

## **Mitsubishi Electric and Mitsubishi Heavy Industries Definitively Agree to Integrate Their Power-generator Systems Businesses**

**TOKYO, May 29, 2023** – Mitsubishi Electric Corporation (TOKYO: 6503) and Mitsubishi Heavy Industries, Ltd. (TOKYO: 7011) announced today that they have reached a definitive agreement to integrate their power-generator systems businesses under a joint venture. As previously announced, the two firms agreed in principle last December 26 on a plan to transfer their respective businesses focused on power-generator systems to a proposed joint-venture company, which Mitsubishi Electric and Mitsubishi Heavy Industries will both be the shareholder, effective April 1, 2024.

Today, the two companies have signed definitive agreements specifying the terms and conditions of integrating their power-generator systems businesses, the details of which are outlined below. Prior to the establishment of the joint-venture company, a preparatory company will be established in due course, after which the remaining details will be finalized by the three parties by around the end of December 2023.

### **1. Purpose of Integration**

Climate change due to global warming is triggering accelerating efforts worldwide to achieve carbon neutrality by reducing greenhouse gas emissions to net zero. Increasing demand for electricity in growing economies, particularly emerging markets, and heightened concerns about energy security, are expected to drive practical transitions to new forms of energy, such as hydrogen, ammonia and other carbon-free fuels, alongside existing thermal-power generation. Large power plants, which have served as the backbone of power infrastructure so far, will play an important transitional role in balancing the variability of renewable energy due to weather and other factors.

In the midst of such market changes, Mitsubishi Electric and Mitsubishi Heavy Industries have agreed to integrate related businesses, technologies and assets to enhance market competitiveness. The integration is expected to strengthen the partnership between the two companies to an unprecedented level in order to expand their power-generator systems business globally and contribute to a carbon-neutral world.

### **2. Details of Integration**

#### **(1) Schedule**

Execution of basic agreement	December 26, 2022
Decision on Absorption-type Company Split	May 29, 2023
Execution of definitive agreements	
Execution of company-split agreement	End of December 2023 (tentative)
Effective date of company splits	April 1, 2024 (tentative)

Note 1: Implementation of the planned business integration is subject to clearances, approvals and/or completion of processes required by and from relevant governmental agencies and competition authorities.

Note 2: Since both Mitsubishi Electric and Mitsubishi Heavy Industries are expected to implement simple absorption-type splits, as set forth in Article 784, Paragraph 2 of the Companies Act of Japan, shareholder approval will not be required by either company.

**(2) Method and Equity Contribution**

The method will be an absorption-type company split in which a preparatory company, which will be established by Mitsubishi Electric as a wholly owned subsidiary, will become the succeeding company, and Mitsubishi Electric and Mitsubishi Heavy Industries will be the transferring companies. The preparation company will issue common stock for the split from Mitsubishi Electric and Mitsubishi Heavy Industries, with all shares being allotted to Mitsubishi Electric and Mitsubishi Heavy Industries respectively, however both companies will mutually determine the number of shares to be allotted to each company. The two companies will make adjustments so that Mitsubishi Electric will hold 51% and Mitsubishi Heavy Industries will hold 49% of the shares in the joint-venture company as of the effective date.

**(3) Share Acquisition Rights and Bonds with Share Acquisition Rights**

Mitsubishi Electric has not issued any share acquisition rights nor has it issued any bonds with share acquisition rights. The obligations under share acquisition rights issued by Mitsubishi Heavy Industries will not be transferred to or succeeded by the joint-venture company. Mitsubishi Heavy Industries has not issued any bonds with share acquisition rights.

**(4) Changes in Amounts of Capital Accompanying Company Splits**

There will be no change in the capital stock or capital reserves of Mitsubishi Electric or Mitsubishi Heavy Industries as a result of the company splits.

**(5) Rights and Obligations Transferred to Joint-venture Company**

The joint-venture company will assume ownership of the related assets, liabilities, other rights and obligations, and existing contracts of Mitsubishi Electric and Mitsubishi Heavy Industries. Details of the integration including assets, liabilities, contracts, etc., will be specified in the absorption-type company-split agreement to be executed around the end of December 2023.

**(6) Outlook on Fulfillment of Obligations**

Following the company splits, the obligations to be borne by the joint-venture company are expected to be duly performed.

**3. Calculation Basis, etc., Concerning Allotment under the Company Splits**

The number of shares of the joint-venture company to be allotted to Mitsubishi Electric and Mitsubishi Heavy Industries will be determined through discussions and negotiations, based on the value of the businesses to be transferred after considering the financial performance (revenues, expenses, profits and cash flows) of the businesses subject to the integration, in addition to the assets, liabilities, existing contracts, rights and obligations, etc. to be transferred.

#### 4. Profile of the Parties of the Company Split

Company name	Mitsubishi Electric Corporation (as of March 31, 2023)	Mitsubishi Heavy Industries, Ltd. (as of March 31, 2023)
Head Office	2-7-3 Marunouchi, Chiyoda-ku, Tokyo	3-2-3 Marunouchi, Chiyoda-ku, Tokyo
Representative	Kei Uruma Representative Executive Officer, President & CEO	Seiji Izumisawa President & CEO
Summary of Business	Development, manufacturing, sales, and service of products such as Infrastructure, Industry and Mobility, Life, and Business Platform	Major products and operations: Energy Systems, Plants & Infrastructure Systems, Logistics, Thermal & Drive Systems, Aircraft, Defense & Space
Established	January 15, 1921	January 11, 1950
Paid-in Capital	175,820 million yen	265,608 million yen
Shares Issued	2,147,201,551 shares	337,364,781 shares
Book Closing Date	March 31	March 31
Major Shareholders and Shareholding Ratio	The Master Trust Bank of Japan, Ltd. (Trust Account): 15.7% SSBTC CLIENT OMNIBUS ACCOUNT: 5.6% Custody Bank of Japan, Ltd. (Trust Account): 5.0%	The Master Trust Bank of Japan, Ltd. (Trust Account): 15.9% Custody Bank of Japan, Ltd. (Trust Account): 5.5% Meiji Yasuda Life Insurance Company: 2.3%
Operating Results for the Most Recent Business Year and Financial Positions as of the End of the Business Year (FY ended March 2023)		
Total Equity	3,363,224 million yen	1,883,984 million yen
Total Assets	5,582,519 million yen	5,474,812 million yen
Equity Attributable to Shareholders per Share	1,533.98 yen	5,183.10 yen
Revenue	5,003,694 million yen	4,202,797 million yen
Operating Profit	262,352 million yen	-
Profit from Business Activities	-	193,324 million yen
Profit Before Income Taxes	292,179 million yen	191,126 million yen
Net Profit Attributable to Shareholders	213,908 million yen	130,451 million yen
Basic Earnings per Share Attributable to Shareholders	101.30 yen	388.43 yen

Note: Details of the joint-venture company will be announced in a timely manner once confirmed with respect to the company splits

#### 5. Overview of Business to Be Transferred

The scope of the business integration will be as follows.

##### (1) Thermal power generation businesses

- ① Design, manufacture, quality control, sales and after-sales servicing of electric generators
- ② Engineering, quality control, sales and after-sales servicing of electrical equipment associated with generators

##### (2) Nuclear power generation business

- ① Design, manufacture, quality control and after-sales servicing of electric generators

##### (3) Hydroelectric power generation business

- ① Manufacture, quality control and after-sales servicing of electric generators

Mitsubishi Electric and Mitsubishi Heavy Industries will promptly announce the operating results, assets and liabilities of the divisions to be split off as soon as they are determined.

## 6. Profiles of the Parties Post-Integration Parties

	Transferring Company
(1) Name	Mitsubishi Electric Corporation
(2) Head office	2-7-3 Marunouchi, Chiyoda-ku, Tokyo
(3) Representative	Kei Uruma Representative Executive Officer, President & CEO
(4) Business	Development, manufacturing, sales, and service of products such as Infrastructure, Industry and Mobility, Life, and Business Platform
(5) Capital	175,820 million yen
(6) Fiscal year end	March 31

	Transferring Company
(1) Name	Mitsubishi Heavy Industries, Ltd.
(2) Head office	3-2-3 Marunouchi, Chiyoda-ku, Tokyo
(3) Representative	Seiji Izumisawa President & CEO
(4) Business	Major products and operations: Energy Systems, Plants & Infrastructure Systems, Logistics, Thermal & Drive Systems, Aircraft, Defense & Space
(5) Capital	265,608 million yen
(6) Fiscal year end	March 31

	Joint-Venture Company
(1) Name	(Not yet determined)
(2) Head office	Kobe City, Hyogo
(3) Representative	(Not yet determined)
(4) Business	Please refer to 5.
(5) Capital	(Not yet determined)
(6) Fiscal year end	March 31

**Note:** The capital statuses of the joint-venture company will be announced in a timely manner once confirmed.

## 7. Outlook

The impact of the company splits on the business results and outlooks of Mitsubishi Electric and Mitsubishi Heavy Industries will be announced in a timely manner once confirmed.