

CORPORATE STRATEGY 2025

Mitsubishi Electric Corporate Strategy

May 28, 2025



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Forecast

Initiatives and external evaluations

Note : In this presentation, the fiscal year ending on Mar. 31, 2026 is referred to as FY2026. This fiscal year notation system will apply to all other fiscal periods going forward.

*1 DX: Digital Transformation



Progress on the Medium-term Management Plan and the path toward further growth

Transforming into an Innovative Company

Transforming into an “Innovative Company” that creates value with new ideas, unafraid of risks, for further business development and contributions to society and the environment

Business development and contributions to society and the environment

From FY2022 | Initiatives to date

Advancement of growth strategies

- Strengthening key growth businesses
- Transforming into a Circular Digital-Engineering Company (building Serendie™, etc.)

Transformation of management foundation

- Established the Business Area Management Structure
- Promoting balance sheet management

Promoting sustainability

- Established the Sustainability Innovation Group
 - Engaging in Trade-On*1 initiatives (GIST*2 project)
 - Implementing measures based on Environmental Sustainability Vision 2050*3 (including efforts to achieve zero greenhouse gas emissions)

Three key reforms (quality assurance, organizational culture, governance)

FY2026 onward | Transforming into an Innovative Company

Creating new value

- Focusing investments on the growth from integration of digital technologies and components
- Transforming mindsets to accelerate agile development

Strengthening the resilience of management structure

- Assessing the significance of keeping business and optimizing indirect costs
- Optimizing capital, including the utilization of financial leverage

Promoting sustainability and cultural transformation

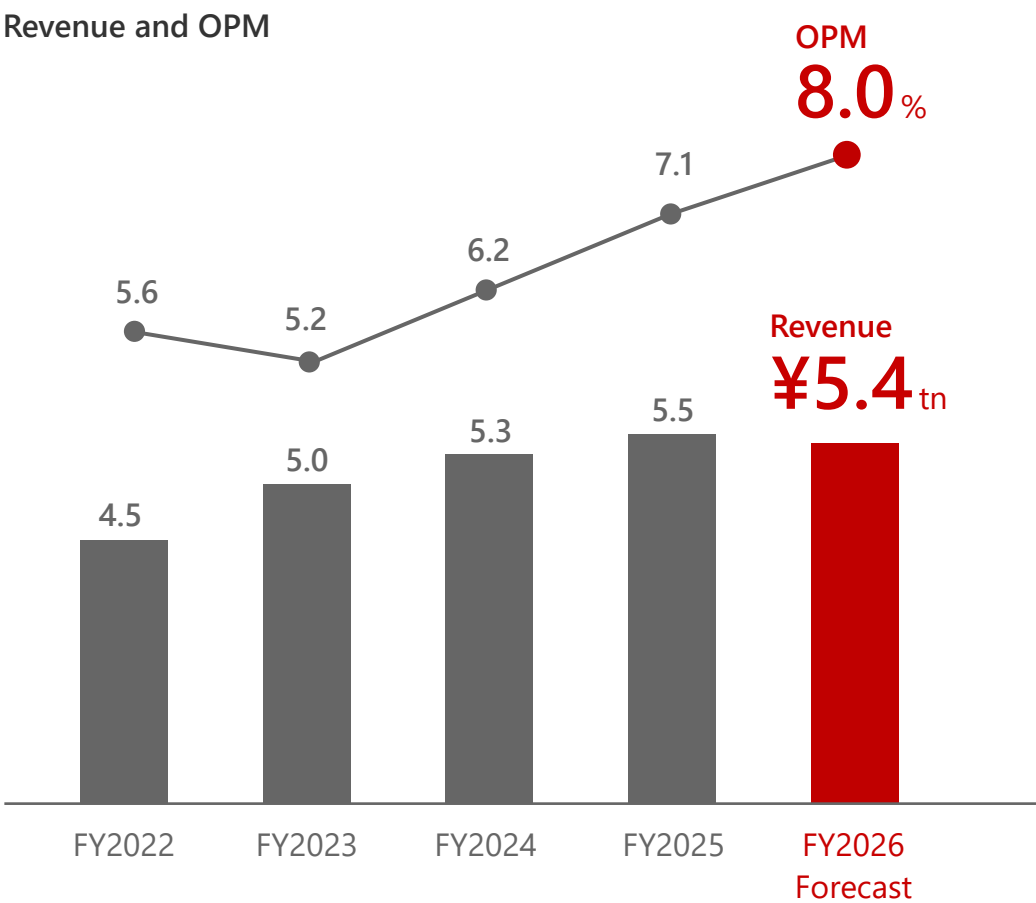
- Creating and strengthening new business to achieve “Trade-On”
- Establishing a global system capable of flexibly responding to environmental changes
- Autonomous implementation of culture reform

*1 Developing business while enriching society and the environment *2 GIST: Global Initiative for Sustainable Technology *3 Environmental Sustainability Vision 2050 <https://www.mitsubishielectric.com/en/pr/pdf/2019/0613-a1.pdf>

Progress on the FY2026 Medium-term Management Plan

Revenue and OPM targets are expected to be achieved in FY2026, with OPM projected to reach a record high

	FY2026 Target*1	FY2026 Forecast
Revenue	¥5.0 trillion+	¥5.4 trillion
OPM	8.0%+	8.0%
ROE	9.0%	8.6%
Cash Generation*2	¥3.3 trillion/5 years	¥3.1 trillion/5 years

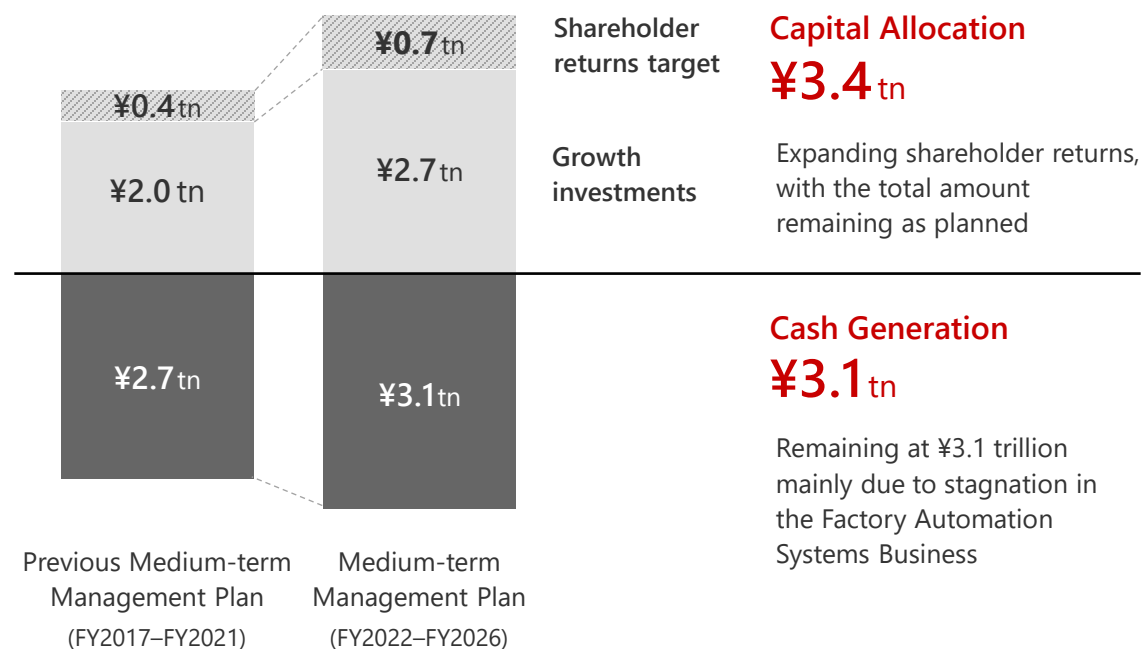


*1 Announced in May 2024 *2 After adjusting, such as adding R&D expenses to operating cash flow

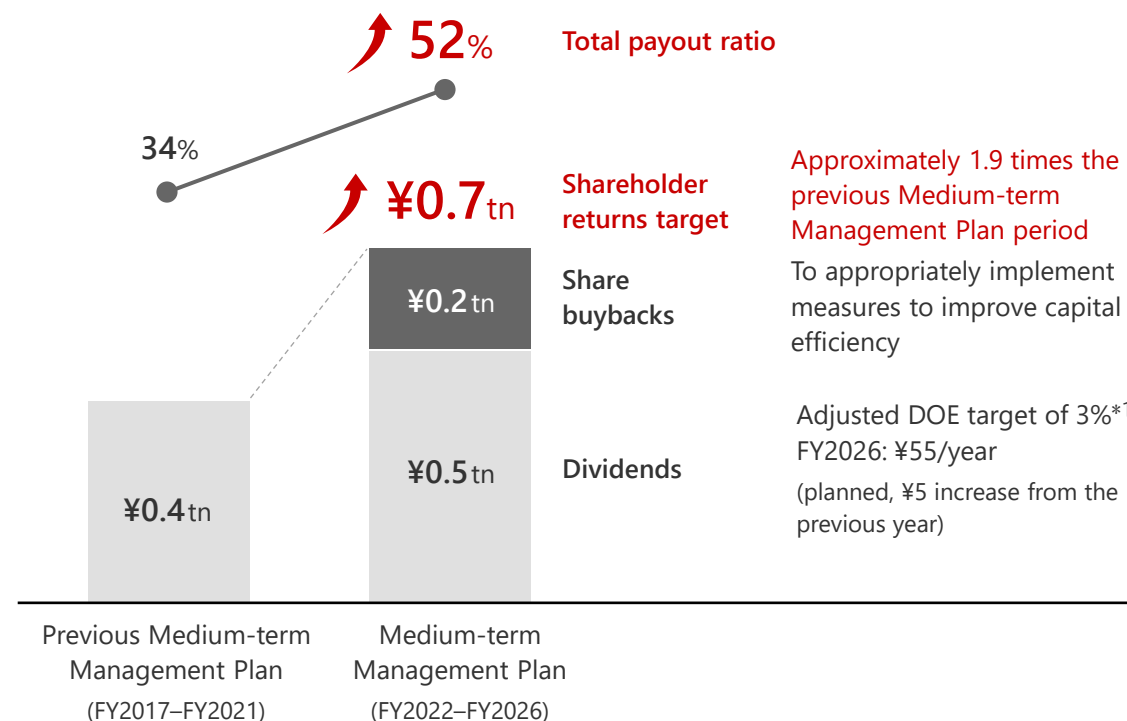
Capital allocation

Executing optimal capital allocation for continuous improvement in capital efficiency and future growth, including shareholder returns

Capital allocation / Cash generation



Shareholder returns target



*1 Adjusted DOE (Dividend on Equity): Dividend paid ÷ The stockholders' equity (excluding accumulated other comprehensive income (loss))

Review of business operations to date

Achievement

- **Established a stable revenue and profit base**
 - Built an integrated operating system for the Building Systems Business
 - Improved profitability of the resilient businesses
- **Expanded orders and production capabilities for the Defense Systems Business**
- **Identified businesses with issues**
- **Promoted partnership strategies**
- **Reduced non-core assets**

Challenges and Responses

- Structural reform in the Automotive Equipment business
 - **Established a business system for speeding up operations (spin-off)**
 - **Enhancing management efficiency and advancing business portfolio strategy**
- Slowing growth in the European ATW^{*1} market in A/C^{*2} Business
 - **Review of investment schedules**
 - **Strengthening the IT Cooling business**
- Sluggish market and intensifying competition in the FA Systems Business
 - **Promotion of structural reform**

*1 Air To Water *2 A/C: Air Conditioning

Status of each business

Key growth businesses

Overall, executing focused investments to ensure steady growth



Comparison of FY2026 forecast with FY2022 results

	A/C & Refrigeration Systems	Building Systems	Power Devices	FA Control Systems
Revenue	↗	↗	↗	↘
OPM	↗	↗	↗	↘

Resilient businesses

Enhancing profitability through efficiency and resource shifting



Value recapturing businesses

Continuing business evaluation and profitability improvement

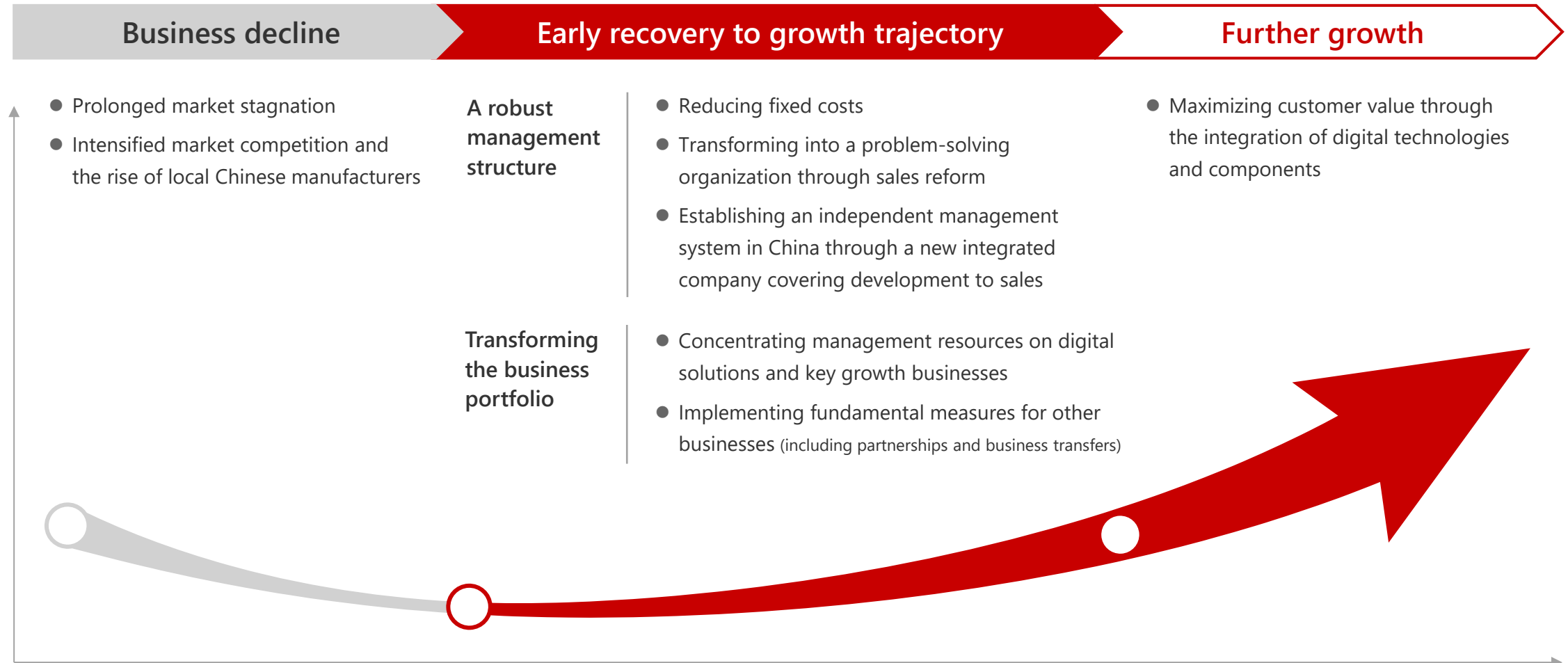


Determination of business termination / continuation

- Up to FY2025: Decided to terminate operations worth **¥0.5 trillion**^{*1}
(¥0.2 trillion already terminated or reduced)
 - > The remaining ¥0.3 trillion will be terminated in principle by **FY2028**
- During FY2026: Determining the termination / continuation of a businesses adding up to **¥0.8 trillion**

^{*1} Total revenue of the fiscal year in which the decision to withdraw/sell each business was made

Structural reform of the Factory Automation Systems Business



Policies for future growth and capital optimization

Aiming to achieve a 10% ROE at an early stage by promoting balance sheet management utilizing ROIC

Growth investment **¥1 trillion** new investments (within 3 years)

1 Strengthening existing businesses

- Achieving discontinuous growth through M&A in the globally competitive industry and HVAC*1 sectors
- Active investments in businesses with growth potential, such as the Defense Systems Business

2 Creating synergies between businesses

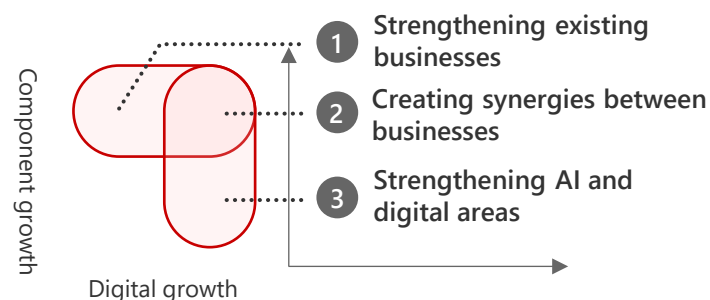
- Creating synergies between businesses through digital technologies (M&A in energy management sector and other sectors)

3 Strengthening AI and digital areas

- Enhancing M&A for data collection, analysis, operational optimization, and predictive maintenance

Targeted direction for growth

Growth from integration of digital technologies and components



Profitability **Improvement in OPM by 2 pts**

● Strengthening business structure

- Termination of unprofitable businesses
- Strengthening the global supply chain and promoting the standardization and centralized procurement of materials and components

● Optimization of indirect costs

- Thorough reduction of operations through the utilization of DX and AI
- Reducing the number of affiliated companies by one-third (promoting external partnerships and consolidation)
- Transforming staff functions into Centers of Excellence

Capital optimization

● Appropriate share buybacks and dividends:

Total payout ratio: 50% or higher

● Utilizing financial leverage: D/E*2 Ratio of 0.3 times

(used as an M&A investment framework)

*1 HVAC: Heating, Ventilation, Air Conditioning *2 D/E: Debt equity

2

Transforming into an Innovative Company through DX

Three initiatives towards becoming an Innovative Company



Business Model Transformation

Starting with the provision of components to customers, we leverage the data obtained to create services, expand value recipients, and enhance components



Strengthening the Digital Platform

Collaborating with external partners from a global perspective and leveraging cutting-edge technologies such as cloud computing and generative AI

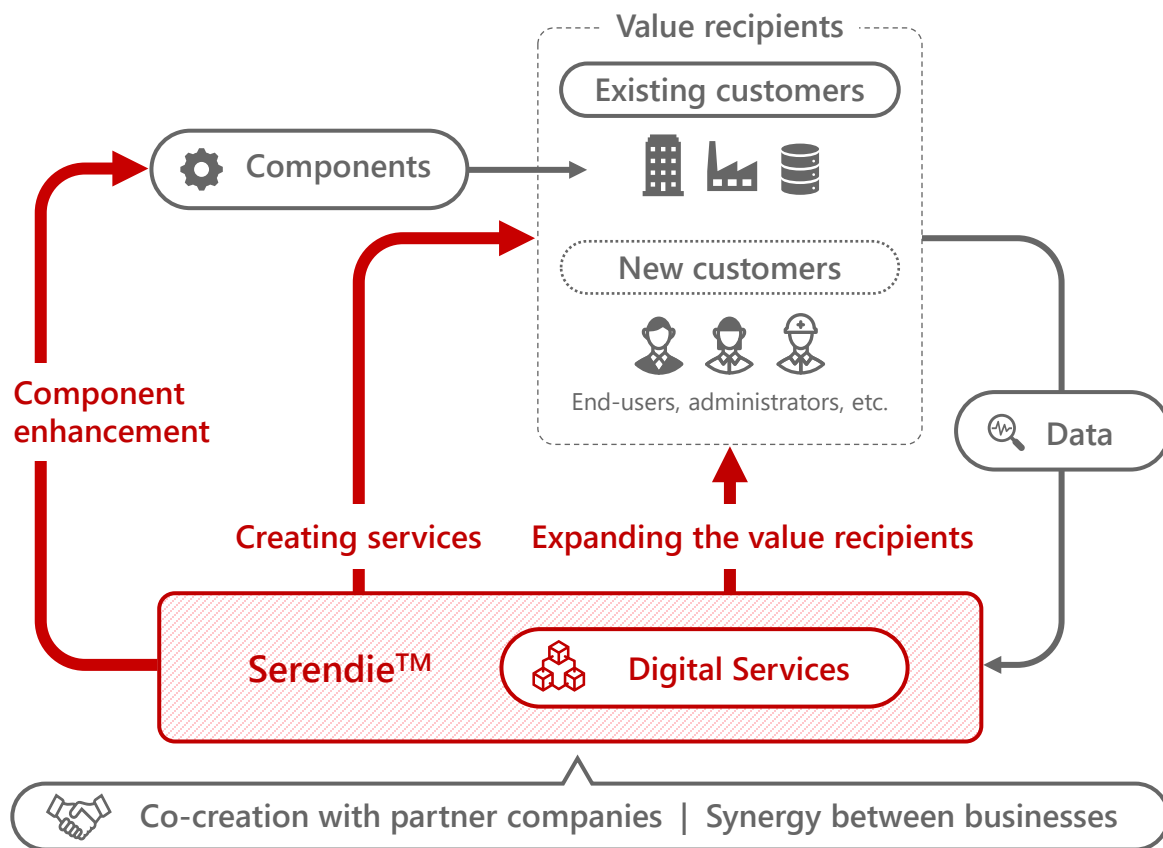


Mindset Transformation

Acquire and develop DX talent with the skills and mindset necessary to accelerate agile development and quickly solve customer issues

Business model transformation using Serendie

Driving business model transformation by leveraging data generated through the utilization of components



Creating services

Analyzing data to create new services aimed at solving customers' issues

Expanding the value recipients

Expanding the value proposition from existing customers to end-users and administrators

Component enhancement

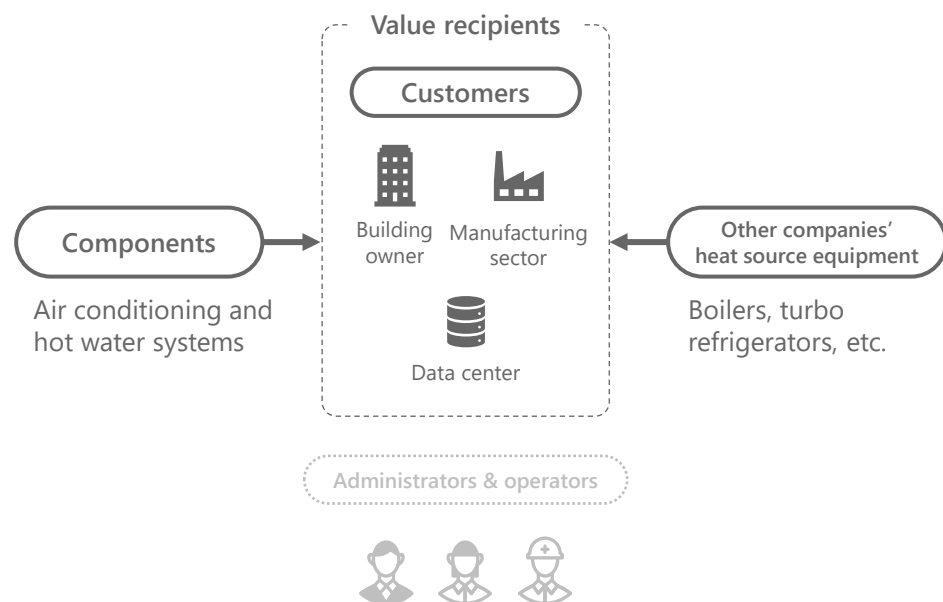
Combining design and manufacturing expertise with on-site data to further enhance our components

> Serendie-related business: **¥1.1 trillion** (FY2031 revenue)

Business model transformation | Heat-related total solutions

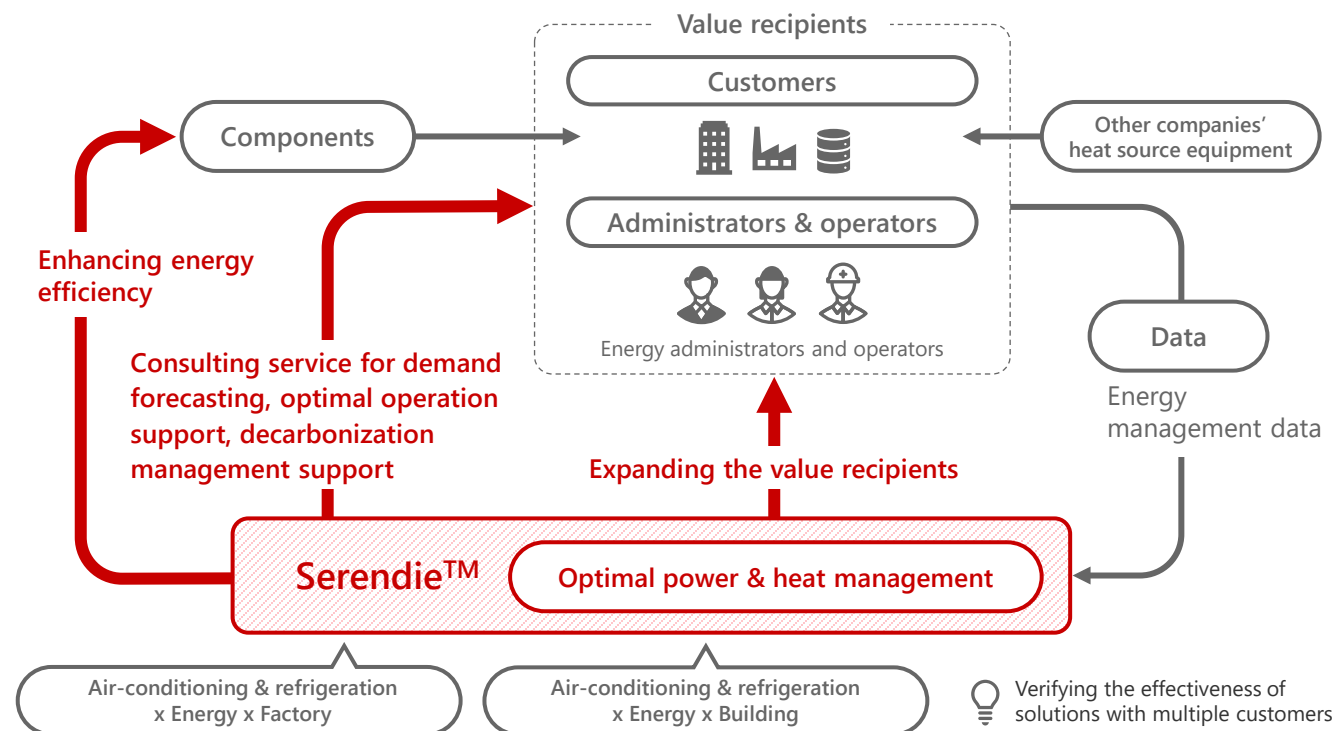
Up to Now

Providing building owners and the manufacturing sector with the necessary combination of components



Going Forward

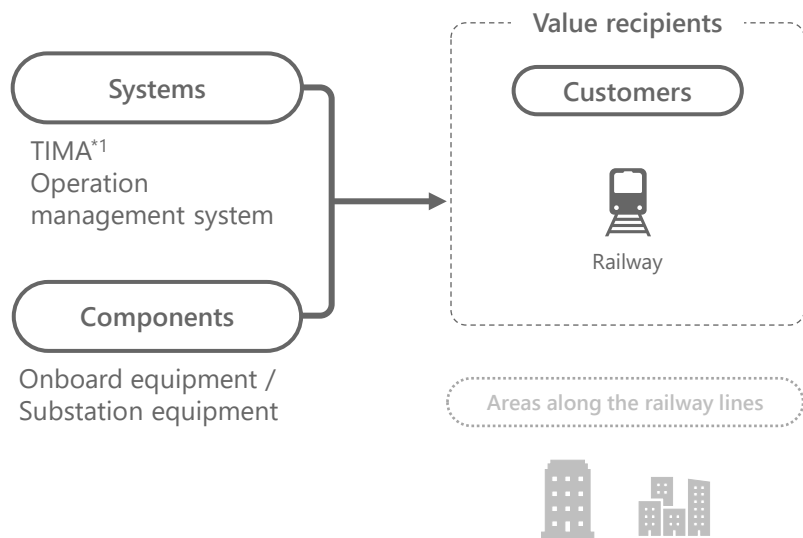
Providing optimal power and heat management services in addition to components. Achieving high-precision energy demand forecasting and optimal operation of the entire power and heat system based on forecast values, contributing to customers' decarbonization initiatives



Business model transformation | Optimizing energy use in the Train System Business

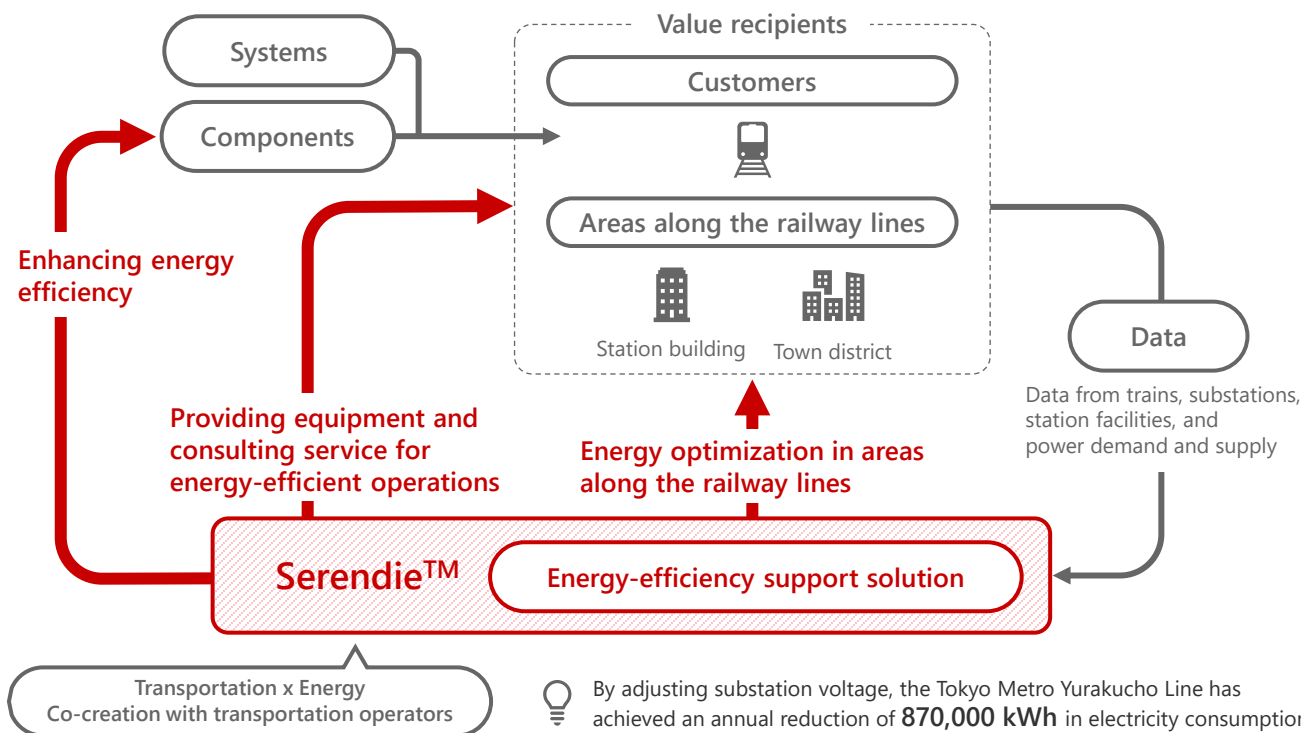
Up to Now

Providing a variety of components and systems to railway operators



Going Forward

Utilizing data from trains, substations, and station facilities to optimize the use of energy related to railway operations, such as regenerative energy. Contributing to safe and stable train operations and carbon neutrality



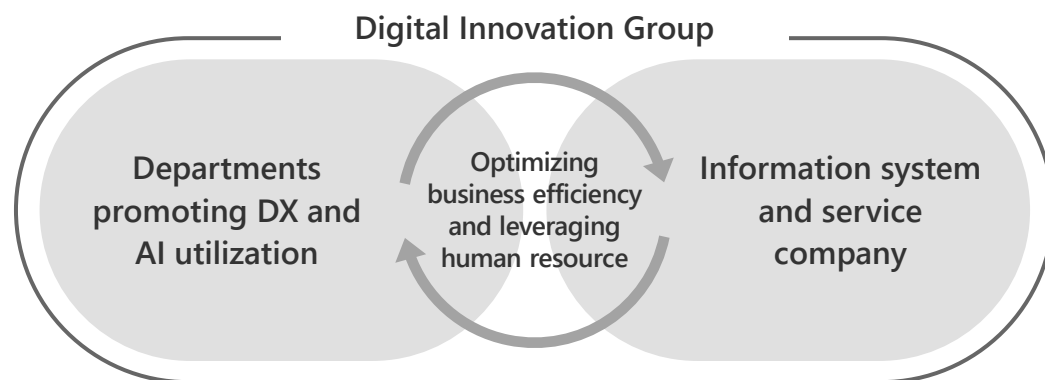
*1 TIMA: Train Information Monitoring and Analysis system

Strengthening the digital platform | IT/DX/AI

Strengthening the capabilities of Serendie-related businesses and promoting the reform of operational processes through integrated organizational management of IT, DX, and AI departments

Establishing an integrated organization for IT, DX, and AI

- The newly established Digital Innovation Group integrates the departments promoting DX and AI utilization, along with Mitsubishi Electric Digital Innovation Co., Ltd., which was formed by merging three subsidiaries engaged in information systems and services
- Brought together 4,000 DX talent who were previously dispersed across the Group, strengthening the capabilities of Serendie-related businesses and promoting the efficient reform of operational processes



Promoting the reform of internal operational process by utilizing IT and DX

- Investing **¥130 billion**, expecting cost savings of **¥190 billion**^{*1}

Main effects

- Reducing workload through standardization of operational processes and centralization of data
- Reducing maintenance costs by renewing and eliminating legacy IT systems
- Accumulating the outcomes as DX know-how in manufacturing and expanding as business

Promoting various reforms for the utilization of AI and generative AI

- Initiating 60 operational reform projects based on over 1,000 ideas to **double** operational efficiency
- Established and published the "Mitsubishi Electric Group Data Utilization Statement"^{*2} aimed at maximizing the value of data, and implemented new rules and systems

^{*1} The investment amount and effects are cumulative for FY2024-FY2031

^{*2} Mitsubishi Electric Group Data Utilization Statement <https://www.mitsubishielectric.com/en/sustainability/governance/data-utilization/>

Strengthening the digital platform | Generative AI Utilization Project

Actively promoting reforms utilizing generative AI, accumulating know-how, and aiming to expand business externally

Applying to internal operations

Doubling operational efficiency

Reform of operational process

- Strategy and Planning > Automatic generation of business environment analysis documents and strategic proposals
- Human Resources and General Affairs > Automation of inquiry responses
- Accounting and Finance > Detection of errors and signs of fraud in voucher processing

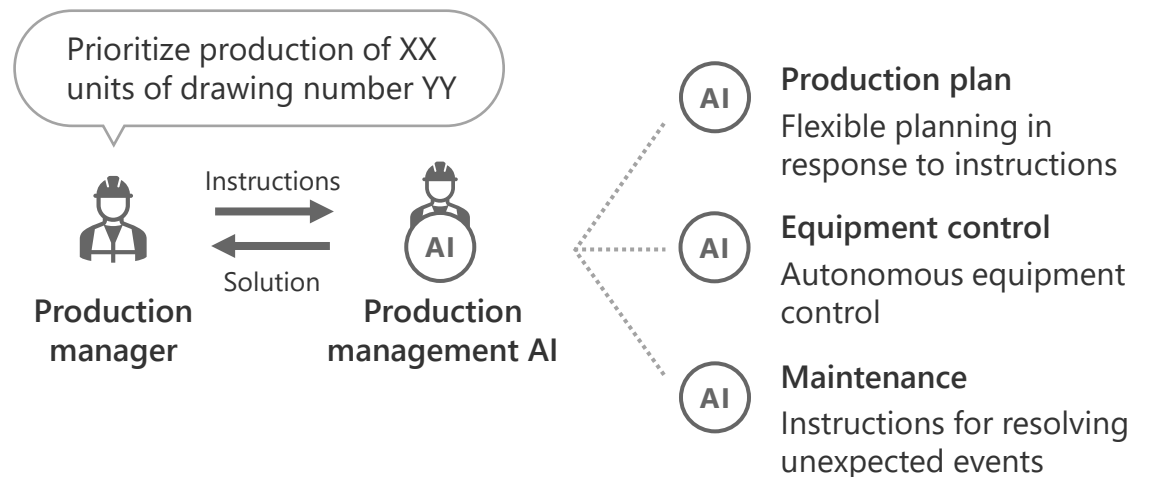
Reform of design and manufacturing process

- Hardware design > Specification verification and cost estimation
- Software design > Code generation and test case generation
- Quality assurance > DR*1 support and audit support for purchased goods manufacturers

*1 DR: Design Review

Deployment to production sites

Autonomous and rapid response to variable production



Multiple **AI agents** collaborate to form a virtual production manager

💡 Conducting demonstration tests in internal factories, followed by planned service deployment externally

Strengthening the digital platform | Global expansion and collaborations

Establishing DX and open innovation bases globally

Promoting the adoption of the cutting-edge technologies and the creation of new services

Global expansion of Serendie Street



Serendie-related activities*1

- Number of Scrum projects: 65
- Number of co-creation partners: 24

Partnerships with hyperscalers

Strengthening AI application technology through partnerships

- **AWS*2**: Leveraging AWS's generative AI infrastructure to refine AI application technologies and accumulate expertise
- **Microsoft**: Utilizing Microsoft's Co-Engineering*3 framework to develop manufacturing applications using agile methodologies in a short period

Collaboration with start-ups and universities

Acquiring the latest technologies and strengthening business creation capabilities

- **VC*4 fund**: Expanding the investment capacity to ¥15 billion and strengthening sourcing capabilities
- **Strengthening bases**: Strengthening sourcing systems and accelerating the adoption of the latest technologies
- **Incubation**: Collaborating with MIT*5 to create and validate new business ideas

*1 As of May 2025

*2 AWS: Amazon Web Services

*3 Co-creation activities involving agile development with Microsoft software engineers and solutions

*4 VC: Venture Capital

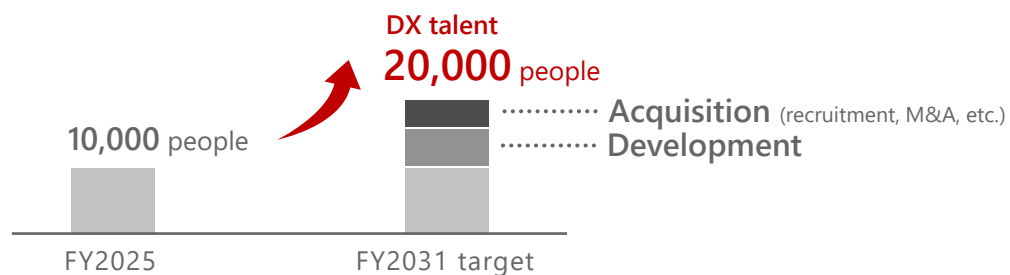
*5 MIT: Massachusetts Institute of Technology

Mindset transformation

Expanding DX talent with an agile mindset through the establishment of systems and cultivation of a conducive environment

Efforts to secure DX talent

- **Development:** Implementing reskilling and upskilling through training programs tailored to job roles and levels
 - **Established the training institution "DX Innovation Academy"**
Developed certification systems and seven skill sets and learning courses
 - **Utilization of Waseda University's educational programs**
Mutual support and cooperation with Waseda University for DX talent development
- **Acquisition and placement:** In addition to strengthening recruitment efforts, conducting strategic global talent acquisition and placement through M&A in AI and digital domains
- **Treatment:** Structuring compensation for talent with advanced skills and expertise



*1 PoC: Proof of Concept

Culture cultivation

- **Agile talent development training:** Conducting agile training to advance business model transformation and internal operational reforms through scrum
- **Establishing a prototyping environment for generative AI:** Established a development environment for nurturing talent with practical AI skills. 178 PoCs*¹ are currently underway ten months after launch



Agile training workshop



Generative AI PoC results presentation

Appendix

Forecast | Consolidated performance

		FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Actual	FY2026 Forecast
		113JPY/US\$ 131JPY/Euro 17.7JPY/CNY	136JPY/US\$ 142JPY/Euro 19.7JPY/CNY	145JPY/US\$ 158JPY/Euro 20.2JPY/CNY	153JPY/US\$ 164JPY/Euro 21.1JPY/CNY	140JPY/US\$ 155JPY/Euro 19.5JPY/CNY
Revenue	(Billions of JPY)	4,476.7	5,003.6	5,257.9	5,521.7	5,400.0
Operating Profit	(Billions of JPY)	252.0	262.3	328.5	391.8	430.0
	(%)	5.6%	5.2%	6.2%	7.1%	8.0%
Profit before income taxes	(Billions of JPY)	279.6	292.1	365.8	437.2	470.0
Net profit	(Billions of JPY)	203.4	213.9	284.9	324.0	340.0
ROE (Return On Equity)	(%)	7.1%	6.9%	8.2%	8.4%	8.6%
Stockholders' Equity	(Billions of JPY)	2,975.9	3,239.0	3,739.3	3,949.6	
	(%)	58.3%	58.0%	60.6%	61.9%	
Debt (Including lease liabilities)	(Billions of JPY)	329.4	400.7	394.6	360.6	
D/E Ratio		0.11	0.12	0.11	0.09	
FCF (Free Cash Flow)	(Billions of JPY)	167.5	18.1	321.3	264.1	
Dividend	(JPY per share)	40	40	50	50	
Adjusted Dividend on Equity (DOE)	(%)	3.1%	2.9%	3.3%	3.0%	

1 Net Profit represents Net profit attributable to Mitsubishi Electric Corp. stockholders 2 Adjusted dividend on equity ratio: Dividend paid ÷ The stockholders' equity (excluding accumulated other comprehensive income (loss))

Forecast | By sub-segment

(Billions of JPY)

		FY2025 Actual		FY2026 Forecast	
		153JPY/US\$ 164JPY/Euro 21.1JPY/CNY		140JPY/US\$ 155JPY/Euro 19.5JPY/CNY	
Infrastructure	Revenue	1,224.9		1,310.0	
	Operating Profit	89.4		107.0	
	(%)	7.3%		8.2%	
	ROIC	7.2%		7.5%	
Public Utility Systems	Revenue	474.9		490.0	
	Operating Profit	33.5		39.0	
	(%)	7.1%		8.0%	
	ROIC	6.2%		7.0%	
Energy Systems	Revenue	396.1		410.0	
	Operating Profit	27.5		33.0	
	(%)	6.9%		8.0%	
	ROIC	7.8%		8.5%	
Defense & Space Systems	Revenue	353.8		410.0	
	Operating Profit	28.4		35.0	
	(%)	8.0%		8.5%	
	ROIC	7.8%		7.0%	
Industry & Mobility	Revenue	1,644.8		1570.0	
	Operating Profit	82.6		99.0	
	(%)	5.0%		6.3%	
	ROIC	5.9%		7.0%	
Factory Automation Systems	Revenue	725.6		720.0	
	Operating Profit	46.7		56.0	
	(%)	6.4%		7.8%	
	ROIC	5.1%		7.0%	
Automotive Equipment	Revenue	919.2		850.0	
	Operating Profit	35.8		43.0	
	(%)	3.9%		5.1%	
	ROIC	6.8%		7.0%	

(Billions of JPY)

		FY2025 Actual		FY2026 Forecast	
		153JPY/US\$ 164JPY/Euro 21.1JPY/CNY		140JPY/US\$ 155JPY/Euro 19.5JPY/CNY	
Life	Revenue	2,185.1		2,160.0	
	Operating Profit	157.2		184.0	
	(%)	7.2%		8.5%	
	ROIC	7.4%		8.5%	
Building Systems	Revenue	666.0		690.0	
	Operating Profit	50.1		67.0	
	(%)	7.5%		9.7%	
	ROIC	7.9%		9.5%	
Air Conditioning Systems & Home Product	Revenue	1,519.1		1,470.0	
	Operating Profit	107.1		117.0	
	(%)	7.1%		8.0%	
	ROIC	7.2%		8.0%	
Digital Innovation	Revenue	146.8		150.0	
	Operating Profit	10.8		12.0	
	(%)	7.4%		8.0%	
	ROIC	10.2%		10.0%	
Semiconductor & Device	Revenue	286.3		290.0	
	Operating Profit	40.6		31.0	
	(%)	14.2%		10.7%	
	ROIC	8.0%		5.5%	
Others	Revenue	852.1		790.0	
	Operating Profit	51.5		39.0	
	(%)	6.1%		4.9%	
	ROIC	8.0%		5.5%	
Total	Revenue	5,521.7		5,400.0	
	Operating Profit	391.8		430.0	
	(%)	7.1%		8.0%	

1 Inter-segment sales are included in the above chart. 2 From FY2026, the former "Business Platform" will be renamed "Digital Innovation"

3 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

Initiatives and external evaluations

Participation in initiatives



Signed the UN Global Compact (May 2018) aimed at promoting sustainability activities based on international norms



Targets in line with 1.5-degree Centigrade trajectory certified by Science Based Targets Initiative (SBTi)*¹ (Feb. 2024)



Expressed approval of the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD) (May 2019)



Registered as a TNFD Adopter*² by adopting the disclosure recommendations of the Task Force on Nature-related Financial Disclosures (TNFD) (Sep. 2024)



Participated in the GX League (May 2023)



Joined Japan Clean Ocean Material Alliance (CLOMA) to solve the marine plastic litter problem (Apr. 2023)

Joined the RBA*³ to establish robust supply chains (Feb. 2022)

*¹ An international initiative led by the UN Global Compact (UNGC), World Wide Fund For Nature (WWF), the CDP and World Resources Institute (WRI)

*² Companies and organizations that have announced their intention to disclose information in accordance with the TNFD recommendations

*³ RBA: Responsible Business Alliance

*⁴ CDP: Carbon Disclosure Project

External evaluations



CDP*⁴

Named on CDP's A List, the highest rating, for both climate change and water security for a total of seven times



Digital Transformation Stocks 2025
(DX Stocks 2025)

Selected for DX efforts utilizing the Serendie™ digital platform



Clarivate Top 100 Global Innovator 2025

Selected as one of the top 100 global innovative companies excellent in intellectual properties for 13rd time



2025 Outstanding Organizations of KENKO Investment for Health
(Large Enterprise Category)

Certified in recognition of efforts to create a workplace environment that promotes physical and mental well-being and enables employees to work with vitality

Selected as a constituent stock for the following indexes as of May 2025

- FTSE Blossom Japan Index
- FTSE Blossom Japan Sector Relative Index
- S&P/JPX Carbon Efficient Index

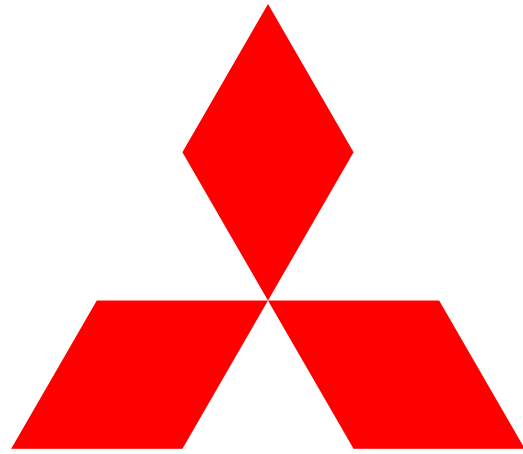
Cautionary Statement

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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In the event of any discrepancy between this document and the Japanese original, the original shall prevail.



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Changes for the Better