Corporate Strategy

Nov. 2014
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Note
FY2009: April 1, 2009-March 31, 2010
FY2010: April 1, 2010-March 31, 2011
FY2012: April 1, 2012-March 31, 2013
FY2013: April 1, 2013-March 31, 2014
FY2014: April 1, 2014-March 31, 2015
1. Forecast for FY2014

(1) Consolidated performance

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<tbody>
<tr>
<td>Net Sales</td>
<td>3,353.2</td>
<td>3,645.3</td>
<td>3,639.4</td>
<td>3,567.1</td>
<td>4,054.3</td>
<td>1,950.0</td>
<td>4,220.0</td>
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<tr>
<td>Operating Income (%)</td>
<td>94.3</td>
<td>233.7</td>
<td>225.4</td>
<td>152.0</td>
<td>235.1</td>
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<td>Income before income taxes</td>
<td>64.2</td>
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<td>112.0</td>
<td>69.5</td>
<td>153.4</td>
<td>68.0</td>
<td>175.0</td>
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(Billions of yen)

FY2000: 4,129.4
FY2007: 264.0

[] indicates our record-high figures

[Image of bar chart showing net sales and operating income for different fiscal years with a focus on FY2014 forecasts.]
## 1. Forecast for FY2014

### (2) Segment Forecast

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<thead>
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<tr>
<td></td>
<td>92JPY/USD</td>
<td>86JPY/USD</td>
<td>79JPY/USD</td>
<td>83JPY/USD</td>
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<td>130JPY/EUR</td>
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<td><strong>Energy &amp; Electric Systems</strong></td>
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<td>Net Sales</td>
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<td>1,027.7</td>
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<td>Operating Income/Loss</td>
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<td>(%)</td>
<td>7.2%</td>
<td>8.1%</td>
<td>8.3%</td>
<td>8.0%</td>
<td>6.5%</td>
<td>6.3%</td>
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<td>Net Sales</td>
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<td>927.0</td>
<td>978.3</td>
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<td>Operating Income/Loss</td>
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<td>101.1</td>
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<td>124.0</td>
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<td>(%)</td>
<td>3.6%</td>
<td>10.8%</td>
<td>10.3%</td>
<td>6.5%</td>
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<td><strong>Information &amp; Communication Systems</strong></td>
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<tr>
<td>(%)</td>
<td>3.5%</td>
<td>2.8%</td>
<td>4.1%</td>
<td>0.3%</td>
<td>1.0%</td>
<td>2.4%</td>
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<td><strong>Electronic Devices</strong></td>
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<td>138.9</td>
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<td>Operating Income/Loss</td>
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<td>5.9</td>
<td>3.5</td>
<td>-5.5</td>
<td>10.0</td>
<td>19.0</td>
</tr>
<tr>
<td>(%)</td>
<td>-5.1%</td>
<td>3.4%</td>
<td>1.8%</td>
<td>-3.4%</td>
<td>5.2%</td>
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<tr>
<td><strong>Home Appliances</strong></td>
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<td>22.3</td>
<td>19.3</td>
<td>52.8</td>
<td>52.0</td>
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<tr>
<td>(%)</td>
<td>0.6%</td>
<td>4.5%</td>
<td>2.6%</td>
<td>2.3%</td>
<td>5.6%</td>
<td>5.6%</td>
</tr>
<tr>
<td><strong>Others</strong></td>
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<td>Net Sales</td>
<td>552.9</td>
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<td>611.6</td>
<td>590.3</td>
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<tr>
<td>Operating Income/Loss</td>
<td>3.2</td>
<td>14.4</td>
<td>20.3</td>
<td>18.7</td>
<td>19.8</td>
<td>20.0</td>
</tr>
<tr>
<td>(%)</td>
<td>0.6%</td>
<td>2.4%</td>
<td>3.3%</td>
<td>3.2%</td>
<td>2.9%</td>
<td>2.8%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,353.2</td>
<td>3,645.3</td>
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<td>4,220.0</td>
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<tr>
<td>Operating Income/Loss</td>
<td>94.3</td>
<td>233.7</td>
<td>225.4</td>
<td>152.0</td>
<td>235.1</td>
<td>275.0</td>
</tr>
<tr>
<td>(%)</td>
<td>2.8%</td>
<td>6.4%</td>
<td>6.2%</td>
<td>4.3%</td>
<td>5.8%</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

* Inter-segment sales are included in the above chart.  

**Notes:**
- FY2009 to FY2013 data are actual figures.
- FY2014 forecast (as of October 2014) includes estimates for the second half of the fiscal year.
- All figures are in Billions of Yen.
- Exchange rates used: 92JPY/USD, 86JPY/EUR, 83JPY/USD, 100JPY/USD.
2. Management Policy
Maintain Balanced Corporate Management for Sustainable Growth

Toward a Higher Level of Growth

Growth Targets to be Achieved by FY2020
- Net Sales 5 trillion yen or more
- OPM 8% or more

Management Targets to be Continuously and Stably Achieved
- ROE 10% or more
- Debt Ratio 15% or less

The debt ratio target, “15% or less,” represents the Company’s financial discipline, which will allow the Company to secure the financing capability to raise necessary funds for further, greater investment.
3. Overview of Growth Strategies

Mitsubishi Electric Group

Technological Assets
- Control (motion, heat, fluid and electricity)
- Power Electronics
- Human Machine Interface
- Encryption
- Electromagnetic Analysis
- Sensing
- Devices
- Design

Technological Platform

Operating Platform
- Procurement
- Productivity
- Quality
- Sales and Services

Business Synergies
- Make Strong Businesses Stronger
- Continuous Creation of New Strong Businesses
- Reinforce the Solutions Business Centered on Strong Businesses

Open & Global Innovation
Enhance technological development capabilities through joint R&D initiatives

Universities
Corporations
Independent Administrative Agencies
Government
Standardization Organizations
4. Toward a Higher Level of Growth

(1) “High-Quality” Growth

Ensure “High-Quality” Growth

Simultaneously Pursue Sales Increase and Profitability Improvement

- Make Strong Businesses Stronger
- Continuous Creation of New Strong Businesses
- Reinforce the Solutions Business Centered on Strong Businesses

Secure Soundness

- Constantly Review and Refresh Business Portfolio

Achieve

Net Sales of 5 trillion yen or more and OPM of 8% or more by FY2020
4. Toward a Higher Level of Growth
(2) Steps Towards FY2020

Phase 1
FY2014
- **Set Targets**
  - Set Growth Target (Group total / by Segment)
  - Reinforce business portfolio management
  - In addition to business strategies, introduce approaches and strategies for separate regional markets

Phase 2
FY2015 FY2016 FY2017
- **Implement Plan**
  - Net Sales: 5 trillion yen or more / OPM: 8% or more
  - Further strengthen growth driver businesses
    - Allocate more resources
    - Reinforce business foundations for global expansion
  - Promote R&D backcasting from what we envision for the future society
  - Strengthen the inter-business collaboration-supporting divisions that foster the solutions business
  - Introduce benchmark figures for assessing efficient use of assets by businesses

Phase 3
FY2018 FY2019 FY2020
- **Achieve Results**
  - Expand global market share for growth driver businesses and develop them into global top businesses
  - Create new strong businesses
  - Deliver new value through solutions business
  - Firmly maintain a sound B/S through highly-selective investments for growth
  - Constantly review and refresh business portfolio

Simultaneously Pursue Sales Increase and Profitability Improvement

Secure Soundness

⇒ Net Sales: 5 trillion yen or more / OPM: 8% or more

Implement Plan

Set Targets

Achieve Results

Every Step for Achieving Results
5. Growth Drivers

Aim to become “global, leading green company”

Further Accelerate Global Expansion in Environment & Energy- and Social infrastructure-Related System Businesses

- **Energy & Electric Systems**
  - **Power Systems**
    - Power generation systems,
    - Transmission & distribution systems,
    - Power distribution systems,
    - Particle therapy systems, etc.
  - **Transportation Systems**
    - Inverters, main motors and air conditioning systems for railcars,
    - Train Vision, Train control and management systems,
    - Railcar operation management systems, etc.
  - **Building Systems**
    - Elevators, Escalators, Building management systems, etc.
  - **Public Systems**
    - Water treatment systems,
    - Disaster prevention systems, etc.

- **Industrial Automation Systems**
  - **Factory Automation (FA) Systems**
    - PLCs, AC servomotors,
    - Controllers, Industrial robots,
    - Laser processing machines, etc.
  - **Automotive Equipment**
    - Starters, Alternators, Car multimedia,
    - Electric power steering, etc.

- **Information & Communication Systems**
  - **Space Systems**
    - Satellites, Ground systems for satellite control, etc.
  - **Communication Systems**
    - Optical, wireless and satellite communications systems, etc.
  - **Video Monitoring Systems**
    - CCTV, Car Vision, etc.
  - **IT Solution**
  - **Electronic Devices**
    - **Power Devices**
      - SiC modules, IGBT modules, etc.
    - **High Frequency and Optical Devices**
      - High frequency devices (GaN and GaAs), Optical devices, etc.
    - **TFT LCD Modules**

- **Home Appliances**
  - **Air Conditioning Systems**
    - Room and package air conditioners,
    - Multiple AC units for buildings,
    - Lossnay ventilation systems, etc.
  - **Housing Equipment**
    - Smart appliances, Lighting, HEMS, etc.
  - **Kitchen and Other**

*SiC: Silicon Carbide, IGBT: Insulated Gate Bipolar Transistor, GaN: Gallium Nitride, GaAs: Gallium Arsenide, HEMS: Home Energy Management System
5. Growth Drivers

(1) Power Systems Business

Provide high-efficiency, low-environmental-load total systems, from power generation to transmission & distribution

Direction of Business Expansion

1. Strengthen global business development

【Power Generation Systems】
- Increase orders for new thermal power generation business by strengthening competitiveness of power generators
- Expand globally repair, maintenance, and replacement business for thermal power generators
  ⇒ Cultivate markets by bolstering sales and engineering efforts through cooperation with local bases (in North America, Middle East, etc.)
- Develop and expand business through collaboration with power companies and IPP/PPS companies

【Transmission & Distribution Systems】
- Capture demand for upgrading transmission and distribution systems (including replacement of old equipment)
  ⇒ Expand business by strengthening local bases (ex. Full-scale production of transformers in Memphis, U.S.A., and establishment of a power systems business unit in Thailand to target the South East Asian market)

【Nuclear Systems】
- Promote entry into the business of upgrading and replacing equipment in the North American market
- Develop maintenance businesses of instrumentation and control systems in China
  ⇒ Establish a business cycle that captures new projects as well as maintenance of existing projects

【Particle Therapy Systems】
- Make further advances in the US market
  ⇒ Organized a particle therapy systems marketing team
  ⇒ Encourage activities to acquire FDA approvals

2. Expand smart grid-related business

- Expand in the area of smart meters and related systems business in anticipation of power sector reforms
- Expand power system stabilization systems business by applying power electronics technologies
  ⇒ ex. Commercialize SVC-Diamond™

Global Business Promotion Structure

*IPP: Independent Power Producer, PPS: Power Producer and Supplier, FDA: Food and Drug Administration, SVC: Static Var Compensator
5. Growth Drivers
(2) Transportation Systems Business

The only manufacturer capable of providing driving, braking, and controlling as a single company

Direction of Business Expansion

1. Further entry into the European market
   - Expand sales for air conditioning equipment for railcars through establishing a European manufacturing and maintenance base, MEKT (Mitsubishi Electric Klimat Transportation Systems S.p.A.)
   - Brought an European air conditioning manufacturer into the Mitsubishi Electric Group to expand sales channels and pursue technological synergies
   - Received orders for renewing electric equipment of Deutsche Bahn’s high speed railcar (The first Japanese manufacturer to receive orders for a propulsion control device for Germany’s high-speed rail)

2. Expand ground-based transportation systems businesses
   - Improve competitiveness of operation control/transit planning system
   - Improve competitiveness of the proposals made for CBTC
   - Promote measures to further transportation system package projects (Transit system, transmission system, etc.)

3. Develop railway solutions business
   - Optimize regenerative power usage from trains by voltage control at substations
   - Expand regenerative energy by using all-SiC inverter equipment
   - Efficiently utilize regenerative energy from auxiliary power equipment in train station buildings (Adopted by Tokyo Metro Co. Ltd.)

Measures for Business Promotion

- Reinforce sales structure ⇒ Station Regional Directors responsible for the transportation systems business for Europe, China, North America and Mexico
- Strengthen the functions of manufacturing bases (Europe, North America)
  ⇒ Start operation of MEKT (Europe) (Apr. 2014)
  ⇒ Establish a North American maintenance base, MRS (MEPPI Rail Service Center) in NY (May. 2014)

Global Business Promotion Structure

- Railcar traction inverter with all-SiC power modules
- (Billions of Yen)
  - Overseas: 230
  - Japan: 13, 20 (FY)

*CBTC: Communication Based Train Control
5. Growth Drivers

(3) Building Systems Business

High degree of safety and reliability due to abundant experience and energy-saving solutions based on advanced control technology

Direction of Business Expansion

1 Continuous Growth in the Japanese market as the leading company
   - Promote sales strategy that includes both new installation and modernization of systems
   - Strengthen maintenance business which supports high-quality and a high degree of safety
   - Optimize construction structure and increase capacity for the full circle of new installation - modernization - maintenance

2 Sustain the position as the No.1 Brand in China, Strengthen sales networks and production capacity
   - Promote the two-brand strategy with MESE (Mitsubishi Electric Shanghai Electric Elevator Co., Ltd.) (upscale premium market) and SMEC (Shanghai Mitsubishi Elevator Co., Ltd.) (economy/general market)
   - Construct a new manufacturing plant for MESE (production capacity: 10,000 → 20,000 units)

3 Develop and expand businesses in emerging markets
   - Strengthen business networks through collaboration with local distribution companies to be closer to the local market
   - Introduce new and/or local strategic products aligned with local customer and market needs
   - Further improve the level of safety and quality of products through high quality construction and maintenance technology

4 Expand building management business to cover entire buildings
   - Expand and develop the solutions businesses with Facima (building management system) and DIGUARD (security system) at its core
     ⇒ Launched “MELSAFETY-Px”, an entry control system for small to mid-sized buildings (Jun. 2014)

Global Business Promotion Structure

- Reinforce global business structure with 3 bases of Japan/Shanghai/Bangkok at its core
  ⇒ Build a global supply chain (Cooperation among manufacturing bases)
  ⇒ Reinforce structure of a global division of labor on development with Japan as the mother plant
- Strengthen human resource development
  ⇒ Foster domestic “global” and “national” human resources
  ⇒ Expand training facilities that would strengthen their effectiveness in the field overseas
- Develop new technologies, new products
  ⇒ Opened “Elevators and Escalators QM center” for development and verification operations (Oct. 2014)
  ⇒ Develop a high-speed elevator applying full SiC module
5. Growth Drivers

(4) Factory Automation (FA) Systems Business

Integrated productivity enhancement solutions meeting a variety of needs ranging from factory automation to energy use management and strong customer support worldwide

### Direction of Business Expansion

1. Improve product competitiveness and capture new areas
   - Constantly introduce new products
     - PLCs iQ-R Series (Jun. 2014)
     - CNC M600W Series (Planned for Dec. 2014)
   - Increase competitiveness of proposals for C programming language controller
   - Expand new business fields by increasing shares of the social infrastructure/instrumentation/building control systems markets

2. Further cultivate emerging markets
   - Optimize functions and expand lineup of products in order to capture the polarizing needs (high-end and low-range) of the market
   - Strengthen business networks in emerging markets
     - India: Opened an FA Center in Ahmedabad (Sep. 2014)
     - Russia: Started operation of FA business in the Russian subsidiary (Oct. 2014)

3. Expand “e-F@ctory”, the FA integrated solutions business
   - Expand applications and automation solutions with robots
   - Collaborate controlling, driving and sensing, made possible with the full scale entry into the FA sensor business
   - Actively make proposals such as utilizing the IoT on the manufacturing site analyzing big data
   - Popularization of CC-Link and business collaborations

### Global Business Promotion Structure

#### Measures for Business Promotion
- Strengthen global sales and support systems
- Promote activities that extend beyond geographical regions and across different products that respond to the increasingly borderless manufacturing industry
- Produce locally what is in demand locally

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*IoT: Internet of Things*
5. Growth Drivers
(5) Automotive Equipment Business

Meet the need for high-efficiency equipment, advanced control technology and image & information processing technology

### Direction of Business Expansion

1. Continuously strengthen the competitiveness of core businesses
   - Increase sales of alternators and starters
     ⇒ Business expansion in line with customers’ global expansion
     ⇒ Introduce products and systems that respond to the needs of each market (from low price spec to high function spec)
   - Boost sales of EPS (Electric Power Steering system)
     ⇒ Increase sales of high-function EPS in Japan, Europe and U.S.A.
     ⇒ Provide low-priced EPS to the emerging markets

2. Create new core businesses
   - Develop and expand safety/prevention business
     ⇒ Promote technology development realized through collaboration and merging of existing products and system control technology
     ⇒ Strengthen collaboration with communication technology and infrastructure business, foreseeing the realization of automatic driving
   - Make electric powertrain systems business into one of the core businesses
   - Expand multimedia businesses
     ⇒ Accelerate development in the areas such as enriching network functions and integrating displays, with due attention to market trends

### Measures for Business Promotion

- Improve operational structures in each area
  ⇒ Strengthen production and sales capacity to respond to customers’ global expansion
- Promote activities that are more closely aligned with the local markets
- Strengthen manufacturing bases
  ⇒ Established Mitsubishi Electric Automotive Mexico, S.A. de C.V. (Operating since Oct. 2014)
5. Growth Drivers
(6) Space Systems Business

Contribute to the construction of a global social infrastructure

## Direction of Business Expansion

1. Capture infrastructure demand from government
   - Advanced Land Observing Satellite “DAICHI-2” (ALOS-2) developed by Mitsubishi Electric was successfully launched (May. 2014)
   - Geostationary Meteorological Satellite “HIMAWARI-8” developed by Mitsubishi Electric was successfully launched (Oct. 2014)
   - Promote development of observation satellite “GOSAT-2” to observe greenhouse gases
   - Promote development of the second through the fourth quasi-zenith satellite planned for launch from 2017

2. Capture global demand for commercial satellites
   - Completed delivery of communication satellite “TURKSAT-4A” to operator Turkey Satellite Company (Turksat A.S.) (Mar. 2014)
   - Received order from operator Qatar Satellite Company (Es'hailSat) for “Es’hail 2” (The first Japanese satellite manufacturer to enter the Arab commercial communications satellite market)

3. Create centimeter-level, high-accuracy positioning solutions business utilizing quasi-zenith satellite
   - Organized a company-wide project in order to facilitate discussion on creating businesses to expand the use of quasi-zenith satellite
   - Participate in the Council on Competitiveness-Nippon (COCN), and promote the creation of a business environment suitable for the realization of a high-accuracy positioning society through the advocacy (coordinated by Mitsubishi Electric) of “services using 3D positional information and the arrangement of a common infrastructure.”

![Graph showing distribution of revenue between Japan and Overseas](image)

(Billions of Yen)

- Overseas: 100
- Japan: 20 (FY)

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5. Growth Drivers
(7) Power Devices Business

Offer abundant lineups utilizing high-performance, high-reliability components and power electronics technology

Direction of Business Expansion

1. Expand business fields and scale with SiC power devices
   - Launch and expand sales of SiC power devices in major markets
     ⇒ Full/hybrid SiC power modules for railcar traction system
     ⇒ Hybrid SiC-IPM for industrial equipment
     ⇒ SiC power modules for home appliances
   - Shipped sample hybrid SiC power semiconductor modules for high-frequency switching applications (May. 2014)
   - Launched Super-mini Full SiC DIPPFC™ for home appliances (Jul. 2014)
   - Launch and expand sales for products in the new markets such as medical power supply and solar power

2. Provide products that improve the product value and competitiveness of customers
   - Expand sales by introducing to the market, a more competitive module equipped with the 7th generation IGBT chip
   - Expand product line-up of J1 series power modules for EV/HEV
   - Launched 1200V Large DIPIM™ Ver.6 and 1200V mini DIPPIM™ (Sep. 2014)

Global Business Promotion Structure

Measure for Business Promotion

- Accelerate development of new products and technologies for power semiconductors
  ⇒ Opened a new design and technology development center in Fukuoka (Mar. 2014)
- Improve the system to develop the European and Chinese market, as well as to strengthen sales forces
  ⇒ Expand the network for local marketing, sales and technological support
- Produce locally what is in demand locally
  ⇒ Strengthen production system and capacity in China
  ⇒ Expand sales in the European market by utilizing the production base of Vincotech group in Hungary


(Billions of Yen)

(Billions of Yen)

150

Overseas

20 (FY)

Japan

13

By providing the latest devices to our power electronics-related businesses, they enhance their competitiveness

150

(Billions of Yen)

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5. Growth Drivers
(8) Air Conditioning Systems Business

Global expansion of energy-saving HVAC systems for residential to industrial use, with high function devices and sophisticated control systems

- **Direction of Business Expansion**
  1. Conduct business in accordance with features of each region

  **[Japanese Market]**
  - Promote development of products complying to the new regulation for refrigerants
    - Introducing high functionality, low GWP refrigerant products (RAC/PAC)
  - Elevate brand value by expanding promotional activities

  **[European Market]**
  - Improve competitiveness of the proposals to capture local needs
    - Upgrade the European air conditioning and water heating system by leveraging the mock-house HVAC testing facility in Scotland, U.K.
  - Accelerate expansion in sales by strengthening distribution channels

  **[North and south American Market]**
  - Expand solution-type air conditioning system business for the US residential HVAC market
  - Strengthen the business network in the North America
    - By producing air conditioning instruments in PIMS, S.A. de C.V. (Mexico), promote production transfer as well as the creation of a coherent structure encompassing R&D, production and sales

  **[Emerging Markets]**
  - Strengthen business structures (in Turkey, India, etc.)

- **Global Business Promotion Structure**

- **Mock-House testing facility for HVAC systems**

- **Measure for Business Promotion**
  - Increase production capacity on global supply bases
    - Mitsubishi Electric Consumer Products (Thailand) Co., Ltd.
    - Mitsubishi Electric (Guangzhou) Compressor Co., Ltd

*GWP: Global Warming Potential, RAC: Room Air Conditioner, PAC: Package Air Conditioner
5. Growth Drivers (9) Global Expansion

**Key Initiatives in Global Expansion**
- Reinforce business networks in target markets
- Develop global supply bases

**Japan**
- Achieve stable growth and greater profitability as a core operating region to drive business expansion

**Europe, North America, China etc.**
- Achieve greater competitiveness while increasing the scale of operations
  - Europe
    - Expand operations through the strengthening of the sales network for mainstay businesses and sales promotion aimed at exploring new markets
  - North America
    - Expand operations by taking steps aimed at enhancing businesses competitiveness, such as reinforcing manufacturing systems
  - China
    - Expand operations in step with growth in infrastructure and environment-related markets and market trends in FA systems

**Emerging Markets**
- Develop sales channels, streamline distribution, promote a shift to local production and development and enhance brand recognition, thereby achieving greater competitiveness
  - Turkey, India, Vietnam, Thailand, Indonesia, Mexico, Brazil, etc.
6. Expansion of Solutions Business
(1) Reinforce Solutions Business centered on Strong Business

Create and deliver new value to communities by employing combinations of the solution businesses.

- **Smart Community Solution**
  - Smart Grid
    - Smart meters
  - Railway Solutions
    - Railway integrated energy - environmental solutions
  - Factory Solutions
    - e-F@ctory
    - Energy saving for entire factories
  - Building Solutions
    - Facima
    - Energy saving for entire buildings
  - Housing Solutions (Smart House)
    - MITSUBISHI HEMS
  - Total Security Solutions
    - DIGUARD
    - Security Gate
    - Room entry/exit control
  - Imaging Solutions
    - Digital Signage
  - Home appliances
  - Electric equipment for rolling stock
  - Air conditioners
  - Lighting
  - Elevators
  - Control equipment
  - CCTV

Promote each business
Promote the combination of businesses
6. Expansion of Solutions Business
(2) Create and Deliver New Value to Communities

** Imaging Solutions**
Ranging from small-to large-scale solutions, such as Diamond Vision, Train Vision, Kantan Signage, etc.

**MITSUBISHI HEMS**
Optimally control various home appliances and housing equipment by interlocking them via networks and making status of use visible. Help users live comfortably with less energy use through the provision of energy and life management solutions. Since its launch in Dec. 2013, various related products are being introduced in a series.

**Facima**
A service aimed at creating energy-saving, comfortable building spaces by efficiently monitoring and controlling air conditioning, lighting and other equipment.

**e&eco-F@ctory**
Integrated FA solutions that help manufacturing sites improve productivity and reduce energy costs through combinations of FA equipment control and networking technologies as well as energy saving and measuring technologies.

**Railway integrated Energy-environmental Solutions**
Optimize the energy use of entire railway systems through the combined use of equipment and the utilization of ICT and energy management solutions for railcars, stations, railroads and railyards.

**DIGUARD**
Provide total solutions in terms of physical and information security in line with required security levels through the combination of room access, video monitoring and cryptography systems as well as linkage with business administration and building management systems.

**Smart Grid**

**Smart Meters**
Obtain orders from electric power companies for smart meters and related systems.

**Pilot Projects**
- Participate in the KEIHANNA Eco-City Next-Generation Energy and Social Systems Demonstration Project
- Deliver systems for use in verification testing carried out by Kyushu Electric Power and Tyugoku Electric Power in relation to a smart grid and the control of storage batteries on an isolated island.
7. Balancing Investment for Growth and Financial Discipline

Focus Investment on Growth Fields

- Continuous Investment Towards Growth Target
  - R&D
    - (Billions of Yen)
      - 200
      - 100
      - 0
      - 09 10 11 12 13 14 (FY)
      - 133.7 151.7 169.6 172.2 178.9 193.0
  - Capital Investment
    - (Billions of Yen)
      - 200
      - 100
      - 0
      - 09 10 11 12 13 14 (FY)
      - 91.9 191.9 179.2 160.1 222.3 225.0

- M&A, etc

Sound Financial Base
Secures Funds for Growth

- A Healthy Balance of Growth and Investment
- Additional Capacity for Financing
- Debt Ratio 15% or less

Focus investment on growth fields

Increase profitability by strengthening businesses

Free Cash Flow
(Billions of Yen)

Cash Flow from Operating Activities
Cash Flow from Investing Activities

Focus investment on growth fields

Debt Ratio

Will consider external financing according to actual needs

Debt Ratio 15% or less

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8. Corporate Mission

Corporate Mission
The Mitsubishi Electric Group will continually improve its technologies and services by applying creativity to all aspects of its business. By doing so, we enhance the quality of life in our society.

Seven Guiding Principles

Trust
Establish relationships with all stakeholders based on strong mutual trust and respect.

Quality
Provide the best products and services with unsurpassed quality.

Technology
Pioneer new markets by promoting research and development, and fostering technological innovation.

Citizenship
As a global player, contribute to the development of communities and society as a whole.

Ethics
Honor high ethical standards in all endeavors.

Environment
Respect nature, and strive to protect and improve the global environment.

Growth
Assure fair earnings to build a foundation for future growth.

Strive for Continuous Innovation
Changes for the Better
Through continuous innovation, we develop new frontiers.

Pursue the Satisfaction of the Four Stakeholder Categories
Social Contributions, CSR
Excellent Products and Services
Increase Corporate Value
Rewarding Workplace

Environment (eco changes)/Philanthropic Activities

[Japan]
Activity to restore the natural woodlands of Mt. Fuji

[Europe]
Support to Special Olympics

[Asia]
Scholarship program

[U.S.A.]
Vocational learning opportunities for youth with disabilities

Shareholder returns (Dividends)

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9. Corporate Governance

Increase the Flexibility and Transparency of Management, Constantly Reinforce the Supervisory Function over Management

Actual practices at Mitsubishi Electric

- Thorough separation of execution and supervision
- Majority of board of directors NOT assuming responsibility as executive officer
- Minimal number of executive officers (23 members) responsible for day-to-day operation of each business division and corporate administrative sections
- Multi-phase risk management through executive officers meeting
- Implement global internal control system to ensure compliance with the Corporation Law and J-SOX Act (Financial Instruments and Exchange Law)
- Maintaining systems to respond to company-wide risks

Greater Corporate Value

Appropriate response to revisions of legislation and other external factors

Appropriate disclosure to shareholders and other stakeholders
Cautionary Statements
The expectation of operating results herein and any associated statement to be made orally with respect to the Company’s current plans, estimates, strategies and beliefs, and any other statements that are not historical facts are forward-looking statements. Words such as "expects," "anticipates," "plans," "believes," "scheduled," "estimated," "targeted," along with any variations of these words and similar expressions are intended to identify forward-looking statements that include but are not limited to projections of revenues, earnings, performance and production. While the statements herein are based on certain assumptions and premises that the Company trusts and considers to be reasonable under the circumstances to the date of announcement, you are requested to kindly take note that actual operating results are subject to change due to any of the factors as contemplated hereunder and/or any additional factor unforeseeable as of the date of this announcement. Such factors materially affecting the expectations expressed herein shall include but are not limited to the following. As such, additional factors may arise at any given time.

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 yen/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. Occurrence of large-scale disasters including earthquakes, typhoons, tsunami, fires and others
14. Social or political upheaval caused by terrorism, war, pandemic by new strains of influenza and other diseases, or other factors