

FOR IMMEDIATE RELEASE

No. 3528

Media Inquiries

Public Relations Division
Mitsubishi Electric Corporation

prd.gnews@nk.MitsubishiElectric.co.jp
www.MitsubishiElectric.com/news/

Notice of Revised Compensation Scheme for the Company's Executive Officers

TOKYO, May 25, 2022 – [Mitsubishi Electric Corporation](https://www.mitsubishielectric.com) (TOKYO Prime Market: 6503) announced today that the Compensation Committee, at its meeting held on May 25, 2022, decided to revise the compensation scheme for the Company's Executive Officers and to apply the revised scheme from fiscal 2023, as follows:

1. Purpose of the Revision

The Company has introduced a performance-based compensation scheme, including stock compensation, for its Executive Officers to increase their awareness of the necessity to contribute to enhancing the medium- to long-term corporate value of the Group and to share that value with shareholders. However, we have decided to revise the entire compensation structure for our Executive Officers effective from the fiscal year 2023 to further clarify the roles and responsibilities of Directors and Executive Officers and to more rigorously evaluate their short-, medium-, and long-term incentive compensation based on the achievement level of the performance indices.

The key points of the new compensation scheme for the Company's Executive Officers are as follows:

- Revised its compensation scheme to make it more performance-linked to implement and achieve the key indicators and priority measures outlined in the Medium-Term Management Plan.
- In addition to rigorously evaluating the achievement of the performance indices in the business units in charge, greater emphasis on incentive compensation to reflect performance indices in non-financial matters, such as restoring public trust, improving employee engagement, and sustainability and ESG-related progresses.
- Revised the stock compensation portion of the compensation scheme and established new stock ownership guidelines to strengthen incentives to sustainably increase corporate value and shareholder value over the medium- to long-term.
- Improved compensation governance by introducing malus and clawback provisions.

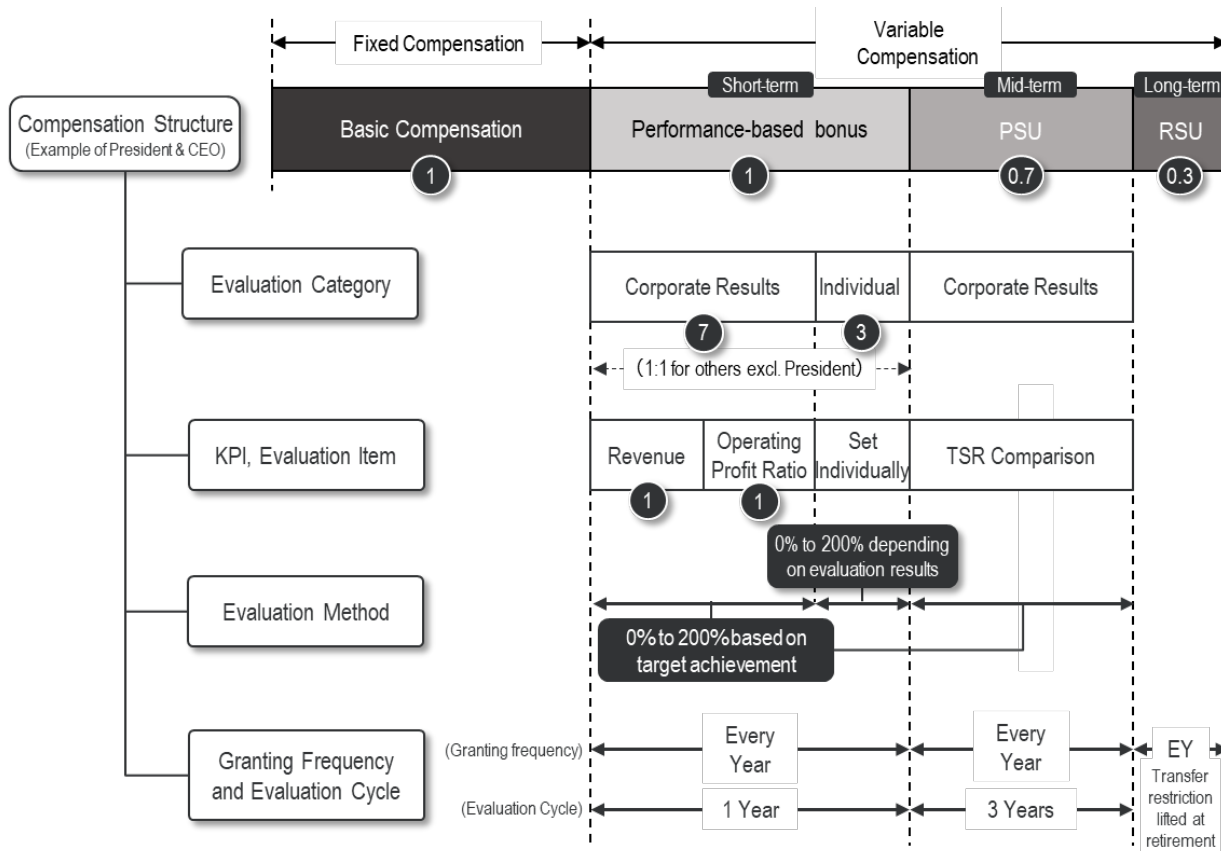
2. Outline of Compensation Scheme for Executive Officers

(1) Compensation levels and structure

The compensation levels and structure shall be established by selecting a group of major Japanese

manufacturing companies that are similar to the Company in terms of size, business type, global expansion, etc. as the compensation benchmark companies and by considering the trends in compensation levels at the benchmark companies, our management strategy and business environment, the objectives of incentive compensation and the degree of difficulty in achieving the targets, the roles and responsibilities of the Executive Officers concerned, and other relevant factors. In addition, to ensure that compensation, etc. focuses on improving corporate and shareholder value over the medium to long term, the following compensation structure shall be adopted.

<Chart> Compensation Structure (Percentage of compensation is that of the President & CEO)



(i) Basic compensation

Fixed compensation is set in accordance with the roles and responsibilities of each Executive Officer and is paid monthly in cash by dividing the position-based annual standard amount by 12.

(ii) Performance-based bonus

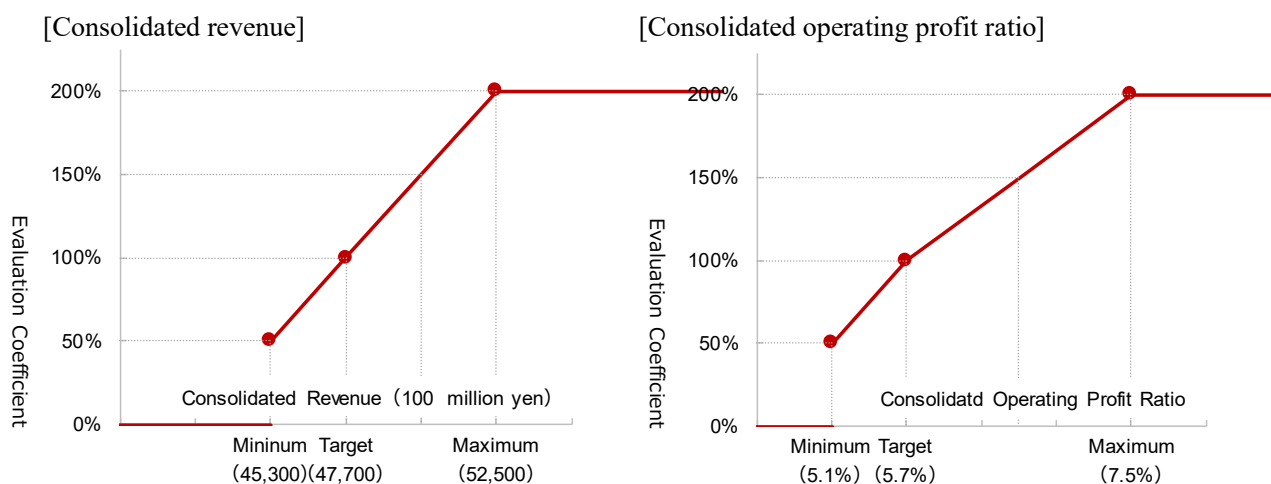
The bonus payment shall be determined by “Corporate Performance Evaluation” and “Individual Evaluation.” The payment amount will fluctuate in the range of 0% to 200% depending on the evaluation results. The amount to be paid to each individual shall be calculated as below and paid in a lump sum in cash after the end of each fiscal year.

$$\text{Individual payment amount} = \text{Position-based standard amount} \times (\text{Corporate performance evaluation coefficient} + \text{Individual evaluation coefficient}) \text{ (in the range of 0-200\%)}$$

■ Evaluation Indicators, Ratios, and Targets for FY2022

Evaluation indicators		Evaluation ratios		Targets, etc.	
		President & CEO	Other Executive Officers		
Corporate results	Consolidated revenue	35%	25%	Maximum	5,250 billion yen
				Target	4,770 billion yen
				Minimum (Threshold)	4,530 billion yen
	Consolidated Operating profit ratio	35%	25%	Maximum	7.5%
				Target	5.7%
				Minimum (Threshold)	5.1%
Individual evaluation	30%	50%	Set specific targets for each Executive Officer based on the priority measures in FY2026 Medium-Term Management Plan, “Three Reforms” to restore trust, ESG challenges, and performance of the business unit in charge.		

■ Determination of corporate performance evaluation coefficients



■ Determination of individual evaluation coefficients

The targets for the President and CEO shall be determined through the deliberation of the Compensation Committee at the beginning of the fiscal year. Evaluations shall be made after the end of the fiscal year, by deliberation and decision by the Compensation Committee following a self-evaluation by the President and CEO.

Goals and evaluations of other Executive Officers are discussed and approved by the Compensation Committee after a meeting between the President and CEO and each Executive Officer.

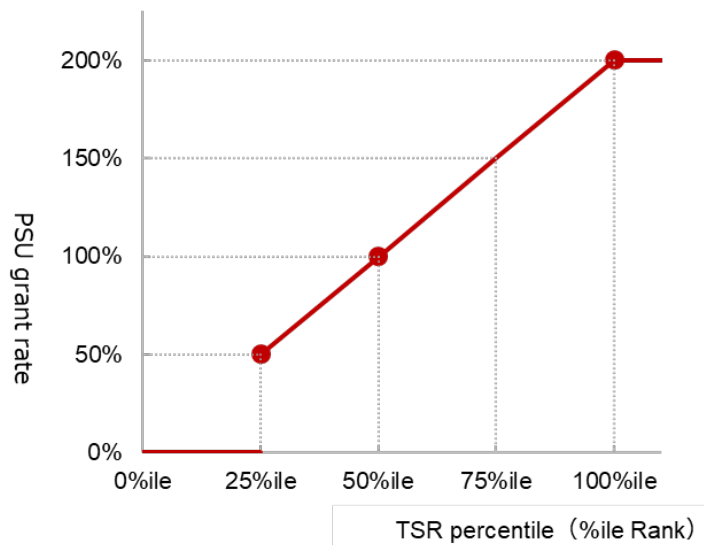
(iii) Performance-based stock compensation (Performance Share Units (PSU))

In principle, the number of shares to be issued as performance-based stock compensation (PSU) varies between 0% and 200%, depending on the comparison result (in percentile) between the Company’s TSR (total shareholder return) for the three years and the TSR of a pre-selected group of comparable companies. The comparable companies are selected from domestic and overseas companies in the business areas in which the Company operates. The number of shares to be delivered to each individual is calculated as follows:

Number of shares delivery to each individual = Standard PSU points for the position × PSU grant rate (0-200%)

■ Determination of PSU grant rate

[TSR percentile vs comparable companies]



(iv) Restricted Stock Units (RSU)

In order to promote continuous shareholding and shareholder value during the term of office, the Restricted Stock Unit (RSU) program shall, in principle, deliver shares, with transfer restrictions, equivalent to the standard amount for the position at the end of each fiscal year. The transfer restrictions shall be lifted at retirement (when the Company’s Director or Executive Officer retires from his/her position).

(2) Stock ownership guidelines

We believe it is important to ensure that our Executive Officers share the same value with our shareholders on a long-term and sustainable basis. To this end, we have established the following stock ownership guidelines and require Executive Officers to continuously hold the Company’s stock during their term of office, even after the target amount has been reached.

[Stock Ownership Guidelines]

Targeted holdings to be achieved within four years of assuming the position

Position	Target amount	
President & CEO	The multiple to be applied to the annual basic compensation	1.3 times
Senior Vice President		1.0 times
Executive Officer		0.8 times

(3) Malus and clawback provisions

The Company shall introduce “malus and clawback provisions” so that, in the event of any material misconduct or violation by an Executive Officer, or in the event of any material revision to the financial results of prior fiscal years, the Compensation Committee may, by resolution, demand that such Executive

Officer forfeit his/her right to receive incentive compensation (malus) or return his/her paid compensation (clawback). The compensation that may be subject to these provisions shall be performance-based bonuses to be paid or already paid, points granted before the delivery of shares and shares before the lifting of transfer restrictions, and some or all of the shares already delivered.

###

About Mitsubishi Electric Corporation

With more than 100 years of experience in providing reliable, high-quality products, Mitsubishi Electric Corporation (TOKYO: 6503) is a recognized world leader in the manufacture, marketing and sales of electrical and electronic equipment used in information processing and communications, space development and satellite communications, consumer electronics, industrial technology, energy, transportation and building equipment. Mitsubishi Electric enriches society with technology in the spirit of its “Changes for the Better.” The company recorded a revenue of 4,476.7 billion yen (U.S.\$ 36.7 billion*) in the fiscal year ended March 31, 2022. For more information, please visit www.MitsubishiElectric.com

*U.S. dollar amounts are translated from yen at the rate of ¥122=U.S.\$1, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2022

[Appendix]

Revision of Performance-based Stock Compensation Plan

Mitsubishi Electric Corporation

May 25, 2022

1. About the revision of the performance-based stock compensation plan

- 1) In response to the decision to revise the compensation plan for Executive Officers, the Company will revise the performance-based stock compensation plan (hereinafter referred to as the “Plan”) for Executive Officers as described in “2.” below.
- 2) The Plan is based on the BIP (Board Incentive Plan) Trust (hereinafter referred to as the “BIP Trust”) and provides and delivers to Executive Officers shares of the Company and an amount of money equivalent to the cash proceeds from the conversion of the Company’s shares (hereinafter referred to as “the Company’s shares, etc.,” delivery in accordance with their position, the degree of achievement of performance targets, and other factors. It should be noted, however, that, as described in “3.” below, a portion of the Company’s shares to be delivered shall be subject to restrictions on transfer until their retirement.
- 3) The Company is a Company with a Three-committee System, and the revision of the Plan has been decided on by the Compensation Committee*¹. The amount of annual performance-based stock compensation (maximum amount of trust fund), the method of acquiring shares, and the details of the BIP trust are, in principle, determined at the Compensation Committee and other meetings held in May of each year*².

*1: The Company has established a Compensation Committee, the majority of whose members are Outside Directors, and the Committee has resolved to revise the System. The Committee fairly evaluates the appropriateness and achievement of performance targets to ensure the transparency and objectivity of the decision-making process and results related to the compensation system.

*2: The decision on the amount of performance-based stock compensation for Executive Officers shall be made by resolution of the Compensation Committee, and the method of acquisition of shares and the details of the BIP trust shall be decided through deliberation at the Executive Officer meeting.

2. **Outline of the revision of the Plan**

- 1) The main revisions regarding the design of the Plan for Executive Officers are as follows. For details of the Plan after revision, please refer to “3.” below. The compensation for FY 2021 as described in “(2)” below and the delivery of Company shares, etc. corresponding to the points already granted under the Plan prior to the revision shall be made in accordance with the Plan prior to the revision.

	Before revision	After revision
Structure of the Plan	Stock-based compensation determined based on the evaluation of the previous year’s performance	Consisting of the following two portions: - Medium-term incentives (hereinafter referred to as the “PSU* ³ portion”). - Long-term incentives (hereinafter referred to as the “RSU* ⁴ portion”)
Performance evaluation period	Fiscal year (single fiscal year) immediately preceding the establishment or extension of the trust	PSU portion: 3 fiscal years from the fiscal year in which the trust is extended
Performance indicators	Consolidated financial results and the results of each executive officer’s business	PSU portion: Relative TSR (benchmarked to domestic and foreign companies) * ⁵

Deferral period from point grant to share delivery	3 years	PSU portion: 3 years from the granting of PSU reference points on each year RSU portion: From each year's grant of RSU stock delivery points to March of the following year (with a restriction on transfer until retirement after delivery)
Share delivery method	Fifty percent of the Company's shares (in units of one unit) corresponding to stock delivery points will be delivered. The remaining shares will be converted into cash within the Trust, and a cash payment equivalent to the amount of the conversion price will be made.	PSU portion: same as in the left column RSU portion: Delivery of Company shares corresponding to points

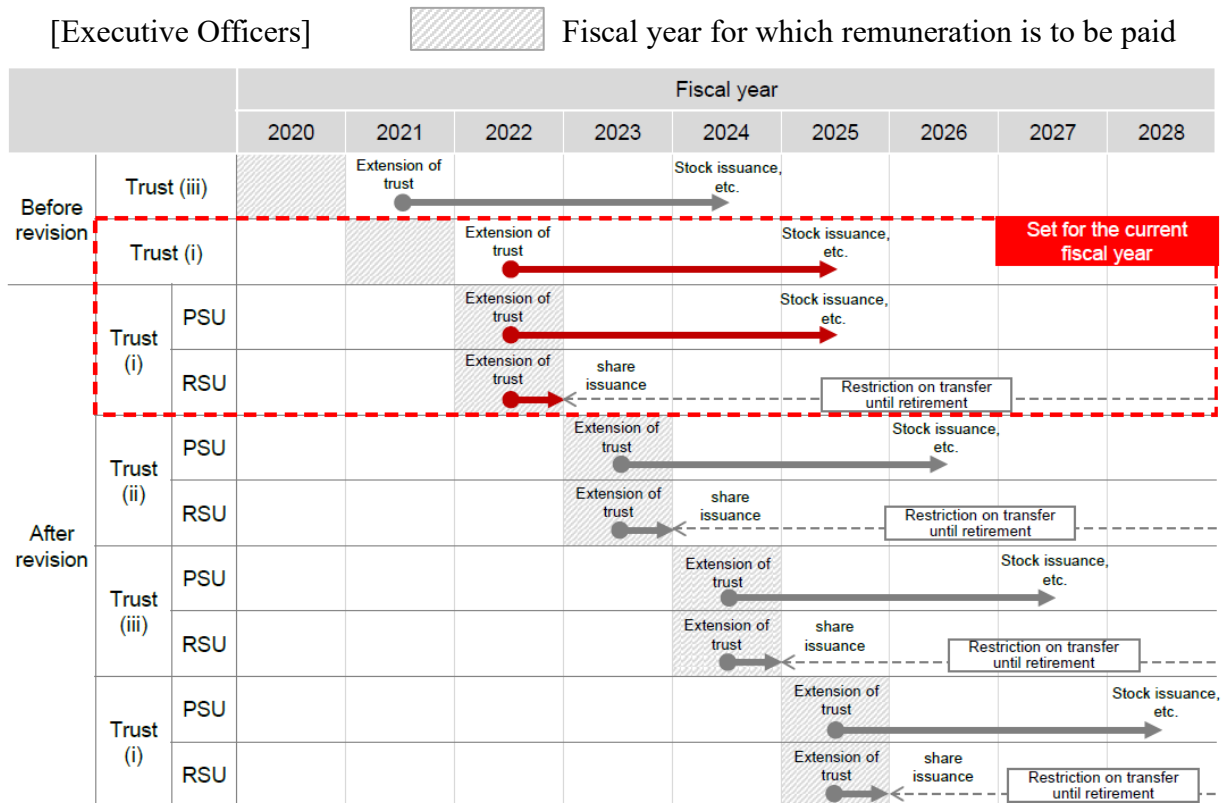
*3: PSU stands for Performance Share Unit: A portion of shares issued to Executive Officers in proportion to the degree of achievement of medium- and long-term performance targets. See "3. (5)" below for the calculation method.

*4: RSU stands for Restricted Stock Unit: A portion of a company's common stock in which the number of shares to be delivered is determined in advance, and those shares are delivered to Executive Officers after a certain period of time has elapsed. See "3. (5)" below for the calculation method.

*5: TSR stands for Total Shareholders Return. See "3. (5)" below for the method of reflection.

2) The Plan before the revision was designed to establish and extend a trust for a part of the compensation for the previous fiscal year in the current fiscal year, a part of the compensation for fiscal 2021 has not yet been paid. Such unpaid amount will be contributed to the BIP Trust this year as before, and the Company's shares, etc. will be delivered, etc. to the Executive Officers in accordance with the Plan before the revision.

- 3) Three trusts with a trust period of approximately three years—each trust is set up so that the trust period expires every year (hereinafter referred to as the “Trust”)—are used for the Plan, and the Plan is continued by extending each Trust when the trust period expires. The following is a summary of the relationship between the extension of the Trust and the years subject to the execution of duties for which compensation is paid.



3. Details of the Plan (after revision)

1) Outline of the Plan

This is an incentive plan under which the Company’s shares, etc. are delivered to the plan’s eligible employees as compensation for directors and executive officers according to the degree of growth in corporate value and shareholder value.

Individuals eligible for the Plan are granted points at a certain time each year in accordance with their classifications and receive the delivery of a certain number of shares of the Company’s stock, etc. determined by a predetermined calculation method at a certain time.

2) **Decision of the Compensation Committee etc. concerning the Plan**

In principle, at the Compensation Committee meeting held in May of each year, the Company shall determine the amount to be contributed to the Trust, the method of acquisition of the Company's shares, and other necessary matters, and based on such determination, the Company shall amend the trust agreement and additionally place shares in trust for the existing trust whose trust period will expire, thereby extending the trust period.

3) **Eligibility for the Plan (Beneficiary Requirements)**

Individuals eligible for the Plan shall receive the delivery from each Trust the number of shares of the Company's stock, etc. corresponding to the number of points (set forth in (5) below), provided that they have fulfilled the requirements for beneficiaries.

The beneficiary requirements are as follows:

- (i) The person must have been eligible for the plan during all or part of the fiscal year for which the points are granted, and must have been determined by the Compensation Committee or to be eligible for the payment of the points.
- (ii) The person must be a resident in Japan*⁶
- (iii) Certain acts of misconduct were not committed during the term of office.
- (iv) Each number of points has been determined.
- (v) Other requirements deemed necessary to achieve the purpose of the Plan

*6: If the person becomes a non-resident of Japan during the grace period between the grant of points and the delivery of shares, he or she shall cease to be an eligible person for the Plan and shall promptly convert the number of the Company shares corresponding to the number of points up to such time and receive the monetary benefits obtained from the Trust.

4) **Trust period**

The trust period will be for a period of approximately three (3) years, beginning around the end of May of each year and ending at the end of August of three (3) years later. However, the trust period of the Trust, which will be extended within the first year after the revision of the Plan, is scheduled from June 1, 2022, to the end of August 2025.

In principle, at the expiration of the trust period, the Trust shall be continued by amending the trust agreement and conducting an additional trust. In such cases, the trust period of the Trust will be further extended, and the Company will make additional contributions within the trust amount determined by the Compensation Committee, etc. for each extended trust period, and will continue to grant points to the individuals eligible for the Plan during the extended trust period.

However, in the event of such additional contribution, if there are shares of the Company (excluding the Company shares equivalent to the points granted to individuals eligible for the Plan, which have not yet been delivered) and money remaining in trust assets at the end of the trust period prior to the extension (hereinafter referred to as “Remaining Shares, etc.”), the total amount of the Remaining Shares, etc. and the trust money to be additionally contributed shall be within the range of the trust amount determined by the Compensation Committee, etc.

5) Number of shares of the Company to be delivered to Executive Officers, etc.

The number of shares of the Company’s stock, etc. to be delivered to Executive Officers shall be determined as one share of the Company’s stock for each point in accordance with the number of points calculated in accordance with the formulas for the “PSU portion” and “RSU portion” of the points set forth below.

One point shall be one share of the Company’s common stock, and in the event of a stock split, reverse stock split, or other event in which it is deemed fair to adjust points, the number of the Company’s shares per point shall be adjusted in accordance with the split ratio, reverse stock split ratio, etc.

<PSU portion>

At a certain time in the first year of three consecutive fiscal years (the “Performance Evaluation Period”), PSU reference points will be awarded, and after the expiration of the Performance Evaluation Period, PSU stock delivery points will be awarded, which will be determined by the following formula.

(Calculation Formula)

PSU stock delivery points = PSU reference points*⁷ x PSU grant rate*⁸

*7: PSU reference points = Standard PSU amount / Average closing price of the Company’s shares on the Tokyo Stock Exchange for all trading days in March immediately prior to the grant of points (rounded up to the nearest whole number)

*8: PSU grant rate: Varies in the range of 0 to 200% depending on the results of the comparison between the Company’s TSR and the TSR of domestic and overseas benchmarked companies during the Performance Evaluation Period

<RSU portion>

At a designated time of each year, RSU stock delivery points*⁹ are awarded in proportion to service level.

*⁹: RSU stock delivery points = Standard RSU amount / Average closing price of the Company's shares on the Tokyo Stock Exchange for all trading days in March immediately prior to the grant of points (rounded up to the nearest decimal place)

6) Method and timing of delivery of the Company's shares, etc. to Executive Officers, etc.

<PSU portion>

Executive Officers who satisfy the beneficiary requirements in (3) above shall, in principle, after the expiration of the Performance Evaluation Period, receive 50% of the Company's shares (in units of one unit) corresponding to the PSU stock delivery points, and the remaining shares shall be converted into cash within the Trust and shall receive a cash payment equivalent to the amount of such conversion.

<RSU portion>

Executive Officers who satisfy the beneficiary requirements in (3) above shall, in principle, receive delivery of the Company's shares corresponding to the RSU stock delivery points in the month of March immediately following the grant of such RSU stock delivery points. Such shares are subject to transfer restrictions after delivery and, in principle, the transfer restrictions will be lifted upon retirement (i.e., upon retirement from the positions of the Company's Director and/or Executive Officer).

In the event of serious impropriety or misconduct by an Executive Officer during the restricted period, the Company shall naturally acquire the shares of the Company delivered to the Executive Officer without compensation.

The Company's shares subject to the transfer restriction will be managed in a dedicated account opened by the Executive Officer at Daiwa Securities Co. during the period of the transfer restriction so that the shares cannot be transferred, pledged as collateral or, otherwise, disposed of during the period of the transfer restriction.

7) Scheduled amount of trust money to be contributed to the Trust and scheduled number of shares of the Company's stock to be delivered from the Trust

The trust amount to be contributed by the Company to the Trust will be determined, in principle, at the Compensation Committee meeting held in May of each year.

The above amounts will be calculated with trust fees and trust expenses added to the funds for acquiring the shares.

The number of shares of the Company's stock to be delivered to the individuals eligible for the Plan from the Trust shall be limited to the number of shares obtained by dividing the total of the Remaining Shares, etc. and the trust fund to be contributed to the Trust by the average closing price of the Company's stock on the Tokyo Stock Exchange for all trading days in March of the immediately preceding fiscal year (hereinafter referred to as the "Upper Limit of Acquired Shares").

8) Method of acquisition of the Company's shares by the Trust

The acquisition of the Company's shares by the Trust is planned to be made from the stock market, within the limits of the funds for share acquisition and the Upper Limit of Acquired Shares as described in "(7)" above. Details of the acquisition will be determined and disclosed by the Compensation Committee, etc.

9) Exercise of voting rights with respect to the Company's shares in the Trust

In order to ensure neutrality toward management, the voting rights of the Company's shares held in the Trust (i.e., the Company's shares before delivery to individuals eligible for the Plan) shall not be exercised during the trust period.

10) Handling of dividends pertaining to the Company's shares in the Trust

Dividends on the Company's shares in the Trust will be received by the Trust and will be used for trust compensation and trust expenses of the Trust. Any residual funds remaining at the final stage of the termination of the Trust after being appropriated for trust compensation and trust expenses will be donated to an organization that has no interest in the Company or the individuals eligible for the Plan.

11) Treatment at the expiration of trust period

In the event that some individuals eligible for the Plan who fulfilled the requirements for beneficiaries at the time of establishment or extension of the Trust do not become beneficiaries, or if there are residual shares at the expiration of the Trust period, the Trust may be continued as an incentive plan of the same type as this plan by amending the Trust Agreement and conducting an additional trust.

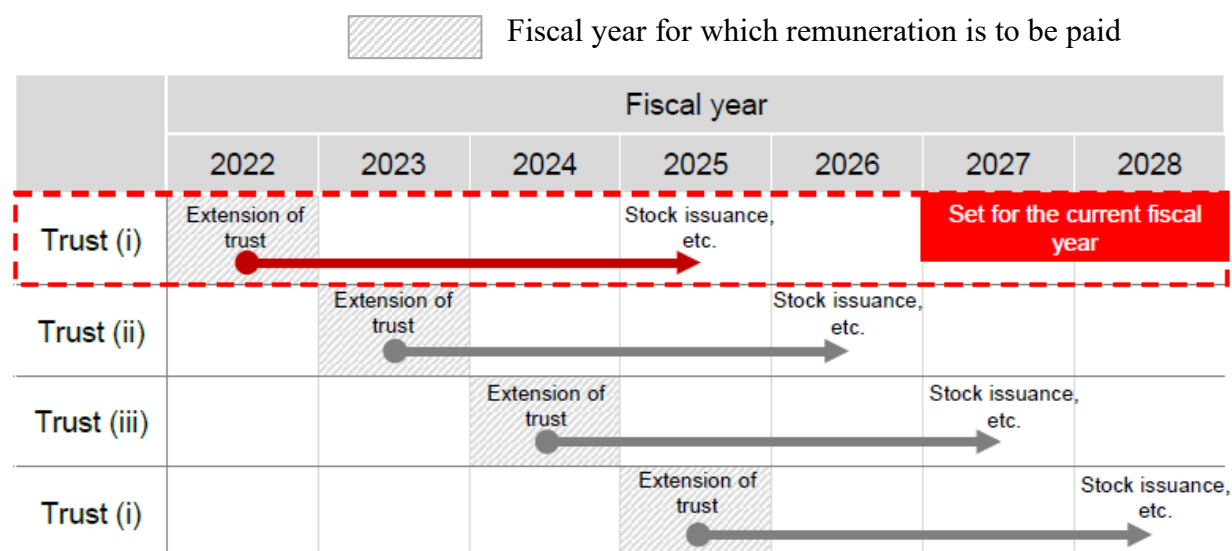
In the event that the Trust is terminated due to the expiration of the trust period, the residual shares will be transferred from the Trust to the Company free of charge and the Company will cancel them as a shareholder return measure.

4. Other

1) The Company has newly established the position of Executive Officer (Associate) as of April 1, 2022. Although the compensation scheme applicable to Executive Officers (Associate) is separate from that applicable to Executive Officers, we have decided to include Executive Officers (Associate) in the Plan for the purpose of enhancing their awareness of contributing to the enhancement of corporate value over the medium to long term and their awareness of value sharing with our shareholders. An outline of the relationship between the extension of the trust for the Plan and the fiscal year subject to the execution of duties for which the Executive Officers (Associate) are to be compensated is as follows.

[Executive Officers (Associate)]

Executive Officers (Associate) who are eligible for compensation are granted points determined based on certain criteria, and after a deferment period of three years, the Company’s shares, etc. corresponding to the points are delivered to them.



*The same trust is used for Executive Officers (Associate) as for Executive Officers.

2) While the Plan applicable to Executive Officers (Associate) shall use the same trust as that for Executive Officers, the number of the Company’s shares to be delivered and the method and timing of delivery of the Company’s shares, etc. shall be handled as follows.

(i) Number of shares of the Company to be delivered

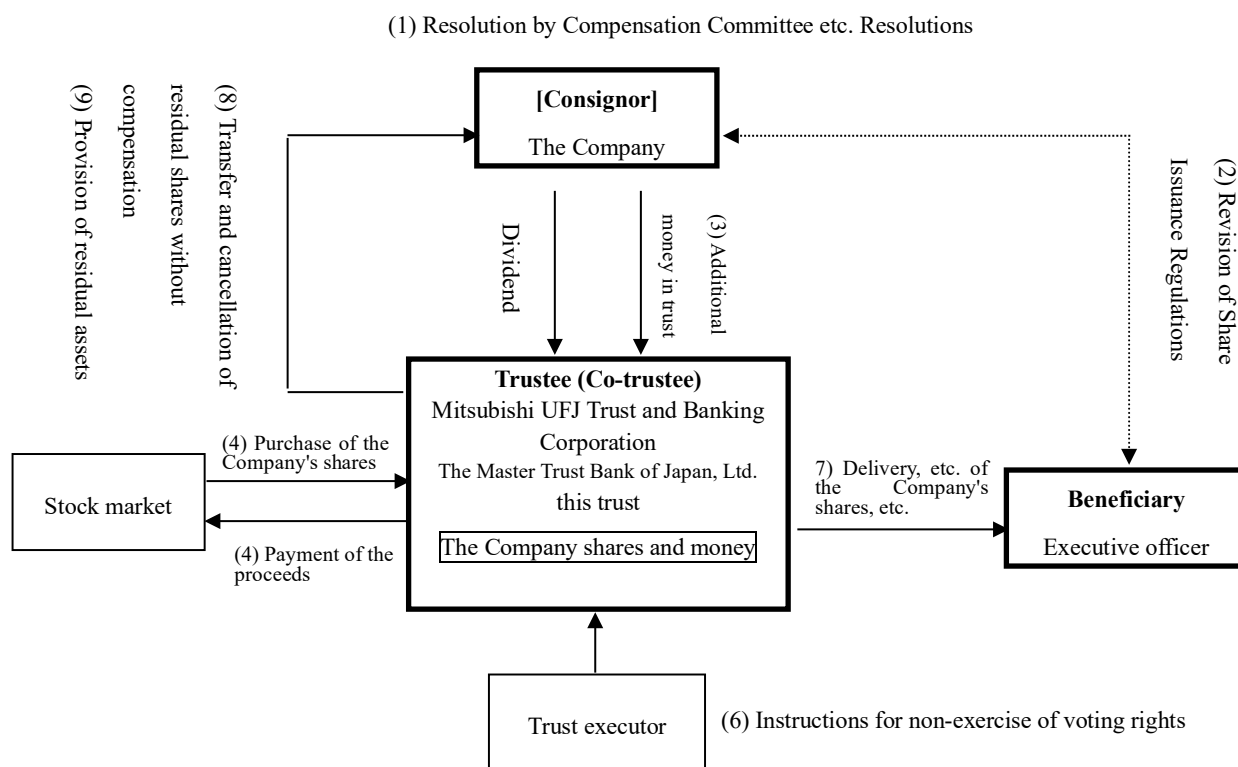
The number of shares of the Company’s stock, etc. to be delivered to the Executive Officers (Associate) shall be determined in accordance with the number of points granted at a certain time each year, with one share of the Company’s stock per point.

One point shall be one share of the Company’s common stock, and in the event of a stock split, reverse stock split, or other events in which it is deemed fair to adjust points, the number of the Company’s shares per point shall be adjusted in accordance with the split ratio, reverse stock split ratio, etc.

(ii) Method and timing of delivery of the Company’s shares, etc.

Individuals eligible for the Plan who satisfy the beneficiary requirements previously established are, in principle, granted points, and after a deferment period of three years, the Company’s shares, etc. corresponding to the points are delivered to them.

(Reference) Structure of the Trust



- (1) Since the Company is a Company with a Three-committee System, the Compensation Committee, etc. makes resolutions regarding the revision of this system.
- (2) With respect to the revision of this plan, the Compensation Committee, etc. will revise the regulations for granting shares for Directors’ Remuneration.
- (3) The Company shall place additional money in trust to the extent determined by the Compensation Committee, etc., and extend a trust (the Trust) whose beneficiaries shall be individuals eligible for the Plan who satisfy the requirements for beneficiaries.
- (4) The trustee (the Trust) will acquire the Company’s shares from the stock market using the money contributed in “(3)” above as the source of funds, in accordance with the instructions

of the trust manager.

- (5) Dividends will be paid to the Company's shares in the Trust in the same manner as other Company shares.
- (6) The Company's shares in the Trust shall not exercise voting rights throughout the Trust period.
- (7) During the trust period, a certain number of points shall be granted to individuals eligible for the Plan. These individuals who satisfy certain beneficiary requirements will receive the Company's shares corresponding to such number of points and money in exchange for a certain percentage of the Company's shares in accordance with the regulations for granting shares every year and at the end of the trust period, as described in "3 (6)" and "4 (2)" above.
- (8) In the event that residual shares arise at the expiration of the trust period, such as when individuals eligible for the Plan who fulfilled the requirements for beneficiaries at the time of establishment and extension of the Trust do not become beneficiaries, the Trust will either continue to be used as an incentive plan of the same type as the Plan by amending the trust agreement and conducting an additional trust, or the residual shares will be transferred from the Trust to the Company without compensation and cancelled.
- (9) At the termination of the Trust, the remaining assets after distribution to the beneficiaries will belong to the Company within the trust expense reserve, which is the trust fund less the funds for stock acquisition.

(Note) In the event that there are no more Company shares in the Trust due to the delivery, of Company shares, etc., to individuals eligible for the Plan who satisfy the requirements for beneficiaries, the Trust will terminate before the expiration of the Trust period.

The Company may acquire additional shares of the Company's stock through the Trust by trusting additional money to the Trust within the funds for stock acquisition determined by the Compensation Committee, etc. and within the Upper Limit of Acquired Shares.