

CSO Message

Driving the transformation of the Mitsubishi Electric Group by taking ownership in order to achieve the goals of the Medium-Term Management Plan

Executive Officer
CSO (In charge of Corporate Strategic Planning, IR and SR, Operations of Associated Companies, Three Key Reforms, and Sustainability),
CDO (In charge of DX, Vice President, Business Innovation)

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My Mission as CSO

As Chief Strategy Officer (CSO) since April 2023, I am responsible for promoting Group-wide management strategies in the Mitsubishi Electric Group, holding dialogues with investors and other stakeholders, and disclosing information, as well as various measures to strengthen sustainability management. The Mitsubishi Electric Group's advanced technological capabilities, which it has honed over more than 100 years of history, and the ceaseless creativity of its global workforce are key assets that support the Group's sustainable growth. As CSO, I have a key responsibility in the implementation of business portfolio strategies and measures that contribute to improving the management structure with the aim of achieving our financial targets based on these assets, as well as the ongoing promotion of our sustainability management initiatives that focus on solving social challenges through our businesses.

Fiscal 2023 was also the first year of the full implementation phase of the "three key reforms (quality assurance, organizational culture and governance)" that we formulated in October 2021 in response to the improper quality control practices. To revitalize the Mitsubishi Electric Group, we have set the "three key reforms" as the key management initiatives to regain the trust of stakeholders and have entered a phase of their full implementation to eradicate any improper quality-control practices. To implement the reforms, all Mitsubishi Electric employees and management must think and act as one, and I must also play an important role in supporting them.

I have been involved in management from the business side as the Business Area (BA) owner of the Industry & Mobility BA and group president of the Factory Automation Systems Group. While making the most of this experience, I will strive to maximize the corporate value of the Mitsubishi Electric Group in the

medium- to long-term through discussions with the Chief Officers (CxOs) who head the corporate divisions, in addition to the BA owners and the group presidents, from the perspective of the Group as a whole.

Towards the Achievement of the Medium-Term Management Plan

Fiscal 2024 is the mid-year of the Medium-Term Management Plan announced in fiscal 2022. We will review the progress of the Plan to date and strengthen and accelerate the measures needed to achieve our targets for fiscal 2026. In terms of financial targets, having achieved the revenue target of 5 trillion yen in fiscal 2023 ahead of schedule, we have decided to aim for revenue of 5 trillion yen plus (+), or in other words 5 trillion yen or more, for the remainder of the Medium-Term Management Plan period. On the other hand, there are challenges in terms of profitability and asset efficiency to meet the targets of the Medium-Term Management Plan. Going forward, we will focus on achieving an operating profit margin of 10% and a ROE of 10%, as well as management measures focused on cash generation. The hurdles to achieving these targets are not low, but we intend to achieve them by rigorously implementing our business portfolio strategy and continuously improving our management structure.

As part of our business portfolio strategy, we will focus more than ever on the profitability and asset efficiency. We will use return on invested capital (ROIC) as the indicator for business decisions and ensure that decisions are made from the medium- to long-term perspective of "We can generate profits that exceed the cost of capital" rather than from the perspective of "It's good enough if the results are in the black" or "It's good enough if we manage to recoup our investment." In this context, we believe that the key growth businesses of Factory Automation Control Systems, Air Conditioning & Refrigeration Systems,

Building Systems, and Power Semiconductor Devices are the keys to achieving the targets in the Medium-Term Management Plan, and we will expeditiously implement aggressive investments, such as strengthening production systems and M&A, at the right time and in the appropriate manner. In addition, for businesses with issues that do not have the potential to improve profitability and asset efficiency, we have decided to withdraw from and divest businesses that have already reached 300 billion yen in revenues. We will continue to consider exits and divestments, and the resources generated by these actions will be allocated to the key growth businesses to accelerate Mitsubishi Electric's growth.

We will also implement structural reforms to speed up business operations. In April 2023, we decided to spin off our automotive equipment business, which will accelerate our business processes, including selection and concentration, collaborations with partners, the reallocation of resources to profitable businesses and the discontinuation of businesses with issues.

To improve the management structure, we will work to enhance cash generation through effectively utilizing assets, improving productivity, and increasing profitability. For example, we will promote the transformation of our production and logistics systems by improving the efficiency of the entire supply chain through strengthening coordination between development, manufacturing, sales and other processes, and by strengthening our system of local production for local consumption to ensure a stable product supply and to optimize inventories. We will also proactively sell cross-shareholdings and idle assets. Moreover, we will accelerate digital transformation (DX) across the businesses. Through operational DX, which leverages data and digital technology, we will work to improve the efficiency of all operations through cross-business optimization, thereby increasing productivity. We will also work to improve profitability by pursuing additional value of our products and services and price hike according to the rise in materials.

Aiming to be a "Circular Digital-Engineering Company"

We are also working on initiatives to realize Mitsubishi Electric's ideal form of being a "Circular Digital-Engineering Company." I believe we need to strengthen our assets in five digital fields to achieve this target. The five fields are digital space to analyze and use data, DX human capital to transform management and

business through digital, co-creation activities to develop new markets, the development of advanced digital technologies such as AI and model-based, and production and business process reforms that serve as the infrastructure for management. To strengthen these assets, we established the DX Innovation Center in April 2023. The DX Innovation Center will build a digital infrastructure and space to organically connect the wide range of data accumulated in each business area and to accelerate and promote activities, such as data analysis and use, securing and developing digital human capital, and co-creation with customers and partners. By enhancing our digital assets, we will deepen our components and systems while commercializing Integrated Solutions such as OT*1 security and E&F*2 solutions.

Contributions and Responsibilities toward "Realization of Sustainability"

Since its foundation in 1921, Mitsubishi Electric has created new value ahead of its time by sincerely addressing customer and social challenges in a wide range of fields, from the home to space. And now that public interest in various social challenges is growing around the world, we recognize that there are high expectations for Mitsubishi Electric as well. "Realization of sustainability" is the cornerstone of our management. To this end, we have identified five initiatives as materiality for the Mitsubishi Electric Group, which are "Realize a sustainable global environment," "Realize a safe, secure and comfortable society," "Respect all people," "Strengthen corporate governance and compliance on a sustainable basis," and "Create a sustainability-oriented corporate culture." We have also identified five challenge areas (carbon neutral, circular economy, safety and security, inclusion and well-being) on which to focus our businesses. We will achieve sustainability through initiatives such as decarbonizing society with energy management and heat pump technologies, as well as building a resilient society through infrastructure maintenance and management, and facility automation.

The Mitsubishi Electric Group also has a great responsibility to society. Promoting environmentally and socially responsible business activities is a prerequisite for the continuation of the Group's business activities and is essential for its sustainable growth. To fulfill our Group's social responsibilities, we will continue to focus on activities such as strengthening efforts to reduce greenhouse gas emissions, respecting human rights in accordance with

international norms, creating a workplace where diverse and versatile human capital gathers and work together, and rigorously enforcing compliance.

We will contribute to the realization of a better society by maximizing the capabilities of the Mitsubishi Electric Group and fulfilling our social responsibilities by contributing to solving social challenges through our businesses.