

President's Message

The Mitsubishi Electric Group will transform into a "Circular Digital-Engineering Company" with the aim of sustainably enhancing our corporate value by solving social challenges through its businesses.



President & CEO

Kei Uruma

What we want to communicate in the 2023 Integrated Report

The Mitsubishi Electric Group is striving to become a "Circular Digital-Engineering Company" by transcending the boundaries between divisions through combining its technical capabilities, expertise and the knowledge of the people in each division. It is my mission, along with the Business Area (BA) owners, and the Chief Officers (CxOs) responsible for each functional role in the corporate divisions, to drive this transformation.

In this integrated report, I will explain the overall growth story of the Mitsubishi Electric Group. In addition, each of the BA owners and CxOs will also present the strategies that will enable the Mitsubishi Electric Group to become a "Circular Digital-Engineering Company" and to continue to solve social challenges. In preparing this report, we have referred to the Guidance for Collaborative Value Creation 2.0 issued by the Ministry of Economy, Trade, and Industry, and we have structured it to explain the Mitsubishi Electric Group's efforts from the integrated viewpoints of both financial and non-financial information. We will continue to improve the quality of our disclosure through dialogue with our stakeholders.

Review of the Fiscal 2023 and Medium-term Management Plan Towards Fiscal 2026

Revenue for fiscal 2023 totaled 5,003.6 billion yen, achieving ahead of schedule the target of "5 trillion yen in consolidated revenue" set in the Medium-term Management Plan. Operating profit was 262.3 billion yen. Revenue reached a record high due to the impact of the depreciation of the yen and the expansion of mass-production-related businesses, despite the

complex situation in Ukraine and supply chain disruptions caused by the Shanghai lockdown. In addition, the weaker yen, higher revenues and the effects of appropriate prices hike according to the rise in materials contributed to the increase in profit compared to the previous year, despite increases in procurement costs for parts and materials and logistics costs, as well as impairment charges in the automotive equipment business.

The forecasts for fiscal 2024 are revenue of 5,200 billion yen and operating profit of 330 billion yen. Due to the further expansion of demand in the mass-production businesses, particularly air conditioners and home appliances, and the effect of price hike in each business, both revenues and operating profits are expected to reach record highs. The environment remains uncertain, with monetary tightening in many countries and heightened geopolitical risks. However, we will continue to make steady progress towards sustainable growth.

In this regard, among the financial targets in the fiscal 2026 Medium-term Management Plan announced in fiscal 2022, the revenue target that was achieved ahead of schedule in fiscal 2023 was updated to "5 trillion yen + (plus)" to continuously aim for revenue of 5 trillion yen or more. Fiscal 2024 is the mid-year of our Medium-term Management Plan, and we will focus on improving our business portfolio strategy and management structure to achieve our financial targets of 10% operating profit margin and 10% ROE. As part of our business portfolio strategy, we will actively invest in businesses that we have identified as key growth businesses based on their growth potential, profitability, and asset efficiency. We will also promote measures to strengthen the competitiveness of our businesses through alliances with other companies and mergers and acquisitions to fill in the missing pieces. When allocating capital, we will prioritize growth investments and seek to enhance shareholder returns through earnings growth. The Company conducted a share buyback of approximately 50 billion yen in fiscal 2022 and plans a buyback of up to 50 billion yen in fiscal 2024.

Reform of the Business Area (BA) Management Structure

From fiscal 2023, the Mitsubishi Electric Group has introduced a BA

management structure that consolidates its nine business groups into four BAs – Infrastructure, Industry & Mobility, Life, and Business Platforms – in order to maximize corporate value from a medium- to long-term perspective across a wide range of business fields. BA owners will lead initiatives such as maximizing asset efficiency by reallocating resources from an investor's perspective within the BA, formulating and executing portfolio strategies, creating synergies across businesses as well as technology and synergies within and between BAs, dynamically facilitating collaborations of people and technology across BAs, and providing solution businesses. The Semiconductor & Device Group reports directly to the President and aims to strengthen the competitiveness of the Mitsubishi Electric Group by providing semiconductor devices that are the key to each business. In the Power Devices business, which is expected to grow significantly in the future, we will also make decisions on strategic investments from a Group-wide perspective to drive growth. In the corporate divisions, the Chief Officer system has been extended to clarify roles according to the primary function. We will also proactively identify various trends, such as DX, carbon

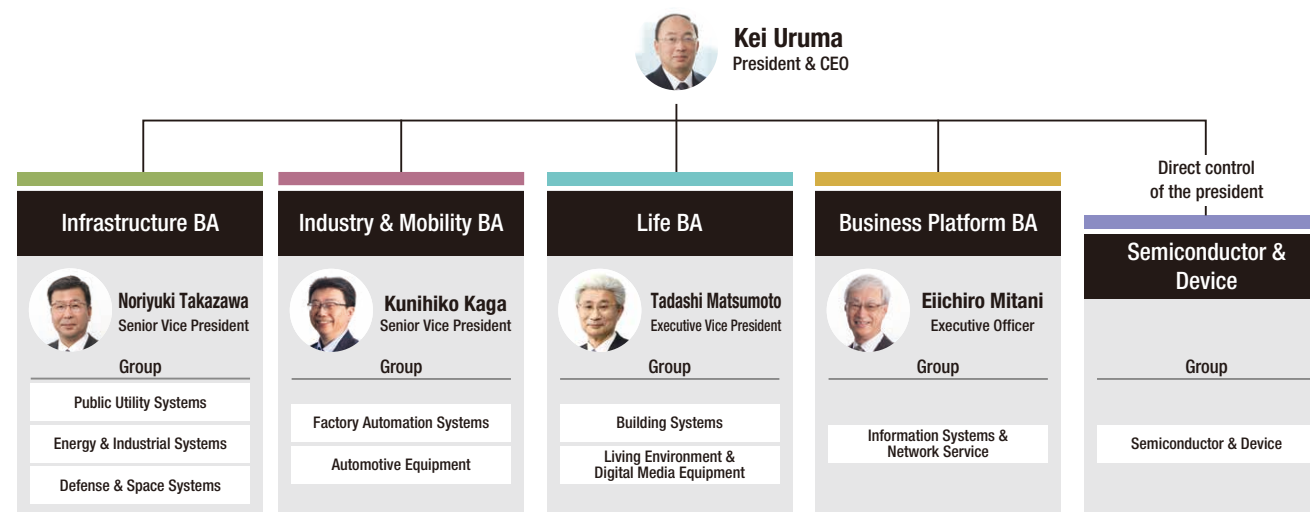
neutrality and geopolitical risks, and create a Group-wide strategy to increase the social and economic value of the Mitsubishi Electric Group while strengthening the support functions for each BA.

Under the new structure, the BA owners now consider solutions to utilize business synergies through the integration of business groups that were previously vertically divided. The following are examples of our advanced efforts to explore new areas through integrated solutions: "E&F*1 solutions," which provide optimal energy management and packaged operation and maintenance services for equipment by integrating energy and equipment engineering technologies; and "OT**2 security solutions," which are a one-stop solution to improve the availability and safety of customers' OT assets and to meet their needs to promote IoT/DX.

*1 E&F: Energy & Facility

**2 OT: Operational Technology

Business opportunities related to climate change measures and resilience are also expanding for each BA. For example, in Europe, due to the situation in Ukraine, there is a challenge in securing natural gas. This has



■ BA Management Structure

led to an increased demand for air conditioning systems that utilize energy-efficient heat pump technologies. We therefore believe that the Mitsubishi Electric Group can offer significant contributions. Additionally, in recent times, efforts to bolster Japan's defense capabilities have been on the rise. With an increasing demand for advanced defense technologies like missile detection within Japan, we are confident that our expertise in defense and space technologies will prove invaluable.



Transforming into a "Circular Digital- Engineering Company"

Based on a long-term perspective, the Mitsubishi Electric Group is working to transform itself into a "Circular Digital-Engineering Company" that delivers new value through co-creation and by integrating knowledge within and outside the Group. The Group has conventionally sold standalone products and services and has developed its business primarily through components. When our customers use the products we deliver, operational status and other such data are stored, and this data is becoming increasingly important. By consolidating and analyzing data acquired from our customers in a digital space, and by fostering strong bonds within the Group, we will evolve our components, systems, and integrated solutions and create new value. To further provide our customers with the benefits of the new value, we will transform into a "Circular Digital-Engineering Company" and contribute to solving diverse social challenges.

Some of these businesses are already seeing growth. For example, in the FA system business, we are now able to offer consulting proposals, such as improving the efficiency of manufacturing processes and appropriate maintenance methods, by carrying out simulations by analyzing data accumulated in physical space with our Digital Twin, which is a digital reproduction of the customer's production line. We believe that this will not only enable us to offer new value to our customers, but also greatly expand our business areas.

Our intensification of Sustainability Management

In fiscal 2023, the Mitsubishi Electric Group positioned the realization of sustainability as the cornerstone of its management policy. In accordance with this policy, we are promoting corporate activities with a focus on the following four key points.

The first is "contribution to a sustainable society through our businesses." The foundation of the Mitsubishi Electric Group's sustainability management is to contribute to the realization of "a vibrant and sustainable society" by

solving social and environmental challenges through our business.

The second is "responsibility for a sustainable society." It is also important that we act responsibly to avoid creating new social and environmental issues in our operations.

The third is "risk management in response for long-term social and environmental changes." Adapting to long-term social and environmental changes is essential for sustainable business growth, and we must work to create opportunities to respond to changes and to manage or minimize the impact of risks.

The fourth is "communication with stakeholders." Highly transparent disclosure of information is essential to deepen communication with stakeholders and to adequately reflect society's expectations and demands in company management.

As part of our sustainability management drive, our Sustainability Vision of "Creating Harmony with People and the Planet" was formulated in 2022. We have also identified "a sustainable society full of prosperity" as the society we want to exist in 2050. This is a society in which stakeholders, including local communities, employees, customers, and shareholders, can feel happiness.

Continuing to Drive Initiatives on Materiality

To promote sustainability management, we have identified five areas as materiality (important challenges) under the two headings of "provide solutions to social challenges through our businesses" and "strengthen our business foundation to enable sustainable growth."

For "Provide solutions to social challenges through our businesses," we have identified "carbon neutrality," "circular economy," "safety and security," "inclusion," and "well-being" as areas of focus, and we are directing our initiatives toward achieving five related goals of SDGs. Especially, "carbon neutrality" is an area in which we can demonstrate our strengths, and we are accelerating initiatives in terms of both "responsibility" and "contribution." On the "responsibility" side, by which

we aim to decarbonize within our domain, we have revised our previous target for fiscal 2031, which was "reducing greenhouse gas emissions at factories and offices by 50% or more (compared to fiscal 2014)" to "net zero emissions by fiscal 2031." On the "contribution" side, we aim to create and expand businesses that contribute to the realization of carbon neutrality in society. We are conducting research and development in three areas of innovation: "Green by Electronics," which promotes energy conservation by improving the efficiency of core components, etc.; "Green by Digital," which contributes to the improvement of energy efficiency and the expansion of renewable energy through the application of advanced digital technologies; and "Green by Circular," which aims to realize circular

carbon use.

In the other four areas, as for carbon neutrality, our commitment is not only working for "contribution" to a sustainable society through our businesses, but also promoting corporate activities as our "responsibility" to realize a sustainable society, and we hope to create a cycle in which the knowledge and best practices from these efforts are applied to our businesses.

As a part of "Strengthen our business foundation to enable sustainable growth," investing in "people," who are the driving force behind the Mitsubishi Electric Group's sustainable growth, is an extremely important theme. In terms of gender balance, we feel that issues remain to be

addressed, such as the male-female ratio in managerial positions in Japan. To ensure equal opportunities for employees, we must eliminate unconscious biases stemming from an attitude of "because someone is male/female." We are also creating a more comfortable work environment for employees who are raising children through measures such as expanding on-site childcare facilities.

For the first time, a woman and a non-Japanese were appointed as executive officers in fiscal 2024. We have confidence that the increased diversity of senior management generates new ideas and leads to the further growth of the Mitsubishi Electric Group.

Six Capitals that Support the Value Creation Process

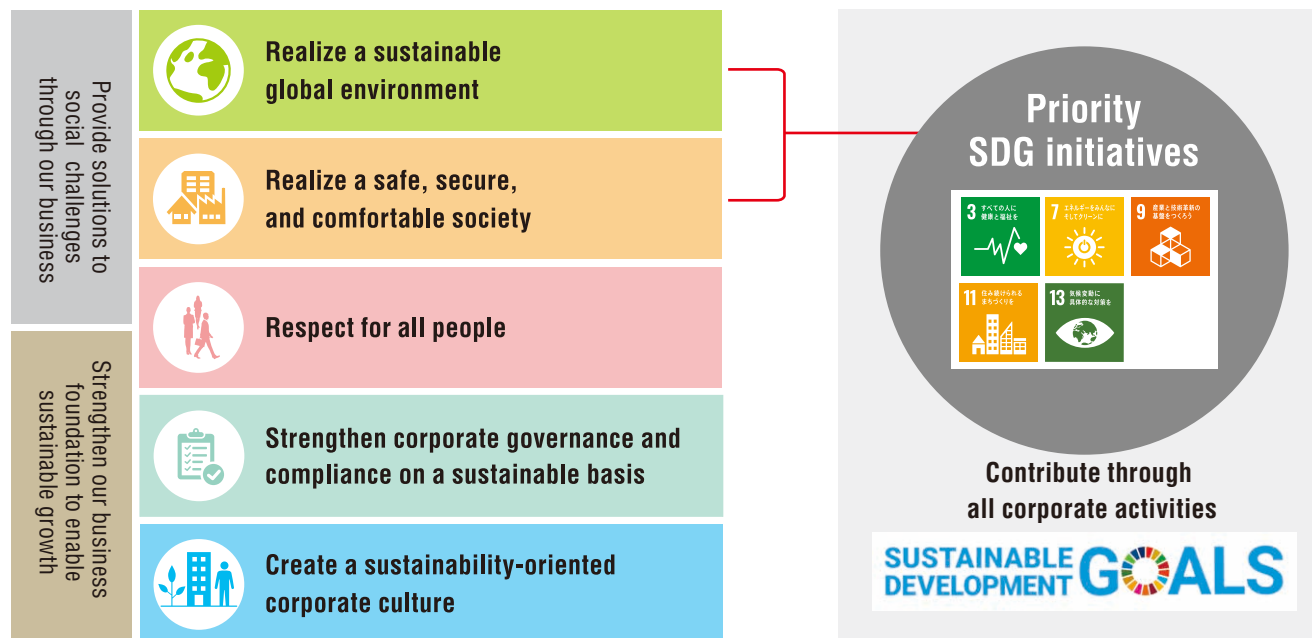
As we pursue our goal of realizing sustainability, it is also important to determine what kind of capital we will invest in the value creation process.

First, we focus most on human capital. We will expand and strengthen our investment in "people" who are at the core of a company's growth. We will respect individual career ownership and value "diverse and versatile human capital" who think independently, act proactively and continue to take on challenges. In addition, to maximize the value of human capital, the human capital strategy must be integrated with the business strategy. For example, in order to realize our goal of becoming a "Circular Digital-Engineering Company," the following personnel are required as core talents: "DX architects" who can design the overall picture of how data and systems are connected based on core components and field knowledge; "data scientists" who are familiar with customers' businesses and operations and who are responsible for data collection, management, and analysis; and "DX engineers" who are responsible for the development and implementation of DX-related software and systems. We will recruit and train talents to reach our desired state in five to ten years.

In April 2022, we started the "EL (Executive Leadership) academy" for newly appointed executive officers and others to foster management professionals. As a preliminary step, it is also essential to systematically

Materiality

Contribute to the SDGs



Materiality and the SDGs

foster the next generation of management candidates. We conduct candidate assessments and promptly compensate for shortages in terms of overseas experience or work experience in order to promote career development with an eye to the future. Furthermore, we are establishing a system to promote new and competent employees as well as for introducing job-grading to stimulate personnel transfers globally.

The second point is financial capital. The key factors include shareholders' equity, operating cash flow and capital allocation, which are the sources of growth. Mitsubishi Electric's stockholders' equity was 3,239.0 billion yen for the fiscal year ended March 31, 2023, and Mitsubishi Electric's stockholders' equity ratio was 58.0%. We will build on this strong financial position and soundness to aggressively invest in growing businesses to meet the expectations of our shareholders and investors. Investment decisions are based on ROIC more than on the cost of capital.

The third point is manufacturing capital and the fourth is intellectual capital. For manufacturers involved in the production and sale of technology-enabled products and systems, these capitals are important. In particular, the Mitsubishi Electric Group remained within the global top five for the ninth consecutive year and secured the top position among Japanese companies for the eighth consecutive year, in terms of international patent applications filed in 2022, announced by the World Intellectual Property Organization (WIPO) in February 2023. This is the result of our aggressive pursuit of international patent filings and the globalization of our businesses. The Mitsubishi Electric Group conducts intellectual property activities in conjunction with its business and R&D strategies, viewing intellectual property as an important management resource for the future. The Open Technology Bank®, which promotes both internal and external collaborations using intellectual property, also began operations in October 2021. We will continue to strengthen our intellectual property activities and contribute to solving social challenges through our businesses.

The fifth point is natural capital. As the world faces complex situations

related to climate change, every country, every company, and every individual must act with an awareness of the need to realize a global sustainable environment. We recognize that the bounty of plants, animals, air, water, soil, minerals, and many other natural resources, are fundamental to all industries and businesses and are the common capital that will be enjoyed by future generations.

The sixth and last point is social relationship capital. Since its establishment, the Mitsubishi Electric Group has been able to promote its businesses in many regions around the world, thanks to the understanding and cooperation of its various local communities. In the communities in which it operates, the Mitsubishi Electric Group participates in a wide range of social contribution activities. We will continue to place a high value on trust and individual relationships with local communities and customers. We will also deepen our collaborations with university research institutes in Japan and abroad, as well as with partner companies in each region, to contribute to the creation of a sustainable society full of prosperity.

Three Reforms

About a year has passed since the start of the three key reforms aimed at restoring trust, namely the "quality assurance reform," "organizational culture reform," and "governance reform," and measures for reforms are progressing as planned.

For the quality assurance reform, we are rebuilding organizational capabilities to provide technically correct explanations to customers and reducing workloads on the front lines by having management themselves engage in dialogue and negotiation with customers, thereby establishing a system through which "the front lines do not have cause to carry out improper quality control in the first place." Based on the results of a root cause analysis, we are strengthening engineering capabilities and promoting manufacturing process reforms. In addition, we will strengthen our management system to prevent fraud, such as by automating the inspection data collection process.



For organizational culture reform, we are working to foster a culture which "Employees feel that they can consult with their superiors," "failures are tolerated," and "problems are solved together." "We are reforming management itself and changing the behavior of those in managerial positions, and we are promoting initiatives such as "town hall meetings" in which management and front-line employees discuss issues directly on equal footing as well as facilitating dialogue using internal social media. These are based on the robust policies, which are a set of guidelines for the organizational culture reform formulated by Team Sousei (Creation), a company-wide reform project launched in October 2021. I personally feel that the strong enthusiasm from the members of the team Sousei that "we will definitely transform this company" has not changed since the beginning

of the project. Each of the team members, through a process of trial and error, has been looking for ways to move forward, to consider who to join forces with, how to utilize assistance from myself as the President, how to approach the business groups, and so on. In addition, efforts that had previously been focused on Mitsubishi Electric have been extended to the Group, and each company has initiated activities tailored to its own circumstances.

For governance reform, we are building a compliance system that emphasizes prevention. By appropriately including external perspectives, we will realize a governance/internal control structure that inhibits and prohibits misconduct. A third-party evaluation conducted on the effectiveness of the Board of Directors in fiscal 2023 found that its effectiveness had improved. In addition, two new female outside directors were appointed at the 152nd Annual General Meeting of Shareholders in



June 2023. Our Board of Directors, of which independent outside directors comprise the majority, will continue to develop our business from various perspectives brought together by diversity in terms of gender, nationality, work experience, and age.

For these three reforms, the Board of Directors has established the "Monitoring Committee for the Three Reforms" to monitor and oversee the status of each measure. To earn the trust of our stakeholders, we continue to make every effort to transform ourselves into a new Mitsubishi Electric, while developing the three reforms.

The Mitsubishi Electric Group's Purpose and Each Employee's individual purpose

We conduct our businesses based on our Purpose that "We, the Mitsubishi Electric Group, will contribute to the realization of a vibrant and sustainable society through continuous technological innovation and ceaseless creativity." This is the raison d'être of the Mitsubishi Electric Group, the purpose of the Company, and the ultimate goal that we always pursue.

Under this purpose, we have identified seven values; "Trust," "Quality," "Technology," "Ethics and Compliance," "Humanity," "Environment," and "Society." Furthermore, we have established "Changes for the Better" as a commitment to clarify our stance on continuous change to seek improvement and transformation.

While the Company's Purpose is the aspirations of the organization, it is "My Purpose", which is the aspirations of each individual employee, that is essential to the steady implementation of the organization's aspirations. The entire Group is currently promoting "My Purpose" activities in order to make the Company's Purpose into something personal to each employee.

I have set ""Build a vibrant company, through maintaining passion, enthusiasm, and goal-focused persistence" as My Purpose. Starting with the "passion" of "I want to achieve this," working with "enthusiasm" as a driving force, and persevering with "goal-focused persistence" if I hit a wall along the way. Long before I became the President, I have always relied on

this purpose to guide me through challenges, and this is irreplaceable to me.

Currently, all executives, including myself, are sharing their individual Purpose within the company. We plan to gradually expand this initiative from the management level to front-line workers. To make a change, it is necessary to act with oneself as the target of the change, and in this sense, we believe that it is particularly important for everyone to clarify his or her My Purpose. In a team of ten employees, there will be ten distinct "My Purposes." I think these will create synergies and help everyone recognize where their personal aspirations align with the company's aspiration. Furthermore, employees can feel and realize what the Mitsubishi Electric Group is aiming to achieve while engaging in their own daily work through My Purpose activities.

Kei Uruma
President & CEO