LIFE BUSINESS AREA 2025

Life Business Area

MITSUBISHI ELECTRIC CORPORATION

May 28, 2025

Changes for the Better

Contents

1 Executive Summary

Key Points

- **Key strategies**

  Aiming to become a solution provider that creates comfortable, safe, and secure environments in all living spaces, we will pursue synergies between the building systems business and the air conditioning systems & home products business.

  Building Systems Business

  We will continue growth investments in both organic growth and M&As to further expand the recurring revenue business model centered on elevators and escalators.

  Air Conditioning Systems & Home Products Business

  In order to become a global top brand in the HVAC&R*1 industry, we will focus on strengthening our business structure in overseas markets.

- **Growth investment**

  Continuing to make investments in response to changes in the environment of each region to strengthen our business foundation (manufacturing, development, sales, etc.) in our key growth businesses.

- **Initiatives to improve ROIC**

  We will continue to implement measures to bolster our competitiveness in response to the economic slowdown in the Chinese market and other changes in the market environment.
  We will also aim to further increase profitability by improving capital efficiency, including the optimization of operating assets, taking appropriate pricing measures and increasing the number of units for maintenance.

*1 HVAC&R: Heating, Ventilation, Air Conditioning & Refrigeration, referring to equipment and facilities related to these functions

Executive Summary

		FY25 Actual	FY26 Forecast
Life Business Area	Revenue	¥2,185.1 billion	¥2,160.0 billion
	OPM	7.2%	8.5%
	ROIC	7.4%	8.5%
Building Systems Business	Revenue	¥666.0 billion	¥690.0 billion
	OPM	7.5%	9.7%
	ROIC	7.9%	9.5%
Air Conditioning Systems & Home Products Business	Revenue	¥1,519.1 billion	¥1,470.0 billion
	OPM	7.1%	8.0%
	ROIC	7.2%	8.0%

Summary of our growth strategies implemented up to FY25

We have steadily implemented various measures despite changes in the environment

- **Building Systems Business**: We improved our profitability by steadily executing key strategies such as strengthening the recurring revenue business model, despite continued stagnancy in the real estate market in China.
- **Air Conditioning Systems & Home Products Business**: We improved our profitability by responding to market inventory adjustments, implementing pricing policies, cost reduction, and taking other measures, despite the impact on scale mainly due to the slowdown of market growth in Europe.

Growth strategy for FY31

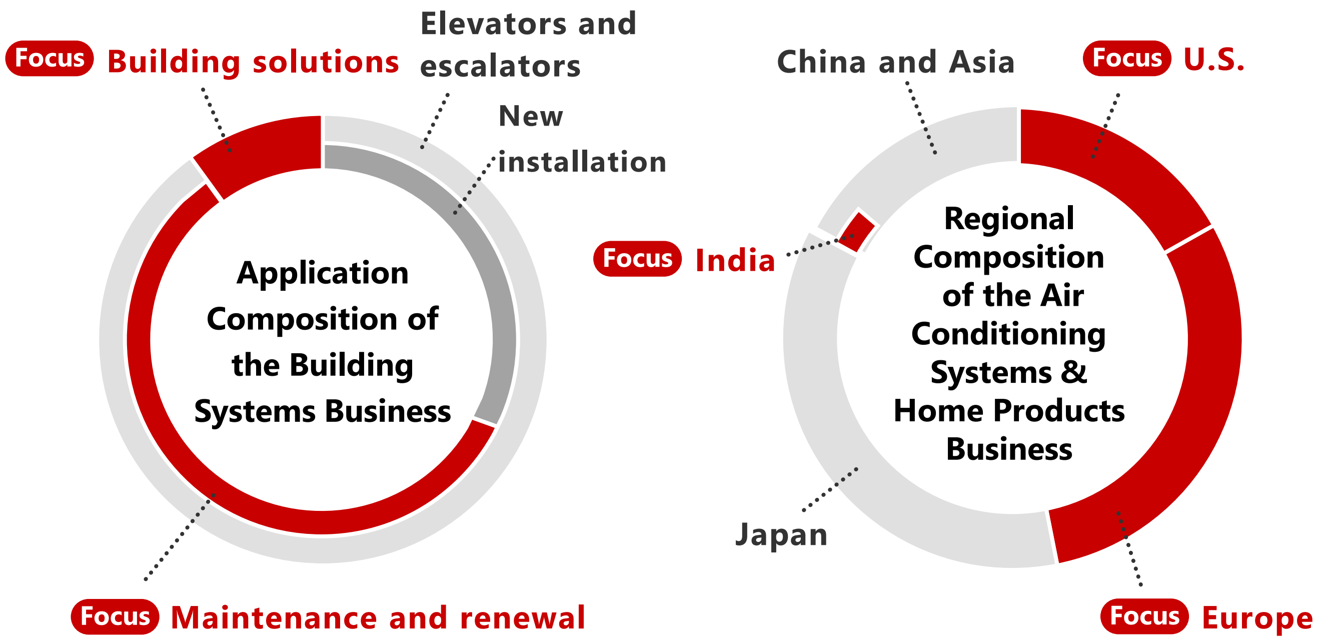
Continuing to execute key strategies

- **Building Systems Business**: Aiming to become a global top-class player in the building market by expanding the recurring revenue business model centered on elevators and escalators and creating new value in the smart building market
- **Air Conditioning Systems & Home Products Business**: Strengthening the business by investing appropriate resources in the HVAC&R industry in a timely manner, in response to increasing demand in emerging countries and trends such as thermal energy conversion and changes in refrigerants, while monitoring the impacts of global political and economic conditions
- Aiming to become a solution provider that creates comfortable, safe, and secure environments in all living spaces, we will pursue synergies between these businesses

2 Growth Strategy

Business Overview

In addition to strong components of the building systems business and the air conditioning systems & home products business, we are focusing on expanding services such as for maintenance and renewals.
We offer building solutions that utilize the strengths and assets of the two businesses.



	Main products and services
Building Systems Business	● Elevators and escalators (new installation) ● Elevators and escalators (maintenance and renewal) ● Building solutions (building management systems, access control, air conditioning control, new services, etc.)
Air Conditioning Systems & Home Products Business	● Residential air conditioners ● Industrial air conditioners ● Applied (industrial refrigeration equipment) ● Lighting, ventilation, home equipment & appliances (refrigerators, etc.)

Key Strategies | Business Environment

- The building systems business aims to become a global top-class player by pursuing both organic growth and M&As to further expand the recurring revenue business model centered on elevators and escalators
- Aiming to become a global top brand in the HVAC&R industry, the air-conditioning & refrigeration systems business is expanding while contributing to achieving carbon neutrality and well-being

	Business environment		Opportunities/challenges
Building Systems Business	● Overall:	In Japan, Europe, and the U.S., the market is shifting from manufacturer-provided maintenance and renewal to multi-brand services	● Growing demand for labor-saving solutions to address labor shortages ● Growing interest in enhancing building value in response to diversifying needs ● Accelerating efforts toward carbon neutrality ● Many players are entering the smart building market
	● Japan:	While demand for new elevators and escalators is not expected to grow, replacement demand for BAS*1 and ACS*2 remains robust	
	● Europe/U.S.:	Demand for energy savings, renewable energy utilization, and smart technologies is growing. This trend is influencing other regions globally	
	● China:	The decline in demand for new elevators and escalators due to the real estate slump is expected to continue	
	● India:	Increased demand for new elevators and escalators, especially for mid-range models, accompanied by population and economic growth	
	● Asia and others:	Demand for mid-range models is expanding, and changes in the demand structure are expected to continue	
Air-Conditioning & Refrigeration Systems Business	● Japan:	As the population continues to decline, new types of demand are emerging, such as for addressing labor shortages and maintaining infrastructure	● Addressing thermal energy conversion (shift to heat pumps) ● Switching to low GWP refrigerants ● Structural shift toward a new equipment portfolio ● Growth of emerging markets
	● Europe:	Although ATW remains sluggish, the shift toward low GWP*3 (natural) refrigerants and water-based air conditioning systems is ongoing	
	● U.S.:	Demand for ductless energy-saving air conditioning and heat pump heating is expected to grow over the medium term	
	● China:	The continued decline in economic growth and prolonged slump in the real estate and housing markets are contributing to a slowdown in air conditioning demand	
	● India:	Driven by population and economic growth, demand for air conditioning and maintenance services is increasing	

*1 BAS: Abbreviation for Building Automation System, a building management system *2 ACS: Abbreviation for Access Control System, an entry and exit management system *3 GWP: Abbreviation for Global Warming Potential, the global warming coefficient

Key Strategies | Priority Measures

Steadily pursuing medium-term targets by promoting key strategies and responding flexibly to changes in the business environment

Building Systems Business

Key Indicator

Strengthening elevator and escalator maintenance business (target number of units under maintenance contract FY31: 1.5 million)

Key Strategy 1

Expanding the number of units for maintenance and renewal

- Capture the demand for mid-range models by enhancing the lineup of elevators and escalators for new installation
- Expand multi-brand maintenance and renewal projects
- Increase the number of units for maintenance mainly in Europe and the U.S.

Key Strategy 2

Strengthening the business operation system, improving asset efficiency, and shifting resources

- Optimize group capital and reallocate resources to focus areas

Air-Conditioning & Refrigeration Systems Business

Key Indicator

Strengthening the applied business (FY31 revenue: ¥250.0 billion or more)
Strengthening presence in the European, U.S., and Indian markets (FY26-FY31 revenue CAGR: 5% or more)

Key Strategy 1

Launch of high-efficiency and refrigerant-conversion-compatible products aligned with carbon neutrality goals

- Comply with low-GWP refrigerant requirements in line with local regulations
- Respond to changes in equipment portfolios based on the needs of each regional market

Key Strategy 2

Continuously advancing measures to strengthen the business foundation in response to changes in growth markets

- Strengthen the applied business (develop construction and maintenance systems for key accounts)
- Continuously advancing regional strategies premised on local production for local consumption in Europe, the U.S., and India

Cross-sector strategy for the Life Business Area

Expanding Serendie™-related businesses (FY31 revenue: ¥250.0 billion or more)

Key Strategy 1

Creating new value through internal and external collaboration and co-creation

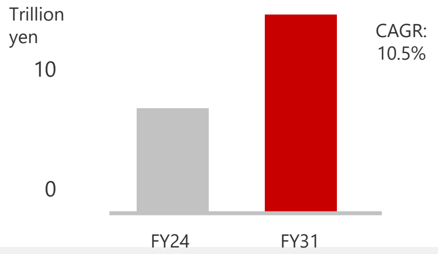
- Expand energy management and smart building services
- Strengthen instrumentation business; create new services

Key Strategy 2

Enhancing customer engagement throughout the product life cycle

- Life cycle: New installation/maintenance and operation management/renewal
- Strengthen customer engagement through remote monitoring the status of equipment operation, maintenance contracts, etc., while developing a global maintenance structure (including M&As)

<Demand for smart buildings (our estimate)>

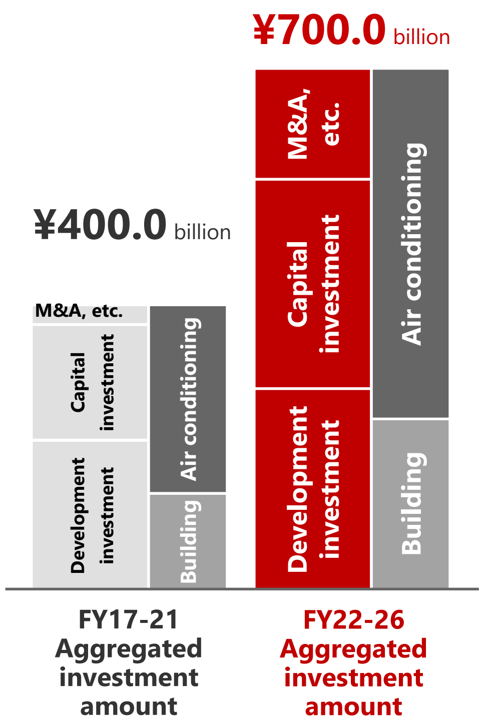


Growth Investment

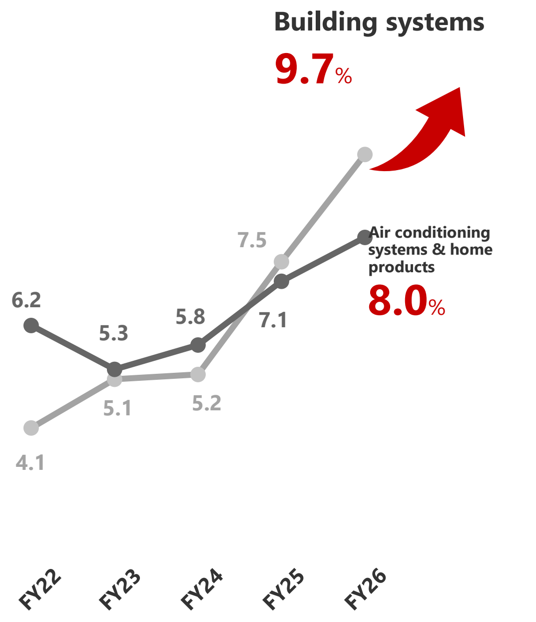
Continue to make investments in response to changes in the environment of each region to strengthen our business foundation (manufacturing, development, sales, etc.) in our key growth businesses

Growth investment and operating profit margin trends

Life Business Area growth investment



Operating profit margin trends



Growth investment plan

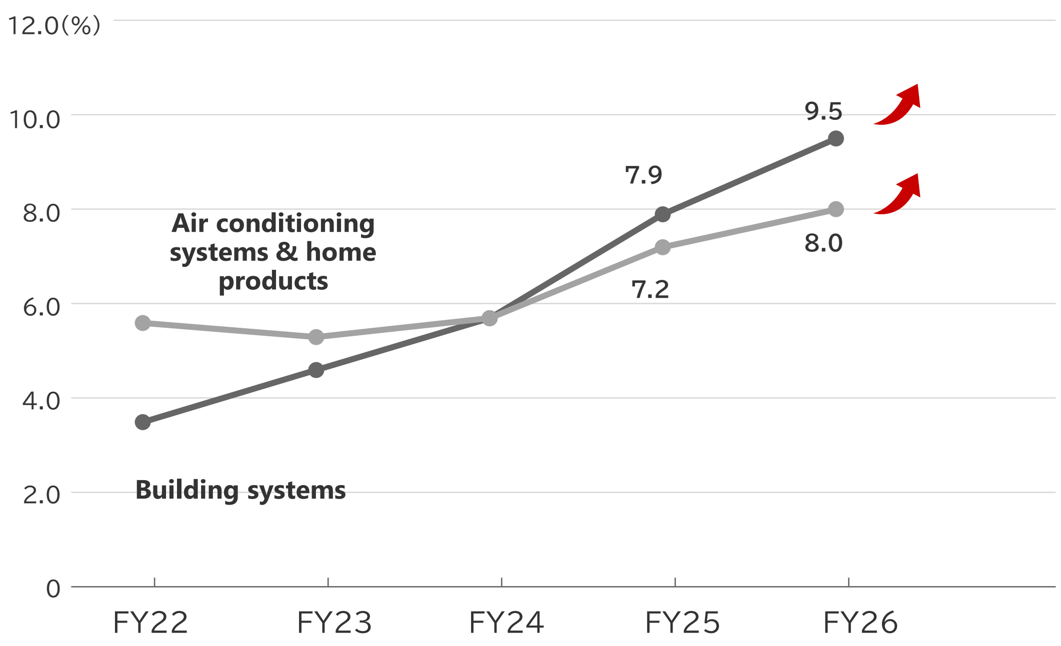
		Investments to date	Major investments planned
M&A, etc.	Building	● M&As of companies engaged in the elevator business, including Hanshin Yusoki (Japan) and Motum (Sweden) ● M&As by Motum of European companies engaged in the elevator business ➢ Norway: UNIHEIS and ALT Heis ➢ Ireland: Ascension Lifts	● Acceleration of capital reviews within the Group (reorganization of domestic affiliated companies and capital reorganization of overseas affiliated companies) ● M&As of companies engaged in the elevator business, mainly those based in Europe and North America
	Air conditioning	● M&A of French hydronic air conditioning company AIRCALO ● M&As of two Italian air conditioner maintenance companies ● M&A of Irish air conditioner-related work and maintenance company Crystal Air	● Promotion of M&As and collaboration to strengthen our global business foundation
Capital investment	Air conditioning	● India: Construction of a new site for RAC (operation commencing in FY26) ● Europe: Construction of MACT's[*1] second site (operation commencing in FY26)	● North America: Establishment of MEHVAC[*2], a manufacturing site for industrial compressors
Development investment	Building	● Development of global models and regional strategic models for elevators and escalators ● Development of services connecting elevators and robots that utilize the building OS and of smartphone apps for buildings	● Enhancement of renewal options for elevators and escalators ● Expansion of smart building services
	Air conditioning	● Europe: Introduction of natural refrigerant (R290) model ● North America: Introduction of low GWP refrigerant (R454B) model ● Enhancement of our overseas R&D functions	● North America: Expansion of collaborations with Trane ● Improving efficiency in component development

*1 MACT: Mitsubishi Electric Turkey Klima Sistemleri Üretim Anonim Şirketi *2 MEHVAC: MELCO HVAC US, Inc.

Initiatives to Improve ROIC

We will continue to implement measures to bolster our competitiveness in response to changes in the market environment, such as the economic slowdown in the Chinese market.
We will aim to further increase profitability by improving capital efficiency, including the optimization of operating assets, taking appropriate pricing measures and increasing the number of units for maintenance.

ROIC*1



Building Systems Business

Focusing on improving profitability

- Expansion of high-quality maintenance stock and enhancement of renewals
- Improvement of profitability for new installation
- Optimizing operating assets

Air Conditioning Systems & Home Products Business

Focusing on reinforcing the business structure in overseas markets

- Reducing the remaining inventory mainly through local production for local consumption and improving operations
- Expanding the scale of business in the European and North American markets and improving revenue by strengthening the IT-cooling business

*1 ROIC (Mitsubishi Electric version): A comprehensive business efficiency indicator which is calculated by asset items (fixed assets, working capital, etc.) per different segments (and not by capital and liability) so that it is easier to track and improve performances of each business segment.

Serendie-related Businesses

Aiming to become a solution provider that creates comfortable, safe, and secure environments in all living spaces, we offer **smart building solutions that achieve both advanced energy savings and comfortable working environments.**

ZEB PLANNER
ZEB29P-00020-C

	Key values provided	Key solutions
Green energy	● Reduction of the overall energy consumption of buildings ● Energy savings achieved throughout cities ● Utilization of renewable energy	● ZEB*1 ● AI building energy simulator ● Area EMS*2
Safety, security, and comfort	● Working environment that enhances the performance of workers as soon as they enter the office ● Comfortable and clean environment ● Stress-free movements within the building ● Fulfilling lunch breaks even in the workplace	● Smart start of air conditioning systems utilizing AI ● Networked dimming systems ● POE-optimized control*3 ● MEL-IPS*4 ● Delivery services using autonomous robots
Building management	● Contribution to improved efficiency and labor savings in delivery and other services ● Reduction of receptionist workload by leveraging AI	● Robot mobility support service ● Virtual concierge ● Wireless power supply system

*1 ZEB: Abbreviation for net Zero Energy Building. It refers to a building that maintains a comfortable indoor environment while achieving "energy saving" through high insulation and high-efficiency equipment, and "energy creation" through solar power generation, etc., resulting in an annual energy balance of zero (or energy creation > consumption)

*2 EMS: Abbreviation for Energy Management System

*3 POE-optimized control: Optimized automatic control of air conditioning based on the preferred temperature range

*4 MEL-IPS: A system for visualizing the indoor environment

Appendix

Serendie-related Businesses: Case Examples

Smart building that achieves both advanced ZEB and comfortable working environments




Coming to the office → **Working** → **Leaving the office**

Coming to the office

Values provided

- Seamless movement within the building with no waiting time
- Heading to the workplace floor in a comfortable elevator space

Functions and systems

- As a worker passes through the entrance gate, an elevator is called automatically and takes the worker to the destination floor

Working

Values provided

- Workers can perform at their best as soon as they enter the office
- Seating positions can be easily identified, facilitating smooth communication even in a free-address workplace

Functions and systems

- Automatic control of air conditioning and lighting to create a comfortable environment as a worker takes a seat
- Seat occupancy and colleagues' locations can be checked remotely

Leaving the office

Values provided

- Creating an atmosphere where workers can feel the passage of time while inside the office, especially in the evening to encourage workers to finish their work and leave on time
- Smooth departure from the office with no waiting time

Functions and systems

- Blue-sky lighting conveys the passage of time
- Automatic elevator calls

Cautionary Statement

While the statements herein, including the forecasts regarding the Mitsubishi Electric Group, are based on assumptions considered to be reasonable under the circumstances on the date of announcement, actual results may differ significantly from forecasts.
The main factors materially affecting the expectations expressed herein include but are not limited to the following:

1. Changes in worldwide economic and social conditions, as well as regulations, taxation and other legislation
2. Changes in foreign currency exchange rates
3. Changes in stock markets
4. Changes in the fund-raising environment
5. Changes in the supply and demand of products, as well as the material procurement environment
6. Establishment of important patents, status of significant licenses and disputes related to key patents
7. Litigation and other legal proceedings
8. Issues related to quality and defects in products or services
9. Laws, regulations and issues related to the global environment, especially responses to climate change
10. Laws, regulations and issues related to human rights
11. Radical technological innovation, as well as the development, manufacturing and time-to-market of products using new technology
12. Business restructuring
13. Information security incidents
14. Large-scale disasters, including earthquakes, tsunamis, typhoons, volcanic eruptions and fires
15. Social, economic and political upheaval due to heightened geopolitical risks, war, conflict, terrorism or other factors
16. Social, economic and political upheaval due to pandemics or other factors
17. Important matters related to Mitsubishi Electric Corporation's directors and executive officers, major shareholders, affiliated companies and other stakeholders

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