Purpose, Our Values, and Commitment. We are resolved to become a group company that can meet the demands of the times and is trusted by our stakeholders over the next 100 years.

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."

Management Policy

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.

Growth

Create a stronger business foundation through continuous technological innovation and ceaseless creativity.

Profitability

Efforts to achieve net-zero greenhouse gas emission.

Soundness

Strengthen corporate governance and compliance on an ongoing basis.

Sustainability

Contribute to realizing sustainability through all of our activities.

Corporate Strategy

On the occasion of the Mitsubishi Electric Group’s 100th anniversary, it 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. This new system consists of three elements: Purpose, Our Values, and Commitment. We are resolved to become a group company that can meet the demands of the times and is trusted by our stakeholders over the next 100 years.

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

Create a sustainability-oriented corporate culture

Management Policy

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Corporate Principle

Purpose

Commitment

Remaining

MITSUBISHI ELECTRIC CORPORATION

ANNUAL REPORT 2021

ANNUAL REPORT 2021

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 Strategy

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 reinforce our business foundation fostered over the past 100 years*1 and further transform business models.

*1 connection with customers, technologies, personnel, products, corporate cultures, etc.
**Corporate Strategy**

Based on its strategy, Mitsubishi Electric Group will pursue value creation for addressing social challenges, and contribute to achieving the 17 goals of the SDGs*, through all corporate activities. With a view to realize a vibrant and sustainable society, we have set priority items in our sustainability initiatives as materiality. We will actively disseminate information on the status of materiality efforts and promote engagement with stakeholders.

*3 "Sustainable Development Goals" adopted by the United Nations as goals to achieve towards 2030
*4 Adjusted operating cash flow (CF)

**The Mitsubishi Electric Group’s Materiality**

- 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
- Create a sustainability-oriented corporate culture

**Priority SDG initiatives**

1. SDGs of particular relevance

**Medium-term Management Plan Towards FY2026**

**Financial Targets**

The Mitsubishi Electric Group aims to achieve revenue of 5 trillion yen and an operating profit ratio of 10% by fiscal 2026. We also aim for an ROE of 10%, as well as to generate cash of 3.4 trillion yen over the five-year medium-term management plan period.

<table>
<thead>
<tr>
<th>FY2026 Financial Targets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>¥5 trillion</td>
</tr>
<tr>
<td>Operating Profit Margin</td>
<td>10%</td>
</tr>
<tr>
<td>ROE</td>
<td>10%</td>
</tr>
<tr>
<td>Cash Generation*</td>
<td>¥3.4 trillion/5 years</td>
</tr>
</tbody>
</table>

* Adjusted operating cash flow (CF)

**Strengthening of Business Portfolio Strategy**

To achieve sustainable growth, the Mitsubishi Electric Group will categorize its businesses based on their characteristics and invest management resources with priority placed on focus areas, thereby strengthening its business portfolio strategy and improving profitability. We will strategically invest our management resources into five Key Growth Businesses: Factory Automation (FA) Control Systems Business, Air Conditioning & Refrigeration Systems Business, Building Systems Business, Automotive Equipment Business (AEC/AVSAS’), and Power Semiconductor Devices Business. In this way, we will shift resources to highly profitable businesses with strong growth. We will also engage in initiatives with development businesses and new areas of business, expanding our solutions business with data integration and utilization and transforming the business model in our existing businesses to create next-generation businesses.

**Expansion of Integrated Solutions**

By promoting digital transformation throughout our businesses, we will coordinate and analyze data from our equipment and systems to offer optimal solutions that suit the needs of our customers. We will also expand our solution business in collaboration with our customers and through actively pursuing M&A.
Corporate Strategy

Enhancement of Business Foundation

(1) Operation DX
In April 2021, Process & Operation Re-engineering Group has been established. It serves at the core of operations to optimize the Mitsubishi Electric Group as a whole by revamping operational processes, and promoting Operation DX through streamlining operations and improving productivity utilizing data and digital technologies.

(2) 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
- Strengthen the launch of overseas business models
- Build a supply chain that can flexibly respond to various changes

(3) 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.).
- 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 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.

(4) 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 forces for profitability improvement
- Continuous enhancement of base technologies
- Foundation for business
- Search for and create new technologies
- New source of growth

Strengthen our differentiated technologies for components and systems, including technology to realize small, high-efficiency motors, and high-speed, high-precision positioning technology, by having them with advanced base technologies such as AI and new materials.
Further enhance technologies that support quality and build trust in our products, systems, and services, such as power electronics, control, modeling, material analysis, AI, security, and data analysis/linkage.
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.

(5) Intellectual Property/Standardization Strategy
Focus on acquiring intellectual property rights related to AI and solutions that contribute to Business DX, and expand our business through stronger external collaboration based on our technological assets. In addition, promote a triptych management that aligns business strategy, R&D strategy, intellectual property/standardization strategy for addressing social challenges and expanding our businesses.

Sustainability Initiatives

(1) Initiative to Realize a Decarbonized Society
In June 2019 we announced Environmental Sustainability Vision 2050®, proclaiming that we will aim to reduce greenhouse gas emissions from our entire value chain by more than 80%. However, given the acceleration of efforts toward a decarbonized society, we have reviewed the target, and we will further strengthen our endeavors to reduce greenhouse gas emissions. We aim to achieve net-zero emissions across the entire value chain by 2050.

Greenhouse gas emissions in the entire value chain

- 2050
- 80% reduction
- Net-zero

1. Increased contribution in reducing CO2-emission factor of electric power
2. Reduction of emissions by products
- Reduced power consumption of products
- Reduced greenhouse gas emissions from products
3. Provision of energy-saving and energy creating solutions
3. Reduction of emissions in production
4. Improvement of efficiency and spread of Power Semiconductor Devices, etc.

(2) Employee Engagement
Taking recent work-related issues seriously and making the prevention of recurring work-related issues key management priorities, the Mitsubishi Electric Group is promoting our Workplace Culture Innovation Program. With third-party verification by external experts, this program is creating a workplace where all employees cooperate to maintain sound mental and physical health and work with peace of mind.

(3) Human Rights and Diversity
With respect for human rights based on international regulations serving as a foundation, the Mitsubishi Electric Group will conduct human rights impact assessments, improve our response at contact points that receive complaints and consultations related to human rights, and strive to grasp and correct human rights violation risks in our supply chain right across the organization.
To promote diversity, we will strengthen activities aimed at creating workplaces where individuals can maximize their talents, such as by increasing the ratio of female managers, driving co-creation by fostering an understanding of LGBTQ*11 people and hiring a larger number of people with disabilities, as well as actively promoting local staff to managerial positions at overseas bases.

(4) Information Security, Product and Service Quality
Based on past incidents of unauthorized access, we will reinforce our information security infrastructure and strengthen measures against the latest attack patterns, which are becoming increasingly sophisticated and elaborate. To prevent the recurrence of improper conduct in quality control, we will strengthen education to achieve a fundamental improvement in awareness and structures, and we will strengthen our quality control system so that our products and services conform with relevant laws, regulations and standards.

*9 Compared to FY2013.
*10 To achieve net-zero emissions by increasing the proportion of contribution from improvement of efficiency and spread of Power Semiconductor Devices, etc. in reducing greenhouse gas emissions to a scale that outweighs the reduction in CO₂ emissions.

*11 LGBTQ = Lesbian, Gay, Bisexual, Transgender, Queer/Diverse Sexuality

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