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FOR IMMEDIATE RELEASE

No. 2937

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Mitsubishi Electric to Announce about Introduction of Performance-based Stock Compensation Plan for the Executive Officers

TOKYO, May 28, 2015 – [Mitsubishi Electric Corporation](#) (TOKYO: 6503) announced today that, at the Compensation Committee’s meeting held on May 28, 2015, the company has resolved to revise the compensation scheme for the Executive Officers and to adopt, as a new incentive plan, a performance-based stock compensation plan (“the Plan”), with the main purposes of realizing a higher level of growth and further developing management awareness that places importance on the interest of shareholders.

1. Introduction of the Plan

- (1) In the context of the executive compensation scheme for the Executive Officers, Mitsubishi Electric Corporation (“the Company”) is introducing a performance-based stock compensation plan that is highly transparent and objective and that is closely linked to the company’s performance. The purpose of introducing the Plan is to further raise, among the Executive Officers, awareness of the contribution to the improvement of the mid- and long-term business performance of the Mitsubishi Electric Group (“the Group”), and to the enhancement of the Group’s corporate value, as well as management awareness that places importance on the interest of shareholders, by means of interest-sharing with shareholders.
- (2) The Board Incentive Plan Trust (“BIP Trust”) will be adopted upon introduction of the performance-based stock compensation 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., and is performance-based stock executive compensation wherein the Company shares that are acquired by the BIP Trust will be granted to the Executive Officers based on the degree of the attainment of the business performance. The adopted scheme has the aims of motivating the Executive Officers to run the Company while being more conscious of business performance and share prices from mid- and long-term perspectives, and of sharing interest with shareholders from mid- and long-term points of view.
- (3) The Company is a Company with a Three-committee System resolved to introduce the Plan at the Compensation Committee’s meeting held on May 28, 2015¹. The annual compensation amount (maximum limit of the trust money), method of acquiring the Company shares, and contents of the trust, etc. will be decided by the Compensation Committee’s meeting to be held in May each year beginning

from May 2016².

¹ The Company has established a Compensation Committee, the majority of the members of which are Outside Directors, and the introduction of the Plan has been resolved at the Compensation Committee. The Compensation Committee assesses the validity and the attainment of business performance, etc. in a fair manner, and ensures the transparency and objectivity of the resolution process and the decisions pertaining to the compensation scheme.

² The compensation amount is decided by a resolution at the Compensation Committee, and the share acquisition procedures and contents of the trust, etc. are decided after deliberation at the Executive Officers' meeting.

2. Executive Compensation, etc.

(1) Management policies

- i. The Group, based on its "Corporate Mission" and "Seven Guiding Principles," has positioned Corporate Social Responsibility (CSR) initiatives as the pillar of its corporate management. It seeks to become a corporation that is trusted by "society," "customers," "shareholders," and "employees," and that earns their satisfaction through its business activities.
- ii. Based on its corporate statement "Changes for the Better," the Group will continue its challenge toward innovation to build a better tomorrow and pursue sustainable growth through a threefold balanced management policy of "Growth," "Profitability & Efficiency," and "Soundness."
- iii. Looking ahead, the Group will carry out these initiatives while accelerating the global expansion of its "environment-and-energy"-related and "social-infrastructure"-related systems businesses, as a global, leading green company that is committed to the creation of a prosperous society. Along with its efforts to realize a higher level of growth, the Group will work diligently to increase corporate value.

(2) Basic policies for executive compensation

- i. 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 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 of the duty and position.
- ii. Directors give advice to and supervise the Company's management from an objective point of view, and therefore, the basic policy of the compensation scheme for Directors is the payment of fixed-amount compensation and the retirement benefit upon resignation.
- iii. The compensation scheme for the Executive Officers focuses on incentives for the realization of management policies and the improvement of business performance, and performance-based compensation will be paid in addition to the payment of fixed-amount compensation and the retirement benefit upon resignation, based on the following basic policies:
 - a. The compensation scheme should raise awareness of the contribution to the improvement of the mid- and long-term business performance, and to the enhancement of the Group's corporate value.
 - b. The compensation scheme should be closely linked with the company's performance and be highly transparent and objective.

- c. The compensation scheme should mainly aim at sharing of interest with shareholders and raising management awareness which places importance on the interest of shareholders.

(3) Policies regarding the executive compensation scheme and decisions on compensation, etc.

- i. Directors will receive their compensation as a fixed amount, and the compensation to be paid will be set at a level considered reasonable, while taking into account the contents of the Directors' duties and the Company's conditions, etc.

Furthermore, Directors will receive the retirement benefit upon their resignation, and the retirement benefit to be paid will be set at a level decided on the basis of the monthly amount of compensation and the number of service years, etc.

- ii. The compensation to be received by the Executive Officers focuses on the incentives for the improvement of business performance, and performance-based compensation will be paid in addition to the payment of fixed-amount compensation and the retirement benefit upon resignation. The level of performance-based compensation will be decided while taking into account the consolidated business performance and the performance of the business to which the respective Executive Officer is assigned, etc.

Up until now, performance-based compensation had been paid entirely in cash. However, with the purposes of meshing the interest of shareholders with the Executive Officers and further raising management awareness that places importance on the interest of shareholders, and increasing the incentives for the improvement of business performance from the mid- and long-term perspectives, it has been decided that 50% of performance-based compensation will be paid in the form of shares, beginning from performance-based compensation payable for business performance during the fiscal year ending March 31, 2016.

Fixed-amount compensation will be set at a level considered reasonable taking into account the contents of the Executive Officers duties and the Company's conditions, etc. and the amount of the retirement benefit will be decided on the basis of the monthly amount of compensation and the number of service years, etc.

- iii. In order to ensure the reasonableness of the level and amount of compensation and the transparency of the resolution process, decisions will be made through resolutions at the Compensation Committee, the majority of which consists of Outside Directors.
- iv. Furthermore, in order to introduce from the outside objective points of view and specialized knowledge about the executive compensation scheme, the Company will employ external compensation consultants, and deliberate the compensation level, compensation scheme, etc. with the support of such consultants, taking into consideration external data concerning compensation in major Japanese corporations developing their businesses globally, the domestic economic environment, industry trends, management conditions, etc.

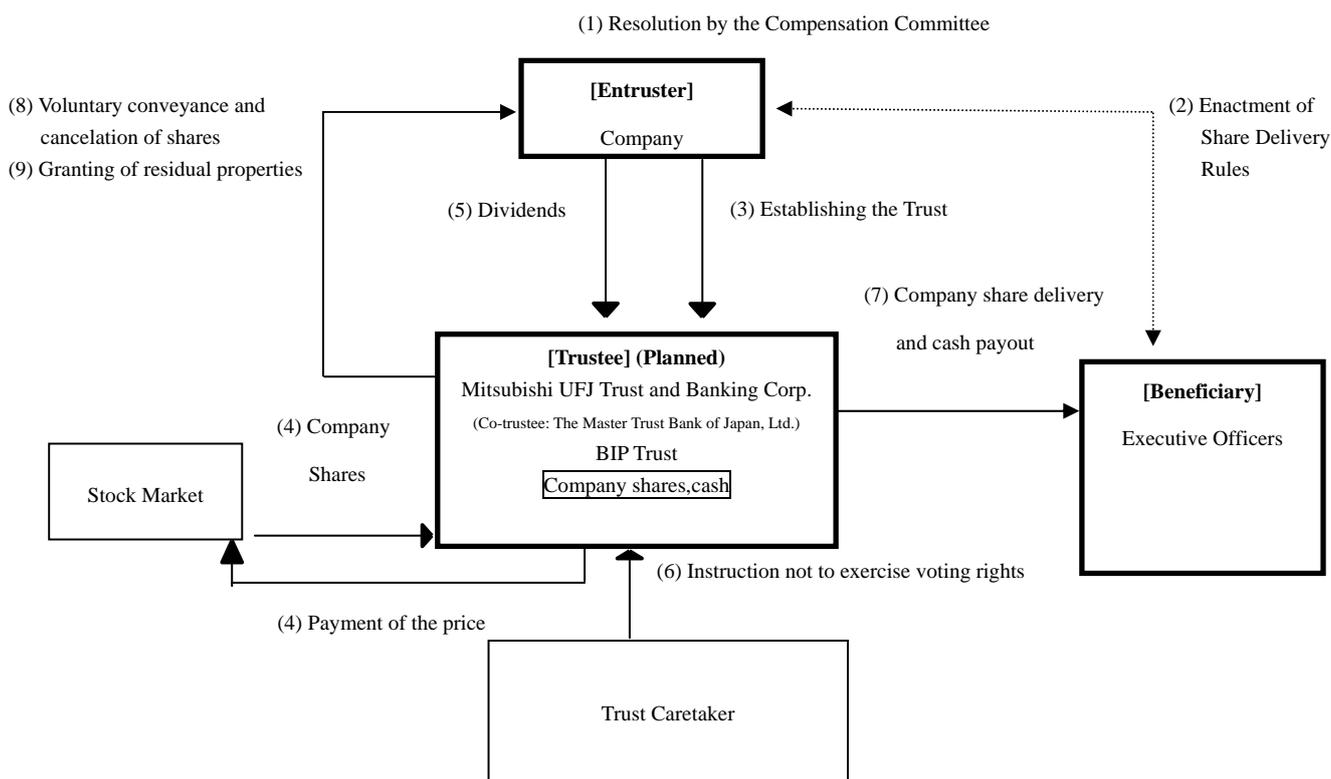
(4) Acquisition and holding of the Company shares

The Company sets a rule that, when the Directors and the Executive Officers acquire the Company shares through the executives' share ownership plan and the Plan, they are required to continue the shareholding until 1 year has passed from resignation. The purpose of this rule is to deepen the interest-sharing between shareholders and executives, and in particular, to give the Executive Officers who serve the execution function an additional incentive for the improvement of business performance and corporate value from mid- and long-term perspectives, by paying compensation in the form of shares through the introduction of the Plan.

(5) Policies for disclosure

The contents of the Company's executive compensation scheme will be immediately disclosed through various documents and websites, etc. to be created and disclosed in accordance with laws, ordinances, etc.

3. Structure of the BIP Trust



(1) The Company is a Company with a Three-committee System and has resolved to introduce the Plan at the Compensation Committee's meeting.

(2) The Company will, at the Compensation Committee's meeting, enact the Share Delivery Rules concerning executive compensation in relation to the introduction of the Plan.

(3) The Company will entrust money to the extent decided at the Compensation Committee, etc. and will set

up the Trust, beneficiaries of which are the Executive Officers who meet the beneficiary requirements.

- (4) The Trustee (of the Trust) will acquire the Company shares from the stock market using money contributed in (3) above in accordance with the instructions of the trust caretaker.
- (5) Dividends of the Company shares in the Trust will be distributed.
- (6) The voting rights of the Company shares in the Trust will not be exercised during the trust term.
- (7) At the expiry of the trust term, the Executive Officers who meet the beneficiary requirements will receive the Company shares and the money obtained by converting into cash a certain percentage of the Company shares, according to the Share Delivery Rules established by the Company.
- (8) If there are remaining shares upon the expiry of the trust term in such cases as that some Executive Officers who met the beneficiary requirements at the time of the creation of the Trust have not become beneficiaries, the Trust may continue to be used as a type of incentive plan similar to the Plan by changing the trust agreement and entrusting additional money to the Trust, or the Trust may voluntarily convey said remaining shares to the Company and the Company may acquire them without payment and cancel the remaining shares.
- (9) Residual properties after distribution to Beneficiaries at the end of the Trust will belong to the Company to the extent of reserves for trust expenses, which are calculated by deducting the funds to acquire the Company shares from the trust money.

Note: If there remains no Company share under the Trust due to the delivering of the Company shares to the Executive Officers who meet the beneficiary requirements, the Trust will be discontinued before the expiry of the trust term. The Company may entrust additional money to the Trust and the Trust may acquire the additional Company shares to the extent of funds necessary to acquire shares that were decided by the Compensation Committee, etc. and to the extent of the Upper Limit of Acquired Shares (provided in 4 (8), below).

4. Content of the Plan

(1) Outline of the Plan

The Plan is an incentive plan under which 50% of performance-based compensation pertaining to the existing single-year performance is transferred into “share compensation.” Each year, the Executive Officers to whom the Plan applies will receive points according to the performance during one single year (the “Performance Assessment Year”) and will be delivered and paid (“the Delivery, etc.”) as executive compensation the Company shares and the money equivalent to the amount obtained by converting the Company shares into cash (“the Company Shares, etc.”) after the expiry of the 3-year suspensory period from the receipt of the points.

(2) Decisions made by the Compensation Committee, etc. related to the introduction of the Plan

The Company will decide the amount to be contributed to the Trust, the method acquiring the Company shares by the Trust, and other necessary matters, at the Compensation Committee meeting held in May each year, and will create a trust on an annual basis based on such decision, with the Executive Officers 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 (see (4) below); also in such case, the Compensation Committee, etc. will make a decision on the extension of the trust term.

(3) Eligibility under the Plan (Beneficiary Requirements)

The Delivery, etc. of the Company Shares, etc. to the Executive Officers from the Trust will be conducted corresponding to the Share Granting Points (provided in (5), below), if the Executive Officers have fulfilled the beneficiary requirements.

Beneficiary requirements of the Plan will be as follows:

- i. a person who is in office as an Executive Officer during the Performance Assessment Year and who is decided by the Compensation Committee as an eligible person^{1 2}
- ii. a person who resides in Japan as of the end of the Performance Assessment Year³
- iii. a person who has not committed any of the specified misconducts during his/her time in office;
- iv. a person whose Share Granting Points defined in (5) below has been decided; and
- v. a person who satisfies other requirements deemed necessary to attain the aim of the Plan as a stock compensation plan.

¹ If an eligible Executive Officer resigns (excluding cases of resignation for personal reasons), he/she will receive a Delivery, etc. from the Trust, after the expiry of the three-year suspensory period from the receipt of the Share Granting Points.

² If an eligible Executive Officer passes away during his/her time in office as the Executive Officer, a successor of the Executive Officer may receive from the Trust promptly with regard to money equivalent to the Company shares converted into cash corresponding to the Share Granting Points as of death of the Executive Officer.

³ If an eligible Executive Officer becomes a non-resident in Japan during the trust period, the Executive Officer becomes no longer an eligible person, and will receive from the Trust promptly with regard to money equivalent to the Company shares converted into cash corresponding to the Share Granting Points as of the time the Executive Officer becomes a non-resident.

(4) Trust term

The trust term will be approximately three years, from around the end of May each year to the end of August three years later. The Trust created in the initial year upon the introduction of the Plan is a performance-based stock compensation plan whose Performance Assessment Year is the fiscal year ending at the end of March 2016, and whose trust term is scheduled to be approximately three years, from May 30, 2016 until the end of August 2019.

The Trust may be continued by changing the trust agreement and entrusting additional money upon the expiry of the trust term. In such case, the trust term of the Trust will be extended, and the Company will entrust additional money upon each extension of the trust term, to the extent of the upper limit of the trust money approved by the resolution at the Compensation Committee, etc. and will continue to grant the Share Granting Points to the Executive Officers during the extended trust term.

However, in cases where such additional entrustment is made and there are any remaining Company shares (excluding the Company shares to be delivered to the Executive Officers corresponding to Share Granting Points granted to the Executive Officers which have not yet actually been delivered to the Executive Officers) and any remaining money (collectively the “Remaining Shares, etc.”) in the trust assets as of the last day of the previous trust term, the total amount of the Remaining Shares, etc. and the additional contribution of trust money shall be within the upper limit of trust money approved by the

decision at the Compensation Committee, etc.

(5) Number of Company shares to be delivered to the Executive Officers

The number of Company shares to be delivered to the Executive Officer is decided corresponding to the number of the points calculated in accordance with the following formula (“Share Granting Points”), that one Share Granting Point equals to one share⁴:

(Points Calculation Formula):

Performance-based compensation⁵ × 50% ÷ Average acquisition price of the Company shares under the Trust (fractions after the decimal point to be rounded up)

⁴ If there is any share split or reverse share split or any other event in which it is found reasonable to adjust the number of points during the trust term, the number of points will be adjusted in accordance with the relevant share split ratio , or reverse share split ratio , etc.

⁵ Performance-based compensation will be decided, while taking into account the consolidated business performance, and the performance of the business to which the respective Executive Officer is assigned, etc. during the Performance Assessment Year immediately before the creation or extension of the Trust.

(6) Method and timing of the Delivery, etc. of the Company Shares, etc. to the Executive Officers

The eligible persons, who satisfy the Beneficiary Requirements described in (3) above (including those who resigned during the three-year suspensory period), will receive 50% of the Company shares (which will be granted by the share unit) corresponding to Share Granting Points after the expiry of the three-year suspensory period from the receipt of the Share granting Points in June each year, and the remaining Company shares will be converted into cash under the Trust and the money equivalent to the cash obtained by the conversion will be paid to the Executive Officer.

(7) Scheduled amount of trust money to be paid to the Trust and scheduled number of Company shares to be delivered by the Trust

The amount of the trust money entrusted by the Company to the Trust will be decided at the Compensation Committee, etc. to be held in May each year.

The above amount will be calculated by adding the trust fees and trust expenses.

The number of Company shares to be delivered to the Executive Officers from the Trust will not exceed the number of Company shares, which is obtained by means of dividing the trust money entrusted to the Trust by the average price per share acquired by the Trust (“Upper Limit of Acquired Shares”).

(8) Method of acquiring the Company shares by the Trust

The Trust plans the acquisition of the Company shares from the stock market to the extent of the funds to acquire shares and the Upper Limit of Acquired Shares, as specified in (7) above. The details for the acquisition will be decided by the Compensation Committee, etc. and will be disclosed.

(9) Exercising voting rights related to the Company shares under the Trust

Voting rights related to the Company shares under the Trust (namely the Company shares, with respect to which Delivery, etc. has not been conducted yet pursuant to (6) above) will not be exercised during the trust term, to ensure the neutrality for Company management.

(10) Treatment of dividends related to the Company shares under the Trust

Dividends related to the Company shares under the Trust will be received by the Trust and used for trust fees and trust expenses. If there is a balance when the Trust ends, even after dividends are used for trust

fees and trust expenses under the Trust, the balance will be donated to groups that have no vested interest with the Company or with the Executive Officers.

(11) Treatment at the expiry of the trust term

If there are residual shares at the end of the trust term in such cases as that part of the Executive Officers who met the beneficiary requirements at the time of the creation or extension of the Trust have not become the beneficiaries, the Trust may continue to be used as the same type of incentive plan as the Plan by changing the trust agreement and paying additional money to the Trust. If the Trust is terminated by the expiry of the trust term, the Trust will transfer said remaining shares to the Company without compensation, as a measure to return the shares to shareholders, and the Company will cancel said shares.

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About Mitsubishi Electric Corporation

With over 90 years of experience in providing reliable, high-quality products, Mitsubishi Electric Corporation (TOKYO: 6503) is a recognized world leader in the manufacture, marketing and sales of electrical and electronic equipment used in information processing and communications, space development and satellite communications, consumer electronics, industrial technology, energy, transportation and building equipment. Embracing the spirit of its corporate statement, Changes for the Better, and its environmental statement, Eco Changes, Mitsubishi Electric endeavors to be a global, leading green company, enriching society with technology. The company recorded consolidated group sales of 4,323.0 billion yen (US\$ 36.0 billion*) in the fiscal year ended March 31, 2015. For more information visit:

<http://www.MitsubishiElectric.com>

*At an exchange rate of 120 yen to the US dollar, the rate given by the Tokyo Foreign Exchange Market on March 31, 2015