



**Mitsubishi Electric**

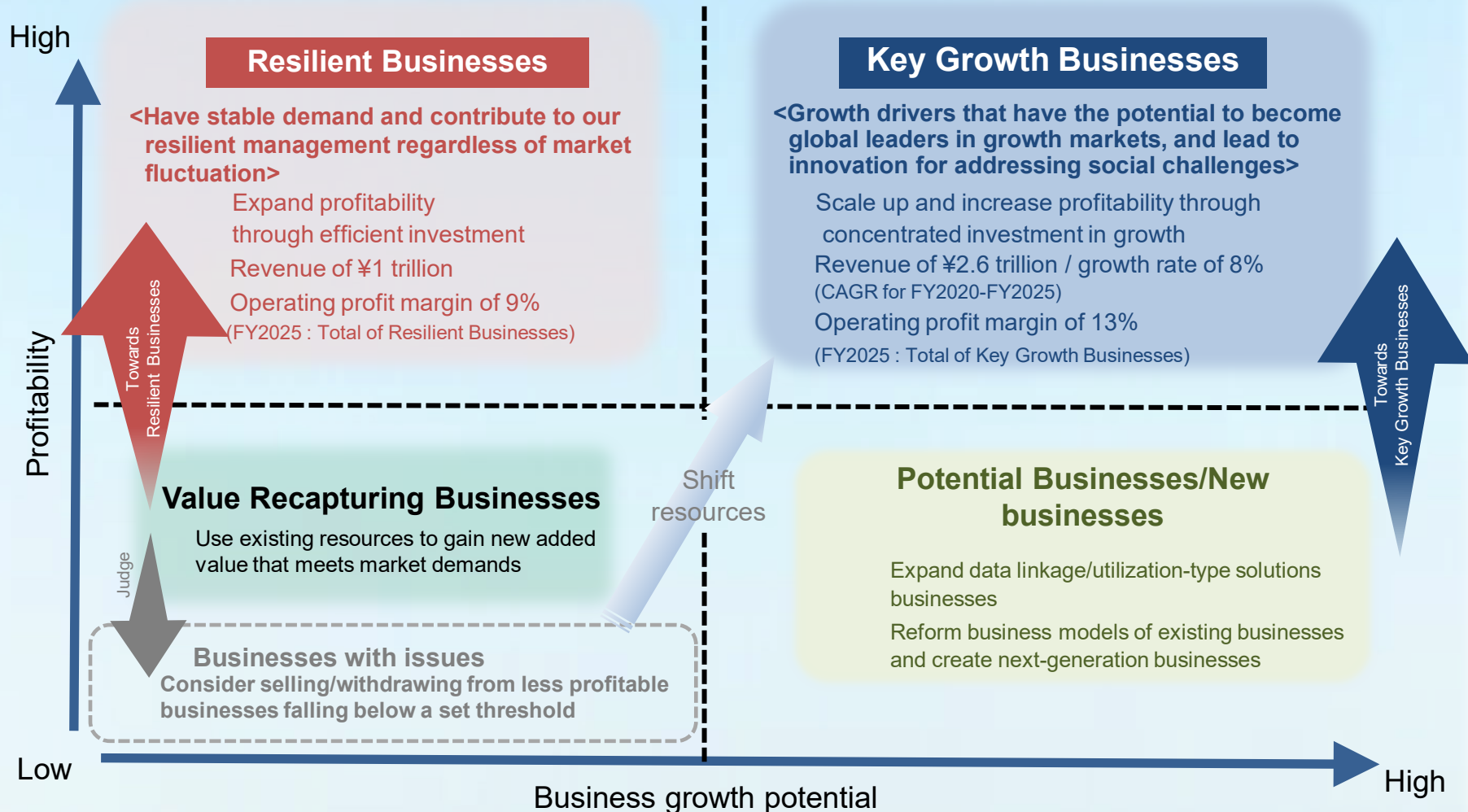
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**Key Growth Businesses**

**Nov 8, 2021**  
**Mitsubishi Electric Corporation**

# Approach to Business Portfolio Strategy

Classify businesses according to their characteristics and optimize investment of management resources.



## Initiatives in Key Growth Businesses

### Factory Automation (FA) Control Systems Business [PLC, Servo, and CNC]

Help build a foundation for industry and technological innovation by globally providing machines, equipment, and solutions that realize the automation of manufacturing, improving quality and productivity.



### Air-Conditioning & Refrigeration Systems Business

Contribute to creating a safe, secure and comfortable society and achieving a decarbonized society as a global comprehensive air-conditioning & refrigeration manufacturer offering excellent air conditioning and ventilation technologies as well as life cycle solutions.



### Building Systems Business

Decided to establish a new company<sup>(\*)</sup> which realizes integrated business operation covering new installations to maintenance and replacement, in order to strengthen global competitiveness. Realize Smart Buildings and Smart Cities by providing solutions making use of accumulated technologies and data, as well as multi-business synergies.

\* Mitsubishi Electric Building Solutions Corporation (Scheduled to establish in Apr. 2022)



### Automotive Equipment Business (xEV/ADAS)

Contribute to the global environment and safety/security through product development using our xEV technology (power device, cooling, high density winding) and ADAS technology (high precision-positioning, millimeter waves, image recognition).



### Power Semiconductor Devices Business

Focus on the automotive/consumer product fields where high growth is expected, using IGBT/SiC cultivated through business synergies. Contribute to a decarbonized society by providing key devices that save energy in equipment.



## Open Innovation

Expand our solution domain by leveraging external knowledge and technology through means such as M&As, co-creation with customers and partners, and collaborations with start-ups.

### Expand business domains through M&As



#### Acquisition of UK-based SGS Ltd. (\*) (Concluded a contract in Aug. 2021)

Combine the advanced DERMS technology of SGS Ltd., which has experience doing business in Europe and the US, with our technology and customer base. Aim to become a leading company in the DERMS market, which is expected to see a global surge in demand.

**smarter  
grid**solutions

\* SGS Ltd.: Smarter Grid Solutions Limited

### Create innovation by collaborating with start-ups



#### Searching for the missing piece to create new value

Joined CIC Tokyo's Innovation Community for Energy and Environment to search for, support, and collaborate with start-ups.  
(Started activity in Oct. 2020)



Implemented a proprietary acceleration program under the theme of "smart city" in partnership with Rainmaking.  
(Started activity in Jan 2021)



### Co-create value with customers and partners



#### Establishment of 5G OPEN INNOVATION Lab (Jun 2021)

Opened a place for co-creation related to local 5G with customers and partners.

Participants review local 5G use cases and carry out a wide range of pilot tests such as 5G-based automated/remote control of mobile robots.

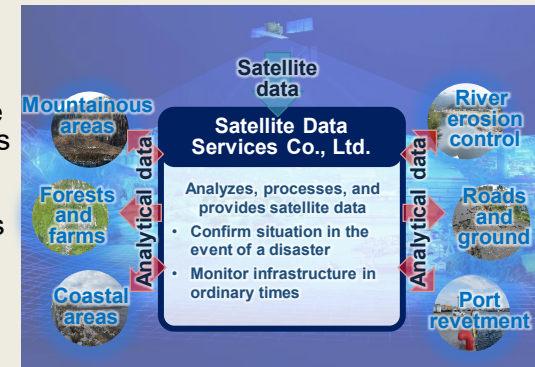


### Create new value by collaborating with multiple industries



#### Establishment of Satellite Data Services Co., Ltd. (Jun 2021)

Aims to commercialize services providing information on satellite data analysis that can be applied commonly across a wide range of areas, such as swift confirmation of situations in the event of a disaster and continuous monitoring of national land and infrastructure during ordinary times.



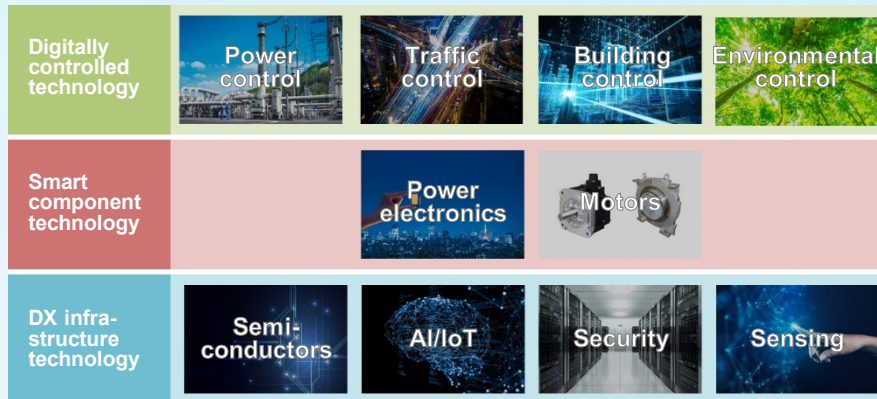
# Intellectual Property Strategy

## Strategy 1. Open Technology Bank

✓ Make the technological asset database with 60,000 IPs available to the public  
Start a search service in Oct. internally/next spring externally

Internal technological collaboration & open innovation with external parties

✓ Mitsubishi Electric technology map presented in OTB<sup>(\*1)</sup>  
Make it publicly available in Dec. 2021



Combine these three technologies by leveraging OTB  
 ➔ Use data to solve issues in a range of social spaces  
 ➔ Contribute to sustainability (decarbonization/new normal/economic security)

## Strategy 2. Qualitative IP activity targets

In addition to quantitative advantages, enhance qualitative IP capabilities that are compatible with AI/solutions

Leveraging the world's leading IP creation capabilities,

Patent asset size <sup>(*2)</sup>	No. of patent registrations in Japan <sup>(*3)</sup>	International application ranking <sup>(*4)</sup>	No. of design registrations in Japan <sup>(*3)</sup>
<b>No. 1</b> in Japan	<b>No. 2</b> in Japan	<b>No. 3</b> globally	<b>No. 1</b> in Japan

Qualitatively improve IPs that will form the Operation DX infrastructure

	Current		FY2025 target
<b>Solution rate</b>	<b>10%</b>	➔	<b>30%</b>
<b>AI rate</b>	<b>3%</b>	➔	<b>10%</b>

Develop and execute IP/standards strategy in the IoT domain in alignment with activities to strengthen IP capabilities

In addition to utilizing IoT in areas such as FA, electric power, and train, carry out standardization activities in the field of future telecommunication infrastructure, such as 5G, beyond 5G, and 6G, to contribute to solving social issues and expanding business.

\*1 OTB is an acronym for "Open Technology Bank"  
 \*2 Announced by Patent Result Co., Ltd. (total from Apr. 2019 to Mar. 2020)  
 \*3 Announced by Japan Patent Office (total from Jan. to Dec. 2020)  
 \*4 Announced by World Intellectual Property Organization (WIPO) (total from Jan. to Dec. 2020)

Link and drive forward

## 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.).

Scheduled to establish Mitsubishi Electric Software Corporation in Apr. 2022

### 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 new 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.

# Priority Allocation of Resource Investment

Invest resources in the amount of ¥2.8 trillion, up ¥0.8 trillion from the previous medium-term management plan, centered on Key Growth Businesses. Attain the FY2025 financial targets (revenue of ¥5 trillion, OPM of 10%).

## Resource Investment (\*1)

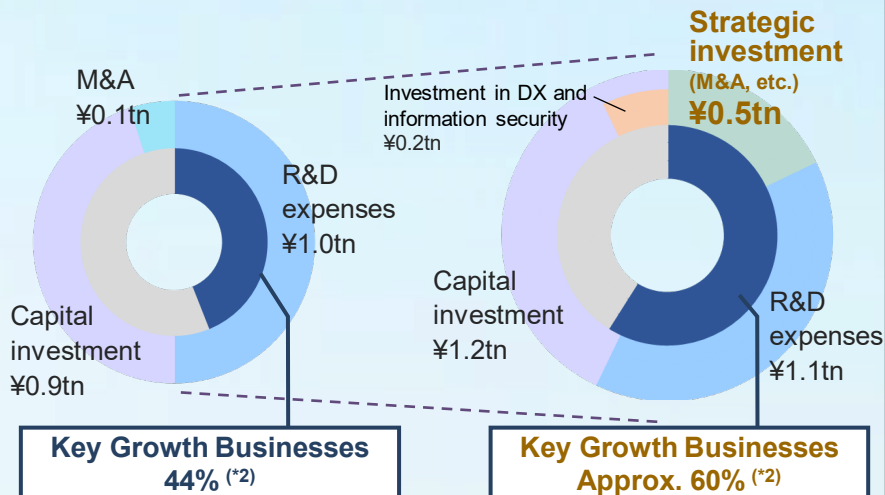
**Previous Medium-term Management Plan (FY2016-FY2020)**

¥2.0tn

+¥0.8tn

**New Medium-term Management Plan (FY2021-FY2025)**

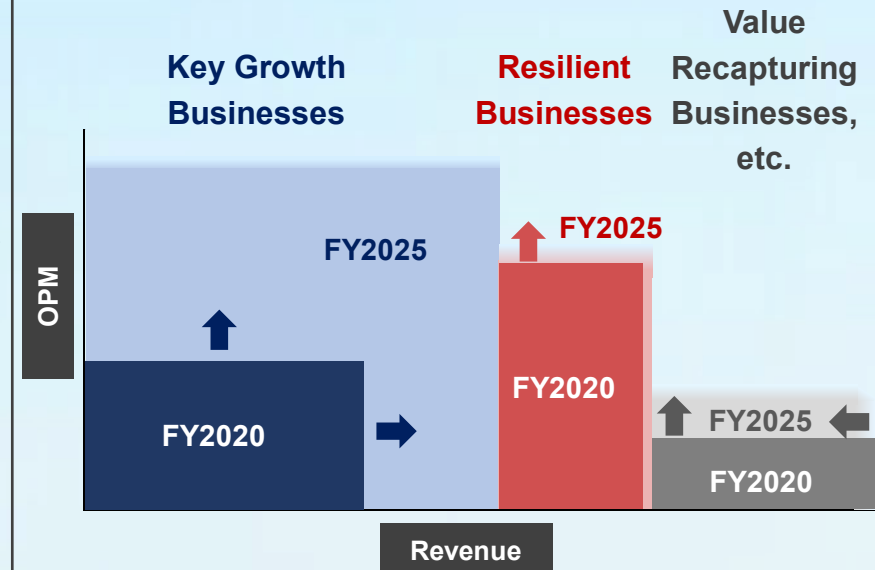
¥2.8tn



- Separately set an amount of approximately ¥0.5 trillion for strategic investment (M&A, etc.). Focus allocation of budget in Key Growth Businesses and flexibly make investments.
- Break down ROIC by location and business. Maximize efficiency of invested capital by utilizing ROIC also for business evaluation and investment decisions.

## Revenue / Operating Profit

**FY2025 Financial Targets**  
Revenue: ¥5 trillion / OPM: 10%



\*1 Allocation to growth investment, etc. (M&A and other strategic investment, R&D expenses, capital investment)

\*2 Ratio of Key Growth Businesses to total investment in all business divisions (excluding investment in non-business divisions)

## FY2025 Financial Targets

**Revenue**

**¥5 trillion**

**Operating Profit Margin**

**10%**

**ROE**

**10%**

**Cash Generation<sup>(\*)</sup>**

**¥3.4 trillion/5 years**

\* Adjusted operating cash flow (CF)



## Cautionary Statement

While the statements herein including the forecast of the Mitsubishi Electric Group are based on assumptions the Group considers to be reasonable under the circumstances on the date of announcement, actual results may differ significantly from forecasts.

Such factors materially affecting the expectations expressed herein shall include but are not limited to the following:

1. Any change in worldwide economic and social conditions, as well as laws, regulations, taxation and other legislation
2. Changes in foreign currency exchange rates, especially JPY/dollar rates
3. Changes in stock markets, especially in Japan
4. Changes in balance of supply and demand of products that may affect prices and volume, as well as material procurement conditions
5. Changes in the ability to fund raising, especially in Japan
6. Uncertainties relating to patents, licenses and other intellectual property, including disputes involving patent infringement
7. New environmental regulations or the arising of environmental issues
8. Defects in products or services
9. Litigation and legal proceedings brought and contemplated against the Company or its subsidiaries and affiliates that may adversely affect operations or finances
10. Technological change, the development of products using new technology, manufacturing and time-to-market
11. Business restructuring
12. Incidents related to information security
13. Large-scale disasters including earthquakes, typhoons, tsunami, fires and others
14. Social or political upheaval caused by terrorism, war, pandemics, or other factors
15. Important matters related to the directors and executive officers, major shareholders and affiliated companies of Mitsubishi Electric Corporation

