

Industry & Mobility Business Area

May 2023

Mitsubishi Electric Corporation

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1 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

Portfolio strategy	*Only main products listed	Our goal
CASE	 Motor  Inverter  High-definition Locator  Driver monitoring system	Leveraging power electronics technologies and sensing technologies, cooperate with partners with potential synergies to achieve regrowth
Resilient Businesses	 Electric Power Steering products  Car mechatronics  Alternator  Starter	Reduce costs and enhance efficiency to reallocate resources to high profitable projects and models
Businesses with Issues	 Car multimedia  Injector	Promptly discontinuing for business transformation of less profitable businesses, such as car multimedia

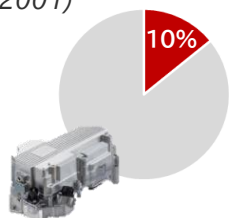
Build up synergies within BA and contribute to corporate growth, leveraging "manufacturing capability" and "technologies/assets"

Mobility: Strengths of Automotive Equipment Business

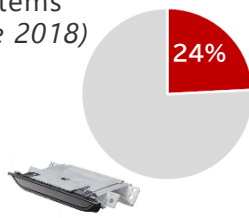
Focusing on strong businesses that we develop globally, promote cooperations with partners by leveraging our technological assets to contribute to corporate performance

Global share

Inverter
(since 2001)



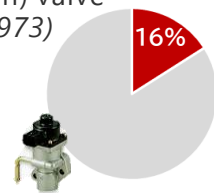
Driver monitoring systems
(since 2018)



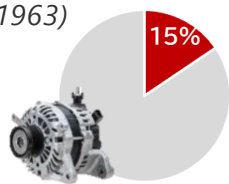
Electric Power Steering products
(since 1988)



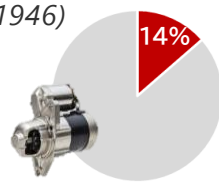
EGR (Exhaust Gas Recirculation) valve
(since 1973)



Alternator
(since 1963)



Starter
(since 1946)



(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)

Automation and miniaturization technologies

High-speed automation, miniaturizing production design, composite assembly

Sensing technologies

Biosensing and high-precision composite positioning technologies

Processing technologies

Metal mold, iron core press, resin molding, cold forging

Motor technologies

High fill-factor coil winding motors

Production design, prototype evaluation

Processing machine, testing equipment, trial production system and material analysis

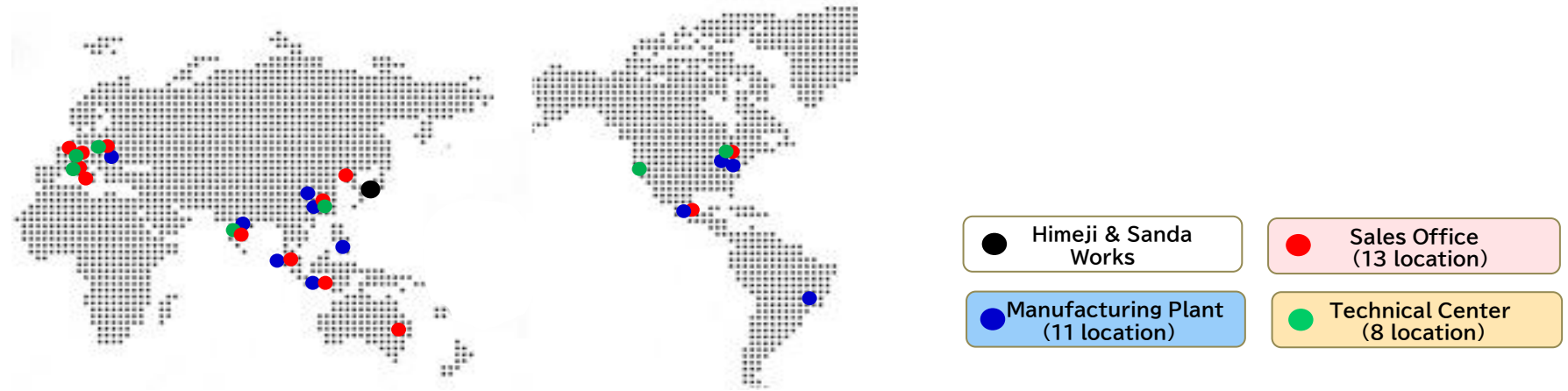
Wireless communication technologies

Development of chip selecting middleware, compatibility with overseas certifications

Mobility: Global production strategy

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

Global network



Mother factories (Himeji Works and Sanda Works) + Global network of 32 bases in 17 countries

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

Mobility: Business Operation and Targets for FY2026

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

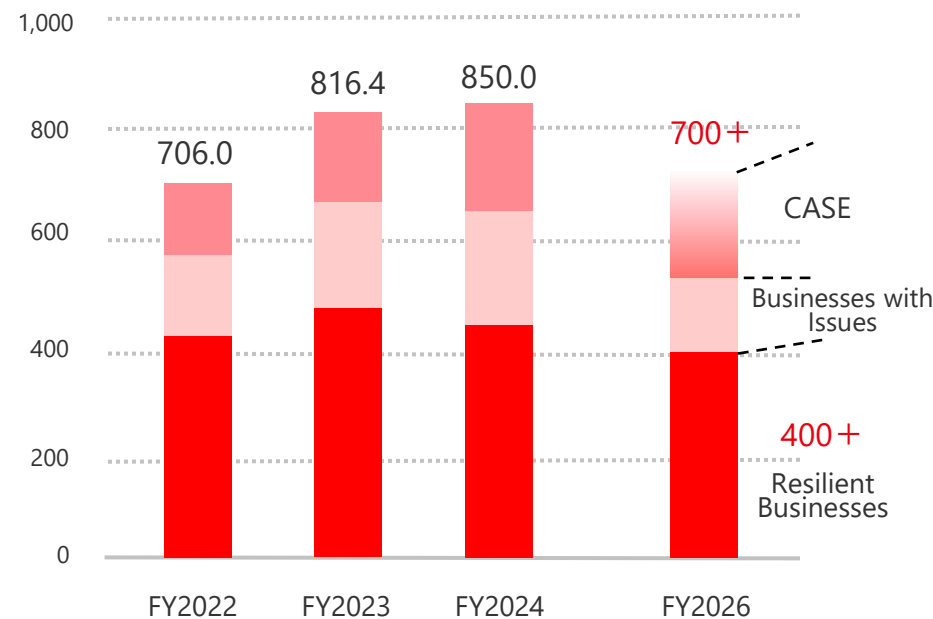
Cooperate with partners with whom our proprietary patented technologies, such as high-definition locators and driving monitoring, can be utilized, to differentiate systems and enhance comprehensive capability for pitching proposals

Targets for FY2026

	Overall	Extracting Resilient Businesses
Revenue	¥700 bn +	¥400 bn +
Operating profit margin	5%+	8%+

Consolidated revenue (Automotive Equipment Business)

Revenue [¥ billion]














Main Activities

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

3 Industry

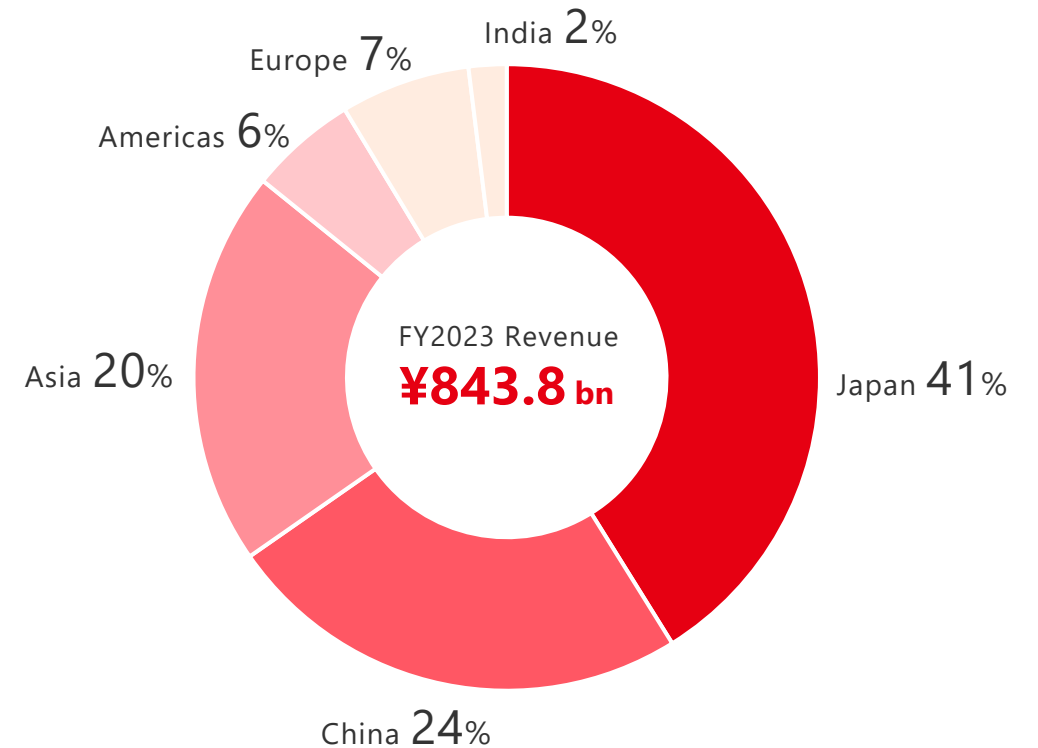
Industry: Business Structure

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

Business Group		Product/Service			
Control and Drive Products	FA Control Systems	 PLC	 Servo	 CNC	
	Other Control and Drive Products	 HMI	 Inverter	 Robot	
Processing Machines		 Laser Processing Machine	 Electric Discharge Machine	 Laser Processing Machine for CFRP ¹	 Metal 3D Printer
Rotary Motors, Power Distribution Control Equipment		 Rotary Motor	 Power Distribution Control Equipment		
Circular Digital-Engineering		 Consulting	 Software	 Remote Services	

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

Automating the World



Industry: Business Assets

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

Technology Assets	Sales & Service Assets	Partner Assets	Customer Assets
 <p>Real-time control, Motor technologies, Power electronics technologies</p> <p>High value-added automation technologies focused on control and drives</p>	 <p>Sales and service network covering over 90 countries around the world</p>	 <p>Smart factories 1,080 companies</p> <hr/> <p>Edge area 390 companies</p> <hr/> <p>Industrial network 4,194 companies</p> <p>Partner ecosystems to help meet the needs of diverse customers</p>	 <p>PLC 12 million units</p> <p>Servo 15 million units</p> <p>CNC 1.1 million units</p> <hr/> <p>Number of Installation 50,000 cases</p> <p>EDGE CROSS 4,200 licenses</p> <p>Connection with customers cultivated through long term relationships and number of units in operation</p>

※ 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



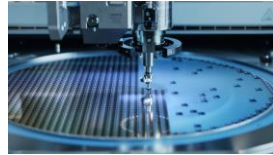
Digital-related industries



Carbon neutral related industries



More advanced manufacturing technology



High-speed, High-accuracy, Miniaturization and Multifunction



Growth Direction

Strengthening key growth businesses that drive the function and performance of manufacturing equipment and production lines



PLC



Servo



CNC



Deepening issues faced by the manufacturing industry



Shortage of labor force and skilled workers, Improvement of productivity and quality, and Persisting uncertainty



Digital innovation



Cloud, Digital twin, AI







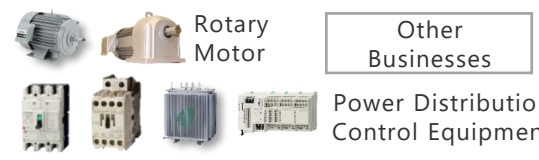



Realization of next-generation manufacturing by using digital technologies



Industry: Portfolio Strategy

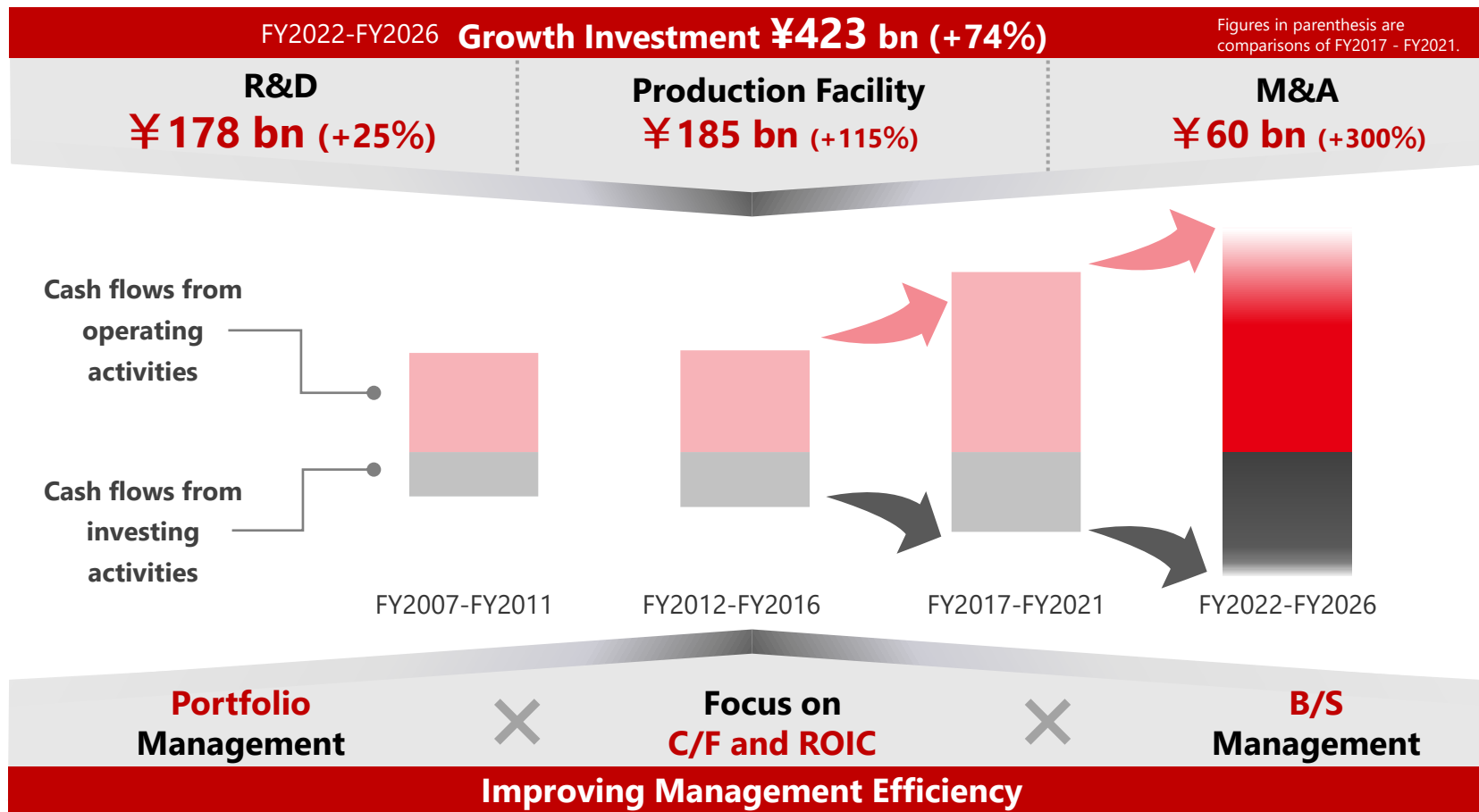
Accelerate growth by assigning resources commensurate with business needs and by optimizing the portfolio

Business	FY2023		FY2024		Business Resources	FY2026 Target		Revenue [¥ billion]
	Revenue	Operating Profit Margin	Revenue	Operating Profit Margin		Revenue	Operating Profit Margin	Policy
Key Growth Businesses 	387	20%+	420+	20%+		500+	25%+	Continuous investment in growth to expand business further and maximize operating cash flow
Resilient Businesses 	193	15%+	205+	15%+		235+	20%+	Strengthen business competitiveness and generate stable free cash flow by efficient investment
Potential and New Businesses 	65	5%+	70+	5%+		90+	5%+	Establish a business model by concentrating investment into Circular Digital-Engineering
	225	5%+	235+	5%+		150+	8%+	Establishing profitability exceeding capital cost and reviewing business portfolio
Total	843.8	16.9%	890	16.1%		1,000	20%+	

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.



R&D

- Strengthen core technologies and components
- Utilize the resources and technologies of the Automotive Equipment Business

Production Facility

- New factory in Owari-asahi, Aichi (FY2026)
- New factory in Pune, India (FY2024)
- Expansion of existing production facilities in China

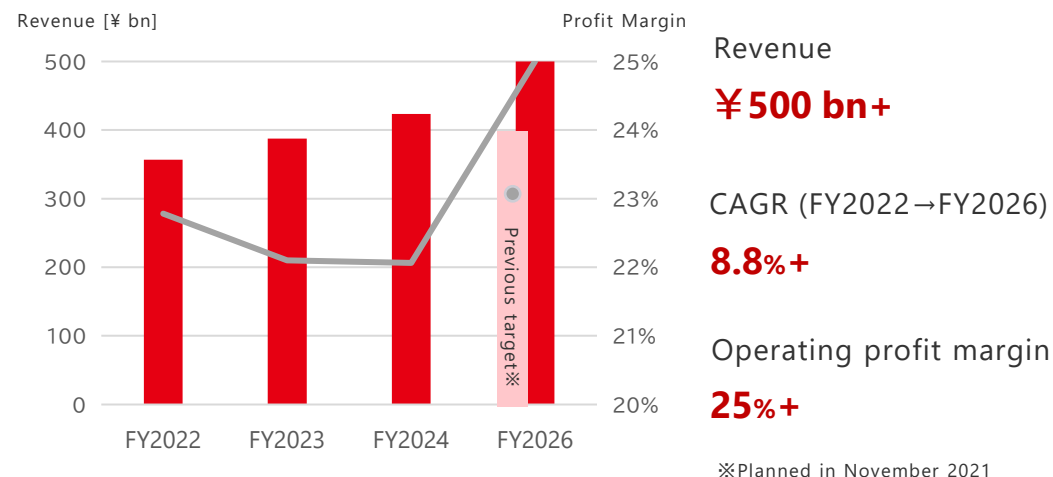
M&A

- Strengthen core components
 - Investment in MOVENSYS (March, 2023)
- Strengthen digital technologies and human resources
 - Investment in Clearpath Robotics (April, 2023)

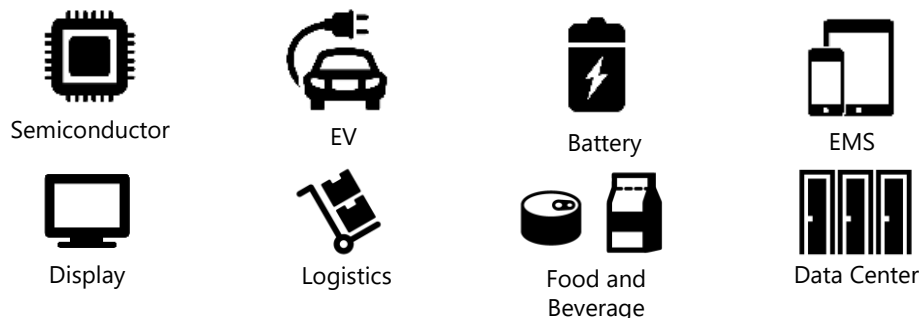
Industry: Growth Strategy (1) Enhance Key Growth Businesses

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

Key Growth Businesses, Target for FY2026



Focus Industries



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

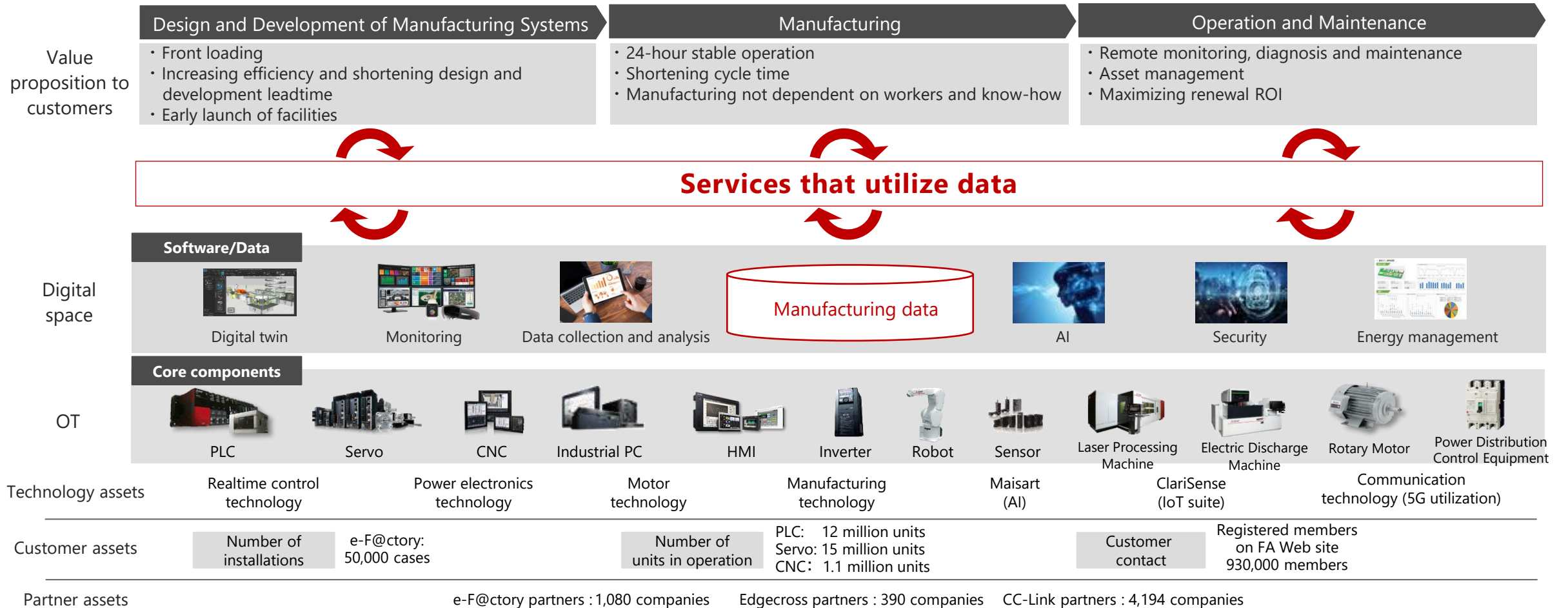
- Establish application development functions outside of Japan to meet diverse customer needs.
 - April 2022 : China
 - April 2023 : Europe and India
 - After FY2024 : North America

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.



4 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

Industry-leading Technology & Capability : Motor Design, Testing & Evaluation and Material analysis



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.

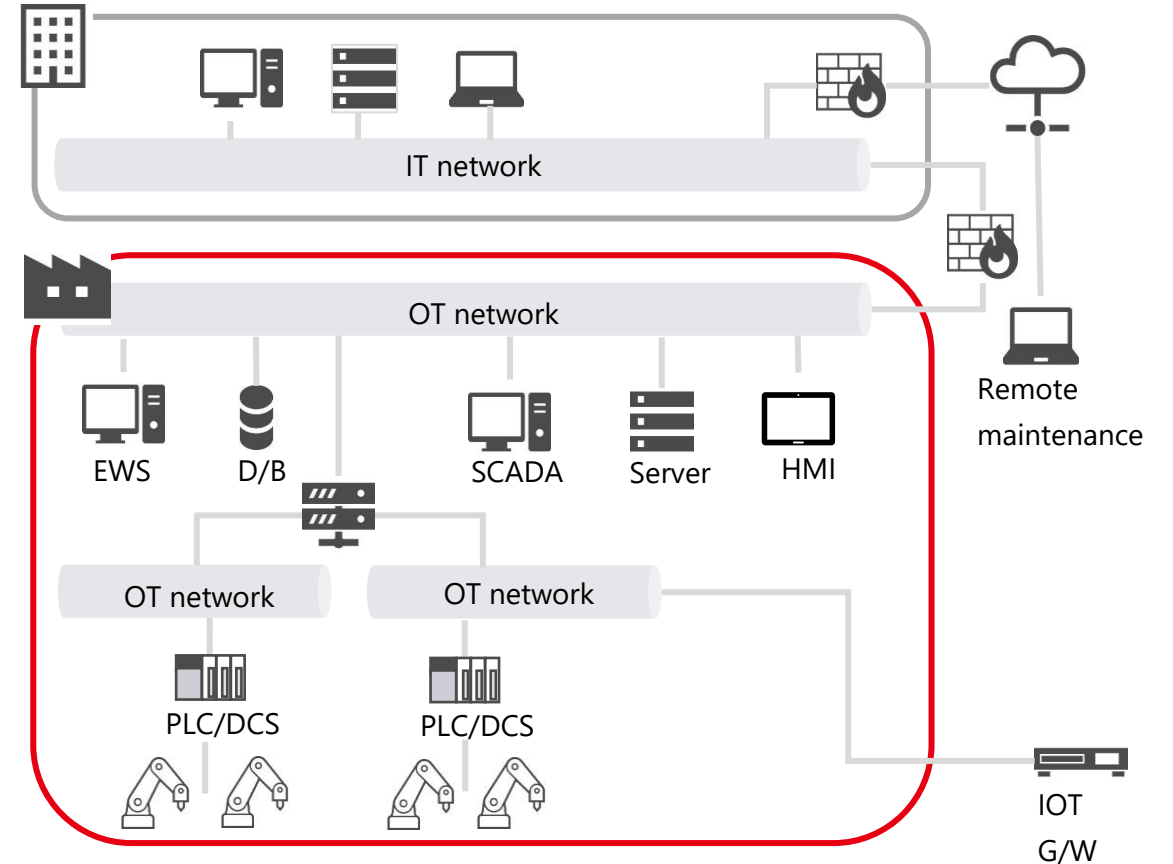
Our strengths

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



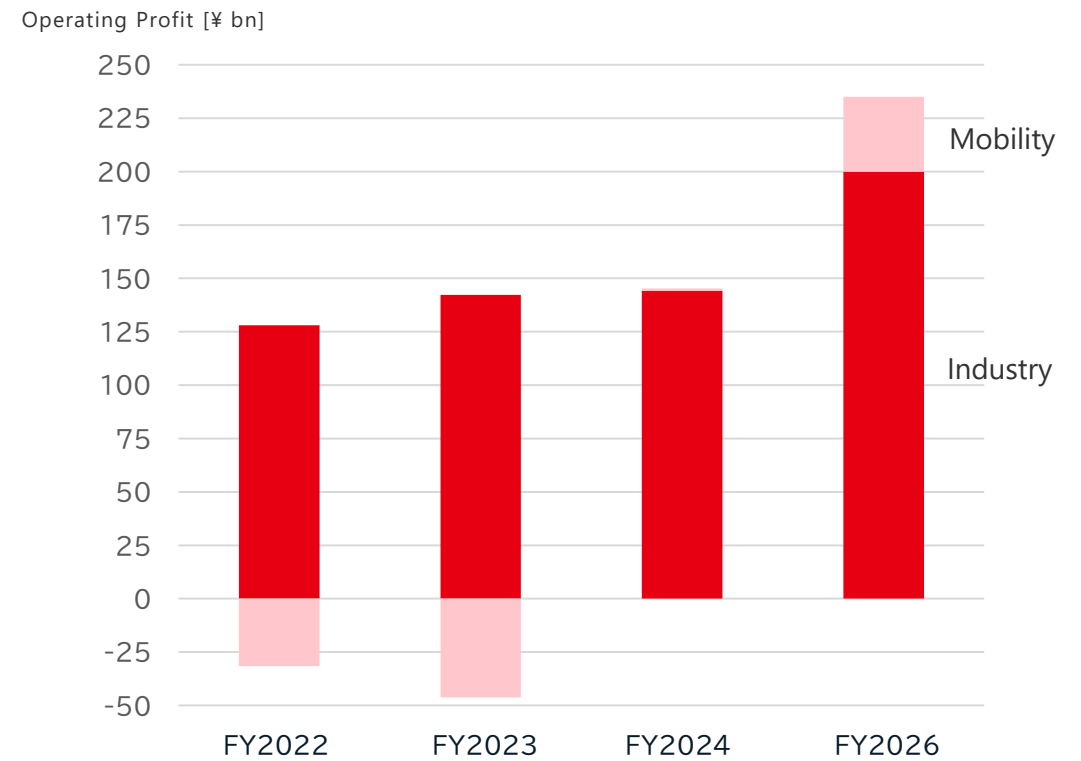
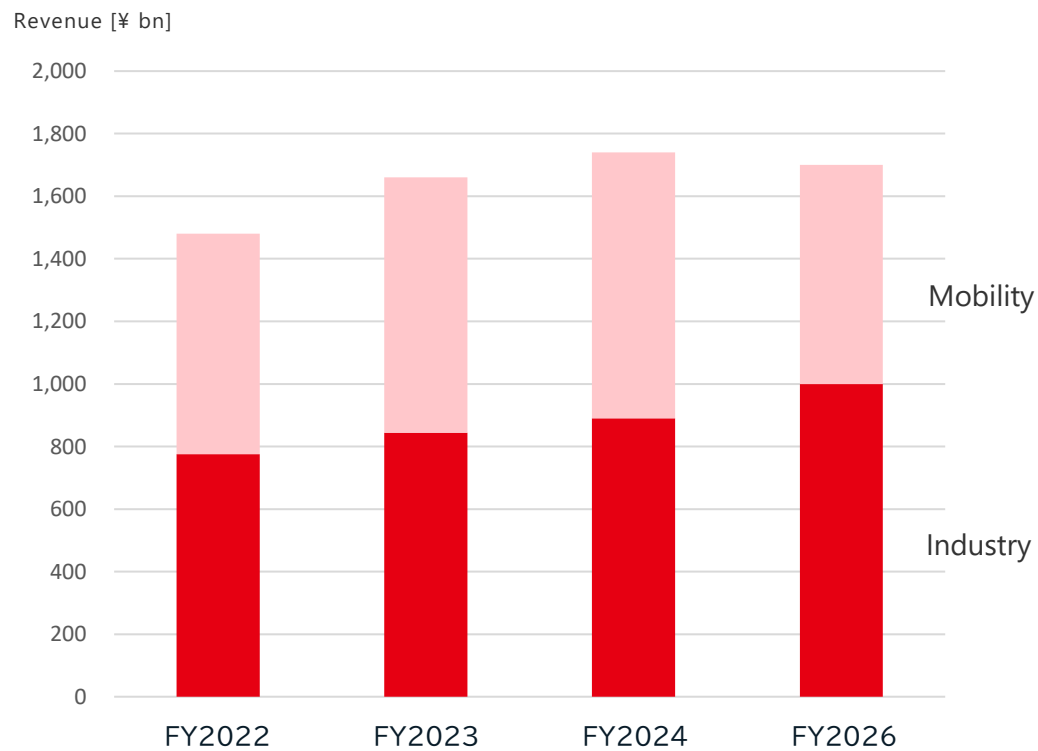
Security specialists knowledge

- Firewall
- Remote access



Industry & Mobility BA: FY2026 Financial Targets

Targeting to achieve revenues of ¥1.7trillion 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.



The Ideal Form



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

Strengthen value proposition of core components to globally growing industries

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

Establish a Circular Digital-Engineering business model

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

Real-time control

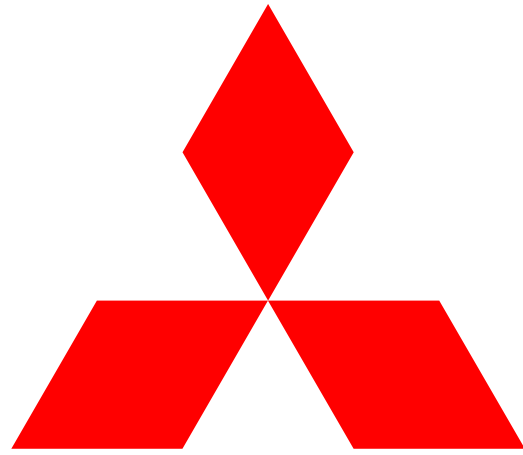
Power electronics technologies

Motor technologies

High fill-factor coil winding technology

Monitoring technologies





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ELECTRIC**

Changes for the Better