


Mitsubishi Electric Corporate Strategy



November 2021
Mitsubishi Electric Corporation

Thank you for your continued understanding and support for the activities of the Mitsubishi Electric Group. We would like to reiterate our sincere apologies to our customers, shareholders, and broader society for the impact of the series of improper quality control practices that have occurred in our Group related to HVAC for railcars and other products.

These issues prompted us to establish an internal Emergency Response Division, as well as to commission an investigation by an Investigative Committee of external experts. We have subsequently received findings and recommendations from the committee regarding both the direct and underlying causes of the issues. The committee's investigation into all of our manufacturing sites and plants (including 22 facilities) as well as into our group companies will continue, and we will incorporate the resulting findings into the steps that we take on an ongoing basis.

In order to address the problems that have been identified thus far, we believe that we urgently need to undertake reforms in the three areas of quality assurance, organizational culture, and governance. The following pages outline the nature of these reforms. These require that I personally take the lead in driving a company-wide effort to tackling these issues head-on, and I will do so with the acute awareness that we would not survive as a company unless we succeed in these reforms.

In addition to devoting ourselves to these reforms, we will keep our stakeholders abreast of our progress by engaging in proactive communication with greater transparency and do our utmost to regain trust. The entire Group will also work to ensure the achievement of the Medium-term Management Plan that we announced this fiscal year.



Kei Uruma
President & CEO

Three Reform Areas for Regaining Trust

Established the Emergency Response Division and commissioned a quality-related investigation by an Investigative Committee of external experts in response to a series of improper quality control practices.

Took seriously the findings on the non-compliance of third-party certification of electromagnetic switches manufactured at the company's Kani Plant of Nagoya Works and the improper inspection practices of HVAC and other products for railcars manufactured at the Nagasaki Works, and after deeply reflecting on the findings, formulated reform initiatives in three areas. Will also disclose information internally and externally in a timely and appropriate manner.

Investigative Committee Recommendations

- (1) Ingrain a company-wide understanding and correct perception of quality (ensuring quality through adherence with protocols)
- (2) Check and review processes such as procedure manuals from a third party's perspective
- (3) Strengthen the quality control division
- (4) Support and strengthen middle management^(*)
- (5) Bring the headquarters/corporate function departments and the manufacturing sites closer
- (6) Encourage affiliation with the company rather than the existing strong affiliations at a plant/works level
- (7) Implement measures based on the business unit system
- (8) Demonstrate management's resolve in strengthening quality compliance

Three Reform Areas

(a) Quality assurance reform

- Establish the Corporate Quality Assurance Reengineering Group under the direct control of the CEO
 - Strengthen new quality assurance functions led by the head office
 - Share knowledge and provide flexible support across business divisions
- Appoint a Chief Quality Officer from outside the company (ideally by April 2022)
- Invest ¥30.0 billion for investments in infrastructure development, etc.

(b) Organizational culture reform

- Launch company-wide reform project "Team Sousei (Creation)"
 - Propose initiatives for the creation of a new Mitsubishi Electric
- Reform the personnel system
 - Overcome the inward-looking organizational culture, change the behavior of senior management, support middle management and front-line workers

(c) Governance reform

- Reform the Board of Directors to strengthen management supervisory functions
- Establish a Governance Review Committee

* Manufacturing site general managers and section chiefs

Three Reform Areas for Regaining Trust

(a) Quality assurance reform: Establish the Corporate Quality Assurance Reengineering Group & appoint a Chief Quality Officer from outside the company

- Establish a new quality assurance system, share knowledge and provide flexible support across business divisions. Also, pursue drastic change without being bound by conventional ways of thinking and doing things.

Reconstruct the control function, address issues relating to technical capabilities and resources, and re-foster an awareness of quality compliance as company-wide measures in order to strengthen quality governance throughout the group companies.

Establish effective quality internal control and quality governance systems

Manage compliance with laws, regulations and public standards & develop quality infrastructure through IT and digitalization
(¥30.0bn investment over two years)

Revitalize personnel rotation & develop quality assurance personnel

Re-foster awareness of quality compliance by providing more education on quality

(b) Organizational culture reform: Launch company-wide reform project “Team Sousei (Creation)” (Established on Oct. 16, 2021)

- Employees and management will work together to formulate an action plan for reform aimed at creating a new Mitsubishi Electric

Work to achieve a culture where employees feel that they can consult with their superiors, failures are forgiven, and collaboration is fostered to solve issues through shared information. With input from outside experts, identify several “core themes” that are important and urgent for the company. Employees selected from the entire company and the management will work together to formulate concrete proposals and an action plan for reform by Mar. 2022.

Overcome the inward-looking organizational culture

- Break down organizational walls through dynamic personnel rotation
- Overcome inward-looking culture by promoting diversity

Change the behavior of senior management

- Change the behavior of executive officers through remuneration revamp and coaching by external providers
- Change the method of evaluation and promotion of managers

Support middle management and manufacturing sites

- Appropriate resource allocation and scope of control
- Strengthen communication with the top management via multiple channels

(c) Governance reform: reform the Board of Directors & establish the Governance Review Committee

■ Strengthen management supervisory function & improve internal control and governance systems

- Undertake sustainable, mid- to long-term initiatives to reform the functions, composition, and secretariat of the Board of Directors, as well as the three statutory committees.
- Form a Governance Review Committee comprising three lawyers with no existing commercial relationships with the company, to assess internal control and governance systems. Identify issues and compile improvement recommendations by Mar. 2022.



Future disclosure policy

■ Proactively disclose highly transparent and fair information and strengthen internal and external communication

Provide ongoing updates on the status of response to quality practices taken in cooperation with the Investigative Committee, as well as on culture reform initiatives and how they are progressing.

Proactively provide information from the top management to regain the trust of society, our customers, our shareholders, and our employees.

Create a new section devoted to quality practices on our official website (to be built in phases)

Step up communication efforts of the top management via financial results and business strategy briefings

Introduction

Three Reform Areas for Regaining Trust

1. Corporate Principle

2. Management Policy

3. Strategy

4. Medium-term Management Plan Towards FY2025

4-1. Important Measures to Achieve Financial Targets

a. Strengthening of Business Portfolio Strategy

b. Expansion of Integrated Solutions

c. Enhancement of Business Foundation

d. Capital Allocation

4-2. Sustainability Initiatives

a. Establishment of Materiality

b. Status of Various Initiatives

<Appendix>

- **Single-year Outlook for FY2021 (Consolidated Performance)**
- **Outlook for FY2021 (Segment Forecast) and FY2025 target**
- **Outlook for FY2021 (Sub-segment Forecast) and FY2025 target**

Note

FY2018 : April 1, 2018 -March 31, 2019

FY2019 : April 1, 2019 -March 31, 2020

FY2020 : April 1, 2020 -March 31, 2021

FY2021 : April 1, 2021 -March 31, 2022

FY2025 : April 1, 2025 -March 31, 2026

On the occasion of the 100th anniversary, the company has revised its corporate philosophy system to update the Group's reason for existence as well as the core values and attitude that all employees are asked to embrace and cherish in serving customers and society as a whole.

Purpose

We, the Mitsubishi Electric Group, will contribute to the realization of a vibrant and sustainable society through continuous technological innovation and ceaseless creativity.

Our Values

**Trust, Quality, Technology,
Ethics and Compliance, Humanity, Environment, Society**

Commitment

Changes for the Better

"Changes for the Better" represents the Mitsubishi Electric Group's attitude to "always strive to achieve something better," as we continue to change and grow. Each one of us shares a strong will and passion to continuously aim for change, reinforcing our commitment to creating "an even better tomorrow."



In addition to realizing corporate management that balances growth, profitability/efficiency, and soundness, we will contribute to realizing sustainability through all of our activities, and further enhance corporate value that emphasizes the creation of both economic and social value.



■ Pursue the Satisfaction of the four Stakeholder Categories

- Society** Social Contributions
- Customers** Excellent Products and Services
- Shareholders** Increase Corporate Value
- Employees** Rewarding Workplace

■ Materiality to realize sustainability

Provide solutions to social challenges through our business	 Realize a sustainable global environment
	 Realize a safe, secure, and comfortable society
Strengthen our business foundation to enable our sustainable growth	 Respect for all people
	 Strengthen corporate governance and compliance on a sustainable basis
	 Create a sustainability-oriented corporate culture

Provide Integrated Solutions to address diversifying social challenges, in the four fields of Life, Industry, Infrastructure and Mobility, uniting all the capabilities inside and outside of the Group. For this purpose, we will enhance our business foundation fostered over the past 100 years^(*) and further transform business models.

^{*} Business foundation fostered over the past 100 years: connection with customers, technologies, personnel, products, corporate culture, etc.

Social challenges



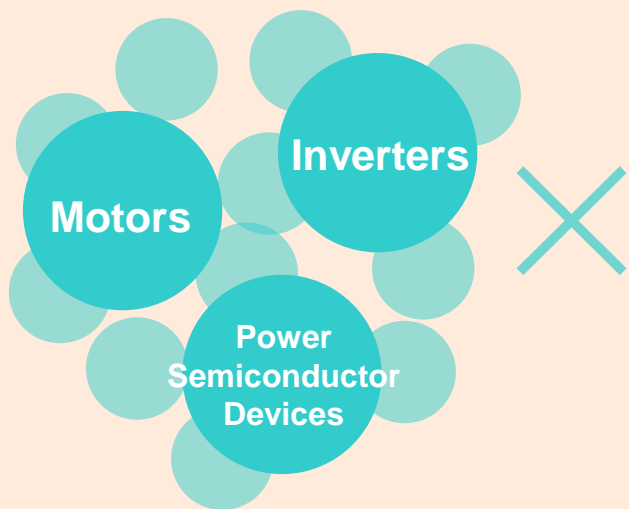
Activities for value creation

Provide Integrated Solutions
uniting all the capabilities inside and outside of the Group

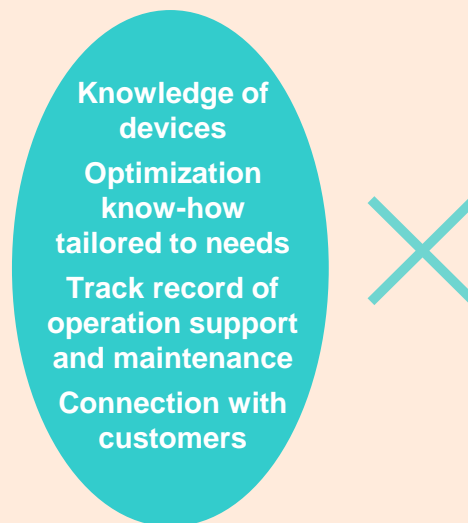
What is Mitsubishi Electric Integrated Solutions?

Offer Integrated Solutions that only we can provide by combining our strong core components with a wealth of Field Knowledge and advanced digital technologies.

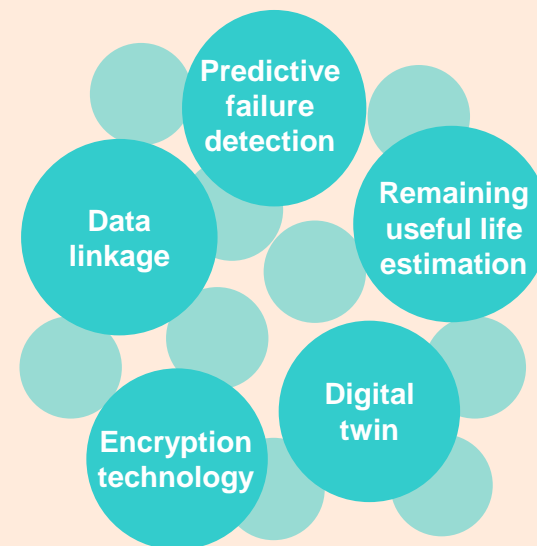
Core components



Field Knowledge



Advanced digital technologies



4

Medium-term Management Plan Towards FY2025

FY2025 Financial Targets

Revenue

¥5 trillion

Operating Profit Margin

10%

ROE

10%

Cash Generation(*)

¥3.4 trillion/5 years

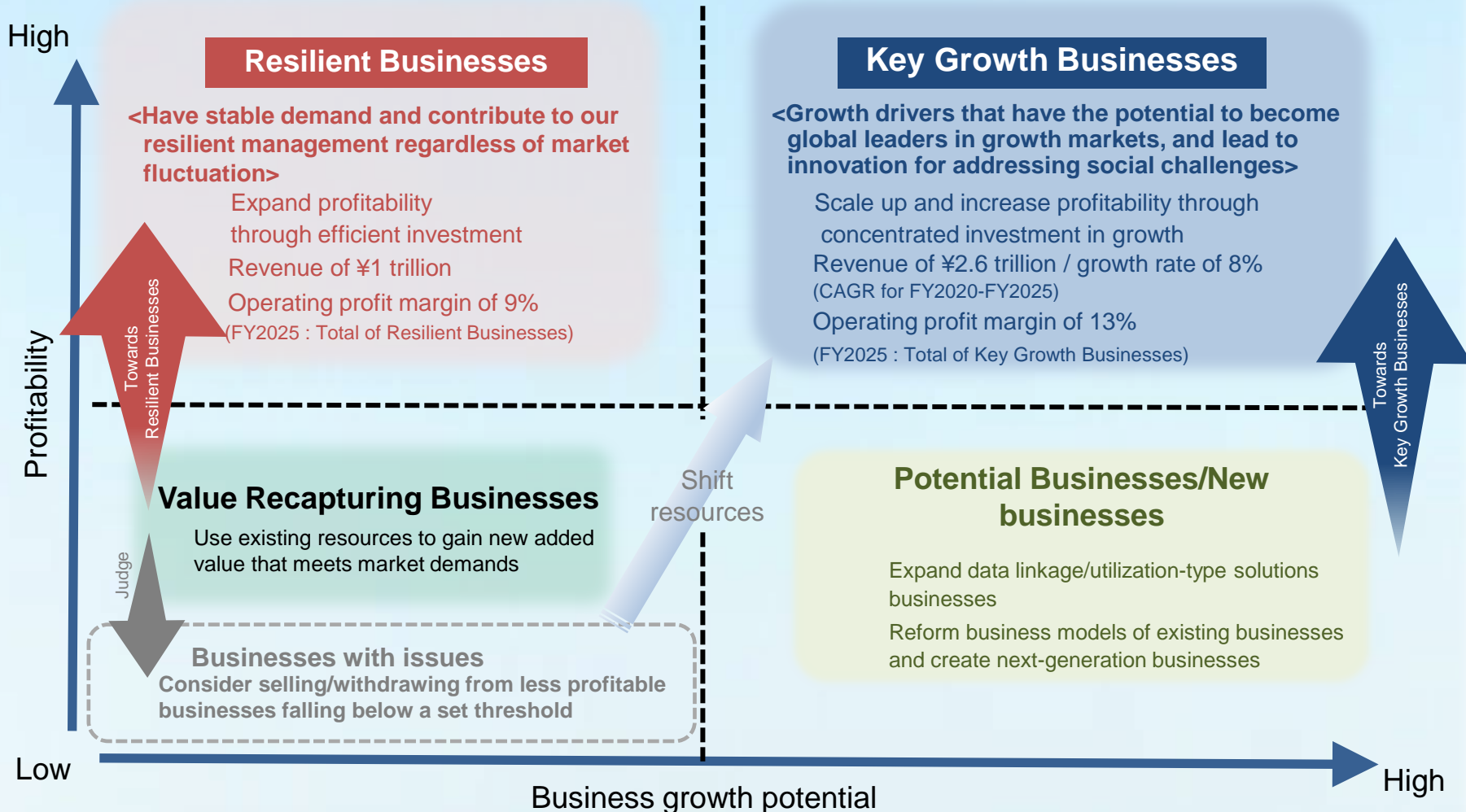
* Adjusted operating cash flow (CF)

4-1

Important Measures to Achieve Financial Targets

Approach to Business Portfolio Strategy

Classify businesses according to their characteristics and optimize investment of management resources.



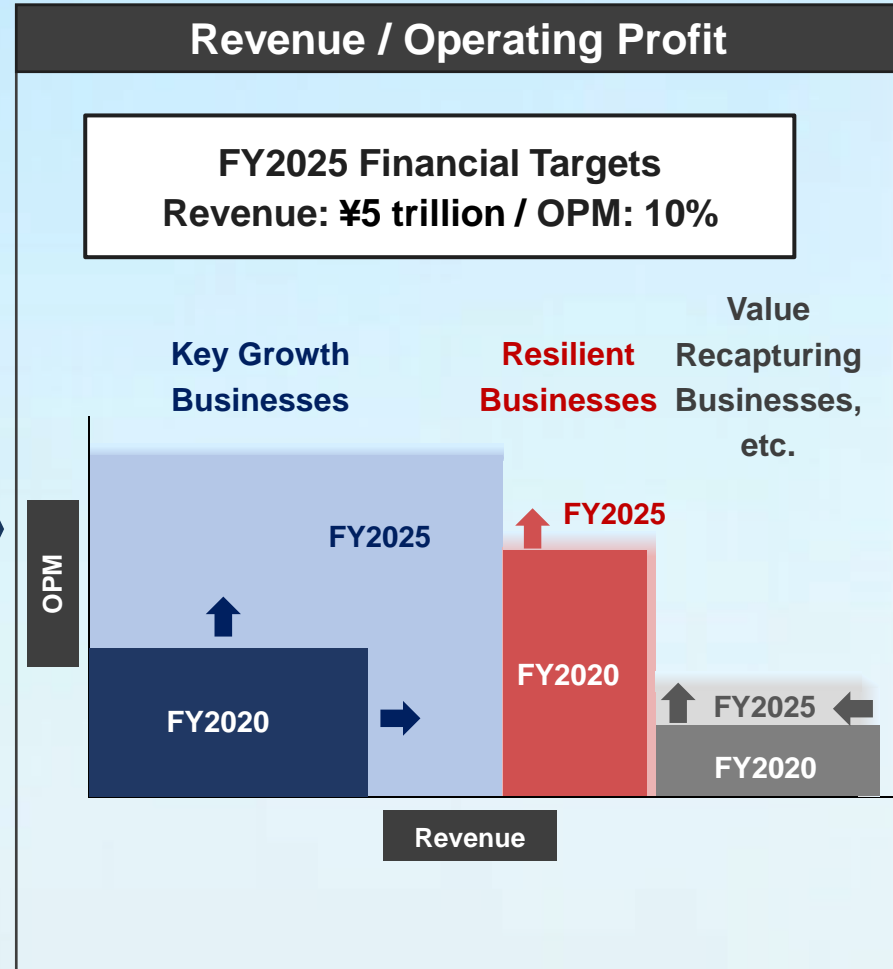
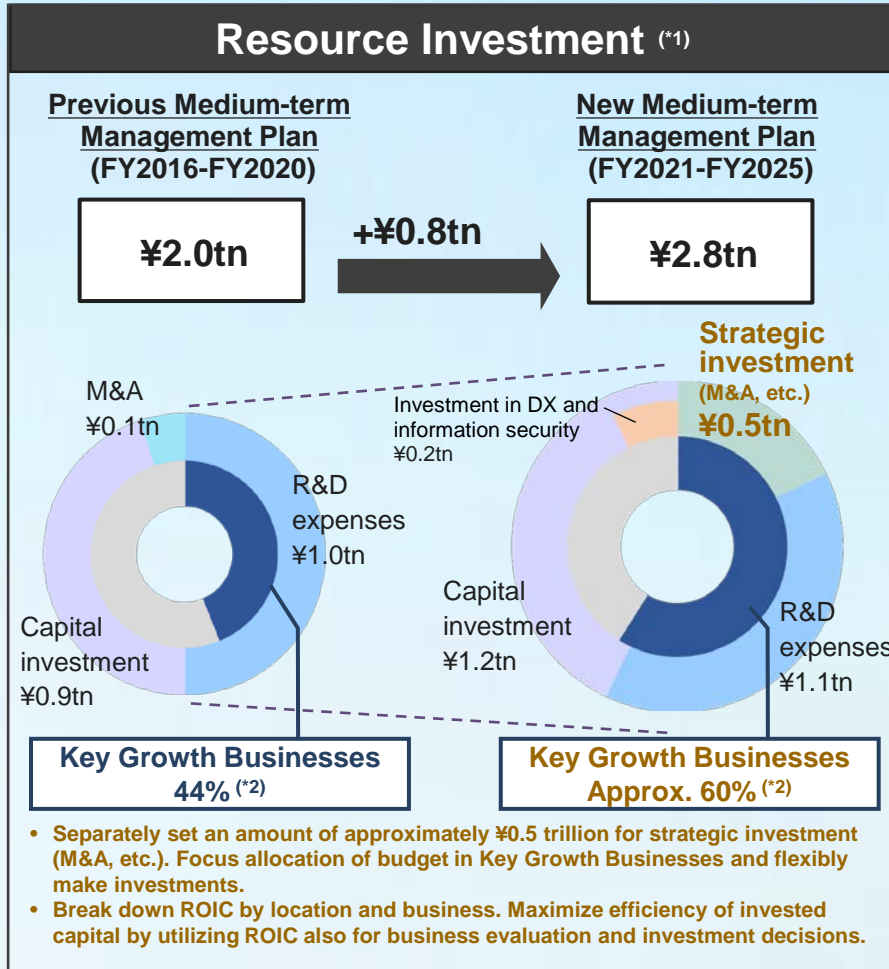
Expansion of Key Growth Businesses

Select five Key Growth Businesses that can make major contributions to addressing social challenges in domains expected to grow at a high rate globally. Provide Integrated Solutions with core components as the source of market competitiveness.

Key Growth Businesses		Core components		×	Field Knowledge	×	Advanced digital technologies
Power Semiconductor Devices	FA Control Systems	IGBT SiC	High-speed & High-precision FA Controller (Programmable Logic Controller, Servo, Computerized Numerical Controller) :	Knowledge of devices Optimization know-how tailored to needs Track record of operation support and maintenance Connection with customers . . .	Heterogeneous data linkage of various devices and systems Encryption technology Predictive failure detection Remaining useful life estimation of devices Optimized control and operation using digital twins . .		
	Air-Conditioning & Refrigeration Systems		High-efficiency Compressor High-efficiency Inverter High-performance Infrared Sensor :				
	Building Systems		High-efficiency/High-quality/Excellent energy-saving Elevator (Traction Machine, Control Panel) :				
	xEV/ADAS		Compact & High-power Motor for xEV High-efficiency Inverter for xEV Highly-reliable ADAS Control Unit :				

Priority Allocation of Resource Investment

Invest resources in the amount of ¥2.8 trillion, up ¥0.8 trillion from the previous medium-term management plan, centered on Key Growth Businesses. Attain the FY2025 financial targets (revenue of ¥5 trillion, OPM of 10%).

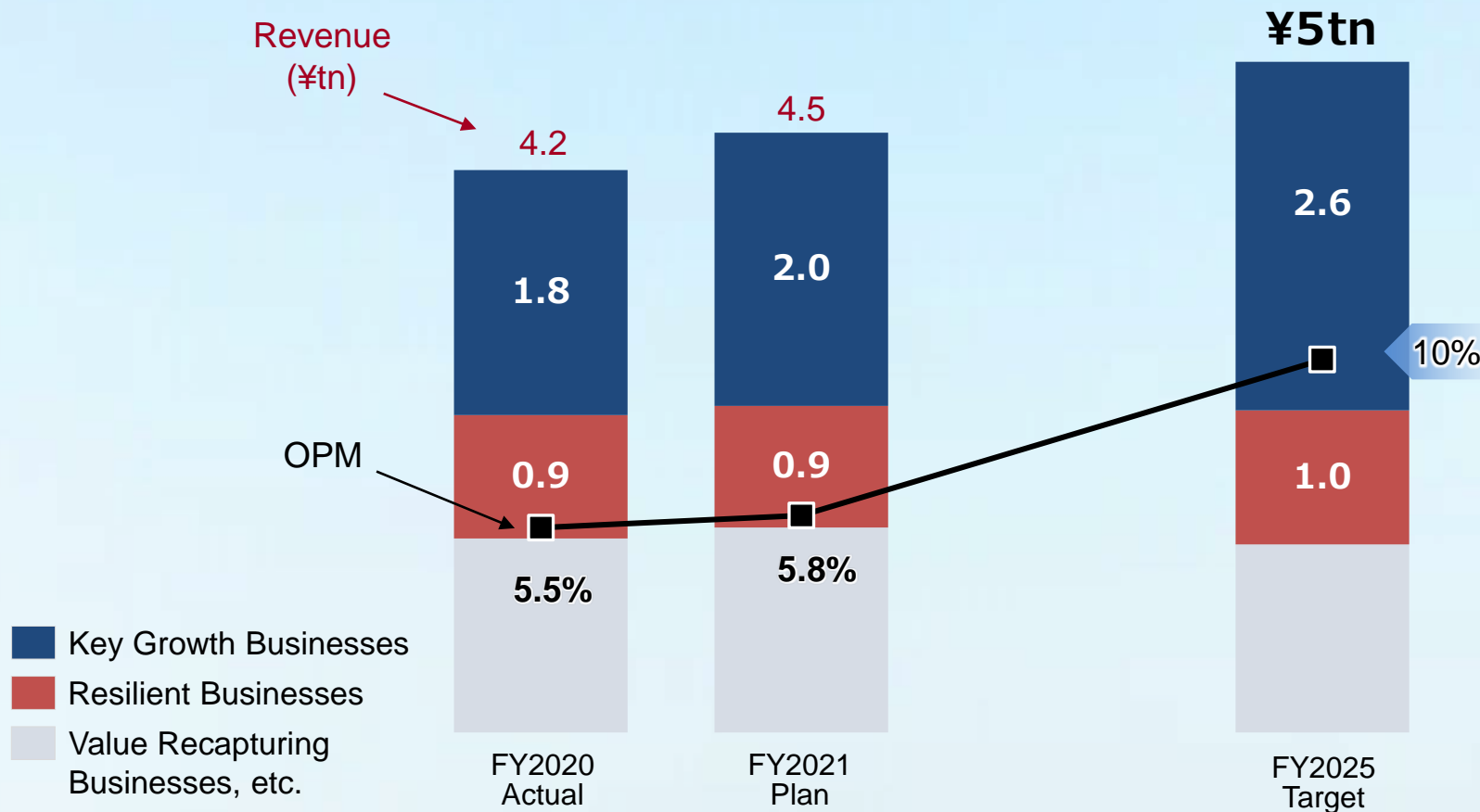


*1 Allocation to growth investment, etc. (M&A and other strategic investment, R&D expenses, capital investment)

*2 Ratio of Key Growth Businesses to total investment in all business divisions (excluding investment in non-business divisions)

Growth Targets for FY2025

Aim to achieve revenue of ¥5 trillion and operating profit margin of 10% in FY2025 by focusing on increasing the scale of Key Growth Businesses and improving profitability.



Initiatives in Key Growth Businesses

Factory Automation (FA) Control Systems Business [PLC, Servo, and CNC]

Help build a foundation for industry and technological innovation by globally providing machines, equipment, and solutions that realize the automation of manufacturing, improving quality and productivity.



Air-Conditioning & Refrigeration Systems Business

Contribute to creating a safe, secure and comfortable society and achieving a decarbonized society as a global comprehensive air-conditioning & refrigeration manufacturer offering excellent air conditioning and ventilation technologies as well as life cycle solutions.



Building Systems Business

Decided to establish a new company^(*) which realizes integrated business operation covering new installations to maintenance and replacement, in order to strengthen global competitiveness. Realize Smart Buildings and Smart Cities by providing solutions making use of accumulated technologies and data, as well as multi-business synergies.

* Mitsubishi Electric Building Solutions Corporation (Scheduled to establish in Apr. 2022)



Automotive Equipment Business (xEV/ADAS)

Contribute to the global environment and safety/security through product development using our xEV technology (power device, cooling, high density winding) and ADAS technology (high precision-positioning, millimeter waves, image recognition).



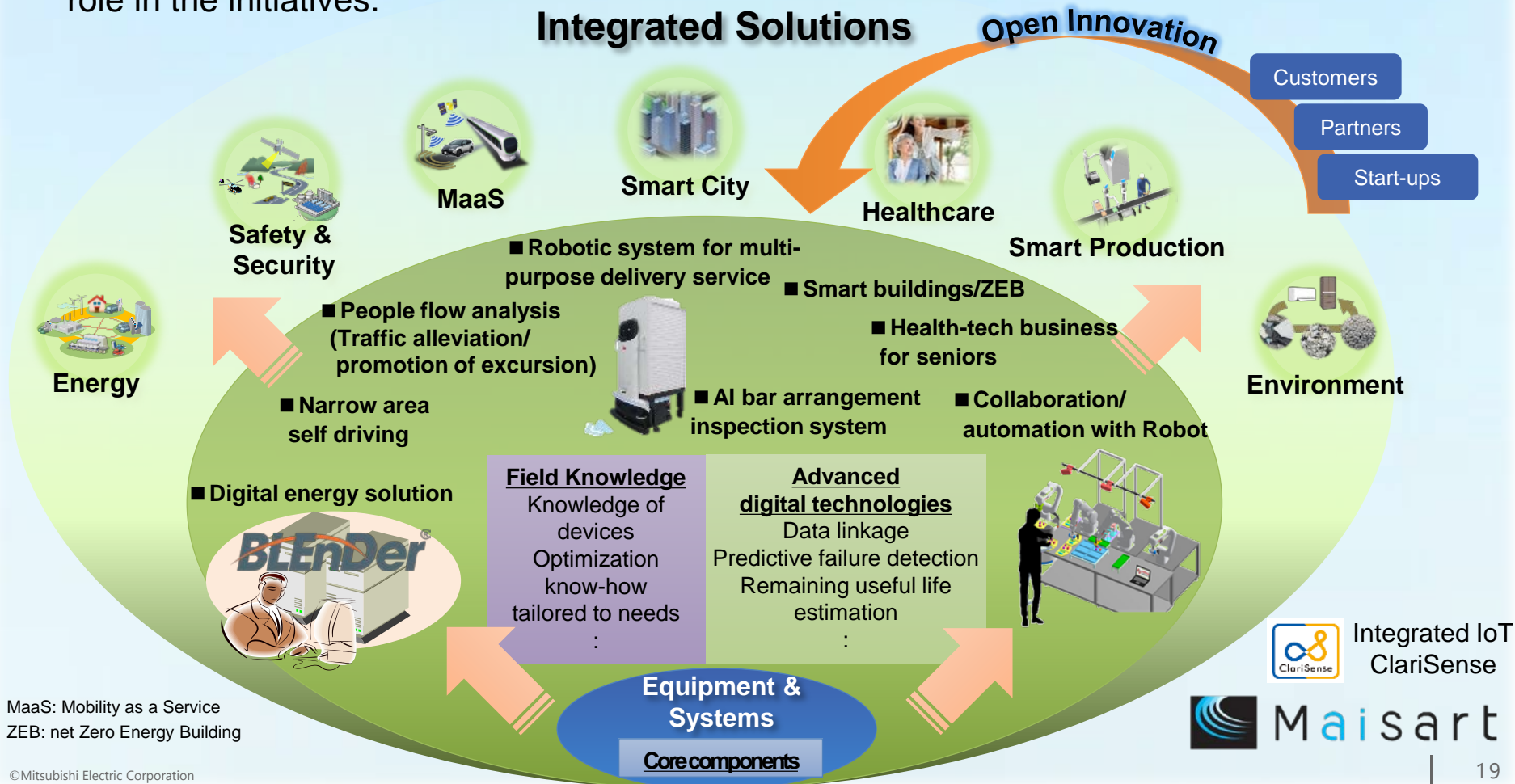
Power Semiconductor Devices Business

Focus on the automotive/consumer product fields where high growth is expected, using IGBT/SiC cultivated through business synergies. Contribute to a decarbonized society by providing key devices that save energy in equipment.



Business DX and Open Innovation

Link and analyze data from a variety of devices and systems, and provide customer-optimized solutions. Expand the solution domain through co-creation with customers and active use of M&As, etc. Business Innovation Group established in Apr. 2020 plays a central role in the initiatives.



MaaS: Mobility as a Service
ZEB: net Zero Energy Building



Open Innovation

Expand our solution domain by leveraging external knowledge and technology through means such as M&As, co-creation with customers and partners, and collaborations with start-ups.

Expand business domains through M&As

Acquisition of UK-based SGS Ltd. (*) (Concluded a contract in Aug. 2021)

Combine the advanced DERMS technology of SGS Ltd., which has experience doing business in Europe and the US, with our technology and customer base. Aim to become a leading company in the DERMS market, which is expected to see a global surge in demand.



* SGS Ltd.: Smarter Grid Solutions Limited

Create innovation by collaborating with start-ups

Searching for the missing piece to create new value

Joined CIC Tokyo's Innovation Community for Energy and Environment to search for, support, and collaborate with start-ups. (Started activity in Oct. 2020)



Implemented a proprietary acceleration program under the theme of "smart city" in partnership with Rainmaking. (Started activity in Jan 2021)



Co-create value with customers and partners

Establishment of 5G OPEN INNOVATION Lab (Jun 2021)

Opened a place for co-creation related to local 5G with customers and partners.

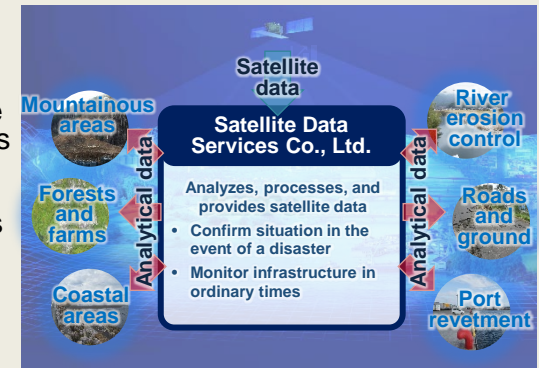
Participants review local 5G use cases and carry out a wide range of pilot tests such as 5G-based automated/remote control of mobile robots.



Create new value by collaborating with multiple industries

Establishment of Satellite Data Services Co., Ltd. (Jun 2021)

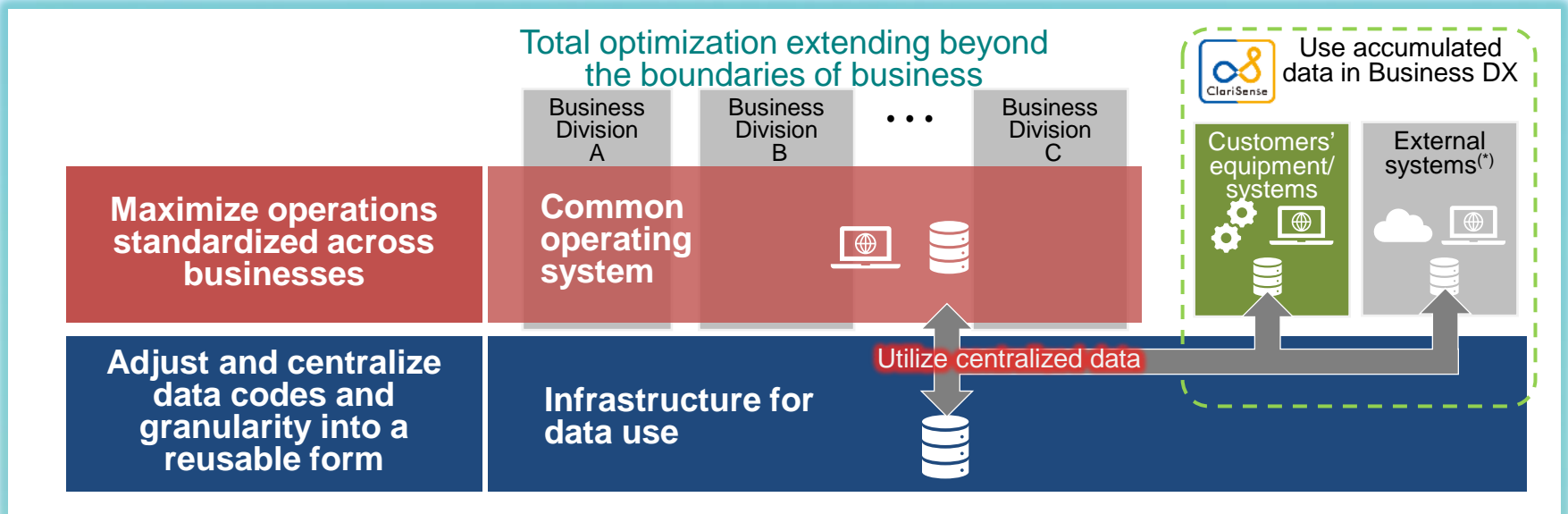
Aims to commercialize services providing information on satellite data analysis that can be applied commonly across a wide range of areas, such as swift confirmation of situations in the event of a disaster and continuous monitoring of national land and infrastructure during ordinary times.



Operation DX



Achieve total optimization extending beyond the boundaries of business by standardizing cross-business operations and centralizing reusable data. Promote Operation DX by increasing the sophistication of business management and improving productivity utilizing data and digital technologies.



Revamp operational processes

Reorganize information systems

Develop data infrastructure

Formulate operational reform indicators for total optimization, set targets for reform based on the indicators, and carry out initiatives accordingly

Investment exceeding ¥100.0 billion

Transform into a highly-profitable company
through more sophisticated business management and a dramatic increase in productivity

Global Response

Strengthen supply and engineering chains globally. Quickly detect and analyze changes in the global political and economic environment in order to respond with agility.

■ Strengthen our global business structure

- Formulate and promote strategies optimized for each region based on their respective environment, information regulations, policies, and geopolitical background.
- Develop and allocate global human resources, including promoting local staff to executive positions.
- Strengthen governance by establishing corporate functions in areas that are regarded as growth markets but are considered to have business risks, such as those related to tax and labor affairs.

■ Strengthen the launch of overseas business models

- Promote locally led marketing, PoC, and commercialization as a way to address social challenges in each region.
From China: Develop E-JIT (Environment & Energy Just In Time) solution
From the U.S.: Make a model case for global corporate venturing activities
From Europe: Promote business model studies in the mobility field (DGDR, RDDS)

■ Build a supply chain that can flexibly respond to various changes

- Rebuild a flexible and sustainable procurement system in preparation for sudden social changes and disasters.
- Enhance sustainable procurement initiatives (continuous efforts to enhance green procurement and to respect human rights).

■ Establish Corporate Economic Security Div.

- Respond to rapid changes in international affairs, and survey and analyze political trends and legal systems to comprehensively control risks from the perspective of economic security in relation to group-wide procurement, export, information security, investment, development, human resources management, etc.

Optimal Group Management System

Pursue an optimal group management system by strengthening the functions and reviewing the division of roles of affiliated companies in each value chain.

Design

Develop structures and strengthen the development capability of S/W design companies that can accommodate the enhancement of Key Growth Businesses and the expansion of Integrated Solutions (improve productivity, increase personnel, incorporate new technology, etc.).

Scheduled to establish Mitsubishi Electric Software Corporation in Apr. 2022

Logistics

Develop a logistics system with the option of concluding strategic partnerships with global logistics companies, and rapidly respond to changes in the logistics environment and improve efficiency by introducing an advanced platform.

Maintenance & Service

Enhance our recurring revenue business by taking advantage of connection with customers, establish a business structure that maximizes lifetime profits, and create new business opportunities by sharing and making effective use of information accumulated within the Group.

Internal Operation Support

Focus on employee welfare and tasks essential for rolling out each of our businesses, and improve efficiency primarily through the use of outsourcing.

R&D Strategy

Pursue the enhancement and reform of existing businesses as well as R&D for new value creation in a balanced manner. Aim to address social challenges at an early stage through the active use of open innovation.

Strengthen core technologies
-Driving force for profitability improvement-

Strengthen our differentiated technologies for components and systems, including technology to realize small, high-efficiency motors, and high-speed, high-precision positioning technology, by fusing them with advanced base technologies such as AI and new materials.

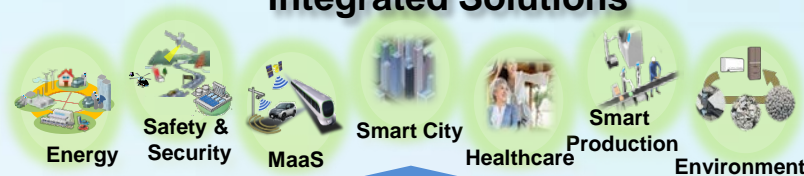
Continuously enhance base technologies
-Foundation for business-

Further enhance technologies that support quality of and build trust in our products, systems, and services, such as power electronics, control, modeling, material analysis, AI, security, and data analysis/linkage.

Search for and create new technologies
-New source of growth-

Take on the challenge of developing technologies that meet the needs generated by social change, as well as next-generation technologies that transform existing businesses, in a discontinuous manner, based on future insights and analysis of technological trends. Also, focus on expanding our proprietary technologies to create new usages and develop new customers.

Integrated Solutions



Sustainability

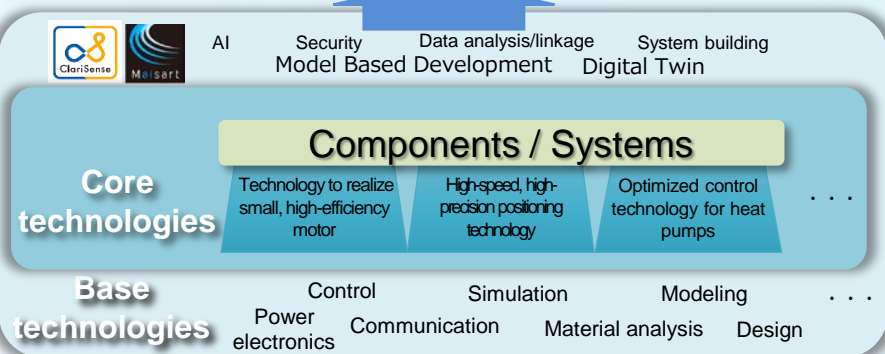
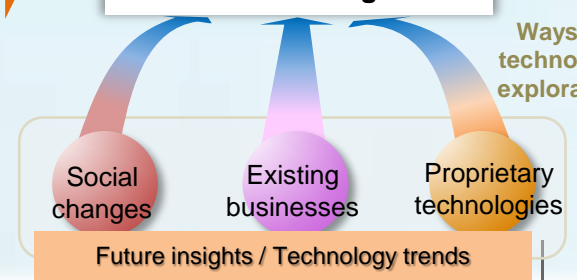


Open Innovation



Search for and create new technologies

Ways of technology exploration



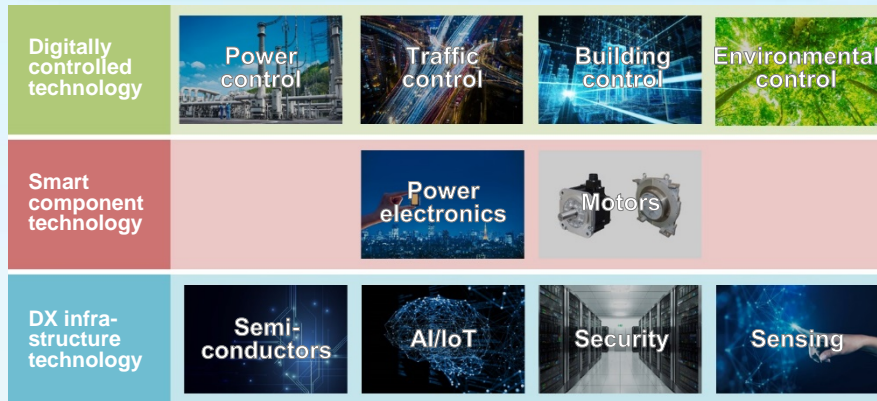
Intellectual Property Strategy

Strategy 1. Open Technology Bank

✓ Make the technological asset database with 60,000 IPs available to the public
Start a search service in Oct. internally/next spring externally

Internal technological collaboration & open innovation with external parties

✓ Mitsubishi Electric technology map presented in OTB^{(*)1}
Make it publicly available in Dec. 2021



Combine these three technologies by leveraging OTB
 ➔ Use data to solve issues in a range of social spaces
 ➔ Contribute to sustainability (decarbonization/new normal/economic security)

Strategy 2. Qualitative IP activity targets

In addition to quantitative advantages, enhance qualitative IP capabilities that are compatible with AI/solutions

Leveraging the world's leading IP creation capabilities,

Patent asset size ^{(*)2}	No. of patent registrations in Japan ^{(*)3}	International application ranking ^{(*)4}	No. of design registrations in Japan ^{(*)3}
No. 1 in Japan	No. 2 in Japan	No. 3 globally	No. 1 in Japan

Qualitatively improve IPs that will form the Operation DX infrastructure

	Current	FY2025 target
Solution rate	10%	➔ 30%
AI rate	3%	➔ 10%

Develop and execute IP/standards strategy in the IoT domain in alignment with activities to strengthen IP capabilities

In addition to utilizing IoT in areas such as FA, electric power, and train, carry out standardization activities in the field of future telecommunication infrastructure, such as 5G, beyond 5G, and 6G, to contribute to solving social issues and expanding business.

*1 OTB is an acronym for "Open Technology Bank"
 *2 Announced by Patent Result Co., Ltd. (total from Apr. 2019 to Mar. 2020)
 *3 Announced by Japan Patent Office (total from Jan. to Dec. 2020)
 *4 Announced by World Intellectual Property Organization (WIPO) (total from Jan. to Dec. 2020)

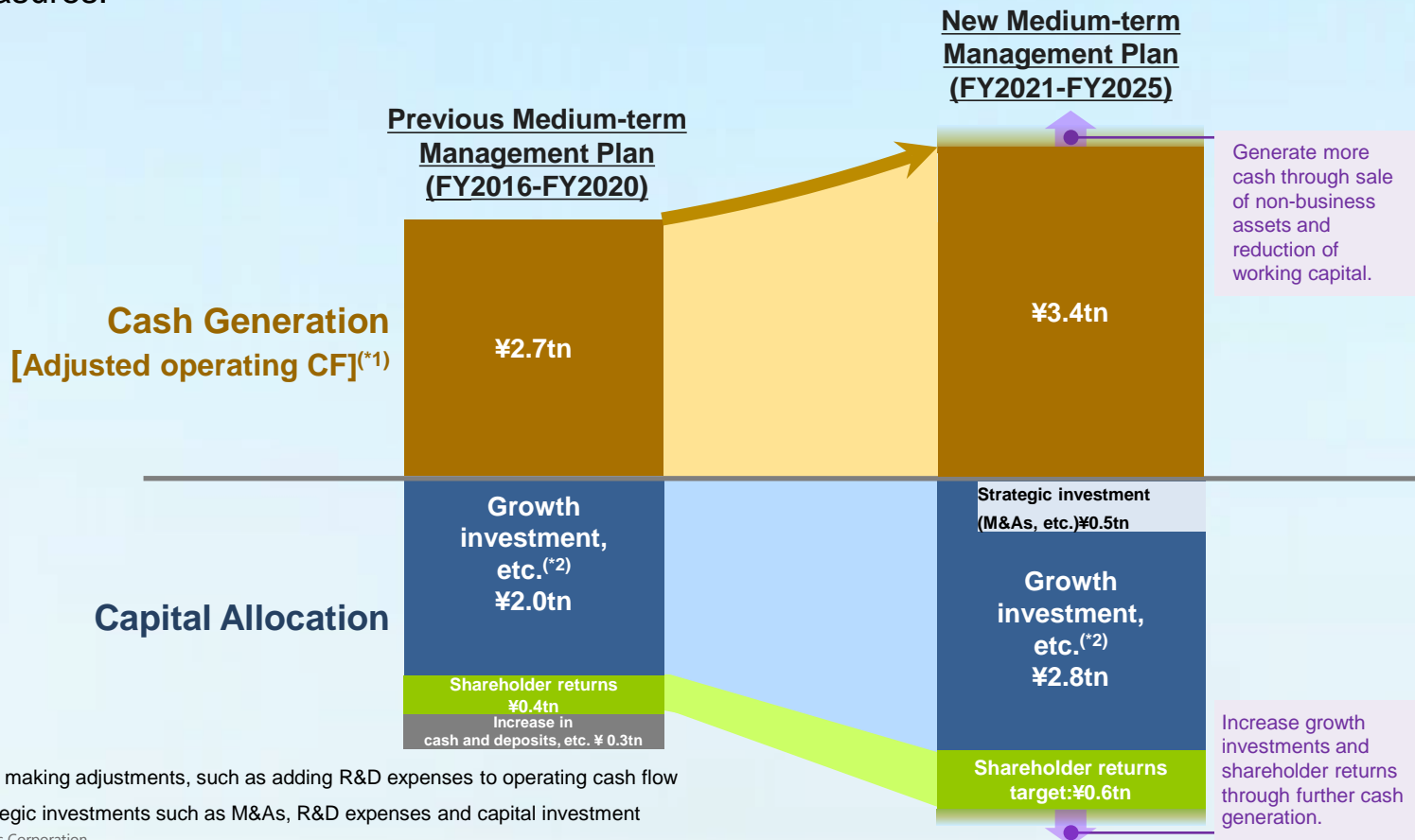
Link and drive forward

Capital Allocation Policy

For capital allocation, giving top priority to investment in growth, further enhance shareholder returns through profit growth.

In terms of cash generation, the source of capital, aim to generate ¥3.4 trillion over a five-year period, with a focus on Key Growth Businesses.

Return profits to shareholders (dividends + buybacks) with a target of ¥0.6 trillion (Previous Medium-term Management Plan:¥0.4 trillion). In addition, further improve capital efficiency by executing the capital measures.



*1 After making adjustments, such as adding R&D expenses to operating cash flow

*2 Strategic investments such as M&As, R&D expenses and capital investment

4-2

Sustainability Initiatives

The Mitsubishi Electric Group's Materiality

With a view to realize a vibrant and sustainable society, we have set priority items in our sustainability initiatives as materiality. We will actively disclose information on the status of materiality efforts and promote engagement with stakeholders.

Provide solutions to social challenges through our business	 <p>Realize a sustainable global environment</p>	<p>Priority SDG initiatives</p> 
	 <p>Realize a safe, secure, and comfortable society</p>	
Strengthen our business foundation to enable our sustainable growth	 <p>Respect for all people</p>	<p>SDGs of particular relevance</p> 
	 <p>Strengthen corporate governance and compliance on a sustainable basis</p>	
	 <p>Create a sustainability-oriented corporate culture</p>	
		

SDGs: Sustainable Development Goals

Initiative to Realize a Decarbonized Society



Realize a sustainable global environment

Revise our Environmental Sustainability Vision 2050 towards the realization of a decarbonized society, further enhancing our initiatives to reduce greenhouse gas emissions.

Greenhouse gas emissions in the entire value chain

2050 Net-zero



Increased contribution to reducing CO2 emission factor of electric power

~Contribution to increased adoption of renewable energy~

Power from renewable energy sources



Initiatives in new domains(*)

Generator for offshore wind turbine

Green ammonia manufacturing

High-capacity, high-efficiency renewable energy power transmission (HVDC)



Substation

Grid stabilization to expand renewable energy (FACTS/GFC)



Operation system for distributed power sources, storage battery control system (VPP, DERMS, EMS, etc.)

Smart-city and Micro-grid to realize Carbon-Neutral

* Commercialization TBD

DERMS: Distributed Energy Resource Management System EMS: Energy Management System
FACTS: Flexible AC Transmission Systems GFC: Grid Forming Control GWP: Global Warming Potential
HVDC: High Voltage Direct Current SiC: Silicon Carbide VPP: Virtual Power Plant

Reduction of emissions by products

Reduction of power consumption by products



Air Conditioning Systems: Accelerate transition to low-GWP coolant



Improvement of 1% or more from previous models



xEV products (Motor·Inverter)

Offering energy saving & generating solutions



ZEB (net Zero Energy Building)

e-Factory

e-F@ctory solutions

Reduction of emissions in production

- Aim to invest **0.15%** of revenue in decarbonization
- Increase adoption rate of renewable energy



Improvement of efficiency and spread of Power Semiconductor Devices, etc.



SiC Power Semiconductor Devices

Addressing social challenges through Our Businesses

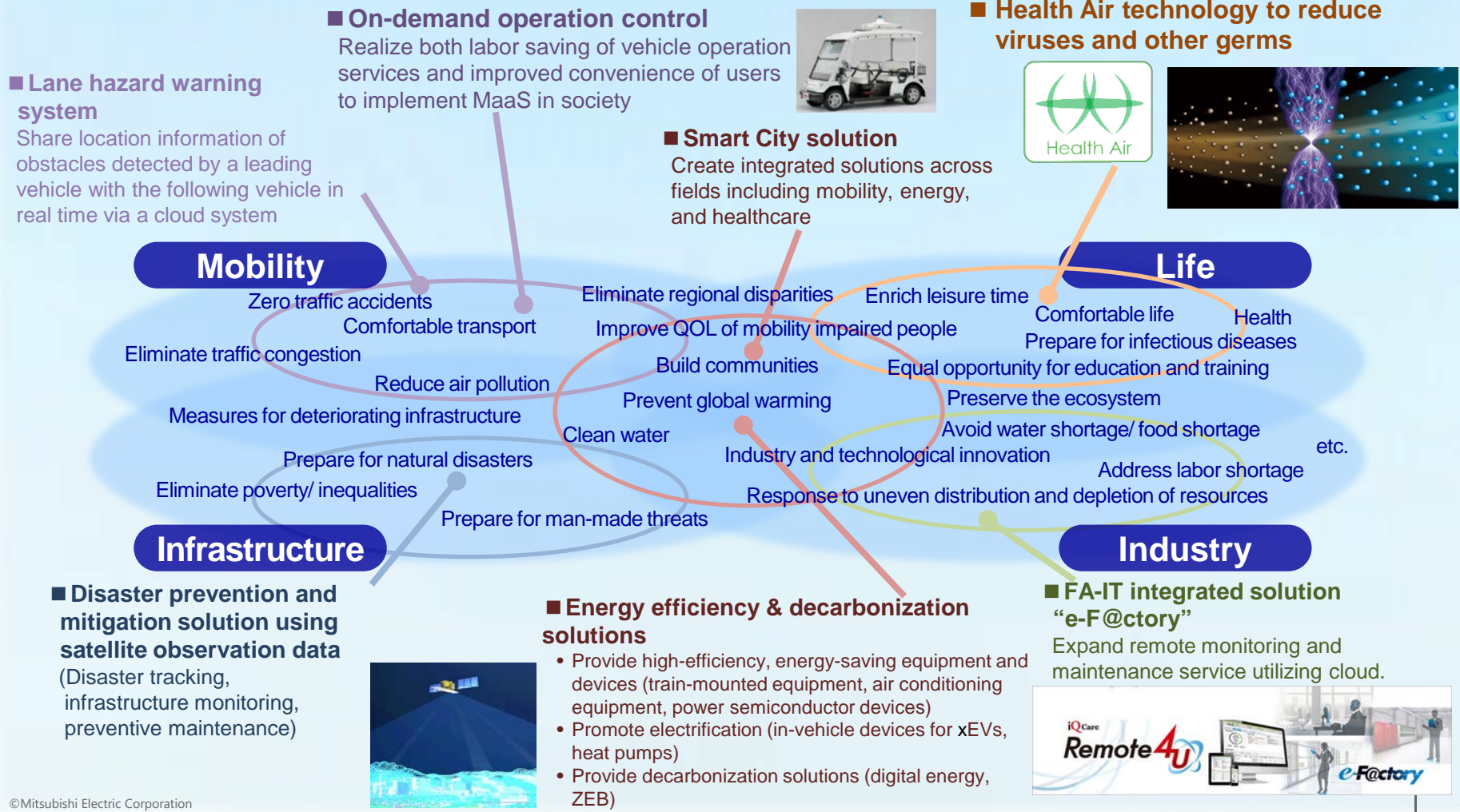


Realize a sustainable global environment



Realize a safe, secure, and comfortable society

Offer solutions to social challenges through our business activities, including responding to changes in how people interact with each other, the increasing intensity of disasters, and the acceleration of digitization.



Human Rights and Diversity



Respect for all people

■ Promote respect for human rights and diversity globally

Promote initiatives based on the Mitsubishi Electric Group Human Rights Policy(*)

**Assess human rights impact
as an entire Group**

**Enhance the quality of support at contact points
for complaints and consultation
related to human rights**

**Continuation of ascertaining and correcting major
human rights violation risks in the supply chain**

* Posted on "Social" page on the Mitsubishi Electric global website.

■ Promote diversity

Enhance activities aimed at creating workplaces where individuals can maximize their talents

Enhance systems that support work-life balance (e.g., trial of remote work system from outside the commuting area, career support leave system, and return-to-work position request system)

Program that systematically offers work experience and training opportunities to future female managers

Increase the ratio of female new graduate hires: 1.2 times (compared to the average between FY2016 and FY2020)

Increase the ratio of female managers: 2 times (compared to FY2020)

**Promote co-creation by diverse human resources through
promoting the understanding of LGBTQ people and
increasing the hiring of people with disabilities**

**Actively promote local staff to managerial positions
at overseas bases**

LGBTQ : Lesbian, Gay, Bisexual, Transgender, Queer/ Questioning

Employee Engagement



Respect for all people

Realize a work environment where all employees can work with vitality

We take the series of work-related issues extremely seriously. Positioning the prevention of recurrence of such issues as our top management priority, the Group as a whole is advancing “Mitsubishi Electric Workplace Reform Program” based on a third-party evaluation conducted by outside experts.

Thoroughly implement measures to prevent harassment, enhance mental-health measures, prevent long working hours, and transform the mindset and behavior of management with 360° feedback

Build compensation structure with highly convincing evaluations and awareness of market value

Advance work-style reforms by pursuing new work styles through best mix of remote and in-office work

Overcome the inward-looking culture, change the behavior of senior management, and support middle management and front-line workers to reform the personnel system

Evaluation indicator: KPI (Employee awareness survey)	1 st half of FY2021 Actual	Target
Percentage of employees with pride and motivation in their work	61%	80% or more
Percentage of employees who feel that they have a good work-life balance	66%	80% or more

Information Security



Strengthen corporate governance and compliance on a sustainable basis

■ Develop a comprehensive, multi-layered defense system

Based on past incidents of unauthorized access, reinforce our information security infrastructure and strengthen measures against the latest attack patterns, which are becoming increasingly sophisticated and elaborate.

Accelerate zero-trust security measures, and strengthen network access controls and security measures for devices
Going forward, we will invest more than ¥50 billion in security enhancements.

In addition to strengthening security measures, continuously strengthen information management and operation systems, and aim for Level 3 or higher ^{(*)1} of the Cybersecurity Maturity Model

*1 Framework for Cybersecurity Maturity Model certification set forth by the US Department of Defense. Level 3 or higher means that excellent security measures and management systems are put in place.

Product and Service Quality



Strengthen corporate governance and compliance on a sustainable basis



Realize a safe, secure, and comfortable society

■ Go back to the premise that “quality is top priority” and strengthen quality governance

Considering the occurrence of some improper practices in quality control, thoroughly reinforce our basic quality assurance principles^{(*)2} and drastically strengthen our quality assurance and quality control system so that our products and services conform with relevant laws, regulations and standards, and surely meet specifications agreed with customers.

Enhance management of compliance with laws, regulations and public standards related to quality

Strengthen control by consolidating QA functions and authority of each of the manufacturing sites

Strengthen identification of customer specifications and shipping standards, and prevent falsification/fabrication of test/evaluation data through digitalization

Enhance QA/QC education, and revitalize personnel rotation between locations and divisions

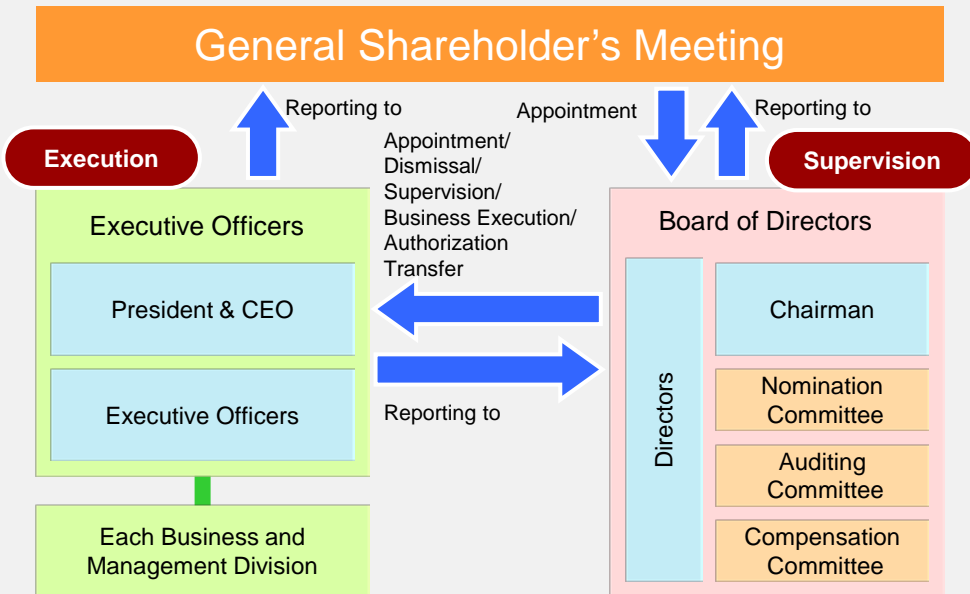
*2 “1. Product quality is our top priority. It comes before price and on-time delivery.”, “2. Our commitment to the highest quality under any circumstances is unwavering.”, “3. Products must be safe to use, have a long usage life, and have consistent performance.” and “4. Every manager and employee involved in manufacturing a product shares equal responsibility for product quality.”

Governance



Strengthen corporate governance and compliance on a sustainable basis

Appoint Outside Directors as chairpersons of Nomination, Auditing and Compensation committees to strengthen the supervisory function, and establish specialized organizations under the direct control of the President to strengthen risk management.



Actual practices at Mitsubishi Electric

- More than 50% of members composing each of the three committees shall be independent directors
- Planned to appoint an Outside Director as Chairperson of each of the three committees (Jun. 2020 onward)
- Increase in the number of Regular Board of Directors meetings held (6 times/year → 10 times/year(FY2021-))
- "Corporate Information Security Div." was newly established in Apr. 2020 and "Corporate Economic Security Div." in Oct. 2020 as a system maintaining systems to respond to company-wide risks
- Consider making the majority of the Board outside directors to further strengthen governance (Target: Jun. 2022)

Shifted to a company with a committee system (currently: nomination committee system company) in Jun. 2003.

Appropriate response to revisions of legislation and other external factors

Appropriate disclosure to stakeholders

Activities to Promote Sustainability


Respect for all people



Strengthen corporate governance and compliance on a sustainable basis



Create a sustainability-oriented corporate culture

■ Philanthropic activities

Contribute to sustainability through all corporate activities

Donations by a matching gift system carried out with its employees “Mitsubishi Electric SOCIO-ROOTS Fund”

Donations in FY2020 (after matching): ¥41,297,260

Cumulative donations since program inception (1992): Approx. ¥1,420 million to approx. 2,200 recipients

Parasports support activities

Mitsubishi Electric Going Up Campaign National Caravan
Oct. 2016 to Apr. 2021 (approx. 110,000 participants)

Mitsubishi Electric Science Workshops worldwide (Mitsubishi Electric America Foundation and Mitsubishi Electric Thailand Foundation)

Mitsubishi Electric Science Workshops

FY2020 results: Held 4 times (approx. 100 participants)
(Held once online and streamed on demand)

Satoyama Woodland Preservation Project · Mitsubishi Electric Outdoor Classroom

FY2020 results: Held 65 times (approx. 1,064 participants)

■ Newly established “Sustainability Promotion Div.”

- Integrate and promote environmental, CSR, philanthropic, and other activities that were conducted by multiple divisions
- Promote medium- to long-term initiatives aimed at contributing to SDGs by addressing social challenges through businesses
- Improve sensibility and adaptability to changes in social values and promote communication with stakeholders

Initiatives



Realize a sustainable global environment



Respect for all people



Create a sustainability-oriented corporate culture

Continue our commitment to the UN Global Compact

Continue CSR activities in accordance with UN Global Compact principles in the areas of Human Rights, Labour, the Environment and Anti-Corruption.



Expressed approval for the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD) (*1)

Continue to promote initiatives and disclose information in accordance with the TCFD recommendations.



External Evaluations



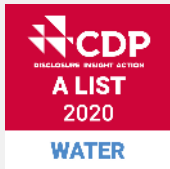
Realize a sustainable global environment



Respect for all people



Create a sustainability-oriented corporate culture



Received the highest rating from CDP(*2) for “Climate Change,” “Water,” and “Supplier Engagement”(*3)

Selected as a constituent of the following investment indexes:

- FTSE4 Good Index Series
- FTSE Blossom Japan Index
- MSCI Japan ESG Select Leaders Index
- MSCI Japan Empowering Women Index (WIN)

The Mitsubishi Electric Group’s greenhouse gas emissions reduction targets acquired SBT initiative(*4) certification (Jan. 2020)



2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

*1 TCFD (Task Force on Climate-related Financial Disclosures): A task force for disclosure of climate-related financial information led by the private sector, established at the request of the G20 finance ministers and governors of central banks

*2 CDP: An international NGO that surveys, evaluates, and discloses environmental initiatives of corporations and governments

*3 Received the highest rating for the fourth time for Climate Change, for the fifth time for Water (five consecutive years), and for the fourth time for Supplier Engagement

*4 SBT (Science Based Targets) initiative: An international initiative by the UN Global Compact (UNGC), the World Wide Fund for Nature (WWF), the CDP, and the World Resources Institute (WRI)



Appendix

Single-year Business Outlook (Consolidated Performance)

	FY2018	FY2019	FY2020		FY2021	
	Actual	Actual	6-Month	Actual	6-Month	Forecast
	111JPY/US\$ 128JPY/Euro	109JPY/US\$ 121JPY/Euro		106JPY/US\$ 122JPY/Euro		106JPY/US\$ 124JPY/Euro
(Billions of JPY)						
Revenue	4,519.9	4,462.5	1,902.0	4,191.4	2,138.3	4,500.0
Operating Profit	290.4	259.6	61.3	230.1	137.8	280.0
(%)	6.4%	5.8%	3.2%	5.5%	6.4%	6.2%
Profit before income taxes	315.9	281.9	75.6	258.7	148.3	305.0
Net Profit ^{*1}	226.6	221.8	48.2	193.1	104.8	220.0
ROE (Return On Equity)	9.7%	9.2%	-	7.5%	-	-
Stockholders' Equity	2,399.9	2,429.7	2,455.2	2,754.2	2,794.7	-
(%)	55.1%	55.1%	56.3%	57.4%	59.3%	-
Debt	298.4	377.0	424.2	365.4	339.7	-
(%)	6.9%	-	-	-	-	-
Debt excluding lease liabilities ^{*2}	275.9	267.0	311.5	248.8	226.7	-
(%)	6.3%	6.1%	7.1%	5.2%	4.8%	-
FCF (Free Cash Flow)	29.1	191.8	149.0	365.5	85.5	-
Dividend (JPY per share)	40	40	10	36	14	-
Dividend ratio (%)	37.9%	38.7%	44.5%	40.0%	28.5%	-

*1: Net Profit represents Net profit attributable to Mitsubishi Electric Corp. stockholders.

*2: Debt ratio is calculated based on "Debt excluding lease liabilities" that represents bonds and borrowings from FY2019 because IFRS 16 Lease has been applied.

Business Outlook(Segment Forecast) and FY2025 target

(Billions of JPY)

		FY2018	FY2019	FY2020		FY2021		FY2025
		Actual	Actual	Actual		Forecast		Target
		111JPY/US\$ 128JPY/Euro	109JPY/US\$ 121JPY/Euro	6-Month 106JPY/US\$ 122JPY/Euro	106JPY/US\$ 124JPY/Euro	6-Month 110JPY/US\$ 131JPY/Euro	Forecast (Oct. 2021) 110JPY/US\$ 128JPY/Euro	105JPY/US\$ 115JPY/Euro
Energy & Electric Systems	Revenue	1,296.7	1,307.3	564.7	1,270.2	560.8	1,250.0	¥1.5tn
	Operating Profit (%)	82.5 6.4%	82.3 6.3%	26.2 4.7%	108.9 8.6%	20.6 3.7%	80.0 6.4%	9%
Industrial Automation Systems	Revenue	1,467.6	1,349.4	548.6	1,248.5	692.1	1,460.0	¥1.6tn
	Operating Profit (%)	142.5 9.7%	68.9 5.1%	1.7 0.3%	40.5 3.3%	55.5 8.0%	114.0 7.8%	12%
Information & Communication Systems	Revenue	426.2	455.5	165.5	380.1	154.1	380.0	¥0.4tn
	Operating Profit (%)	12.2 2.9%	26.4 5.8%	4.8 2.9%	16.4 4.3%	4.6 3.0%	16.0 4.2%	6%
Electronic Devices	Revenue	199.9	208.7	100.5	205.2	120.4	250.0	¥0.3tn
	Operating Profit (%)	1.4 0.7%	8.7 4.2%	5.8 5.8%	6.2 3.1%	5.1 4.2%	11.0 4.4%	10%
Home Appliances	Revenue	1,074.0	1,090.2	503.7	1,038.3	595.6	1,120.0	¥1.5tn
	Operating Profit (%)	59.4 5.5%	78.2 7.2%	35.5 7.1%	75.7 7.3%	58.3 9.8%	75.0 6.7%	11%
Others	Revenue	676.7	659.6	272.4	603.0	319.1	620.0	—
	Operating Profit (%)	24.1 3.6%	26.0 3.9%	1.9 0.7%	13.6 2.3%	8.2 2.6%	16.0 2.6%	
Total	Revenue	4,519.9	4,462.5	1,902.0	4,191.4	2,138.3	4,500.0	¥5tn
	Operating Profit (%)	290.4 6.4%	259.6 5.8%	61.3 3.2%	230.1 5.5%	137.8 6.4%	280.0 6.2%	10%

*Inter-segment sales are included in the above chart.

Business Outlook(Sub-segment Forecast) and FY2025 target

		(Billions of JPY)		
		FY2020	FY2021	FY2025
		Actual	Forecast (Oct. 2021)	Target
		106JPY/US\$ 124JPY/Euro	110JPY/US\$ 128JPY/Euro	105JPY/US\$ 115JPY/Euro
Energy & Electric Systems	Revenue	1,270.2	1,250.0	¥1.5tn
	Operating Profit (%)	108.9 8.6%	80.0 6.4%	9%
Power Systems & Transportation Systems	Revenue	768.0	720.0	¥0.8tn
	Operating Profit (%)	83.5 10.9%	52.0 7.2%	8%
Building Systems	Revenue	502.1	530.0	¥0.7tn
	Operating Profit (%)	25.4 5.1%	28.0 5.3%	10%
Industrial Automation Systems	Revenue	1,248.5	1,460.0	¥1.6tn
	Operating Profit (%)	40.5 3.3%	114.0 7.8%	12%
Factory Automation Systems	Revenue	587.9	750.0	¥0.8tn
	Operating Profit (%)	61.4 10.5%	126.0 16.8%	17%
Automotive Equipment	Revenue	660.6	710.0	¥0.8tn
	Operating Profit (%)	△ 20.8 △ 3.2%	△ 12.0 △ 1.7%	7%
Information & Communication Systems	Revenue	380.1	380.0	¥0.4tn
	Operating Profit (%)	16.4 4.3%	16.0 4.2%	6%
Electronic Devices	Revenue	205.2	250.0	¥0.3tn
	Operating Profit (%)	6.2 3.1%	11.0 4.4%	10%
Home Appliances	Revenue	1,038.3	1,120.0	¥1.5tn
	Operating Profit (%)	75.7 7.3%	75.0 6.7%	11%
Others	Revenue	603.0	620.0	—
	Operating Profit (%)	13.6 2.3%	16.0 2.6%	
Total	Revenue	4,191.4	4,500.0	¥5tn
	Operating Profit (%)	230.1 5.5%	280.0 6.2%	10%

Cautionary Statement

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

Such factors materially affecting the expectations expressed herein shall include but are not limited to the following:

1. Any change in worldwide economic and social conditions, as well as laws, regulations, taxation and other legislation
2. Changes in foreign currency exchange rates, especially JPY/dollar rates
3. Changes in stock markets, especially in Japan
4. Changes in balance of supply and demand of products that may affect prices and volume, as well as material procurement conditions
5. Changes in the ability to fund raising, especially in Japan
6. Uncertainties relating to patents, licenses and other intellectual property, including disputes involving patent infringement
7. New environmental regulations or the arising of environmental issues
8. Defects in products or services
9. Litigation and legal proceedings brought and contemplated against the Company or its subsidiaries and affiliates that may adversely affect operations or finances
10. Technological change, the development of products using new technology, manufacturing and time-to-market
11. Business restructuring
12. Incidents related to information security
13. Large-scale disasters including earthquakes, typhoons, tsunamis, fires and others
14. Social or political upheaval caused by terrorism, war, pandemics, or other factors
15. Important matters related to the directors and executive officers, major shareholders and affiliated companies of Mitsubishi Electric Corporation

