

Management Philosophy and Policy

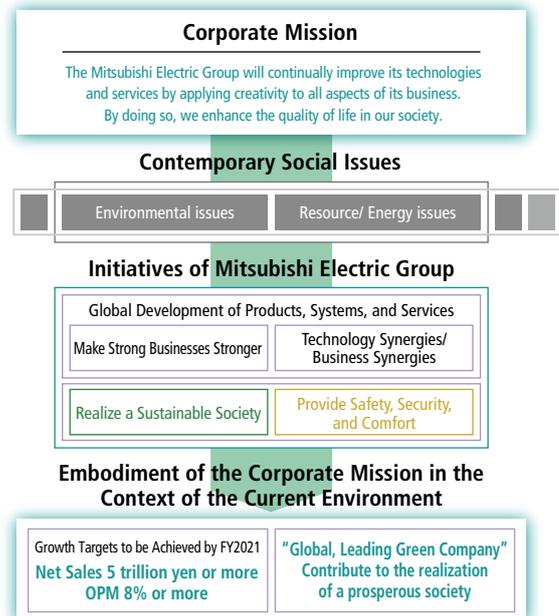
The Mitsubishi Electric Group has positioned Corporate Social Responsibility (CSR) as a pillar of its corporate management, based on its Corporate Mission and Seven Guiding Principles. Accordingly, the Group has made committed efforts to become a corporation whose efforts are appreciated through its initiative toward solving social issues. Or in other words, a corporation that is trusted by its stakeholders, including its society, customers, shareholders, and employees as a whole, and that earns their satisfaction through its business practices.

Since fiscal 2002, the Group has adhered to the management policy of maintaining balanced management initiatives based on three perspectives: growth, profitability and efficiency, and soundness. Through these perspectives it has pursued the establishment of a sound foundation to its management and sustainable growth.

Based on this policy, the Group has taken on the challenge of resolving environmental issues, resource and energy issues, and other social issues we face today on a global scale through its products, systems and services. In doing so, it aims to become a "global leading green company" contributing to the realization of a prosperous society that simultaneously achieves "sustainability" and "safety, security and comfort", as it pursues sustainable development of the entire Group and strives to further enhance its corporate value.

As for corporate ethics and compliance, the Group will continue to ensure strict adherence to its compliance policy and strengthen internal control.

Embodiment of the Corporate Mission



Management Targets

Toward "High-Quality" Growth

In line with its efforts to achieve a higher level of growth, the Mitsubishi Electric Group has revised its growth targets for fiscal 2021 to consolidated net sales of ¥5.0 trillion or more, and an operating income ratio of 8% or more. The Group will also continuously and stably to achieve the following management targets: secure an ROE of 10% or more, and secure an interest-bearing debt of 15% or less of total assets.

In fiscal 2017, the Mitsubishi Electric Group achieved consolidated net sales of ¥4,238.6 billion, and an operating income of ¥270.1 billion. In addition, the Group continued to achieve its management targets for ROE of 10% or more and an interest-bearing debt of 15% or less of total assets, recording figures of 10.9% and 8.4% respectively.

Growth Targets to be Achieved by Fiscal 2021

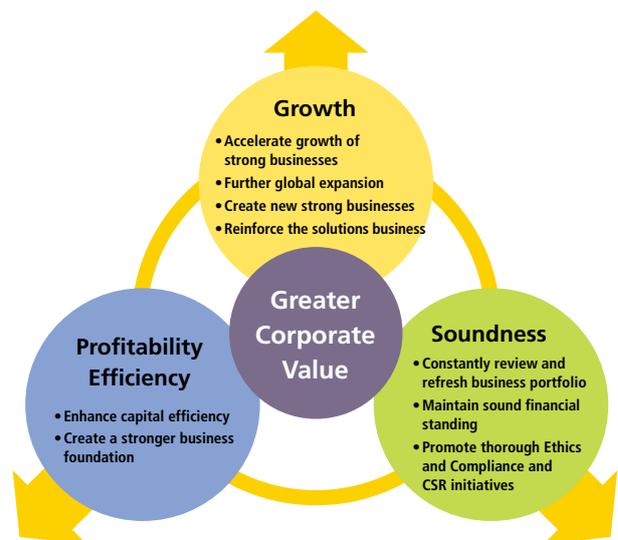
Net sales	Operating income ratio
¥5.0 trillion or more	8% or more

Management Targets to be Continuously and Stably Achieved

ROE	Ratio of interest-bearing debt to total assets
10% or more	15% or less

Management Policy

Maintain Balanced Corporate Management for Sustainable Growth

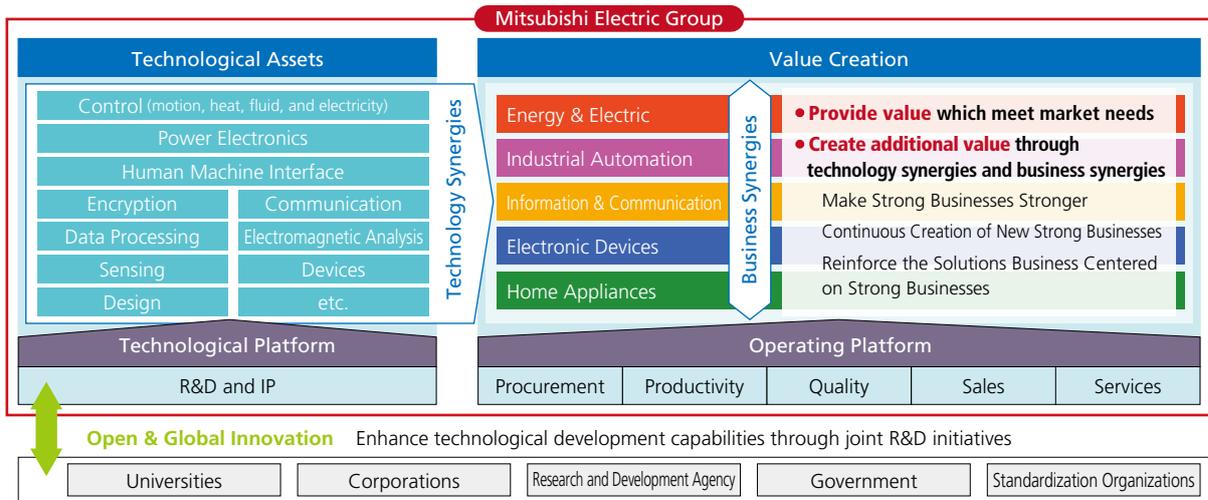


Bolstering Growth Strategies

Realizing Growth through Value Creation with Growth Drivers

The Mitsubishi Electric Group's strength lies in its abundant technological assets, which encompass a wide range of technologies such as control technologies and power electronics. In addition, the Group possesses a solid operating platform that encompasses materials procurement, production, quality assurance, sales and

Growth through Value Creation—Overview



services, in all of which a culture of improvement is firmly entrenched. The Mitsubishi Electric Group is thus well-positioned to freely leverage its competitive edge in a wide range of diverse businesses.

With this in mind, the Group has positioned “making strong businesses stronger” as the core of its growth strategies. Currently, the Group has identified eight businesses—power systems, transportation systems, building systems, factory automation (FA) systems, automotive equipment, space systems, power devices, and air-conditioning and refrigeration systems—as growth drivers. Focusing on these businesses, the Group will expand its operations into markets worldwide, ranging from Japan, North America, Europe, and China to newly emerging markets, including those elsewhere in Asia. By satisfying the needs of each market, the Group will continue to provide and create value for its customers, and thereby secure sustainable growth going forward.

● Additional Value Creation through Technology Synergies and Business Synergies

With the goal of securing its fiscal 2021 growth targets and sustaining its business expansion thereafter, the Mitsubishi Electric Group is accelerating and strengthening its initiatives to create additional value by combining and coordinating a wide range of technologies and businesses with each other, while enhancing each product, system and service.

Specifically, the Group seeks to improve the performance and reliability of every product and system it offers by creating technology synergies through novel combinations of its strong technology assets, and business synergies through the coordination of its diverse business activities. At the same time, the Group will improve its ability to respond to its customers' business challenges and needs by further accelerating combination of its technologies, products, systems, and service. Through these efforts, the Group intends to improve its profits by improving its reputation with its customers in existing markets and developing new businesses and markets.

● Increasing the Allocation of Resources to Steps Aimed at Strengthening Competitiveness

To achieve greater business competitiveness, the Mitsubishi Electric Group will continue to allocate a high level of investment resources, including research and development and capital, to those businesses where the Group is capable of quickly securing

growth while generating short-term investment benefits, as well as those exhibiting a high probability of expansion with little or no volatility, with the aim of securing returns on its investments. At the same time, the Group will review and refresh its business portfolio to reallocate its management resources to areas that show growth. Moreover, the Group will strengthen this portfolio by continuously creating new strong businesses capable of driving future growth. In addition, the Group is committed to securing a more robust technological platform through forward-looking R&D that will, in turn, ensure sustainable growth from fiscal 2021 onward.

Additionally, aiming to augment its growth, the Mitsubishi Electric Group will actively pursue collaborative ties and M&As with the following three perspectives in mind: expanding its business by supplementing product groups and technology fields in which the Group is lacking; securing sales and service networks when advancing into new regions and markets; and reaching new customer demographics in order to bolster the Group's business platform.

● Building Robust Management Foundation

To strengthen its management foundation, the Mitsubishi Electric Group continuously strives to improve its capital efficiency. As a part of initiatives to this end, the Group continues to expand net sales and reduce costs while engaging in activities with the aim of improving inventory turnover, trade receivables turnover, and Just in Time operations. In addition to implementing these efforts in an exhaustive manner, in fiscal 2016 the Group began utilizing an internal performance indicator, ROIC (calculated by Mitsubishi Electric's own standards), to monitor asset efficiency by business segment, thereby improving the ROE of all Group operations.

Looking ahead, the Mitsubishi Electric Group will continue to focus on generating stable cash flows, actively invest in growth fields, maintain well-balanced shareholder returns commensurate with profit growth, and diligently work to increase corporate value.

● Continuous Innovation

The Mitsubishi Electric Group will steadfastly carry out its management policies guided by a commitment to balanced management, while putting into practice its overarching corporate statement: Changes for the Better. Each and every employee will share the common goal of developing new frontiers through continuous innovation, and the Mitsubishi Electric Group—by continuing to undergo transformation itself—will mature into a corporation that is always producing something better.