Corporate Strategy

May. 2016

MITSUBISHI ELECTRIC CORPORATION
Contents

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Note
FY2012: April 1, 2012-March 31, 2013
FY2013: April 1, 2013-March 31, 2014
FY2014: April 1, 2014-March 31, 2015
FY2015: April 1, 2015-March 31, 2016
FY2016: April 1, 2016-March 31, 2017
1. Forecast for FY2016
(1) Consolidated performance

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>(Billions of yen)</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
</tr>
<tr>
<td>Net Sales</td>
<td>3,567.1</td>
<td>4,054.3</td>
<td>4,323.0</td>
<td>2,063.2</td>
<td>4,394.3</td>
<td>1,990.0</td>
<td>4,280.0</td>
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<tr>
<td>Operating Income</td>
<td>152.0</td>
<td>235.1</td>
<td>317.6</td>
<td>127.0</td>
<td>301.1</td>
<td>95.0</td>
<td>260.0</td>
</tr>
<tr>
<td>(%)</td>
<td>4.3%</td>
<td>5.8%</td>
<td>7.3%</td>
<td>6.2%</td>
<td>6.9%</td>
<td>4.8%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Income before taxes</td>
<td>65.1</td>
<td>248.9</td>
<td>322.9</td>
<td>133.0</td>
<td>318.4</td>
<td>115.0</td>
<td>280.0</td>
</tr>
<tr>
<td>Net Income</td>
<td>69.5</td>
<td>153.4</td>
<td>234.6</td>
<td>92.9</td>
<td>228.4</td>
<td>85.0</td>
<td>200.0</td>
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<tr>
<td>ROE (Return On Equity)</td>
<td>5.7%</td>
<td>10.9%</td>
<td>13.9%</td>
<td>-</td>
<td>12.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td>1,300.0</td>
<td>1,524.3</td>
<td>1,842.2</td>
<td>1,811.8</td>
<td>1,838.7</td>
<td></td>
<td></td>
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<tr>
<td>(%)</td>
<td>38.1%</td>
<td>42.2%</td>
<td>45.4%</td>
<td>46.9%</td>
<td>45.3%</td>
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<tr>
<td>Debt</td>
<td>540.5</td>
<td>373.4</td>
<td>381.9</td>
<td>357.4</td>
<td>404.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(%)</td>
<td>15.9%</td>
<td>10.3%</td>
<td>9.4%</td>
<td>9.3%</td>
<td>10.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FCF (Free Cash Flow)</td>
<td>-70.9</td>
<td>310.2</td>
<td>180.1</td>
<td>84.8</td>
<td>111.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend (yen per share)</td>
<td>11</td>
<td>17</td>
<td>27</td>
<td>9</td>
<td>27</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend ratio(%)</td>
<td>34.0%</td>
<td>23.8%</td>
<td>24.7%</td>
<td>-</td>
<td>25.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1. Forecast for FY2016
(2) Segment Forecast

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015 (Actual)</th>
<th>FY2016 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>83JPY/USD</td>
<td>106JPY/EUR</td>
<td>100JPY/USD</td>
<td>110JPY/USD</td>
<td>134JPY/EUR</td>
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<tr>
<td>Energy &amp; Electric Systems</td>
<td>1,058.1</td>
<td>1,180.0</td>
<td>1,228.9</td>
<td>1,264.6</td>
<td>1,250.0</td>
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<tr>
<td>Operating Income/Loss (%)</td>
<td>8.0%</td>
<td>6.5%</td>
<td>5.9%</td>
<td>5.0%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Industrial Automation Systems</td>
<td>927.8</td>
<td>1,098.7</td>
<td>1,282.7</td>
<td>1,321.9</td>
<td>1,300.0</td>
</tr>
<tr>
<td>Operating Income/Loss (%)</td>
<td>6.5%</td>
<td>8.9%</td>
<td>11.4%</td>
<td>12.0%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Information &amp; Communication Systems</td>
<td>522.4</td>
<td>548.2</td>
<td>559.5</td>
<td>561.1</td>
<td>460.0</td>
</tr>
<tr>
<td>Operating Income/Loss (%)</td>
<td>0.3%</td>
<td>1.0%</td>
<td>3.4%</td>
<td>2.7%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Electronic Devices</td>
<td>164.0</td>
<td>194.6</td>
<td>238.4</td>
<td>211.5</td>
<td>180.0</td>
</tr>
<tr>
<td>Operating Income/Loss (%)</td>
<td>-3.4%</td>
<td>5.2%</td>
<td>12.7%</td>
<td>8.0%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Home Appliances</td>
<td>821.2</td>
<td>944.3</td>
<td>944.8</td>
<td>982.0</td>
<td>1,030.0</td>
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<tr>
<td>Operating Income/Loss (%)</td>
<td>2.3%</td>
<td>5.6%</td>
<td>5.7%</td>
<td>6.5%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Others</td>
<td>590.3</td>
<td>676.0</td>
<td>740.5</td>
<td>707.7</td>
<td>690.0</td>
</tr>
<tr>
<td>Operating Income/Loss (%)</td>
<td>3.2%</td>
<td>2.9%</td>
<td>3.2%</td>
<td>3.3%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Total</td>
<td>3,567.1</td>
<td>4,054.3</td>
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<td>4,280.0</td>
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<td>5.8%</td>
<td>7.3%</td>
<td>6.9%</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

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

(1) 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.

Strive for Continuous Innovation

Through continuous innovation, we develop new frontiers.

Pursue the Satisfaction of the Four Stakeholder Categories

<table>
<thead>
<tr>
<th>Social Contributions, CSR</th>
<th>Excellent Products and Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Society</td>
<td>Customers</td>
</tr>
<tr>
<td>Increase Corporate Value</td>
<td>Rewarding Workplace</td>
</tr>
<tr>
<td>Shareholders</td>
<td>Employees</td>
</tr>
</tbody>
</table>

Accelerate growth of strong businesses
Further global expansion
Create new strong businesses
Reinforce the solutions business

Strive for Continuous Innovation

Through continuous innovation, we develop new frontiers.

Pursue the Satisfaction of the Four Stakeholder Categories

<table>
<thead>
<tr>
<th>Social Contributions, CSR</th>
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<td>Rewarding Workplace</td>
</tr>
<tr>
<td>Shareholders</td>
<td>Employees</td>
</tr>
</tbody>
</table>
2. Management Policy
(2) Ensure “High-Quality” Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>OPM</th>
<th>ROE</th>
<th>Debt ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>4.7</td>
<td>18.2</td>
<td>33.6</td>
</tr>
<tr>
<td>2008</td>
<td>6.5</td>
<td>15.1</td>
<td>15.8</td>
</tr>
<tr>
<td>2009</td>
<td>3.8</td>
<td>3.1</td>
<td>20.3</td>
</tr>
<tr>
<td>2010</td>
<td>2.8</td>
<td>12.4</td>
<td>16.7</td>
</tr>
<tr>
<td>2011</td>
<td>6.4</td>
<td>10.3</td>
<td>14.5</td>
</tr>
<tr>
<td>2012</td>
<td>6.2</td>
<td>5.7</td>
<td>16.0</td>
</tr>
<tr>
<td>2013</td>
<td>4.3</td>
<td>10.9</td>
<td>15.9</td>
</tr>
<tr>
<td>2014</td>
<td>5.8</td>
<td>13.9</td>
<td>10.3</td>
</tr>
<tr>
<td>2015</td>
<td>7.3</td>
<td>12.4</td>
<td>9.4</td>
</tr>
<tr>
<td>2016</td>
<td>6.9</td>
<td>6.1</td>
<td>10.0</td>
</tr>
</tbody>
</table>

*Note: OPM, Operating Profit Margin; ROE, Return on Equity; Debt ratio is calculated as Total Debt / Total Assets.

*CAGR: Compound Average Growth Rate

Growth Target
8% or more

To Be Continuously and Stably Achieved
10% or more

15% or less
3. Embodiment of the Corporate Mission

(1) Aim to Become a “Global, Leading Green Company”

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.

【Contemporary Social Issues】

Environmental issues  Resource/ Energy issues

Solving problems globally by producing energy-saving products & systems and building social infrastructure

【Contribution to Society】

Realize a sustainable society  Provide safety, security, and comfort

Embodiment of the corporate mission in the context of the current environment

“Global, Leading Green Company”
Contribute to the realization of a prosperous society
3. Embodiment of the Corporate Mission

(2) Contribution to Society

Value Creation through Simultaneously Achieving a “Sustainable Society” and “Safety/ Security/ Comfort” (Value for Society)

Realize a sustainable society

Low-carbon society

- All-SiC power module inverter equipment for railcars
  Achieve energy-savings (40% compared to before) through reducing size significantly and improving regenerative electricity by mounting SiC power modules which realize low electricity consumption on railcar inverter equipment

- High-capacity energy storage system
  Improve the balance of electricity supply and demand when renewable energy is introduced on a massive scale

- High efficiency packaged air-conditioner for shops/offices
  - Realize high levels of energy-savings (APF 5.5) by adopting low-loss power semiconductor module all-SiC DIPIPM and high efficiency compressors
  - Reduce environmental impact by adopting low global warming potential refrigerant R32

Resource conservation/ Recycling

- Aftermarket service
  Promote resource saving through aftermarket services
  - Renewal of elevators (minimum refurbishing)
  - Rebuilt automotive electric equipment

- Recycling (home appliances)
  Promote “closed recycling” by using technology to sort main plastics (PP/ PS/ ABS) from mixed plastics of home appliances and reusing them in our Company’s products

Provide safety, security, and comfort

Security

- Provide security systems for buildings and factories according to their varying security levels

Safe driving assistance (under development)

- Realize a safe and comfortable motorized society through advances in driving-assistance technology which combine HMI/ communication/ sensors technologies with automobile control technologies such as engine and steering control

- Utilizing of quasi-zenith satellites (under R&D)
  Improve safety precision of automated driving systems and realize appropriate maintenance of social infrastructure by utilizing high-accuracy positioning information

Safety standard (FA equipment)

- Achieve both high productivity and safety in the production fields with a wide range of products from control equipment to driving equipment and robots, which have been certified as conforming to international safety standards

- Room Air Conditioner
  The world’s first independent double-fan system creating a comfortable atmosphere with temperature space fit for each person with advanced sensing technology
  ※Our company survey regarding residential air-conditioner indoor unit (as of October 30th 2015 at time of product launch)

CSR initiatives (Examples)

Social Contribution Activities (Examples)

- Supporting social welfare facilities and disaster relief aids by a matching gift program (Japan)
- Empowering youth with disabilities to lead productive lives and to be prepared to enter the workforce (U.S.)
- Supporting the Special Olympics (Europe)
- Tree planting activities (Asia)

Environmental Activities under the Eighth Environment Plan (Examples)

- Reduce CO2 emission during product use (make them more energy efficient)
- Reduce green house gas emission during production
- Increase the recycling % of plastic used in home appliances (to 70% or more)
- Reduce the amount of resource input
- Improve the % of final disposal of industrial waste

4. Growth through Value Creation
(1) Overview

Open & Global Innovation
Enhance technological development capabilities through joint R&D initiatives
4. Growth through Value Creation
(2) Growth Drivers

**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,
  - CNCs, Industrial robots,
  - Laser processing machines, etc.
- **Automotive Equipment**
  - Starters, Alternators, Car multimedia,
  - Electric power steering, etc.

**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**

**Information & Communication Systems**
- **Space Systems**
  - Satellites, Ground systems for satellite control, etc.
- **Defense Systems**
  - Radar equipment, Antennas, etc.
- **Communication Systems**
  - Optical, wireless and satellite communications systems, etc.
- **Video Monitoring Systems**
  - CCTV, Car Vision, etc.
- **IT Solution**

**Home Appliances**
- **Air-Conditioning & Refrigeration 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 Household Appliances**

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4. Growth through Value Creation
(3) Value Creation in Growth Drivers (Value for Customers)

**Power Systems Business**

Contribute to the stable supply of electricity by providing a highly efficient, environment-friendly total system from power generation to transmission and distribution

- Reduce environmental burden by introducing a large-capacity, compact, and highly efficient, indirect hydrogen cooling turbine generator
  - VP-X high-efficiency turbine generator
  - Good Design Award 2014
  - JEMA Platinum Award 2016 (65th) for Electric manufacturing achievement
- Contribute to stabilizing the power system when renewable energy is more widely used, by providing SVC-Diamond™, the static synchronous compensator which applies power electronics technology, and high-capacity energy storage systems
- Supply smart-meter systems which will become a new social infrastructure supporting deregulation of the retail electricity market
- Provide maintenance of aged equipment and renewal into high efficiency equipment in a short period of time to enable the stable supply of electricity

**Transportation Systems Business**

Optimize total energy of railway transport by leveraging the strength to realize “driving” “braking” and “controlling” in a single Company

- Improve energy efficiency of railcars and regenerative power during braking by introducing smaller/ lighter high efficiency equipment
  - Railcar traction inverter with all-SiC power modules
  - All-SiC applied inverter equipment mounted type-1000 commuter vehicle for Odakyu Electric Railway won the Excellence Prize at the 12th Eco-Products Award
  - The Ichimura Prize in Industry (48th) for Excellent Achievement
- Contribute to energy conservation of the station building as a whole, through the Station Energy-Saving Inverter (S-EIV®) which delivers surplus regenerative electricity to the station’s electric facilities without the need for a secondary battery
- Work on CBTC which applies wireless technology
- Contribute to enhancing efficiency and longevity of products and systems by expanding renewal/ maintenance/ aftermarket service utilizing the local sales bases

**Major Activities**

- Signed a technical license agreement with Myanmar’s Asia General Transformer Co., Ltd. for 100MVA 230/ 66kV oil-immersed core-form transformers (Jun. 2015)
- Received orders from Electricity Generating Authority of Thailand for 500kV gas-insulated switchgear (Aug. 2015)
- Started construction of the “Demonstration facility for middle-voltage direct current distribution” at the Power Distribution Systems Center (Sep. 2015)
- Delivery of high-capacity energy storage system (for pilot project) to Kyushu Electric Power (Mar. 2016)

**Rewinding coils of turbine generators**

*Rewinding coils of turbine generators*
4. Growth through Value Creation
(3) Value Creation in Growth Drivers (Value for Customers)

### Building Systems Business

Provide total support from new installation to maintenance, and renewal, through highly safe and reliable products as well as high field engineering capabilities.

- Achieve energy-savings by reducing size and weight of each product lineup which have a rich track record in safety and reliability.
- Minimize the downtime of elevators by providing maintenance and renewal services according to customer needs, and also make renewals into elevators meeting the latest safety standards.
- Reduce operation cost and energy consumption of the total building by using "Facima", the open integrated management system for building facilities.
- Reduce electricity consumption through the monitoring and controlling of air conditioning, lighting, and entrance/exit situation of building facilities.

**Major Activities**

- Commenced operation of the MESE new factory (Nov. 2015)
- Started to build new elevator manufacturing plant in South Korea (Dec. 2015)
- Supplied elevator and escalator to Tekko Building (Feb. 2016)
- Announced to build a new training center at Inazawa works (planned for Jun. 2016)

### Air-Conditioning & Refrigeration Systems Business

Respond to energy-saving needs unique to the region through high functionality/ high efficiency devices and advanced control technologies.

- Contribute to lowering environmental burden, including responding to environmental and energy-saving regulations.
- Improve energy efficiency by adopting technologies such as all-SiC DIPM mounting, aluminum flat tube heat exchanger, and high efficiency compressors.
- Reduce environmental impact by adopting refrigerant R32.
- Realize energy efficiency and high heating ability even under low outside temperature by Mitsubishi Electric’s original flash injection circuit.
- Have a lineup of replacement VRF that can be renewed into new refrigerant air-conditioners with shorter construction periods by utilizing existing piping.
- Respond closely to the needs of different regions.
- Respond to the broad range of needs from room air-conditioning to large size air-conditioning and refrigeration systems including chillers mainly in Europe, through the acquisition and consolidation of DeLclima (currently: MEHIT).
- Respond to European needs by introducing to the market HVAC systems that are tested in the mock-house (Scotland, U.K.).

**Major Activities**

- Started construction of air conditioning design, development and evaluation building at Shizuoka Works (Aug. 2015)
- Mitsubishi room air-conditioner “Kirigamine ADVANCE FZ series” was awarded Minister of Economy, Trade and Industry Prize at the 2015 Energy Conservation Award (Jan. 2016)
- Achieved 100% ownership of Italy’s commercial HVAC company DeLclima (Feb. 2016)
- Started operation of the new engineering facility at the Air-Conditioning & Refrigeration Systems Works (Mar. 2016)
- Established MACT (Apr. 2016)
4. Growth through Value Creation

(3) Value Creation in Growth Drivers (Value for Customers)

**Factory Automation (FA) Systems Business**

Propose an optimal “manufacturing method” utilizing IT, made possible by the evolution of the FA integrated solution “e-F@ctory”

- **Promote TCO reduction through “e-F@ctory”**
  - Improve real-time information gathering capabilities through rich FA product lines and network formulations and simplify production line systems for multi-cycle, flexible production system with different models and quantity
  - Increase capacity utilization and improve delivery time and quality through automation by robots

- **Provide safe and secure services by developing products and strengthening support systems to respond to global needs**
  - Strengthen capability to support global production sites by expanding the global FA center
  - Support building of optimal production lines utilizing energy-saving products and international safety standard compliant products

*Example of “e-F@ctory” Cell production line*

**Automotive Equipment Business**

Realize safety, security, comfort, and environment-friendliness through high efficiency equipment and advanced control technology

- **Supply a wide range of products and systems responding to the needs of each market**

- **With the productization of the electric powertrain system, contribute to environmental load-reduction through lower fuel consumption and improve comfort during driving**

- **Promote development of preventive safety technology for a safe and comfortable automated driving**
  - Promote technological development through collaboration and fusion of current products and system control technologies
  - Strengthen collaboration with communication technology and infrastructure businesses, to support advanced safety driving assistance

**Major Activities**

- Started construction of an “Aftermarket service facility” at Nagoya Works (Dec. 2015)
- Launched a new 2-Dimensional Fiber Laser Processing machine (Jan. 2016)
- Started construction of “second FA development center” at Nagoya Works (Jan. 2016)
- Started a remote maintenance service “iQ Care Remote4U” for laser processing machine utilizing IoT (Apr. 2016)
- Established “Italy FA center” and “South Africa FA center satellite” (Apr. 2016)

**[Major Activities]**

- Started operation of MEAX (manufacturing and sales subsidiary) (Oct. 2014)
- Cumulative production of motors for Electric Power Steering exceeded 100 million units (Dec. 2014)
- High efficiency alternator was approved as an eco-innovation technology from the EC (Feb. 2015)
- Expanded capacity of MEAA plant building and introduced new facilities (Mar. 2015)
- Developed a preventive safety (automated driving) concept car “EMIRAI3 xAUTO” (Oct. 2015)
- Established “Italy FA center” and “South Africa FA center satellite” (Apr. 2016)

*TCO: Total Cost of Ownership, IoT: Internet of Things, MEAA: Mitsubishi Electric Automotive America, Inc.*
4. Growth through Value Creation
(3) Value Creation in Growth Drivers (Value for Customers)

**Space Systems Business**
Contribute to building a global social infrastructure through satellite system product groups across various areas

- Contribute to the prevention of global warming, enhanced monitoring of climatic phenomena and global environment, and understanding of disaster situations, by observation satellites
  - Development of “GOSAT-2” to improve the measurement accuracy of greenhouse gas concentration distribution, “Himawari 8.9” to improve resolution and drastically reduce imaging time, and “Daichi-2” to improve resolution and wider observation of land
- Contribute to various areas such as automobile, railways and agriculture with highly accurate information from positioning satellites
  - Currently developing the 2nd–4th quasi-zenith satellite system in preparation for launch from 2017
- Contribute to the advancement of communications/ broadcasting infrastructure in various regions through the development of communication satellites
  - Development of “TURKSAT-4A/4B” for TURKSAT (Turkey) and “Es’hail 2” for Es’hail SAT (Qatar)

**Power Devices Business**
Provide key devices for energy conservation based on the most advanced power semiconductor technology by anticipating the needs of customers

- Develop and supply SiC mounted devices which achieve low electricity consumption

**Major Activities**
- Launched advanced land observing satellite “Daichi-2 (ALOS-2)” (May. 2014)
- Received order from Qatar for communication satellite “Es’hail 2” (Sep. 2014)
- Launched geostationary meteorological satellite “Himawari-8” (Oct. 2014)
- Launched KOUNOTORI 5 (HTV5, a cargo transporter to the International Space Station) (avionics module) (Aug. 2015)
- Launched TURKSAT-4B, Turkey’s communication satellite (Oct. 2015)

**Overseas**

<table>
<thead>
<tr>
<th>Year</th>
<th>(Billions of yen)</th>
<th>Japan</th>
<th>Overseas</th>
</tr>
</thead>
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<td>2015</td>
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<td>16</td>
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<td>2016</td>
<td>20 (FY)</td>
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*GOSAT: Greenhouse gases Observing SATellite, ALOS: Advanced Land Observing Satellite, HVIGBT: High Voltage Insulated Gate Bipolar Transistor

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4. Growth through Value Creation
(4) Global Expansion

Business expansion policy for each region
- Up to FY2020, expand business in the currently operating markets of Japan, North America, Europe, and China
- Growth in revenue as a result of investment into emerging markets will come to fruition after FY2020

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

North America / Europe / China
Achieve greater competitiveness in current markets while increasing the scale of operations

Asia (excl. China) / Others
Cultivate new markets by developing local business networks

**Recent initiatives**

**Japan**
- Opened Mitsubishi ENEDIA House Kyoto, a smart house facility (Jun. 2015)
- Opened new experiment facility for the Advanced Technology R&D Center (Dec. 2015)
- Started operation of engineering facility for Air Conditioning & Refrigeration Systems Works (Mar. 2016)
- Started operation of development and demonstration facility for middle-voltage direct current distribution at the Power Distribution Systems Center (Apr. 2016)
- Start operation of new plant for control panels in the Kobe area (planned for Jun. 2016)
- Open new training center for Inazawa works (planned for Jun. 2016)
- Start operation of new aftermarket service support facility at Nagoya Works (planned for Oct. 2016)

**North America**
- Strengthened MEAA production system (Jan. 2016)

**Europe**
- Acquired Norwegian air conditioning equipment distributor MIBA (Jun. 2015)
- Established MEU Norwegian branch (Oct. 2015)
- Invested (capital participation) in Poland MEDCOM (Oct. 2015)
- Completed construction of MEU Germany branch building and general showroom (Nov. 2015)
- Achieved total ownership of Italy’s commercial air conditioning company DeLclima (Feb. 2016)
- Established Italy FA center (Apr. 2016)

**China**
- Started operation of MESE’s new plant (Nov. 2015)

**Thailand**
- Started operation of MCP’s new building (Jul. 2015)
- Opened MKY training center (Aug. 2015)
- Started operation of ME-TH as sales company (Aug. 2015)
- Started operation of AMEC’s new plant (May. 2016)

**India**
- Started operation of MEI’s new plant for railcar electrical products (Nov. 2015)
- Start operation of IMEC’s new plant (planned for Jul. 2016)

**South Africa**
- Started operation of MEU South Africa branch (Jun. 2015)
- Established South Africa FA center satellite (Apr. 2016)

**Reinforcement of global business bases since 2013**

- Power, Transportation, Building
- FA, Automotive Equipment
- Air-Conditioning & Refrigeration
- Others

5. Additional Value Creation through Technology & Business Synergies

(1) Methods to Create Synergies by Leveraging our Strengths

Further Value Creation through Combinations of Technologies

Through an optimal combination of strong technological assets (control/ power electronics/ devices, etc.), pursue efficiencies, size and weight reduction, and high reliability of products and systems.

Strengthening competitiveness of power electronics-related business units

- Able to develop products based on feedback from business units on client needs
- Power Devices

For power systems

For transportation equipment

For elevators

For EV/ HEV

For home appliances

For industrial equipment

By coordinating and combining various technological assets owned, strengthen those technological assets and expand the applicable areas for technology, and improve the responsiveness to social and customer needs on a wider area.

Automated Driving (under R&D)

By coordinating and integrating automobile control technology, sensing technology, and information communication technology, currently developing automobile preventive safety and automated driving technology utilizing high-accuracy positioning information provided by quasi-zenith satellites.

Progression of “e-F@ctory” (FA-IT collaboration and visualization & utilization of data)

In addition to the unifying our FA technology (control, driving, network, HMI, etc.) and IT (information, communication, cloud, IoT etc.), propose optimal “manufacturing method” by collaborating with partner companies.

- Effects of introduction:
  - Improved productivity
  - More Eco-friendly
  - Enhanced quality
  - Increased safety

Partner companies (Mar. 2016)

- e-F@ctory: 303
- CC-Link: 2,655


※Concept of edge computing

A mechanism where the data collected in the production site is first processed and is then seamlessly connected to the IT system.
5. Additional Value Creation through Technology & Business Synergies
(1) Methods to Create Synergies by Leveraging our Strengths

Further Value Creation through Combinations of Businesses

Contribute to solving customers’ issues and enhancing value of their assets by offering products, systems, and services in one package.

Since business is conducted in multiple areas, an optimal combination of Mitsubishi Electric group’s products, systems, and services can be offered together in accordance with customer needs.

**Potential areas of expansion in business synergies (examples)**

- **Energy-savings for large energy consuming facilities**
  - Reduce and optimize energy use in facilities and equipment needed to be maintained 24 hours, including ensuring security, by combining visualization of energy consumption, controlling energy demand in response to the operating situation of facilities, and achieving energy-savings for individual equipment:
    ⇒ data centers, hospitals, refrigeration warehouse, etc.

- **Supply our range of products to buildings**
  - Supplied facilities such as elevators, escalators, air-conditioners, lighting equipment, hand driers, security products, substation equipment, and in-house power generators to Dainagoya building.
  - Provide convenience to users, support security and disaster prevention measures, and contribute to lowering environmental burden by supplying energy-saving products.

- **Consolidate management (maintenance) of the currently dispersed facilities and equipments**

  [Integrated support in aftermarket service]
  - Consolidate the management and maintenance of facilities and equipment such as elevators, air conditioners, automatic doors, fire prevention equipment and substation equipment including products of other manufacturers.
  - Achieve efficiency and reduce total cost of management by consolidating management and maintenance by utilizing technologies such as remote surveillance.

*UPS: Uninterruptible Power Supply, BCP: Business Continuity Plan*
5. Additional Value Creation through Technology & Business Synergies
(2) Further Value Creation (Examples)

Stable use of renewable energy resources such as solar- and wind-generated power

Hybrid battery energy storage system for Chugoku Electric Power Company
By a coordinated control of storage batteries with different features and diesel power generators, utilize renewable energy within the isolated islands in a stable manner
- Built and supplied hybrid battery energy storage system using both NAS and lithium ion batteries to Oki islands (Japan)
- Through EMS, forecast the use of electricity and production by renewable sources (solar and wind power, etc.) within the isolated islands, and by coordinated control of power generated by diesel power generators and the charge and release of electricity by storage batteries, contribute to a stable supply of electricity as well as lowering their environmental burden
※For long cycle variations which disrupt the balance of supply and demand, absorb with NAS batteries to adjust the balance, and for short cycle frequency fluctuations, use lithium ion batteries which can alleviate fluctuations through their quick charge and release of electricity, which will help stabilize the frequency

Realize energy conservation and improve safety/ security/ comfort on a community level

Smart community in the area in front of Tsukaguchi Station (JR Line) in Amagasaki city (Japan)
Realize energy-savings and enhanced safety/ security/ comfort by offering combined systems and services and our partners for “ZUTTOCITY” in front of Tsukaguchi station
- Introduce “DIAPLANET TOWNEMS” for smart towns, and visualize and display in real-time, through digital signage, the energy consumption of the whole city block
- Meet electricity demand response requests during summer and winter peak hours and contribute to consolidating energy saving activities
- Offer services which support comfortable living and provide safety and security to residents including disaster prevention information in coordination with local governments’ disaster prevention e-mail, information on notice boards and circulars, and notifications from building management companies on elevator maintenance

ZUTTOCITY

*NAS: NAtrium/ Sulfur, EMS: Energy Management System
5. Additional Value Creation through Technology & Business Synergies

(3) Enhance Earning Power by Additional Value Creation

Examples

- Building facilities in one package
  - HVAC
  - Elevators
  - Substation equipment
  - Lighting equipment, etc.

- "e-F@ctory"
  - FA equipment
  - IT (IoT), etc.

- ZUTTOCITY
  - EMS
  - Smart meters
  - Elevators
  - Digital Signage
  - Relay server (cooperation with partners), etc.

- High-capacity energy storage Systems
  - EMS
  - Substation equipment
  - Batteries (cooperation with partners), etc.

Value

Business development by combining products/systems/services

Control, Power Electronics, Communication, IT, Devices, etc.

Prent

Hereafter

Create New Value through IoT
- xEMS
- ZEH/ ZEB
- ADAS, etc.

Expand Synergies

Create New Synergies

Enhance Earning Power by Additional Value Creation through Technology & Business Synergies

Make Strong Businesses Stronger

Sustainable Growth through Value Creation with Growth Drivers

Strengthen Technological Assets

6. Strengthen Business Competitiveness

【Investment targets for business competitiveness】
• Businesses where fruits of investments can be realized in a short period of time, and where market growth can be captured
• Businesses where performance fluctuation is small and certainty for growth is high

Focused Investment in Growing Businesses

Strengthen resource allocation to Growth Drivers

- R&D
  - 202.9
  - 195.3
  - 178.9
  - 172.2
  - 169.6

- Capital Investment
  - 212.5
  - 206.8
  - 222.3
  - 213.0
  - 179.2

Strengthen Business Portfolios

Constantly review and refresh business portfolio

- Reallocation of business resources to promising areas through regeneration of businesses
- Continuous creation of new businesses which underpin future growth

Growth contributing collaboration and M&A

- Supplement missing parts (products/technology) essential for business expansion
- Secure distribution-/service-network (supply chain) in entering new regions/markets
- Acquire new customer bases in order to strengthen business foundations
7. Future-oriented R&D for Continuous and Stable Growth (Examples)

**Mega Trends**
- Advancement of informatization
- Shift in population structure
- Rapid urbanization
- Delay in measures against climate change and energy conservation
- Changes in world affairs (Terrorism, Monopolization of energy)

**Challenges**
- Diversifying needs
- Aging advanced countries
- Traffic jams in cities
- Global warming/ PM2.5
- Energy shortage
- Natural disasters
- Man-made threats

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**IoT**
A “compact” Artificial Intelligence
- Technology which makes each equipment smarter without large-scale server -
- Can monitor if it is only 50 modes!

**Smart mobility**
Fully automated driving technology for future society
- Realize a safe and environment-friendly society without accidents or traffic jams -
- Uninterrupted driving of emergency vehicles
- Non-stop logistics
- Migrational car-sharing

**Comfortable space**
High-precision air quality sensor and applicable air-conditioning system
- Distinguish between PM2.5, dust, and pollen with one sensor and contribute to a safe and comfortable environment with high air cleanliness -

**Safe and secure infrastructure**
Technology to detect and defend against cyber attacks
- Detect and defend against attacks from new viruses by monitoring just 50 modes of cyber attacks -
8. Greater Corporate Value
Value Creation Based on a Sound Financial Position (Value for Shareholders)

**Cash Flow**
(Billions of yen)
- Stable Generation of Cash Flow
- Focused Investment in Growing Businesses

**Dividend**
Shareholder Returns according to Increase in Earnings
(Yen per share)
- Annual Dividend
- Interim Dividend

**Shareholder Returns**
- OPM 8% or more
- ROE 10% or more
- Debt Ratio 15% or less

【Growth Targets to be Achieved by 2020】
**OPM** 8% or more
Enhance earning power by additional value creation through technology synergies and business synergies

【Management Targets to be Continuously and Stably Achieved】
**ROE** 10% or more
Continuous improvement of ROE through improvement of ROIC (Mitsubishi Electric version) of each business units

**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.

**Sound Financial Base**

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9. Corporate Governance  
(1) Basic Design of the Governance System

In June 2003, Mitsubishi Electric became a company with a committee system (currently: nomination committee system company) and separated the supervisory and executive functions of management, to further continue with the promoting flexibility of operations and transparency of management.

Actual practices at Mitsubishi Electric
- Thorough separation of supervision and execution
- Majority of board of directors NOT assuming responsibility as executive officer
  - Directors: 12
    - of which are independent directors: 5
    - of which concurrently serve as executive officers: 3
- Minimal number of executive officers (22 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
- Appropriate responses to Japan’s Corporate Governance Code

Greater Corporate Value
9. Corporate Governance
(2) Main Components of Disclosure according to Each Principle of Japan’s Corporate Governance Code

### Independent directors
- Outside (external) directors will be designated as independent directors
- Appoint people from the business community with management experience, lawyers, academic experts, who are appropriate to supervise the management of Mitsubishi Electric (hereinafter “the Company”) and are not in conflict with the Independence Guidelines

#### Independence Guidelines
1. The candidate is currently an executive director, corporate officer, manager or other employee (hereinafter “Business Executor”) of a company whose transaction amount with the Company is over 2% of the Company or that company’s consolidated revenue
2. The candidate is currently a Business Executor of a company where the Company’s borrowings from that company is over 2% of that company’s consolidated total assets
3. The candidate is a person affiliated to the Company’s independent accounting auditors
4. The candidate is receiving compensation from the Company of over 10 million yen as an expert/consultant
5. The candidate is an executive director (or in a similar role) of an organization who has received donations from the Company of over 10 million yen and constitutes over 2% of the organization’s total revenue
6. The candidate is a major shareholder of the Company (holds 10% or over of voting rights) or is currently a Business Executor of a major shareholder
7. The candidate has an issue which may give rise to a serious conflict of interest with the Company or is affiliated with a company which may give rise to a serious conflict of interest

*For 1, 2, 4, 5, this includes situations which may have been applicable for the last 3 business years*

### Strategic shareholdings
- Policy on strategic shareholdings of listed shares
  - Periodically assess the significance of holding these shares, taking into consideration aspects such as business necessity, future prospects and risks as well as overall returns for holding them, and in principle, will not hold shares that have no significance
- Criteria for exercising voting rights for owned shares
  - Make overall assessments on the rationality of the invested company’s proposal from the perspective of raising corporate value, and exercise voting rights accordingly

#### Shareholder composition (Mar. 2016)
- Number of issued shares: 2,147,201,551 shares

- Financial institutions: 41.7%
- Foreign companies, etc.: 36.2%
- Securities companies: 2.1%
- Other corporations: 6.3%
- Individual/other: 13.7%
- Government/municipalities: 0.0%
9. Corporate Governance
(3) Revision of Compensation Scheme for Executive Officers

Objective of the revision
- To realize a growth strategy aiming to achieve "a higher level of growth"
- Further improvement in awareness of shareholder-oriented management, through matching of interests between shareholders and executive officers

Introduction of performance-based stock compensation plan
[Resolved at the remuneration committee held on May 28th, 2015]

Revised the executive officers' compensation plan to one which provides a balanced incentives for both short- and medium to long-term

Performance-based stock compensation plan
[Before]

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<th>Basic compensation</th>
<th>Performance-based compensation</th>
<th>Retirement benefit</th>
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<td>Cash compensation (100)</td>
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<tr>
<td></td>
<td>[Short-term incentive]</td>
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[After] In three years, 50% of the performance-based compensation to the executive officers will be made in the form of “stock compensation”

<table>
<thead>
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<th>Basic compensation</th>
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<td>Cash compensation (50)</td>
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<td>[Short-term incentive]</td>
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<td>[Medium to long term incentive]</td>
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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