Industry & Mobility Business Area

May 2023

Mitsubishi Electric Corporation
Contents

1. Executive Summary ........................................... P3
2. Mobility .......................................................... P6
   2-1. Execute Structural Reforms ............................. P6
   2-2. Direction of Each Business ............................ P7
   2-3. Strengths of Automotive Equipment Business ...... P8
   2-4. Global production strategy ............................. P9
   2-5. Business Operation and Targets for FY2026 ...... P10
3. Industry .......................................................... P12
   3-1. Business Structure ....................................... P12
   3-2. Business Assets .......................................... P13
   3-3. Market Environment and Growth Direction ........ P14
   3-4. Portfolio Strategy ........................................ P15
   3-5. Cash Flow ................................................ P16
   3-6. Growth Strategy (1) .................................... P17
   3-7. Growth Strategy (2) .................................... P18
4. Industry & Mobility BA ........................................... P20
   4-1. BA Synergy Strategies .................................. P20
   4-2. Corporate Synergy Strategy ............................ P21
   4-3. FY2026 Financial Targets ............................. P22
   4-4. The Ideal Form ........................................... P23
Executive Summary
Executive Summary

Aim to achieve revenues of ¥1.7 trillion and an operating profit margin of 14% or more in FY2026 through structural reforms of the Mobility business, promotion of growth strategies for the Industry business, and developing synergies across the Industry & Mobility Business Area.

Mobility (Automotive Equipment Business)

- The mobility industry is at a turning point due primarily to the shift to CASE, and increasing competition. Promote structural reforms and business transformation through business spin off.

- Bolster resilient businesses by leveraging strengths, gain growth again through synergies with partners, and promptly discontinuing of Businesses with Issues. Aim to achieve revenues of ¥0.7 trillion and an operating profit margin of 5% or more in FY2026. Build up synergies within the combined Business Area (hereinafter “BA”) and contribute to corporate growth while leveraging the extensive manufacturing capabilities.

Industry (FA Systems Business)

- Concentrate resources into Key Growth Businesses and new businesses targeting “Technological innovation” (digital and carbon neutral) and “Realizing next-generation manufacturing” as the direction for future growth.

- Aiming for revenues of ¥1 trillion and operating profit margin of 20% or more in FY2026 by acquiring necessary technologies and resources to enable the growth strategies.

CASE: Connected, Autonomous, Shared & Service, Electrified (auto industry trends)
2 Mobility
Mobility: Execute Structural Reforms

The industrial structure is rapidly changing, as seen in the shift to CASE. By spinning off Automotive Equipment Business, achieve structural reforms based on speedy business operation.

Aim for regrowth by executing partnering strategy, increasing profitability with a focus on strong businesses, and business transformation.

1. CASE(xEV/ADAS)-related business:
   - Grow through synergies with partners

2. Business leveraging strengths, such as EPS (resilient business):
   - Focus on strengths to increase profitability

3. Businesses with Issues, such as car multimedia:
   - Promptly discontinuing for business transformation

4. Contribution to corporate growth businesses:
   - Apply manufacturing capability and assets to growth areas

EPS: Electric Power Steering products, ADAS: Advanced Driver Assistance System
**Mobility: Direction of Each Business**

Clarify goals for each business and promote prompt structural reforms and business transformation

<table>
<thead>
<tr>
<th>Portfolio strategy</th>
<th>Our goal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASE</strong></td>
<td><strong>Only main products listed</strong></td>
</tr>
<tr>
<td>Motor</td>
<td>Leveraging power electronics technologies and sensing technologies, cooperate with partners with potential synergies to achieve regrowth</td>
</tr>
<tr>
<td>Inverter</td>
<td></td>
</tr>
<tr>
<td>High-definition Locator</td>
<td></td>
</tr>
<tr>
<td>Driver monitoring system</td>
<td></td>
</tr>
<tr>
<td><strong>Resilient Businesses</strong></td>
<td></td>
</tr>
<tr>
<td>Electric Power Steering products</td>
<td>Reduce costs and enhance efficiency to reallocate resources to high profitable projects and models</td>
</tr>
<tr>
<td>Car mechatronics</td>
<td></td>
</tr>
<tr>
<td>Alternator</td>
<td></td>
</tr>
<tr>
<td>Starter</td>
<td></td>
</tr>
<tr>
<td><strong>Businesses with Issues</strong></td>
<td></td>
</tr>
<tr>
<td>Car multimedia</td>
<td>Promptly discontinuing for business transformation of less profitable businesses, such as car multimedia</td>
</tr>
<tr>
<td>Injector</td>
<td></td>
</tr>
</tbody>
</table>
Mobility: Strengths of Automotive Equipment Business

Focusing on strong businesses that we develop globally, promote cooperations with partners by leveraging our technological assets to contribute to corporate performance.

Global share

- Inverter (since 2001) - 10%
- Electric Power Steering products (since 1988) - 18%
- EGR (Exhaust Gas Recirculation) valve (since 1973) - 16%
- Alternator (since 1963) - 15%
- Starter (since 1946) - 14%
- Driver monitoring systems (since 2018) - 24%

(Research by the Company, as of March 31, 2022)

Technological assets

- Possess development and manufacturing capabilities and abundant patents.

  - **Power electronics technologies**: Motor control (low loss driving control), Small power module design (cooling technologies)
  - **Sensing technologies**: Biosensing and high-precision composite positioning technologies
  - **Motor technologies**: High fill-factor coil winding motors
  - **Wireless communication technologies**: Development of chip selecting middleware, compatibility with overseas certifications
  - **Automation and miniaturization technologies**: High-speed automation, miniaturizing production design, composite assembly
  - **Processing technologies**: Metal mold, iron core press, resin molding, cold forging
  - **Production design, prototype evaluation**: Processing machine, testing equipment, trial production system and material analysis
Mobility: Global production strategy

Reallocate resources to high profitable projects and models and optimizing production yards and assets

Trim production yards at overseas sites to about 40% of current levels by 2027

- Diverting as a production and distribution base for company-wide overseas operations, with a focus on the mass production businesses
- Contributing to company-wide global growth by utilizing local human resources and accumulated know-how
Aim for regrowth of CASE business by cooperation with partners with potential synergies

Bolster earning power with well-defined operation of Resilient Businesses and phased termination/withdrawal of businesses with issues

Direction of CASE cooperation

xEV
Develop synergy from combining our strength, power electronics circuit design and motor control, with the gear/chassis matching technologies we lack

ADAS
Cooperate with partners with whom our proprietary patented technologies, such as high-definition locators and driving monitoring, can be utilized, to differentiate systems and enhance comprehensive capability for pitching proposals

Targets for FY2026

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>Extracting Resilient Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>¥700 bn+</td>
<td>¥400 bn+</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>5%+</td>
<td>8%+</td>
</tr>
</tbody>
</table>

Consolidated revenue (Automotive Equipment Business)

Main Activities

- Regrow through cooperation with partners
- Phased promptly discontinuing of/withdrawal from less profitability business
- Reallocate resources to high profitable projects and models
Industry
Industry: Business Structure

Contributing to manufacturing around the world through effective businesses offering wide-ranging products, services and solutions

<table>
<thead>
<tr>
<th>Business Group</th>
<th>Product/Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control and Drive Products</td>
<td>FA Control Systems</td>
</tr>
<tr>
<td></td>
<td>PLC</td>
</tr>
<tr>
<td></td>
<td>Servo</td>
</tr>
<tr>
<td></td>
<td>CNC</td>
</tr>
<tr>
<td></td>
<td>HMI</td>
</tr>
<tr>
<td></td>
<td>Inverter</td>
</tr>
<tr>
<td></td>
<td>Robot</td>
</tr>
<tr>
<td>Other Control and Drive Products</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Processing Machines</td>
<td>Laser Processing Machine</td>
</tr>
<tr>
<td></td>
<td>Electric Discharge Machine</td>
</tr>
<tr>
<td></td>
<td>Laser Processing Machine for CFRP¹</td>
</tr>
<tr>
<td></td>
<td>Metal 3D Printer</td>
</tr>
<tr>
<td>Rotary Motors, Power Distribution</td>
<td>Rotary Motor</td>
</tr>
<tr>
<td>Control Equipment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Power Distribution Control Equipment</td>
</tr>
<tr>
<td>Circular Digital-Engineering</td>
<td>e-Factory Consulting</td>
</tr>
<tr>
<td></td>
<td>Software</td>
</tr>
<tr>
<td></td>
<td>Remote Services</td>
</tr>
</tbody>
</table>

*¹: Laser processing machine for Carbon, Fiber, Reinforced and Plastics

Automating the World

FY2023 Revenue ¥843.8 bn

- Japan 41%
- China 24%
- Asia 20%
- Americas 6%
- Europe 7%
- India 2%

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Changes for the Better
## Industry: Business Assets

The business assets we have accumulated over 100 years of operation are our strength

### Technology Assets
- Real-time control
- Motor technologies
- Power electronics technologies

### Sales & Service Assets
- High value-added automation technologies focused on control and drives
- Sales and service network covering over 90 countries around the world

### Partner Assets
- Partner ecosystems to help meet the needs of diverse customers

### Customer Assets
- PLC: 12 million units
- Servo: 15 million units
- CNC: 1.1 million units
- Number of Installation: 50,000 cases
- e-Factory: 4,200 licenses

※ As of March 2023

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The business assets we have accumulated over 100 years of operation are our strength.

- **Technology Assets**
  - Real-time control
  - Motor technologies
  - Power electronics technologies

- **Sales & Service Assets**
  - High value-added automation technologies focused on control and drives
  - Sales and service network covering over 90 countries around the world

- **Partner Assets**
  - Partner ecosystems to help meet the needs of diverse customers

- **Customer Assets**
  - PLC: 12 million units
  - Servo: 15 million units
  - CNC: 1.1 million units
  - Number of Installation: 50,000 cases
  - e-Factory: 4,200 licenses

※ As of March 2023
Industry: Market Environment and Growth Direction

Creating comprehensive value by fusing “core components” with “digital technologies” to continue to achieve sustainable growth.

**Market Environment**

- Continuous technological innovation
- High-speed, High-accuracy, Miniaturization and Multifunction
- Digital-related industries
- Carbon neutral related industries

**Growth Direction**

- Strengthening key growth businesses that drive the function and performance of manufacturing equipment and production lines
- PLC
- Servo
- CNC

- Realization of next-generation manufacturing by using digital technologies
- Cloud, Digital twin, AI

**Deepening issues faced by the manufacturing industry**

- Shortage of labor force and skilled workers,
  Improvement of productivity and quality, and
  Persisting uncertainty
## Industry: Portfolio Strategy

Accelerate growth by assigning resources commensurate with business needs and by optimizing the portfolio

<table>
<thead>
<tr>
<th>Business</th>
<th>FY2023 Revenue</th>
<th>Operating Profit Margin</th>
<th>FY2024 Revenue</th>
<th>Operating Profit Margin</th>
<th>FY2026 Target Revenue</th>
<th>Operating Profit Margin</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Growth Businesses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PLC</td>
<td>387</td>
<td>20%+</td>
<td>420+</td>
<td>20%+</td>
<td>500+</td>
<td>25%+</td>
<td>Continuous investment in growth to expand business further and maximize operating cash flow</td>
</tr>
<tr>
<td>Servo &amp; CNC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Resilient Businesses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Processing Machine</td>
<td>193</td>
<td>15%+</td>
<td>205+</td>
<td>15%+</td>
<td>235+</td>
<td>20%+</td>
<td>Strengthen business competitiveness and generate stable free cash flow by efficient investment</td>
</tr>
<tr>
<td>Inverter &amp; HMI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Potential and New Businesses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Circular Digital-Engineering</td>
<td>65</td>
<td>5%+</td>
<td>70+</td>
<td>5%+</td>
<td>90+</td>
<td>5%+</td>
<td>Establish a business model by concentrating investment into Circular Digital-Engineering</td>
</tr>
<tr>
<td>New Processing Machine Business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Robot</td>
<td>65</td>
<td>5%+</td>
<td>70+</td>
<td>5%+</td>
<td>90+</td>
<td>5%+</td>
<td>Establishing profitability exceeding capital cost and reviewing business portfolio</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>843.8</td>
<td>16.9%</td>
<td>890</td>
<td>16.1%</td>
<td>1,000</td>
<td>20%+</td>
<td></td>
</tr>
</tbody>
</table>
Industry: Cash Flow

Management principles:

“Management to achieve business growth by investment” and “Management focused on capital efficiency” based on a business portfolio that maximizes cash flow over the medium- to long-term.

Growth Investment ¥423 bn (+74%)

R&D ¥178 bn (+25%)
Production Facility ¥185 bn (+115%)
M&A ¥60 bn (+300%)

Cash flows from operating activities

Cash flows from investing activities

R&D
• Strengthen core technologies and components
• Utilize the resources and technologies of the Automotive Equipment Business

Production Facility
• New factory in Owari-asa, Aichi (FY2026)
• New factory in Pune, India (FY2024)
• Expansion of existing production facilities in China

M&A
• Strengthen core components
• Investment in MOVENSYS (March, 2023)
• Strengthen digital technologies and human resources
• Investment in Clearpath Robotics (April, 2023)
Industry: Growth Strategy (1) Enhance Key Growth Businesses

Maximize the value proposition for globally growing industries, such as digital and carbon neutral-related industries.

Key Growth Businesses, Target for FY2026

Core Components for Key Growth Businesses
- Develop next-generation products with cutting-edge functions, performance and scalability by strengthening core technologies.
- Utilize M&A and strategic investments to gap-fill missing parts. ex. March 2023 investment in MOVENSYS (South Korea) (Strengthen motion software for servo business)

Global Collaborative Engineering Centers
- Establish application development functions outside of Japan to meet diverse customer needs.
  - April 2022: China
  - April 2023: Europe and India
  - After FY2024: North America

Stable Global Supply Infrastructure
- Radically strengthening production capacity
  New Factory in Owari-asahi, Aichi: Servo motor production will start in FY2026. New Factory in Pune, India: Inverter production will start in FY2024 and PLC production will start in FY2026.
- Accelerating localization of production in preparation for risk mitigation ex. geopolitical and natural disaster
Industry: Growth Strategy (2) Establish a Circular Digital-Engineering Business Model

Expand value proposition to customers through services that fuse abundant business assets with manufacturing data.

Value proposition to customers

- Front loading
- Increasing efficiency and shortening design and development leadtime
- Early launch of facilities

Design and Development of Manufacturing Systems

- 24-hour stable operation
- Shortening cycle time
- Manufacturing not dependent on workers and know-how

Manufacturing

- Remote monitoring, diagnosis and maintenance
- Asset management
- Maximizing renewal ROI

Operation and Maintenance

Services that utilize data

- Digital twin
- Monitoring
- Data collection and analysis

Software/Data

- AI
- Security
- Energy management

Digital space

Core components

OT

- PLC
- Servo
- CNC
- Industrial PC
- HMI
- Inverter
- Robot
- Sensor
- Laser Processing Machine
- Electric Discharge Machine
- Rotary Motor
- Power Distribution Control Equipment

Technology assets

- Realtime control technology
- Power electronics technology
- Motor technology
- Manufacturing technology
- PLC: 12 million units
- Servo: 15 million units
- CNC: 1.1 million units

Customer assets

- Number of installations: e-F@ctory: 50,000 cases
- Number of units in operation
- Registered members on FA Web site: 930,000 members

Partner assets

- e-F@ctory partners: 1,080 companies
- Edgecross partners: 390 companies
- CC-Link partners: 4,194 companies

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Industry & Mobility BA
Industry & Mobility BA: BA Synergy Strategies

Utilize human resources and technology assets from Mobility’s Automotive Equipment Business to strengthen Industry’s core FA components. Further strengthen the manufacturing capability for automotive equipment and apply that knowledge to resolving customer issues.

1. Utilize the Business Assets of the Automotive Equipment Business

Control, software and circuit technologies from the car multimedia business
Abundant engineers with middleware and micro-computer application control know-how

High-speed automated mass production technology and advanced compact design know-how

4. Develop the Solution Proposal Capability of FA systems Businesses

Broaden solution proposal capability of FA Systems business
Leverage the Automotive Equipment Business’ production site know-how to solve the diverse manufacturing issues of customers

2. Strengthening Core Components of FA Systems Businesses

Developing next generation controllers
Enhancing device connectivity, openness and real-time control.

Expanding the product line-up and global manufacturing capability
Strengthening capabilities to meet diverse customer needs and shorten delivery lead-times.

3. Realize Next-generation Manufacturing for the Automotive Equipment Business

Introducing cutting-edge FA technology to strengthen manufacturing
Bolstering earning power of Resilient Businesses by increasing productivity
Industry & Mobility BA: Corporate Synergy Strategy

Provide one-stop solutions that securely manage OT assets by leveraging our strengths and incorporating technologies from third party security specialists.

Customers’ Issues

- Interested in introducing IoT and DX at sites but concerned about security
- Already implemented IT security measures but insufficient, and unfamiliar with OT security

Our Solutions

Provide a one-stop solution spanning from risk assessment to the introduction of security equipment, its operation and maintenance

- Combining OT and IT data to strengthen monitoring/analysis for automatic management of OT assets.
- Enhancing security measures without having to stop production.

Our strengths

- OT risk assessment technology
- Secure control equipment, OT network monitoring and protection technologies
- 24/365 security monitoring services proven in the IT environment

Security specialists knowledge

- Firewall
- Remote access

Security specialists knowledge

- DISPEL
- secomea
- txOne
- FORTINET

Remote maintenance

IT network

OT network

PLC/DCS

SCADA

HMI

Server

D/B

EWS

OT network

OT network

IOT G/W
Industry & Mobility BA: FY2026 Financial Targets

Targeting to achieve revenues of ¥1.7 trillion and an operating profit margin of 14% or more in FY2026, with structural reforms of Mobility (Automotive Equipment Business) and by initiating growth strategies in Industry (FA Systems Business) and developing synergetic strategies across both Industry & Mobility Business Area.
Support future manufacturing and comfortable mobility with our core components and digital technologies

Strengthen value proposition of core components to globally growing industries

Establish a Circular Digital-Engineering business model

Growth and expansion with partners who are expected to create synergies in the CASE area

Review the business portfolio to focus on areas with strengths that address changes in the business environment