# Contents

1. Executive Summary .................................................. P3
2. Mobility .......................................................................... P6
3. Industry ........................................................................... P12
4. Industry & Mobility BA .................................................. P19
   BA Synergy Strategies ..................................................... P20
   FY2026 Financial Targets ................................................ P21
Executive Summary
Executive Summary

Aim to achieve revenues of ¥1.7 trillion and an operating profit margin of 9% or more in FY2026 through structural reforms of the automotive equipment business, promotion of growth strategies for the FA systems business, and developing synergies across the Industry & Mobility Business Area.

### Mobility (Automotive Equipment Business)

- Steadily promote structural reforms, including strengthening the business foundation under the new company. Prepare for a period of CASE* business expansion in FY2031 and beyond by promoting business portfolio replacement through partnerships with external parties.
- Aim for revenues of ¥0.8 trillion and an operating profit margin of 4% or more in FY2026 through stable monetizing its Resilient Businesses.

### Industry (FA Systems Business)

- Maximize the value provided by the FA Systems Business by concentrating growth investments in Key Growth Businesses, the FA Digital Solution business area, and by restructuring the business portfolio from the best owner's perspective.
- By executing various growth investments and initiatives, we aim to achieve revenues of ¥1 trillion and an operating profit margin of 20% in FY2028, based on the latest demand environment.

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### Growth Target

<table>
<thead>
<tr>
<th></th>
<th>FY2024 Actual</th>
<th>FY2025 Plan</th>
<th>FY2026 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mobility</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>¥944.1 bn</td>
<td>¥900.0 bn</td>
<td>¥0.8 trillion+</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>3.3%</td>
<td>3.0%</td>
<td>4%+</td>
</tr>
<tr>
<td><strong>Industry</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>¥766.4 bn</td>
<td>¥770.0 bn</td>
<td>¥0.9 trillion+</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>11.6%</td>
<td>14.3%</td>
<td>15%+</td>
</tr>
</tbody>
</table>

*CASE: Connected, Autonomous, Shared & Service, Electrified (auto industry trends)
Industry & Mobility BA: The Ideal Form

1. Executive Summary

Support future manufacturing and comfortable mobility with our core components and digital technologies

**Industry**
- Contribute to technological innovation
- Realize next-generation manufacturing
- Solve labor shortages and skills loss

**Mobility**
- Contribute to carbon neutrality
- Provide comfortable mobility opportunities
- Eliminate traffic accidents

**Strengthen value proposition of core components to globally growing industries**

**Establish a FA Digital Solution 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**

- Real-time control
- Power electronics technology
- Motor technologies
- High fill-factor coil winding technology
- Monitoring technologies

Support future manufacturing and comfortable mobility with our core components and digital technologies.

Mitsubishi Electric
Changes for the Better

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2 Mobility
### 2. Mobility

Began operation of the new company in April 2024. Steadily advancing the four pillars of our business portfolio strategy.

<table>
<thead>
<tr>
<th>Business Portfolio Strategy</th>
<th>Progress (Compared to IR of spring 2023)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> CASE (xEV/ADAS*)-related business:</td>
<td>Completed basic agreement on xEV collaboration</td>
</tr>
<tr>
<td>1. Grow through synergies with partners</td>
<td></td>
</tr>
<tr>
<td><strong>2</strong> Business leveraging strengths, such as EPS (Resilient Business):</td>
<td>Achieved profitability improvement through selection and concentration</td>
</tr>
<tr>
<td>2. Focus on strengths to increase profitability</td>
<td></td>
</tr>
<tr>
<td><strong>3</strong> Businesses with issues, such as car multimedia:</td>
<td>Developed details of a scheme to terminate businesses</td>
</tr>
<tr>
<td>3. Promptly discontinuing for business transformation</td>
<td></td>
</tr>
<tr>
<td><strong>4</strong> Contribution to corporate growth businesses:</td>
<td>Embody plans to convert global production sites for use in FA Control Systems and A/C &amp; Refrigeration Systems Businesses</td>
</tr>
<tr>
<td>4. Apply manufacturing capability and assets to growth areas</td>
<td></td>
</tr>
</tbody>
</table>

*ADAS: Advanced Driver Assistance System*
Market Environment and Strengths of Automotive Equipment Business

A once-in-a-century period of change. Amid the ongoing shift to EV, we will stabilize revenues by responding to diverse customer needs in CASE-related and Resilient Business. We will refine technology assets that are our strengths and promote collaboration with partners.

### Market Environment – xEV market –

Forecast of global automobile production by powertrain

<table>
<thead>
<tr>
<th>Year</th>
<th>ICE Vehicles</th>
<th>BEV</th>
<th>PHEV</th>
<th>FHEV</th>
<th>MHEV</th>
<th>FCV</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>23</td>
<td>25</td>
<td>23</td>
<td>24</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>2023</td>
<td>24</td>
<td>27</td>
<td>25</td>
<td>28</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>2025</td>
<td>25</td>
<td>28</td>
<td>27</td>
<td>28</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>2028</td>
<td>25</td>
<td>30</td>
<td>28</td>
<td>30</td>
<td>28</td>
<td>100</td>
</tr>
<tr>
<td>2030</td>
<td>25</td>
<td>30</td>
<td>28</td>
<td>30</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: As of Feb 2024, S&P LV Powertrain includes our forecasts

### EV Policies of Each Country

- **U.S.**: More than 50% of new vehicles to be PHEV, BEV, FCV by 2030 (the Biden administration, 2021)
- **Europe**: In addition to supporting the purchase of EVs in each country, the government plans to ban the sale of ICE vehicles from 2035 onwards
- **China**: Restrictions on ICE vehicles while providing subsidies and tax breaks for EVs

### Strengths of the Automotive Equipment Business: Technology Assets

- **Power electronics technologies**
  - Motor control (low loss driving control)
  - Small power module design (cooling technologies)

- **Motor technologies**
  - High fill-factor coil winding motors

- **Wireless communication technologies**
  - Development of Chip selecting middleware, compatibility with overseas certifications

- **Sensing technologies**
  - Biosensing and high-precision composite positioning technologies

- **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

**Legend**

- FCV: Fuel Cell Vehicle
- BEV: Battery Electric Vehicle
- PHEV: Plug-In Hybrid Electric Vehicle
- MHEV: Mild Hybrid Electric Vehicle
- ICE: Internal Combustion Engine

**Note**

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8
**Portfolio Strategy**

The new company clarifies the responsibility structure for each business. Based on a portfolio strategy, we operate business speedily. We will promote optimal measures according to business positioning, such as by implementing partnering strategies, narrowing down focus areas, and finalizing termination schemes.

### Transformation of Business Portfolio [FY2022 ➡ FY2026]

- **CASE Business**
  - Regrowth through xEV partnering strategy execution
    - Launch partnerships and collaborations with external partners, creating synergies
    - Secure profitability through the optimization of a standard lineup
  - Narrow down focus areas with emphasis on profitability
    - ICE business: Specialize in segments where customers recognize our value. Optimize fixed costs according to the business scale.
    - Businesses that take advantage of strengths such as EPS and body control ECUs: Strengthen software technologies that control complex controls.
  - Businesses with Issues
    - Finalize detailed scheme for early termination and accelerate discussions with some customers

### Concrete Measures

- **CASE Business**

- **Resilient Businesses**

- **Businesses with Issues**

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*Size of circle: Revenue

ECU: Electronic Control Unit
Key Strategy (xEV Business)

Reached a Basic Agreement to Establish a Joint Venture Company for the Products of Next Generation Electric Vehicles with AISIN. Respond to the diversifying needs for vehicle electrification, ultimately to contribute to global carbon neutrality.

**Strengths of Mitsubishi Electric Group**

- Inverter Technologies
- Control Optimization Technologies
- Motor Technologies
- Power Devices

**Synergy with AISIN**

- Vehicle Adaptation Technologies
- System Integration Technologies

 Advance the strength of technologies of both companies

: to be transferred
: not transferred

**Scope of JV**

Develop, produce and sell motors, inverters, and their control software, which will be optimized for vehicles and relevant systems and used in next-generation EVs, including BEV, PHEV, and HEV.
From FY2025 onwards, we will move into the phase of implementing structural reforms and harvesting the benefits. We will aim to strengthen profitability by strengthening business foundation and to achieve regrowth through business transformation.

### Major Measures to Strengthen the Business Foundation

#### Complete the portfolio strategy by strengthening the business management system
- Promote speedy business operations in line with the portfolio strategy by strengthening marketing capabilities, promoting DX, and shifting resources in the new company.

#### Restructure the global production system
- Embody the roadmap for the utilization of U.S. factories in growth businesses such as A/C & Refrigeration Systems and FA Control Systems. Aim to streamline production yards at overseas bases.

#### Launch partnering strategy
- Reached a Basic Agreement to Establish a Joint Venture Company for the Products of Next Generation Electric Vehicles with AISIN CORPORATION

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**Consolidated Revenue (Automotive Equipment Business)**

- **STEP1:** Launch structural reforms
  - Become profitable
  - Prepare to establish new company
  - Strengthen business foundation and improve profitability
  - Launch partnering strategy

- **STEP2:** Implement structural reforms and harvest the benefits
  - Revenue: 0.8 trillion+ Operating profit margin: 4%+

**CASE** Resilient Businesses

- Revenue: 0.46 trillion+ Operating profit margin: 6%+

**Resilient Businesses**

- Revenue: 0.8 trillion+ Operating profit margin: 4%+

**Businesses with Issues**

- Revenue: 0.4 trillion+ Operating profit margin: 3%+

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$\text{¥ bn}$
3 Industry
**Business Structure**

Contributing globally to manufacturing with effective businesses offering diverse products, services, and solutions, backed by over a century of expertise.

### FA Systems Business Product Lineup

<table>
<thead>
<tr>
<th>Control and Drive Products</th>
<th>Other Control and Drive Products</th>
<th>Processing Machines</th>
<th>Rotary Motors, Power Distribution Control Equipment</th>
<th>FA Digital Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>FA Control Systems</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Control and Drive Products</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PLC</td>
<td>Servo</td>
<td>CNC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HMI</td>
<td>Inverter</td>
<td>Robot</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laser Processing Machine</td>
<td>Electric Discharge Machine</td>
<td>Laser Processing Machine for CFRP*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rotary Motor</td>
<td>Power Distribution Control Equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consulting</td>
<td>Software</td>
<td>Remote Service</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Laser processing machine for Carbon Fiber reinforced plastics

### FA Systems Business Assets

<table>
<thead>
<tr>
<th>Sales &amp; service assets</th>
<th>Partner assets</th>
<th>Customer assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales network</td>
<td>Global 90 countries+</td>
<td>1,122 companies</td>
</tr>
<tr>
<td>Service network (FA Center)</td>
<td>21 countries</td>
<td>414 companies</td>
</tr>
<tr>
<td>Number of units in operation</td>
<td>43 bases</td>
<td>4,304 companies</td>
</tr>
<tr>
<td>Number of members on FA website</td>
<td>29 million</td>
<td>1.52 million</td>
</tr>
<tr>
<td>Number of social media followers</td>
<td>1.09 million</td>
<td></td>
</tr>
</tbody>
</table>

### Revenue Ratio by Region

- **Japan** 46%
- **North America** 6%
- **Europe** 7%
- **Asia** 20%
- **China** 22%
- **Others** 32%

*FY2024 Result

### Revenue Ratio by Business

- **Key Growth Businesses** 45%
- **Resilient Businesses** 23%
Position in the Industry and Demand Environment

As a leading manufacturer in the field of real-time control, we will strengthen our value proposition for the globally expanding FA market.

Positioning
- Leading company in Asia in the field of real-time control
- One of the top 3 leading companies in the world in the PLC, servo, and CNC business areas

Market Environment
- Growing importance of a robust supply chain that can respond to VUCA
- Transition to manufacturing that utilizes digital technology and data
- Changes in the competitive environment in the Chinese market with the rise of Chinese FA manufacturers

Demand Environment (FY2025-2026)
- Continuous demand for generative AI and servers. Demand for memory and other components is expected to recover and increase over FY2026.
- Demand is increasing for certain processes for smartphones in China. Increased relocation of production to India and Vietnam.
- There is uncertainty around BEVs, however, demand for automobiles overall, including HEVs, is strong. Battery investments in China are saturated, but investments in Europe and the U.S. will expand in the mid-term.
- Steady investment continues as digitalization and generative AI become more prevalent.
- Stable investments will continue over the mid-term due to new demand from growing environmental awareness.
## Key Strategies

Continuously enhance business competitiveness by making aggressive growth investments in Key Growth Businesses and the FA Digital Solutions area, while also strengthening business operations in China.

<table>
<thead>
<tr>
<th>Strengthen core components of Key Growth Businesses</th>
<th>FY2022-FY2024 Results</th>
<th>FY2025-FY2026 Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Utilize M&amp;A and strategic investments to gap-fill missing parts</strong></td>
<td>Investment in MOVENSYS (Mar 2023): Strengthening motion software for servo business</td>
<td>Enhance next-gen products with advanced features and scalability</td>
</tr>
<tr>
<td><strong>Strengthen and acquire digital talent and technology</strong></td>
<td>Organized specialized DX unit for FA (170+ personnel as of Apr 2024)</td>
<td>Accelerate efforts to quickly launch the business</td>
</tr>
<tr>
<td><strong>Fundamental expansion of production capacity</strong></td>
<td>New factory in Owari-asahi: Building 1 (FY2026) and Building 2 (FY2028)</td>
<td>Accelerate localization of production to mitigate geopolitical and natural disaster risks</td>
</tr>
<tr>
<td><strong>Recognized Issues</strong></td>
<td>Intensifying competitive environment due to the rise of local Chinese FA manufacturers</td>
<td>Fundamental reinforcement of China business structure</td>
</tr>
<tr>
<td><strong>Strengthen utilization of global bases for Chinese customers expanding outside of China</strong></td>
<td>Assign Chinese staff to global service and sales bases to enhance local support and Spec-in for Chinese customers</td>
<td><strong>FY2025-FY2026 Initiatives</strong></td>
</tr>
</tbody>
</table>

- Invest in MOVENSYS (Mar 2023): Strengthening motion software for servo business
- Linear track market launch (FY2025)
- Increased investment in Realtime Robotics (May 2024): Strengthening controller products
- Organized specialized DX unit for FA (170+ personnel as of Apr 2024)
- Executed six M&A / investments, mainly in software and AI
- Continue strengthening digital talent and technology, concentrate resources on Yokoyama (Oct. 2024)
- Start industrial cloud service (FY2025)
- New factory in Owari-asahi: Building 1 (FY2026) and Building 2 (FY2028)
- Started operation of new factory in Talegaon, India (Dec. 2023)
- Establish No. 4 Production Building in Dalian, China (FY2026)
- Strengthen ASEAN manufacturing base: New factory in Vietnam (Jun 2024)
- Intensifying competitive environment due to the rise of local Chinese FA manufacturers
- Acceleration of Chinese equipment manufacturers and end-users, especially in growth industries, to expand their operations outside of China
- Autonomous business management system in China, including product planning and development
- Consider collaboration with local vendors
- Assign Chinese staff to global service and sales bases to enhance local support and Spec-in for Chinese customers
FA Digital Solution

Strengthening the manufacturing data infrastructure to support the utilization of raw on-site data obtained from various components. Visualization and optimal control of components by solution area to simultaneously solve complex issues at manufacturing sites.

Diverse customer issues to be solved simultaneously

Data utilization solutions (SaaS)

Equipment design solutions

Production solution

Energy management

Maintenance solutions

Equipment Design

- Shorten equipment development period
- Improve production efficiency

Production

- Improve equipment operation
- Defect cause analysis
- Energy-saving control
- GHG management

Service and Maintenance

- Failure prediction
- Remote maintenance
- Security

Utilizing data to manage the series of processes that visualize the site and lead to optimal control

Strengths: Knowledge of utilizing data accumulated at customer and internal manufacturing sites, knowledge of data collection from OT and edge areas

Digital twin

Operating simulation

Model refinement

Visualize problems and identify improvements

Analysis

Optimal control parameters

Raw data collected from each component

Conversion

Data that can be utilized for each solution

Diverse components (control, drive, processing, measurement)

PLC  CNC  Servo  Robot

Realize optimal control, based on visualization results, through the digital enhancement of components

Strength: Real-time synchronized control in response to feedback

Other companies’ equipment and devices
Digital Twin Utilization Example

Complex issues to be resolved:
Increased productivity and energy efficiency

Control optimization using a digital twin
- Quickly perform operational checks during the equipment design phase
- Accurately simulate changes in productivity and energy consumption depending on operating conditions
  - Productivity bottleneck analysis
  - Visualization of energy consumption patterns

Extract optimal operation patterns from simulation results

Update and improve accuracy of digital twin models

Acquire raw data on equipment operating status from each component
- Equipment operating data
- Product inspection data
- Jig/equipment condition data
- Current data of each device

Optimize line control
- Program changes linked with production status
- Energy-efficient operation

FA Digital Solution

Manufacturing site
Maximize the value of the FA Systems Business by restructuring the portfolio to realize the ideal business form from the perspective of the “best owner”.

**Concrete Measures**

**Key Growth Business**
- Further business growth through continued growth investment
  - Strengthen the region-specific product lineup
  - Develop enhanced next-gen products with advanced features and scalability

**FA Digital Solution**
- Aggressive investment towards future Key Growth Businesses
  - Active investment in digital talent and technology to continuously strengthen the manufacturing data infrastructure and data utilization solutions

**Resilient Business**
- Selective investment of resources to achieve 15%+ operating margin
  - Expand production of inverters to contribute to carbon neutrality
  - Expand value proposition of processing machines by enhancing operation and maintenance services

**Others**
- Businesses structural reforms including withdrawal and sell
  - Improve profitability through proactive measures such as resource reorganization and model consolidation
  - Shift resources to growth areas from non-performing areas by withdrawal or sell, while searching for the best owners
    - Distribution transformer business: Business transfer (Apr. 2024)
Industry & Mobility BA
Maximize technological synergies, mutually reinforcing the manufacturing capabilities of the Automotive Equipment Business, the FA System Business, and the FA digital solution business.

**Digital Solution**

- **Digital twin**
  - Manufacturing data
  - IoT
  - Collection
  - Conversion
  - Visualization
  - Analysis

- **Scalable suite of digitally enhanced components**
  - Real-time control
    - General-purpose micro-computer technology
    - UI/UX technology
    - Standards and Certification System
  - High-accuracy encoder, AI sensing
    - Integrated motors
    - Sensor fusion
    - Wireless communication

**Manufacturing Capabilities of the Automotive Equipment Business and FA Systems Business**

- e-F@ctory improvement activities
  - Simulation, AI analysis
  - Industry standard Kaizen, Automation technology

- Advanced motor/Inverter manufacturing technology
  - High-mix, variable-volume production
  - High speed mass production

**Technology synergy**

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Aim to achieve 9%+ operating profit margin by strengthening profitability through business transformation based on portfolio strategies such as; early termination of businesses facing extensive challenges and shifting resources to focused growth areas of CASE and FA Digital Solution businesses.

### FY2026 Financial Target: Breakdown of Changes in Revenue and Operating Profit

<table>
<thead>
<tr>
<th>Mobility</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td><strong>Revenue</strong></td>
</tr>
<tr>
<td>FY2024: ¥944.1bn</td>
<td>FY2024: ¥766.4bn</td>
</tr>
<tr>
<td>Resilient</td>
<td>Key Growth</td>
</tr>
<tr>
<td>CASE</td>
<td>Resilient</td>
</tr>
<tr>
<td>Businesses with issues</td>
<td>FA Digital Solution</td>
</tr>
<tr>
<td>FY2026: ¥0.8trillion+</td>
<td>Others</td>
</tr>
<tr>
<td></td>
<td>FY2026: ¥0.9trillion+</td>
</tr>
</tbody>
</table>

### Operating Profit Margin

<table>
<thead>
<tr>
<th>Mobility</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2024: 3.3%</td>
<td>FY2024: 11.6%</td>
</tr>
<tr>
<td>Exchange rate effects</td>
<td>Exchange rate effects</td>
</tr>
<tr>
<td>Business Transformation</td>
<td>Business Transformation</td>
</tr>
<tr>
<td>Resource inputs</td>
<td>Resource inputs</td>
</tr>
<tr>
<td>FY2026</td>
<td>FY2026</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY2024: 4%+</th>
<th>FY2024: 15%+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource inputs</td>
<td>Resource inputs</td>
</tr>
</tbody>
</table>
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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