



We will strive to solve social challenges through our businesses

The Mitsubishi Electric Group will work to address diversified social challenges together with customers and business partners by transforming into a "Circular Digital-Engineering company" that provides advanced Integrated Solutions through co-creation and through integrating knowledge within and outside the Group, while positioning the realization of sustainability as the cornerstone of our corporate management.

Reflection and achievements in fiscal 2022

In fiscal 2022 (April 1, 2021–March 31, 2022), the U.S., Europe, and Japan continued to see recovery in the corporate sector in general. The household sector continued to pick up in the U.S., Europe, and other regions. In Japan, the sector showed signs of a pick-up due to the normalization of economic activity, though there was downward pressure due to the impact of COVID-19. In China, exports and production continued to recover, but the pace of recovery remained slow, especially in the household sector. In addition, material prices and logistics costs increased and the balance between supply and demand for parts and materials remained strained for a prolonged period. Under these circumstances, the Mitsubishi Electric Group has been working even harder to improve profitability by enhancing our business portfolio strategy to achieve sustainable growth, while continuously implementing initiatives to bolster our competitiveness and business structure. As a result, revenue increased by 7% year on year to 4,476.7 billion yen and operating profit rose by 9% year on year to 252 billion yen (operating profit margin of 5.6%) in fiscal 2022. Going forward, we will work to further create value for achieving the financial targets for fiscal 2026 under the medium-term management plan launched last fiscal year: consolidated revenue of 5 trillion yen, operating profit margin of 10%, return on equity (ROE) of 10%, and cash generation of 3.4 trillion yen in five years.

Positioning the realization of sustainability as the cornerstone of our corporate management

At the Mitsubishi Electric Group, we define our Purpose, Our Values, and Commitment as follows. In fiscal 2023, we reviewed our management policy that is grounded in our Purpose. Our new management policy positions the realization of sustainability as the cornerstone of our corporate management, and clearly reiterates our aim for "solving social challenges through our businesses." From this approach, we will pursue sustained enhancement of our corporate value and fulfill our responsibility to society, to our customers, shareholders and employees, and to all other stakeholders. In line with this, we have also reviewed our corporate strategy in which we have defined our aim to transform into a "Circular Digital-Engineering company" that provides evolved Integrated Solutions by co-creation and by integrating knowledge within and outside the Group.

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."



Management policy

In addition to realizing well-balanced corporate management from the three perspectives of growth, profitability/efficiency, and soundness, 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.

Corporate strategy

Through co-creation and by integrating knowledge within and outside the Group, we will transform into a "Circular Digital-Engineering" company that provides evolved integrated solutions thereby contributing to solving various social issues.

Five challenge areas

Carbon neutral	Circular economy	Safety / Security	Inclusion	Well-being
Achieve a decarbonized society to curb climate change by reducing CO2 emissions from the company and society	Achieve a society in which resources are effectively used and sustainably circulated	Achieve a resilient society that can cope with various environmental changes and risks	Achieve a society in which all people are respected and everyone can lead free, fair and vibrant lives	Achieve a healthy and comfortable life for each individual, both mentally and physically

Materiality

Realize a sustainable global environment	Realize a safe, secure, and comfortable society
Respect for all people	Create a sustainability-oriented corporate culture
Strengthen corporate governance and compliance on a sustainable basis	

Transforming into a "Circular Digital-Engineering company" to realize sustainability

The Mitsubishi Electric Group has identified five areas for our materiality, and has carried out activities to realize sustainability. Our materiality can be split up into two different perspectives, one of which is to "provide solutions to social challenges through our businesses." We have clarified five areas of focus as follows: (1) Carbon neutral, (2) Circular economy, (3) Safety/Security, (4) Inclusion, and (5) Well-being.

To realize sustainable growth, we aim to improve profitability by strengthening our business portfolio strategy. Specifically, we will strategically invest management resources in the five business areas* that we position as Key Growth Businesses and shift our resources to profitable and high-growth businesses. In addition, with the aim to improve corporate value by solving social challenges through our businesses, we have designated Business Area (BA) Owners who will consider the ideal direction to take by taking an overall look at the four business areas (BAs). In addition, we will endeavor to create new businesses by promoting open innovation to respond to changes in social structure and customer value, while incor-

* Factory Automation (FA) Control Systems Business, Air Conditioning & Refrigeration Systems Business, Building Systems Business, Automotive Equipment Business (xEV/ADAS: Advanced Driver Assistance System), and Power Semiconductor Devices Business

porating new fields and technologies and pursuing synergy as well as expanding solution businesses with an emphasis on high added-value businesses involving the integration and utilization of data.

The Mitsubishi Electric Group reviewed its corporate strategy in fiscal 2023. Going forward, under our new strategy of "transforming into a Circular Digital-Engineering company that provides evolved integrated solutions by co-creation and by integrating knowledge within and outside the Group," we will contribute to solutions for diversified social challenges.

"Circular Digital-Engineering company" may be an unfamiliar term. In our businesses, we start by looking at challenges among society and customers, then we consider measures to solve these challenges, and we go on to conduct research and development, manufacturing and sales, and provide maintenance services. In this process, we engage in manufacturing in which products and services are designed for long-term use, and we reuse these products by collecting materials from them instead of disposing of them after use. There is a circulation in the physical sense within our businesses.

When the sales division receives an order from a customer, we have a process in which the design and materials divisions start working, followed by the production and quality control divisions, and then the construction and service divisions. These operations also include the general affairs, accounting, legal, and other staff divisions. These connections represent the "engineering" part of this term. We want to grow in a circular manner by boosting efforts in engineering and interdepartmental communication, and we expressed this desire in the term "Circular Digital-Engineering company."

Toward preventing the recurrence of improper quality control

I would like to reiterate our sincere apologies to our many stakeholders for the impact of the improper quality control practices that we have been reporting since last year. At Mitsubishi Electric, we take the occurrence of these incidents extremely seriously, and have been making efforts to take exhaustive recurrence prevention measures by analyzing the contributing factors and pursuing the root

causes. As the CEO of the company, I will drive reforms in three areas—quality assurance, organizational culture, and governance—toward the restoration of public trust.

Based on reports submitted by the Investigative Committee, we have been pursuing reforms in three areas.

(1)Quality assurance reform : We have been strengthening the quality assurance system by establishing the Corporate Quality Assurance Reengineering Group as an organization under the direct control of the CEO, by inviting Mr. Yoshikazu Nakai from outside of the company to serve as the head of this Group and as the Chief Quality Officer (CQO), by reconstructing our control functions as we assign authority for shipments and other areas at each production site to this Group, and by having the Quality Governance Subcommittee periodically monitor activities. We also plan to invest more than 30 billion yen in two years to strengthen the infrastructure of the quality assurance system.

We have yet to be able to thoroughly find out why improper quality control practices continued for decades at certain plants and why no one could stop such practices. I believe, however, that our organizational culture prevented people from speaking out against improper practices, thereby leading them to lose their sense of conscientiousness for ensuring quality and ultimately causing them to engage in such practices.

(2)Organizational culture reform: I believe there is a need to change the awareness and behavior of both superiors and subordinates. When a subordinate seeks advice or shares information, their superior must always accept it at first and then try to solve the problem together. In this process, it is important that the superior fully understands the concept of managing an organization. At the same time, however, subordinates also need to actively speak out. To this end, our employees who volunteered launched a company-wide transformation project team called "Team Sousei (Creation)" in October 2021. All our employees were invited to apply for this team, and applications were received from 465 employees in two weeks. Of these applicants, 45 were selected to become team members and Team Sousei started with 300 other supporters. Some of them were uncertain as to whether reforms can really be achieved



through their own visions at the beginning, but the atmosphere changed after holding repeated discussions that fostered a sense of unity for team members to make changes themselves. When I talk with the positive and enthusiastic team members, I myself often feel energized too. Although reforms do involve difficulties, we will not be afraid to go ahead with a strong will to carry out actions through to the end.

Robust Policies announced in April 2022 are the guiding principles for organizational culture reform that Team Sousei proposed to the company. Members from Team Sousei and executive officers are currently visiting business sites in Japan to hold briefings so that they can spread the policies to each and every employee. We have also formed a transformation-project team in each business group or division to ensure the promotion and implementation of reforms.

In fiscal 2023, we will introduce several measures as part of our efforts to reform communication, including building human relationships irrespective of individuals' positions. These measures include addressing everyone by the neutral honorific "-san" rather than addressing them by their titles, and by gradually implementing one-on-one meetings to promote communication between superiors and subordinates. Since assuming the position of the CEO, I am currently on my second round of visiting all the sites of Mitsubishi Electric to engage in dialogues with employees. For this second round of visits, I aim to talk one-on-one, while gathering about 20 employees from each job level in groups to exchange opinions as a two-way meeting. I will listen to a variety of opinions through these dialogues and I will utilize them for various future reforms.

(3)Governance reform: We asked Mr. Mitoji Yabunaka, Outside Director, to chair the Board of Directors starting last year from the viewpoint of strengthening corporate governance. As we engage in business for an extended period, things that are viewed as common sense within the company may actually be abnormal in the eyes of an external party. I believe it is extremely important to incorporate the viewpoints of people outside of the company, hold discussions to revisit how to preserve quality and prevent improper quality control practices, and work swiftly to make all necessary changes. Based on this, the Company have appointed

seven Outside Directors among our 12 directors in total. The company have selected Mr. Tatsuro Kosaka and Mr. Hiroyuki Yanagi as Outside Directors owing to their expertise in manufacturing, the field at the foundation of the Mitsubishi Electric Group.

As for the Board of Directors, we will promote diversity, considering appointing more female directors.

Creating a company where people can feel happy and motivated in their work

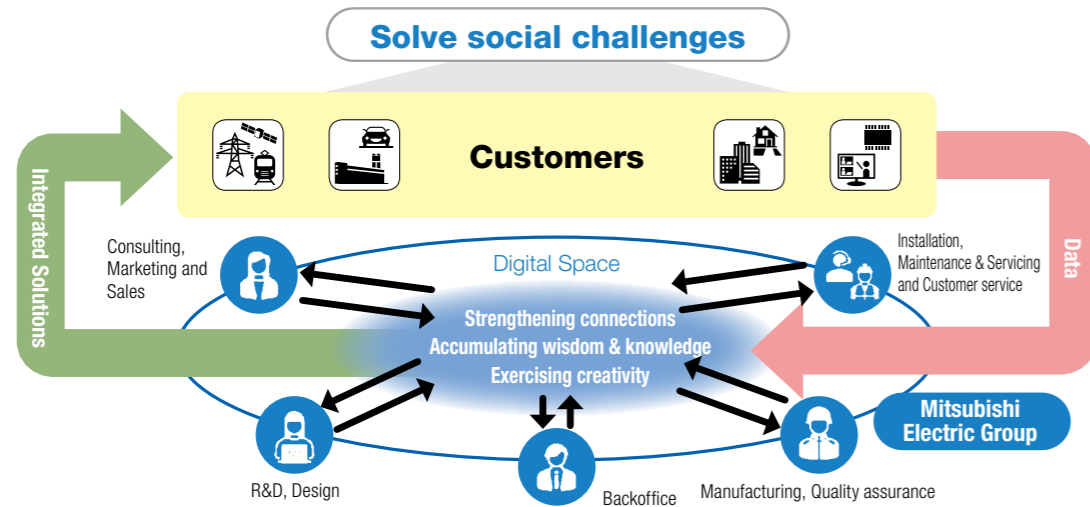
For us to continue existing as a company despite the dramatic changes of the times, I believe it is important for us to be able to quickly and nimbly shift in response to such changes. I feel that in the future, we will need to have a willingness to shift from our current state if this is determined to be necessary. What I really want to create is a company where employees can feel happy and motivated in their work. If employees can work in such an environment, they will seek to communicate with the people around them. They will become active in many different places, which will result in various teams forming spontaneously. Through this process, I want to create a workplace where people can realize what they really want to accomplish. As a result, we will start to see a strong overlap between our Purpose and the motivation of each employee. This will further boost the value that we can offer to customers.

The future direction that the Mitsubishi Electric Group should seek to realize is a company where employees feel secure and work happily as they deliver products and solutions that bring joy and smiles to customers, shareholders, and people in society. We will carry out reforms to create a new Mitsubishi Electric Group.

Kei Uruma
Kei Uruma
 President & CEO

▶ **Circular Digital-Engineering Company to solve social challenges**

We will transform into a "Circular Digital-Engineering company" that provides evolved Integrated Solutions through co-creation and by integrating knowledge within and outside the Group, thereby helping to solve various social challenges.



Circular Digital-Engineering Company

Contributes to solving social challenges by providing evolved Integrated Solutions at all times, through accumulating data from our customers, strengthening connections in the group, sharing wisdom and creating new value.