

Mitsubishi Electric Business Strategy of Air-Conditioning & Refrigeration Systems

November 24, 2015

Takeshi Sugiyama
Executive Officer

General Manager, Living Environment & Digital Media Equipment Group

CONTENTS

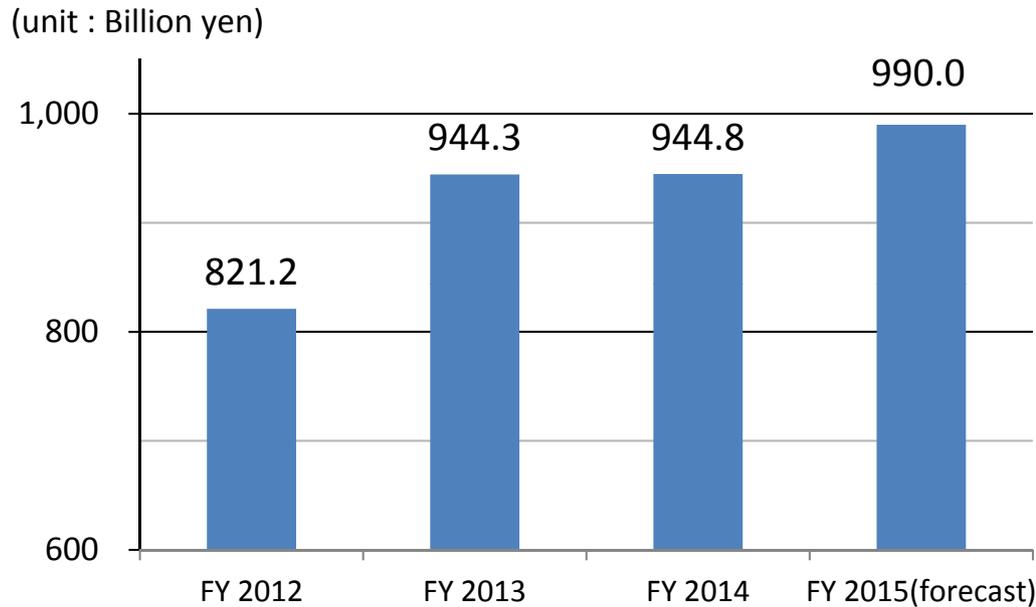
1. Home Appliances Group Overview
2. Business Strategy of Air-Conditioning & Refrigeration Systems
3. Market Environment
4. Mitsubishi Electric's Advantage
5. Business Strategy (by Business Unit)
6. Area Strategy
7. Development and Manufacturing Strategy

Note

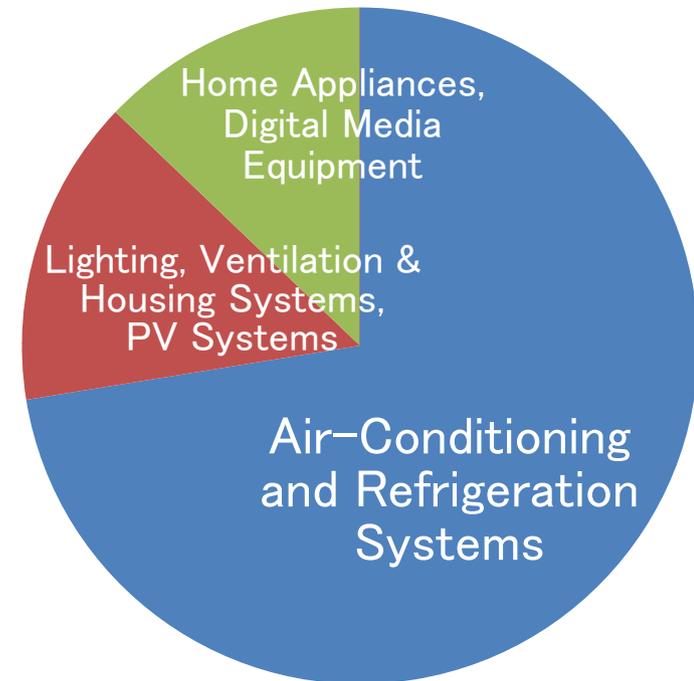
FY2012: April 1, 2012-March 31, 2013
FY2013: April 1, 2013-March 31, 2014
FY2014: April 1, 2014-March 31, 2015
FY2015: April 1, 2015-March 31, 2016
FY2020: April 1, 2020-March 31, 2021
FY2025: April 1, 2025-March 31, 2026

1. Home Appliances Group Overview

Trends in the Sales



Sales composition(FY 2014)



Air-Conditioning and Refrigeration Systems

- Room air-conditioner(RAC)
- Packaged air-conditioner (PAC)
- Multi air-conditioning systems for buildings (VRF)
- Industrial refrigeration (freezing and refrigeration equipment)
- Chiller*1
- Compressor etc.

Lighting, Ventilation & Housing Systems, PV Systems

- | | |
|--|---|
| <ul style="list-style-type: none"> ● Ventilation fans (residential & industrial) ● Electric hot water generator ● IH cooking heater ● Lump, lightning equipment etc. | <ul style="list-style-type: none"> ● Photovoltaic systems (residential & industrial) ● Power conditioner etc. |
|--|---|

Home Appliances, Digital Media Equipment

- | | |
|---|---|
| <ul style="list-style-type: none"> ● Refrigerators ● LCD-TV ● Rice cookers ● Printers for business use ● Display wall etc. | <ul style="list-style-type: none"> ● Vacuum cleaners ● Microwave oven ● Air purifiers etc. |
|---|---|

*1 Chiller: Cool and hot water supply equipment used in a large size air-conditioning systems for buildings and factories etc.

1. Home Appliances Group Overview

Aim to Become “Global, Leading Green Company”

Further Accelerate Global Expansion in
Environment & Energy- and Social Infrastructure-
related Systems 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,
 - CNCs, 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 & 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**

8 Growth Drivers

2. Business Strategy of Air-Conditioning & Refrigeration Systems

Mitsubishi Electric Management Policy

-Maintain Balanced Corporate Management for Sustainable Growth-



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

-Toward a Higher Level of Growth-

Growth Targets to be Achieved
by FY2020

Net Sales 5 trillion yen or more
OPM 8% or more

-Strive for Continuous Innovation-

Through continuous innovation,
we develop new frontiers

Business policy of Air-Conditioning & Refrigeration Systems division

- Drive global growth strategy based on the mid-term plan -

- Establish and expand appropriate organization in the five key regions (Japan, Europe, USA, China, Asia)
- Full-scale approach to emerging markets (Middle East, Africa, Latin America)
- Further strengthen energy saving and direct expansion type^{*1} air-conditioner business as our advantage
- Work globally to strengthen of water cooled type^{*2} air-conditioning systems and industrial refrigeration
- Accelerate the circular business (maintenance, service and Energy Management System(EMS))



*1 Direct expansion type : cooling and heating by circulating refrigerant

*2 Water cooled type : cooling and heating by circulating cool or hot water

2. Business Strategy of Air-Conditioning & Refrigeration Systems – Growth Strategy Slogan toward FY 2020 –

Advance & Innovation 2020 (AI20)

Consolidated Net Sales Target : 1 Trillion Yen



Advance

Strengthen and expand existing businesses

Drive Localization

- ① Establish a value chain in each region
- ② Accelerate local production for local consumption



Innovation

Create and strengthen new businesses

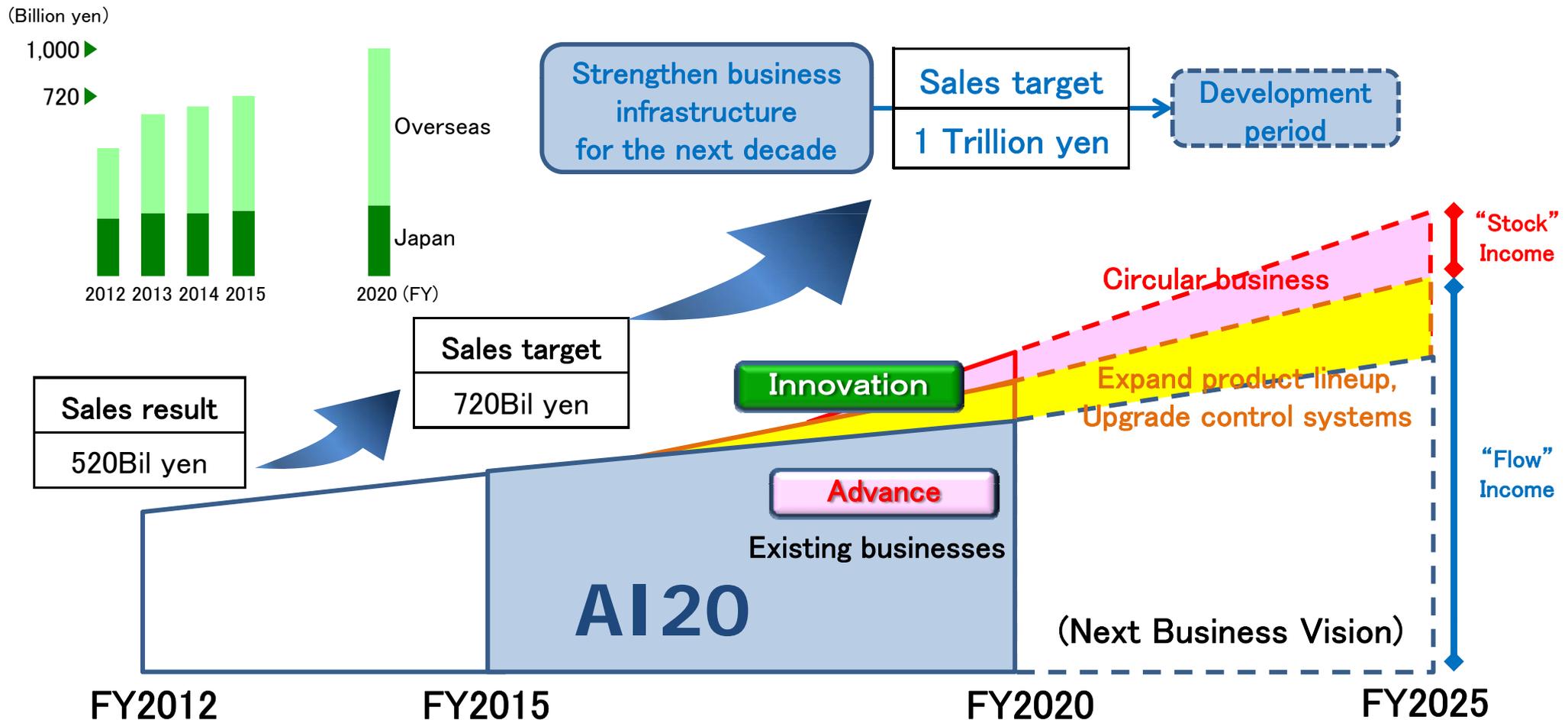
Strengthen Solution Capability

- ① Expand product lineup and Upgrade control systems
- ② Develop the circular business

Strengthen response and proposal capabilities to individual customer needs

2. Business Strategy of Air-Conditioning & Refrigeration Systems – Business Vision of AI20 –

- Develop new frontiers of air-conditioning and refrigeration systems business by strengthening and expanding existing business **Advance**, creating and strengthening new businesses **Innovation**



2. Business Strategy of Air-Conditioning & Refrigeration Systems – Strategic point of AI20 –

Market Environment

- Increased needs for safety and energy-saving products with tightening of environmental regulations in each country
- Expand air-conditioning & refrigeration demand in emerging countries mainly
- Increasingly competitive environment due to a business domain expansion by our competitors utilizing M&As and business alliances

Mitsubishi Electric's Advantage

- High performance and high efficiency devices, advanced control technologies
- Product development and manufacturing technologies utilizing the advanced core technology
- Wide range of products and systems lineup from residential to commercial use
- Integration capabilities of sales, technologies and systems with the advantages of a comprehensive electric appliance manufacturer

Strategic Point to Establish Business Infrastructure

- Strengthen organization to accelerate the regionally-oriented marketing strategy
- Expand product development and manufacturing capability to meet extensive needs
- Aggressively increase human resource and capital investment globally
- Accelerate expansion of business domain and market utilizing M&As and alliances

3. Market Environment

– Environmental Regulations & Technology Trend –

- Energy related and refrigerant regulations are tightening globally, however specific criteria differ by country
- Necessary terms of specifications, functions and costs for air-conditioning and refrigeration products are different in each country, therefore strengthening of development capabilities to adapt to individual needs is essential for business global expansion
- Increased needs for EMS, operation and maintenance facilities utilizing information technology from a energy saving perspective

Trend of the energy saving related regulations (ex. RAC)

	2013	2014	2015	2016	2017	2018
Japan	APF regulation					
Europe	SEER-SCOP regulation					Regulatory tightening (forecast)
North America	SEER-HSPF regulation		SEER-HSPF regulatory tightening			
China	APF regulation					
Asia (Thailand)	EER regulation (for non-inverter)		CSPF regulation (for inverter)			

Refrigerant regulations

Main trend	
Developed Country	<u>Low GWP refrigerant</u> *GWP: Global Warming Potential
	【Japan】 Fluorocarbon gas emission control (effective in April 2015)
	【Europe】 Tightening F-gas regulations (effective in January 2015)
Emerging Country	<u>Post-HCFC refrigerant</u>
	Accelerate converting to HFC refrigerant
	HCFC: Hydro Chloro Fluoro Carbon “Chloro” is ozone depleting substance HFC: Hydro Fluoro Carbon(exclude Chloro)

* APF: Annual Performance Factor, SEER: Seasonal Energy Efficiency Ratio, SCOP: Seasonal Coefficient Of Performance, HSPF: Heating Seasonal Performance Factor, CSPF: Cooling Seasonal Performance Factor

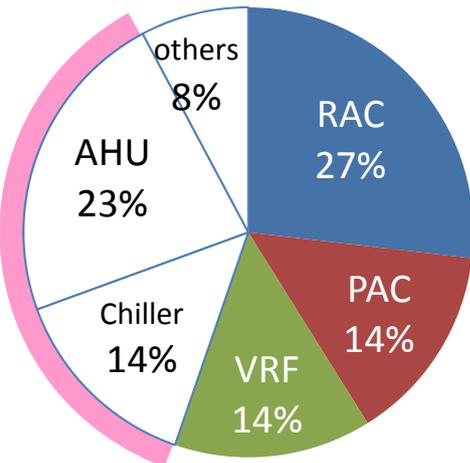
3. Market Environment

- Demand Structure by Region (FY 2014) -

【Legend symbol】 Scale of demand

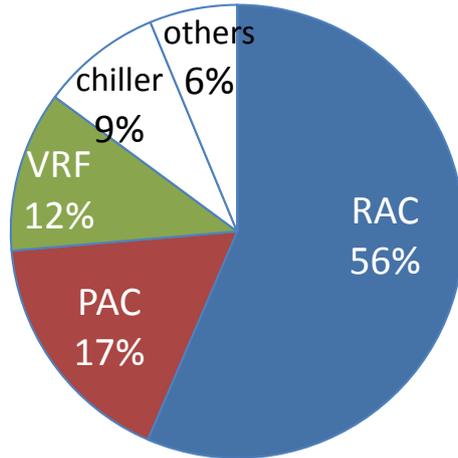
FY 2012 ⇒ FY 2014

Europe



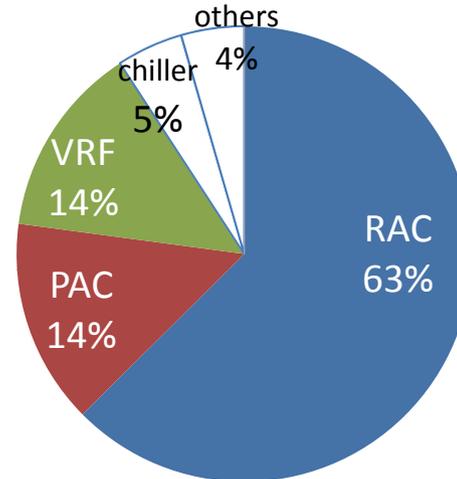
1.3 ⇒ 1.3Tril yen

China



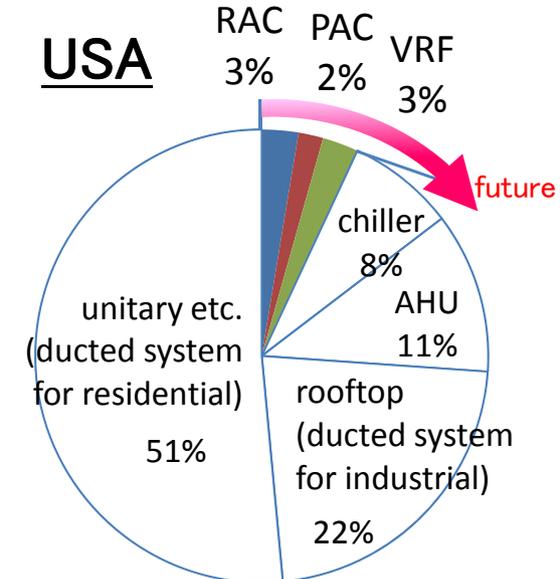
3.1 ⇒ 3.8Tril yen

Japan



1.3 ⇒ 1.3Tril yen

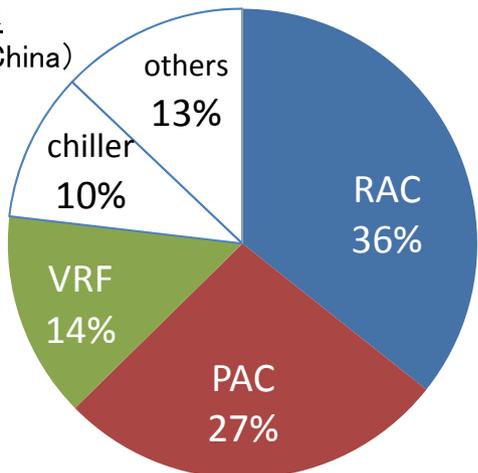
USA



1.4 ⇒ 1.5Tril yen

Asia

(ex. Japan, China)



1.0 ⇒ 1.2Tril yen

- Air-conditioning and refrigeration worldwide demand was about 11 trillion yen in FY 2014
- RAC, PAC and VRF which we are marketing globally, constitute for a major demand in Japan, China and Asia
- In Europe, chiller and AHU have a high percentage too
- In USA, although ducted systems are now mainstream, ductless systems (RAC, PAC and VRF) are increasing rapidly with growing awareness for energy saving
- Demand in China and Asia are increasing rapidly in accordance with economic growth

4. Mitsubishi Electric's Advantage —Leading Technology—

High performance , high efficiency devices and leading technologies to realize high performance and energy saving products

High efficiency and performance
Inverter compressors



Rotary

Scroll

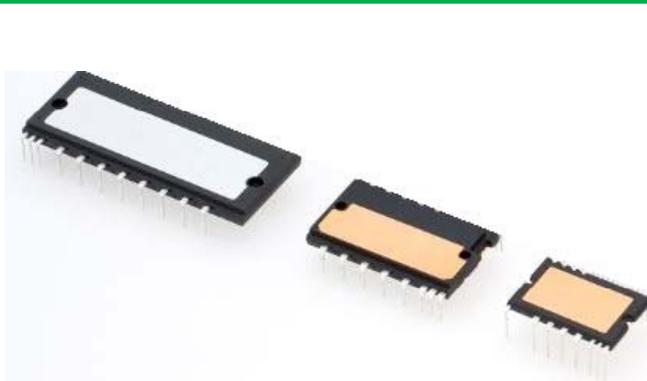
Energy and noise-efficient
fans and motors



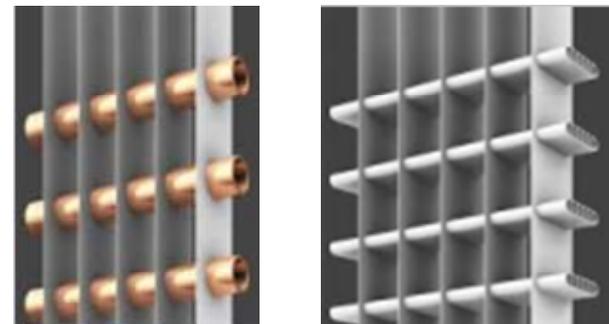
Personal twin flow

Joint lap motor

High efficiency control
power semiconductors



Flat pipe heat exchanger



Copper pipe
(previous)

Aluminum flat pipe

World's first *1

4. Mitsubishi Electric's Advantage – Leading Technology (RAC) –

<A drastic change in the indoor unit mechanism for the first time in 50 years>

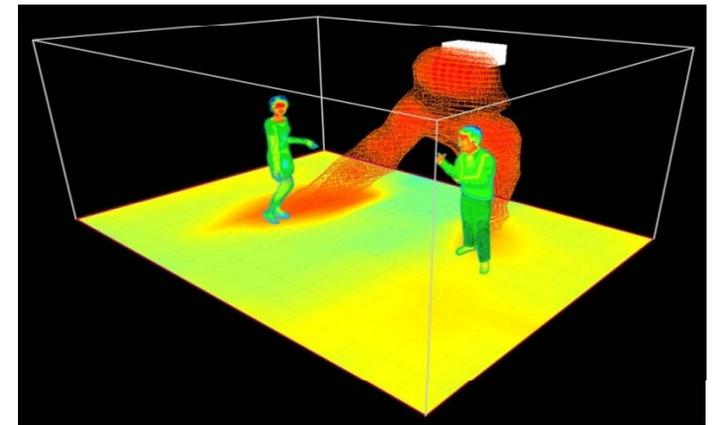
Two independent fans realize comfort for each family member

(KIRIGAMINE)
霧峰

ADVANCE



FZ Series



The world's first two independent-driven fans, the Personal Twin Flow, air conditioner will save energy and bring comfort to each individual with the capability to respond to felt temperature

World's first (Year 1968) *2



Previous (Line Flow Fan)



New (Personal Twin Flow)

*1 At the point of Oct. 30th, 2015 in the home air conditioner unit according to our research

*2 At the point of Aug. 2015 according to our research

4. Mitsubishi Electric's Advantage — Leading Technology (RAC·PAC·VRF) —

Our unique technology

Our unique technology used in the Flash Injection Circuit*1 has made it possible for a wide range of products to have a high heating power and energy saving efficiency. (It can sustain rated heating capacity until -15°C)

ZUBADAN

Housing



ZUBADAN KIRIGAMINE (RAC)

Stores and small offices



ZUBADAN Mr. Slim (PAC)

Office Buildings



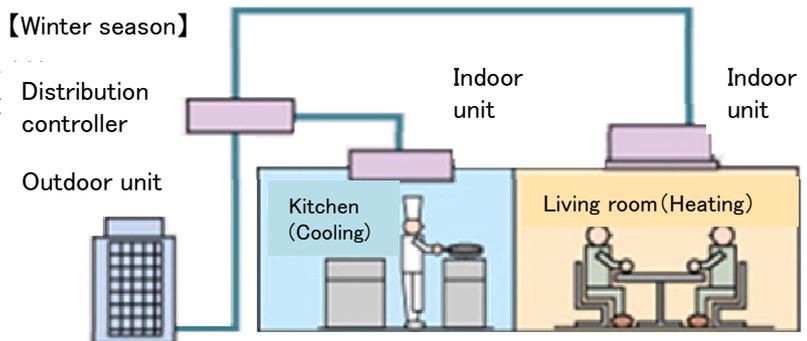
ZUBADAN Multi Y (VRF)

Industry's only technology

CITY MULTI R2 (VRF)

With our one and only two-piped refrigerant circuit, we are able to simultaneously cool and heat different rooms with one outdoor unit. This unique two-piped circuit that can reduce the number of pipes and the joints is only used in our product.*2

[Winter season]



*1 At the point of Aug. 2015, according to our research. Flash Injection Circuit: A circuit that can maintain a constant amount of refrigerant by injecting a high pressure and density refrigerant into the compressor. (Only used in the models larger than Zubadan Mr. Slim)

*2 At the point of Dec. 2014, according to our research.

5. Business Strategy (by Business Unit)

Business unit		Direction of strategy
Enhance our brand value, accelerate global expansion of value added and differentiated products		
Advance Strengthen and expand current business	(1) RAC	<ul style="list-style-type: none"> ◆ Accelerate global expansion of product lineup with a focus on value added products ◆ Enhance our brand value (launch most-advanced model and strengthen advertisement) ◆ Expand business in emerging countries centered on the Asia
	(2) PAC-VRF	<ul style="list-style-type: none"> ◆ Differentiate our brand by developing and expanding our unique products, ZUBADAN and R2 etc., to meet market needs ◆ Expand commercial air-conditioning business in emerging countries increasing the new construction demand
	(3) Industrial refrigeration (freezing and refrigeration equipment)	<ul style="list-style-type: none"> ◆ Utilize the business infrastructure in the Japan market (adapt to a broad range of fields from producing area, distribution and warehouse to retailer)
	(4) Compressor	<ul style="list-style-type: none"> ◆ Strengthen the performance improvement with advanced core technologies ◆ Expand sales to other air-conditioning maker in Europe, United States and China
Full-scale entry to a large size commercial business, establish circular business infrastructure		
Innovation Create and strengthen new business	(5) Chiller	<ul style="list-style-type: none"> ◆ Overseas development of the high efficiency chiller ◆ Full-scale entry and expansion to a large size commercial business by integration with DeLclima
	(6) Circular business	<ul style="list-style-type: none"> ◆ Establish business infrastructure of maintenance and management air-conditioning and refrigeration facilities ◆ Strengthen and expand circular business cooperating with Building and FA systems business ◆ Strengthen circular business by creating synergies with DeLclima's control technology

Advance

5. Business Strategy – (1)RAC –

Expand product lineup with a focus on the value added products

- Create and develop the “New Value”
 - Accelerate market penetration of the high performance and design model
 - Expand coverage of the design strategy
 - Accelerate the cold regions strategy and expand product lineup
- Further develop the comprehensive strategy (Deluxe: DX, Middle: MID, Standard: STD)
 - DX: Continuously improve the sensing technology “Move-eye KIWAMI” realizing top class energy-saving performance
 - MID/STD: achieve both the large-capacity and compact design

Expand sales volume in global markets

- Overseas development of the high performance and design model
- Expand ZUBADAN sales to cold regions overseas
- Develop and expand the cooling-only inverter model to support the saving-energy and refrigerant related regulations in emerging countries
- Propose “Whole home solutions” by multi type air-conditioning systems in USA



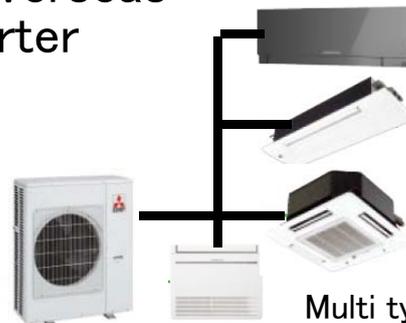
Line up structure

High-performance model
Design model
ZUBADAN (for cold regions)
Deluxe
Middle
Standard



Enhance our brand value

- Strengthen advertisement in Japan market
- Increase our brand recognition in emerging countries



Multi type air-conditioning system

Advance

5. Business Strategy – (2)PAC·VRF –

Accelerate the differentiation

- Japan: Maintain the high market share by expanding sales of only one value added product
- Europe: Expand sales by differentiated unique products, ZUBADAN, R2 and HVRF^{*1}, and control technology

Capture the demand in emerging countries

- Asia: Expand sales by cooling-only model to meet the increasing demand of construction sector
- Russia: Expand sales by strengthen the heating capacity improved model, ZUBADAN etc.

Innovation

Entry to the new business

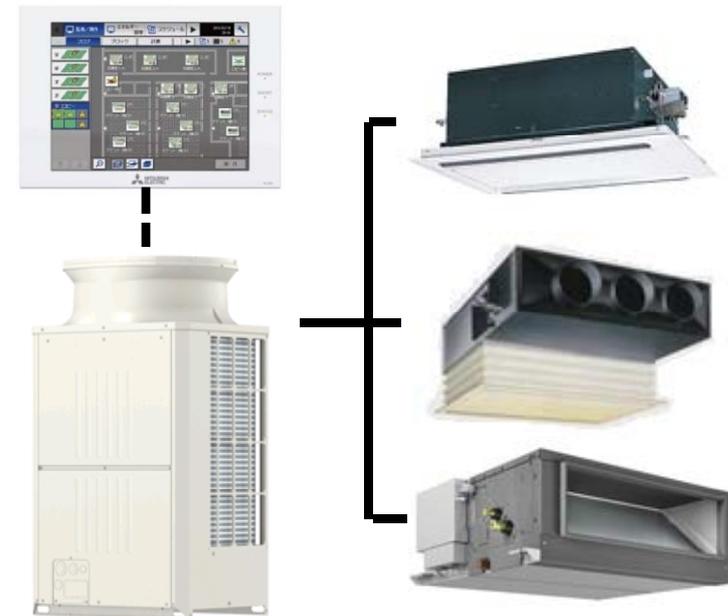
- USA: By collaborating with Greenheck's AHU and Mitsubishi Electric's VRF, strengthen the total proposing capability of energy-saving building use air-conditioning systems including ventilations

PAC: 



VRF: **CITY MULTI**

Centralized controller (AE-200J)



*1 HVRF: Hybrid VRF, hybrid type combined with VRF and water-cooled air-conditioning systems

5. Business Strategy – (3) Industrial refrigeration –

Advance

Utilize the strong business infrastructure in Japan

- To support the Fluorocarbon-gas emission low and elimination of HCFC refrigerant in 2020, capture the demand for equipment replacement using HFC refrigerant (Expand lineup of wide replace condensing unit that can reuse existing refrigerant piping etc.)
- Overseas development (Asia etc.)



Condensing unit series

Advance

5. Business Strategy – (4) Compressor –

Strengthen the performance improvement with advanced core technologies and expand business

- Accelerate development the Rotary, Scroll and Screw type compressors that can adapt to HFC refrigerant and inverter
- Expand sales volume to other air-conditioning makers in Europe, United states and China



Rotary

Scroll



Screw

5. Business Strategy – (5) Chiller –

Advance

In Japan

Expand sales volume

- Launch the top-class efficiency and space-savings module chiller 「Compact cube DT-R」 for renewal and replacement demand leading up to the Tokyo Olympics and Paralympics in 2020

Innovation

In global market

Full-scale entry and expand to a large size commercial business

- Launch the high efficiency chiller into global market
- Sell DeLclima's chillers via Mitsubishi Electric's sales channels in Europe market mainly
- Co-develop higher value-added products and fast market launch by combining DeLclima's competitive chillers and Mitsubishi Electric's core technologies (compressors and fans, etc.)

Module Chiller :
Compact cube DT-R



DeLclima's (Climaveneta) Chillers



Innovation

5. Business Strategy – (6) Circular business –

Japan

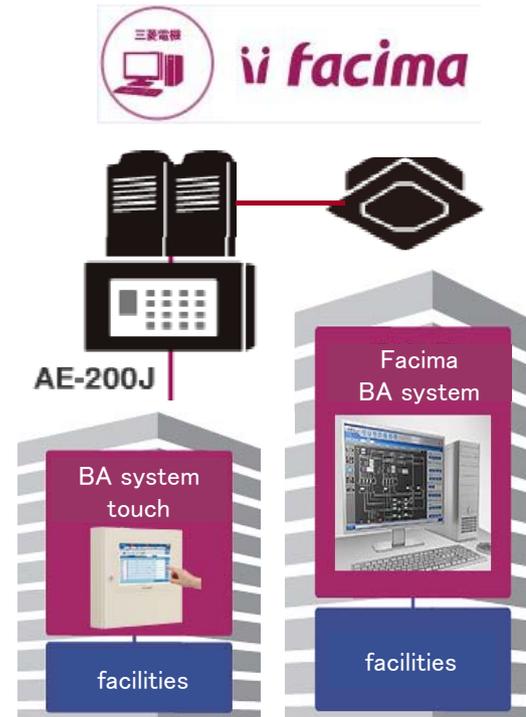
- Strengthen and expand the circular business by collaborating with in-house Building systems and FA systems businesses

【Examples】

- Control energy saving operation of air-conditioning systems in Building facilities operation & planning systems “facima”
- Remote management service of Air-conditioning, freezing, refrigeration facilities “Cool remote maintenance”

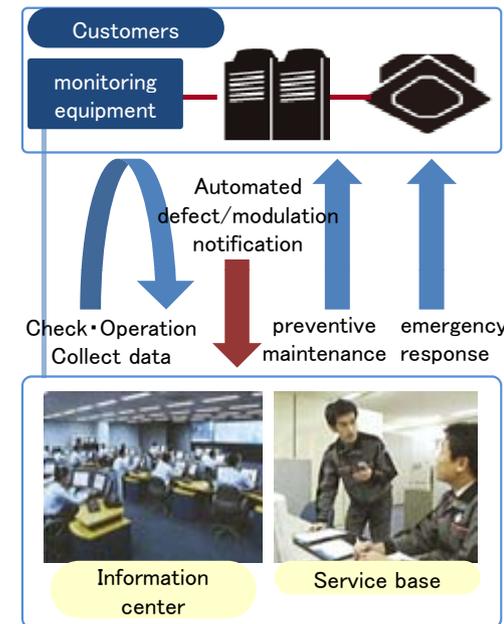
Overseas

- Strengthen and Expand the circular business in Europe and United states
 - Europe: Remote monitoring and maintenance business (Italy: RMI*1/UK: MELCLOUD)
 - US: Propose the energy saving air-conditioning systems for buildings
- Strengthen the circular business by utilizing synergies with DeLclima’s control systems



Cool Remote Maintenance

(Mitsubishi Electric Building Techno-Service Co., Ltd)



RMI
REMOTE MONITORING INTERFACE



MELCLOUD



*1 RMI: Remote Monitoring Interface

Reference : Progress situation of the DeLclima acquisition and Project effect

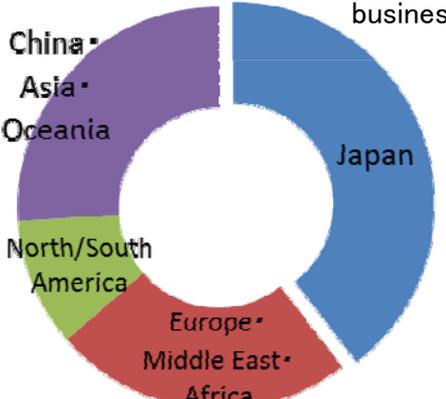
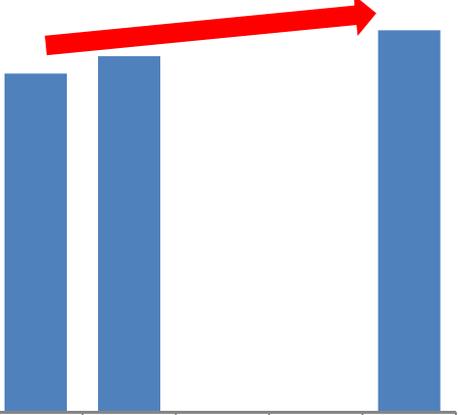
Progress situation

- Currently under review of the antitrust law in some countries. After completion of this procedures, we will purchase DeLclima's share capital from De' Longhi Industrial (74.97% of share capital), and the tender offer will be launched to purchase the remaining shares from the other shareholders.

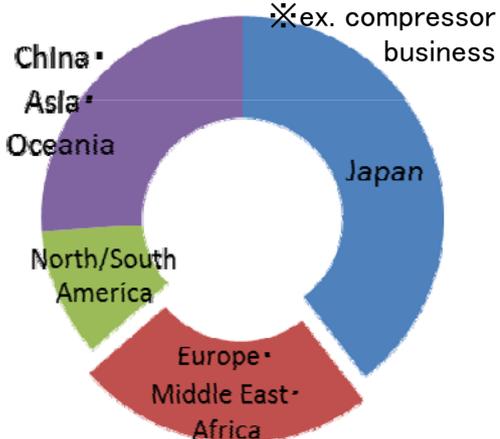
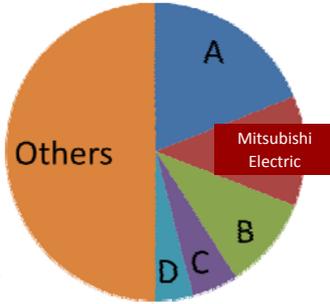
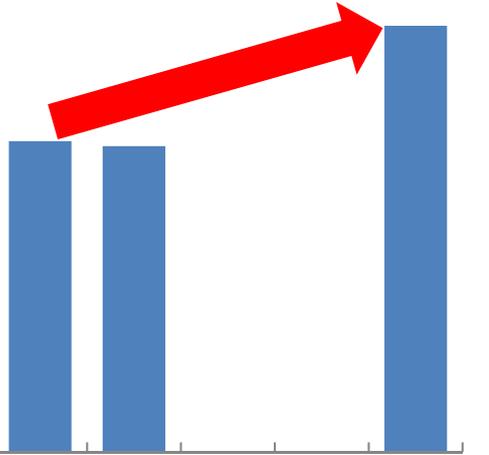
Project effect

- Realize more synergies by discussion with DeLclima based on the following items
 - (1) Full-scale entry into the chiller business and a large size commercial air-conditioning & refrigeration systems business
 - Sales in FY2014: 48.8Bil yen (vs FY2013: +6%), Operating profit margin: Approx.12%
 - (2) Cross-selling opportunities for both companies by complementing products
 - (3) Co-develop higher value-added products and promptly launch into market by combining DeLclima's competitive chillers and our core technologies (compressors and fans, etc.)
 - (4) Accelerate comprehensive circular business by collaborating with both control systems
 - (5) Establish global organization of production and supply utilizing both company's production bases
- After the completion of the acquisition, we aim to finish investment recovery within 8-9years

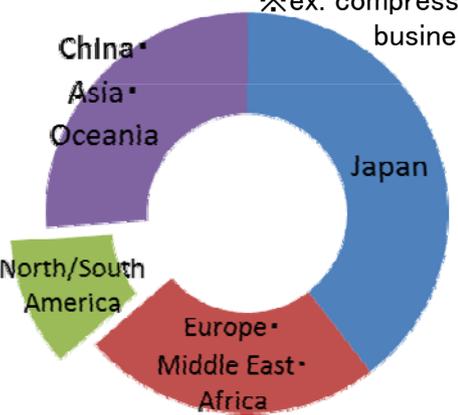
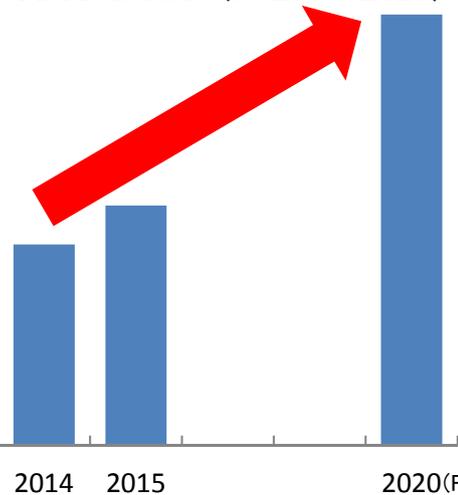
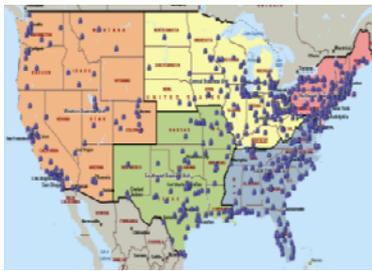
6. Area Strategy – Japan –

Mid-term Plan	Basic Policy	Initiative
<p><Sales Composition (FY2014)> ※ex. compressor business</p> 	<p>(1) Increase presence and enhance brand value by expanding sales of value added and differentiated products</p>	<ul style="list-style-type: none"> ▪ Promote strengthening of product development for renewal demand ▪ Develop products to meet global needs and launch to Japan market in advance ▪ Improve brand appeal by strengthening promotion and enhance non-price competitiveness
<p><Sales Growth (FY2014–2020)></p>  <p>2014 2015 2020(FY)</p>	<p>(2) Strengthen chiller and industrial refrigeration business in addition to air-conditioning products as comprehensive HVAC manufacture</p>	<ul style="list-style-type: none"> ▪ Launch the top-class efficiency and space-saving module chiller ▪ Reinforce sales organization to capture demand for the Tokyo Olympics and Paralympics in 2020 ▪ Improve system response capabilities to food distribution related business
<p>FY2020 Sales Target: 1.2 times vs FY2014</p>	<p>(3) Strengthen and expand the circular business</p>	<ul style="list-style-type: none"> ▪ Strengthen collaboration with the Building systems and FA systems businesses

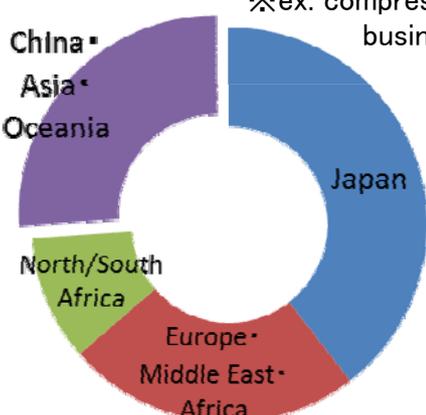
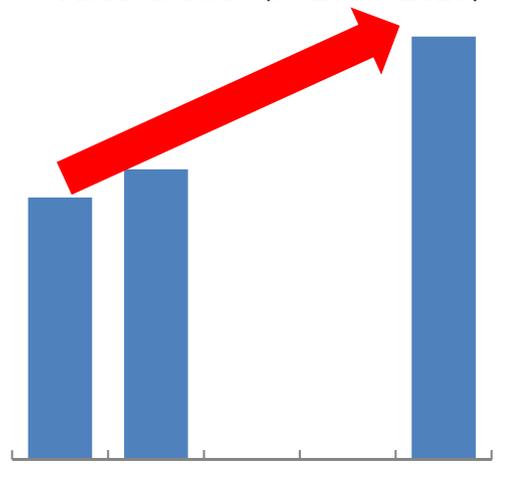
6. Area Strategy – Europe, Middle East and Africa –

Mid-term Plan	Basic Policy	Initiative
<p><Sales Composition (FY2014)>  </p>	<p>(1) Aim to take over “the Number 1” market share in Europe by expanding exiting businesses and business domain utilizing acquisition of DeLclima</p>	<p><M/S (FY 2014)>  </p> <ul style="list-style-type: none"> ▪ Mitsubishi Electric’s position is number 2 as of now ▪ Expand product lineup utilizing integration with DeLclima, reinforce sales channels and strengthen the circular business (according to our estimation)
<p><Sales Growth (FY2014–2020)>  </p>	<p>(2) Expand sales channels in new market</p>	<ul style="list-style-type: none"> ▪ In Turkey, acquired and integrated with a local agency, Klima Plus ▪ In Russia, established own sales company and started operation ▪ In Norway, acquired a local agency and started operation as a new branch ▪ In South Africa, a new sales branch started operation ▪ Re-entry into Saudi Arabian market (Started sales of VRF in 2014)
<p>FY2020 Sales Target: 1.5 times vs FY2014</p>	<p>(3) Accelerate developing “Air to Water (ATW)” business to meet regional needs in Europe</p>	<ul style="list-style-type: none"> ▪ Promote developing ATW products utilizing the Housing Test facility in Scotland  <p>Housing Test facility in Scotland, UK</p>

6. Area Strategy – North and South America –

Mid-term Plan	Basic Policy	Initiative
<p><Sales Composition (FY2014)> ※ex. compressor business</p>  <p><Sales Growth (FY2014–2020)></p>  <p>2014 2015 2020(FY)</p> <p>FY2020 Sales Target: 2 times vs FY2014</p>	<p>(1) Maintain the top share by strengthening existing ductless business, expanding sales volume by launching original products for the US market and by strengthening regional marketing capability</p> <p>(2) Maintain and strengthen an existing sales network and accelerate developing emerging markets</p> <p>(3) Enter into the ductless market by harmonizing with US' original air-conditioning culture and ductless products</p>	<ul style="list-style-type: none"> Accelerate development of original products for the US market at the engineering center in the US Started production of VRF indoor units for the US market in Mexican factory (since 2013), expand production capacity and increase production models in series  <ul style="list-style-type: none"> Maintain and strengthen relationships with distributors and builders reaching 1,300 in US Expand business in South America by strengthening sales channels <ul style="list-style-type: none"> Commercial: Strengthen total solution proposing capability of energy-saving building air-conditioning systems and include ventilations by collaborating with Greenheck's AHU and our VRF Residential: Develop the Multi-position indoor unit to meet unitary market  <p>AHU</p>  <p>Multi-position indoor unit</p>

6. Area Strategy – China, Asia and Oceania –

Mid-term Plan	Basic Policy	Initiative
<p><Sales Composition (FY2014)> ※ex. compressor business</p>  <p><Sales Growth (FY2014–2020)></p>  <p>2014 2015 2020(FY)</p> <p>FY2020 Sales Target: 1.7 times vs FY2014</p>	<p>(1) Further strengthen high-end, top brand image in China</p> <p>(2) Firmly maintain high share in Thailand, Singapore and Oceania, expand sales volume in Asian emerging markets (India, Indonesia and Vietnam etc.)</p> <p>(3) Reinforce a sales organization to expand commercial Air-conditioning business</p>	<ul style="list-style-type: none"> ▪ Continuously launch value added and differentiated products developed China market-exclusive models etc.  Chinese model ▪ Expand sales volume by launching Asia market-exclusive energy saving models ▪ Expand sales channels by establishing comprehensive sales company in Asian emerging countries and enhance brand value, increase brand awareness by strengthening advertisement ▪ Reinforce supply and production organization in Thailand factory to meet rapidly increasing demand in Asia ▪ Reinforce organization of technical, service and support in whole Asia utilizing “ASC (Asia support center)” ▪ Established “Advance & Innovation Center” in Thailand sales company to strengthen improving total proposal capabilities and training

7. Development & Manufacturing Strategy

Advance

– Drive Localization –

Establish a value chain in each region

Accelerate developing optimized products for each region by regionally-oriented marketing

- Overseas bases : Product planning and develop independently to meet individual needs and regulations in each region
 - Strengthen independent development capabilities in all overseas bases utilizing research centers in US and Europe, R&D centers in US, Thailand and China
 - For example, promoting product developing to reflect Asian local needs by forming a project team with sales and design department members in Thailand base
- Japanese bases : Develop new technologies for global market
 - Expand design and development capabilities by contracting new development sites (buildings) in Air-conditioning and refrigeration systems works (AC&R works, Wakayama city) and Shizuoka works (Shizuoka city), and accelerate developing value added and differentiated products
- Increase the number of development personnel globally (Target in FY2020: 1.5 times vs FY2013)
 - Reinforce organization of training and education
 - Strengthen design and development infrastructure utilizing IT systems



AC&R works
Contract a new building



Shizuoka works
Contract a new building

7. Development & Manufacturing Strategy

Advance

– Drive Localization –

Accelerate local production for local consumption

- Establish supply and production organization to respond quickly to changing demand due to weather conditions by shortening supply lead times

(1) Accelerate transferring production to production bases neighboring each market

【Examples of transferring production】

- ① Japan→Overseas: Transferred production of VRF indoor unit for global market from AC&R works to Thailand in October 2014
- ② Overseas→Overseas: Transferred production of RAC for US market from Thailand to Mexico in October 2014

(2) Consistently continue production for Japanese market in Japanese bases

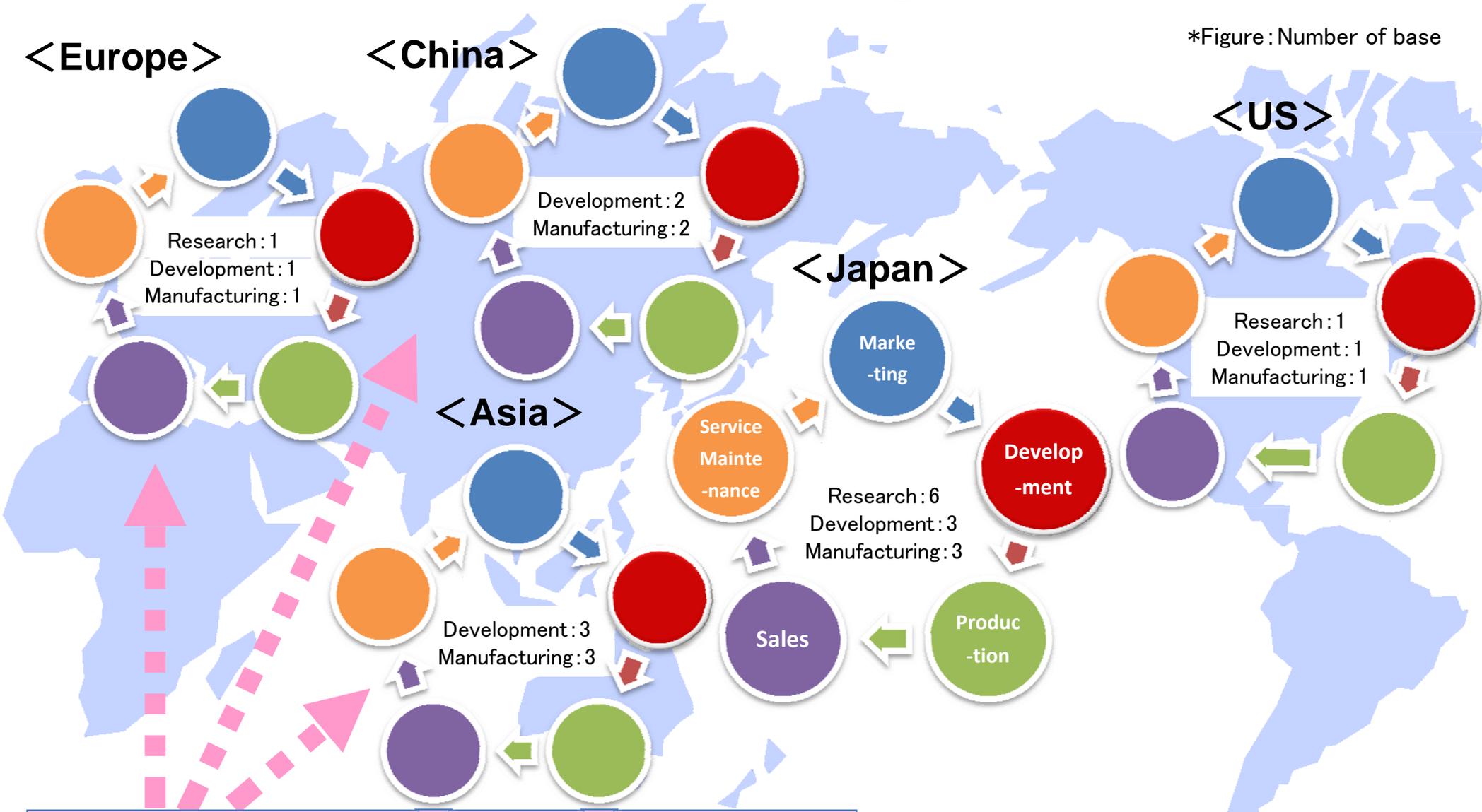
- Strengthen establishing supply and production bases globally
 - Established a production base in Mexico for expanding sales in North American market in October 2013
 - Improve logistics and increase production capacity in Thailand base for expanding sales in Asian market (Target in FY2018: 7 million units production)*1
 - Utilize DeLclima's production bases (12 bases in 3 countries) in addition to our production bases (10 bases in 5 countries)

*1 Indoor unit + Outdoor unit

7. Development & Manufacturing Strategy

- Localization in the 5 regions -

*Figure: Number of base



DeLclima: 3 countries (Italy, China, India) 12bases

Reference : Examples of investments into development, production and sales bases since FY2013



DeLclima (Italy)
Into a consolidated subsidiary
(Plan)

Investment amount
approx. 90.2 Billion yen



Mitsubishi Electric Consumer Products
(Thailand)
Established new facilities in Jul, 2015

Investment amount
approx. 10 Billion yen



Shizuoka works (Japan)
Contract a new building
Start operation in Jun, 2019 (Plan)

Investment amount
approx. 5 Billion yen



AC&R works (Japan)
Contract a new building
Start operation in 2016 spring (Plan)

Investment amount
approx. 4 Billion yen



Mitsubishi Electric Europe B.V.
Established a new branch in Norway
in Oct, 2015



Mitsubishi Electric Kang Yong Watana
Co., Ltd. (Thailand)
Established "Advance & Innovation Center"
in Aug, 2015



Mitsubishi Electric Europe B.V.
South Africa branch
started sales operation
in Jun, 2015



Mitsubishi Electric established
Mitsubishi Electric (Russia) LLC
Started sales operation in Oct, 2014



Mitsubishi Electric acquired and
integrated with a Turkish local agency,
Klima Plus in Jul, 2014



Mitsubishi Electric started production
Air-conditioning products
in Mexico in Oct, 2013



Mitsubishi Electric opened
Housing Test Facility
in Scotland in Jul, 2013



Mitsubishi Electric US, Inc. HVAC
Division started operation
in USA in Apr, 2013

Changes for the Better

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, tsunamis, fires and others
14. Social or political upheaval caused by terrorism, war, pandemic by new strains of influenza and other diseases, or other factors