctuations on revenue
Consolidated total	—	—	About ¥270.0 billion increase
US\$	¥113	¥136	About ¥119.0 billion increase
EURO	¥131	¥142	About ¥36.0 billion increase
CNY	¥17.7	¥19.7	About ¥48.0 billion increase

2) Operating profit

Operating profit increased by 10.3 billion yen year-on-year to 262.3 billion yen due mainly to increases in the Business Platform segment and the Life segment, despite decreases in the Infrastructure segment and the Industry & Mobility segment. Operating profit ratio decreased by 0.4 points year-on-year to 5.2% due mainly to an increase in selling, general and administrative expenses.

The cost ratio deteriorated by 0.1 points year-on-year as there was the impact of the rise in some material prices and the deteriorated profitability of the Infrastructure segment, despite the improvement owing to the weaker yen and price hike. Selling, general and administrative expenses increased by 134.3 billion yen year-on-year, and the selling, general and administrative expenses to revenue ratio deteriorated by 0.4 points year-on-year. Other profit (loss) increased by 2.2 billion yen year-on-year due primarily to sales of land despite the recognition of impairment losses on the fixed assets, and other profit (loss) to revenue ratio improved by 0.1 points year-on-year.

3) Profit before income taxes

Profit before income taxes increased by 12.4 billion yen year-on-year to 292.1 billion yen due primarily to an increase in operating profit. The profit before income taxes to revenue ratio was 5.8%.

4) Net profit attributable to Mitsubishi Electric Corp. stockholders

Net profit attributable to Mitsubishi Electric Corporation stockholders increased by 10.4 billion yen year-on-year to 213.9 billion yen due mainly to an increase in profit before income taxes. The net profit attributable to Mitsubishi Electric Corporation stockholders to revenue ratio was 4.3%.

ROE deteriorated by 0.2 points year-on-year to 6.9%.

Consolidated Financial Results by Business Segment is as shown below.

1) Infrastructure

The market for the public utility systems business saw robust investment in the public utility area worldwide, while there was a continuing trend of railway companies in Japan revising their capital expenditures due to the impact of COVID-19. In this environment, orders won by the business increased year-on-year due primarily to an increase in the public utility area worldwide. Revenue also increased year-on-year due to the weaker yen and an increase in the public utility area outside Japan.

The market for the energy systems business continued to see capital expenditures of power companies in Japan and robust demand for power supply stabilization worldwide in the expansion of renewable energy. In this environment, orders won by the business increased year-on-year due primarily to increases in the power distribution business in Japan and the power generation business outside Japan. Revenue remained substantially unchanged year-on-year.

The defense & space systems business saw an increase in orders year-on-year due primarily to an increase in large-scale projects for the space systems business, while revenue increased year-on-year due mainly to an increase in large-scale projects for the defense systems business.

As a result, revenue for this segment increased by 3% year-on-year to 973.1 billion yen.

Operating profit decreased by 14.0 billion yen year-on-year to 27.5 billion yen due primarily to a shift in project portfolios and lower profitability in the defense & space systems business.

2) Industry & Mobility

The market for the factory automation systems business saw a decrease in demand for digital equipment such as smartphones and semiconductors, while there was robust demand primarily for capital expenditures related to products in the decarbonization area such as lithium-ion batteries. In this environment, orders won by the business decreased year-on-year due primarily to a temporary slowdown in demand for digital equipment, while the revenue increased year-on-year due mainly to the weaker yen and an increase in demand for products in the decarbonization area.

The market for the automotive equipment business saw a year-on-year increase in sales of new cars and robust demand for electric vehicle-related equipment in line with the expansion of the electric vehicle market, despite the semiconductor shortage. In this environment, the business saw increases in both orders and revenue year-on-year due primarily to the weaker yen and increases in electric vehicle-related equipment such as motors and inverters as well as electrical components.

As a result, revenue for this segment increased by 12% year-on-year to 1,660.2 billion yen.

Operating profit of the factory automation systems business increased due primarily to an increase in revenue and the weaker yen, while operating profit of the automotive equipment business decreased due primarily to the rise in material prices and logistics costs as well as the recognition of impairment losses on the fixed assets. As a result, operating profit for this segment

decreased by 0.5 billion yen year-on-year to 95.9 billion yen.

3) Life

The market for the building systems business continued to see recovery from the slowdown stemming from COVID-19. In this environment, the business saw increases in both orders and revenue year-on-year due primarily to the weaker yen and increases in Asia and Japan.

The market for the air conditioning systems & home products business saw an improvement of the situation with regard to the electronic components shortage in and after the second quarter. In this environment, the business saw an increase in revenue year-on-year due mainly to the weaker yen and an increase in air conditioners in Europe, Japan and North America.

As a result, revenue for this segment increased by 16% year-on-year to 1,947.1 billion yen.

Operating profit increased by 8.6 billion yen year-on-year to 101.2 billion yen due primarily to an increase in revenue and the weaker yen, despite the rise in material prices and logistics costs as well as lower production level in the first quarter.

4) Business Platform

The market for the information systems & network service business saw robust demand due mainly to the restarts of projects delayed in the COVID-19 pandemic, despite the semiconductor shortage. In this environment, the business saw an increase in both orders and revenue year-on-year due mainly to increases in the system integrations and the IT infrastructure service businesses.

The market for the semiconductor & device business saw robust demand for power modules used in consumer and industrial applications. In this environment, orders won by the business decreased year-on-year as the trend of customers securing power modules for the future settled down and there was an impact of the end of the TFT-LCD module business. Revenue increased year-on-year due primarily to the weaker yen, and increases in power modules used in consumer and industrial applications.

As a result, revenue for this segment increased by 12% year-on-year to 429.3 billion yen.

Operating profit increased by 13.4 billion yen year-on-year to 39.9 billion yen due mainly to an increase in revenue and the weaker yen.

5) Others

Revenue increased by 13% year-on-year to 836.0 billion yen due primarily to increases in materials procurement and logistics.

Operating profit increased by 4.7 billion yen year-on-year to 31.4 billion yen due mainly to an increase in revenue.

Revenue from customers by geographic segment is as shown below.

1) Japan

Revenue increased by 6% year on year to 2,467 billion yen primarily due to increases in the air conditioning systems & home products business and the factory automation systems business.

2) North America

Revenue increased by 35% year on year to 625.5 billion yen primarily due to increases in the air conditioning systems & home products business and the automotive equipment business.

3) Asia (excluding Japan)

Revenue increased by 9% year on year to 1,218.9 billion yen primarily due to increases in the air conditioning systems & home products business and the building systems business.

In China, revenue decreased by 1% year on year to 583.6 billion yen primarily due to decreases in the air conditioning systems & home products business and the factory automation systems business, despite increases in the semiconductor & devices business and the building systems business.

4) Europe

Revenue increased by 23% year on year to 607.8 billion yen due to an increase in the air conditioning systems & home products business.

5) Others

Revenue in other regions, including Oceania, increased by 17% year on year to 84.3 billion yen.

(2) Production, orders and sales

1) Production

Production by business segment for the fiscal year ended March 31, 2023 is as follows.

Business Segment	Production (millions of yen)	Year on year (%)
Infrastructure	881,401	102
Industry & Mobility	1,478,400	112
Life	1,355,738	126
Business Platform	279,540	125
Others	1,227	61
Total	3,996,306	114

Note: The figures in the table above are indicated expected invoice prices regarding make-to-stock products and order received prices regarding build-to-ordered products.

2) Orders

Orders received by business segment for the fiscal year ended March 31, 2023 are as follows.

Business Segment	Orders received (millions of yen)	Year on year (%)
Infrastructure	1,175,328	121
Industry & Mobility	1,687,579	100
Life (excluding the air conditioning systems & home products)	564,366	110
Business Platform	435,332	88

Note: The air conditioning systems & home products business in the Life segment has few products made on other, thus not included in the table above.

3) Sales

Sales by business segment for the fiscal year ended March 31, 2023 are as follows.

Business Segment	Sales (millions of yen)	Year on year (%)
Infrastructure	973,139	103
Industry & Mobility	1,660,296	112
Life	1,947,157	116
Business Platform	429,320	112
Others	836,072	113
Elimination	(842,290)	—
Total	5,003,694	112

Note: The figures in the table above include inter-segment sales.

(3) Analysis of financial position

Total assets as of the end of this fiscal year increased by 474.5 billion yen compared to the end of the previous fiscal year to 5,582.5 billion yen. The change in balance of total assets was mainly attributable to increases in inventories by 249.5 billion yen, trade receivables by 107.2 billion yen and other non-current assets by 59.5 billion yen.

Inventories increased due primarily to the weaker yen, an increase in demand for the Industry & Mobility segment and the Life segment, as well as the semiconductor and other electronic components shortage.

Total liabilities increased by 208.7 billion yen compared to the end of the previous fiscal year to 2,219.2 billion yen due primarily to increases in bonds, borrowings and lease liabilities by 71.2 billion yen, contract liabilities by 50.9 billion yen and trade payables by 42.8 billion yen. Bonds and borrowings increased by 35.0 billion yen compared to the end of the previous fiscal year to 252.2 billion yen, with the ratio of bonds and borrowings to total assets recording 4.5%, representing a 0.2 point increase compared to the end of the previous fiscal year.

Mitsubishi Electric Corporation stockholders' equity increased by 263.0 billion yen compared to the end of the previous fiscal year to 3,239.0 billion yen due mainly to net profit attributable to Mitsubishi Electric Corporation stockholders of 213.9 billion yen and an increase in accumulated other comprehensive income of 92.3 billion yen, mainly reflecting the weaker yen, despite a decrease due primarily to a dividend payment of 84.5 billion yen. The stockholders' equity ratio was 58.0%, representing a 0.3 point decrease compared to the end of the previous fiscal year.

(Indices related to the Statement of Financial Position)

	As of Mar. 31, 2022	As of Mar. 31, 2023	Year on year
Trade receivables turnover (times)	3.63	3.71	0.08
Inventory turnover (times)	4.66	4.14	(0.52)
Bonds and borrowings to total assets (%)	4.3	4.5	0.2
Mitsubishi Electric Corp. stockholders' equity ratio (%)	58.3	58.0	(0.3)

Notes: 1. Trade receivables turnover is calculated based on the sum of trade receivables and contract assets.

2. Bonds and borrowings to total assets is calculated based on the balance of bonds and borrowings excluding lease liabilities.

(4) Capital resources and funding liquidity

1) Basic policies regarding financial strategies

In order to maintain a solid balance sheet, the Mitsubishi Electric Group continuously strives to improve its cash flows by enhancing its business performance, achieve greater asset efficiency through inventory reduction initiatives and promotion of the collection of trade receivables, and improve fund efficiency through more effective use of Group funds.

In addition, the Group will further increase capital efficiency under its capital allocation policy stated in the Medium-term Management Plan for fiscal 2026, by implementing its capital measures, including the enhancement of shareholder returns through profit growth while giving the top priority to investment in growth.

In order to secure funds needed to implement its growth strategies, including those for capital expenditures, research and development, and M&As, the Group will flexibly raise funds from financial institutions as necessary while using cash on hand generated from cash flows from operating activities with a focus on key growth businesses.

2) Status of cash flows

Cash flows from operating activities for fiscal 2023 were 166.7 billion yen (cash in), while cash flows from investing activities were 148.5 billion yen (cash out). As a result, free cash flow was 18.1 billion yen (cash in). Cash flows from financing activities were 119.5 billion yen (cash out), and cash and cash equivalents at the end of the period decreased by 81.3 billion compared to the end of the previous fiscal year to 645.8 billion yen.

Net cash provided by operating activities decreased by 115.6 billion yen year-on-year due primarily to the impact of credit collection and an increase in inventories, despite an increase in profit.

Net cash used in investing activities increased by 33.6 billion yen year-on-year due mainly to a decrease in proceeds from sale of investment securities and others and an increase in the purchase of property, plant and equipment, despite an increase in proceeds from sale of property, plant and equipment.

Net cash used in financing activities decreased by 121.7 billion yen year-on-year due primarily to an increase in long-term borrowings and a decrease in purchase of treasury stock.

3) Status of funding and liquidity

The main component within the need for working funds is operating expenses such as costs for purchasing necessary materials for production, manufacturing costs and selling, general and administrative expenses. The need for funds for investment is due to components such as capital expenditure and M&As.

Short-term working funds are derived from cash on hand and short-term borrowings from financial institutions. Capital expenditure and long-term working funds are derived from long-term borrowings from financial institutions and issuance of corporate bonds while utilizing cash on hand.

The balance of cash and cash equivalents is 645.8 billion yen and the balance of bonds, borrowings and lease liabilities totaled 400.7 billion yen as of the end of fiscal 2023. Of these, short-term borrowings totaled 87.4 billion yen, bonds and long-term borrowings totaled 164.7 billion yen, and lease liabilities totaled 148.4 billion yen.

Steadily executing the strategies above, the Group will work to further enhance its corporate value.

(5) Significant accounting estimates and judgments

The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards. Management is required to make judgments, estimates and assumptions that affect the amounts of assets, liabilities, income and expenses in preparation of the consolidated financial statements. Actual results may differ from these estimates. Accounting estimates and assumptions which could have a significant effect on amounts in the consolidated financial statements are as follows.

1) Estimated total cost of contracts in which performance obligations are satisfied over time

The Group recognizes revenue for specific construction contracts meeting certain criteria in the Infrastructure segment, Life segment and Business Platform segment according to the progress of the construction. The progress of construction is measured by comparing the cost incurred through the current year to the estimated total cost.

The estimated total cost is calculated for each contract based on various information such as the contract details of the relevant construction contract, required specifications, the presence or absence of new technological development elements, and historical incurred cost results for similar contracts.

As for construction contracts, the contract specifications and work contents are determined based on the customer's request,

and the contract contents are highly individualistic. Also, since many of them are with a relatively long period of time, the estimated total cost may fluctuate due to changes in the environment during the construction process, such as an increase in the cost compared to the initial estimate owing to delays in work processes and fluctuations in the cost owing to the occurrence of events not initially expected in the execution of construction using newly developed technologies.

Management believes that the total estimated costs for construction contracts, which are revised quarterly considering a comparison of the costs incurred up to the current quarter with prior estimates and the latest information based on the progress of construction at that time, are reasonable, but deviations between estimates and actual results due to changes in the future environment may affect the amount of revenue recognized by the Group.

2) Recognition and measurement of provisions

The Group records the expected amount of future losses on a construction contract in the Infrastructure segment, Life and Business Platform segment as a provision for loss on construction, if it is probable that the estimated total cost of such construction will exceed the contract order amount and if the expected loss amount can be reasonably estimated. The balance of provision for loss on construction as of March 31, 2023 is 55,491 million yen.

The estimated total cost is calculated for each contract based on various information such as the contract details of the relevant construction contract, required specifications, the presence or absence of new technological development elements, and historical incurred cost results for similar contracts.

As for construction contracts, the contract specifications and work contents are determined based on the customer's request, and the contract contents are highly individualistic. Also, since many of them are with a relatively long period of time, the estimated total cost may fluctuate due to changes in the environment during the construction process, such as an increase in the cost compared to the initial estimate owing to delays in work processes and fluctuations in the cost owing to the occurrence of events not initially expected in the execution of construction using newly developed technologies.

Management believes that the estimated amount of provision for loss on construction, which are revised quarterly considering a comparison of the costs incurred up to the current quarter with prior estimates and the latest information based on the progress of construction at that time, is reasonable, but deviations between estimates and actual results due to changes in the future environment may affect the profit or loss of the Group.

The Group generally offers warranties on their products against certain manufacturing and other defects for specific periods of time and/or used conditions of the product depending on the nature of the product, the geographic location of its sale and other factors. The Group records a provision for product warranties if it is probable that the future cost will be incurred as of the end of the fiscal year and if the expected cost can be reasonably estimated. The Group estimates future warranty costs based primarily on the historical experience of actual warranty claims as well as current information on repair costs. The balance of provision for product warranties as of March 31, 2023 is 57,962 million yen.

Management believes that the estimated amount of future warranty costs is reasonable, but deviations between estimates and actual results due to changes in the future environment may affect the profit or loss of the Group.

3) Recoverable amount of property, plant and equipment

The Group determines whether there is an indication of impairment for property, plant and equipment. If there is an indication of impairment, these assets are tested for impairment.

The recoverable amount of an asset or cash generating unit is the higher of its value in use and its fair value less costs of disposal. Estimated future cash flows used in the calculation of value in use are discounted to their present value using a pre-tax discount rate reflecting the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss if the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

Management believes that both the estimated future cash flows used in the calculation of value in use and the estimated fair value less costs of disposal are reasonable, but changes of the estimated recoverable amount of assets or cash-generating units due to the changes in the Group's business and assumptions could affect the recognition of impairment losses on property, plant and equipment in the future.

The Group believes that the estimates based on these assumptions are reasonable. However, if any changes occur in the economic environment and accordingly revisions are required for such estimates, the recognition of impairment losses may become necessary for the year ending March 31, 2023.

4) Recoverable amount of goodwill and intangible assets

The Group determines whether there is an indication of impairment for intangible assets with finite useful lives. If there is an indication of impairment, these assets are tested for impairment. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually.

Significant goodwill is the goodwill allocated to the air conditioning systems & home products business and the building systems business within the Life segment. The recoverable amount in impairment tests is calculated using value in use which is primarily calculated by discounting to the present value the estimated cash flows based on a five-year business plan and growth rates approved by management. The discount rate is calculated based on the pre-tax weighted average cost of capital. The main discount rates as of March 31, 2023 is 9.5%-14.0%. Growth rates are calculated by reference to long-term expected growth rates of the market to which the cash-generating unit to which the goodwill is allocated belongs. The main growth rates as of March 31, 2023 is 0.8%-2.0%.

Management believes that both the estimated cash flows based on the business plan and growth rates and discount rates are reasonable, but changes in the value in use resulting from the change of the estimated cash flows and discount rates due to the changes in the Group's business and assumptions could affect the recognition of impairment losses on goodwill and intangible assets in the future.

5) Recoverability of deferred tax assets

A deferred tax asset is recognized for deductible temporary differences, unused tax losses and tax credit carryforwards to the extent that is probable that they can be utilized against future taxable profit. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that is no longer probable that the related tax benefits will be realized.

In assessing the realizability of deferred tax assets, the Group consider whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profit during the periods in which those deductible temporary differences, unused tax loss carryforwards and tax credit carryforwards become deductible. The Group consider the scheduled reversal of deferred tax liabilities, projected future taxable profit, and tax planning strategies in making this assessment.

Management believes the probability that deferred tax assets determined to be recognizable at March 31, 2023 will be realized to be high, but if future estimated taxable profit decreases during the deferral period, deferred tax assets considered likely to be realized will be reduced.

6) Measurement of defined benefit obligation

The Group has non-contributory and contributory defined benefit plans covering its employees who meet eligibility requirements. Defined benefit obligation of employees is calculated based on actuarial assumptions, such as the discount rate, the retirement rate, the lump-sum payment selection rate, and the mortality rate. The amount of change in fair value arising from remeasurement of the present value of defined benefit obligations and the fair value of plan assets is fully recognized in other comprehensive income in the periods in which it arises and immediately reclassified to retained earnings.

The period of discount is determined based on the period to the date on which future annual benefits are expected to be paid. Discount rates are determined by reference to market yields consistent with the period of discount on high quality corporate bonds, at the end of this fiscal year. The discount rates as of March 31, 2023 is 1.2%.

Management believes that the calculation of actuarial assumptions is reasonable, but differences from actual results or changes in the actuarial assumptions may affect the amount of defined benefit obligations.

7) Fair value of financial instruments

The Group designates equity instruments which are held primarily to maintain and strengthen business relationships as financial assets measured at fair value through other comprehensive income. The fair value of non-marketable equity instruments is calculated based on comprehensively taking into consideration quantitative information on the net assets and other financial information of the investee and forecasts of its future cash flows.

Management believes that the estimates of fair value are reasonable, but changes in assumptions such as the performance of investee companies and future cash flows could affect the amount of other comprehensive income of the Group.

5. Material Agreements, etc.

(1) Technical license agreements as a licensor

Licensee	Description	Date of contract	Period of contract
Access Advance LLC	License of essential patents for High Efficiency Video Coding (HEVC) standard	May 23, 2016	Until the last expiration date of the licensed patent
Mitsubishi Electric Consumer Products (Thailand) Co., Ltd.	License of manufacturing technology for room air conditioners and package air conditioners	June 1, 1990	To be extended automatically
Shanghai Mitsubishi Electric & Shangling Air-Conditioner and Electric Appliance Co., Ltd.	License of manufacturing technology for room air conditioners, package air conditioners and ventilators	June 25, 2010	December 27, 2025
Mitsubishi Electric Air Conditioning Systems Europe Ltd.	License of manufacturing technology for air conditioners	October 1, 2005	To be extended automatically
Siam Compressor Industry Co., Ltd.	License of manufacturing technology for air-conditioning compressors	April 1, 2002	To be extended automatically
PIMS, S.A. de C.V.	License of manufacturing technology for package air conditioners	October 1, 2013	To be extended automatically
Mitsubishi Electric (Guangzhou) Compressor Co., Ltd.	License of manufacturing technology for air-conditioning compressors	December 28, 2011	December 31, 2024
Mitsubishi Electric Automation Manufacturing (Changshu) Co., Ltd.	License of manufacturing technology for servomotors	January 1, 2023	December 31, 2033
Mitsubishi Electric Automation Manufacturing (Changshu) Co., Ltd.	License of manufacturing technology for servo amplifiers	January 1, 2023	December 31, 2033

Notes: 1. All of the contracts above are contracted by the Company.

2. The license fee based on the above contracts will be paid corresponding to the sales. The license fee for some contracts will be paid by the amount specified by the contract.

6. Research and Development

Toward realizing sustainability, the Company advances research and development, aiming to provide solutions by fusing knowledge within and outside the Group as a “Circular Digital-Engineering” company.

We thoroughly enhance core technologies that create a competitive advantage for business, deepen fundamental technologies that support functions, properties, quality and reliability of equipment, systems and services, and investigate and create new technologies in a balanced way, preparing for a game change or any other event in the future. The Company will also accelerate development and create value through proactive cooperation with universities and other external R&D institutions, contributing to solving diversifying social issues.

During fiscal 2023, the total R&D expenses for the entire Group have amounted to 212.3 billion yen (9% increase compared to the previous fiscal year). Representative achievements for each business segment are as follows.

(1) Infrastructure

In the Infrastructure segment, the Group pursues research related to the development of transportation systems; network solution equipment; rotating machineries, such as generators and electric motors; highly efficient power transmission/distribution equipment and systems that contribute to decarbonization; supervision and control systems; information systems for power management; space systems; and solutions combining these (E&F solutions). The R&D expenditures for these fields were 32.9 billion yen and the main achievements are as follows.

1) Inundation Area Monitoring System

The Group has developed the inundation area monitoring system that can measure the area, depth, and volume of water in an inundated area and create a tinted map using aerial images of the disaster areas sent via communication-satellite from a helicopter dispatched to the site of a river overflow. The system safely and quantitatively assesses flood damage in the event of large-scale flooding. It thereby supports rapid rescue and restoration activities, such as planning the deployment and dispatch of drainage pump vehicles.

2) Mitsubishi’s “MELOOK AI” series of networked cameras

As a new network camera system product, the Group has developed the “MELOOK AI” series, which is equipped with an AI processor inside the camera to provide AI-based video analysis using only the camera itself. Detection of movement, number, and congestion of people and vehicles without requiring an external video analysis server helps reduce the amount of labor required for monitoring operations and lowers the overall system cost.

3) HVDC^{*1} system

The Group has completed basic performance verification of a compact, low-loss, voltage sourced converter HVDC system using our own high-performance power semiconductors. In addition, to enhance our development capabilities, we acquired Scibreak AB, a Swedish-based company that has the world’s highest level DCCB (direct current circuit breakers) technology. The HVDC system transmits DC power from photovoltaics, wind, and other energy sources with low loss, contributing to the realization of carbon neutrality through the further spread of renewable energy.

4) Technology for the Freeform Printing of Satellite Antennas in Outer Space

The Group has developed a technology that uses solar ultraviolet light and photosensitive resin for manufacturing a satellite antenna in the vacuum of outer space. The antenna, which used to be folded at launch, no longer requires the structure to unfold it in space. It is now possible to encapsulate an antenna with a large aperture in a small launch vehicle fairing, thereby reducing both total satellite weight and launch costs.

(2) Industry & Mobility

In the Industry & Mobility segment, R&D activities are aimed at enhancing the competitiveness of our lineup, which includes FA systems; drive products, such as AC servo motor systems; power distribution and control equipment; mechatronics equipment; industrial robots; automotive electric and electronic components, including electric power steering (EPS) and related products; and automated driving, accident avoidance; ADAS^{*2}. The R&D expenditures for these fields were 70.5 billion yen and the main achievements are as follows.

1) Data-science Tool “MELSOFT MaiLab”

The Group has developed a data-science tool that enables non-specialists to automatically analyze and diagnose factory data. Mitsubishi Electric’s MELSOFT MaiLab tool utilizes AI technologies like deep learning and other statistical methods to automatically learn how skilled workers make judgments, while enabling easy handling without requiring any special knowledge of factory operations. After the automatic learning process, the analysis and diagnosis results can be applied to automate improvement efforts on the production site which until now has relied on the experience of skilled workers, and further increase productivity.

2) Wire-laser Metal 3D Printer “AZ600”

The Group has developed a wire-laser metal 3D printer “AZ600”, which melts welding wire with a laser beam to create high-quality 3D structures. Digital molding-manufacturing technology combined with simultaneous 5-axis spatial control and coordinated control of machining conditions, a world’s first^{*3}, delivers stable, high-quality 3D printing. In addition, the Group applies a near-net-shape method^{*4} to parts machining, which realized both energy saving by shortening machining time and a reduction in waste materials, and contributes to manufacturing in a decarbonized era that considers the environmental impact.

Although this matter was announced on February 24, 2022, it is included in this column because the main contribution to business performance is in the current consolidated fiscal year.

3) ECU^{*5} with integrated ADAS control and body control functions

The Group has developed and mass-produced an ADAS-ECU that both maintains the housing size while providing heat dissipation solutions, which are a challenge when integrating ADAS control functions and body control functions into a single ECU. The Group will continue to contribute to the realization of a safe and comfortable traffic society by developing products that are compatible with more advanced levels of automated driving by, for example, linking with road-to-vehicle and vehicle-to-vehicle communications and utilizing in-vehicle sensors.

(3) Life

In the Life segment, the Group is engaged in the development of elevators and escalators and building management systems as well as such products as air conditioning equipment, kitchen appliances, household appliances, lighting, and electronic housing products. The R&D expenditures for these fields were 59.1 billion yen and the main achievements are as follows.

1) “Elemotion+ [STEP],” a renewal construction menu for Mitsubishi Elevators

Unlike conventional renewal work that is done continuously over a certain period of time, the Group has developed a hybrid control panel that simultaneously controls the old and new electrical system equipment to facilitate phased construction. This has enabled construction contracts to be divided into multiple installments to accommodate the individual circumstances and needs of building and condominium owners. This will help maintain and improve the safety, security, and comfortable environment of more buildings by expanding the lineup of renewal products that meet various customer needs while maintaining the convenience of users’ movement within the building.

2) Development of Room Air Conditioner Kirigamine “Z Series” with “Emocotech”^{*6}

Vital sensor “emoco-eye”^{*7} was jointly developed with FUJITSU COMPONENT LIMITED and Carea Corporation Limited. This sensor is the world’s first^{*8} non-contact sensor to estimate emotions from a human pulse wave, and the new “Kirigamine Z Series” with it is the world’s first^{*9} air conditioning system called “emoco-tech” that adjusts the air environment to the user’s mood when combined with the existing infrared sensor “Move-Eye mirA.I.+ (Mirai Plus)”. This technology contributes to consumer well-being.

3) Recycling of process waste from composite main wings for Boeing 787 into our home appliance parts

In collaboration with Mitsubishi Heavy Industries, Ltd., the Group has developed a recycling technology to apply carbon fiber composite materials, which are waste materials from the composite main wings of Boeing’s 787 medium-sized jet airliner to home appliance parts, and reused them for the pipe and handle parts of the “iNSTICK ZUBAQ” cordless vacuum cleaner series. Through collaboration to use recycled materials more effectively, the Group will promote their reuse not only in home appliances but also in various other applications in the future, thereby contributing to the reduction of greenhouse gas emissions and the realization of a carbon-neutral society.

(4) Business Platform

In the Business Platform segment, our R&D focuses on information technology driving digital transformation, and semiconductor and other electronic devices that are themselves vital components used in various business segments. The R&D expenditures for these fields were 12.3 billion yen and the main achievements are as follows.

1) “cocono”^{*10}, a centralized GHG emissions data management solution

The Group has developed “cocono”, a centralized GHG emissions data management solution, as a foundation for companies to efficiently collect and manage GHG emissions from each of their sites and products. By collecting GHG protocol-compliant data and visualizing it on a dedicated dashboard, the system enables multifaceted analysis for GHG reduction and contributes to GHG emissions reduction.

2) High-performance power semiconductor module

The Group has developed “HV100 dual type X-Series HVIGBT”^{*11} module with a high voltage of 4.5 kV and rated current of 450A” and “SLIMDIP-Z” series as a key device to help realize a decarbonized society.

“HV100 dual type X-Series HVIGBT module with a high voltage of 4.5 kV and rated current of 450A” achieves an industry-leading^{*12} current rating of 450A among 4.5 kV silicon HVIGBT modules. It will contribute to even higher output,

higher efficiency and improved system reliability for inverters used in large industrial equipment requiring high dielectric strength.

In addition, “SLIMDIP-Z” series has increased the maximum rated current to 30A while maintaining the same package size compared to previous products^{*13} through the use of a uniquely optimized silicon semiconductor chip and improved heat dissipation. Going forward, it will be adopted in inverters for home appliances and industrial motors, contributing to the simplified designing, downsizing, and reduced costs of inverter boards.

3) Next-generation high-speed optical fiber communication devices

As a semiconductor laser diode chip for optical transceivers^{*14}, the Group has developed a “200Gbps (112Gbaud^{*15} PAM4^{*16}) EML^{*17} chip” that achieves 200 Gbps high-speed operation by enhancing the performance of the EML chip and our unique structure. The four chips supporting CWDM^{*18} can achieve 800 Gbps, and the eight chips supporting CWDM can achieve 1.6 Tbps by expanding the wavelength, enabling high-speed, high-capacity data centers to respond to exponentially increasing data-traffic demand due to the growth of video distribution services.

(5) Others/Company-wide (cutting-edge R&D/common basic technologies)

In the area of R&D for new technologies, the Group has been promoting R&D for new and basic technologies in order to solve social issues and create and provide value. The R&D expenditures for these fields were 37.4 billion yen and the main achievements are as follows.

1) “Quantum Artificial Intelligence Technology”^{*19} using automated design to realize compact inference models

The Group has developed quantum machine learning technology that automatically designs and optimizes the learning model, thereby downsizing the computational scale. The quantum machine learning technology developed in this research enables a significant reduction in computation time even with limited training data by combining it with classical machine learning frameworks^{*20} and collaborative learning. For the first time in the world^{*21}, the Group has confirmed that this technology contributes to higher performance in several areas, including nondestructive terahertz (THz)^{*22} inspections, indoor monitoring in which Wi-Fi signals are used to observe room environments for human movements, a compressed sensing application, biosignal processing, and more. The Group will further develop its quantum machine learning technology, targeting practical applications in a wide range of industrial fields such as factory automation, air conditioning, building systems and mobility.

2) Tomographic Imaging Technology to Visualize Hidden Objects with Millimeter Accuracy

The Group has developed what is believed to be the first industrial tomographic-imaging technology^{*23} that uses a 300GHz terahertz wave for one-shot, one-direction measurements at any depth. Scanning of moving objects is now possible, and because the scanning equipment can be made smaller, it can be installed in a variety of locations, such as walk-through security gates and non-destructive inspection on production lines running on conveyor belts and the like. The Group will continue to proceed with research and development for practical use and contribute to the realization of a safe and secure society.

3) “DC^{*24} multi-voltage system” that realizes the industry's highest class^{*25} of highly efficient power conversion

“DC multi-Voltage system” has been developed as a power converter for medium- and low-voltage DC distribution systems of 750 V DC or less. By applying SiC^{*26} to power semiconductor devices, the Group has achieved the industry's highest class of power conversion efficiency. Compared to conventional systems^{*27}, the power loss of the power converter can be reduced by 45%, while the volume and mass of the converter panel can be reduced by 20% and 36%, respectively. In addition, a new “multi-voltage feeder circuit” method optimizes the supply voltage to connected equipment and devices and reduces power losses by 20% compared to existing AC power distribution systems. It helps to reduce greenhouse gas emissions while saving space in the installation site.

4) Lead-free technology for “SOIPM”^{*28}

For IPMs used in motor drives, the Group has developed SOIPMs that employ a surface-mount package for easy board mounting and sintered silver-containing bonding material. By optimizing the processing conditions for material supply, chip mounting, sintering, and hardening, and by making the die bond^{*29} material lead-free, the Group will achieve reliability and higher heat dissipation, contributing to an energy-saving society.

*1 HVDC: High Voltage Direct Current

*2 ADAS: Advanced Driver Assistance System

*3 As of February 24, 2022 (according to internal research)

*4 A near-finished shape is formed.

*5 ECU: Electronic Control Unit: Device to control the system using electronic circuits

*6 Emotion Conditioning Technology (our coined word)

*7 Emotion Conditioning Eye (our coined word)

*8 As of September 6, 2022, in the field of electronic device sensors (according to internal research)

*9 As of November 1, 2022, in residential air conditioners (according to internal research)

- *10 “cocono” is a registered trademark of Mitsubishi Electric Information Systems Corporation.
- *11 HVIGBT: High Voltage Insulated Gate Bipolar Transistor
- *12 As of April 25, 2023, among Si IGBT modules with 4.5 kV withstand voltage (according to internal research)
- *13 Compared to “SLIMDIP-X” with a maximum rated current of 20A
- *14 Electronic components that mutually convert electrical and optical signals
- *15 baud: Unit for the number of modulations per second. 112 Gbaud means 112 billion modulations per second.
- *16 PAM4: 4-level pulse-amplitude modulation, a method of transmitting as a 4-level pulse signal instead of the conventional binary bit sequence consisting of “0” and “1”.
- *17 EML: Electro-absorption Modulator integrated Laser diode, semiconductor laser diode with integrated electro-absorption optical modulator
- *18 CWDM: Coarse Wavelength Division Multiplexing, one of the wavelength division multiplexing communication technologies in optical communications, in which signals of multiple wavelengths at intervals of 20 nm are transmitted over a single optical fiber. The new chip supports four CWDM wavelengths—1271, 1291, 1311 and 1331nm.
- *19 Machine learning performed with quantum computers, which provide advanced processing power by utilizing the “superposition” state, a quantum mechanical phenomenon.
- *20 Machine learning designed to run on conventional computers
- *21 As of December 2, 2022 (according to internal research)
- *22 Located in the frequency range between light and radio waves, it is an electro-magnetic wave having a frequency around 0.1-10THz.
- *23 As of March 29, 2023 (according to internal research)
- *24 DC: Direct Current
- *25 As of November 17, 2022 (according to internal research)
- *26 SiC: Silicon Carbide
- *27 Compared to our power converters for medium and low voltage DC distribution systems
- *28 SOIPM: Surface-mount Package Intelligent Power Module
- *29 Die bond: A process that uses adhesive to fix a divided device to a lead frame or a chip-mounted portion of a multilayer board.

III. Property, Plants and Equipment

1. Summary of Capital Investment, etc.

The Mitsubishi Electric Group (the Company and its consolidated subsidiaries) will strive to further increase its corporate value by strategic and focused resource investment based on the Medium-term Management Plan under the new business area management structure. We will pay close attention to changes in the business environment and thoroughly review, select and concentrate the investments and examine the timing of execution when making capital investments.

Capital Investment in the fiscal year ended March 31, 2023 was 240,971 million yen (based on the recognized value of property, plant and equipment). A breakdown of capital investment by business segments is as follows. The classification of reportable segments was changed effective April 1, 2022.

Business Segment	Capital Investment (millions of yen)		
	Property, plant and equipment	Right-of-use assets	Total
Infrastructure	23,918	2,571	26,489
Industry & Mobility	49,645	2,750	52,395
Life	51,179	16,759	67,938
Business Platform	28,115	4,319	32,434
Others	2,950	6,021	8,971
Common	8,662	44,082	52,744
Total	164,469	76,502	240,971

The main purpose of investments by segments in the fiscal year ended March 31, 2023 are as follows.

In Infrastructure, investments were executed mainly for streamlining operations, and enhancing quality in power systems, electric equipment for rolling stock, and space-related equipment.

In Industry & Mobility, investments were executed mainly for increasing production capacity in factory automation systems and automotive equipment.

In Life, investments were executed mainly for increasing production capacity, streamlining operations, and enhancing quality of the elevators/escalators and the air conditioners.

In Business Platform, investments were executed mainly for increasing production capacity in the power device business and the development of information and communications infrastructure.

In Common, investments were executed mainly for bolstering research and development capabilities, and the development of infrastructure related to the quality assurance system.

Capital investments are derived from cash on hand and funds from operations.

For the fiscal year ended March 31, 2023, production capacity was not materially affected by the sale, disposal, damage, or loss due to natural disasters of property, plant and equipment.

2. Major Property, Plants and Equipment

The Mitsubishi Electric Group (the Company and its consolidated subsidiaries) engages in diverse business operations in Japan and overseas. It discloses information on the property, plants and equipment represented in breakdown by business segment and major facilities of the Company and its consolidated subsidiaries.

The situation at the end of the fiscal 2023 is as follows.

(1) Breakdown by business segment

Business segment	Carrying amount (millions of yen)					Number of employees (persons)
	Buildings and structures	Machinery and equipment	Land (Area in thousands of m ²)	Others	Total	
Infrastructure	95,539	16,184	17,722 (2,555)	16,642	146,087	21,840
Industry & Mobility	99,170	45,606	15,540 (2,316)	24,605	184,021	31,897
Life	128,657	57,312	39,501 (6,478)	43,563	269,033	61,833
Business Platform	37,645	40,541	5,719 (710)	26,955	110,860	11,557
Others	46,390	2,559	24,103 (526)	4,129	77,181	16,575
Common	76,307	5,559	9,282 (397)	17,083	108,231	5,953
Total	483,708	167,761	111,867 (12,986)	132,977	896,313	149,655

Notes: 1. Carrying amount is carrying amount of property, plant and equipment (including right-of-use assets), and “Others” includes the amount of construction in progress.

2. “Common” includes the amount of elimination of consolidation.

3. Land area indicates the area of land owned by the Company and its consolidated subsidiaries.

(2) The Company

Facility (Main location)	Business Segment	Details of major facilities and equipment	Carrying amount (millions of yen)					Number of employees (persons)
			Buildings and structures	Machinery and equipment	Land (Area in thousands of m ²)	Others	Total	
Kobe Works Energy Systems Center (Hyogo-ku, Kobe-shi)	Infrastructure	Manufacturing facilities for surveillance-system control and generative equipment, etc.	24,621	2,161	1,627 (342)	2,871	31,280	2,166
Itami Works Transmission & Distribution Systems Center (Amagasaki-shi, Hyogo)	Infrastructure	Manufacturing facilities for electrical equipment for locomotives and rolling stock, power transmission/distribu tion equipment, etc.	23,075	3,878	2,625 (865)	2,937	32,515	2,008
Kamakura Works (Kamakura-shi Kanagawa)	Infrastructure	Manufacturing facilities for electronic equipment, etc.	22,213	3,458	2,098 (439)	4,361	32,130	2,212
Nagoya Works Industrial Mechatronics Systems Works (Higashi-ku, Nagoya-shi)	Industry & Mobility	Manufacturing facilities for factory automation systems	30,931	7,765	4,784 (710)	7,848	51,328	3,779
Himeji Works (Himeji-shi, Hyogo)	Industry & Mobility	Manufacturing facilities for automotive equipment	21,350	5	4,589 (271)	100	26,044	3,478
Shizuoka Works (Suruga-ku, Shizuoka-shi)	Life	Manufacturing facilities for air conditioning equipment and refrigerator, etc.	13,290	5,906	914 (206)	5,159	25,269	2,193
Power Device Works (Nishi-ku, Fukuoka-shi)	Business Platform	Manufacturing facilities for semiconductors	7,502	8,647	91 (188)	7,059	23,299	716

Notes: 1. Carrying amount is carrying amount of property, plant and equipment (including right-of-use assets), and "Others" includes the amount of construction in progress.

2. Land area indicates the area of land owned by the Company.

3. Carrying amount and number of employees include the amount and the number of people in branch factories, etc. of each work.

4. Land of Itami Works and Transmission & Distribution Systems Center includes land of Communication System Center (currently Electronics and Communication Systems Center) and Communication Networks Center, etc.

(3) Domestic subsidiaries

Facility (Main location)	Business segment	Details of major facilities and equipment	Carrying amount (millions of yen)					Number of employees (persons)
			Buildings and structures	Machinery and equipment	Land (Area in thousands of m ²)	Others	Total	
Mitsubishi Electric Building Solutions Corporation, Head office (Chiyoda-ku, Tokyo)	Life	Other facilities	40,726	3,788	12,439 (345)	5,565	62,518	11,808
Mitsubishi Electric Engineering Co., Ltd., Head office (Chiyoda-ku, Tokyo)	Others	Other facilities	2,587	53	505 (8)	1,023	4,168	5,300
Mitsubishi Electric System & Service Co., Ltd., Head office (Setagaya-ku, Tokyo)	Others	Other facilities	1,919	44	1,984 (19)	410	4,357	1,998
Mitsubishi Electric Life Service Corporation, Head office (Minato-ku, Tokyo)	Others	Other facilities	16,757	534	13,051 (120)	246	30,588	1,340
Mitsubishi Electric Logistics Corporation, Head office (Shibuya-ku, Tokyo)	Others	Other facilities	20,103	1,343	9,968 (316)	1,129	32,543	980

Notes: 1. Carrying amount is carrying amount of property, plant and equipment (including right-of-use assets), and "Others" includes the amount of construction in progress.

2. Land area indicates the area of land owned by subsidiaries.

3. Some buildings and structures, land of Mitsubishi Electric Life Service Corporation are leased to the Company.

4. The subsidiaries in the table above have sales offices nationwide, so the figures are on corporate total amount.

(4) Overseas subsidiaries

Facility (Main location)	Business segment	Details of major facilities and equipment	Carrying amount (millions of yen)					Number of employees (persons)
			Buildings and structures	Machinery and equipment	Land (Area in thousands of m ²)	Others	Total	
Mitsubishi Electric Automation Manufacturing (Changshu) Co., Ltd. (Changshu, China)	Industry & Mobility	Manufacturing facilities for factory automation	5,077	3,517	— (—)	1,117	9,711	889
Mitsubishi Electric Automotive de Mexico, S.A. de C.V. (Querétaro, Mexico)	Industry & Mobility	Manufacturing facilities for automotive electrical equipment and car multimedia	4,980	5,158	458 (150)	426	11,022	1,251
Mitsubishi Electric Automotive Czech s.r.o. (Slany, Czech)	Industry & Mobility	Manufacturing facilities for automotive electrical equipment	4,016	7,321	1 (142)	1,697	13,035	764
Mitsubishi Electric Thai Auto-Parts Co., Ltd. (Rayong, Thailand)	Industry & Mobility	Manufacturing facilities for automotive electrical equipment and car multimedia	3,389	2,476	775 (146)	2,241	8,881	2,198
Mitsubishi Elevator Asia Co., Ltd. (Chonburi, Thailand)	Life	Manufacturing facilities for elevators and escalators	4,364	1,929	911 (159)	909	8,113	1,476
Siam Compressor Industry Co., Ltd. (Chonburi, Thailand)	Life	Manufacturing facilities for compressors	956	12,462	2,858 (—)	2,524	18,800	2,372
Mitsubishi Electric Consumer Products (Thailand) Co., Ltd. (Chonburi, Thailand)	Life	Manufacturing facilities for air conditioning equipment	6,508	6,273	4,656 (422)	5,871	23,308	2,708
Mitsubishi Electric (Guangzhou) Compressor Co., Ltd. (Guangzhou, China)	Life	Manufacturing facilities for compressors	1,218	7,544	— (—)	5,343	14,105	2,577

Notes: 1. Carrying amount is carrying amount of property, plant and equipment (including right-of-use assets), and “Others” includes the amount of construction in progress.

2. Land area indicates the area of land owned by subsidiaries.

3. Plans for Capital Investment, Disposals of Property, Plants and Equipment, etc.

The Mitsubishi Electric Group (the Company and its consolidated subsidiaries) engages in diverse business operations in Japan and overseas, and has not decided on specific plans to newly install or expand each of facilities as of the end of this fiscal year. For this reason, it discloses amounts of capital investment by business segment.

The amount of capital investment (new installation and expansions) for the fiscal year ending March 31, 2024 will be 315,000 million yen (based on investment decisions) and a breakdown by business segment is as follows. The classification of reportable segments was changed effective April 1, 2023.

Business segment	Amount (millions of yen)	Main purpose of investment
Infrastructure	49,000	Streamlining operations, and enhancing quality of electric equipment for rolling stock, power systems, and space-related equipment, etc.
Industry & Mobility	112,000	Increasing production capacity for factory automation systems and automotive equipment operations, etc.
Life	88,000	Increasing production capacity, streamlining operations, and enhancing quality of elevators/escalators and air conditioners, etc.
Business Platform	5,000	Development of information and communications infrastructure, etc.
Semiconductor & Device	37,000	Increasing production in the power device business, etc.
Others	8,000	—
Common	16,000	Bolstering research and development capabilities, etc.
Total	315,000	—

Notes: 1. There are no plans to dispose or sell principal facilities, with the exception of disposing and selling facilities due to routine upgrading.

2. These investments are mostly derived from cash on hand and funds from operations.

The Group is expected to finance through borrowings and by issuing bonds as necessary.

3. The figures in the table above do not include real estate leasing, etc.

IV. Information on the Company

1. Information on the Company's Stock, etc.

(1) Total number of shares, etc.

1) Total number of shares

Class	Authorized shares (shares)
Common stock	8,000,000,000
Total	8,000,000,000

2) Issued shares

Class	Number of shares issued as of the end of fiscal year (shares) (March 31,2023)	Number of shares issued as of the filing date (shares) (June 29,2023)	Stock exchange on which the Company is listed	Description
Common stock	2,147,201,551	2,147,201,551	Tokyo (Prime Market)	The number of shares per one unit of shares is 100 shares.
Total	2,147,201,551	2,147,201,551	—	—

Notes: 1. Common stock in the table above has voting rights.

2. The Company applied to the London Stock Exchange for delisting on January 4, 2023 and was delisted on February 2, 2023.

(2) Information on the stock acquisition rights, etc.

1) Details of stock option plans

Not applicable.

2) Details of right plans

Not applicable.

3) Details of other stock acquisition rights, etc.

Not applicable.

(3) Information on moving strike convertible bonds, etc.

Not applicable.

(4) Changes in the total number of issued shares and the amount of common stock, etc.

Date	Change in the total number of issued shares (Thousand shares)	Balance of the total number of issued shares (Thousand shares)	Change in common stock (millions of yen)	Balance of common stock (millions of yen)	Change in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
From April 1,2018 to March 31,2019	—	2,147,201	—	175,820	—	181,140
From April 1,2019 to March 31,2020	—	2,147,201	—	175,820	—	181,140
From April 1,2020 to March 31,2021	—	2,147,201	—	175,820	—	181,140
From April 1,2021 to March 31,2022	—	2,147,201	—	175,820	—	181,140
From April 1,2022 to March 31,2023	—	2,147,201	—	175,820	—	181,140

(5) Outstanding share information by shareholder category

As of March 31,2023

Category	Status of shares (one unit of stock:100 shares)								Number of shares less than one unit (shares)
	Government and municipal public organizations	Financial institutions	Traders of financial instruments	Other corporations	Foreign corporations <i>et al.</i>		Individual <i>et al.</i>	Total	
					Non-individuals	Individuals			
Number of shareholders (persons)	—	122	54	1,231	883	104	107,020	109,414	—
Number of shares Held (units)	—	8,049,668	561,520	756,224	9,112,508	831	2,987,104	21,467,855	416,051
Ownership percentage of shares (%)	—	37.50	2.62	3.52	42.45	0.00	13.91	100	—

Notes: 1. Of 34,098,941 shares of treasury stock, 340,989 units are included in “Individual *et al.*” and 41 shares are included in “Number of shares less than one unit”.

2. Of the shares registered in the name of Japan Securities Depository Center, Inc., 67 units are included in “Other corporations” and 80 shares are included in “Number of shares less than one unit”.

(6) Principal shareholders

As of March 31, 2023

Name	Address	Number of shares held (thousand shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	332,483	15.73
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited., Tokyo branch)	ONE LINCOLN STREET, BOSTON MA USA 02111 (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	117,992	5.58
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	106,410	5.04
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	81,862	3.87
Mitsubishi Electric Group Employees Shareholding Union	7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo	45,979	2.18
JP MORGAN CHASE BANK 380055 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Service Department)	270 PARK AVENUE, NEW YORK, NY 10017, UNITED STATES OF AMERICA (15-1, Konan 2-chome, Minato-ku, Tokyo)	37,178	1.76
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	36,339	1.72
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Service Department)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	33,373	1.58
JP MORGAN CHASE BANK 385781 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Service Department)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (15-1, Konan 2-chome, Minato-ku, Tokyo)	25,633	1.21
THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Service Department)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	23,516	1.11
Total	—	840,769	39.79

Notes: 1. In addition to the above, the Company owns 34,098,941 company-owned shares.

2. Mitsubishi UFJ Financial Group, Inc. submitted a change report on the Statements of Large-Volume Holdings with MUFG Bank, Ltd. and 3 other companies as co-owners on November 21, 2022. However, since the Company cannot confirm the number of shares actually owned as of March 31, 2023, "Principal shareholders" column is based on the shareholder registry. The shareholding status as of November 14, 2022 according to the report is as follows.

Name	Address	Number of shares held (Thousand shares)	Ownership percentage to the total number of issued shares (%)
MUFG Bank, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	22,411	1.04
Mitsubishi UFJ Trust and Banking Corporation	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	77,899	3.63
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo	18,233	0.85
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	9-2, Otemachi 1-chome, Chiyoda-ku, Tokyo	2,581	0.12

(7) Information on voting rights

1) Issued shares

(As of March 31,2023)

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting right	—	—	—
Shares with restricted voting right (treasury stock, etc.)	—	—	—
Shares with restricted voting right (others)	—	—	—
Shares with full voting right (treasury stock, etc.)	Common stock 34,354,100	—	Standard common stock of the Company without any restriction. Number of shares constituting one unit: 100 shares
Shares with full voting right (others)	Common stock 2,112,431,400	21,124,314	Same as above
Shares less than one unit	Common stock 416,051	—	Same as above
Number of shares issued	2,147,201,551	—	—
Total number of voting rights	—	21,124,314	—

Notes: 1. The number of shares in “Shares less than one unit” includes 41 shares as treasury stocks, 111 shares held by the Board Incentive Plan Trust and 80 shares registered in the name of Japan Securities Depository Center, Inc.

2. The number of shares and the number of voting rights in “Shares with full voting right (others)” include 6,700 shares (67 voting rights) registered in the name of Japan Securities Depository Center, Inc. and 1,582,900 shares (15,829 voting rights) held through the Board Incentive Plan Trust.

2) Treasury stock, etc.

(As of March 31,2023)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the name of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
Mitsubishi Electric Corporation	7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo	34,098,900	—	34,098,900	1.59
Ryoyo Electric Corporation	6621, Oda, Yakage-cho, Oda-gun, Okayama	243,200	—	243,200	0.01
KITA KOUDENSHA Corporation	2-10, Kita 11-jo Nishi 23-chome, Chuo-ku, Sapporo-shi, Hokkaido	12,000	—	12,000	0.00
Total	—	34,354,100	—	34,354,100	1.60

Note: In addition to 34,098,900 shares owned by the Company in the table above and 41 shares less than one unit owned by the Company, 1,583,011 shares of the Company held through the Board Incentive Plan Trust are included in treasury stock in the consolidated financial statements and the financial statements.

(8) Share ownership plan for Executives and employees

The Company has introduced a performance-based compensation plan (“the Plan”), including stock compensation, for its Executive Officers to increase their awareness of the necessity to contribute to enhancing the medium- to long-term corporate value of the Group and to share that value with shareholders. However, the Company has revised the entire compensation structure for our Executive Officers to further clarify the roles and responsibilities of Executive Officers and to evaluate more rigorously their short-, medium-, and long-term incentive compensation based on the achievement level of the performance indices and has revised the Plan as well since fiscal year ending March 31, 2023.

In addition, the Company has newly appointed Executive Officers (Associate) effective April 1, 2022. Although the compensation plan applied to Executive Officers (Associate) is different from the compensation plan for Executive Officers, Executive Officers (Associate) are also included in the Plan for the purpose of increasing their awareness of the necessity to contribute to enhancing the medium- to long-term corporate value of the Group and to share that value with shareholders.

1) Overview of the Plan

The Board Incentive Plan Trust (“BIP Trust”) has been adopted for the Plan. The BIP Trust is a stock incentive plan for executives based on the Performance Share Plan and Restricted Stock Plan in the U.S. Under the Plan, the Company acquires its own shares through the BIP Trust based on the degree of the attainment of the business performance, which will be granted to the Executive Officers and Executive Officers (Associate) (“Executive Officers, etc.”) as stock compensation.

The Company will decide the amount to be contributed to the BIP Trust, the method the BIP Trust will acquire the Company shares, and other necessary matters, at the Compensation Committee meeting held at a certain time each year, and will create a trust on an annual basis based on such decision, beneficiaries of which are the Executive Officers, etc. who meet the beneficiary requirements.

If there is any trust for which the 3-year trust term expires at that point of time, the Company may not create a new trust, but may extend the trust term, by revising the trust agreement and entrusting additional money to the existing trust upon the expiry of the trust term of the existing trust; also in such case, the Compensation Committee, etc. will make a decision on the extension of the trust term. Based on the resolution on the renewal of the Plan at the Compensation Committee, etc. held on May 27, 2021, the Company extended the trust term of the BIP Trust, which was created to provide stock compensation to the Executive Officers of the Company for the fiscal year ended March 31, 2018, along with the revision of the trust agreement and the entrustment of additional money. Based on the resolution on the renewal of the Plan at the Compensation Committee, etc. held on May 25, 2022, the Company extended the trust term of the BIP Trust, which was created to provide stock compensation to the Executive Officers of the Company for the fiscal year ended March 31, 2019, along with the revision of the trust agreement and the entrustment of additional money. Based on the resolution on the renewal of the Plan at the Compensation Committee, etc. held on May 24, 2023, the Company extended the trust term of the BIP Trust, which was created to provide stock compensation to the Executive Officers of the Company for the fiscal year ended March 31, 2020, along with the revision of the trust agreement and the entrustment of additional money.

2) Outline of the trust agreement

<For the fiscal year ended March 31, 2021>

The BIP Trust was created based on the decision at the Compensation Committee, etc. held on May 27, 2021 on the amount of stock compensation (the amount of trust money to be contributed to the BIP Trust) for the Executive Officers of the Company under the Plan for the fiscal year ended March 31, 2021.

- | | |
|--------------------------------|--|
| a. Type of trust: | Money trust other than individually operated designated money trust (a third-party benefit trust) |
| b. Objective of trust: | Granting of incentives for the Executive Officers |
| c. Entruster: | The Company |
| d. Trustee: | Mitsubishi UFJ Trust and Banking Corporation
(Co-trustee: The Master Trust Bank of Japan, Ltd.) |
| e. Beneficiary: | Executive Officers who meet the beneficiary requirements |
| f. Trust caretaker: | A third party with no interest in the Company (certified public accountant) |
| g. Trust agreement date: | June 1, 2021 |
| h. Trust term: | From June 1, 2021 to August 31, 2024 (planned) |
| i. Inception date of the Plan: | June 1, 2021 |

- j. Amount of the trust money: 526,691 thousand yen (including trust fees and trust expenses)
* The above amount of the trust money includes residual properties to be succeeded from the existing BIP Trust.
- k. Class of shares to be acquired: The Company's common stock
- l. Method of acquiring shares: To be acquired from the stock market
- m. Period of acquiring shares: From June 2, 2021 to June 14, 2021
- n. Holder of vested rights: The Company
- o. Exercise of voting rights: Not to be exercised
- p. Residual properties: Residual properties, which the Company as a holder of vested rights is entitled to receive, shall be to the extent of reserves for trust expenses, which are calculated by deducting the funds to acquire the Company shares from the trust money.

<For the fiscal year ended March 31, 2022 and for the fiscal year ending March 31, 2023>

The BIP Trust was created based on the decision at the Compensation Committee, etc. held on May 25, 2022 on the amount of stock compensation (the amount of trust money to be contributed to the BIP Trust) for the Executive Officers, etc. of the Company under the Plan for the fiscal year ended March 31, 2022 and for the fiscal year ending March 31, 2023.

- a. Type of trust: Money trust other than individually operated designated money trust (a third-party benefit trust)
 - b. Objective of trust: Granting of incentives for the Executive Officers
 - c. Entruster: The Company
 - d. Trustee: Mitsubishi UFJ Trust and Banking Corporation
(Co-trustee: The Master Trust Bank of Japan, Ltd.)
 - e. Beneficiary: Executive Officers and Executive Officers (Associate) who meet the beneficiary requirements
 - f. Trust caretaker: A third party with no interest in the Company (certified public accountant)
 - g. Trust agreement date: June 1, 2022
 - h. Trust term: From June 1, 2022 to August 31, 2025 (planned)
 - i. Inception date of the Plan: June 1, 2022
 - j. Amount of the trust money: 1,437,625 thousand yen *1 *2
(Reference) Amount of stock compensation for Executive Officers, etc.
For Executive Officers:
556,007 thousand yen (for the fiscal year ended March 31, 2022) *3
815,402 thousand yen (for the fiscal year ending March 31, 2023) *4
For Executive Officers (Associate):
64,400 thousand yen (for the fiscal year ending March 31, 2023) *4
- *1 The above amount of the trust money includes residual properties to be succeeded from the existing BIP Trust.
- *2 The above amount of the trust money includes trust fees and trust expenses as well as the amount affected by stock price fluctuations at the time of stock acquisition, and therefore does not match the total amount of stock-based compensation for Executive Officers, etc.
- *3 Details were disclosed on May 28, 2015, in the Company's news release, "Mitsubishi Electric to Announce about Introduction of Performance-based Stock Compensation Plan for the Executive Officers."
- *4 The amount indicated is the total amount of the PSU at its maximum granted rate (200%) and the RSU.
- k. Class of shares to be acquired: The Company's common stock
 - l. Method of acquiring shares: To be acquired from the stock market
 - m. Period of acquiring shares: From August 3, 2022 to August 15, 2022
 - n. Holder of vested rights: The Company
 - o. Exercise of voting rights: Not to be exercised

- p. Residual properties: Residual properties, which the Company as a holder of vested rights is entitled to receive, shall be to the extent of reserves for trust expenses, which are calculated by deducting the funds to acquire the Company shares from the trust money.

<For the fiscal year ended March 31, 2024>

The BIP Trust was created based on the decision at the Compensation Committee, etc. held on May 24, 2023 on the amount of stock compensation (the amount of trust money to be contributed to the BIP Trust) for the Executive Officers of the Company under the Plan for the fiscal year ended March 31, 2024.

- a. Type of trust: Money trust other than individually operated designated money trust (a third-party benefit trust)
- b. Objective of trust: Granting of incentives for the Executive Officers
- c. Entruster: The Company
- d. Trustee: Mitsubishi UFJ Trust and Banking Corporation
(Co-trustee: The Master Trust Bank of Japan, Ltd.)
- e. Beneficiary: Executive Officers and Executive Officers (Associate) who meet the beneficiary requirements
- f. Trust caretaker: A third party with no interest in the Company (certified public accountant)
- g. Trust agreement date: June 1, 2023
- h. Trust term: From June 1, 2023 to August 31, 2026 (planned)
- i. Inception date of the Plan: June 1, 2023
- j. Amount of the trust money: 1,108,630 thousand yen ^{*1 *2}
(Reference) Amount of stock compensation for Executive Officers, etc.
For Executive Officers:
779,090 thousand yen (for the fiscal year ended March 31, 2024) ^{*3}
For Executive Officers (Associate):
101,200 thousand yen (for the fiscal year ending March 31, 2024) ^{*3}
- *1 The above amount of the trust money includes residual properties to be succeeded from the existing BIP Trust.
- *2 The above amount of the trust money includes trust fees and trust expenses as well as the amount affected by stock price fluctuations at the time of stock acquisition, and therefore does not match the total amount of stock-based compensation for Executive Officers, etc.
- *3 The amount indicated is the total amount of the PSU at its maximum granted rate (200%) and the RSU.
- k. Class of shares to be acquired: The Company's common stock
- l. Method of acquiring shares: To be acquired from the stock market
- m. Period of acquiring shares: From June 6, 2023 to June 15, 2023
- n. Holder of vested rights: The Company
- o. Exercise of voting rights: Not to be exercised
- p. Residual properties: Residual properties, which the Company as a holder of vested rights is entitled to receive, shall be to the extent of reserves for trust expenses, which are calculated by deducting the funds to acquire the Company shares from the trust money.

3) Outline of the trust and stock-related administration

- a. Trust-related administration: Mitsubishi UFJ Trust and Banking Corporation will be the trustee of the BIP Trust, which is responsible for trust-related administration.
- b. Stock-related administration: DSB Co., Ltd. shall be responsible for the administration of the delivery of the Company shares to beneficiaries.

2. Information on Acquisition, etc. of Treasury Stock

Class of shares

Acquisition of common stock under Article 155, Item 3 of the Companies Act and Article 155, Item 7 of the Companies Act.

(1) Acquisition of treasury stock resolved at the general meeting of shareholders

Not applicable.

(2) Acquisition of treasury stock resolved at the Board of Directors' meetings

Classification	Number of shares(shares)	Total amount(yen)
The resolution of the Board of Directors on April 28, 2023 (Acquisition period: From May 1, 2023 to March 29, 2024)	40,000,000	50,000,000,000
Treasury stock acquired prior to the fiscal year ended March 31, 2023	—	—
Treasury stock acquired during the fiscal year ended March 31, 2023	—	—
Total number and amount of shares to be acquired	—	—
Ratio of the shares yet to be acquired as of the end of the fiscal year (%)	—	—
Treasury stock acquired during the current period	1,991,700	3,535,362,600
Ratio of the shares yet to be acquired as of the filing date (%)	95.0	92.9

Notes: 1. At the Board of Directors' meeting above, the acquisition method was resolved as "market purchase on the Tokyo Stock Exchange."

2. With regard to "Treasury stock acquired during the current period," the number of treasury stock acquired from June 1, 2023 to the filing date is not included.

(3) Details of acquisition of treasury stock not based on the resolutions of the general meeting of shareholders or the Board of Directors' meetings

Classification	Number of shares(shares)	Total amount(yen)
Treasury stock acquired during the fiscal year ended March 31, 2023	610	879,621
Treasury stock acquired during the current period	95	166,071

Notes: 1. With regard to "Treasury stock acquired during the current period," the number of treasury stock acquired due to requests to purchase stock less than one unit shares from June 1, 2023 to the filing date is not included.

2. The number of the Company's shares acquired by the Board Incentive Plan Trust is not included in Treasury stock acquired.

(4) Status of the disposition and holding of acquired treasury stock

Classification	Fiscal year ended March 31,2023		Current period	
	Number of shares (shares)	Total disposition amount (yen)	Number of shares (shares)	Total disposition amount (yen)
Acquired treasury stock which was offered to subscribers	—	—	—	—
Acquired treasury stock which was canceled	—	—	—	—
Acquired treasury stock which was transferred due to merger, share exchange, share delivery, or company split	—	—	—	—
Others (selling due to requests from shareholders holding less than one unit shares to sell additional shares)	192	283,747	—	—
Total numbers of treasury stock held	34,098,941	—	36,090,736	—

Notes: 1. With regard to treasury stock held of the current period, the number of treasury stock which was sold or acquired due to requests from shareholders holding less than one unit shares to purchase or sell additional shares from June 1, 2023 to the filing date is not included.

2. The number of the Company's shares held through the Board Incentive Plan Trust is not included in Total numbers of treasury stock disposed and treasury stock held.

3. Dividend Policy

The Company shall remain focused on enhancing corporate value as its ultimate objective. The Company aims to maintain a balance between distributing profits that reflect earnings conditions for the respective fiscal year and strengthening its financial standings by improving internal reserves. From this perspective, the Company's fundamental policy is to improve overall shareholder returns.

The Company's policy, in principle, is to pay dividends from surplus twice a year, namely an interim dividend and a fiscal year-end dividend.

The Board of Directors is the governing body on dividends from surplus.

In the fiscal year ended March 31, 2023, the Company decided to pay the annual dividend of ¥40 per share, comprising a dividend from surplus (fiscal year-end dividend) of ¥26 per share and an interim dividend of ¥14 per share, in line with its performance and financial standing during the fiscal year.

The dividends from surplus for the fiscal year are as follows.

Resolution date	Total dividend amount (millions of yen)	Dividend per share (yen)
Resolution of the Board of Directors' meeting held on October 28, 2022	29,583	14
Resolution of the Board of Directors' meeting held on May 15, 2023	54,940	26

4. Corporate Governance, etc.

(1) Overview of corporate governance

1) Basic corporate governance policy

The Mitsubishi Electric Group places more focus than ever on sustainability initiatives at the management level to realize “a vibrant and sustainable society” that we have committed to in our Purpose. The Group has identified five areas as materiality (important challenges) to “provide solutions to social challenges through our businesses” and to “strengthen our business foundation to enable sustainable growth.” Through these materiality initiatives, the Group will contribute to solving social challenges and will create economic and social value.

As a part of our initiatives to strengthen our business foundation to enable sustainable growth, the Group recognizes the importance of corporate governance as a fundamental precondition for our continued existence. The Group’s fundamental policy is to further enhance its corporate value by constructing, maintaining, and sustainably strengthening a corporate governance system that more accurately meets the expectations of society, our customers, shareholders, employees, and all other stakeholders.

As a company with a three-committee system, the Company segregates the supervisory and executive functions; the Board of Directors plays a supervisory decision-making role, and the Executive Officers handle the day-to-day running of the Company. This system maintains the flexibility of its operations and promotes management transparency, leading to swift and decisive management decision-making. Through this system, the Company aims to promote sustainable growth in corporate value. To this end, the Company recognizes the importance of a highly independent Board of Directors adequately fulfilling its roles and responsibilities in corporate governance as a supervisory function.

2) Outline of the corporate governance system and background of adopting the system

The Company has chosen to have a three-committee system in place. The Company segregates the supervisory and executive functions; the Board of Directors plays a supervisory decision-making role and Executive Officers handle the day-to-day running of the Company. This system maintains the flexibility of its operations and promotes management transparency, leading to swift and decisive management decision-making. Through this system, the Company aims to promote sustainable growth in corporate value.

a. The Board of Directors and the three statutory committees

To promote the segregation of supervisory and executive functions, which is the characteristic of this system, the Company’s Board of Directors is dedicated to supervising management with specific details of deliberations stipulated as the Board of Directors’ deliberation criteria. By delegating to the Executive Officers the authority to make all business execution decisions within the limits permitted by the Companies Act, the Company ensures swift and decisive decision-making and appropriate risk-taking in business execution.

Both the Board of Directors and the three statutory committees are chaired by independent Outside Directors, and a majority of their members are independent Outside Directors as well, thereby improving the effectiveness of the supervisory function.

The purpose, authority and member of the Board of Directors and the three statutory committees as of June 29, 2023 are as follows:

<The Board of Directors>

Purpose	<p>The Company's Board of Directors will indicate the direction of its management by making critical decisions that form the foundation of management, including setting basic policies on management (Purpose, Our Values, Commitment, Management Policy, and Corporate Strategy). In addition, the Board of Directors will set and discuss the "key agenda items" for the Mitsubishi Electric Group in order to promote the medium- to long-term and sustainable enhancement of our Group's corporate value. In formulating the basic management policy and corporate strategy, the Board of Directors will hold multiple meetings for discussions, taking full account of the opinions of the independent outside directors.</p> <p>Based on the discussions and decisions made by the Board of Directors, the Executive Officers will formulate and implement specific management plans and make important business execution decisions with the authority delegated to them by the Board of Directors. Based on reports on the progress of the reforms, the Board of Directors will hold sufficient discussions to periodically monitor whether actions are being taken in line with the basic policy and corporate strategy.</p> <p>In addition, to ensure that the opinions of the Board of Directors are communicated to the divisions in charge of business execution in a timely and appropriate manner, the main points of discussions of the Board of Directors are shared in Executive Officers' Meetings.</p> <p>Through these structural improvements, the Board of Directors strives to support swift and decisive decision-making and properly evaluate business execution. Through this, the Executive Officers are encouraged to engage in appropriate risk-taking in order to sustainably build corporate value over the medium- to long-term.</p>
Authority	<p>The Company's Board of Directors is dedicated to supervising management after stipulating specific topics as deliberation criteria for the Board of Directors. By delegating to the Executive Officers the authority to make all business execution decisions within the limits permitted by the Companies Act, it is possible to ensure swift and decisive decision-making and appropriate risk-taking in business execution.</p>
Members	<p>The Company's Board of Directors is chaired by an independent Outside Director, and the majority of its members are independent Outside Directors, who independently and objectively supervise and advise the Company's management. Currently, it is comprised of twelve members including seven Outside Directors (three of whom are women).</p> <p>Outside Director Mitoji Yabunaka (Chairman of the Board of Directors)</p> <p>Outside Director Kazunori Watanabe</p> <p>Outside Director Hiroko Koide</p> <p>Outside Director Tatsuro Kosaka</p> <p>Outside Director Hiroyuki Yanagi</p> <p>Outside Director Masako Egawa</p> <p>Outside Director Haruka Matsuyama</p> <p>Director Kei Uruma</p> <p>Director Tadashi Kawagoishi</p> <p>Director Kuniaki Masuda</p> <p>Director Jun Nagasawa</p> <p>Director Satoshi Takeda</p> <p>Note: Outside Directors Hiroshi Obayashi and Takashi Oyamada, and Director Kunihiko Kaga retired upon the expiration of their terms of office at the end of the 152nd Ordinary General Meeting of Shareholders held on June 29, 2023.</p>

<Skill Matrix of the Board of Directors>								
The various skills possessed by the Directors are arranged into a matrix and disclosed as follows, with the aim of continuously improving the supervisory function that the Board of Directors of the Company is expected to fulfil.								
	Corporate management and corporate strategies	ESG	Finance and accounting	Legal affairs and compliance	Human resources and human resources development	Global affairs	Engineering, DX and R&D	Business development and investment
Mitoji Yabunaka		○			○	○		
Kazunori Watanabe		○	○		○			
Hiroko Koide	○	○			○	○		○
Tatsuro Kosaka	○	○			○	○	○	○
Hiroyuki Yanagi	○	○			○	○	○	○
Masako Egawa	○	○	○			○		○
Haruka Matsuyama		○		○				
Kei Uruma	○	○			○	○	○	○
Tadashi Kawagoishi	○	○	○					○
Kuniaki Masuda	○	○	○		○			○
Jun Nagasawa	○	○		○				○
Satoshi Takeda	○	○				○		○
Members	Skill item	Reason for selection of the skill item						
	Corporate management and corporate strategies	The Group needs Directors with abundant management experience and achievements in corporate management at companies as well as experience, knowledge and skills for formulating a sustainable growth strategy, in order to sustainably increase corporate value amid a drastic change in the business environment surrounding the Group.						
	ESG	The Group needs Directors with experience, knowledge, and skills concerning ESG in order to realize “addressing social challenges through our businesses,” positioning the realization of sustainability as the core of management, as well as to fulfill responsibilities to stakeholders including society, customers, shareholders, and employees.						
	Finance and accounting	The Group needs Directors with experience, knowledge, and skills concerning finance and accounting for building a strong financial base and realizing appropriate returns to shareholders as well as maintaining the discipline and governance of finance and accounting.						
	Legal affairs and compliance	The Group needs Directors with experience, knowledge, and skills concerning these items in order to globally develop the business, while thoroughly ensuring the legal and ethical compliance that forms the fundamentals of corporate activities.						
	Human resources and human resources development	The Group needs Directors with experience, knowledge, and skills concerning these items in order to promote human capital management, positioning human resource strategies as one of the important policies of business strategies.						
	Global affairs	The Group needs Directors with management experience from a global perspective and specialized knowledge and experience concerning international affairs in order to further grow in the global market.						

	Engineering, DX and R&D	The Group needs Directors with specialized knowledge and experience concerning engineering, DX and R&D in order to advance its “integrated solutions,” strengthening core components, field knowledge, and advanced digital technologies that are the Group’s advantages, as well as to promote open innovation and R&D strategies toward future growth.
	Business development and investment	The Group needs Directors with experience, knowledge, and skills concerning these items as the implementation of growth strategies including promotion of business portfolio strategies, development of new businesses, and M&As is necessary for transforming itself into a “Circular Digital-Engineering” company and increasing corporate value in a sustainable way.

<Nomination Committee>

Purpose · Authority	<p>As a company with a three-committee system, the Company has set up the statutory Nomination Committee chaired by an independent Outside Director. Recognizing the importance of ensuring independence and objectivity, the majority of the Nomination Committee is composed of independent Outside Directors.</p> <p>The Nomination Committee has authority over the appointment and dismissal of Directors and the decision on proposals regarding the appointment and dismissal of the President & CEO to be submitted to the Board of Directors. The Committee is also responsible for leading the succession planning of independent Outside Directors, discussing the personnel requirements for the President & CEO and the content and operational status of succession planning (the appointment and training of candidates), and reporting back to the Board of Directors.</p> <p>Under this authority and role, the Nomination Committee deliberates on matters relating to the nomination, giving due consideration to the diversity and skills perspective.</p>
Member	<p>The Company’s Nomination Committee is chaired by an independent Outside Director, and the majority of its members are independent Outside Directors, who independently and objectively undertake the duties of the Nomination Committee. Currently, it is comprised of six members including five Outside Directors.</p> <p>Outside Director Tatsuro Kosaka (Chairman of the Nomination Committee)</p> <p>Outside Director Mitoji Yabunaka</p> <p>Outside Director Hiroko Koide</p> <p>Outside Director Hiroyuki Yanagi</p> <p>Outside Director Masako Egawa</p> <p>Director Kei Uruma</p> <p>Note: Outside Directors Hiroshi Obayashi and Takashi Oyamada, and Director Kuniaki Masuda retired upon the expiration of their terms of office at the end of the 152nd Ordinary General Meeting of Shareholders held on June 29, 2023.</p>

<Audit Committee>

Purpose · Authority	<p>As a company with a three-committee system, the Company has set up the statutory Audit Committee chaired by an independent Outside Director. Recognizing the importance of ensuring independence and objectivity, the majority of the Audit Committee is composed of independent Outside Directors. The full-time internal audit committee members also assist the Audit Committee in collecting information.</p> <p>The Audit Committee members recognize that they owe fiduciary duty to shareholders, which include contributing to sustainable growth and enhancing corporate value. Considering this recognition, the Committee will, with the assistance of the full-time internal audit committee members, monitor each measure by sharing information with the divisions responsible for execution. This will help investigate any potential management issues and risks from the perspectives of legality, appropriateness, and efficiency. To achieve this, the Committee will not limit itself to conducting defensive audits, such as operational and accounting audits. Rather, for enhanced information sharing, it will also attend important meetings such as Executive Officers’ Meetings and Corporate Compliance Committee Meetings, hold meetings with senior management as appropriate, and assess the management policy and the progress of business execution in each division and base.</p> <p>When conducting such investigations, the Audit Committee will properly confirm the development and operation status of the internal control system and provide its opinions, in collaboration with the internal auditors for internal audits and the external accounting auditors for external audits.</p>
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Member	<p>The Company's Audit Committee is chaired by an independent Outside Director, and the majority of its members are independent Outside Directors, who independently and objectively undertake the duties of the Audit Committee. Currently, it is comprised of five members including three Outside Directors.</p> <p>Outside Director Hiroyuki Yanagi (Chairman of the Audit Committee)</p> <p>Outside Director Kazunori Watanabe</p> <p>Outside Director Haruka Matsuyama</p> <p>Director Tadashi Kawagoishi</p> <p>Director Jun Nagasawa</p> <p>Notes: 1 Outside Directors Hiroshi Obayashi and Takashi Oyamada retired upon the expiration of their terms of office at the end of the 152nd Ordinary General Meeting of Shareholders held on June 29, 2023.</p> <p>2 Kazunori Watanabe, a member of the Audit Committee, is a Certified Public Accountant and has a considerable degree of knowledge about finance and accounting. Tadashi Kawagoishi, a member of the Audit Committee, has long years of experience in the accounting and financial operations of the Company.</p> <p>The Audit Committee has four dedicated staffers who take direct orders from Audit Committee members and support them in executing their duties.</p>
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<Compensation Committee>

Purpose • Authority	<p>As a company with a three-committee system, the Company has set up the statutory Compensation Committee chaired by an independent Outside Director. Recognizing the importance of ensuring independence and objectivity, the majority of the Compensation Committee is composed of independent Outside Directors.</p> <p>The Compensation Committee has the authority to determine the policies for determining compensation for Directors, Executive Officers, etc., the details of compensation for individual Directors and Executive Officers, performance evaluations related to the incentive compensation of Executive Officers, and the individual compensation of Executive Officers.</p> <p>Under this authority and role, the Compensation Committee deliberates on matters relating to the compensation, giving due consideration to the diversity and skills perspective. In fiscal 2023 (year ending March 31, 2023), the compensation system for Executive Officers has been reviewed, and discussions will be held on how to ensure that the system is fully operational.</p>
Member	<p>The Company's compensation Committee is chaired by an independent Outside Director, and the majority of its members are independent Outside Directors, who independently and objectively undertake the duties of the Compensation Committee. Currently, it is comprised of six members including five Outside Directors.</p> <p>Outside Director Kazunori Watanabe (Chairman of the Compensation Committee)</p> <p>Outside Director Mitoji Yabunaka</p> <p>Outside Director Hiroko Koide</p> <p>Outside Director Tatsuro Kosaka</p> <p>Outside Director Masako Egawa</p> <p>Director Kuniaki Masuda</p> <p>Note: Outside Director Hiroyuki Yanagi retired upon the expiration of its terms of office at the end of the 152nd Ordinary General Meeting of Shareholders held on June 29, 2023.</p>

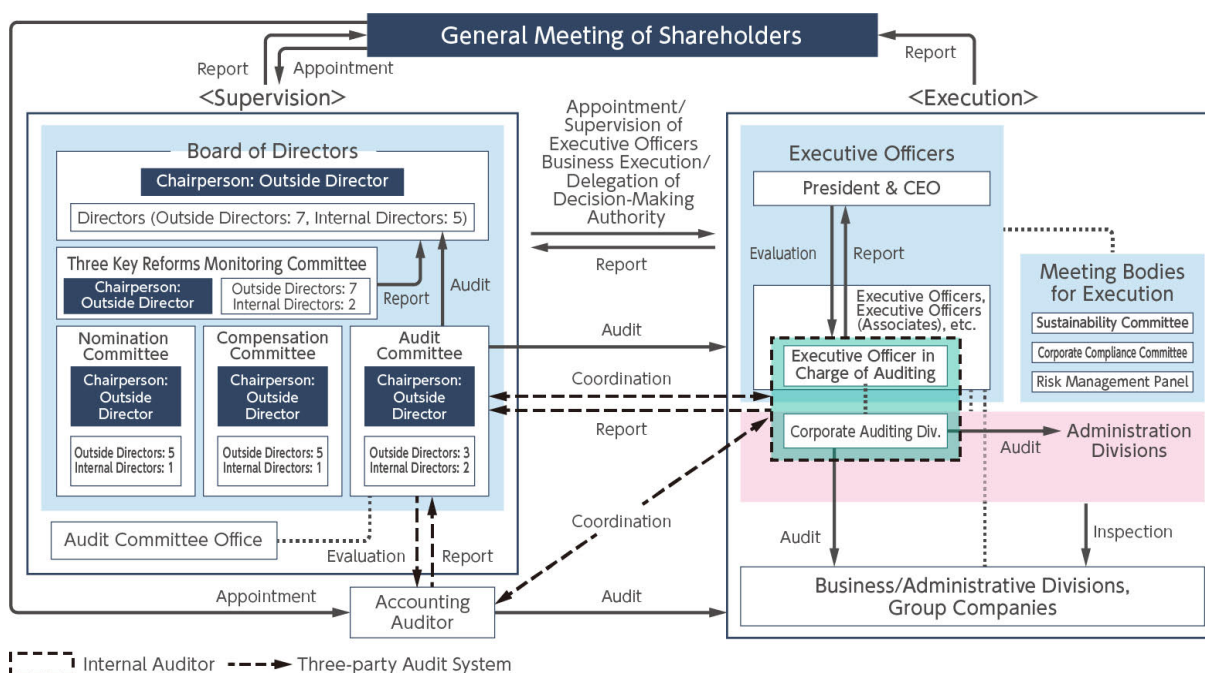
b. The Executive Officers

Executive Officers make decisions about the execution of operations on matters delegated by the Board of Directors within the range of duties allocated to each Executive Officer based on the objectives and authority of the Companies Act, and then execute such operations.

In addition, the Executive Officers' Meeting has been established as a voluntary body to deliberate and make decisions on important business matters from the perspective of pursuing synergy and multifaceted risk management, in addition to sharing information among Executive Officers.

Effective April 1, 2022, based on the company-wide management policy, the Company has newly appointed Executive Officers (Associate) who will make decisions on overall management and execute business in relation to groups/business groups/corporate divisions within their purview.

The members of each body are listed in "(2) Directors and Executive Officers".



3) Activities of the Board of Directors and the three statutory committees during the fiscal year

a. Activities of the Board of Directors

(a) Frequency of the Board of Directors meeting and attendance of each Board member

The Company held thirteen Board of Directors' meetings (including three special meetings) during the fiscal year. Each meeting took about three hours. The attendance of each Board member is as shown below.

Title	Name	Attendance/meetings	Attendance rate
Outside Director (Chairman of the Board of Directors)	Mitoji Yabunaka	13/13	100%
Outside Director	Hiroshi Obayashi	13/13	100%
Outside Director	Kazunori Watanabe	13/13	100%
Outside Director	Hiroko Koide	13/13	100%
Outside Director	Takashi Oyamada	13/13	100%
Outside Director	Tatsuro Kosaka	10/10	100%
Outside Director	Hiroyuki Yanagi	9/10	90%
Director	Kei Uruma	13/13	100%
Director	Tadashi Kawagoishi	13/13	100%
Director	Kuniaki Masuda	13/13	100%
Director	Jun Nagasawa	10/10	100%
Director	Kunihiko Kaga	10/10	100%

Note: The status of attendance for Messrs. Tatsuro Kosaka, Hiroyuki Yanagi, Jun Nagasawa, and Kunihiko Kaga is based on the number of the Board of Directors' meetings held after their assumption of office on June 29, 2022.

(b) Specific Agenda Contents

Matters required by the Companies Act were determined including basic policies of management, matters necessary for the execution of duties by the Audit Committee, the establishment of systems necessary to ensure the legality of duties executed by the Executive Officers and the properness of other corporate operations, the business report and its supplementary schedules, the financial statements and their supplementary schedules, the consolidated financial statements, dividends of surplus, convocation of the General Meeting of Shareholders and appointment of Executive Officers.

In addition, in order to promote the medium- and long-term sustainable improvement of the corporate value of the Mitsubishi Electric Group, we established and discussed “key agenda items” for the Group (medium- and long-term management plan, organizational culture reform, sustainability initiatives, and human capital strategy from July 2022 to June 2023). The “Three Key Reforms Monitoring Committee,” established under the Board of Directors continuously supervised the progress and effectiveness of the three key reforms (quality assurance, organizational culture, and governance), which were aimed at restoring trust in the Company in response to a series of improper quality control practices that had been identified since June 2021.

Furthermore, we received reports from Executive Officers on the progress and results of business execution and fully discussed them.

(c) Effectiveness Evaluation of the Board of Directors

In order to continue evaluating the effectiveness of the “composition” and “operations” of the Board of Directors and to pursue continuous improvement of the monitoring board function, the Company’s Board of Directors requested a third party to evaluate the effectiveness of the Company’s Board of Directors from July to September 2022, and together with the evaluation results, the Company’s Board of Directors received recommendations for measures to address issues requiring improvement. Based on the results of the evaluation, the Company’s Board of Directors will focus on “improving the operation of the Board of Directors,” including the establishment of priority themes, to further strengthen the management monitoring function from an external perspective.

b. Activities of the Nomination Committee

(a) Frequency of the Nomination Committee meeting and attendance of each Nomination Committee member

The Company held nine Nomination Committee meetings during the fiscal year. Each meeting took about forty minutes. The attendance of each Nomination Committee member is as shown below.

Title	Name	Attendance/meetings	Attendance rate
Chairman of the Nomination Committee (Outside Director)	Mitoji Yabunaka	9/9	100%
Member of the Nomination Committee (Outside Director)	Hiroshi Obayashi	8/9	89%
Member of the Nomination Committee (Outside Director)	Hiroko Koide	9/9	100%
Member of the Nomination Committee (Outside Director)	Takashi Oyamada	9/9	100%
Member of the Nomination Committee (Outside Director)	Tatsuro Kosaka	6/7	86%
Member of the Nomination Committee (Outside Director)	Hiroyuki Yanagi	5/7	71%
Member of the Nomination Committee	Kuniaki Masuda	9/9	100%

Note: The status of attendance for Messrs. Tatsuro Kosaka and Hiroyuki Yanagi is based on the number of the Nomination Committee meetings held after their assumption of office on June 29, 2022.

(b) Specific Agenda Contents

Based on the objectives and authority of the Companies Act, the Nomination Committee determined the candidates for Directors to be submitted to the General Meeting of Shareholders. In addition, in order to ensure objectivity and transparency in the selection and dismissal of the President & CEO, the committee also has the authority on decisions regarding proposals to be submitted to the Board of Directors regarding the selection and dismissal of the President & CEO. The committee also led the succession of Independent Outside Directors, discussed personnel requirements for the President & CEO and the contents and status of operation of succession planning (appointment and training of successor candidates), and submitted its recommendations to the Board of Directors.

c. Activities of the Audit Committee

Please refer to “(3) Status of Audit 1) Audit Committee.”

d. Activities of the Compensation Committee

(a) Frequency of the Compensation Committee meeting and attendance of each Compensation Committee member

The Company held eleven Compensation Committee meetings during the fiscal year. Each meeting took about one hour. The attendance of each Compensation Committee member is as shown below.

Title	Name	Attendance/meetings	Attendance rate
Chairman of the Compensation Committee (Outside Director)	Kazunori Watanabe	11/11	100%
Member of the Compensation Committee (Outside Director)	Mitoji Yabunaka	11/11	100%
Member of the Compensation Committee (Outside Director)	Hiroko Koide	11/11	100%
Member of the Compensation Committee (Outside Director)	Tatsuro Kosaka	7/7	100%
Member of the Compensation Committee (Outside Director)	Hiroyuki Yanagi	6/7	86%
Member of the Compensation Committee	Kuniaki Masuda	11/11	100%

Note: The status of attendance for Messrs. Tatsuro Kosaka and Hiroyuki Yanagi is based on the number of the Compensation Committee meetings held after their assumption of office on June 29, 2022.

(b) Specific Agenda Contents

The Compensation Committee executed its duties based on the objectives and authority stipulated under the Companies Act. Specifically, the Committee discussed and decided on the policy regarding the determination of compensation for Directors and Executive Officers, the details of individual compensation for Directors and Executive Officers, performance evaluation regarding incentive compensation for Executive Officers, and compensation for each individual.

In addition, the Compensation Committee, at its meeting held in May 2022, decided to revise the compensation system for the Company's Executive Officers and to apply this system from fiscal 2023. Please refer to “(4) Compensation for Directors and Executive Officers” for details concerning the said system.

4) Internal Control System

a. Necessary matters for the execution of the duties of the Audit Committee

The following have been established with regard to necessary matters for the execution of the duties of the Audit Committee.

- (a) Assign employees whose job is exclusively to assist the Audit Committee members.
- (b) The General Manager of the Corporate Human Resources Division shall consult with the Audit Committee members in the performance evaluation and transfer of employees dedicated to assisting the Audit Committee in its duties.
- (c) Establish a system to report information on the Company and its subsidiaries to the Audit Committee via the Company's divisions in charge of internal control.
- (d) Provide opportunities for Full-time Audit Committee members to attend important meetings, such as Executive Officers'

meetings.

- (e) Establish internal rules and systems to protect persons who report information concerning the Company and its subsidiaries to the Audit Committee.
- (f) Establish internal regulations regarding the processing of expenses and debts incurred in the execution of the duties of the Audit Committee members.
- (g) The following other systems related to the Audit Committee's audits shall be established.
 - Conducting surveys of the Company and its subsidiaries.
 - Discussion of audit policies and methods, status of implementation, results, etc., through regular briefings with the independent auditor and the Executive Officer in charge of auditing.
 - Dialogue between Audit Committee members and Executive Officers and others (executive departments) to ensure the effectiveness of the Audit Committee's audits.

b. Systems necessary to ensure the properness of operations of the Company and the Mitsubishi Electric Group

The following have been established with regard to systems necessary to ensure the properness of operations of the Company and the Mitsubishi Electric Group.

- (a) Internal rules shall be established to ensure that the execution of duties by Executive Officers comply with laws and regulations and the Articles of Incorporation. The status of its operation shall be audited by internal auditors.
- (b) Establish internal rules for compliance and develop a system necessary for compliance.
- (c) The following systems shall be established to ensure the properness of operations of the Company.
 - Internal rules shall be established for the storage and management of information related to the execution of duties by Executive Officers. The status of their operation shall be audited by internal auditors.
 - Each Executive Officer shall be responsible for establishing a system for managing the risk of loss within the scope of their responsibilities. Important matters shall be deliberated at the Executive Officers' Meeting. The status of its operation shall be audited by internal auditors. In addition, the Company shall establish internal regulations concerning the company-wide Emergency Response Division and other functions in preparation for emergency situations that are expected to have a significant impact on the company-wide management.
 - Each Executive Officer shall be responsible for ensuring management efficiency within the scope of their responsibilities. Important matters shall be deliberated at the Executive Officers' Meeting. The status of its operation shall be audited by internal auditors. In addition, an environment shall be created in which company-wide issues can be shared and discussed by each Executive Officer.
 - The following systems shall be established to ensure that the execution of duties by employees complies with laws and regulations and the Articles of Incorporation. The status of its operation shall be audited by internal auditors.
 - Establish internal rules and code of conduct regarding ethics and legal compliance.
 - Implement an internal whistle-blowing system.
- (d) The following system shall be established to ensure the properness of operations of the Mitsubishi Electric Group.
 - Each Executive Officer of the Company shall manage subsidiaries within the scope of their responsibilities.
 - Establish a code of conduct regarding ethics and legal compliance throughout the Mitsubishi Electric Group.
 - Establish a dedicated organization to manage Mitsubishi Electric Group companies across the board.
 - Establish a system for reporting matters related to the execution of duties by Mitsubishi Electric Group companies, managing the risk of loss, and ensuring the efficiency of the execution of duties, as well as management standards. Important matters shall be deliberated and reported at the Company's Executive Officers' Meeting.
 - Regular audits of subsidiaries by internal auditors.

5) Overview of the internal control over financial reporting

The Company promotes maintenance or establishment of the internal control over financial reporting at each Mitsubishi Electric Group site led by the Corporate Accounting Division in order to ensure the reliability of financial reporting. Regarding the design and operation of internal control over financial reporting, the Company is trying to maintain and improve the control through in-house independent testing and the evaluation to be conducted by the Corporate Auditing Division. Management receives reports of these activities and evaluation results and confirms the effectiveness of internal control over financial reporting.

6) Status of Establishment of Risk Management Framework

Please refer to "II. Business Overview 3. Business and Other Risks".

7) Overview of the limited liability agreement

The Company has, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, made and entered into agreements with all of its non-executive directors, to limit their liability as stipulated in Article 423, Paragraph 1 of the Companies Act. Based on these agreements, the limit of liability is either 10 million yen or the minimum statutory amount, whichever is higher.

8) Overview of the directors and officers liability insurance (D&O Insurance)

The Company has concluded a directors and officers liability insurance (D&O Insurance) agreement provided in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. The scope of the insured under this insurance policy includes the Company, the Company's executives, important employees, dispatched Outside Directors, and their heirs. This insurance policy shall compensate for damages and legal expenses to be borne by the insured, in the event of a claim for damages submitted by a shareholder or third party, etc. However, claims for damages arising from criminal acts by the executives, etc. shall be exempt from compensation. All insurance premiums shall be borne by the Company.

9) Basic policy regarding control over the Company

At present, the Company has not formulated basic policies or anti-takeover measures.

The Company aims to further enhance corporate value in incessant pursuit of growth and better-than-ever business results. Through proactive IR activities, the Company endeavors to convey timely information to investors and financial markets, regarding its management policies, strategies and business results.

However, due to the possibility that large volumes of shares may be purchased, the Company believes it is necessary to take appropriate steps in response to any action not in conformity with the objective of enhancing the Company's corporate value, or in contrary to the common interest of shareholders. Looking forward, the Company will maintain a careful watch over social trends and examine avenues of action.

10) Provisions of the Articles of Incorporation

a. Requirements for resolutions to elect Directors

The Articles of Incorporation of the Company stipulates that resolutions for the election of Directors shall require a majority vote by shareholders present who are able to exercise their voting rights and who hold one-third or more of voting rights, and that such resolutions shall not be made by cumulative voting.

b. Governing body for dividends from surplus, etc.

The Articles of Incorporation of the Company stipulates that, unless otherwise stipulated by laws and regulations, the Company may make decisions on matters specified in Article 459, Paragraph 1 of the Companies Act by resolution of the Board of Directors, without resolution at the shareholders meeting.

This is attributable to the fact that, because the Company was already a company with a Three committee System prior to the enforcement of the Companies Act, pursuant to the provisions of Article 57 of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Companies Act, the Company's Articles of Incorporation was deemed to stipulate that the Board of Directors shall be entitled to decide on the matters set out in Item 2 through Item 4 of Article 459, Paragraph 1 of the Companies Act, and that such matters shall not be decided by the resolution of the shareholders meeting, effective the enforcement of the Companies Act (May 1, 2006).

c. Requirements for special resolutions at the general meeting of shareholders

To ensure smooth proceedings of the shareholders meeting, the Company's Articles of Incorporation stipulates that the resolutions of the shareholders meeting as provided for in Article 309, Paragraph 2 of the Companies Act shall be by a vote of two-thirds or more of shareholder's voting rights, of one-third or more of the shareholders present who are able to exercise voting rights.

d. Exemption of Directors and Executive Officers from liability

To ensure that Directors and Executive Officers can fully perform their expected roles, the Articles of Incorporation of the Company stipulates that the liability of Directors (including former Directors) and Executive Officers (including former Executive Officers), as prescribed in Article 423, Paragraph 1 of the Companies Act, shall be able to exempt by the resolution of the Board of Directors, to the extent allowed by laws and regulations, in accordance with Article 426, Paragraph 1 of the Companies Act.

(2) Directors and Executive Officers

1) Lists of Directors and Executive Officers

Men: 20 persons, Women: 3 persons

(Women's percentage to total number of Directors and Executive Officers: 13%)

a. Directors

Title	Name	Date of Birth	Career summary	Term of office	The number of shares owned
Director	Mitoji Yabunaka	January 23, 1948	<p>April 1969 January 2008</p> <p>October 2010</p> <p>June 2012</p> <p>June 2020</p> <p>October 2021</p> <p>June 2023</p> <p>Joined the Ministry of Foreign Affairs of Japan Vice-Minister, Ministry of Foreign Affairs of Japan (Retired in August 2010) Advisor, Nomura Research Institute, Ltd. (Retired in September 2017) Director, Member of the Nomination Committee and Member of the Compensation Committee, Mitsubishi Electric Corporation Director, Chairman of the Nomination Committee and Member of the Compensation Committee Chairman of the Board of Directors, Chairman of the Nomination Committee and Member of the Compensation Committee Chairman of the Board of Directors, Member of the Nomination Committee and Member of the Compensation Committee (current position)</p>	From June 2023 to June 2024	15,600
Director	Kazunori Watanabe	October 9, 1950	<p>April 1975</p> <p>September 1978</p> <p>March 1980</p> <p>May 2002</p> <p>August 2008</p> <p>March 2010</p> <p>June 2015</p> <p>June 2020</p> <p>Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC) Registered as a certified public accountant (current position) Registered as a tax accountant (current position) Partner, Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC) Executive Partner, Ernst & Young ShinNihon LLC (Retired in March 2010) Chief, Kazunori Watanabe Certified Public Accountant & Tax Accountant Office (current position) Director, Member of the Audit Committee and Member of the Compensation Committee, Mitsubishi Electric Corporation. Director, Chairman of the Compensation Committee and Member of the Audit Committee (current position)</p>	Same as above	9,700
Director	Hiroko Koide	August 10, 1957	<p>May 1993</p> <p>April 2001</p> <p>April 2006</p> <p>April 2008</p> <p>November 2010</p> <p>April 2013</p> <p>June 2016</p> <p>April 2018</p> <p>Joined Nippon Lever K.K. (currently Unilever Japan K.K.) Director, Nippon Lever K.K. (Retired in March 2006) Joined Masterfoods Ltd. (currently Mars Japan Limited) Chief Operating Officer (COO), Mars Japan Limited (Retired in August 2010) President and Director, Parfums Christian Dior Japon K.K. (Retired in January 2012) Senior Vice President, Global Marketing, Newell Rubbermaid (U.S.) (currently Newell Brands Inc. (U.S.)) (Retired in February 2018) Director, Member of the Nomination Committee and Member of the Compensation Committee, Mitsubishi Electric Corporation (current position) Director, Vicela Japan Co., Ltd. (Retired in March 2019)</p>	Same as above	15,100

Title	Name	Date of Birth	Career summary	Term of office	The number of shares owned
Director	Tatsuro Kosaka	January 18, 1953	<p>April 1976 Joined Chugai Pharmaceutical Co., Ltd.</p> <p>March 2012 Representative Director, President & COO of Chugai Pharmaceutical Co., Ltd.</p> <p>March 2018 Representative Director, President & CEO of Chugai Pharmaceutical Co., Ltd.</p> <p>March 2020 Representative Director, Chairman & CEO of Chugai Pharmaceutical Co., Ltd.</p> <p>March 2021 Representative Director, Chairman of Chugai Pharmaceutical Co., Ltd.</p> <p>March 2022 Senior Advisor of Chugai Pharmaceutical Co., Ltd. (current position)</p> <p>June 2022 Director, Member of the Nomination Committee and Member of the Compensation Committee, Mitsubishi Electric Corporation</p> <p>June 2023 Director, Chairman of the Nomination Committee and Member of the Compensation Committee (current position)</p>	From June 2023 to June 2024	2,000
Director	Hiroyuki Yanagi	November 20, 1954	<p>April 1978 Joined Yamaha Motor Co., Ltd.</p> <p>March 2010 President, Chief Executive Officer and Representative Director of Yamaha Motor Co., Ltd.</p> <p>January 2012 President, Chief Executive Officer, Representative Director, and Chief General Manager of Motorcycle Business Operations of Yamaha Motor Co., Ltd.</p> <p>January 2018 Chairman and Representative Director of Yamaha Motor Co., Ltd.</p> <p>March 2021 Chairman and Director of Yamaha Motor Co., Ltd.</p> <p>January 2022 Director of Yamaha Motor Co., Ltd.</p> <p>March 2022 Advisor of Yamaha Motor Co., Ltd. (current position)</p> <p>June 2022 Director, Member of the Nomination Committee and Member of the Compensation Committee, Mitsubishi Electric Corporation</p> <p>June 2023 Director, Chairman of the Audit Committee and Member of the Nomination Committee (current position)</p>	Same as above	5,000

Title	Name	Date of Birth	Career summary	Term of office	The number of shares owned
Director	Masako Egawa	September 7, 1956	<p>April 1980 Joined Tokyo Branch, Citibank, N.A.</p> <p>September 1986 Joined New York Headquarters, Salomon Brothers Inc.</p> <p>June 1988 Joined Tokyo Branch, Salomon Brothers Asia Limited (currently Citigroup Global Markets Japan Inc.)</p> <p>December 1993 Joined Tokyo Branch, S.G. Warburg Securities (currently UBS Securities Japan Co., Ltd.)</p> <p>November 2001 Executive Director, Japan Research Center, Harvard Business School (Retired in March 2009)</p> <p>April 2009 Executive Vice President, The University of Tokyo (Retired in March 2015)</p> <p>September 2015 Professor, Graduate School of Commerce (currently Graduate School of Business Administration), Hitotsubashi University (Retired in March 2020)</p> <p>July 2019 Vice-Chairman, The Japan Securities Dealers Association (current position)</p> <p>April 2020 Specially Appointed Professor, Graduate School of Commerce (currently Graduate School of Business Administration), Hitotsubashi University (Retired in March 2022)</p> <p>April 2022 Chancellor, School Juridical Person Seikei Gakuen (current position)</p> <p>June 2023 Director, Member of the Nomination Committee and Member of the Compensation Committee, Mitsubishi Electric Corporation (current position)</p>	From June 2023 to June 2024	0
Director	Haruka Matsuyama	August 22, 1967	<p>April 1995 Assistant Judge to the Tokyo District Court</p> <p>July 2000 Attorney-at-law (current position)</p> <p>Joined HIBIYA PARK LAW OFFICES (current position)</p> <p>January 2002 Partner, HIBIYA PARK LAW OFFICES (current position)</p> <p>June 2023 Director, Member of the Audit Committee, Mitsubishi Electric Corporation (current position)</p>	Same as above	0
Director	Kei Uruma	July 27, 1959	<p>April 1982 Joined Mitsubishi Electric Corporation</p> <p>April 2015 Executive Officer, Factory Automation Systems</p> <p>April 2017 Executive Officer, Public Utility Systems</p> <p>April 2018 Senior Vice President, Public Utility Systems</p> <p>April 2020 Representative Executive Officer, Senior Vice President, Corporate Strategic Planning and Operations of Associated Companies</p> <p>June 2020 Director, Representative Executive Officer, Senior Vice President, Corporate Strategic Planning and Operations of Associated Companies</p> <p>April 2021 Director, Representative Executive Officer, Senior Vice President, Export Control, Corporate Strategic Planning and Operations of Associated Companies, CSO</p> <p>July 2021 Director, Representative Executive Officer, President & CEO</p> <p>June 2023 Director, Member of the Nomination Committee, Representative Executive Officer, President & CEO (current position)</p>	Same as above	105,823

Title	Name	Date of Birth	Career summary		Term of office	The number of shares owned
Director	Tadashi Kawagoishi	December 7, 1960	April 1983 April 2018 June 2018 April 2021 April 2022 June 2022	Joined Mitsubishi Electric Corporation Executive Officer, Accounting and Finance Director, Member of the Compensation Committee, Executive Officer, Accounting and Finance Director, Member of the Compensation Committee, Executive Officer, Accounting and Finance, CFO Director, Member of the Compensation Committee Director, Member of the Audit Committee (current position)	From June 2023 to June 2024	48,200
Director	Kuniaki Masuda	July 21, 1964	April 1987 April 2015 October 2020 April 2021 June 2021 April 2022 April 2023 June 2023	Joined Mitsubishi Electric Corporation Senior General Manager, Planning & Administration Div. of Semiconductor & Device Group Senior General Manager, Corporate Human Resources Div. Executive Officer, General Affairs and Human Resources Director, Member of the Nomination Committee and Member of the Compensation Committee, Executive Officer, General Affairs and Human Resources Director, Member of the Nomination Committee, Member of the Compensation Committee, Executive Officer, CFO (Accounting and Finance), CHRO (General Affairs and Human Resources) Director, Member of the Nomination Committee, Member of the Compensation Committee, Executive Officer, CFO (Accounting and Finance) Director, Member of the Compensation Committee, Executive Officer, CFO (Accounting and Finance) (current position)	Same as above	23,440
Director	Jun Nagasawa	March 16, 1960	April 1983 April 2018 April 2021 July 2021 April 2022 June 2022	Joined Mitsubishi Electric Corporation Executive Officer, Advertising and Domestic Marketing Executive Officer, Senior Vice President, Auditing, Legal Affairs & Compliance, Corporate Communication (Sustainability, Public Relations and Advertising), CCO Representative Executive Officer, Senior Vice President, Auditing, Legal Affairs & Compliance and Corporate Communication (Sustainability, Public Relations and Advertising), CCO Senior Advisor Director, Member of the Audit Committee (current position)	Same as above	49,200

Title	Name	Date of Birth	Career summary	Term of office	The number of shares owned
Director	Satoshi Takeda	March 10, 1967	<p>April 1989 Joined Mitsubishi Electric Corporation</p> <p>January 2018 Deputy Senior General Manager, Nagoya Works</p> <p>April 2020 Senior General Manager, Overseas Marketing Div. of Factory Automation Systems Group</p> <p>April 2021 Senior General Manager, Planning & Administration Dept. of Factory Automation Systems Group</p> <p>April 2022 Executive Officer, Industry & Mobility Business Area Owner (Factory Automation Systems)</p> <p>April 2023 Executive Officer, Auditing, CSO (Corporate Strategic Planning, IR and SR, Operations of Associated Companies, Three Key Reforms and Sustainability)</p> <p>June 2023 Director, Executive Officer, Auditing, CSO (Corporate Strategic Planning, Corporate IR and SR, Operations of Associated Companies, Three Key Reforms, and Sustainability) (current position)</p>	From June 2023 to June 2024	16,740
Total					290,803

- Notes: 1. The Company is a company with Three-committee System under Article 2, Item 12 of the Companies Act.
2. Messrs. Mitoji Yabunaka, Kazunori Watanabe, Tatsuro Kosaka and Hiroyuki Yanagi and Mses. Hiroko Koide, Masako Egawa and Haruka Matsuyama are seven Outside Directors, as defined under Article 2, Item 15 of the Companies Act.

b. Executive Officers

Title	Name	Date of Birth	Career summary		Term of office	The number of shares owned
Representative Executive Officer, President & CEO	Kei Uruma	July 27, 1959	See “a. Directors”		From April 2023 to March 2024	105,823
Representative Executive Officer, Executive Vice President, Life Business Area Owner and Export Control	Tadashi Matsumoto	December 7, 1958	<p>April 1981 April 2018</p> <p>April 2020</p> <p>April 2021</p> <p>July 2021</p> <p>April 2022</p> <p>April 2023</p>	<p>Joined Mitsubishi Electric Corporation Executive Officer, Living Environment & Digital Media Equipment</p> <p>Executive Officer, Senior Vice President, Living Environment & Digital Media Equipment</p> <p>Representative Executive Officer, Senior Vice President, Building Systems</p> <p>Representative Executive Officer, Senior Vice President, Export Control, Building Systems</p> <p>Representative Executive Officer, Senior Vice President, Life Business Area Owner (Building Systems) and Export Control</p> <p>Representative Executive Officer, Executive Vice President, Life Business Area Owner and Export Control (current position)</p>	Same as above	53,015
Representative Executive Officer, Senior Vice President, Industry & Mobility Business Area Owner and CTO (Technology Strategies)	Kunihiko Kaga	September 22, 1964	<p>April 1990 April 2018</p> <p>April 2020</p> <p>April 2021</p> <p>July 2021</p> <p>April 2022</p> <p>June 2022</p> <p>April 2023</p> <p>June 2023</p>	<p>Joined Mitsubishi Electric Corporation Senior General Manager, Air-Conditioning & Refrigeration Systems Works</p> <p>Deputy Vice President, Corporate Research and Development</p> <p>Executive Officer, Research & Development, CTO</p> <p>Executive Officer, Corporate Strategic Planning and Operations of Associated Companies, CSO</p> <p>Executive Officer, Auditing, CSO (Corporate Strategic Planning and Operations of Associated Companies), CTO (Technology Strategies)</p> <p>Director, Executive Officer, Auditing, CSO (Corporate Strategic Planning and Operations of Associated Companies), CTO (Technology Strategies)</p> <p>Director, Representative Executive Officer, Senior Vice President, Industry & Mobility Business Area Owner and CTO (Technology Strategies)</p> <p>Representative Executive Officer, Senior Vice President, Industry & Mobility Business Area Owner and CTO (Technology Strategies) (current position)</p>	Same as above	25,240
Senior Vice President, Infrastructure Business Area Owner	Noriyuki Takazawa	August 12, 1962	<p>April 1986 April 2016</p> <p>April 2018</p> <p>April 2020</p> <p>April 2022</p> <p>April 2023</p>	<p>Joined Mitsubishi Electric Corporation Senior General Manager, Transmission & Distribution Systems Marketing Div.</p> <p>Group Senior Vice President, Energy & Industrial Systems Group</p> <p>Executive Officer, Energy & Industrial Systems</p> <p>Executive Officer, Infrastructure Business Area Owner (Energy & Industrial Systems)</p> <p>Senior Vice President, Infrastructure Business Area Owner. (current position)</p>	Same as above	21,240

Title	Name	Date of Birth	Career summary		Term of office	The number of shares owned
Executive Officer, Automotive Equipment	Atsuhiko Yabu	June 25, 1960	April 1984 April 2016 August 2018 April 2019 April 2020 April 2021	Joined Mitsubishi Electric Corporation Executive Vice President, Mitsubishi Electric US, Inc. CEO, Mitsubishi Electric Trane HVAC US LLC Executive Officer, Total Productivity & Management Environmental Programs Executive Officer, Information Security and Total Productivity Management & Environmental Programs Executive Officer, Automotive Equipment (current position)	From April 2023 to March 2024	31,878
Executive Officer, CRO (Legal Affairs & Compliance, Risk Management, Economic Security and Export Control)	Satoshi Kusakabe	January 24, 1960	April 1982 July 2007 July 2010 October 2010 September 2012 June 2013 July 2015 July 2018 November 2018 July 2019 April 2020 October 2020 January 2022 April 2022	Joined the Ministry of International Trade and Industry Director-General, Personnel Division, Minister's Secretariat, Ministry of Economy, Trade and Industry Deputy Director-General, Minister's Secretariat (in charge of Economic and Industrial Policy Bureau), Ministry of Economy, Trade and Industry Councillor, Cabinet Secretariat (National Policy Unit) Director-General for Policy Planning and Coordination, Ministry of Economy, Trade and Industry Deputy Vice-Minister of Economy, Trade and Industry, Ministry of Economy, Trade and Industry Commissioner, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry Retired from the Ministry of Economy, Trade and Industry Advisor, Tokio Marine & Nichido Fire Insurance Co., Ltd. Advisor, Mitsubishi Electric Corporation Executive Officer, Government & External Relations, Export Control, and Intellectual Property Executive Officer, Government & External Relations, Economic Security, Export Control, and Intellectual Property Executive Officer, Government & External Relations, Risk Management, Economic Security, Export Control, Intellectual Property and CRO Executive Officer, CRO (Legal Affairs & Compliance, Risk Management, Economic Security and Export Control) (current position)	Same as above	26,878
Executive Officer, CMO (Global Marketing, Advertising and Corporate Marketing), Government & External	Yoji Saito	October 7, 1960	April 1983 April 2015 April 2020 April 2022 April 2023	Joined Mitsubishi Electric Corporation President & CEO, Mitsubishi Electric Europe B.V. Pan European Representative of Mitsubishi Electric Executive Officer, Global Strategic Planning & Marketing Executive Officer, CMPO (Purchasing), CCO (Corporate Communication, Government & External) Executive Officer, CMO (Global Marketing, Advertising and Corporate Marketing), Government & External (current position)	Same as above	25,778

Title	Name	Date of Birth	Career summary		Term of office	The number of shares owned
Executive Officer, Business Platform Business Area Owner (Information Systems & Network Service), CIO (Information Security, IT and Corporate Process & Operation Reengineering)	Eiichiro Mitani	May 4, 1961	April 1985 April 2015 April 2018 April 2020 January 2021 April 2021 April 2022	Joined Mitsubishi Electric Corporation Senior General Manager, Kobe Works Group Senior Vice President, Information Systems & Network Service, Senior General Manager, Information Systems & Network Service Div. Group Senior Vice President, Information Systems & Network Service Corporate Executive, Corporate Strategic Planning Div. Executive Officer, Process & Operation Reform and IT, Chief Operation DX Officer, CIO Executive Officer, Business Platform Business Area Owner (Information Systems & Network Service), CIO (Information Security, IT and Corporate Process & Operation Reengineering) (current position)	From April 2023 to March 2024	22,440
Executive Officer, CFO (Accounting and Finance)	Kuniaki Masuda	July 21, 1964	See "a. Directors"		Same as above	23,440
Executive Officer, Defense & Space Systems	Tomonori Sato	August 31, 1967	April 1992 April 2020 April 2021 July 2021 April 2022 April 2023	Joined Mitsubishi Electric Corporation Deputy Senior General Manager, Advanced Technology R&D Center Senior General Manager, Advanced Technology R&D Center Executive Officer, CTO (Corporate Research and Development) Executive Officer, Intellectual Property and Corporate Research & Development Executive Officer, Defense & Space Systems (current position)	Same as above	14,678
Executive Officer, CPO (Manufacturing Corporate Total Productivity Management & Environmental Programs), CQO (Corporate Quality Assurance Reengineering)	Yoshikazu Nakai	September 5, 1961	April 1984 April 2014 April 2016 December 2018 November 2020 April 2022 April 2023	Joined Nissan Motor Co., Ltd. Vice President, Total Customer Satisfaction Function, Planning and Administration Dept., Nissan Motor Co., Ltd. Corporate Vice President, Total Customer Satisfaction Function, Production/Field Quality, Quality Audit, Nissan Motor Co., Ltd. Executive Vice President, Nori Corporation General Manager, Global Quality Control Dept of Automotive Motor & Electronic Control Business Group, NIDEC CORPORATION Executive Officer, CPO (Manufacturing), CQO (Corporate Quality Assurance Reengineering) Executive Officer, CPO (Manufacturing, Corporate Total Productivity Management & Environmental Programs), CQO (Corporate Quality Assurance Reengineering) (current position)	Same as above	6,778

Title	Name	Date of Birth	Career summary	Term of office	The number of shares owned
Executive Officer, Auditing, CSO (Corporate Strategic Planning, IR and SR, Operations of Associated Companies, Three Key Reforms and Sustainability)	Satoshi Takeda	March 10, 1967	See "a. Directors"	From April 2023 to March 2024	16,740
Executive Officer, CDO (DX, Business Innovation)	Hiroshi Sakakibara	January 1, 1971	<p>July 1994 Joined the Boston Consulting Group</p> <p>November 1996 Joined Apple Japan, Inc.</p> <p>August 2004 Joined Microsoft Corporation (USA)</p> <p>September 2012 Transferred to Microsoft Japan Co., Ltd.</p> <p>August 2015 Joined Benesse Holdings, Inc.</p> <p>January 2018 Chief Digital Officer (CDO), Benesse Holdings, Inc.</p> <p>December 2018 Managing Officer, Panasonic Corporation (currently Panasonic Holdings Corporation) (Connected Solutions Company) Chief Digital Officer (CDO), Chief Information Officer (CIO)</p> <p>February 2022 Joined Mitsubishi Electric Corporation</p> <p>April 2022 Executive Officer, CDO (Business Innovation)</p> <p>April 2023 Executive Officer, CDO (DX, Business Innovation) (current position)</p>	Same as above	6,778
Executive Officer, CHRO (General Affairs and Human Resources), Public Relations	Yasunari Abe	November 12, 1966	<p>April 1989 Joined Mitsubishi Electric Corporation</p> <p>April 2018 Deputy Senior General Manager, Corporate Human Resources Div.</p> <p>April 2020 Senior General Manager, Public Relations Div. of Corporate Communication Group</p> <p>April 2022 Executive Officer (Associate), Senior General Manager, Corporate Human Resources Div.</p> <p>April 2023 Executive Officer, CHRO (General Affairs and Human Resources), Public Relations (current position)</p>	Same as above	3,600
Total					384,306

Notes: 1. The Company is a company with Three-committee System under Article 2, Item 12 of the Companies Act.

2. Details of Chief Officer are as follows.

CEO	Chief Executive Officer	CTO	Chief Technology Officer
CSO	Chief Strategy Officer	CRO	Chief Risk Management Officer
CMO	Chief Marketing Officer	CMPO	Chief Material Procurement Officer
CCO	Chief Communication Officer	CIO	Chief Information Officer
CFO	Chief Financial Officer	CHRO	Chief Human Resources Officer
CPO	Chief Productivity Officer	CQO	Chief Quality Officer
CDO	Chief Digital Officer		

3. Details of Executive Officers (Associate)

Effective April 1, 2023, based on the company-wide management policy, the Company has appointed Executive Officers (Associate) who will make decisions on overall management and execute business in relation to divisions within their purview. The appointments are as follows:

Title	Name	Positions Held
Executive Officer (Associate)	Yasumichi Tazunoki	Group President, Living Environment & Digital Media Equipment
Executive Officer (Associate)	Shigeki Kawaji	Purchasing, Senior General Manager, Corporate Purchasing Div.
Executive Officer (Associate)	Kenichiro Fujimoto	Overseeing Accounting and Finance, Senior General Manager, Corporate Accounting Div.
Executive Officer (Associate)	Masayoshi Takemi	Group President, Semiconductor & Device
Executive Officer (Associate)	Hideto Negoro	Group President, Public Utility Systems
Executive Officer (Associate)	Masahiro Oya	Vice President, Global Strategic Planning & Marketing
Executive Officer (Associate)	Iwao Oda	Group President, Building Systems
Executive Officer (Associate)	Hiroshi Tsuchimoto	Senior General Manager, Corporate Strategic Planning Div.
Executive Officer (Associate)	Toshie Takeuchi	Group President, Factory Automation Systems
Executive Officer (Associate)	Soichi Hamamoto	Group President, Energy & Industrial Systems
Executive Officer (Associate)	Toru Oka	Intellectual Property, Vice President, Corporate Research and Development
Executive Officer (Associate)	Michael Corbo	Representative of Americas, Global Strategic Planning & Marketing

2) Outside Directors

The Company has seven Outside Directors, each of whom has no special interest with the Company. Although companies which each of the Outside Directors holds office in or has been a director or officer of include those with trading relationships with the Company, no such relationships have an impact on the independence of each relevant Outside Directors based on the scale or nature of such trading, and thus they possess no risk of giving rise to any conflict of interest with the general shareholders of the Company.

Outside Directors are expected to supervise management from a high-level perspective based on their abundant experience. Those who are comprehensively judged to possess the character, acumen, and business and professional experience suited to fulfill that role, and who satisfy the requirements of independent executives specified by the Tokyo Stock Exchange and the requirements specified in Mitsubishi Electric's Guidelines on the Independence of Outside Directors (see note at below) and thus possess no risk of giving rise to any conflict of interest with the general shareholders of the Company, are selected as Outside Directors.

<Independency Guideline for Outside Directors>

Mitsubishi Electric Corporation nominates persons with experience in company management in the business world, attorneys and academics, among other specialists, who are appropriate to oversee the Company's business operations and not falling under any of the following cases, as candidates for Outside Directors. Each of the following 1, 2, 4 and 5 includes a case in any fiscal year during the past three fiscal years.

1. Persons who serve as Executive Directors, Executive Officers, managers or other employees (hereinafter "business executers") at a company whose amount of transactions with the Company accounts for more than 2% of the consolidated revenue of the Company or the counterparty
2. Persons who serve as business executers at a company from which the Company has borrowings that exceed 2% of the consolidated total assets
3. Persons who are related parties of the Company's Independent auditor
4. Persons who receive more than 10 million yen of compensation from the Company as specialists or consultants
5. Persons who serve as Executive Officers (Directors, etc.) of an organization to which the Company offers contribution that exceeds 10 million yen and 2% of the total revenue of the organization
6. Persons who are the Company's major shareholders (holding more than 10% of voting rights) or who serve as their business executers
7. Persons who are related parties of a person or company that have material conflict of interest with the Company

In addition, Outside Directors enhance the checking function of management by receiving reports about the activity status of internal auditors, the audit committee, independent auditors, and divisions in charge of internal control via the Board of Directors, and providing valuable comments regarding Mitsubishi Electric's management from an objective perspective. By doing this, they bring greater transparency to the management framework and strengthen the Board's function of supervising management.

(3) Status of Audit

1) Audit Committee

a. Organization, members, and procedures of the Audit Committee

The Audit Committee is made up of five Director, three of whom are Outside Director. The Committee audits the legality, adequacy, and efficiency of the execution of the duties by Director and Executive Officers and creates an audit report to be submitted to the shareholders' meeting with its resolution.

Kazunori Watanabe, a member of the Audit Committee, is a Certified Public Accountant and has a considerable degree of knowledge about finance and accounting. Tadashi Kawagoishi, a member of the Audit Committee, has long years of experience in the accounting and financial operations of the Company.

The Audit Committee has four dedicated staffers who take direct orders from Audit Committee members and support them in executing their duties.

b. Frequency of the Audit Committee meeting and attendance of each Audit Committee member

The Company held fifteen Audit Committee meetings during the fiscal year. Each meeting took about two hours. The attendance of each Audit Committee member is as shown below.

Title	Name	Attendance/meetings	Attendance rate
Chairman of the Audit Committee (Outside Director)	Hiroshi Obayashi	15/15	100%
Member of the Audit Committee (Outside Director)	Kazunori Watanabe	15/15	100%
Member of the Audit Committee (Outside Director)	Takashi Oyamada	15/15	100%
Member of the Audit Committee	Tadashi Kawagoishi	11/11	100%
Member of the Audit Committee	Jun Nagasawa	11/11	100%

Note: 1. Out of the above members, Tadashi Kawagoishi and Jun Nagasawa are responsible for investigation.

2. The status of attendance for Messrs. Tadashi Kawagoishi and Jun Nagasawa is based on the number of the Audit Committee meetings held after their assumption of office on June 29, 2022.

3. Outside Directors Hiroshi Obayashi and Takashi Oyamada retired upon the expiration of their terms of office at the end of the 152nd Ordinary General Meeting of Shareholders held on June 29, 2023.

c. Activities of the Audit Committee members

The Audit Committee members—mainly those responsible for investigation (full-time Audit Committee members)—attend Executive Officers' meetings and other such important conferences, and conduct investigations such as interviews with Executive Officers and the executive staff of the Company's offices and subsidiaries in accordance with the policies and assignments agreed upon the Committee.

Divisions in charge of internal control, including the Corporate Auditing Division, submit internal audit reports to the Audit Committee members, who hold meetings such as those to discuss internal audit policies and periodic report meetings to exchange opinions. Outside Audit Committee members visit our offices, affiliates, and other locations with the members responsible for investigation as needed and offer their opinions based on their expert knowledge at the Audit Committee meeting and other occasions.

In addition, the Audit Committee members discuss policies and methods of auditing with independent auditors, who furnish them with reports on the status and results of the audits of the Company that they themselves conduct, and exchange opinions with them.

d. Specific Agenda Contents of the Audit Committee

The specific agenda of the Audit Committee includes the formulation of audit policies and activity planning, checks on the status of execution of the duties by Directors and Executive Officers and the status of establishment and operation of the internal control system, checks on methods of auditing by the Independent Auditor and validity of results, and evaluation of the Independent Auditor and drafting of proposals for reappointment and non-reappointment of the Independent Auditor.

In fiscal 2023, the Audit Committee positioned quality issue as the most important issue, and focused on monitoring and verifying the status of efforts by the Mitsubishi Electric Group to prevent the recurrence of incidents with a large social impact, such as recent work-related and information security issues. At the same time, the Audit Committee requested reports, asked questions, and expressed its opinions to the Executive Officers in charge and others as appropriate on such matters as the strengthening of the Mitsubishi Electric Group's management structure, including its internal control and compliance systems, to enhance its corporate value over the medium to long term; various initiatives to achieve sustainability; strategic allocation of management resources; and responding to businesses with issues.

As indicated in "II. Business Overview 1. Management Policy, Business Environment and Corporate Agenda (2) Business environment and corporate agenda," the Company seriously takes the full extent of the improper quality control practices identified to date and the findings and recommendations from the Investigative Committee and the Governance Review Committee and is taking measures to prevent any recurrence in its entire group so that a similar incident never occurs. In

addition, the Company positions three key areas to restore trust (quality assurance, organizational culture, and governance) as top management priorities and, deepening and developing these priorities, is committed to reforming toward the creation of a new Mitsubishi Electric. The Audit Committee positions responses to the product quality issue of the Company and its associated companies as an agenda with a higher degree of importance and, including promotion of a number of recurrence prevention initiatives for work-related and information security issues as recently identified, will continue to closely monitor their progress.

e. Effectiveness evaluation of the Audit Committee

The Audit Committee conducts evaluation to improve performance every year. In the Audit Committee review in fiscal 2023, Outside Audit Committee members concluded that the members responsible for investigation (full-time Audit Committee members) periodically report their activity results and that management information is properly shared in a timely manner in the Audit Committee. Although we believe that this evaluation in effect endorses the performance of the Audit Committee, we will continue to make efforts to improve performance.

2) Status of Internal Audit

a. Organization, members, and procedures for internal audit

An internal audit is intended to contribute to the sound management and strengthened management structure of the Company and its affiliates in Japan and overseas by improving management efficiency, strengthening risk management, thoroughly observing the code of corporate ethics and ensuring compliance, and enhancing internal control.

With approximately 60 members acting independently in Japan and overseas, the Company's Corporate Auditing Division conducts internal audits of the Company from a fair and impartial standpoint. In addition, the division's activities are supported by auditors with extensive knowledge of their particular fields, assigned from relevant business units.

b. Relationship with the divisions in charge of internal control

In the Group, the corporate management divisions and corporate staff groups such as the Corporate Strategic Planning Division, the Corporate Accounting Division, the Corporate Legal & Compliance Division, and the Corporate Export Control Division inspect the establishment and operation of the internal control system and regulations, etc. under their scope of responsibility for internal control. In addition, each business division has its own compliance department, which reliably spreads companywide compliance policies and inspects the compliance status in each business division.

The Corporate Auditing Division internally audits the operation and other aspects of the internal control system, evaluates the internal control related to the establishment of internal whistle-blower system and financial review, and mutually exchanges necessary information with each division in charge of internal control.

c. Mutual relationship among internal audit, the audit by the Audit Committee, and accounting audit

The Corporate Auditing Division reports the internal audit policies and internal audit results to the Audit Committee and exchanges opinions with the Audit Committee members on a regular basis.

The Corporate Auditing Division also reports internal audit results to the independent auditors and continuously works with them, discussing the evaluation of the internal control related to financial review as needed.

d. Activities to ensure the effectiveness of internal audits

The Corporate Auditing Division prepares and sends an audit report to the head of the audited department after the internal audit is conducted, and instructs the head of the audited department to formulate improvement measures as necessary. In order to ensure the effectiveness of internal audits, the Corporate Auditing Division confirms the improvement measures developed by the audited department through the written responses submitted by the audited department, and conducts follow-up audits and evaluations to confirm the implementation progress as necessary.

In addition, the Corporate Auditing Division prepares a report summarizing the internal audit for the first and second half of the year as a regular report, and reports it, via the Executive Officers in charge, to the Audit Committee, and the President & CEO twice a year.

3) Status of accounting audit

a. Overview of the Independent Auditor

The Company has appointed KPMG AZSA LLC as its Independent Auditor.

KPMG AZSA LLC was engaged in the accounting audit of consolidated financial statements of the Company under the Securities Exchange Act (currently the Financial Instruments and Exchange Act) for the fiscal year ended March 31, 2005, and has been engaged in the accounting audit of the Company under the Companies Act and the Securities Exchange Act (currently the Financial Instruments and Exchange Act) from the fiscal year ended March 31, 2006. The Company started preparing consolidated financial statements in English in accordance with the USGAAP from the fiscal year ended March 31, 1970, prompted by the need of issuing USD-denominated convertible bonds in the European market in March 1970, and has been preparing consolidated financial statements in English in accordance with IFRS from the fiscal year ended March 31, 2019 onward. Since the fiscal year ended March 31, 1981, the Company has been entrusting the accounting audit of such consolidated financial statements prepared in English to a Japanese member firm (currently KPMG AZSA LLC) of Peat, Marwick, Mitchell & Co. (currently KPMG).

Designated Limited Liability Partners who executed the accounting audit of the Company are certified public accountants, Messrs. Kensuke Sodekawa, Naoki Matsumoto, and Yukihiko Ishiguro. The supporting team that assisted the execution of the accounting audit consisted of adequate staff including certified public accountants that belong to KPMG AZSA LLC. The Company provides KPMG AZSA LLC an environment for conducting audits from a fair and impartial standpoint, including provision of adequate management information.

b. Reasons for selecting the Independent Auditor

The Company selects the Independent Auditor mainly in consideration of the following:

- The Independent Auditor complies with the matters related to the performance of duties of the Independent Auditor stipulated under Article 131 of the Ordinances of Companies Accounting, such as the matters related to independence.
- The Independent Auditor retains sufficient audit staff with professional experience and expertise to conduct audits of the Group.
- The Independent Auditor retains a network to adequately conduct audits of subsidiaries and affiliated companies of the Company in Japan and overseas, in accordance with local laws and regulations as well as fair and appropriate accounting standards, etc.

KPMG AZSA LLC has been appointed as the Independent Auditor of the Company, because it is a member firm of the KPMG network that provides audit services globally, with staff and systems capable of auditing the Group's global business activities in an integrated manner as an international accounting expert, can handle consolidated account closing in accordance with IFRS, establishes and operates a quality control system adequately, and maintains independence from the Group, with a sufficient investigation system on which to base its opinions.

<Matters set out in Article 126, Item 4 of the Ordinance for Enforcement of the Companies Act>

- Policies on dismissal or non-reappointment of the Independent Auditor

The Company has set out the following policies for determination of dismissal or non-reappointment of the Independent Auditor.

(a) The Independent Auditor may be dismissed in the event that it:

- Commits any breach or omission of due fulfillment of the responsibilities of its work;
- Acts in a manner that is inappropriate for an Independent auditor; or,
- Is involved in any sort of incident or activity that is deemed to fall within the scope of the items above.

(b) In addition to the above, for such reasons as (but not limited to) amelioration of the audit quality, the Company may opt, as necessary, not to renew the retention or appointment of the Independent Auditor.

c. Evaluation of the Independent Auditor

The Audit Committee has established the Company's evaluation standards for the Independent Auditor and evaluates the Independent Auditor accordingly with respect to its independence, systems to perform its duties, status of accounting audits, and quality control. The Company has determined that the performance of the Independent Auditor is appropriate for the fiscal year under review in accordance with the Company's standards.

d. Details of audit fees, etc.

(a) Fees to the certified public accountants

(Millions of yen)

Classification	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fee for non-audit services
The Company	283	5	296	1
Consolidated subsidiaries	229	10	257	3
Total	512	16	554	4

Fees to the certified public accountants for non-audit services paid by the Company and its consolidated subsidiaries for fiscal 2022 and 2023 consist mainly of accounting advisory services.

(b) Fees to organizations that belong to the same network (KPMG)

(Millions of yen)

Classification	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for non-audit services
The Company	126	263	154	122
Consolidated subsidiaries	719	145	860	251
Total	846	408	1,015	373

Fees to audit firms, etc. that belong to the same network (KPMG) as KPMG AZSA LLC, the Company's auditing accountants, for non-audit services paid by the Company and its consolidated subsidiaries for fiscal 2022 and 2023 consist mainly of various advisory services.

e. Policies for determining audit fees

Audit fees are determined based on the verification of validity of the audit plan including audit structure, procedures, and schedule, as well as the unit price of fees per audit hour, subject to the approval of the Audit Committee.

f. Reasons for the Audit Committee's consent on the compensation paid to the Independent Auditor

The Audit Committee has agreed to the amount of fees paid to the Independent Auditor as reasonable, as the amount is based on the estimated audit hours derived from audit policies and plans for the fiscal year under review confirmed with the Independent Auditor, and the unit price of fees is reasonable.

(4) Compensation for Directors and Executive Officers

1) The compensation scheme for Executive Officers

The Company has introduced a performance-based compensation scheme, including stock compensation, for its Executive Officers to increase their awareness of the necessity to contribute to enhancing the medium- to long-term corporate value of the Group and to share that value with shareholders. However, the Company has decided to revise the entire compensation structure for our Executive Officers to further clarify the roles and responsibilities of Directors and Executive Officers and to more rigorously evaluate their short-, medium-, and long-term incentive compensation based on the achievement level of the performance indices.

The new compensation scheme for the Company's Executive Officers has been effective from the fiscal 2023, and its key points are as follows:

- Revised its compensation scheme to make it more performance-linked to implement and achieve the key indicators and priority measures outlined in the Medium-term Management Plan.
- In addition to rigorously evaluating the achievement of the performance indices in the business units in charge, greater emphasis on incentive compensation to reflect performance indices in non-financial matters, such as restoring public trust, improving employee engagement, and sustainability and ESG-related progresses.
- Revised the stock compensation portion of the compensation scheme and established new stock ownership guidelines to strengthen incentives to sustainably increase corporate value and shareholder value over the medium- to long-term.
- Improved compensation governance by introducing malus and clawback provisions.

Item	Fiscal 2022	Fiscal 2023
Compensation scheme	<p>[Fixed compensation]</p> <ul style="list-style-type: none"> • Basic compensation <p>[Variable compensation (Incentive compensation)]</p> <ul style="list-style-type: none"> • Performance-based compensation (partially stock compensation) 	<p>[Fixed compensation]</p> <ul style="list-style-type: none"> • Basic compensation <p>[Variable compensation (Incentive compensation)]</p> <ul style="list-style-type: none"> • Performance-based bonus • Performance Share Units (PSU) • Restricted Stock Units (RSU)
Outline of the incentive compensation	<p>[Performance-based compensation]</p> <ul style="list-style-type: none"> • Performance evaluation period: 1 year • Set within a range of $\pm 20\%$ of the payment reference amount, which is determined according to profit and other factors reflecting business performance in their respective business segments • 50% is paid in lump-sum cash payment and the remaining amount is paid in the form of shares after a 3-year grace period (Subsequently, the shares shall be continuously held for one year, in principle) 	<p>[Performance-based bonus]</p> <ul style="list-style-type: none"> • Performance evaluation period: 1 year • Individual evaluation in line with the performance of business groups in charge and individual responsibilities, separate from the company-wide performance evaluation • Company-wide performance evaluation fluctuates within a range of 0 to 200% depending on the degree of achievement of the targets for consolidated revenue and operating profit ratio • Individual evaluation fluctuates within a range of 0 to 200% depending on the performance of their respective business segments and the status of initiatives toward various reforms and ESG issues • Lump-sum cash payment
		<p>[PSU (revised)]</p> <ul style="list-style-type: none"> • Performance evaluation period: 3 years Fluctuates within a range of 0 to 200% depending on the comparison results of the Company's TSR (total shareholder return) and the TSR of each of the domestic peer companies for the three years • Lump-sum stock payment (partially paid in cash to secure funds for tax payment)
		<p>[RSU (newly established)]</p> <ul style="list-style-type: none"> • Timing of lifting transfer restrictions: At the time of retirement • Restricted stock is granted at the end of each fiscal year to sustainably share shareholder value

2) The Policy for Determining Compensation for Directors and Executive Officers for Fiscal 2023

The policy for determining compensation for Directors and Executive Officers are deliberated upon and decided by the Compensation Committee, a majority of which is comprised of Outside Directors, including the chairperson. The policy is as follows. If the Director concurrently serves as an Executive Officer, the policy for determining compensation for Executive Officers is applied.

a. Basic Policies

As a Company with a Three-committee System, the Company segregates the supervisory function and the execution function of management. The supervisory function of management is assigned to the Directors and the Board of Directors and the execution function of management is assigned to the Executive Officers. The compensation scheme for Directors and the compensation scheme for the Executive Officers will be set differently, corresponding to the contents and responsibilities of each duty and position. The compensation will be determined by the Compensation Committee based on the following basic policies:

(a) Directors

- (i) The compensation scheme should encourage the Directors to demonstrate their supervisory function of management.
- (ii) The compensation should be the amount necessary to secure suitable talent to fulfill the responsibilities of the Company's Directors.

(b) Executive Officers

- (i) The compensation scheme should observe the corporate philosophy of the Mitsubishi Electric Group, and be fully accountable to all stakeholders including society, customers, shareholders, and employees.
- (ii) The compensation scheme should encourage the execution of duties in line with management strategies and provide strong incentives to achieve management goals.
- (iii) The compensation scheme should function as an incentive for sustained performance growth and the improvement of corporate value.
- (iv) The compensation scheme should reflect a fair and impartial evaluation of the achievements and contributions toward their respective roles and responsibilities.

b. The system for determining compensation

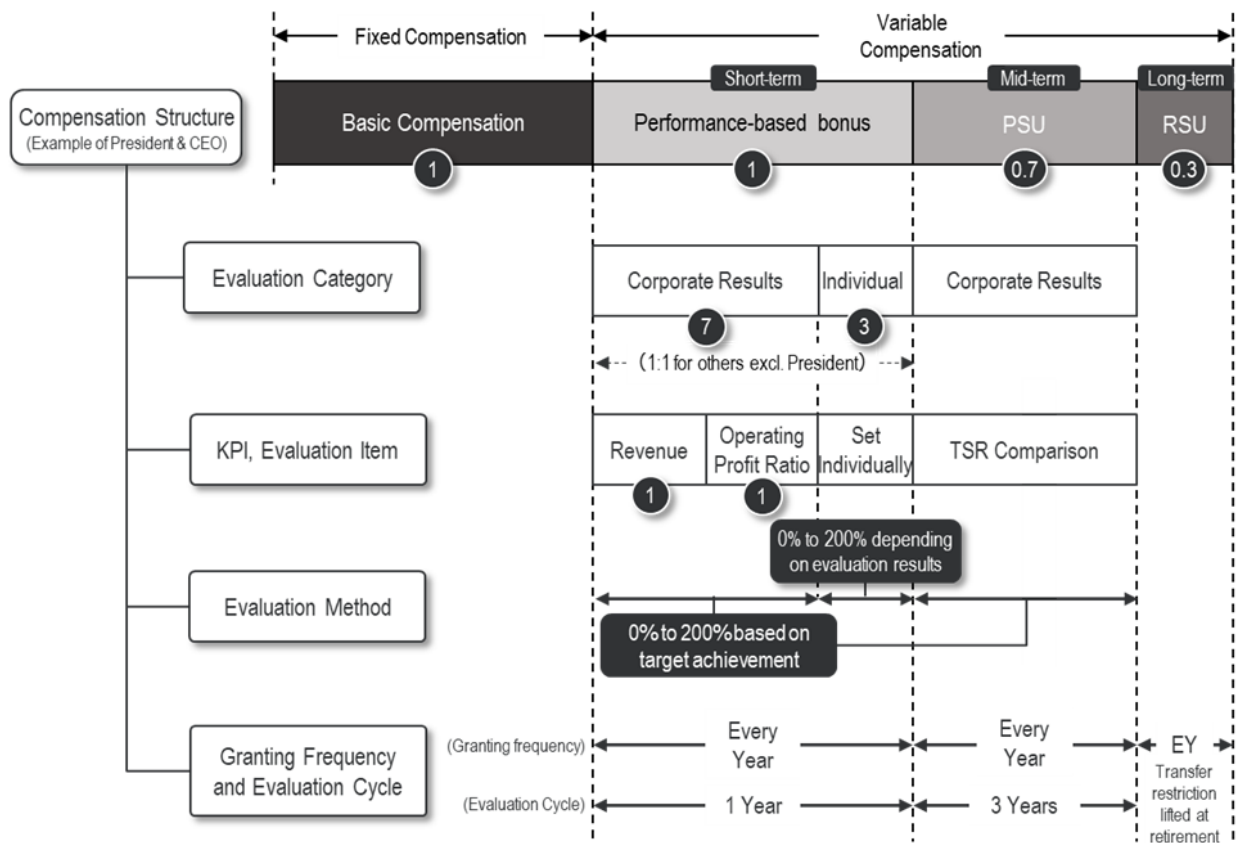
(a) Directors

The compensation scheme for Directors shall consist exclusively of basic compensation (fixed compensation), in light of the Directors' role to provide advice and supervise management from an objective and independent perspective.

(b) Executive Officers

The compensation scheme for Executive Officers shall be as follows, with an emphasis on the improvement of medium-term corporate value and shareholder value.

<Chart> Compensation Structure (Percentage of compensation is that of the President & CEO)



(i) Basic compensation

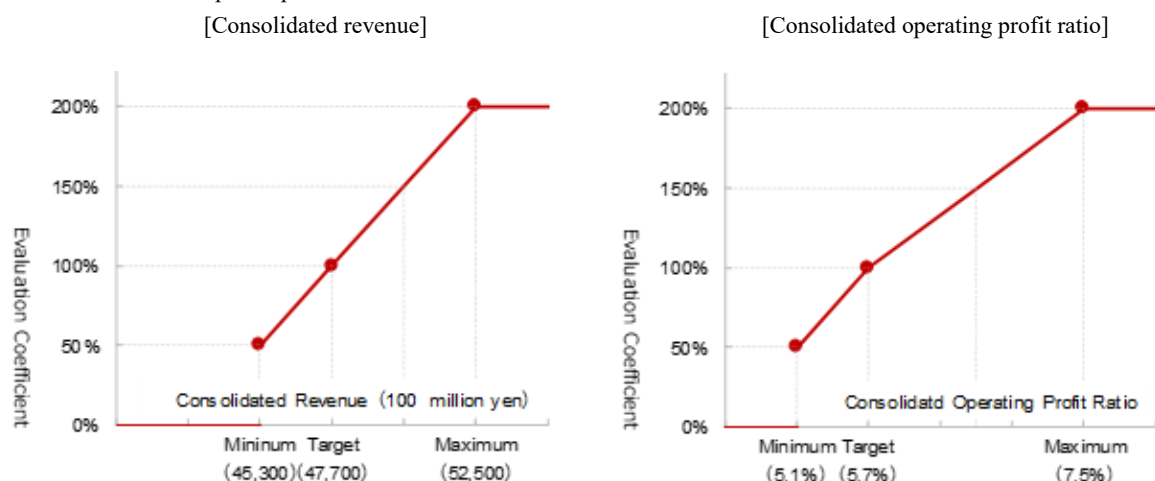
Fixed compensation is set in accordance with the roles and responsibilities of each Executive Officer and is paid monthly in cash by dividing the position-based annual standard amount by 12.

(ii) Performance-based bonus

The performance-based bonus consists of “Corporate Performance Evaluation” and “Individual Evaluation.” Toward the implementation and achievement of targets of important indicators, priority measures, etc. in the Medium-term Management Plan, consolidated revenue and the consolidated operating profit ratio are used as evaluation indicators for “Corporate Performance Evaluation.” For “Individual Evaluation,” as an evaluation indicator, non-financial targets are determined for each Executive Officer. For Executive Officers who control a Business Group, actual results of their Business Group as well as non-financial targets are used as evaluation indicators. The amount to be paid is determined in accordance with the status of achievements of these indicators. The payment amount for each individual will fluctuate in the range of 0% to 200% and shall be calculated as below and paid in a lump sum in cash after the end of each fiscal year.

$$\text{Individual payment amount} = \text{Position-based standard amount} \times (\text{Corporate performance evaluation coefficient} + \text{Individual evaluation coefficient}) \text{ (in the range of 0-200\%)}$$

■ Determination of corporate performance evaluation coefficients



*The target, minimum and maximum are those for the fiscal 2023.

■ Determination of individual evaluation coefficients

The targets for the President & CEO shall be determined through the deliberation of the Compensation Committee at the beginning of the fiscal year. Evaluations shall be made after the end of the fiscal year, by deliberation and decision by the Compensation Committee following a self-evaluation by the President & CEO.

Targets and evaluations of other Executive Officers are discussed and approved by the Compensation Committee after a meeting between the President & CEO and each Executive Officer.

■ Evaluation Indicators, Ratios, and Targets for FY2023

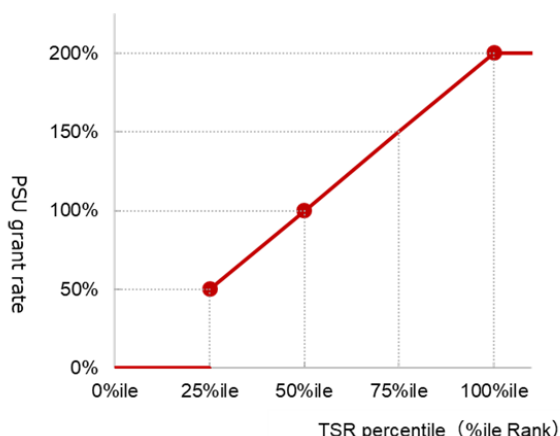
Evaluation indicators		Evaluation ratios		Targets, etc.		Performance results	Evaluation coefficient
		President & CEO	Other Executive Officers				
Corporate performance evaluation	Consolidated revenue	35%	25%	Maximum	5,250 billion yen	5,003.6 billion yen	148.7%
				Target	4,770 billion yen		
				Minimum (Threshold)	4,530 billion yen		
	Consolidated operating profit ratio	35%	25%	Maximum	7.5%	5.2%	58.3%
				Target	5.7%		
				Minimum (Threshold)	5.1%		
Individual evaluation		30%	50%	Set specific targets for each Executive Officer based on the priority measures in FY2026 Medium-term Management Plan, “Three Reforms” to restore trust, ESG promotion, and performance of the business group in charge.		Based on evaluation against individual targets and business performance of the business group in charge, etc.	—

(iii) Performance-based stock compensation (Performance Share Units (PSU))

In principle, the number of shares to be issued as performance-based stock compensation (PSU) varies between 0% and 200%, depending on the comparison result (in percentile) between the Company’s TSR (total shareholder return) for the three years and the TSR of a pre-selected group of comparable companies. The comparable companies are selected from domestic and overseas companies in the business areas in which the Company operates. The number of shares to be delivered to each individual is calculated as follows:

$$\text{Number of shares delivery to each individual} = \text{Standard PSU points for the position} \times \text{PSU grant rate (in the range of 0-200\%)}$$

■ Determination of PSU grant rate
 [TSR percentile vs comparable companies]



■ PSU of which evaluation period ended in fiscal 2023

There is no performance-based stock compensation (PSU) for which the evaluation period ended in this fiscal year, as it was introduced in fiscal 2023.

(iv) Restricted Stock Units (RSU)

In order to promote continuous shareholding and shareholder value during the term of office, the Restricted Stock Unit (RSU) program shall, in principle, deliver shares, with transfer restrictions, equivalent to the standard amount for the position at the end of each fiscal year. The transfer restrictions shall be lifted at retirement (when the Company's Director or Executive Officer retires from his/her position).

■ Diagram of the cycle of granting points and shares for Performance Share Units (PSU) and Restricted Stock Units (RSU)

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
PSU	TSR evaluation period (3 years)					
	TSR evaluation period (3 years)					
	TSR evaluation period (3 years)					
	: Shares are granted 3 years after the start of the evaluation period (Overlap-type)					
RSU	Vesting period (1 year)	(Same as on the left)	(Same as on the left)	(Same as on the left)	(Same as on the left)	(Same as on the left)
	: Granted at the end of each fiscal year (Transfer restrictions are lifted at the time of retirement)					

■ : Granting of standard points ■ : Granting of shares (Transfer restrictions apply in the case of RSU)

c. Method of setting compensation levels and compensation composition ratios

The compensation levels and compensation composition ratios of Directors and Executive Officers are set each year according to their roles and responsibilities based on a comparison with market compensation levels using compensation survey data of external professional organizations. When comparing with market compensation levels, major domestic manufacturers similar to the Company in terms of scale, type of business, global expansion, etc., are selected as the compensation benchmark group.

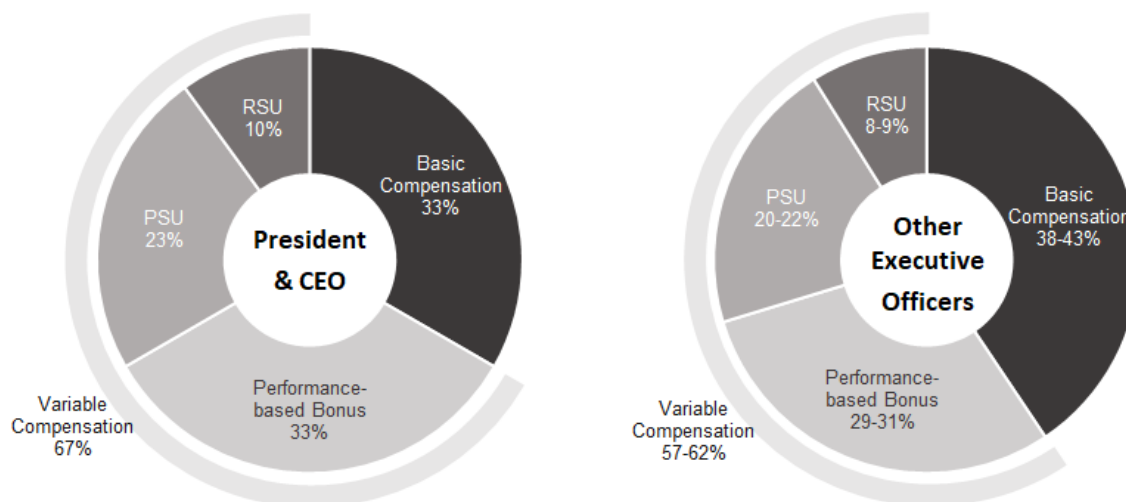
(a) Directors

The basic compensation levels of Directors are set in consideration of the compensation levels of non-executive internal directors and Outside Directors of the compensation benchmark companies, their roles and responsibilities, and other factors.

(b) Executive Officers

The compensation, etc. of Executive Directors is set in consideration of the trends in compensation levels of executive officers at the compensation benchmark companies, the management strategy and business environment of the Company, the objectives of incentive compensation and the degree of difficulty in achieving the targets, the roles and responsibilities of the Executive Officer concerned and other relevant factors. Additionally, from the perspective of pay-for-performance, the compensation composition has been set with a higher ratio of incentive compensation to place greater emphasis on the link between performance and the medium- and long-term improvement of corporate value and shareholder value. The composition of standard compensation for fiscal 2023 is as follows.

■ Composition of standard compensation for fiscal 2023



*PSU: Acronym for Performance Share Unit

*RSU: Acronym for Restricted Stock Unit

*The ratio of “Basic compensation: Performance-based bonus: Stock compensation (PSU + RSU)” is “1: 1: 1” for the President & CEO, and within the range of “1: (0.67 to 0.8): (0.67 to 0.8)” for the other Executive Officers. The ratio has been set so that the higher the position of the Executive Officer, the greater the ratio of variable compensation.

The weight of short-term and medium- to long-term are considered to be the same, and the ratios of performance-based bonus and stock compensation have been equally set.

d. Compensation governance

As a Company with a Three-committee system, the Company has set forth the following:

■ The major roles and authority of the Compensation Committee

The Company’s Compensation Committee has the authority to determine the details of compensation, etc. for individual Directors and Executive Officers of the Company. It mainly determines the policies for determining executive compensation, etc., the details of compensation, etc. for individual Directors and Executive Officers, company-wide performance evaluations related to the incentive compensation of Executive Officers, and the individual evaluations of Executive Officers. The composition of the Compensation Committee, which is to be chaired by an Outside Director, is as follows for fiscal 2023.

[Composition of the Compensation Committee for fiscal 2023]

- Chairman (Outside Director): Kazunori Watanabe
- Members (Outside Directors): Mitoji Yabunaka, Hiroko Koide, Tatsuro Kosaka, and Hiroyuki Yanagi
- Member (Internal Director): Kuniaki Masuda

■ Decision-making process and annual schedule

In the deliberation and determination of the policy for determining executive compensation, etc., the Company's Compensation Committee gathers information and receives advice from compensation consultants from an external professional organization with abundant global experience and knowledge, from the standpoint of ensuring independence of its judgement and enhancing the effectiveness of the roles and authority of the Compensation Committee. The Compensation Committee conducts deliberation and determination based on such information as well as due consideration of the environment and general trends surrounding the compensation for management.

e. Stock ownership guidelines

We believe it is important to ensure that our Executive Officers share the same value with our shareholders on a long-term and sustainable basis. To this end, we have established the following stock ownership guidelines and require Executive Officers to continuously hold the Company's stock during their term of office, even after the target amount has been reached.

[Stock Ownership Guidelines]

Targeted holdings to be achieved within four years of assuming the position

Position	Target amount	
President & CEO	The multiple to be applied to the annual basic compensation	1.3 times
Senior Vice President		1.0 times
Executive Officer		0.8 times

f. Malus and clawback provisions

The Company shall introduce "malus and clawback provisions" so that, in the event of any material misconduct or violation by an Executive Officer, or in the event of any material revision to the financial results of prior fiscal years, the Compensation Committee may, by resolution, demand that such Executive Officer forfeit his/her right to receive incentive compensation (malus) or return his/her paid compensation (clawback). The compensation that may be subject to these provisions shall be performance-based bonuses to be paid or already paid, points granted before the delivery of shares and shares before the lifting of transfer restrictions, and some or all of the shares already delivered.

3) Total amount of compensation (for Fiscal 2023)

a. Directors' and Executive Officers' Compensation

Category	Number Receiving Payment	Total Compensation Amount (Millions of yen)	Total Compensation Amount by Type (Millions of yen)				
			Basic Compensation	Performance-based bonus	Performance Share Unit	Restricted Stock Unit	Retirement Benefit
Directors	4	120	108	-	-	-	12
Outside Directors	7	122	122	-	-	-	-
Executive Officers	17	1,645	686	479	335	143	-

Notes: 1. The number of Directors receiving compensation does not include Outside Directors or Directors who concurrently hold posts as Executive Officers.

2. Regarding Executive Officers who assumed the office in the 151st fiscal year, there was a difference amounting to 59 million yen between the total compensation disclosed for the previous fiscal year and the compensation paid during fiscal 2023. Said difference was not included in the amount disclosed above.

3. The amount of performance-based bonus is a reserve amount for a bonus as of the end of March 2023 to be paid to applicable Executive Officers in June 2023 for the target period from April 2022 to March 2023.

4. The amount of the Performance Share Unit is a reserve amount for stock compensation as of the end of March 2023 to be granted to applicable Executive Officers after the TSR evaluation period (three years) for the target period from April 2022 to March 2023.

5. The amount of the Restricted Stock Unit is the total amount of compensation for shares with transfer restrictions granted to applicable Executive Officers in March 2023 for the target period from April 2022 to March 2023.

6. The Company has adopted the BIP (Board Incentive Plan) Trust for the Performance Share Unit and Restricted Stock Unit whereby shares will be granted to Executive Officers after the TSR evaluation period (three years) for the

Performance Share Unit and after the vesting period (one year) for the Restricted Stock Unit.

7. With regard to the retirement benefits for Directors and Executive Officers, the retirement benefits were terminated for Directors after the conclusion of the Ordinary General Meeting of Shareholders held in June 2021, and for Executive Officers from April 1, 2021. Directors and Executive Officers who assumed office prior to the termination date of retirement benefits shall be paid retirement benefits at the time of retirement for the term of office until the termination date of the retirement benefits, in accordance with the Regulations on the Retirement Benefits of Directors and Executive Officers determined by the Compensation Committee.
8. With serious consideration of the improper quality control practices, the basic compensation for April 2022 and the period from November 2022 to January 2023 for relevant Executive Officers has been partly reduced based on the decision by the Compensation Committee.

b. Directors or Executive Officers who received compensation of 100 million yen or more

Name	Category	Company	Total Compensation Amount (Millions of yen)	Total Compensation Amount by Type (Millions of yen)			
				Basic Compensation	Performance-based bonus	Performance Share Unit	Restricted Stock Unit
Kei Uruma	Executive Officers	The Company	247	80	83	58	25
Tadashi Matsumoto	Executive Officers	The company	111	5	28	24	10
	Directors	Mitsubishi Electric Building Solutions Corporation		36	6	-	-

c. Total Number of Shares Granted as Compensation for Directors and Executive Officers

	Number of Shares Granted	Number of Recipients
Directors (excluding Outside Directors) and Executive Officers	391,018	36
Outside Directors	-	-

Notes: 1. The above includes former Directors and Executive Officers.

2. The above number of shares granted is the number of shares that were actually granted to Directors and Executive Officers. Of the shares that Directors and Executive Officers are entitled to be granted, 287,507 shares have been converted in the trust and delivered as cash equivalent to the disposal price, based on the regulations for granting shares.

4) The Grounds for Determination by the Compensation Committee that the Details of Compensation Given to Individuals Observe the Determination Policy for Fiscal 2023

With regard to the determination of the amount of compensation given to individual Directors and Executive Officers, the Compensation Committee met eleven times during the period from April 2022 to March 2023. In the deliberations by the Compensation Committee, compensation consultants from an external professional organization with global experience and knowledge were employed with the aim to introduce outside objective points of view and specialized knowledge and information on the executive compensation scheme.

The matters deliberated and determined by the Compensation Committee during fiscal 2023 were as follows:

- Evaluation of performance and individual payment amounts for performance-based compensation of Executive Officers in fiscal 2022
- Granting of shares related to the performance-based compensation of Executive Officers for fiscal 2019
- Individual payment amounts of retirement benefits paid to Directors and Executive Officers who retired during fiscal 2022 and fiscal 2023
- Basic compensation of Directors for fiscal 2023

- Reduction of executive compensation, etc. in connection with disciplinary actions against executives related to improper quality control practices
- Evaluation of performance and individual payment amounts for performance-based compensation of Executive Officers in fiscal 2023
- The basic policy for the new compensation scheme for Executive Officers, compensation levels and composition, the incentive compensation plan, etc.

Notes: 1. Eight of the eleven meetings were attended by compensation consultants from an external professional organization.
2. These details include matters for which the final decision was made at the Compensation Committee meetings held during April and May 2023.

Following the abovementioned deliberation, etc., the basic compensation to individual Directors and Executive Officers has been deliberated and determined by the Compensation Committee by utilizing external data on the compensation of major companies in Japan operating globally and taking into account the contents of the duties of the Directors and Executive Officers. Furthermore, as for the retirement benefits paid to Directors and Executive Officers who retired during fiscal 2022 or 2023, their individual payments were determined by the Compensation Committee, based on the Regulations on the Retirement Benefits of Directors and Executive Officers formulated under the policy prior to the revision. Based on the above, the Compensation Committee has determined that the details of compensation given to individuals observe the determination policy.

(5) Status of stocks held

1) Criteria and approach on classification of stocks for investment

With regard to the classification of stocks for investment held for pure investment purposes and stocks for investment held for purposes other than pure investment purposes, the Company classifies stocks held solely for profit purposes from changes in the stock value or dividends on stock as pure investment. There are no stocks held solely for pure investment.

2) Stocks for investment held for purposes other than pure investment purposes

a. The holding policy, and the method for verifying the reasonableness of holding and the outline of the verifications regarding the propriety of individually held stocks at the meetings of the Board of Directors and others.

The Company's rule is "In principle, not hold cross-shareholdings." While the Company may hold stocks that are determined to be necessary for business operations. The Company comprehensively judges whether or not stocks held are significant, from the viewpoint of their profitability, business feasibility, holding risks, etc., aspects which are verified and confirmed yearly in the Executive Officers' meeting and in the Board of Directors' meeting. Furthermore, the Company performs verifications with regard to profitability, as to whether the income gained from related businesses and total dividends received are reaching a level above the capital cost, with regard to business feasibility whether there are not any significant changes in business relationships or amounts of transactions, etc., and with regard to holding risks, whether the corporate value of the investee has fallen or not. When stocks are thus judged to have a low holding significance, the Company considers reduction such as by selling them, taking into consideration the situation of the concerned company.

Based on the results of the above verifications, the Company sold a part of its held stocks in the fiscal year ended March 31, 2023.

b. Number of Issues and Amount on the Balance Sheet

	Number of issues (issues)	Total amount on the Balance Sheet (millions of yen)
Unlisted stocks	138	25,491
Stocks other than unlisted stocks	82	210,671

(Issues whose number of shares increased in the fiscal year ended March 31, 2023)

	Number of issues (issues)	Total purchase price for the increased number of shares (millions of yen)	Reasons for the increased number of shares
Unlisted stocks	4	3,722	Number of shares increased due to acquisition of shares with the aim of maintaining and strengthening business relationships
Stocks other than unlisted stocks	7	34	Number of shares increased due to acquisition of shares with the aim of maintaining and strengthening business relationships

(Issues whose number of shares decreased in the fiscal year ended March 31, 2023)

	Number of issues (issues)	Total selling price for the decreased number of shares (millions of yen)
Unlisted stocks	13	115
Stocks other than unlisted stocks	9	10,248

c. Number of shares of specified investment stocks and deemed stockholdings per issue and the amount on the balance sheet, and others

Specified investment stocks

Issue	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Purpose of holding, summary of business partnerships, etc., effect of quantitative holding, reason of increase in the number of shares held	Shares held by each company
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Amount on the Balance Sheet (millions of yen)	Amount on the Balance Sheet (millions of yen)		
Renesas Electronics Corporation	50,706	50,706	Maintaining and strengthening business relationships in procurement of semiconductors and others	No
	97,027	72,612		
SUZUKI MOTOR CORPORATION	4,105	4,105	Maintaining and strengthening business relationships in the automotive equipment business such as automotive parts	Yes
	19,722	17,296		
Central Japan Railway Company	770	770	Maintaining and strengthening business relationships in the transportation systems business such as electrical equipment for locomotives and rolling stocks	Yes
	12,183	12,302		
Shin-Etsu Chemical Co., Ltd.	406	406	Maintaining and strengthening business relationships in procurement of chemical products and others	Yes
	8,693	7,641		
TEIKOKU ELECTRIC MFG. CO., LTD.	2,286	2,286	Maintaining and strengthening business relationships in the automotive equipment business such as automotive parts	Yes
	5,606	3,598		
Shimadzu Corporation	1,250	1,250	Maintaining and strengthening business relationships in procurement of measuring instruments and others	Yes
	5,177	5,296		
Mitsubishi Research Institute, Inc.	902	902	Maintaining and strengthening collaborative relationships in the social infrastructure systems business	Yes
	4,601	3,608		
TAKEBISHI CORPORATION	2,340	2,340	Maintaining and strengthening business relationships in sales of the Group's products	Yes
	4,064	3,339		
RYOYO ELECTRO CORPORATION	1,576	1,576	Maintaining and strengthening business relationships in sales of the Group's products	Yes
	3,888	3,128		
TACHIBANA ELETECH CO., LTD.	1,921	1,921	Maintaining and strengthening business relationships in sales of the Group's products	Yes
	3,821	3,164		
Citizen Watch Co., Ltd.	4,317	4,317	Maintaining and strengthening business relationships in the factory automation systems business such as factory automation equipment	Yes
	3,359	2,249		
Mitsubishi Estate Company, Limited	2,003	2,003	Maintaining and strengthening business relationships in the building systems business such as elevators and escalators	Yes
	3,157	3,643		

Issue	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Purpose of holding, summary of business partnerships, etc., effect of quantitative holding, reason of increase in the number of shares held	Shares held by each company
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Amount on the Balance Sheet (millions of yen)	Amount on the Balance Sheet (millions of yen)		
KDDI CORPORATION	632	632	Maintaining and strengthening business relationships in the telecommunications systems business such as communications equipment	No
	2,588	2,532		
The Kansai Electric Power Company, Incorporated	1,957	1,957	Maintaining and strengthening business relationships in the semiconductor & devices business such as power systems equipment	No
	2,527	2,249		
KAGA ELECTRONICS CO., LTD.	500	500	Maintaining and strengthening business relationships in the electronic devices business such as semiconductors	No
	2,506	1,628		
Hankyu Hanshin Holdings, Inc.	551	551	Maintaining and strengthening business relationships in the transportation systems business such as electrical equipment for locomotives and rolling stocks	Yes
	2,166	1,956		
Shizuoka Financial Group, Inc.	2,033	2,033	Maintaining and strengthening business relationships in financing and others	Yes
	1,934	1,755		
Keisei Electric Railway Co., Ltd.	464	442	Maintaining and strengthening business relationships in the transportation systems business such as electrical equipment for locomotives and rolling stocks Number of shares increased due to the allotment of Keisei Electric Railway Co., Ltd. shares through a share exchange that made Keisei Electric Railway Co., Ltd. the wholly-owing parent company and Shin-Keisei Electric Railway Co.,Ltd its wholly owned subsidiary with effective date of September 1,2022 and constant purchase through the business partner shareholding union.	Yes
	1,891	1,510		
KYOEI SANGYO CO., LTD.	558	558	Maintaining and strengthening business relationships in sales of the Group's products	Yes
	1,228	844		
Mitsubishi Gas Chemical Company, Inc.	566	1,133	Maintaining and strengthening business relationships in procurement of chemicals and others The Company sold a part of its held stocks.	Yes
	1,112	2,358		
Osaka Gas Co., Ltd.	509	509	Maintaining and strengthening business relationships in the power systems business such as power systems equipment	No
	1,111	1,065		

Issue	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Purpose of holding, summary of business partnerships, etc., effect of quantitative holding, reason of increase in the number of shares held	Shares held by each company
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Amount on the Balance Sheet (millions of yen)	Amount on the Balance Sheet (millions of yen)		
RYOBI LIMITED	660	660	Maintaining and strengthening business relationships in procurement of casting products and others	Yes
	1,015	706		
Tokyo Electric Power Company Holdings, Incorporated	1,924	1,924	Maintaining and strengthening business relationships in the power systems business such as power systems equipment	No
	910	775		
AISAN TECHNOLOGY CO., LTD.	350	350	Maintaining and strengthening business relationships in the defense & space systems business such as high-precision positioning systems	No
	894	672		
Mazda Motor Corporation	710	710	Maintaining and strengthening business relationships in the automotive equipment business such as automotive parts	No
	869	645		
Keikyu Corporation	670	669	Maintaining and strengthening business relationships in the transportation systems business such as electrical equipment for locomotives and rolling stocks Number of shares increased due to constant purchase through the business partner shareholding union.	No
	844	839		
The Chugoku Electric Power Company, Incorporated	1,161	1,161	Maintaining and strengthening business relationships in the power systems business such as power systems equipment	No
	781	983		
NARASAKI SANGYO CO., LTD.	419	419	Maintaining and strengthening business relationships in sales of the Group's products	Yes
	779	869		
EDION Corporation	597	597	Maintaining and strengthening business relationships in the air conditioning systems & home products business such as home appliances	No
	765	678		
TOKYO SANGYO CO., LTD.	1,026	1,026	Maintaining and strengthening business relationships in the power systems business such as power systems equipment	Yes
	755	742		
Keio Corporation	156	153	Maintaining and strengthening business relationships in the transportation systems business such as electrical equipment for locomotives and rolling stocks Number of shares increased due to constant purchase through the business partner shareholding union.	No
	724	733		

Issue	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Purpose of holding, summary of business partnerships, etc., effect of quantitative holding, reason of increase in the number of shares held	Shares held by each company
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Amount on the Balance Sheet (millions of yen)	Amount on the Balance Sheet (millions of yen)		
Tohoku Electric Power Company, Incorporated	1,056	1,056	Maintaining and strengthening business relationships in the power systems business such as power systems equipment	No
	696	752		
Sumitomo Mitsui Trust Holdings, Inc.	150	150	Maintaining and strengthening business relationships in financing and others	Yes
	681	600		
YAMADA HOLDINGS CO., LTD.	1,485	1,485	Maintaining and strengthening business relationships in the air conditioning systems & home products business such as home appliances	No
	677	564		
Chubu Electric Power Company, Incorporated	478	478	Maintaining and strengthening business relationships in the power systems business such as power systems equipment	No
	669	604		
Oi Electric Co., Ltd.	247	247	Maintaining and strengthening business relationships in procurement of power systems and others	Yes
	664	593		
LUCKLAND CO.,LTD.	220	220	Maintaining and strengthening business relationships in the air conditioning systems & home products business such as cryogenic equipment	Yes
	640	651		
Ryoyu Systems Co., Ltd.	283	283	Maintaining and strengthening business relationships in the information systems and service business such as network/Voice services	Yes
	608	566		
K'S HOLDINGS CORPORATION	518	518	Maintaining and strengthening business relationships in the air conditioning systems & home products business such as home appliances	No
	603	654		
SEIKA CORPORATION	286	286	Maintaining and strengthening business relationships in the power systems business such as power systems equipment	Yes
	588	457		
SEIBU HOLDINGS INC.	419	419	Maintaining and strengthening business relationships in the transportation systems business such as electrical equipment for locomotives and rolling stocks	No
	569	533		
TAISEI CORPORATION	109	109	Maintaining and strengthening collaborative relationships in the building systems business	Yes
	447	386		
OKAYA & CO., LTD.	42	42	Maintaining and strengthening business relationships in sales of the Group's products	Yes
	435	409		

Issue	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Purpose of holding, summary of business partnerships, etc., effect of quantitative holding, reason of increase in the number of shares held	Shares held by each company
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Amount on the Balance Sheet (millions of yen)	Amount on the Balance Sheet (millions of yen)		
Kyushu Railway Company	140	140	Maintaining and strengthening business relationships in the transportation systems business such as electrical equipment for locomotives and rolling stocks	No
	414	351		
MORINAGA MILK INDUSTRY CO., LTD.	83	83	Maintaining and strengthening business relationships in the air conditioning systems & home products business such as cryogenic equipment	No
	397	436		
Mizuho Financial Group, Inc.	208	208	Maintaining and strengthening business relationships in financing and others	Yes
	391	326		
MITSUBISHI MOTORS CORPORATION	700	700	Maintaining and strengthening business relationships in the automotive equipment business such as automotive parts	No
	365	231		
THE HYAKUGO BANK,LTD.	976	976	Maintaining and strengthening business relationships in financing and others	Yes
	362	327		
TOKYO ENERGY & SYSTEMS INC.	386	386	Maintaining and strengthening business relationships in the power systems business such as power systems equipments	Yes
	344	375		
TOKYU CORPORATION	195	187	Maintaining and strengthening business relationships in the transportation systems business such as electrical equipment for locomotives and rolling stocks Number of shares increased due to constant purchase through the business partner shareholding union.	No
	344	297		
East Japan Railway Company	-	574	Maintaining and strengthening business relationships in the transportation systems business such as electrical equipment for locomotives and rolling stocks The Company sold its held stocks.	No
	-	4,086		
JEOL Ltd.	-	500	Maintaining and strengthening business relationships in procurement such as measuring instruments The Company sold its held stocks.	Yes
	-	3,435		
Mitsubishi Logistics Corporation	-	733	Maintaining and strengthening business relationships in the building systems business such as elevators and escalators The Company sold its held stocks.	No
	-	2,228		

Issue	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Purpose of holding, summary of business partnerships, etc., effect of quantitative holding, reason of increase in the number of shares held	Shares held by each company
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Amount on the Balance Sheet (millions of yen)	Amount on the Balance Sheet (millions of yen)		
SOHGO SECURITY SERVICES CO., LTD.	-	455	Maintaining and strengthening collaborative relationships in the building systems business Mitsubishi Electric Building Solutions Corporation has succeeded building systems business of the Company due to absorption-type company split agreement.	Yes
	-	1,820		
AEON CO., LTD.	-	318	Maintaining and strengthening business relationships in the building systems business such as elevators and escalators Mitsubishi Electric Building Solutions Corporation has succeeded building systems business of the Company due to absorption-type company split agreement.	No
	-	831		
Mebuki Financial Group, Inc.	-	1,818	Maintaining and strengthening business relationships in financing and others The Company sold its held stocks.	Yes
	-	465		
TOHO CO., LTD.	-	93	Maintaining and strengthening business relationships in the building systems business such as elevators and escalators Mitsubishi Electric Building Solutions Corporation has succeeded building systems business of the Company due to absorption-type company split agreement.	No
	-	431		
Nippon Yusen Kabushiki Kaisha	-	39	Maintaining and strengthening business relationships in all businesses The Company sold its held stocks.	Yes
	-	419		

- Notes: 1. As it involves trade secrets, the Company will not disclose the quantitative effect of stocks held. However, the Company comprehensively judges whether or not stocks held are significant, from the viewpoint of each issue's profitability, feasibility, holding risks, etc., aspects which are verified and confirmed yearly in the Executive Officers' meeting and in the Board of Directors' meeting. Furthermore, we perform verifications with regard to profitability, as to whether the income gained from related businesses and total dividends received are reaching a level above the capital cost, with regard to business feasibility whether there aren't any significant changes in business relationships or amounts of transactions, etc., and with regard to holding risks, whether the corporate value of the investee has fallen or not.
2. When determining share holdings with the highest values in the amounts recorded on the balance sheet, specified investment shares and deemed shareholdings are not combined.
3. "-" signifies that the Company does not own shares of the issue.
4. The meaning of "Yes" in the "Shares held by each company" column includes shares held by operating subsidiaries under holding companies.

Deemed stockholdings

Issue	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Purpose of holding, summary of business partnerships, etc., effect of quantitative holding, reason of increase in the number of shares held	Shares held by each company
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Amount on the Balance Sheet (millions of yen)	Amount on the Balance Sheet (millions of yen)		
Mitsubishi Corporation	17,768	17,768	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	Yes
	84,415	81,750		
OBIC Co., Ltd	2,160	2,160	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	Yes
	45,144	39,787		
Mitsubishi UFJ Financial Group, Inc.	44,121	44,121	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	Yes
	37,410	33,545		
Tokio Marine Holdings, Inc.	9,658	3,219	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights. Number of shares increased due to stock split.	Yes
	24,600	22,948		
Odakyu Electric Railway Co., Ltd.	12,908	12,908	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	Yes
	22,201	26,293		
TIS Inc.	4,796	4,796	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	Yes
	16,741	13,800		
Mitsubishi Heavy Industries, Ltd.	2,408	2,408	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	Yes
	11,741	9,680		
Mitsubishi Estate Company, Limited	6,390	6,390	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	Yes
	10,073	11,623		

Issue	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Purpose of holding, summary of business partnerships, etc., effect of quantitative holding, reason of increase in the number of shares held	Shares held by each company
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Amount on the Balance Sheet (millions of yen)	Amount on the Balance Sheet (millions of yen)		
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	1,224	1,224	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	No
	4,849	4,339		
BIPROGY Inc.	1,271	1,271	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	No
	4,130	3,959		

- Notes: 1. In regard to the quantitative effects of stocks held, as part of management of the trust accounts for retirement benefits, the Company makes sure that there are stable yields to investments, to be used as a source of payment of retirement benefits in the future.
2. When determining share holdings with the highest values in the amounts recorded on the balance sheet, specified investment shares and deemed shareholdings are not combined.
3. The meaning of “Yes” in the “Shares held by each company” column includes shares held by operating subsidiaries under holding companies.

V. Financial Information

1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements

- (1) The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) since the Group meets all the requirements of a “specified international accounting standard company” in Article 1-2 of the Ordinance of the Ministry of Finance No. 28 of 1976, “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements,” and therefore Article 93 of that Ordinance applies to the Group.
- (2) The non-consolidated financial statements of the Company are prepared in accordance with the Ordinance of the Ministry of Finance No. 59 of 1963 “Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (hereinafter “Ordinance on Financial Statements, etc.”)

Also, the Company is qualified as a company submitting financial statements prepared in accordance with special provision and prepares financial statements in accordance with the provision of Article 127 of the Ordinance on Financial Statements, etc.

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year from April 1, 2022 to March 31, 2023 and the non-consolidated financial statements for the 152nd fiscal year (from April 1, 2022 to March 31, 2023) are audited by KPMG AZSA LLC.

3. Special efforts to secure the appropriateness of the consolidated financial statements, etc. and development of a system that can properly prepare consolidated financial statements in accordance with IFRS. The details are shown below.

- (1) The Company has established a system to properly understand the contents of accounting standards and to respond to revisions to standards and laws by being a member of the Financial Accounting Standards Foundation and participating in seminars and other events hosted by the foundation as well as by participating in subcommittees hosted by economic organizations.
- (2) Regarding the application of IFRS, the Company obtains the standards issued by the International Accounting Standards Board timely to ascertain the latest standards. In addition, in order to prepare consolidated financial statements appropriately in accordance with IFRS, we have developed group accounting policies that comply with IFRS and prepare consolidated financial statements based on the policies.

1 【Consolidated Financial Statements and other】

(1) 【Consolidated Financial Statements】

(a) 【Consolidated Statement of Financial Position】

Yen (millions)

	Notes	Mar. 31, 2022	Mar. 31, 2023
(Assets)			
Cash and cash equivalents		727,179	645,870
Trade receivables	6,27, 29	944,405	1,051,641
Contract assets	22,27, 29	287,697	295,291
Other financial assets	7,27	62,135	60,953
Inventories	8	959,660	1,209,254
Other current assets		109,220	125,178
Current assets		3,090,296	3,388,187
Investments accounted for using the equity method	12	221,467	236,785
Other financial assets	7,27	321,056	358,598
Property, plant and equipment	9,11	855,746	896,313
Goodwill and intangible assets	10,11	161,494	190,601
Deferred tax assets	13	159,915	154,441
Other non-current assets	18	297,999	357,594
Non-current assets		2,017,677	2,194,332
Total assets		5,107,973	5,582,519

Yen (millions)

	Notes	Mar. 31, 2022	Mar. 31, 2023
(Liabilities)			
Bonds, borrowings and lease liabilities	14,16, 27	173,213	186,304
Trade payables	17,29	601,606	644,456
Contract liabilities	22,29	188,300	239,228
Other financial liabilities	15,27	167,687	174,891
Accrued expenses		326,703	332,788
Accrued income taxes	13	33,575	46,617
Provisions	19	106,112	121,891
Other current liabilities	18	49,526	56,651
Current liabilities		1,646,722	1,802,826
Bonds, borrowings and lease liabilities	14,16, 27	156,248	214,454
Other financial liabilities	15,27	—	930
Net defined benefit liabilities	18	162,353	153,821
Provisions	19	4,921	3,824
Deferred tax liabilities	13	4,774	7,762
Other non-current liabilities	22	35,558	35,678
Non-current liabilities		363,854	416,469
Total liabilities		2,010,576	2,219,295
(Equity)			
Common stock	20	175,820	175,820
Capital surplus	20	202,695	202,888
Retained earnings	20	2,464,966	2,636,136
Accumulated other comprehensive income (loss)	13,18, 20,27	184,528	276,898
Treasury stock, at cost	20	(52,068)	(52,715)
Mitsubishi Electric Corp. stockholders' equity		2,975,941	3,239,027
Non-controlling interests		121,456	124,197
Total equity		3,097,397	3,363,224
Total liabilities and equity		5,107,973	5,582,519

(b) 【Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income】
【Consolidated Statement of Profit or Loss】

Yen (millions)

	Notes	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Revenue	22,29	4,476,758	5,003,694
Cost of sales	8,9, 10,16, 18	3,212,216	3,596,781
Selling, general and administrative expenses	9,10, 16,18	1,013,674	1,147,981
Other profit (loss)	11,23, 27	1,183	3,420
Operating profit		252,051	262,352
Financial income	24	11,910	12,302
Financial expenses	16,24	2,702	4,296
Share of profit of investments accounted for using the equity method	12	18,434	21,821
Profit before income taxes		279,693	292,179
Income taxes	13	61,808	67,235
Net profit		217,885	224,944
Net profit attributable to:			
Mitsubishi Electric Corp. stockholders	26	203,482	213,908
Non-controlling interests		14,403	11,036

Yen

	Notes	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Earnings per share (attributable to Mitsubishi Electric Corp. stockholders)			
Basic	26	95.41	101.30
Diluted	26	95.41	101.30

【Consolidated Statement of Comprehensive Income】

Yen (millions)

	Notes	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Net profit		217,885	224,944
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to net profit			
Changes in fair value of financial assets measured at fair value through other comprehensive income	27	6,762	28,963
Remeasurements of defined benefit plans	18	64,720	40,693
Share of other comprehensive income of investments accounted for using the equity method	12	342	549
Total items that will not be reclassified to net profit		71,824	70,205
Items that may be reclassified to net profit			
Exchange differences on translating foreign operations		80,060	62,866
Net changes in the fair value of cash flow hedges	27	(2)	32
Share of other comprehensive income of investments accounted for using the equity method	12	9,118	5,538
Total items that may be reclassified to net profit		89,176	68,436
Total other comprehensive income (loss)	25	161,000	138,641
Comprehensive income		378,885	363,585
Comprehensive income attributable to:			
Mitsubishi Electric Corp. stockholders		356,926	348,064
Non-controlling interests		21,959	15,521

(c) 【Consolidated Statement of Changes in Equity】

Year ended Mar. 31, 2022

Yen (millions)

	Notes	Mitsubishi Electric Corp. stockholders' equity					Total	Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost			
Balance at beginning of year		175,820	202,777	2,266,490	111,801	(2,595)	2,754,293	116,318	2,870,611
Comprehensive income									
Net profit				203,482			203,482	14,403	217,885
Other comprehensive income (loss), net of tax	25				153,444		153,444	7,556	161,000
Comprehensive income		—	—	203,482	153,444	—	356,926	21,959	378,885
Reclassification to retained earnings	7,18			80,717	(80,717)		—		—
Dividends	21			(85,723)			(85,723)	(13,673)	(99,396)
Purchase of treasury stock						(50,526)	(50,526)		(50,526)
Disposal of treasury stock			(1,053)			1,053	0		0
Transactions with non-controlling interests and others			971				971	(3,148)	(2,177)
Balance at end of year		175,820	202,695	2,464,966	184,528	(52,068)	2,975,941	121,456	3,097,397

Year ended Mar. 31, 2023

Yen (millions)

	Notes	Mitsubishi Electric Corp. stockholders' equity					Total	Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost			
Balance at beginning of year		175,820	202,695	2,464,966	184,528	(52,068)	2,975,941	121,456	3,097,397
Comprehensive income									
Net profit				213,908			213,908	11,036	224,944
Other comprehensive income (loss), net of tax	25				134,156		134,156	4,485	138,641
Comprehensive income		—	—	213,908	134,156	—	348,064	15,521	363,585
Reclassification to retained earnings	7,18			41,786	(41,786)		—		—
Dividends	21			(84,524)			(84,524)	(10,382)	(94,906)
Purchase of treasury stock						(1,575)	(1,575)		(1,575)
Disposal of treasury stock			(928)			928	0		0
Transactions with non-controlling interests and others			1,121				1,121	(2,398)	(1,277)
Balance at end of year		175,820	202,888	2,636,136	276,898	(52,715)	3,239,027	124,197	3,363,224

(d) 【Consolidated Statement of Cash Flows】

Yen (millions)

	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Cash flows from operating activities		
Net profit	217,885	224,944
Adjustments to cash flows from operating activities		
Depreciation and amortization	206,813	213,843
Impairment losses	4,080	25,012
Loss (gain) on sales and disposal of property, plant and equipment, net	1,142	(21,783)
Income taxes	61,808	67,235
Share of profit of investments accounted for using the equity method	(18,434)	(21,821)
Financial income and financial expenses	(9,208)	(8,006)
Decrease (increase) in trade receivables	(7,319)	(82,851)
Decrease (increase) in contract assets	(12,145)	(6,610)
Decrease (increase) in inventories	(183,436)	(224,266)
Decrease (increase) in other assets	5,456	(5,152)
Increase in trade payables	50,011	35,587
Increase (decrease) in net defined benefit liabilities	(7,859)	(8,905)
Increase in other liabilities	37,071	51,491
Others, net	(9,908)	(13,068)
Subtotal	335,957	225,650
Interest and dividends received	21,704	21,920
Interest paid	(2,477)	(3,826)
Income taxes paid	(72,813)	(77,033)
Cash flows from operating activities	282,371	166,711
Cash flows from investing activities		
Purchase of property, plant and equipment	(134,337)	(151,117)
Proceeds from sale of property, plant and equipment	3,122	31,682
Purchase of intangible assets	(21,725)	(24,439)
Purchase of investment securities and others, net of cash acquired	(13,558)	(28,345)
Proceeds from sale of investment securities and others, net of cash disposed	53,227	20,669
Others, net	(1,596)	3,017
Cash flows from investing activities	(114,867)	(148,533)
Cash flows from financing activities		
Proceeds from bonds and long-term borrowings	825	77,075
Repayments of bonds and long-term borrowings	(35,514)	(54,594)
Increase in short-term borrowings, net	1,677	14,340
Repayments of lease liabilities	(55,896)	(57,959)
Dividends paid to Mitsubishi Electric Corp. stockholders	(85,723)	(84,524)
Purchase of treasury stock	(50,526)	(1,575)
Disposal of treasury stock	0	0
Dividends paid to non-controlling interests	(13,474)	(10,488)
Transactions with non-controlling interests	(2,688)	(1,843)
Cash flows from financing activities	(241,319)	(119,568)
Effect of exchange rate changes on cash and cash equivalents	33,588	20,081
Net increase (decrease) in cash and cash equivalents	(40,227)	(81,309)
Cash and cash equivalents at beginning of year	767,406	727,179
Cash and cash equivalents at end of year	727,179	645,870

【Notes to Consolidated Financial Statements】

1. Reporting entity

Mitsubishi Electric Corporation (“the Company”) is an entity located in Japan. The consolidated financial statements of the Mitsubishi Electric Group (“the Group”) comprises the Company, its subsidiaries and equity in the Company’s associates and joint ventures.

The Group is a multinational organization which develops, manufactures, sells and distributes a broad range of electrical and electronic equipment in the fields as diverse as home appliances to space electronics. The Company and its subsidiaries’ principal lines of business are: (1) Infrastructure, (2) Industry & Mobility, (3) Life, (4) Business Platform and (5) Others. The Group’s manufacturing operations are conducted principally by the Company with 22 manufacturing sites located in Japan, as well as overseas manufacturing sites located in Thailand, China, the United States, Mexico, Italy and other countries.

2. Basis of preparation

(1) Statement of consolidated financial statements in accordance with IFRS

The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) since the Group meets all the requirements of a “specified international accounting standard company” in Article 1-2 of the Ordinance of the Ministry of Finance No. 28 of 1976, “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements,” and therefore Article 93 of that Ordinance applies to the Group.

(2) Basis of measurement

The consolidated financial statements of the Group are prepared using a historical cost basis except for certain financial instruments, defined benefit obligations, and plan assets that are measured at fair value and other items as described in Note “3. Significant accounting policies.”

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company’s functional currency, rounded down in units of millions of yen.

3. Significant accounting policies

(1) Basis of consolidation

(a) Subsidiary

Subsidiaries are entities that are controlled by the Company. The Company determines that it controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The subsidiary's financial statements are included in the consolidation from the date when the Company gains control to the date when it ceases to control the subsidiary.

When the accounting policies used by a subsidiary differ from those of the Group, the subsidiary’s financial statements are adjusted as necessary. The balances of receivables and payables among consolidated companies, inter-company transactions, and unrealized gains and losses arising from inter-company transactions are eliminated upon preparation of the consolidated financial statements.

Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

If there are changes in the ownership interest in a subsidiary that result in a loss of control, the gains or losses resulting from the loss of control are recognized in profit or loss.

(b) Associates and joint ventures

Associates are entities over which the Company has significant influence, but not control or joint control in terms of its financial and operating policies.

Joint ventures are investees where two or more parties including the Company share the contractually agreed control over economic activities and have rights to the net asset of the investees under a joint arrangement which requires the unanimous consent of the parties sharing control when strategic financing and operating decisions related to these activities are made.

Investments in associates and joint ventures are accounted for using the equity method from the date when significant influence or joint control is obtained to the date when it is lost.

When the accounting policies applied by associates and joint ventures differ from those applied by the Group, the associates and joint ventures' financial statements are adjusted as necessary.

Gains or losses on discontinuation of application of the equity method resulting from the loss of significant influence on or joint control over associates and joint ventures are recognized in profit or loss.

(2) Business combinations

Business combinations are accounted for by applying the acquisition method.

Consideration for an acquisition is measured at the aggregate of the fair value of assets transferred and liabilities assumed, in exchange for control over an acquiree, and equity instruments issued by the Company and its consolidated subsidiaries as of the date when control was obtained.

Non-controlling interests are measured at fair value or at the net identifiable assets multiplied by the ratio of non-controlling interest as of the date when control was obtained, for each individual business combination.

If the aggregate of consideration for the acquisition, recognized amount of the non-controlling interest and the fair value as of the date when control was obtained of any interest in the acquiree held before the date when control was obtained exceeds the fair value of the identifiable assets and liabilities, this excess is recognized as goodwill in the Consolidated Statement of Financial Position. If the aggregate is less than the fair value of the identifiable assets and liabilities, this deficiency amount is recognized immediately in profit or loss in the Consolidated Statement of Profit or Loss.

Acquisition-related costs are accounted for as expenses when incurred.

(3) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into the functional currencies of the Company and its consolidated subsidiaries at the exchange rates at the date of the transactions.

Foreign currency monetary assets and liabilities at the end of the year are translated into functional currencies at the exchange rate at the end of the year.

Foreign currency non-monetary assets and liabilities measured at fair value are translated into functional currencies using the exchange rate at the date when the fair value was measured.

The exchange differences arising from translation or settlement are recognized in profit or loss. However, financial assets measured through other comprehensive income and exchange differences arising from the effective part of qualifying cash flow hedges are recognized in other comprehensive income.

(b) Financial statements of a foreign operation

Assets and liabilities of a foreign operation are translated into Japanese yen at the exchange rate at the end of the year and, unless there are significant changes in foreign exchange rates, income and expenses of a foreign operation are translated into Japanese yen at the average exchange rate prevailing during the year. Exchange differences arising on the translation of the financial statements of a foreign operation are recognized in other comprehensive income. Cumulative exchange differences on translating a foreign operation are reclassified to profit or loss if a foreign operation is disposed and control, significant influence or joint control are lost.

(4) Financial instruments

(a) Non-derivative financial assets

The Company and its consolidated subsidiaries classify non-derivative financial assets as financial assets measured at amortized cost or financial assets measured at fair value through profit or loss or other comprehensive income. This classification is determined at initial recognition. Among financial assets, equity and debt instruments are initially recognized on the commitment date and all other financial assets are initially recognized on the date of the transaction.

Among non-derivative financial assets, trade receivables recognized in accordance with IFRS 15 are initially measured at the transaction price, while others are initially measured at fair value (after adding transaction costs directly attributable to the financial assets).

(i) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- the financial assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are measured at the initial recognition amount plus or minus accumulated amortization using the effective interest method, adjusting allowance for credit losses.

(ii) Financial assets measured at fair value

Financial assets that are not measured at amortized cost are measured at fair value. Financial assets measured at fair value are classified in the following categories according to the objective of holding the financial assets:

- Financial assets measured at fair value through other comprehensive income

Equity instruments which are held primarily to maintain and strengthen business relationships are designated as financial assets measured at fair value through other comprehensive income.

Changes in fair value after initial recognition of financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income. However, dividends from financial assets measured at fair value through other comprehensive income are recognized as financial income in profit or loss. When these financial assets are derecognized, cumulative gains or losses previously recognized in other comprehensive income are reclassified to retained earnings.

- Financial assets measured at fair value through profit or loss

Financial assets that are not classified as financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

Changes in fair value after initial recognition of financial assets measured at fair value through profit or loss are recognized in profit or loss.

(iii) Impairment of financial assets

Expected credit losses of financial assets measured at amortized cost are recognized as allowances for credit losses. Expected credit losses are the present value of the difference between the cash flows that are due to the Company and its consolidated subsidiaries in accordance with the contract and the cash flows that the Company and its consolidated subsidiaries expect to receive.

It is determined whether credit risk on a financial asset has increased significantly since initial recognition. If it has not increased significantly, allowance for credit losses is measured at an amount equal to 12-month expected credit losses. If it has increased significantly, allowance for credit losses is measured at an amount equal to the lifetime expected credit losses. When the fact of past due exist, actual or anticipated significant changes in debtors' results of operations are considered in assessing whether the credit risk on a financial asset has increased significantly since initial recognition. For financial assets that fall under any of the following categories, the possibility of credit impairment is determined:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Regardless of the events above, the amount of allowance for credit losses for trade receivables and contract assets that do not contain a significant financing component is measured at an amount equal to the lifetime expected credit losses.

The amount of reversal in impairment losses are recognized in profit or loss.

(iv) Derecognition of financial assets

The Company and its consolidated subsidiaries derecognize financial assets if the contractual rights to the cash flows from the financial asset expire, or the contractual rights to receive the cash flows of the financial asset are transferred and the Company and its consolidated subsidiaries transfer substantially all the risks and rewards of ownership of the financial asset.

(b) Non-derivative financial liabilities

The Company and its consolidated subsidiaries classify non-derivative financial liabilities as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost. This classification is determined at initial recognition. All financial liabilities are initially recognized on the date of the transaction.

All non-derivative financial liabilities are initially measured at fair value (after deducting transaction costs directly attributable to the financial liabilities).

(i) Financial liabilities measured at fair value through profit or loss

Liabilities related to contingent considerations are classified as financial liabilities measured at fair value through profit or loss.

Changes in fair value after initial recognition of financial liabilities measured at fair value through profit or loss are recognized in profit or loss.

(ii) Financial liabilities measured at amortized cost

Financial liabilities other than financial liabilities measured at fair value through profit or loss are classified as financial liabilities measured at amortized cost.

Financial liabilities measured at amortized cost are measured at the initial recognition amount plus or minus accumulated amortization using the effective interest method.

(iii) Derecognition of financial liabilities

The Company and its consolidated subsidiaries derecognize financial liabilities when they are extinguished, that is, when the obligation specified in the contract is discharged, canceled or expires.

(c) Derivatives and hedge accounting

The Company and its consolidated subsidiaries use derivatives such as forward exchange contracts to hedge foreign currency risks. These derivatives are initially measured at fair value at the time that contracts are entered into. They are subsequently remeasured at fair value and resulting gains or losses are recognized in profit or loss. However, the effective part of cash flow hedges is recognized in other comprehensive income.

At the inception of the hedge, the Company and its consolidated subsidiaries formally designate and document the hedging relationship and the risk management objective and strategy for undertaking the hedge. It is assessed at the inception of the hedge and in subsequent periods on an ongoing basis whether derivatives used for hedging transactions are highly effective in offsetting changes in cash flows of the hedged item.

Hedges that meet the qualifying criteria are accounted for as follows:

Cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income in the Consolidated Statement of Comprehensive Income. The ineffective portion is recognized immediately in profit or loss in the Consolidated Statement of Profit or Loss.

Amounts related to the hedging instrument that have been recognized in other comprehensive income are reclassified to profit or loss when hedged transaction affects profit or loss.

(5) Cash and cash equivalents

Cash and cash equivalents are cash on hand and cash in banks which can be withdrawn at any time. Cash and cash equivalents are classified as financial assets measured at amortized cost.

(6) Inventories

Inventories are measured at the lower of cost or net realizable value. The costs of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost, work-in-progress for build-to-ordered products are recorded under the specific identification method and make-to-stock products are recorded at the average production costs. Raw material and finished goods inventories are generally recorded using the average-cost method.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(7) Property, plant and equipment

The cost model is used to measure property, plant and equipment which are presented at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes the costs directly related to the acquisition of the asset as well as the costs of dismantling and removing it and restoring the site.

Depreciation of property, plant and equipment is generally calculated by the diminishing-balance method, except for certain assets which are depreciated by the straight-line method, over the estimated useful life of the assets according to general assets classification, type of construction, and use of these assets.

The estimated useful life of buildings is 3 to 50 years, while that of machinery and equipment and others is 2 to 20 years.

Useful life, residual value and the depreciation method are reviewed at least at each fiscal year-end. If there have been any changes, they are prospectively reflected as changes in accounting estimates.

(8) Goodwill and intangible assets

(a) Goodwill

Goodwill is not amortized but is tested for impairment at least annually. Goodwill is presented at cost less accumulated impairment losses.

(b) Intangible assets

Intangible assets are measured at cost on initial recognition and presented at cost less any accumulated amortization and any accumulated impairment losses.

Development expenditures are recognized as intangible assets only if they are reliably measurable and technically and commercially realizable; it is probable that they will result in future economic benefits; and the Company and its consolidated subsidiaries intend and have sufficient ability to complete development and use or sell the assets.

Intangible assets acquired in a business combination are measured at fair value on initial recognition.

Intangible assets with finite useful lives are mainly software for internal use and customer relationship which are amortized on a straight-line basis over the estimated useful life. The estimated useful life of software is approximately 3 to 5 years, while that of customer relationship is approximately 10 to 30 years.

Estimated useful life, residual value and the amortization method are reviewed at each fiscal year-end. If there have been any changes, they are prospectively reflected as changes in accounting estimates.

The Company does not amortize intangible assets with indefinite useful lives but tests them for impairment at least annually.

(9) Leases

As a lessee, the Group recognizes right-of-use assets that represent a right to use an underlying asset and lease liabilities that represent the obligation for lease payment for all leases other than leases that have a lease term of 12 months or less and leases for which the underlying asset is of low value.

Right-of-use assets are initially measured at cost, which mainly comprises the amount of the initial measurement of lease liabilities, any initial direct costs, costs to be incurred in dismantling and removing the underlying asset and costs to be incurred in restoring the underlying asset. After the initial recognition, right-of-use assets are measured applying a cost model, and presented at cost less any accumulated depreciation and any accumulated impairment losses. Right-of-use assets are depreciated over the shorter of the useful life or the lease term in the same way as the depreciation of property, plant and equipment owned by the Group.

Lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date discounted mainly using the lessee's incremental borrowing rate. Lease payments are allocated to financial expenses and the repaid amount of lease liabilities based on the interest method.

(10) Impairment of non-financial assets

The Group determines whether there is an indication of impairment for non-financial assets, excluding inventories and deferred tax assets. If there is an indication of impairment, these non-financial assets are tested for impairment. Goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually at the same time every year.

The recoverable amount of an asset or cash generating unit is the higher of its value in use and its fair value less costs of disposal. Estimated future cash flows used in the calculation of value in use are discounted to their present value using a pre-tax discount rate reflecting the time value of money and the risks specific to the asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating units are determined by integrating the asset into the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment losses are recognized in profit or loss if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. Impairment losses recognized on cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to reduce pro rata the carrying amounts of the other assets in the unit.

Impairment losses on goodwill are not reversed. For assets other than goodwill, it is assessed whether there is any indication that impairment losses recognized in prior periods may have decreased or no longer exist. Impairment losses are reversed if the recoverable amount exceeds the carrying amount. When reversing impairment losses, the maximum to which the carrying amount of an asset is increased is its carrying amount (less necessary depreciation and amortization) if the impairment loss had not been recognized.

(11) Employee benefits

(a) Post-employment benefits

The Company and its consolidated subsidiaries provide defined contribution plans and defined benefit plans as employee retirement benefit plans.

The present value of the defined benefit obligations and the related current service cost and past service cost are determined using the projected unit credit method.

The period of discount is determined based on the period to the date on which future annual benefits are expected to be paid. Discount rates are determined by reference to market yields consistent with the period of discount on high quality corporate bonds, at the end of the consolidated fiscal year.

Net defined benefit liability or asset is determined at the present value of the defined benefit obligation less the fair value of the plan assets. If the determination shows that a defined benefit plan has been overfunded for the Company and its consolidated subsidiaries, the defined benefit asset is recognized at the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan as a ceiling.

The amount of change in fair value arising from remeasurement of the present value of defined benefit obligations and the fair value of plan assets is fully recognized in other comprehensive income in the periods in which it arises and immediately reclassified to retained earnings.

Past service costs arising on plan amendments are recognized in profit or loss for the period in which they arise.

Contributions to defined contribution plans are recognized as expenses for the period in which the employees render the related service.

(b) Short-term employee benefits

Short-term employee benefits are not discounted. They are recognized as expenses at the time when the employees render the related service.

For bonuses, the amount expected to be paid is recognized as a liability if there is a legal or constructive obligation for payments and it can be reliably estimated.

(12) Provisions

Provisions are recognized when the Company and its consolidated subsidiaries have a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are recognized at the amounts of estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the liabilities.

(13) Revenues

The Company and its consolidated subsidiaries recognize revenue in an amount that reflects the consideration to which they expect to be entitled by transferring a good or service to a customer using the five-step approach below, except for income from interest and dividends as defined in IFRS 9.

Step1 : Identify the contract(s) with a customer.

Step2 : Identify the performance obligations in the contract.

Step3 : Determine the transaction price.

Step4 : Allocate the transaction price to the separate performance obligations in the contract.

Step5 : Recognize revenue when (or as) the entity satisfies a performance obligation.

For mass-produced goods such as home appliances, semiconductors and industrial products, revenue is recognized when the customer accepts the product. For products requiring acceptance inspection of delivered goods, revenue is only recognized when the customer accepts the product, the Company and its consolidated subsidiaries verify that the product achieves predefined performance and there remain only verification of items that are not significant for the customer's final operation check. Consideration for transactions is received primarily within one year after the performance obligation has been satisfied.

Revenue from maintenance agreements is recognized over the contract term as the maintenance is provided.

Revenue from specific construction contracts meeting certain criteria is recognized according to the progress of the construction if progress can be reasonably measured. Revenue is recognized only to the extent of the cost incurred if progress cannot be reasonably measured. The progress of construction is measured by comparing the cost incurred through the current year to the estimated total cost. Estimates and underlying assumptions for the aggregate amount of estimated cost are reviewed on an ongoing basis since there is a possibility that the cost incurred may change due to the progress of construction.

Consideration from maintenance agreements and specific construction contracts meeting certain criteria is received incrementally during the period of the contract, separately from the satisfaction of performance obligations, and the remaining amount is received primarily within one year after all performance obligations are satisfied.

Contract assets are recognized as rights to consideration recorded due to recognizing revenue according to progress. Contract assets are reclassified to trade receivables when the rights to consideration become unconditional. Advance consideration received from customers before fulfillment of the contract is recognized as a contract liability and reversed as revenue from the contract related to the advance consideration is recognized.

Revenue is recognized in an amount that reflects the consideration to which the Company and its consolidated subsidiaries expect to be entitled by transferring the good or service. For contracts which consist of any combination of products, equipment, installation and maintenance, each element is treated as a separate performance obligation and revenue is allocated to each element in proportion to its stand-alone selling price when the good or service provided has a stand-alone value as a separate product.

For contracts which include subsequent changes in consideration such as rebates and discounts, the transaction price is determined by taking into account the variable consideration in a way that the actual value does not significantly diverge from the estimate.

For contracts in which significant financing benefits are received because the timing of satisfaction of the performance obligation and the customer's payment differ, the transaction price is determined after adjustment to reflect the time value of money. The adjustment is recognized as interest expense or income.

For contracts in which the Company and its consolidated subsidiaries do not have discretion in establishing the transaction price, do not have inventory risk, or another party is primarily responsible for fulfilling the contract, revenue is recognized on a net basis.

Any anticipated losses on fixed-price contracts are recognized in the Consolidated Statement of Profit or Loss when such losses can be reliably estimated. Provisions are made for contingencies in the period when they become known pursuant to specific contract terms and conditions and are reliably estimable.

(14) Income taxes

Income taxes consist of current and deferred taxes. Income taxes are recognized in profit or loss except for those related to business combinations and those related to items recognized directly in equity or other comprehensive income.

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities. The amount of tax is calculated based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are recognized for temporary differences between the accounting carrying amounts of assets and liabilities and their tax basis, tax loss carryforwards and tax credit carryforwards at the end of the reporting period.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Taxable temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit
- Taxable temporary differences associated with investments in consolidated subsidiaries, associates and joint ventures, when the timing of reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax assets and liabilities are measured at the tax rates and in accordance with tax laws that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the Company and its consolidated subsidiaries have a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle on a net basis.

A deferred tax asset is recognized for deductible temporary differences, unused tax losses and tax credit carryforwards to the extent that is probable that they can be utilized against future taxable profit. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that is no longer probable that the related tax benefits will be realized.

In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

International Tax Reform - Pillar 2 Model Rules (Amendments to IAS 12) ("Amendment IAS 12") introduces a temporary and mandatory exception to the requirement to recognize and disclose deferred taxes for taxes arising from tax regimes related to the Pillar 2 model rules ("Pillar 2 income taxes").

In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the Group has retrospectively applied this exception from the year ended March 31, 2023, and has not recognized any deferred tax related to Pillar 2 income taxes and has not included it in the notes on deferred taxes.

In addition, the Amendment IAS 12 requires disclosure of current tax expense (or income) related to Pillar 2 income taxes and the Group's exposure to Pillar 2 income taxes. As these disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2023, they have not been applied in the year ended March 31, 2023 and therefore these disclosures have not been made.

(15) Earnings per share

The Company and its consolidated subsidiaries calculate basic earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders by dividing net profit attributable to Mitsubishi Electric Corp. stockholders by the weighted-average number of ordinary shares outstanding adjusted for treasury stock during each year.

Diluted earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders is calculated after adjusting for the effect of all dilutive potential ordinary shares.

(16) Government grants

Asset-related government grants are recognized when there is reasonable assurance that the Company and its consolidated subsidiaries will comply with the attached conditions and will receive the grants. Grants are recognized by calculating the carrying amount of the asset, in which the amount of government grants measured at fair value is directly deducted from the cost of the asset.

4. Significant accounting estimates and judgments

Management is required to make judgments, estimates and assumptions that affect the application of accounting policies and amounts of assets, liabilities, income and expenses in preparation of the consolidated financial statements in accordance with IFRS. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The effects resulting from changes in accounting estimates are recognized in the period when estimates are revised and in the subsequent periods.

Accounting estimates and assumptions which could have a significant effect on amounts in the consolidated financial statements are as follows:

- Recoverable amount of property, plant and equipment, goodwill and intangible assets (see Note “11: Impairment losses”)
- Recoverability of deferred tax assets (see Note “13: Income taxes”)
- Measurement of defined benefit obligation (see Note “18: Employee benefits”)
- Recognition and measurement of provisions (see Note “19: Provisions”)
- Estimated total cost of contracts in which performance obligations are satisfied over time (see Note “22: Revenues”)
- Fair value of financial instruments (see Note “27: Financial instruments”)

5. Segment information

(1) Overview of reportable segments

The operating segments presented below are identified based on the segments for which separate financial information is available, and are periodically used for decisions on business resources allocation and evaluation of business operation by the Company's management.

The Group conducts business through 5 categories, Infrastructure, Industry & Mobility, Life, Business Platform, and Others, by aggregating multiple operating segments based on types and characteristics of products, production methods, and similarities in market.

In this fiscal year, in line with a change of the management structure as of April 1, 2022, reportable segments were changed to the 5 segments as above from the previous 6 segments: Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, Electronic Devices, Home Appliances and Others. Segment information for the fiscal year ended March 31, 2022, has been restated to reflect the reclassification.

Principal operating segments and major products and services included in each category are as follows:

Infrastructure	Public Utility Systems, Energy Systems, Defense & Space Systems	Electrical equipment for locomotives and rolling stock, wireless and wired communications systems, network cameras and their systems, large display devices, turbine generators, hydraulic turbine generators, nuclear power plant equipment, motors, transformers, power electronics equipment, circuit breakers, gas insulated switchgears, switch control devices, surveillance-system control and security systems, transmission and distribution ICT systems, satellite communications equipment, satellites, radar equipment, antennas, missile systems, fire control systems, broadcasting equipment, and others
Industry & Mobility	Factory Automation Systems, Automotive Equipment	Programmable logic controllers, inverters, servomotors, human-machine interface, motors, hoists, magnetic switches, no-fuse circuit breakers, short-circuit breakers, transformers for electricity distribution, time and power meters, uninterruptible power supply, industrial fans, computerized numerical controllers, electrical discharge machines, laser processing machines, industrial robots, clutches, automotive electrical equipment, electric vehicle-related equipment, ADAS-related products, car electronics and car mechatronics, car multimedia, and others
Life	Building Systems, Air Conditioning Systems & Home Products	Elevators, escalators, building security systems, building management systems, room air conditioners, package air conditioners, chillers, showcases, compressors, refrigeration units, air-to-water heat pump boilers, ventilators, hot water supply systems, IH cooking heaters, LED bulbs, indoor lighting, LCD televisions, refrigerators, electric fans, dehumidifiers, air purifiers, vacuum cleaners, jar rice cookers, microwave ovens, and others
Business Platform	Information Systems & Network Service, Semiconductor & Device	Network security systems, information systems equipment, systems integration, power modules, high-frequency devices, optical devices, LCD devices, and others
Others	—	Procurement, logistics, real estate, advertising, finance, and other services

Intersegment transactions are conducted generally at prices that the Company's management recognizes as approximate arm's length prices. The calculation method of operating profit (loss) for reportable segments is consistent with that used in the Consolidated Statement of Profit or Loss. It does not include share of profit of investments accounted for using the equity method, financial income or financial expenses.

(2) Segment information by business categories

Segment information by business categories are as follows. Amounts of operating profit in Eliminations and corporate are unallocatable research and development expenses.

Year ended Mar. 31, 2022

Yen (millions)

	Infrastructure	Industry & Mobility	Life	Business Platform	Others	Total	Eliminations and corporate	Consolidated total
I Revenue and operating profit								
Revenue								
(1) External customers	934,736	1,465,214	1,656,157	266,825	153,826	4,476,758	—	4,476,758
(2) Intersegment	11,370	15,617	16,933	116,019	583,524	743,463	(743,463)	—
Total	946,106	1,480,831	1,673,090	382,844	737,350	5,220,221	(743,463)	4,476,758
Operating profit	41,569	96,487	92,687	26,455	26,729	283,927	(31,876)	252,051
II Other items								
Depreciation and amortization	33,340	75,239	59,393	25,904	12,937	206,813	—	206,813
Impairment losses	—	3,684	8	—	388	4,080	—	4,080
Capital expenditures	25,667	53,554	37,174	21,782	17,885	156,062	—	156,062

Year ended Mar. 31, 2023

Yen (millions)

	Infrastructure	Industry & Mobility	Life	Business Platform	Others	Total	Eliminations and corporate	Consolidated total
I Revenue and operating profit								
Revenue								
(1) External customers	960,915	1,643,445	1,928,001	310,029	161,304	5,003,694	—	5,003,694
(2) Intersegment	12,224	16,851	19,156	119,291	674,768	842,290	(842,290)	—
Total	973,139	1,660,296	1,947,157	429,320	836,072	5,845,984	(842,290)	5,003,694
Operating profit	27,543	95,987	101,289	39,930	31,474	296,223	(33,871)	262,352
II Other items								
Depreciation and amortization	32,279	76,634	62,392	28,708	13,830	213,843	—	213,843
Impairment losses	348	22,094	1,155	67	1,348	25,012	—	25,012
Capital expenditures	24,475	63,788	56,887	19,261	11,145	175,556	—	175,556

In line with the management restructure effective April 1, 2023, the classification of reportable segment of Business Platform was changed to 2 segments such as Business Platform and Semiconductor & Device. Also, some businesses that were previously included in the Information Systems & Network Service of Business Platform have been reclassified in Others due to the organizational restructure.

Segment information by business categories for the fiscal year ended March 31, 2023, which is prepared using the new segmentation, is as follows:

Year ended Mar. 31, 2023

	Yen (millions)								
	Infrastructure	Industry & Mobility	Life	Business Platform	Semiconductor & Device	Others	Total	Eliminations and corporate	Consolidated total
Revenue and operating profit									
Revenue									
External customers	960,915	1,643,445	1,928,001	75,335	234,477	161,521	5,003,694	—	5,003,694
Intersegment	12,224	16,851	19,156	59,389	47,061	688,984	843,665	(843,665)	—
Total	973,139	1,660,296	1,947,157	134,724	281,538	850,505	5,847,359	(843,665)	5,003,694
Operating profit	27,543	95,987	101,289	8,768	29,228	33,408	296,223	(33,871)	262,352

(3) Information by geographical areas

Revenue from external customers by the location of customers are as follows:

	Yen (millions)			
	Year ended Mar. 31, 2022		Year ended Mar. 31, 2023	
	Revenue from external customers	% of total revenue	Revenue from external customers	% of total revenue
Japan	2,332,402	52.1%	2,467,030	49.3%
North America	461,931	10.3%	625,562	12.5%
Asia (excluding Japan)	1,114,951	24.9%	1,218,903	24.4%
Europe	495,308	11.1%	607,812	12.1%
Others	72,166	1.6%	84,387	1.7%
Overseas Total	2,144,356	47.9%	2,536,664	50.7%
Consolidated total	4,476,758	100.0%	5,003,694	100.0%
United States (within North America)	387,037	8.6%	523,811	10.5%
China (within Asia)	588,864	13.2%	583,659	11.7%

There are no individual countries or regions with significant revenue from external customers in the years ended March 31, 2022 and 2023, except for Japan, United States and China.

Non-current assets (property, plant and equipment, goodwill and intangible assets) by location of the Company and its consolidated subsidiaries are as follows:

As of Mar. 31, 2022

							Yen (millions)	
	Japan	Overseas				Corporate	Consolidated total	
		North America	Asia (excluding Japan)	Europe	Others	Total		
Non-current assets	680,069	40,711	146,091	77,132	4,114	268,048	69,123	1,017,240

As of Mar. 31, 2023

							Yen (millions)	
	Japan	Overseas				Corporate	Consolidated total	
		North America	Asia (excluding Japan)	Europe	Others	Total		
Non-current assets	693,869	44,687	166,141	87,474	4,040	302,342	90,703	1,086,914

Note : The major countries and regions included in each segment are as follows:

- (1) North America: United States, Canada, and Mexico
- (2) Asia (excluding Japan): China, South Korea, Thailand, Malaysia, Singapore, Indonesia, and India
- (3) Europe: United Kingdom, France, Germany, the Netherlands, Spain, Italy, and Czech Republic

6. Trade receivables

Components of trade receivables are as follows. Trade receivables are classified as financial assets measured at amortized cost.

	Yen (millions)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
Notes receivable	102,127	111,469
Accounts receivable	842,278	940,172
Total	944,405	1,051,641

7. Other financial assets

(1) Components of other financial assets

Components of other financial assets are set out in the table below. Equity instruments are classified as financial assets measured at fair value through other comprehensive income. Derivative assets and Debt instruments are classified as financial assets measured at fair value through profit or loss. Accounts receivable (non-trade), loans and others are classified as financial assets measured at amortized cost.

	Yen (millions)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
Other financial assets		
Equity instruments	270,792	305,987
Accounts receivables (non-trade)	43,186	47,674
Lease receivables	15,503	16,826
Loans	4,867	1,248
Derivative assets	4,564	2,352
Debt instruments	555	588
Others	43,724	44,876
Total	383,191	419,551
Current assets	62,135	60,953
Non-current assets	321,056	358,598
Total	383,191	419,551

(2) Financial assets measured at fair value through other comprehensive income

Equity instruments which are held primarily to maintain and strengthen business relationships are designated as financial assets measured at fair value through other comprehensive income.

Major equity instruments held and their fair value are as follows:

	Yen (millions)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
Investees		
Renesas Electronics Corporation	72,612	97,027
SUZUKI MOTOR CORPORATION	18,230	20,787
Central Japan Railway Company	12,462	12,341
Shin-Etsu Chemical Co., Ltd.	7,641	8,693
TEIKOKU ELECTRIC MFG.CO.,LTD.	3,598	5,606
Others	156,249	161,533
Total	270,792	305,987

Others comprise many small equity instruments.

Note : Dividend income related to financial assets measured at fair value through other comprehensive income is disclosed in note "24. Financial income and financial expenses."

(3) Derecognition of financial assets measured at fair value through other comprehensive income

The Company and its consolidated subsidiaries derecognize some financial assets measured at fair value through other comprehensive income by selling them in order to improve the efficiency of assets or revise business relationships.

The fair value and cumulative gain (loss) before tax effect at the time of derecognition are as follows:

Yen (millions)			
Year ended Mar. 31, 2022		Year ended Mar. 31, 2023	
Fair value	Cumulative gain (loss)	Fair value	Cumulative gain (loss)
47,000	23,345	10,653	2,534

Cumulative gain (loss) recognized as other comprehensive income were reclassified to retained earnings at the time of derecognition of financial assets. The amounts after tax effect reclassified in the years ended March 31, 2022 and 2023 were 15,828 million yen (gain) and 1,106 million yen (gain), respectively.

8. Inventories

Components of inventories are as follows:

		Yen (millions)	
		As of Mar. 31, 2022	As of Mar. 31, 2023
Finished goods		381,623	526,102
Work in process		354,693	391,445
Raw materials		223,344	291,707
	Total	959,660	1,209,254

The amount of write-downs of inventories recognized as expenses in the years ended March 31, 2022 and 2023 are 15,706 million yen and 22,952 million yen, respectively. These amounts are included in "Cost of sales" in the Consolidated Statement of Profit or Loss.

9. Property, plant and equipment

(1) Change in the carrying amount, cost and accumulated depreciation and impairment losses on property, plant and equipment are as set out in the table below. The amounts include right-of-use assets due to lease agreements.

(a) Carrying amount

Year ended Mar. 31, 2022

	Yen (millions)				
	Land	Buildings and structures	Machinery and equipment, and others	Construction in progress	Total
Balance at beginning of year	109,898	443,710	237,806	66,231	857,645
Acquisition	445	32,124	13,329	121,874	167,772
Reclassification from construction in progress	32	20,929	102,138	(123,099)	—
Depreciation	(599)	(58,725)	(121,792)	—	(181,116)
Impairment losses	—	(257)	(1,656)	—	(1,913)
Sales and disposals	(443)	(1,732)	(1,849)	(12)	(4,036)
Exchange differences on translating foreign operations	1,146	7,228	7,226	1,394	16,994
Others	(7)	1,175	185	(953)	400
Balance at end of year	<u>110,472</u>	<u>444,452</u>	<u>235,387</u>	<u>65,435</u>	<u>855,746</u>

Year ended Mar. 31, 2023

	Yen (millions)				
	Land	Buildings and structures	Machinery and equipment, and others	Construction in progress	Total
Balance at beginning of year	110,472	444,452	235,387	65,435	855,746
Acquisition	3,176	71,959	19,114	146,722	240,971
Reclassification from construction in progress	1,117	26,325	112,480	(139,922)	—
Depreciation	(600)	(62,109)	(124,501)	—	(187,210)
Impairment losses	(166)	(3,734)	(16,676)	(992)	(21,568)
Sales and disposals	(4,773)	(1,652)	(2,504)	(30)	(8,959)
Exchange differences on translating foreign operations	1,976	7,722	6,153	1,175	17,026
Others	665	745	413	(1,516)	307
Balance at end of year	<u>111,867</u>	<u>483,708</u>	<u>229,866</u>	<u>70,872</u>	<u>896,313</u>

Note : Depreciation on property, plant and equipment is included in “Cost of sales” and “Selling, general and administrative expenses” in the Consolidated Statement of Profit or Loss.

(b) Cost

	Yen (millions)				
	Land	Buildings and structures	Machinery and equipment, and others	Construction in progress	Total
Balance at April 1, 2021	116,735	1,023,859	2,115,437	66,355	3,322,386
Balance at March 31, 2022	116,671	1,067,081	2,191,312	65,559	3,440,623
Balance at March 31, 2023	117,811	1,126,901	2,266,565	71,988	3,583,265

(c) Accumulated depreciation and impairment losses

	Yen (millions)				
	Land	Buildings and structures	Machinery and equipment, and others	Construction in progress	Total
Balance at April 1, 2021	6,837	580,149	1,877,631	124	2,464,741
Balance at March 31, 2022	6,199	622,629	1,955,925	124	2,584,877
Balance at March 31, 2023	5,944	643,193	2,036,699	1,116	2,686,952

(2) Right-of-use assets

The carrying amounts of right-of-use assets are as follows:

	Yen (millions)			
	Land	Buildings and structures	Machinery and equipment, and others	Total
Balance at April 1, 2021	8,330	71,040	10,429	89,799
Balance at March 31, 2022	8,386	68,898	10,524	87,808
Balance at March 31, 2023	10,866	105,552	9,761	126,179

The amounts of acquisition on right-of-use assets for the years ended March 31, 2022 and 2023 are 33,556 million yen and 76,502 million yen, respectively. The amounts of depreciation on right-of-use assets for the years ended March 31, 2022 and 2023 are 37,601 million yen and 39,483 million yen, respectively. The depreciation is mainly expensed for buildings and structures.

10. Goodwill and intangible assets

Change in the carrying amount, cost and accumulated amortization and impairment losses on goodwill and intangible assets are as follows:

(1) Carrying amount

Year ended Mar. 31, 2022

	Yen (millions)				
	Goodwill	Software	Customer relationship	Others	Total
Balance at beginning of year	61,109	44,790	15,216	32,397	153,512
Acquisition	—	19,917	—	1,896	21,813
Acquisitions through business combinations	4,517	—	1,073	1,245	6,835
Amortization	—	(18,812)	(1,966)	(4,919)	(25,697)
Impairment losses	—	(1,973)	—	(7)	(1,980)
Sales and disposals	—	(157)	—	(200)	(357)
Exchange differences on translating foreign operations	3,497	301	865	1,422	6,085
Others	—	925	(1)	359	1,283
Balance at end of year	<u>69,123</u>	<u>44,991</u>	<u>15,187</u>	<u>32,193</u>	<u>161,494</u>

Year ended Mar. 31, 2023

	Yen (millions)				
	Goodwill	Software	Customer relationship	Others	Total
Balance at beginning of year	69,123	44,991	15,187	32,193	161,494
Acquisition	—	21,582	—	3,010	24,592
Acquisitions through business combinations	17,185	—	5,513	1,027	23,725
Amortization	—	(18,471)	(2,359)	(5,803)	(26,633)
Impairment losses	(1,038)	(1,256)	—	(138)	(2,432)
Sales and disposals	—	(172)	—	(27)	(199)
Exchange differences on translating foreign operations	5,433	344	1,007	1,046	7,830
Others	—	1,758	—	466	2,224
Balance at end of year	<u>90,703</u>	<u>48,776</u>	<u>19,348</u>	<u>31,774</u>	<u>190,601</u>

Notes : 1 Amortization of intangible assets are included in “Cost of sales” and “Selling, general and administrative expenses” in the Consolidated Statement of Profit or Loss.

2 Significant intangible assets excluding goodwill as of the date of March 31, 2022 and 2023 are customer relationship in the air conditioning systems & home products business within the Life segment acquired through the purchase of DeLclima S.p.A. (currently Mitsubishi Electric Hydronics & IT Cooling Systems S.p.A.) in December 2015. The carrying amount and remaining amortization periods as of the date of March 31, 2022 and 2023 are 11,295 million yen (average remaining amortization period of 7 years) and 10,242 million yen (average remaining amortization period of 6 years), respectively.

(2) Cost

	Yen (millions)				
	Goodwill	Software	Customer relationship	Others	Total
Balance at April 1, 2021	61,109	141,386	30,819	59,936	293,250
Balance at March 31, 2022	69,123	148,640	33,641	64,265	315,669
Balance at March 31, 2023	91,741	152,380	41,409	68,346	353,876

(3) Accumulated amortization and impairment losses

	Yen (millions)				
	Goodwill	Software	Customer relationship	Others	Total
Balance at April 1, 2021	—	96,596	15,603	27,539	139,738
Balance at March 31, 2022	—	103,649	18,454	32,072	154,175
Balance at March 31, 2023	1,038	103,604	22,061	36,572	163,275

The amount of research and development expenses for the years ended March 31, 2022 and 2023 are 195,144 million yen and 212,386 million yen, respectively.

11. Impairment losses

(1) Property, plant and equipment and intangible assets (excluding goodwill)

Impairment losses are recognized in “Other profit (loss)” in the Consolidated Statement of Profit or Loss.

For the year ended March 31, 2022, impairment losses consisted of 1,913 million yen of impairment of property, plant and equipment and 2,167 million yen of impairment of intangible assets and others. The impairment losses were mainly due to the decline in profitability of car multimedia products owing to commoditization, etc. at a certain domestic manufacturing facility in the automotive equipment business within the Industry & Mobility segment. The Group recorded impairment losses of 1,577 million yen for property, plant and equipment related to business assets such as machinery and equipment, and 2,107 million yen for intangible assets and others. The recoverable amount of 7,238 million yen is mainly measured based on the fair value less costs of disposal. These measurements are based on real estate appraisal amount. The fair value hierarchy is level 3.

For the year ended March 31, 2023, impairment losses consisted of 21,568 million yen of impairment of property, plant and equipment and 3,444 million yen of impairment of intangible assets and others. The impairment losses were mainly due to a prolonged, unfavorable procurement environment caused mainly by soaring material and logistic costs at a certain domestic manufacturing facility in the automotive equipment business within the Industry & Mobility segment. The Group recorded impairment losses of 17,956 million yen for property, plant and equipment related to business assets such as machinery and equipment, and 717 million yen for intangible assets and others. The recoverable amount of 25,910 million yen is mainly measured based on the fair value less costs of disposal. These measurements are based on real estate appraisal amount. The fair value hierarchy is level 3.

(2) Goodwill

Impairment losses on goodwill are not recognized in the year ended March 31, 2022. In the year ended March 31, 2023, the Group recognized impairment losses on goodwill of 1,038 million yen.

The cash-generating unit group to which significant goodwill was allocated as of March 31, 2022 was the air conditioning systems & home products business within the Life segment, and the carrying amount of goodwill allocated to the business was 45,253 million yen. The cash-generating unit group to which significant goodwill was allocated as of March 31, 2023 was the air conditioning systems & home products business and the building systems business within the Life segment, and the carrying amount of goodwill allocated to each business was 49,324 million yen and 14,985 million yen, respectively. The recoverable amount in impairment tests is calculated using value in use. Value in use is primarily calculated by discounting to the present value the estimated cash flows based on a five-year business plan and growth rates approved by management. The discount rate is calculated based on the pre-tax weighted average cost of capital. The main discount rates as of March 31, 2022 and 2023 were 9.2% and 9.5%–14.0%, respectively. Growth rates are calculated by reference to long-term expected growth rates of the market to which the cash-generating unit belongs. The main growth rates as of March 31, 2022 and 2023 were 0.8% and 0.8%–2.0%, respectively. It is considered unlikely that a significant impairment would have occurred even if the key assumptions used in determinations of impairment were changed within a reasonably predictable range.

12. Investments accounted for using the equity method

The carrying amount of investment and share of comprehensive income in individually immaterial associates and joint ventures are as follows:

(1) Carrying amount of investment

	Yen (millions)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
Associates	135,404	144,952
Joint ventures	86,063	91,833
Total	<u>221,467</u>	<u>236,785</u>

(2) Share of comprehensive income

	Yen (millions)	
	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Associates		
Net profit	11,929	14,999
Other comprehensive income (loss)	7,959	4,901
Total comprehensive income	<u>19,888</u>	<u>19,900</u>
Joint ventures		
Net Profit	6,505	6,822
Other comprehensive income (loss)	1,501	1,186
Total comprehensive income	<u>8,006</u>	<u>8,008</u>
Total	<u>27,894</u>	<u>27,908</u>

13. Income taxes

Major components of deferred tax assets and liabilities are as follows:

	Yen (millions)			
	Consolidated Statement of Financial Position		Consolidated Statement of Profit or Loss	
	As of Mar. 31, 2022	As of Mar. 31, 2023	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Deferred tax assets				
Accrued expenses	85,075	90,037	5,215	4,530
Property, plant and equipment	36,367	40,667	(1,617)	4,500
Lease liabilities	21,842	31,334	(2,924)	9,492
Inventories	35,871	54,387	1,586	18,516
Tax loss carryforwards	3,853	2,649	155	(1,221)
Others	60,635	60,236	(2,366)	(1,742)
Total	<u>243,643</u>	<u>279,310</u>	<u>49</u>	<u>34,075</u>
Deferred tax liabilities				
Net defined benefit Assets	274	20,784	762	2,973
Property, plant and equipment	2,460	2,767	1,015	307
Right-of-use assets	17,131	26,611	(2,808)	9,480
Financial assets measured at fair value through other comprehensive income	40,917	52,199	—	—
Others	27,720	30,270	334	37
Total	<u>88,502</u>	<u>132,631</u>	<u>(697)</u>	<u>12,797</u>
Net deferred tax assets	<u>155,141</u>	<u>146,679</u>	<u>746</u>	<u>21,278</u>

Changes in net deferred tax assets are as follows:

	Yen (millions)	
	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Balance at beginning of year	177,375	155,141
Amounts recognized in profit or loss	746	21,278
Amounts recognized in other comprehensive income	(23,087)	(28,648)
Others	107	(1,092)
Balance at end of year	<u>155,141</u>	<u>146,679</u>

In assessing the realizability of deferred tax assets, the Company and its consolidated subsidiaries consider whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profit during the periods in which those deductible temporary differences, unused tax loss carryforwards and tax credit carryforwards become deductible. The Company and its consolidated subsidiaries consider the scheduled reversal of deferred tax liabilities, projected future taxable profit, and tax planning strategies in making this assessment. Based on these factors, the Company and its consolidated subsidiaries consider the probability that deferred tax assets determined to be recognizable at March 31, 2023 will be realized to be high, but if future estimated taxable profit decreases during the deferral period, deferred tax assets considered likely to be realized will be reduced.

Tax loss carryforwards, deductible temporary differences and tax credit carryforwards for which deferred tax assets are not recognized are as follows:

	Yen (millions)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
Tax loss carryforwards	15,691	15,402
Deductible temporary differences	2,241	3,541
Tax credit carryforwards	6,412	2,488

The expiration schedule of tax loss carryforwards for which deferred tax assets are not recognized are as follows:

	Yen (millions)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
Within one year	96	253
One to five years	3,186	2,549
Over five years	12,409	12,600
Total	<u>15,691</u>	<u>15,402</u>

The expiration schedule of tax credit carryforwards for which deferred tax assets are not recognized are as follows:

	Yen (millions)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
One to five years	4,297	—
Over five years	2,115	2,488
Total	<u>6,412</u>	<u>2,488</u>

The total amount of taxable temporary differences related to investments in consolidated subsidiaries for which deferred tax liabilities are not recognized as of the date of March 31, 2022 and 2023 are 709,484million yen and 807,051 million yen, respectively.

The components of income taxes are as set out in the table below.

The amount of the benefit arising from a tax loss or temporary difference of a prior period for which deferred tax assets were not recognized is included in current and deferred tax expenses. The effect of this on current and deferred tax expenses in the years ended March 31, 2022 and 2023 are insignificant.

	Yen (millions)	
	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Current tax expense	62,554	88,513
Deferred tax expense		
Origination and reversal of temporary differences	(746)	(21,278)
Total	<u>61,808</u>	<u>67,235</u>

The Company and its domestic consolidated subsidiaries are subject mainly to corporate tax, inhabitant tax and business tax. Statutory tax rate of the Company is approximately 30.5% for the years ended March 31, 2022 and 2023, respectively. Foreign consolidated subsidiaries are subject to income taxes at their locations.

The causes of the difference between the statutory tax rate and the average effective tax rate are as follows:

	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Statutory tax rate	30.5%	30.5%
Changes in unrecognized deferred tax assets	0.1	0.1
Expenses permanently not deductible for tax purposes	0.3	0.4
International tax rate difference	(5.9)	(7.2)
Tax credits	(2.9)	(1.9)
Tax effect attributable to investments accounted for using the equity method	(2.1)	(2.1)
Others	2.1	3.2
Average effective tax rate	<u>22.1%</u>	<u>23.0%</u>

14. Bonds, borrowings and lease liabilities

(1) Components of bonds, borrowings and lease liabilities

Components of bonds, borrowings and lease liabilities are as follows:

	Yen (millions)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
Unsecured borrowings		
Weighted average interest rate	0.33%	0.76%
Final maturity	2030	2030
Balance at end of year	217,171	252,265
Sub total	217,171	252,265
Lease liabilities	112,290	148,493
Sub total	112,290	148,493
Total	329,461	400,758
Current liabilities	173,213	186,304
Non-current liabilities	156,248	214,454

As of March 31, 2023, the Company and its subsidiaries had unused committed lines of credit that can provide short-term funds from subscribing financial institutions amounting to 112,300 million yen.

(2) Changes in liabilities related to financing activities

Changes in liabilities related to financing activities are as follows:

Year ended Mar. 31, 2022

	Yen (millions)				
	Balance at beginning of year	Changes from financing cash flows	Non-cash changes		Balance at end of year
Increase from new leases			Foreign currency translation adjustments and others		
Short-term borrowings	72,052	1,677	—	1,234	74,963
Bonds	20,000	(20,000)	—	—	—
Long-term borrowings	156,845	(14,689)	—	52	142,208
Lease liabilities	116,534	(55,896)	51,100	552	112,290
Total	365,431	(88,908)	51,100	1,838	329,461

Note : Balances to be repaid or redeemed in 1 year or less are included in “Bonds,” “Long-term borrowings” and “Lease liabilities.”

Year ended Mar. 31, 2023

Yen (millions)

	Balance at beginning of year	Changes from financing cash flows	Non-cash changes		Balance at end of year
			Increase from new leases	Foreign currency translation adjustments and others	
Short-term borrowings	74,963	14,340	—	(1,811)	87,492
Long-term borrowings	142,208	22,481	—	84	164,773
Lease liabilities	112,290	(57,959)	93,654	508	148,493
Total	329,461	(21,138)	93,654	(1,219)	400,758

Note : Balances to be repaid or redeemed in 1 year or less are included in “Long-term borrowings” and “Lease liabilities.”

15. Other financial liabilities

Components of other financial liabilities are as set out in the table below. Accounts payable (non-trade) and guarantee deposits received are financial liabilities measured at amortized cost. Derivative liabilities and contingent consideration are financial liabilities measured at fair value through profit or loss.

	Yen (millions)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
Other financial liabilities		
Accounts payable (non-trade)	138,715	160,833
Guarantee deposits received	11,105	11,763
Derivative liabilities	17,867	1,508
Contingent consideration	—	1,717
Total	167,687	175,821
Current liabilities	167,687	174,891
Non-current liabilities	—	930
Total	167,687	175,821

16. Leases

The Company and its consolidated subsidiaries mainly serve as lessees for buildings and structures in leasing transactions.

For the year ended March 31, 2022 and 2023, there are no significant contracts that have already been signed but have not been leased. There are no significant restrictions (e.g. restrictions on additional borrowing and additional leases) imposed by the lease contract.

The Company and its consolidated subsidiaries recognize the lease payments as expenses over the lease term for leases that have a lease term of 12 months or less and leases for which the underlying asset is of low value.

Lease expenses as a lessee is as follows:

	Yen(millions)	
	Year ended Mar.31, 2022	Year ended Mar.31, 2023
Interest on lease liabilities	1,056	1,312
Expenses for short-term leases	8,302	9,399
Expenses for leases of low-value assets, excluding short-term leases of low-value assets	6,021	6,685

In the year ended March 31, 2022 and 2023, the total cash outflow for leases is 71,275 million yen and 75,355 million yen, respectively.

17. Trade payables

Components of trade payables are as follows. Trade payables are classified as financial liabilities measured at amortized cost.

	Yen (millions)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
Notes payable	95,032	110,657
Accounts payable	506,574	533,799
Total	601,606	644,456

18. Employee benefits

(1) Post-employment benefits

The Company has non-contributory defined benefit plans and defined contribution plans, and contributory defined benefit plans covering its employees who meet eligibility requirements.

Under the non-contributory defined benefit plans, employees with less than twenty years of service are entitled to lump-sum payments at date of severance, and employees with twenty or more years of service are entitled to annuity payments subsequent to retirement, determined by the current basic rate of pay, length of service and termination conditions. In addition, certain employees who meet the eligibility requirements are entitled to additional lump-sum payments at the date of retirement based on the retirement age.

Under the non-contributory defined contribution plans, the Company pays contributions over the enrollment period and the pension funds are accumulated by means of employees' directions to investment policies. In principle, it is paid for a certain period after the age of sixty.

Under the contributory defined benefit plans, a cash balance pension plan is adopted. Under the cash balance pension plan, each participant has a notional account which is credited yearly based on the current rate of contribution and market-related interest rate.

The assets of certain of the non-contributory plans and the contributory plans are combined in accordance with the regulations and administered by a board of trustees comprised equally of employer and employee representatives. An employee retirement benefit trust is established for certain of the noncontributory plans.

The institution managing the fund and plan assets is legally obligated to act with the objective of maximizing the benefit to plan participants, and bears responsibility for management of the plan assets according to a prescribed investment policy. The Company is obligated to contribute to the fund over the future, and the amount of the contribution is periodically revised to the extent as is permitted in laws and regulations.

The domestic consolidated subsidiaries provide various pension plans, including employees' pension fund plans, and/or corporate pension fund plans, based on each subsidiary's respective pension policies. In addition, foreign consolidated subsidiaries that have adopted a pension policy mainly provides defined contribution pension plans.

(2) Defined benefit plans

Changes in the present value of defined benefit obligations and fair value of plan assets are as follows:

	Yen (millions)	
	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Present value of a defined benefit obligation		
Balance at beginning of year	1,149,125	1,126,974
Service cost	38,921	38,594
Interest cost	6,660	7,499
Remeasurements of defined benefit pension plans		
Actuarial gains and losses arising from changes in demographic assumptions	(552)	1,582
Actuarial gains and losses arising from changes in financial assumptions	(9,352)	(52,807)
Others	3,206	3,056
Benefits paid	(64,385)	(65,526)
Others	3,351	(216)
Balance at end of year	1,126,974	1,059,156
Fair value of plan assets		
Balance at beginning of year	1,163,798	1,240,734
Interest income	6,971	8,621
Remeasurements of defined benefit pension plans		
Return on plan assets (excluding interest income)	86,154	10,159
Employer contributions	22,658	21,382
Plan participants' contributions	899	907
Benefits paid	(42,586)	(44,735)
Others	2,840	732
Balance at end of year	1,240,734	1,237,800
Net defined benefit liability recognized in the Consolidated Statement of Financial Position	(113,760)	(178,644)
Net defined benefit liabilities	168,451	160,915
Net defined benefit assets	282,211	339,559
Net amount	(113,760)	(178,644)

Notes : 1 Service costs, interest costs and interest income are included in “Cost of sales” and “Selling, general and administrative expenses” in the Consolidated Statement of Profit or Loss.

2 Part of net defined benefit liabilities is included in “Other current liabilities” in the Consolidated Statement of Financial Position.

3 Net defined benefit assets are included in “Other non-current assets” in the Consolidated Statement of Financial Position.

The company and its consolidated subsidiaries plan to pay contributions of 21,489 million yen in the next fiscal year.

The Company's investment policies are designed to ensure adequate plan assets which are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, the Company formulates an investment portfolio comprised of the optimal combination of equity and debt instruments. Plan assets are invested in individual equity and debt instruments using the guidelines of the investment portfolio in order to produce a total return that will match the expected return on a mid-term to long-term basis. The Company evaluates the gap between expected return and actual return of invested plan assets on an annual basis. In addition, taking into consideration the management environment and the revision of regulations, the Company revises the investment portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets based on the pension asset and liability management method.

The plan assets are allocated under Company's policy to equity instruments, debt instruments and investments in life insurance company general accounts, hedge funds and other assets. As for selection of plan assets, the Company examines the nature of investments, and appropriately diversifies investments.

Major components of plan assets are as follows:

	Yen (millions)					
	As of Mar. 31, 2022			As of Mar. 31, 2023		
	Has quoted market prices in active markets		Total	Has quoted market prices in active markets		Total
	Yes	No		Yes	No	
Cash and cash equivalents	20,725	—	20,725	22,744	—	22,744
Equity instruments						
Marketable equity securities	287,068	—	287,068	300,662	—	300,662
Pooled funds	—	222,627	222,627	—	221,697	221,697
Debt instruments						
Government, municipal and corporate bonds	9,852	19,868	29,720	4,475	18,764	23,239
Pooled funds	—	276,810	276,810	—	242,368	242,368
Life insurance company general accounts	—	107,491	107,491	—	108,383	108,383
Others	—	296,293	296,293	—	318,707	318,707
Total	<u>317,645</u>	<u>923,089</u>	<u>1,240,734</u>	<u>327,881</u>	<u>909,919</u>	<u>1,237,800</u>

Notes : 1 Marketable equity securities include mainly domestic stocks.

2 Equity instrument pooled funds are invested into approximately 20% domestic equities and 80% foreign equities as of March 31, 2022 and approximately 20% domestic equities and 80% foreign equities as of March 31, 2023.

3 Debt instrument pooled funds are invested into approximately 40% domestic bonds and 60% foreign bonds as of March 31, 2022 and approximately 40% domestic bonds and 60% foreign bonds as of March 31, 2023.

4 Others include hedge funds.

The key actuarial assumptions used to determine the present value of the defined benefit obligation are as follows:

	As of Mar. 31, 2022	As of Mar. 31, 2023
Discount rate	0.7%	1.2%

The effect of 0.5% change in the discount rate used in actuarial calculations on the present value of the defined benefit obligation is as follows. The sensitivity analysis assumes no change in other assumptions, but in actuality, changes in other assumptions may affect the sensitivity analysis.

	Yen (millions)			
	As of Mar. 31, 2022		As of Mar. 31, 2023	
Discount rate increases 0.5%	Decrease of	58,309	Decrease of	52,902
Discount rate decreases 0.5%	Increase of	65,923	Increase of	57,878

The weighted average durations of the defined benefit obligation for the years ended March 31, 2022 and 2023 are 11.5 years and 11.2 years, respectively.

(3) Defined contribution plans

The amounts of cost recognized for the Company and certain consolidated subsidiaries' defined contribution plans for the years ended March 31, 2022 and 2023 are 13,043 million yen and 14,401 million yen, respectively.

(4) Employee benefits expense

The total amounts of employee benefits expense included in the Consolidated Statement of Profit or Loss for the years ended March 31, 2022 and 2023 are 1,209,868 million yen and 1,284,684 million yen, respectively.

19. Provisions

Components and changes in provisions are as follows:

	Yen (millions)			
	Provision for product warranties	Provision for loss on construction contracts	Other provisions	Total
Year ended Mar. 31, 2023				
Balance at beginning of year	52,736	47,267	11,030	111,033
Additions	32,461	44,479	7,076	84,016
Utilized	(23,410)	(32,673)	(3,972)	(60,055)
Reversed	(4,700)	(3,864)	(2,002)	(10,566)
Exchange differences on translating foreign operations and others	875	282	130	1,287
Balance at end of year	57,962	55,491	12,262	125,715
Current liabilities				121,891
Non-current liabilities				3,824

(1) Provision for product warranties

The Company and its consolidated subsidiaries generally offer warranties on their products against certain manufacturing and other defects for specific periods of time and/or used conditions of the product depending on the nature of the product, the geographic location of its sale and other factors. The Company and its consolidated subsidiaries recognize accrued warranty costs based primarily on historical experience of actual warranty claims as well as current information on repair costs.

(2) Provision for loss on construction contracts

The Company and its consolidated subsidiaries record the expected amount of future losses on a construction contract as a provision for loss on construction, if it is probable that the estimated total cost of such construction will exceed the contract order amount and if the expected loss amount can be reasonably estimated. The timing of expenditure is affected by future construction progress.

20. Equity and other equity items

(1) Common stock

(a) Number of total authorized shares

The number of total authorized shares as of March 31, 2022 and 2023 was 8,000,000,000 shares.

(b) Number of shares issued

Changes in the number of shares issued are as follows:

	(Shares)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
Balance at beginning of year	2,147,201,551	2,147,201,551
Changes during the year	—	—
Balance at end of year	2,147,201,551	2,147,201,551

Note : The shares issued by the Company are ordinary shares with no par value and outstanding shares are fully paid.

(2) Treasury stock, at cost

Changes in the number of treasury stock, at cost are as follows:

	(Shares)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
Balance at beginning of year	1,916,138	35,228,959
Changes during the year	33,312,821	452,993
Balance at end of year	35,228,959	35,681,952

Note : Shares in the Company held by the Board Incentive Plan Trust are included in the number of treasury stock.
(1,130,436 shares as of March 31, 2022, and 1,583,011 shares as of March 31, 2023)

(3) Capital surplus

In the Companies Act of Japan ("Companies Act"), it is stipulated that one half or more of the amount pertaining to payment or benefits for the issuance of shares shall be included in common stock and the remainder shall be included in capital reserve within capital surplus. Capital reserve can be transferred to common stock with a resolution of the shareholders' meeting.

(4) Retained earnings

The Companies Act requires that an amount equal to 10% of the surplus reduced by dividends of surplus be appropriated as capital reserve or legal reserve included in retained earnings until the aggregated amount of capital reserve and the legal reserve equals 25% of common stock. Legal reserve may be appropriated to cover deficit or reversed with a resolution of the shareholders' meeting.

(5) Accumulated other comprehensive income (loss)

Changes in each item of accumulated other comprehensive income (loss) are as follows:

Year ended Mar. 31, 2022

	Yen (millions)				
	Exchange differences on translating foreign operations	Changes in fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Net changes in the fair value of cash flow hedges	Total
Balance at beginning of year	17,866	93,893	—	42	111,801
Net change in other comprehensive income	81,427	7,139	64,889	(11)	153,444
Reclassification to retained earnings	—	(15,828)	(64,889)	—	(80,717)
Balance at end of year	<u>99,293</u>	<u>85,204</u>	<u>—</u>	<u>31</u>	<u>184,528</u>

Year ended Mar. 31, 2023

	Yen (millions)				
	Exchange differences on translating foreign operations	Changes in fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Net changes in the fair value of cash flow hedges	Total
Balance at beginning of year	99,293	85,204	—	31	184,528
Net change in other comprehensive income	63,956	29,481	40,680	39	134,156
Reclassification to retained earnings	—	(1,106)	(40,680)	—	(41,786)
Balance at end of year	<u>163,249</u>	<u>113,579</u>	<u>—</u>	<u>70</u>	<u>276,898</u>

Net changes in other comprehensive income (loss) attributable to non-controlling interests are as follows:

	Yen (millions)				
	Exchange differences on translating foreign operations	Changes in fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Net changes in the fair value of cash flow hedges	Total
Year ended Mar. 31, 2022	7,765	(177)	(27)	(5)	7,556
Year ended Mar. 31, 2023	4,434	(8)	52	7	4,485

21. Dividends

Dividends paid for the years ended March 31, 2022 and 2023 are as follows:

Resolution date	Total amount of dividends	Dividend per share	Record date	Effective date
	Yen (millions)	Yen		
April 28, 2021 Board of Directors Meeting	55,816	26	March 31, 2021	June 2, 2021
October 28, 2021 Board of Directors Meeting	29,906	14	September 30, 2021	December 2, 2021
May 25, 2022 Board of Directors Meeting	54,940	26	March 31, 2022	June 2, 2022
October 28, 2022 Board of Directors Meeting	29,583	14	September 30, 2022	December 2, 2022

Dividends with a record date in the year ended March 31, 2023 and the effective date in the next fiscal year are as follows:

Resolution date	Total amount of dividends	Dividend per share	Record date	Effective date
	Yen (millions)	Yen		
May 15, 2023 Board of Directors Meeting	54,940	26	March 31, 2023	June 2, 2023

22. Revenues

(1) Disaggregation of revenue

The Group's business consists of 5 reportable segments: Infrastructure, Industry & Mobility, Life, Business Platform and Others. Revenue is presented by these categories since the Company's management periodically uses them for decision of business resources allocation and evaluation of business operations.

The principal businesses and major products and services of each operating segment are shown in Note "5. Segment information". The Group conducts business through 5 categories by aggregating multiple operating segments based on types and characteristics of products, production methods, and similarities in market.

Revenue is disaggregated by region according to the customer's location. The relationship between these disaggregated revenue and segment revenue are as follows:

In this fiscal year, in line with a change of the management structure as of April 1, 2022, reportable segments were changed. Segment information for the fiscal year ended March 31, 2022, has been restated to reflect the reclassification.

Year ended Mar. 31, 2022

	Yen (millions)						Consolidated total
	Japan	Overseas					
		North America	Asia (excluding Japan)	Europe	Others	Total	
Infrastructure	781,892	78,465	46,863	17,690	9,826	152,844	934,736
Industry & Mobility	568,990	175,898	559,938	150,300	10,088	896,224	1,465,214
Life	710,499	196,607	403,555	293,485	52,011	945,658	1,656,157
Business Platform	136,591	10,156	87,011	32,834	233	130,234	266,825
Others	134,430	805	17,584	999	8	19,396	153,826
Consolidated total	2,332,402	461,931	1,114,951	495,308	72,166	2,144,356	4,476,758

Year ended Mar. 31, 2023

	Yen (millions)						Consolidated total
	Japan	Overseas					
		North America	Asia (excluding Japan)	Europe	Others	Total	
Infrastructure	766,901	114,866	52,018	15,460	11,670	194,014	960,915
Industry & Mobility	631,446	236,467	589,218	172,539	13,775	1,011,999	1,643,445
Life	780,021	256,470	461,332	371,696	58,482	1,147,980	1,928,001
Business Platform	145,487	16,113	101,039	46,941	449	164,542	310,029
Others	143,175	1,646	15,296	1,176	11	18,129	161,304
Consolidated total	2,467,030	625,562	1,218,903	607,812	84,387	2,536,664	5,003,694

Revenue is accounted for according to Note “3. Significant accounting policies (13) Revenues,” and revenue recognition methods for each categories are primarily as follows:

(a) Infrastructure

Major revenue recognition methods are as follows. Revenue is primarily recorded over time.

Many contracts related to the production of products qualify as specific construction contracts meeting certain criteria, and revenue is recognized according to the progress of the construction if progress can be reasonably measured. Revenue is recognized only to the extent of the cost incurred if progress cannot be reasonably measured. The progress of construction is measured by comparing the cost incurred through the current year to the aggregate amount of estimated cost. The estimated total cost is calculated for each contract based on various information such as the contract details of the relevant construction contract, required specifications, the presence or absence of new technological development elements, and historical incurred cost results for similar contracts. Estimates and underlying assumptions for the aggregate amount of estimated cost are reviewed on an ongoing basis since there is a possibility that the cost incurred may change due to the progress of construction.

(b) Life, Business Platform

Major revenue recognition methods of the air conditioning systems & home products business and the semiconductor & device business are as follows. Revenue is primarily recorded at a point in time.

Revenue from mass-produced goods such as home appliances and semiconductors are recognized at the time when the product is accepted by the customer.

Major revenue recognition methods of the building systems business and the information systems & network service business are as follows. Revenue is primarily recorded over time.

Many contracts related to the production of products qualify as specific construction contracts meeting certain criteria, and revenue is recognized according to the progress of the construction if progress can be reasonably measured. Revenue is recognized only to the extent of the cost incurred if progress cannot be reasonably measured. The progress of construction is measured by comparing the cost incurred through the current year to the aggregate amount of estimated cost. The estimated total cost is calculated for each contract based on various information such as the contract details of the relevant construction contract, required specifications, the presence or absence of new technological development elements, and historical incurred cost results for similar contracts. Estimates and underlying assumptions for the aggregate amount of estimated cost are reviewed on an ongoing basis since there is a possibility that the cost incurred may change due to the progress of construction.

Revenue from maintenance agreements is recognized over the contract term as the maintenance is provided.

(c) Industry & Mobility, Others

Major revenue recognition methods are as follows. Revenue is primarily recorded at a point in time.

Revenue from mass-produced goods such as industrial products are recognized at the time when the product is accepted by the customer.

Revenue from some products requiring acceptance inspection is recognized at the time when the product is received by the customer and the functionality of the product is substantially demonstrated by the Company and its consolidated subsidiaries.

(2) Contract liabilities

(a) The amount of revenue recognized during the year that was included in the contract liability balance at the beginning of each year is as follows:

	Yen (millions)	
	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
The amount of revenue recognized during the year that was included in the contract liability balance at the beginning of each year	134,748	142,486

(b) The amounts of contract liabilities included in "other non-current liabilities" as of March 31, 2022 and 2023 are 21,131 million yen and 20,588 million yen, respectively.

(3) Transaction price allocated to remaining performance obligations

The total amount of transaction price allocated to remaining performance obligations is 1,497,213 million yen as of March 31, 2022. The Company and its consolidated subsidiaries recognize this revenue primarily according to satisfaction of the performance obligations. The period in which this revenue is expected to be recognized is from the years ending March 31, 2023 to 2047.

The total amount of transaction price allocated to remaining performance obligations is 1,666,092 million yen as of March 31, 2023. The Company and its consolidated subsidiaries recognize this revenue primarily according to satisfaction of the performance obligations. The period in which this revenue is expected to be recognized is from the years ending March 31, 2024 to 2047.

The Company and its consolidated subsidiaries apply the practical expedient in IFRS 15 paragraph 121(a) and do not include contracts that have an original expected duration of one year or less in the total amount of the transaction price allocated to remaining performance obligations.

23. Other profit (loss)

The major components of other profit (loss) are as follows:

	Yen (millions)	
	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Gain on sales of land	551	24,601
Impairment losses	(4,080)	(25,012)

24. Financial income and financial expenses

Components of financial income and financial expenses are as set out in the table below. Dividend income were related to financial assets measured at fair value through other comprehensive income. Interest income and interest expenses were mainly related to financial assets and liabilities measured at amortized cost.

	Yen (millions)	
	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Financial income		
Dividends	6,192	6,530
Interest income	2,522	5,772
Exchange gains	3,196	—
Total	11,910	12,302
Financial expenses		
Interest expenses	2,671	3,913
Exchange loss	—	374
Other financial expenses	31	9
Total	2,702	4,296

Note : Gains (losses) on derivative instruments not designated as hedges are included in exchange gains and loss.

25. Other comprehensive income

The amount arising during the year on each item of other comprehensive income (loss), reclassification adjustments to profit or loss and tax effects is as follows:

	Yen (millions)					
	Year ended Mar. 31, 2022			Year ended Mar. 31, 2023		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
Items that will not be reclassified to net profit						
Changes in fair value of financial assets measured at fair value through other comprehensive income						
Amount arising during the year	9,861	(3,099)	6,762	40,988	(12,025)	28,963
Net change during the year	9,861	(3,099)	6,762	40,988	(12,025)	28,963
Remeasurements of defined benefit plans						
Amount arising during the year	92,852	(28,132)	64,720	58,328	(17,635)	40,693
Net change during the year	92,852	(28,132)	64,720	58,328	(17,635)	40,693
Share of other comprehensive income of investments accounted for using the equity method						
Amount arising during the year	492	(150)	342	790	(241)	549
Net change during the year	492	(150)	342	790	(241)	549
Items that may be reclassified to net profit						
Exchange differences on translating foreign operations						
Amount arising during the year	80,182	(122)	80,060	62,636	232	62,868
Reclassification adjustments to net profit	—	—	—	(2)	—	(2)
Net change during the year	80,182	(122)	80,060	62,634	232	62,866
Net changes in the fair value of cash flow hedges						
Amount arising during the year	(60)	14	(46)	58	(18)	40
Reclassification adjustments to net profit	59	(15)	44	(11)	3	(8)
Net change during the year	(1)	(1)	(2)	47	(15)	32
Share of other comprehensive income of investments accounted for using the equity method						
Amount arising during the year	9,840	(772)	9,068	5,889	(401)	5,488
Reclassification adjustments to net profit	50	—	50	50	—	50
Net change during the year	9,890	(772)	9,118	5,939	(401)	5,538
Other comprehensive income (loss)	193,276	(32,276)	161,000	168,726	(30,085)	138,641

26. Earnings per share

Basic earnings per share and diluted earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders are as follows:

	Yen (millions)	
	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Net profit attributable to Mitsubishi Electric Corp. stockholders	203,482	213,908

	Shares	
	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Basic average ordinary shares outstanding	2,132,753,929	2,111,725,717

	Yen	
	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Basic earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders	95.41	101.30
Diluted earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders	95.41	101.30

Note : The number of the Company's shares held through the Board Incentive Plan Trust were included in the shares of treasury stock that were deducted from the average number of ordinary shares outstanding in the calculation of Earnings per share attributable to Mitsubishi Electric Corp. stockholders. (1,213,116 shares as of March 31, 2022, and 1,377,122 shares as of March 31, 2023).

27. Financial instruments

(1) Capital management

The Company and its consolidated subsidiaries carry out capital management using ROE and the ratio of bonds and borrowings to total assets in order to establish a strong financial basis and enable further business expansion globally. Capital is defined as equity (Mitsubishi Electric Corp. stockholders' equity) as presented in the Consolidated Statement of Financial Position.

ROE and the ratio of bonds and borrowings to total assets are as set out in the table below. ROE is calculated as Net profit attributable to Mitsubishi Electric Corp. stockholders divided by equity. The ratio of bonds and borrowings to total assets is calculated as bonds and borrowings excluding lease liabilities divided by total assets.

	As of Mar. 31, 2022	As of Mar. 31, 2023
ROE	7.1%	6.9%
Ratio of bonds and borrowings to total assets	4.3%	4.5%

There are no significant capital regulations that apply to the Company and its consolidated subsidiaries.

(2) Financial risk management

In the course of their management activities, the Company and its consolidated subsidiaries face financial risks including market risk, credit risk and liquidity risk, and carry out risk management to mitigate these risks.

(a) Market risk management

(i) Currency risk management

The Group is engaged in production and sales activities in various regions including Japan, North America, Europe, Asia and other regions. Revenue and expenses as well as assets and liabilities denominated in foreign currencies may be affected by foreign exchange rate fluctuations.

The Company and certain consolidated subsidiaries have entered into forward exchange contracts mainly to hedge cash flows from foreign currency-denominated forecast transactions.

Currency risk exposure

The Company and its consolidated subsidiaries' currency risk exposure (net) is primarily as set out in the table below. Amounts for which currency risk is hedged using forward exchange contracts are excluded.

	Yen (millions)	
	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
U.S. dollars	3,792	30,306
Euros	17,618	27,339

Foreign exchange sensitivity analysis

With regards to foreign currency-denominated financial instruments held by the Company and its consolidated subsidiaries, assuming that all variables other than foreign exchange are constant, the effect of a 1% increase in the value of the yen against the U.S. dollar and euro on profit before income taxes in the Consolidated Statement of Profit or Loss are as follows (negative values shown in parentheses):

	Yen (millions)	
	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
U.S. dollars	(38)	(303)
Euros	(176)	(273)

(ii) Interest rate risk management

The Company and its consolidated subsidiaries may be affected by fluctuations in interest rates of borrowings with variable interest.

The Company and its consolidated subsidiaries limit interest rate risk exposure by procuring most of their bonds and borrowings with fixed interest rates.

Interest rate risk exposure

The interest rate risk exposure of the Company and its consolidated subsidiaries are as follows:

	Yen (millions)	
	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Variable interest rate bonds and borrowings	75,289	87,852

Interest rate sensitivity analysis

With regard to financial instruments held by the Company and its consolidated subsidiaries, assuming that all variables other than interest rates are constant, the effect of a 1% increase in the interest rate on profit before income taxes in the Consolidated Statement of Profit or Loss are as follows (negative values shown in parentheses):

	Yen (millions)	
	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Effect on profit before income taxes	(753)	(879)

(b) Credit risk management

Receivables arising from the operating activities of the Company and its consolidated subsidiaries may be affected by changes in the financial conditions of customers.

The Company and its consolidated subsidiaries determine trade receivables and other receivables to be in default if they cannot be recovered in part or in full or recovery is considered extremely difficult.

In order to mitigate risk by setting transaction amount limits in line with credit risk, the Company and its consolidated subsidiaries first conduct screening through external agencies and then establish customer credit limits and regularly monitor customers' financial condition.

Derivative transactions with the purpose of mitigating market risk are carried out with highly reputable financial institutions to minimize credit risk.

Excluding guarantees, the carrying amount after impairment of financial assets and contract assets presented in the consolidated financial statements is the maximum exposure without taking account of collateral received for credit risk on the financial assets and contract assets of the Company and its consolidated subsidiaries.

The Company and its consolidated subsidiaries have given guarantees to financial institutions related to transactions of associates and employees as follows:

	Yen (millions)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
Guarantees of bank loan		
Associates	40	1,400
Employees	273	166
Others	2,551	3,448
Total	2,864	5,014

Note : Others are mainly repurchase obligations related to transferred receivables. Details are disclosed in "(5) Securitizations."

Allowance for credit losses relating to performance of guarantee above is not recognized because the effect on the consolidated financial statements is immaterial.

The amount of allowance for credit losses for trade receivables and contract assets is calculated by estimating the lifetime expected credit losses until collection.

The amount of allowance for credit losses for other financial assets is in principle calculated by estimating 12-month expected credit losses. However, allowance for credit losses for financial assets for which credit risk has increased significantly since initial recognition or credit-impaired financial assets is calculated as an amount equal to lifetime expected credit losses.

The amount of allowance for credit losses is calculated as follows:

- Trade receivables and contract assets

Grouping is performed based on credit risk rating, then receivables are multiplied by an allowance rate based on the historical credit loss rate and adjusted for forecasts of future economic conditions. Further, trade receivables and contract assets consist of a lot of homogenous customers, and their credit ratings are deemed to be identical.

- Other financial assets

For financial assets whose credit risk has not been determined to have increased significantly since initial recognition, grouping is performed based on risks having similar characteristics, then cost is multiplied by an allowance rate based on the historical credit loss rate and adjusted for forecasts of future economic conditions. However, for financial assets whose credit risk has increased significantly since initial recognition and credit-impaired financial assets, the difference between the present value of the amount expected to be recovered and adjusted for forecasts of future economic conditions, and the carrying amount is used individually.

Changes in allowance for credit losses are as follows:

Year ended Mar. 31, 2022

	Yen (millions)				
	Lifetime expected credit losses				
	12-month expected credit losses	Financial assets always measured at an amount equal to lifetime expected credit losses	Financial assets for which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	Total
Balance at beginning of year	9	8,739	—	4,511	13,259
Additions	1	3,005	—	1,305	4,311
Utilized	—	(511)	—	(482)	(993)
Reversed	—	(1,907)	—	(596)	(2,503)
Exchange differences on translating foreign operations, others	—	667	—	137	804
Balance at end of year	10	9,993	—	4,875	14,878

Year ended Mar. 31, 2023

Yen (millions)

	Lifetime expected credit losses				Total
	12-month expected credit losses	Financial assets always measured at an amount equal to lifetime expected credit losses	Financial assets for which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
Balance at beginning of year	10	9,993	—	4,875	14,878
Additions	—	2,431	—	1,912	4,343
Utilized	—	(1,450)	—	(521)	(1,971)
Reversed	—	(1,692)	—	(970)	(2,662)
Exchange differences on translating foreign operations, others	—	659	—	175	834
Balance at end of year	10	9,941	—	5,471	15,422

The carrying amounts (before deducting the allowance for credit losses) of financial assets and contract assets subject to recognition of allowance for credit losses are as follows:

Yen (millions)

	Lifetime expected credit losses				Total
	Financial assets measured at an amount equal to 12-month expected credit losses	Financial assets always measured at an amount equal to lifetime expected credit losses	Financial assets for which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
As of Mar. 31, 2022	105,703	1,242,095	—	6,452	1,354,250
As of Mar. 31, 2023	108,812	1,356,873	—	7,283	1,472,968

(c) Liquidity risk management

The Company and its consolidated subsidiaries finance through borrowings from financial institutions, which may be affected by deterioration in the financing environment.

In order to hedge the risk of not being able to make payment on financial liabilities by the due date, the Company and its consolidated subsidiaries manage liquidity risk by preparing adequate funds for repayment, securing readily available lines of credit from financial institutions and continuously monitoring planned and actual cash flows.

Balances of financial liabilities (including derivative instruments) classified by due dates are as set out in the table below.

As of Mar. 31, 2022

	Yen (millions)				
	Carrying amount	Contractual cash flows	Within one year	One to five years	Over five years
Non-derivatives financial liabilities					
Trade payables and other financial liabilities	751,426	751,426	751,426	—	—
Short-term borrowings	74,963	75,544	75,544	—	—
Long-term borrowings	142,208	143,070	54,963	85,332	2,775
Lease liabilities	112,290	118,066	47,040	54,274	16,752
Derivatives financial liabilities					
Forward exchange contracts and others	17,867	17,867	17,867	—	—
Total	<u>1,098,754</u>	<u>1,105,973</u>	<u>946,840</u>	<u>139,606</u>	<u>19,527</u>

As of Mar. 31, 2023

	Yen (millions)				
	Carrying amount	Contractual cash flows	Within one year	One to five years	Over five years
Non-derivatives financial liabilities					
Trade payables and other financial liabilities	818,769	818,769	817,839	930	—
Short-term borrowings	87,492	89,587	89,587	—	—
Long-term borrowings	164,773	167,520	51,471	112,863	3,186
Lease liabilities	148,493	153,132	48,841	79,172	25,119
Derivatives financial liabilities					
Forward exchange contracts and others	1,508	1,508	1,508	—	—
Total	<u>1,221,035</u>	<u>1,230,516</u>	<u>1,009,246</u>	<u>192,965</u>	<u>28,305</u>

(3) Derivatives and hedging activities

The Company and its consolidated subsidiaries operate internationally, giving rise to significant exposure to market risks from changes in foreign currencies and interest rates. Derivative instruments are comprised principally of forward exchange contracts and currency swaps utilized by the Company and certain consolidated subsidiaries to reduce these risks. The Company and certain consolidated subsidiaries do not hold or issue financial instruments for trading purposes. Currency swaps are utilized to hedge changes in fair value, but are not designated as hedging instruments.

Cash flow hedges

The Company and certain consolidated subsidiaries have entered into forward exchange contracts mainly to hedge market risk of claims and debts denominated in foreign currencies from foreign exchange rate fluctuations. The Company and certain consolidated subsidiaries designate the forward exchange contracts as hedging instruments in cash flow hedges. The Company and certain consolidated subsidiaries set an appropriate hedge ratio at the inception of the hedging relationship based on the quantities of the hedged items and the hedging instruments. In principle, a one-to-one hedging relationship is used. The significant conditions of the hedged items and the hedging instruments are in principle matched.

The Company and certain consolidated subsidiaries consider the period in which hedged cash flows are expected to occur and the period in which those are expected to affect profit or loss are from April 2023 to February 2025.

The notional principal amount of forward exchange contracts designated as hedging instruments as of March 31, 2022 and 2023 are as follows:

Type of hedge	Yen (millions)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
Forward exchange contracts	3,721	5,178

The fair value of forward exchange contracts designated as hedging instruments as of March 31, 2022 and 2023 are as follows:

Type of hedge	Line item	Yen (millions)	
		As of Mar. 31, 2022	As of Mar. 31, 2023
Forward exchange contracts	Other financial assets	56	62
	Other financial liabilities	38	32

The amount of ineffective portion of hedges recognized in profit or loss is insignificant.

(4) Fair value of financial instruments

The Group classifies fair value measurements from level 1 to level 3 according to the observability of the inputs used in measurement:

Level 1: quoted prices for identical assets or liabilities in active markets

Level 2: fair value calculated directly or indirectly using observable prices other than those in level 1

Level 3: fair value calculated using valuation techniques including unobservable inputs

A determination is made at the end of each fiscal year as to whether there are financial instruments for which transfers between levels were carried out. There were no financial instruments with significant transfers between levels in the years ended March 31, 2022 and 2023.

For financial instruments classified as level 3, changing the unobservable inputs to reasonably possible alternative assumptions would not change the fair value significantly.

(a) Financial instruments measured at amortized cost

Methods of measurement of fair value, carrying amount and fair value of financial instruments measured at amortized cost are as follows:

Borrowings (including long-term borrowings to be repaid within 1 year)

Fair values of borrowings are calculated using the present value of future cash flows discounted by the expected interest rate for similar new contracts and are classified as level 2 because fair value is calculated using observable market data.

	Yen (millions)			
	As of Mar. 31, 2022		As of Mar. 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial instruments measured at amortized cost				
Borrowings				
(including long-term borrowings to be repaid within 1 year)	142,208	139,994	164,773	160,437

Note : The fair value of financial assets and financial liabilities measured at amortized cost other than the above approximated the carrying amounts.

(b) Financial instruments measured at fair value on a recurring basis

The method of measurement of fair value and fair value of financial instruments measured at fair value on a recurring basis are as follows:

Equity instruments and debt instruments

The fair value of marketable equity instruments is calculated based on the market price at the end of the fiscal year and is classified as level 1 because fair value is calculated using the market value of an identical asset in an active market. The fair value of non-marketable equity instruments and debt instruments is calculated based on comprehensively taking into consideration quantitative information on the net assets and other financial information of the investee and forecasts of its future cash flows, and is classified as Level 3 because fair value is calculated based on valuation techniques using unobservable indicators. The reasonableness of the valuation techniques has been verified by the department in charge using various methods and the result of the verification has been approved by an appropriate management.

Derivative assets and liabilities

The fair values of derivatives are calculated based on market interest rates and market rates of foreign exchange banks as financial assets or financial liabilities measured at fair value through profit or loss and is classified as level 2 because fair value is calculated using observable market data.

Contingent considerations

The fair value of liabilities related to contingent considerations is calculated using the present value taking into account the probability of possible payment to contract counterparties and classified as level 3 because fair value is calculated based on valuation techniques using unobservable indicators. The reasonableness of the valuation techniques has been verified by the department in charge using various methods and the result of the verification has been approved by an appropriate management.

As of Mar. 31, 2022

	Yen (millions)			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Debt instruments	—	—	555	555
Derivative assets	—	4,564	—	4,564
Financial assets measured at fair value through other comprehensive income				
Equity instruments	200,178	—	70,614	270,792
Total	<u>200,178</u>	<u>4,564</u>	<u>71,169</u>	<u>275,911</u>
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	17,867	—	17,867
Total	<u>—</u>	<u>17,867</u>	<u>—</u>	<u>17,867</u>

As of Mar. 31, 2023

	Yen (millions)			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Debt instruments	—	—	588	588
Derivative assets	—	2,352	—	2,352
Financial assets measured at fair value through other comprehensive income				
Equity instruments	225,587	—	80,400	305,987
Total	<u>225,587</u>	<u>2,352</u>	<u>80,988</u>	<u>308,927</u>
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	1,508	—	1,508
Contingent considerations	—	—	1,717	1,717
Total	<u>—</u>	<u>1,508</u>	<u>1,717</u>	<u>3,225</u>

Changes in financial assets measured at fair value on a recurring basis classified as Level 3 are as follows:

	Yen (millions)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
Balance at beginning of year	68,361	71,169
Gains (losses)		
in profit or loss	(31)	(9)
in other comprehensive income	1,963	7,004
Purchases	1,844	4,019
Sale	(968)	(1,195)
Balance at end of year	<u>71,169</u>	<u>80,988</u>

Notes : 1 Gains (losses) in profit or loss are related to financial assets measured at fair value through profit or loss as of the end of the reporting period and included in “Financial income” or “Financial expenses” in the Consolidated Statement of Profit or Loss.

2 Gains (losses) in other comprehensive income are related to financial assets measured at fair value through other comprehensive income as of the end of the reporting period and included in “Changes in fair value of financial assets measured at fair value through other comprehensive income” in the Consolidated Statement of Comprehensive Income.

(5) Securitizations

The Company and its consolidated subsidiaries have transferred trade receivables and other receivables, to unconsolidated securitization-purpose structured entities, and losses on securitization of 159 million yen and 161 million yen were recorded in the years ended March 31, 2022 and 2023, respectively.

(a) Involvement with unconsolidated securitization-purpose structured entities

Unconsolidated securitization-purpose structured entities are used in the securitization of trade receivables and other receivables. Because these entities are structured by third-party financial institutions who operate the entities as part of their business and the entities purchase a large amount of assets from customers other than the Company, the ratio of financial assets transferred by the Company to the entities’ total assets is low and the Company has therefore determined that their assessed risk exposure has low relevance to the Company. The Company and its consolidated subsidiaries do not provide significant non-contractual support to the structured entities. The Company’s involvement with the structured entities primarily consists of the provision of limited credit quality enhancements, servicing the assets and the receipt of commissions for services provided.

The transferred financial assets, in some cases, may be repurchased under limited and specific conditions. Losses on securitization are expected to be all offset within a year and the maximum exposure as of March 31, 2022 and 2023 were 1,511 million yen and 1,945 million yen, respectively.

(b) Transfer of financial assets that were derecognized in their entirety

Subsequent to securitization, the Company and its consolidated subsidiaries retain collection and administrative responsibilities for the receivables. They have not recorded a servicing asset or liability since the cost of collection effort approximates the amount of commission income. The maximum exposure to losses from continuing involvement on financial assets derecognized as of March 31, 2023 was included in the maximum exposure to losses stated in “(a) Involvement with unconsolidated securitization-purpose structured entities” above.

28. Principal subsidiaries

The Company's principal subsidiaries are described in "I. Overview of the Company 4. Subsidiaries and Affiliated Companies."

There were no significant changes in principal subsidiaries and ownership percentages of voting rights of the principal subsidiaries in the year ended March 31, 2022 and 2023.

29. Related parties

(1) Related party transactions

The balances of receivables and payables with associates and joint ventures are as follows:

	Yen (millions)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
Balance of trade receivables and contract assets		
Associates	69,590	72,445
Joint ventures	13,438	12,575
Total	<u>83,028</u>	<u>85,020</u>
Balance of trade payables and contract liabilities		
Associates	20,838	22,953
Joint ventures	8,424	11,120
Total	<u>29,262</u>	<u>34,073</u>

Other than the above, the balances of receivables under factoring transactions with joint ventures as of the date of March 31, 2022 and 2023 are 3,137 million yen and 4,650 million yen, respectively. The balances of payables under factoring transactions with joint ventures as of the date of March 31, 2022 and 2023 are 25,434 million yen and 28,252 million yen, respectively.

The amounts of transactions with associates and joint ventures are as follows:

	Yen (millions)	
	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023
Revenue		
Associates	215,911	223,740
Joint ventures	51,798	52,615
Total	<u>267,709</u>	<u>276,355</u>
Purchases		
Associates	99,866	113,813
Joint ventures	37,700	39,451
Total	<u>137,566</u>	<u>153,264</u>

Other than the above, the amounts of factoring transactions for trade receivables with joint ventures for the years ended March 31, 2022 and 2023 are 35,150 million yen and 35,871 million yen, respectively. The amounts of factoring transactions for trade payables with joint ventures for the years ended March 31, 2022 and 2023 are 77,641 million yen and 84,782 million yen, respectively.

(2) Total key management personnel compensation

The amounts of expenses recognized related to key management personnel compensation, for the years ended March 31, 2022 and 2023 are 2,247 million yen and 1,946 million yen, respectively. These include officers' retirement benefits of 18 million yen and 12 million yen, respectively.

30. Commitments

Contractual commitments related to purchases of property, plant and equipment is as follows:

	Yen (millions)	
	As of Mar. 31, 2022	As of Mar. 31, 2023
Contractual commitments related to purchases of property, plant and equipment	33,037	44,716

31. Contingent liabilities

There were no significant events as of March 31, 2023.

32. Subsequent events

The Company's Board of Directors resolved on April 28, 2023 to repurchase shares of the Company's stock pursuant to the provisions of Article 459, paragraph 1 of the Companies Act, as well as Article 31 of the Company's Articles of Incorporation.

(1) Reason for Repurchase of Company Shares

Based on the financial policies of Mitsubishi Electric's medium-term management plan, the Company will repurchase its own stock to primarily enhance shareholder returns and strengthen capital efficiency.

(2) Details of Repurchase

- (a) Type of Shares to Repurchase: The Company's common stock
- (b) Number of Shares to Repurchase: 40,000,000 shares (maximum limit)
- (c) Aggregate Value of Repurchase: 50,000 million yen (maximum limit)
- (d) Repurchase Period: May 1, 2023 - March 29, 2024
- (e) Repurchase Method: Market trades on Tokyo Stock Exchange

33. Approval of the consolidated financial statements

The consolidated financial statements were approved by Kei Uruma, President & CEO, on June 29, 2023.

Independent auditor's report

Kei Uruma
President & CEO
Mitsubishi Electric Corporation

Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Electric Corporation (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the amount of impairment loss on the fixed assets related to a certain domestic manufacturing facility for the automotive equipment business	
The key audit matter	How the matter was addressed in our audit
<p>The Company recorded ¥896,313 million of property, plant and equipment and ¥190,601 million of goodwill and intangible assets in the consolidated statement of financial position as of March 31, 2023. As described in Note 11, “Impairment losses” to the consolidated financial statements, property, plant and equipment and intangible assets and others related to a certain domestic manufacturing facility for the automotive equipment business within the Industry & Mobility segment were reduced to the recoverable amount of ¥25,910 million and an impairment loss of ¥18,673 million was recognized.</p> <p>As the business related to this facility has recognized consecutive operating losses for some years, due to the burden of upfront investments to increase orders of electric vehicle-related equipment, soaring material and logistics costs, the effects on sales and production from the supply crunch of semiconductor parts and other reasons, it was determined that there was an indication of impairment for the fixed assets of the facility. Accordingly, the Company performed an impairment test to determine whether an impairment loss should be recognized in the current fiscal year and recognized an impairment loss since the recoverable amount was less than the carrying amount of the assets.</p> <p>In measuring an impairment loss, the fair value less cost of disposal was used as the recoverable amount since it exceeded the value in use. The fair value less cost of disposal was mainly based on the appraised value of real estate by an external real estate appraiser less the cost of disposal.</p> <p>In addition, selecting and applying appropriate models for estimating the appraised value of real estate is complex and requires expertise.</p> <p>We, therefore, determined that our assessment of the reasonableness of the amount of impairment loss on the fixed assets related to a certain domestic manufacturing facility for the automotive equipment business was one of the most significant matters in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</p>	<p>The primary audit procedures we performed to evaluate reasonableness of the amount of impairment loss on the fixed assets related to a certain domestic manufacturing facility for the automotive equipment business included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of the Company’s internal controls relevant to the process of recognizing and measuring an impairment loss.</p> <p>(2) Evaluating the reasonableness of the fair value less cost of disposal</p> <p>In order to evaluate the reasonableness of the fair value less cost of disposal, we:</p> <ul style="list-style-type: none"> - Performed the following procedures for examining the real estate appraisal amount: <ul style="list-style-type: none"> • Evaluation of the competence, ability and objectiveness of the external real estate appraiser used by management; and • Evaluation of the scope of subject assets, the valuation method used and the appropriateness of valuation results by involving a valuation specialist within our network firms. - Evaluated management’s estimate by comparing it with past actual cost of disposal to examine the cost of disposal.

Reasonableness of the estimate of the total cost of construction contracts	
The key audit matter	How the matter was addressed in our audit
<p>As described in Notes 3, “Significant accounting policies, (13) Revenues” and 22, “Revenues” to the consolidated financial statements, the Company and its consolidated subsidiaries recognize revenue for specific construction contracts meeting certain criteria that are included in the Infrastructure segment according to the progress of the construction if progress can be reasonably measured. The progress of construction is measured by comparing the cost incurred through the current year to the estimated total cost. As also described in Note 5, “Segment information” to the consolidated financial statements, revenue recognized for the Infrastructure segment amounted to ¥973,139 million, for the fiscal year ended March 31, 2023, and this amounts included revenue for construction contracts recognized according to the progress.</p> <p>In addition, as described in Note 19, “Provisions” to the consolidated financial statements, the Company and its consolidated subsidiaries record the expected amount of future losses on an individual construction order as a provision for loss on construction, if it is probable that the estimated total cost of such construction will exceed the contract order amount and if the expected loss amount can be reasonably estimated. The provision for loss on construction contracts recognized in the consolidated financial statements of the Company and its consolidated subsidiaries amounted to ¥55,491 million as of March 31, 2023.</p> <p>There are many construction contracts entered into with customers in the Public Utility Systems, Energy Systems and Defense & Space systems businesses within the Infrastructure segment. As these construction contracts include those with significantly large contractual amounts, and they are often related to the latest technology, additional demand on new designs and new customers, estimating the total cost of completing these contracts involves a high degree of estimation uncertainty. Accordingly, management’s judgment thereon has a significant effect on the estimate of the total cost that forms the basis for measuring the progress of construction for revenue recognition and recording a provision for loss on construction contracts.</p> <p>We, therefore, determined that our assessment of the reasonableness of the estimate of the total cost of construction contracts in the Public Utility Systems, Energy Systems and Defense & Space systems businesses was one of the most significant matters in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</p>	<p>The primary audit procedures we performed to evaluate the reasonableness of the Company’s estimate of the total cost of construction contracts in the Public Utility Systems, Energy Systems and Defense & Space systems businesses included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the process of estimating the total cost. In this assessment, we focused our testing on:</p> <ul style="list-style-type: none"> - Internal controls relevant to ensuring that estimate of total cost including the projection of material costs and working hours taking into account any uncertainties is reasonable; and - Internal controls relevant to ensuring that any changes in circumstances that may arise subsequent to the commencement of construction are reflected in the estimated total cost in an appropriate and timely manner. <p>(2) Evaluating the reasonableness of the estimated total cost</p> <p>To evaluate the reasonableness of the estimated total cost, we primarily performed the following procedures:</p> <ul style="list-style-type: none"> - We identified construction orders out of those in the Public Utility Systems, Energy Systems and Defense & Space systems businesses which involved a higher degree of uncertainty compared to other contracts in estimating the total cost, based on our understandings of the contract terms, type of construction, cost components, and assumptions used in the estimate. - Of the orders identified, we selected contracts whose percentage of completion deviated significantly from an expected percentage of completion based on the pattern of costs incurred for similar contracts in the past within the same business unit. - For the selected construction orders, to evaluate the appropriateness of significant assumptions used as the basis of estimating the total cost, we: <ul style="list-style-type: none"> - Inquired of relevant responsible personnel about the reason why the percentage of completion deviated significantly when compared to the pattern of costs incurred for similar contracts in the past; - Compared the estimated total cost as of the end of this fiscal year to the initial estimated total cost, and assessed the reasons for any changes in estimate to evaluate the precision of the estimated total cost; - Inquired of relevant responsible personnel regarding the status of construction as well as whether reassessment of the estimated total cost was necessary, and evaluated the reasonableness of the responses in light of the construction time-table and the costs incurred to date; and - Agreed the estimated total cost to the cost calculation sheet and observed that all costs necessary for the type of construction agreed with the customer were included in the cost calculation.

Other Information

The other information comprises the information included in the Company's Annual Securities Report, but does not include the consolidated financial statements and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the executive officers and the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the executive officers and the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence

obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Kensuke Sodekawa
Designated Engagement Partner
Certified Public Accountant

Naoki Matsumoto
Designated Engagement Partner
Certified Public Accountant

Yukihiko Ishiguro
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 29, 2023

(2) 【Other】

Quarterly Financial Information

		Three months ended Jun. 30, 2022	Six months ended Sept. 30, 2022	Nine months ended Dec. 31, 2022	Year ended Mar. 31, 2023
Revenue	Yen (millions)	1,067,723	2,339,567	3,565,237	5,003,694
Profit before income taxes	Yen (millions)	46,896	103,111	189,070	292,179
Net profit attributable to Mitsubishi Electric Corp. stockholders	Yen (millions)	33,492	74,825	139,343	213,908
Basic earnings per share attributable to Mitsubishi Electric Corp. stockholders	Yen	15.86	35.43	65.98	101.30

		Three months ended Jun. 30, 2022	Three months ended Sept. 30, 2022	Three months ended Dec. 31, 2022	Three months ended Mar. 31, 2023
Basic earnings per share attributable to Mitsubishi Electric Corp. stockholders	Yen	15.86	19.57	30.56	35.31

(Translation)

Following is an English translation of the Independent Auditor’s Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

Independent Auditor’s Report on the Financial Statements
and
Internal Control Over Financial Reporting

June 29, 2023

Kei Uruma
President & CEO
Mitsubishi Electric Corporation

KPMG AZSA LLC
Tokyo Office, Japan

Kensuke Sodekawa
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Naoki Matsumoto
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yukihiko Ishiguro
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Electric Corporation (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”) provided in the “Financial Information” section in the company’s Annual Securities Report, which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to consolidated financial statements in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards prescribed in Article 93 of “the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (hereinafter referred to as “IFRS”).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the amount of impairment loss on the fixed assets related to a certain domestic manufacturing facility for the automotive equipment business	
The key audit matter	How the matter was addressed in our audit
<p>The Company recorded ¥896,313 million of property, plant and equipment and ¥190,601 million of goodwill and intangible assets in the consolidated statement of financial position as of March 31, 2023. As described in Note 11, “Impairment losses” to the consolidated financial statements, property, plant and equipment and intangible assets and others related to a certain domestic manufacturing facility for the automotive equipment business within the Industry & Mobility segment were reduced to the recoverable amount of ¥25,910 million and an impairment loss of ¥18,673 million was recognized.</p> <p>As the business related to this facility has recognized consecutive operating losses for some years, due to the burden of upfront investments to increase orders of electric vehicle-related equipment, soaring material and logistics costs, the effects on sales and production from the supply crunch of semiconductor parts and other reasons, it was determined that there was an indication of impairment for the fixed assets of the facility. Accordingly, the Company performed an impairment test to determine whether an impairment loss should be recognized in the current fiscal year and recognized an impairment loss since the recoverable amount was less than the carrying amount of the assets.</p> <p>In measuring an impairment loss, the fair value less cost of disposal was used as the recoverable amount since it exceeded the value in use. The fair value less cost of disposal was mainly based on the appraised value of real estate by an external real estate appraiser less the cost of disposal.</p> <p>In addition, selecting and applying appropriate models for estimating the appraised value of real estate is complex and requires expertise.</p> <p>We, therefore, determined that our assessment of the reasonableness of the amount of impairment loss on the fixed assets related to a certain domestic manufacturing facility for the automotive equipment business was one of the most significant matters in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</p>	<p>The primary audit procedures we performed to evaluate reasonableness of the amount of impairment loss on the fixed assets related to a certain domestic manufacturing facility for the automotive equipment business included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of the Company’s internal controls relevant to the process of recognizing and measuring an impairment loss.</p> <p>(2) Evaluating the reasonableness of the fair value less cost of disposal</p> <p>In order to evaluate the reasonableness of the fair value less cost of disposal, we:</p> <ul style="list-style-type: none"> - Performed the following procedures for examining the real estate appraisal amount: <ul style="list-style-type: none"> • Evaluation of the competence, ability and objectiveness of the external real estate appraiser used by management; and • Evaluation of the scope of subject assets, the valuation method used and the appropriateness of valuation results by involving a valuation specialist within our network firms. - Evaluated management’s estimate by comparing it with past actual cost of disposal to examine the cost of disposal.

Reasonableness of the estimate of the total cost of construction contracts	
The key audit matter	How the matter was addressed in our audit
<p>As described in Notes 3, “Significant accounting policies, (13) Revenues” and 22, “Revenues” to the consolidated financial statements, the Company and its consolidated subsidiaries recognize revenue for specific construction contracts meeting certain criteria that are included in the Infrastructure segment according to the progress of the construction if progress can be reasonably measured. The progress of construction is measured by comparing the cost incurred through the current year to the estimated total cost. As also described in Note 5, “Segment information” to the consolidated financial statements, revenue recognized for the Infrastructure segment amounted to ¥973,139 million, for the fiscal year ended March 31, 2023, and this amounts included revenue for construction contracts recognized according to the progress.</p> <p>In addition, as described in Note 19, “Provisions” to the consolidated financial statements, the Company and its consolidated subsidiaries record the expected amount of future losses on an individual construction order as a provision for loss on construction, if it is probable that the estimated total cost of such construction will exceed the contract order amount and if the expected loss amount can be reasonably estimated. The provision for loss on construction contracts recognized in the consolidated financial statements of the Company and its consolidated subsidiaries amounted to ¥55,491 million as of March 31, 2023.</p> <p>There are many construction contracts entered into with customers in the Public Utility Systems, Energy Systems and Defense & Space systems businesses within the Infrastructure segment. As these construction contracts include those with significantly large contractual amounts, and they are often related to the latest technology, additional demand on new designs and new customers, estimating the total cost of completing these contracts involves a high degree of estimation uncertainty. Accordingly, management’s judgment thereon has a significant effect on the estimate of the total cost that forms the basis for measuring the progress of construction for revenue recognition and recording a provision for loss on construction contracts.</p> <p>We, therefore, determined that our assessment of the reasonableness of the estimate of the total cost of construction contracts in the Public Utility Systems, Energy Systems and Defense & Space systems businesses was one of the most significant matters in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</p>	<p>The primary audit procedures we performed to evaluate the reasonableness of the Company’s estimate of the total cost of construction contracts in the Public Utility Systems, Energy Systems and Defense & Space systems businesses included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the process of estimating the total cost. In this assessment, we focused our testing on:</p> <ul style="list-style-type: none"> - Internal controls relevant to ensuring that estimate of total cost including the projection of material costs and working hours taking into account any uncertainties is reasonable; and - Internal controls relevant to ensuring that any changes in circumstances that may arise subsequent to the commencement of construction are reflected in the estimated total cost in an appropriate and timely manner. <p>(2) Evaluating the reasonableness of the estimated total cost</p> <p>To evaluate the reasonableness of the estimated total cost, we primarily performed the following procedures:</p> <ul style="list-style-type: none"> - We identified construction orders out of those in the Public Utility Systems, Energy Systems and Defense & Space systems businesses which involved a higher degree of uncertainty compared to other contracts in estimating the total cost, based on our understandings of the contract terms, type of construction, cost components, and assumptions used in the estimate. - Of the orders identified, we selected contracts whose percentage of completion deviated significantly from an expected percentage of completion based on the pattern of costs incurred for similar contracts in the past within the same business unit. - For the selected construction orders, to evaluate the appropriateness of significant assumptions used as the basis of estimating the total cost, we: <ul style="list-style-type: none"> - Inquired of relevant responsible personnel about the reason why the percentage of completion deviated significantly when compared to the pattern of costs incurred for similar contracts in the past; - Compared the estimated total cost as of the end of this fiscal year to the initial estimated total cost, and assessed the reasons for any changes in estimate to evaluate the precision of the estimated total cost; - Inquired of relevant responsible personnel regarding the status of construction as well as whether reassessment of the estimated total cost was necessary, and evaluated the reasonableness of the responses in light of the construction time-table and the costs incurred to date; and - Agreed the estimated total cost to the cost calculation sheet and observed that all costs necessary for the type of construction agreed with the customer were included in the cost calculation.

Other Information

The other information comprises the information included in the company's Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the executive officers and the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the executive officers and the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures

made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of Mitsubishi Electric Corporation as at March 31, 2023, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2023, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the Internal Control Report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit committee for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting

generally accepted in Japan.

The audit committee is responsible for overseeing and examining the design and operation of internal control over financial reporting. Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Audit Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.