

Mitsubishi Electric and Mitsubishi Heavy Industries Reach a Basic Agreement to Start Detailed Studies for Business Integration for Power Generator Systems

TOKYO, December 26, 2022 – Mitsubishi Electric Corporation (TOKYO: 6503, “Mitsubishi Electric”) and Mitsubishi Heavy Industries, Ltd. (TOKYO: 7011, “Mitsubishi Heavy Industries”) announced today that the two companies have reached a basic agreement to establish a joint venture to integrate their businesses in fields focused on power generator systems.

It is expected that Mitsubishi Electric will be the majority shareholder and Mitsubishi Heavy Industries will be the minority shareholder of the new company.

Climate change caused by global warming has emerged as a common issue worldwide, and efforts to achieve carbon-neutrality, which would reduce greenhouse gas emissions to net zero, are accelerating around the world.

Electricity demand is expected to increase due to economic growth mainly in emerging countries and awareness of energy security, and energy transitions has increased. In the future, existing thermal power generation will decarbonize its systems with fuel conversion to hydrogen, ammonia, and other carbon-free fuels.

Large-scale power plants that have supported the power infrastructure so far will play an important role as a force to adjust for the increase in variable renewable energy sources, whose power generation is affected by weather and other factors.

Considering this market environment, Mitsubishi Electric and Mitsubishi Heavy Industries have reached this basic agreement to strengthen their market competitiveness further by integrating their respective businesses and combining their respective technologies and assets. This business integration will create a stronger partnership than ever before and expand the two companies’ power generator systems on a global scale, thereby contributing to the realization of a carbon-neutral society.

An overview of this business integration is described in the Appendix. Further details will be announced as they become available.

Overview of Business Integration

(1) Scope of the business integration

The scope of the integration will include basic planning, design, development, manufacturing, sales and servicing of power generators connected directly to turbines, as well as other key facilities at power generation plants.

(2) Measure of integration

Businesses subject to the integration will be transferred to a new joint venture company from Mitsubishi Electric and Mitsubishi Heavy Industries separately, each by way of an absorption-type company split. The terms and conditions of the integration will be determined by Mitsubishi Electric and Mitsubishi Heavy Industries in the definitive agreement on the integration.

(3) Overview of the parties to the integration

Company name	Mitsubishi Electric Corporation	Mitsubishi Heavy Industries, Ltd.
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 (as of March 31, 2022)	265,608 million yen (as of March 31, 2022)
Shares Issued	2,147,201,551 shares (as of March 31, 2022)	337,364,781 shares (as of March 31, 2022)
Book Closing Date	March 31	March 31
Major Shareholders and Shareholding Ratio	The Master Trust Bank of Japan, Ltd. (Trust Account): 16.91% SSBTC CLIENT OMNIBUS ACCOUNT: 5.03% Custody Bank of Japan, Ltd. (Trust Account): 4.63% (as of March 31, 2022)	The Master Trust Bank of Japan, Ltd. (Trust Account): 15.61% Custody Bank of Japan, Ltd. (Trust Account): 5.06% Meiji Yasuda Life Insurance Company: 2.37% (as of March 31, 2022)
Operating Results for the Most Recent Business Year and Financial Positions as of the End of the Business Year (FY ended March 2022)		
Total Equity	3,097,397 million yen	1,662,529 million yen
Total Assets	5,107,973 million yen	5,116,340 million yen
Equity Attributable to Shareholders per Share	1,409.08 yen	4,696.42 yen
Revenue	4,476,758 million yen	3,860,283 million yen
Operating Profit	252,051 million yen	-
Profit from Business Activities	-	160,240 million yen
Profit Before Income Taxes	279,693 million yen	173,684 million yen
Net Profit Attributable to Shareholders	203,482 million yen	113,541 million yen
Basic Earnings per Share Attributable to Shareholders	95.41 yen	338.24 yen

(4) Overview of the new joint venture company

It is expected that Mitsubishi Electric will be the majority shareholder and Mitsubishi Heavy Industries will be the minority shareholder of the new company. Details of the new joint venture company, including the investment ratio, will be decided through due diligence and further discussions.

(5) Timeline

December 26, 2022 Execution of basic agreement

Late May 2023 (planned) Execution of definitive agreement

April 1, 2024 (planned) Closing

* Implementation of the planned business integration is conditional upon obtaining clearances, approvals and/or completion of processes required from and by any relevant government agencies and competition authorities.

** Since both absorption-type company splits of Mitsubishi Electric and Mitsubishi Heavy Industries constitute simple absorption-type splits as set forth in Article 784, Paragraph 2 of the Companies Act of Japan, it is not expected that approvals of shareholders' meetings will be required at Mitsubishi Electric or Mitsubishi Heavy Industries.

(6) Outlook

The impact of the business integration on the business results of Mitsubishi Electric and Mitsubishi Heavy Industries will be announced when it becomes clear.