

President's Message

Our intensification of sustainability management

In fiscal 2023, the Mitsubishi Electric Group positioned realizing sustainability as the cornerstone of corporate management in our management policy. In accordance with this policy, we have organized four points to be focused, namely "contribution to a sustainable society through our businesses," "responsibility for a sustainable society," "risk management in response for long-term social and environmental changes," and "communication with stakeholders."

In addition, we have 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" in order to push forward sustainable management.

For "providing solutions to social challenges through our businesses," we have identified "carbon neutrality," "circular economy," "safety and security," "inclusion," and "well-being" as areas of focus, and we are directing our initiatives toward achieving five targets of SDGs.

Especially, "carbon neutrality" is one area in which we can demonstrate our strengths, and we are accelerating initiatives in terms of both "responsibility" and "contribution." For "responsibility," by which we aim to decarbonize within our domain, we have revised our previous target for fiscal 2031 of "reducing greenhouse gas emissions at factories and offices by 50% or more (compared to fiscal 2014)" to "net zero by fiscal 2031". For "contribution," we aim to create and expand businesses that contribute to all of society realizing carbon neutrality.

As for other four areas, we aim to realize a cycle in which we not only "contribute" to realizing a sustainable society through our businesses but also work to solve issues as part of our "responsibility" for realizing a sustainable society, and apply the knowledge and good practices obtained in this process to our businesses.



President & CEO
Kei Uruma

Transforming into a "Circular Digital-Engineering Company"

Based on a long-term perspective, the Mitsubishi Electric Group is working to transform itself into a "Circular Digital-Engineering Company" that delivers new value through co-creation and by integrating knowledge within and outside the Group. The Group has conventionally sold standalone products and services, and has developed its business primarily through components. When our customers use the products we deliver, operational status and other such data is stored, and this data is becoming increasingly important. By consolidating and analyzing data acquired from our customers in a digital space and by creating strong bonds within the Group and putting our heads together, we will evolve our components, systems, and Integrated Solutions and create new value. And to more widely return to our customers the benefits of the new value we thus create, we will transform into a "Circular Digital-Engineering Company" and thereby contribute to solving today's diverse social challenges.

Some of these businesses are already seeing growth. For example, in the FA system business, we are now able to make proposals that extend to consulting, such as improving the efficiency of manufacturing processes and appropriate maintenance methods, by carrying out simulations by analyzing data accumulated in physical space with our Digital Twin, which is a digital reproduction of the customer's production line. This, we believe that, will not only enable us to offer new value to our customers, but also greatly expand our business areas.

Fostering of diverse, multifaceted human capital

For the sustainable growth of the Mitsubishi Electric Group, it is essential to foster human capital to serve as the Group's driving force. Based on this belief, we will expand and strengthen our investment in people, who are the core of the company's growth. In particular, we respect individual career ownership and value "diverse and versatile human capital" who think independently, act proactively, and continue to take on challenges. In addition, to maximize the value of human capital, human capital strategies must be integrated with business strategies. For example, to realize our goal of becoming a "Circular Digital-Engineering Company," we need core human capital such as "DX system architects" who can design the overall picture for connecting data and systems based on core components and field knowledge and, "DX engineers" who can develop and implement DX-related software and systems. We will hire and train human capital to reach our desired state in five to ten years.

In terms of gender balance, we feel that issues remain to be addressed, such as the

male-female ratio in managerial positions at locations in Japan. To ensure equal opportunities for employees, we must eliminate unconscious biases stemming from an attitude of "because someone is male/female." We are also creating a more comfortable work environment for employees who are raising children through measures such as expanding on-site childcare facilities. In April 2022, we started the "President's School" for newly appointed Executive Officers and others to foster management professionals. As a preliminary step, it is essential to systematically foster the next generation of management candidates. We will conduct candidate assessments and promptly compensate for shortages in terms of overseas experience or work experience in order to promote career development with an eye to the future. In addition, we are working to create a system for promoting new and competent employees as well as for introducing job-grading to stimulate personnel transfers globally.

Three Key Reforms

About a year has passed since the start of the Three Key Reforms aimed at restoring trust, namely the "quality assurance reform," "organizational culture reform," and "governance reform," and measures for reforms are progressing as planned.

For the quality assurance reform, we are rebuilding organizational capabilities to provide technically correct explanations to customers and reducing workloads on the front lines by having management themselves engage in dialogue and negotiation with customers, thereby establishing a system through which "the front lines do not have cause to carry out improper quality control in the first place."

For organizational culture reform, we are working to foster a culture which "Employees feel that they can consult with their superiors," "failures are tolerated," and "problems are solved together." We are reforming management itself and changing the behavior of those in managerial positions, and we are promoting initiatives such as "town hall meetings" in which management and front-line employees discuss issues directly on equal footing as well as facilitating dialogue using in-house social media.

For governance reform, we are building a compliance system that emphasizes prevention. By appropriately including external perspectives, we will realize a governance/internal control structure that inhibits and prohibits misconduct. A third-party evaluation conducted on the effectiveness of the Board of Directors in fiscal 2023 found that its effectiveness had improved. In addition, two new female outside directors were appointed at the 152nd Annual General Meeting of Shareholders in June 2023. Our Board of Directors, of which independent outside directors comprise the majority, will continue to develop our business from various perspectives brought together by diversity in terms of gender, nationality, work experience, and age.

The Mitsubishi Electric Group's Purpose and each employee's individual purpose

We conduct our businesses based on our Purpose that "We, the Mitsubishi Electric Group, will contribute to the realization of a vibrant and sustainable society through continuous technological innovation and ceaseless creativity." This is the *raison d'être* of the Mitsubishi Electric Group, and the ultimate goal that we always pursue.

While the Company's Purpose is the aspirations of the organization, it is "My Purpose," which is the aspirations of each individual employee, that is essential to the steady implementation of the organization's aspirations. The

entire Group is currently promoting My Purpose activities in order to make the Company's Purpose into something personal to each employee.

I have set "Build a vibrant company, through maintaining passion, enthusiasm, and goal-focused persistence" as My Purpose. Currently, all executives, including myself, are sharing their individual Purposes within the company, and we plan to gradually expand this initiative from the management level to front-line workers. To make a change, it is necessary to act with oneself as the target of the change, and in this sense, we believe that it is particularly important for everyone to clarify his or her My Purpose. By doing so, they can become aware that the Company's aspirations partially overlap with their own. Furthermore, employees can feel and realize what the Mitsubishi Electric Group is aiming to achieve while engaging in their own daily work through My Purpose activities.



Kei Uruma
President & CEO
July 2023

Message from the Executive Officer Responsible for Sustainability

Toward Realizing Sustainability

A year has passed since the Mitsubishi Electric Group adopted the management policy: "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 have made various efforts to implement sustainability into our management.



Executive Officer
Satoshi Takeda

Promoting the Realization of Sustainability

First, the Sustainability Committee and other committees discussed what Mitsubishi Electric should do now that sustainability is positioned as the cornerstone of our management, and clarified four actions to promote the realization of sustainability.

The first action is to contribute to the "realization of a vibrant and sustainable society" by solving social and environmental issues through our businesses. The second is to conduct business responsibly in a manner that does not cause or exacerbate social challenges or environmental issues. The third is to adapt to changes in society and the environment not only in the short and medium terms but also in the long term, in other words, to create business opportunities to develop sustainability, and to predict risks to control or minimize their impacts on business management. The fourth is 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 to the corporate management.

Essential KPIs Regarding Materiality (Important Challenges)

The Mitsubishi Electric Group has set materiality (important challenges) as follows: "Realize a sustainable global environment," "realize a safe, secure, and comfortable society," "respect for all people," "strengthen corporate governance and compliance on a sustainable basis," and "create a sustainability-oriented corporate culture."

As for the five materiality initiatives that we identified from the two aspects of "providing solutions to social challenges through our businesses" and "strengthening our business foundation to enable sustainable growth," we promote continuous activities for improvement by implementing the PDCA cycle for mid- to long- term goals. In 2023, we identified 17 essential targets and KPI. To achieve them, the Sustainability Committee promotes measures with checking the progress in order to steadily incorporate them into management.

Sustainability Vision

Creating Harmony with People and the Planet



Our Challenge Areas toward Solving Social Issues

Among the broad range of our business fields, from home appliances to space electronics, we have reorganized the social issues we want and are expected to solve with the Mitsubishi Electric Group's human capital and technologies. Throughout the reorganization, our Sustainability Vision formulated in 2022, "Creating Harmony with People and the Planet" is always on our minds. It is exactly what we aim to realize by 2050 as "a Sustainable Society Full of Prosperity." Mitsubishi Electric Group believes that such a society makes our stakeholders feel happy, including our business partners, customers, and Mitsubishi Electric Group employees.

Backcasting from our goals for 2050, we identified the five challenge areas as follows: Carbon neutrality, Circular economy, Safety/Security, Inclusion, and Well-being.

Carbon neutrality: A decarbonized society with fewer CO₂ emissions from our company and society itself, and with mitigations against climate change.

Circular economy: A society that effectively uses and sustainably circulates resources.

Safety/Security: A resilient society that can respond to various environmental changes and risks.

Inclusion: A society in which all kinds of people are respected and anyone can live freely, fairly, and in a lively manner.

Well-being: Comfortable lives and physical and mental well-being for each and every individual.

We aim to achieve these challenges to realize a Sustainable Society Full of Prosperity. Especially, carbon neutrality is one area in which we can demonstrate our strengths by accelerating initiatives in terms of both "responsibility" and "contribution." For "responsibility," by which we aim to decarbonize within our domain, we have revised our target for fiscal 2031 from "reducing greenhouse gas emissions at factories and offices by 50% or more (compared to fiscal 2014)" to "net zero by fiscal 2031." For "contribution," we aim to create and expand businesses that contribute to all of society realizing carbon neutrality.

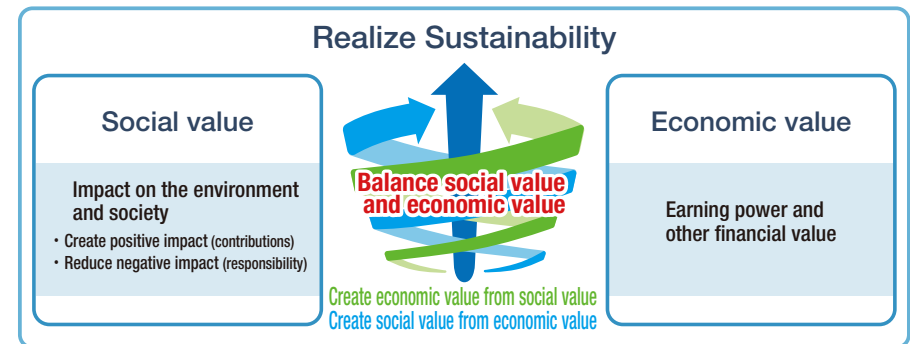
Our Approach to Human Capital

The driving force for realizing sustainability is none other than the people involved in the Mitsubishi Electric Group. Based on this mindset, we are further promoting our human capital strategy that considers "people = capital that generates value for the future." In order to regain society's trust and thrive in an increasingly competitive global business environment, the Mitsubishi Electric Group will push forward with all kinds of reforms by mobilizing the diverse, multifaceted strengths of its individuals.

Toward Reforms

It has thus been a year since Mitsubishi Electric announced that it would position the realization of sustainability as the cornerstone of its management. In response to the improper quality control practices in fiscal 2023, Mitsubishi Electric is taking steps to change. This reform will not be accomplished instantly. In particular, the activities we are undertaking to reform our culture will not be a one-time event, and we must patiently resolve each issue individually over the next five to ten years to ensure that a better corporate culture takes root.

In these initiatives, I personally value "taking ownership and working voluntarily." This is what I consider to be my Purpose. I commit myself to achieving sustainability by aligning my own individual Purpose with the ideal conditions that the Mitsubishi Electric Group envisions.



Satoshi Takeda
Executive Officer