

# INFRASTRUCTURE BUSINESS AREA 2024

## Infrastructure Business Area

MITSUBISHI ELECTRIC CORPORATION

May 29, 2024



# Contents

---

1. Executive Summary .....	P3
2. Business Structure .....	P5
3. Market Environment and Market Share .....	P7
4. Key Strategy .....	P9
5. Strengthening Business Foundation .....	P14
6. Portfolio Strategy .....	P16
7. FY 2026 Financial Targets .....	P18
8. Ideal Form .....	P20

# 1 Executive Summary

- Infrastructure BA's Ideal Form: ✓ Achieve stable operation of the world's critical infrastructure and carbon neutrality  
 ✓ Contribute to national security in Japan and Asia

## Growth Target

		FY 2024 Actual	FY 2025 Plan	FY 2026 Target
Public Utility Systems	Revenue	431.3 billion yen	450.0 billion yen	0.4 trillion yen
	OPM	2.8%	4.7%	8%
Energy Systems	Revenue	346.2 billion yen	330.0 billion yen	0.4 trillion yen
	OPM	5.3%	5.2%	8%
Defense & Space Systems	Revenue	258.9 billion yen	330.0 billion yen	0.4 trillion yen
	OPM	0.3%	2.4%	5%
Total	Revenue	1,036.6 billion yen	1,110.0 billion yen	1.2 trillion yen
	OPM	3.0%	4.1%	7%

## Portfolio Transformation

### The Defense Business

- Increase in orders due to increase in defense budget  
 → 2.9 times (approx. 370 billion yen) from FY 2023 in FY 2024 and 1.5 times from FY 2024 in FY 2025.
- Improve the terms of contracts from FY 2024  
 (raise of profit margin and contract division based on development risk)

### The Solution Business

- Promote the Energy & Facility Solution Business  
 → Accumulate knowledge in multi-region EMS, regional thermoelectric optimum control, and data center, etc.
- Create the Mobility Solution Business

### The Core Businesses

- Select and concentrate on cash-generating businesses and shifting resources to the Decarbonization-related Business
- Harvest the results of price hike and internal structural reform from FY 2026

## Strengthening Business Foundation

- The profitability of space and other large-scale projects is expected to see significant improvement from FY 2025
- Achieve "ROIC improvement," "break-even point improvement," and "production elasticity improvement" over the mid- to long-term through asset-light management

# 2 Business Structure

Accelerate portfolio transformation by defining new domains to respond to changes in the market and competitive environment (megatrends) over the next 10 years.

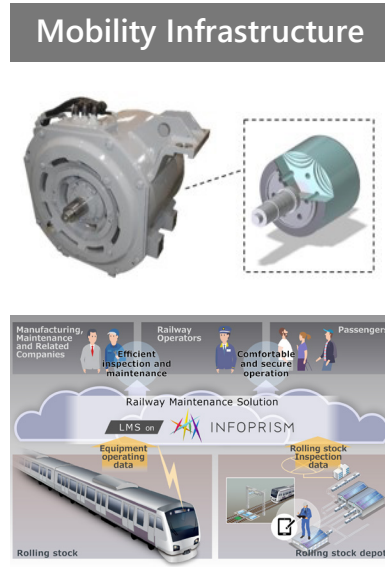


### 《strengths》

- Plant engineering capability
- Monitoring and control technology
- Abnormal sign detection technology

### 《Delivery Results》

- 5,300 water treatment sites



- High-power power component (SiC application propulsion control device, high efficiency rare earth free motor)
- Operation control technology

- Electrical equipment for 93,600 railcars



- Energy Management Technology
- Decarbonization component (SF6-Free CB, DC-CB, etc.)
- HVDC with SiC [The World's First]

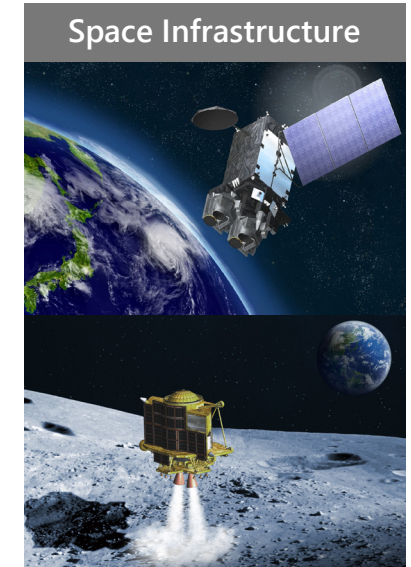
- 2,800 generators
- 24,000 switch gears
- 9,000 transformers



Source: JMoD HP

- World-leading defense technology
- Radar technology (signal processing, command & control and modules)
- Guidance & control technology (guided missile)

- Radar, electronic warfare system, Information and communication command system, etc.







- Guidance, navigation, and control technology (HTV, SLIM)
- World-leading sensor technology (optics, radar)

- Product more than 70 satellites
- More than 650 satellites with our equipment on board.

# 3 Market Environment and Market Share

# Market Environment and Market Share

Demand for the Core Businesses, which is among Japan's top share groups, is strong. The Defense and Space Business is expected further budget increases. The Decarbonization-related Business and the Solutions Business are expected to expand in the future.

Market Environment						Market Share / Positioning
Growth Prospects	Business Category	Domain	Market Size		Market Trend	
			FY 2024	FY 2031		
	The Core Businesses Public Transportation Systems Power	<ul style="list-style-type: none"> <li>Energy Infrastructure</li> <li>Facility Infrastructure</li> <li>Mobility Infrastructure</li> </ul>	6.7 trillion yen	7.6 trillion yen	<ul style="list-style-type: none"> <li>Increase in demand for replacement of aging infrastructure.</li> <li>Increase in demand for power infrastructure due to increased global data center demand.</li> </ul>	<ul style="list-style-type: none"> <li>Top share group in Japan</li> <li>Although overseas expansion is currently limited, work with overseas bases to expand sales globally in response to increasing global demand for data centers, etc..</li> </ul>
	The Decarbonization-related Business		0.1 trillion yen	0.7 trillion yen	<ul style="list-style-type: none"> <li>Expect rapid demand expansion around 2030 with the development of technology.</li> </ul>	<ul style="list-style-type: none"> <li>Each company is carrying out technology development of such as SF6-Free circuit breaker, SMR, etc..</li> <li>Aim to establish a global position as early as possible through collaboration and acquisition of other companies</li> </ul>
	The Solution Business		1.0 trillion yen	2.5 trillion yen	<ul style="list-style-type: none"> <li>Expect rapid demand growth with the progress in carbon neutrality and the growing shortage of skilled workers.</li> </ul>	<ul style="list-style-type: none"> <li>Utilize customer base and core technologies (EMS, etc.) to compete with leading Western companies</li> </ul>
	The Defense/Space Business		<ul style="list-style-type: none"> <li>National Security</li> <li>Space Infrastructure</li> </ul>	1.8 trillion yen	2.8 trillion yen	<ul style="list-style-type: none"> <li>Drastic strengthening of defense capabilities → Budget increase</li> <li>Progress in international lunar exploration programs.</li> </ul>



# 4 Key Strategy

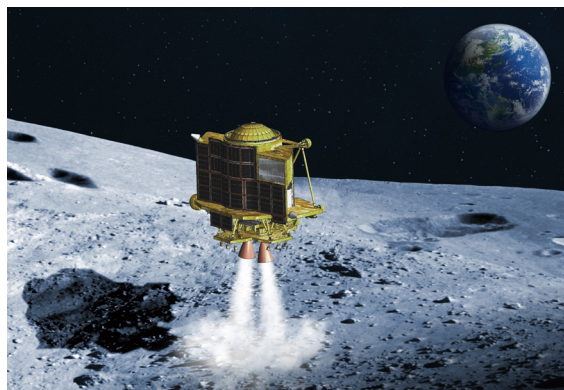
Establishing development/production structures through focused allocation of resources and strategic alliances.



Source: JGSDF HP



Source: JMoD HP



## Properly response to increased defense budget

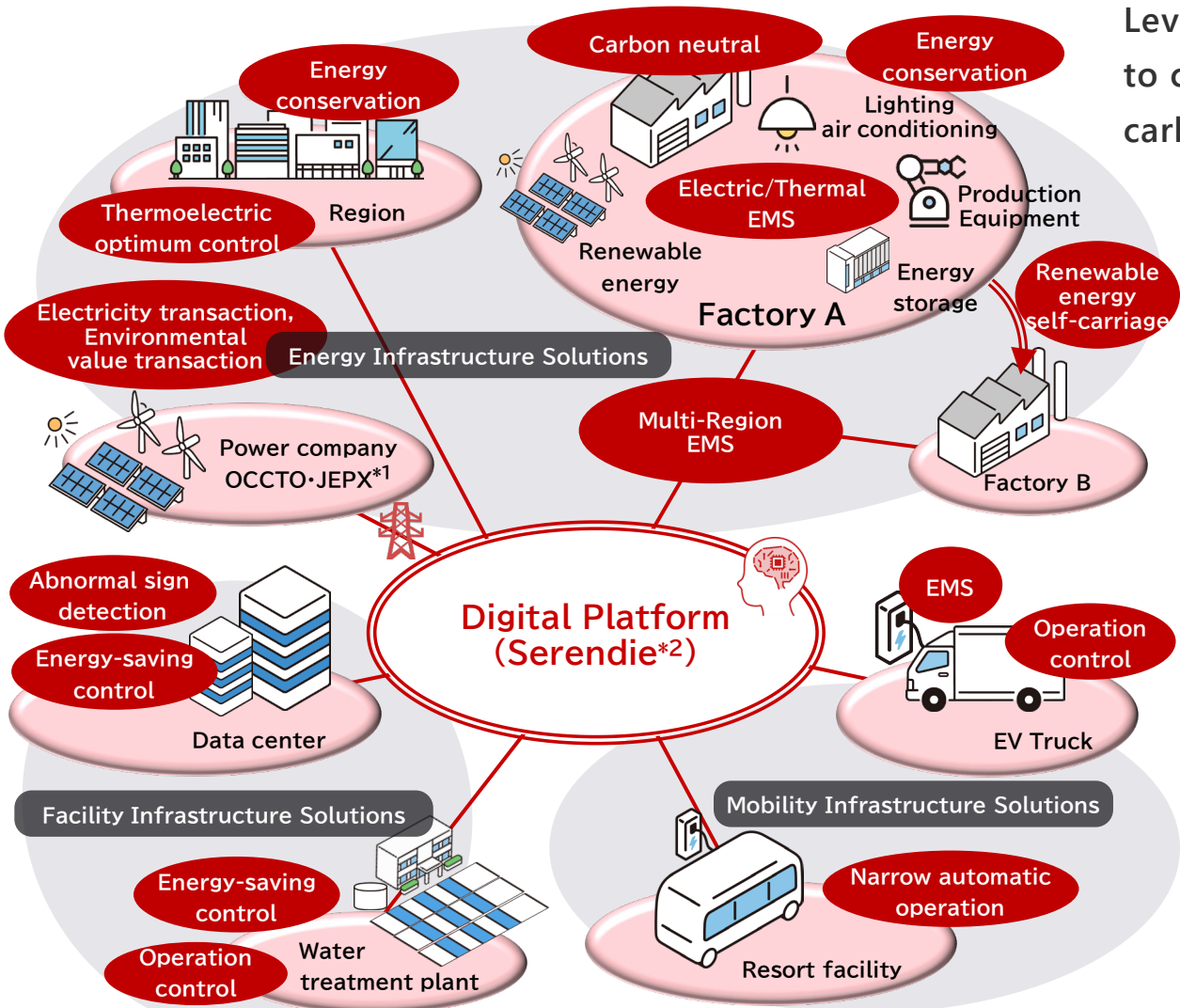
- Increase in orders due to increase in defense budget  
→ 2.9 times from FY 2023 in FY 2024 and 1.5 times from FY 2024 in FY 2025
- Invest additional around 500 employees by FY 2025 to increase by 1,000
- Decided to construct 8 new production buildings at Kamakura Works and Electronics & Communication Systems Center and to be completed sequentially from April 2025

## Strategic alliances in the Defense Business

- Joint development of mission avionics system for next-generation fighter aircraft  
... Collaboration agreement signed between the joint development partner companies of Japan, UK and Italy
- Japan's first finished defense equipment delivered overseas  
... Deliver 2 air-surveillance radars for the Philippine Air Force
- Japan's first joint development with foreign government in defense area  
... Signed contract with Australian Department of Defense

## Focusing on enhancing technical capabilities in the Space Business

- World's first successful high-precision landing of small-scale exploration lander "SLIM", developed by the company under contract with JAXA
- Participating in lunar orbit platform business using guidance, navigation, and control technology  
(International moon exploration program "Artemis program")



Leveraging digital tech for customer base and our extensive experience to create solutions for stable operation of global infrastructure and carbon-neutral.

## Energy Infrastructure Solutions

### Multi-Region EMS

- Realized self-delivery of renewable energy between sites. Demonstration test started at four sites in our company from March 2024

### Regional thermoelectric optimum control

- Optimized control of electricity and heat throughout the region and realized energy conservation

## Facility Infrastructure Solutions

### Optimal operation support for data centers

- Realizing stable operation through optimal control of air conditioning for energy saving and early detection of abnormalities in all electrical equipment

## Mobility Infrastructure Solutions

### Planning and control of charging and operation control for EV trucks

- Demonstration testing currently underway in Europe/US

### Narrow autonomous driving service in resort facilities

- Scheduled to start operation in FY 2025

\*1 OCCTO: Organization for Cross-regional Coordination of Transmission Operators, JEPX: Japan Electric Power Exchange \*2 Pending Trademark

# The Solution Business (Examples of Development of Circular Digital-Engineering)

Key Strategy



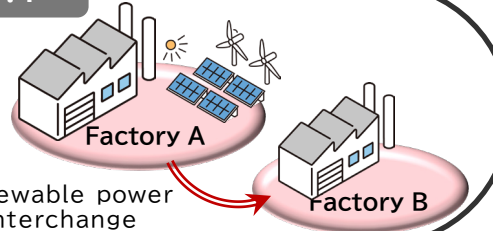
[Customer needs]

- Realize decarbonization management.
- Operate renewable energy efficiently.
- Install renewable energy facilities in limited space.

Customer

STEP.4

Multi-Region EMS  
for Manufacturing



Operation &  
Maintenance  
Service



STEP.1

Collect data of  
interplant power  
interchange and  
operational data.

Digital Platform

# Serendie



STEP.2

Data analysis

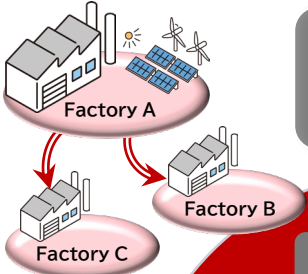
(Economic performance simulation for Power Interchange.)



Consulting to  
various customers

STEP.3

Expand points of  
access to EMS  
&  
Introduction  
EMS system and  
Component.



## Select and focus on cash-generating businesses

### Portfolio transition within the Core Businesses

- Accelerate restructuring, withdrawal and sale of low-profit businesses
- Revenue improvement through the establishment of **Mitsubishi Generator Co., Ltd.**, Joint venture with Mitsubishi Heavy Industries, Ltd.



### Shift resources to the Decarbonization-related Businesses

(Expand business globally through collaboration and acquisition other companies)

- SF6-Free circuit breaker: Joint development with **Siemens Energy**
  - Reliable development in view of environmental regulations
- DC circuit breaker: Acquisition **Scibreak**
  - Expanding the scope of the DC-related Business
- Nuclear SMR\*: Collaboration with **Holtec**
  - Development and approval for first construction in the United States
- Distributed Power Control: Acquisition **SGS**
  - Global business development in the US/Europe/Japan market
- Next-generation energy storage module: Collaboration with **Musashi Energy Solutions Co., Ltd.**

\* SMR: Small Modular Reactor

### Improvement in profit margin

- Improve sales prices and expand long-term alliances with customers (Show progress from FY 2026)
- Securing stable profits by Expanding After-sales service business

# 5 **Strengthening Business Foundation**

## Strengthening the ability to respond to potential risks

### Improving Profitability of Large Projects

- About 15-billion-yen improvement in FY 2025
- Enhanced front-loading during contract  
(Development elements in the Defense and Space Business are separately contracted)

### Measures against technological innovation and disruptors

- Overseas business development (the Digital Energy Business)
- Utilization of CVC\* and others

\* CVC: Corporate Venture Capital

## Improving asset efficiency and enhancing responsiveness to market changes

### Asset light management

- Specialize in cash-generating production lines and aim for "ROIC improvement," "break-even point improvement," and "production elasticity improvement" over the medium to long term.

### Optimization of production systems across BA

- The Transportation Systems Business: Integration of Nagasaki Works into Itami Works

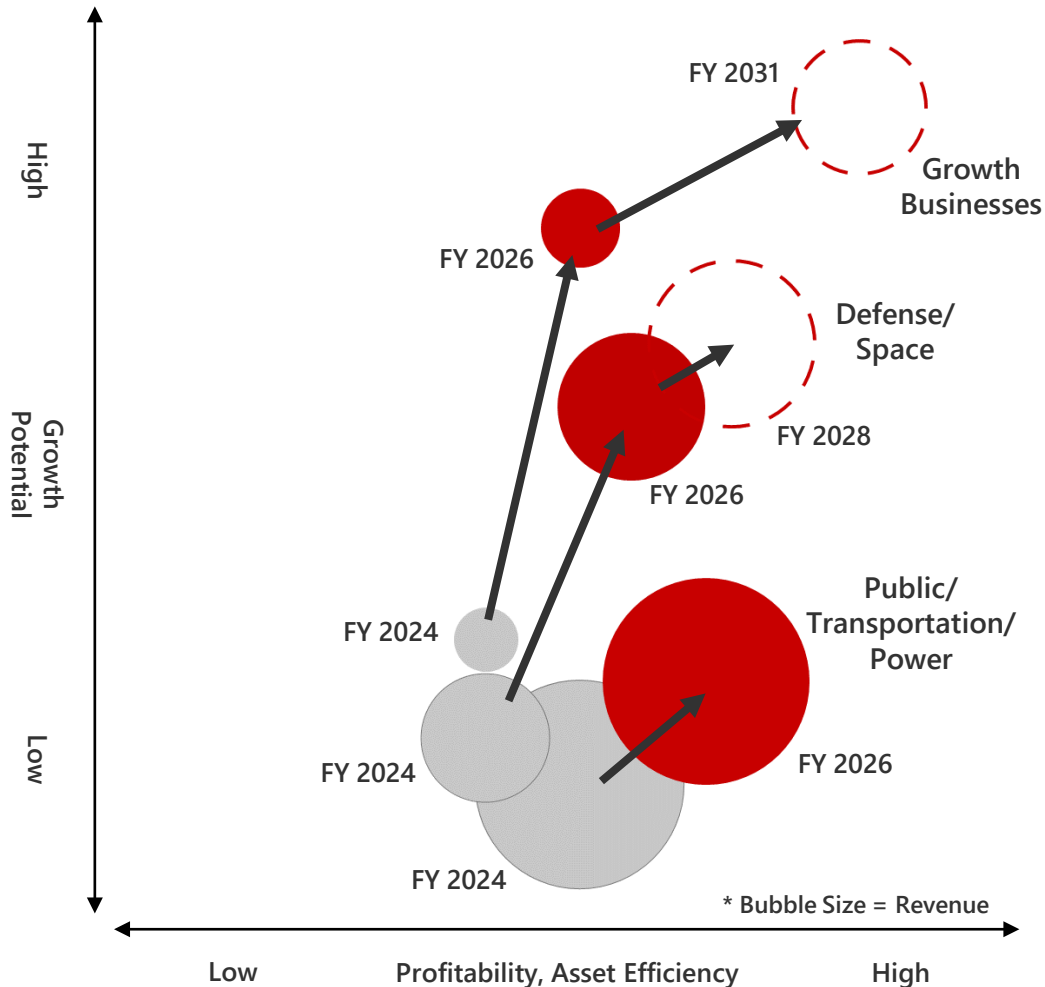
### Sale of cross-shareholdings

- Improve asset efficiency by advancing the reduction of cross-shareholdings

# 6 Portfolio Strategy



Achieve both growth and profitability through portfolio transformation and strengthening business foundation.



## Balancing Growth and Profitability

### [Growth Businesses]

(the Solution Business and the Decarbonization-related Business)

- The Solution business aims to be high-profit service businesses
- The Decarbonization-related Business is expected to be in full swing around FY 2031

### [Defense/Space]

- Increase in scale through personnel and equipment expansion in response to a large increase in government budget
- Improvement of the contract system to raise profit margin and prevention of deterioration in profitability of large-scale projects

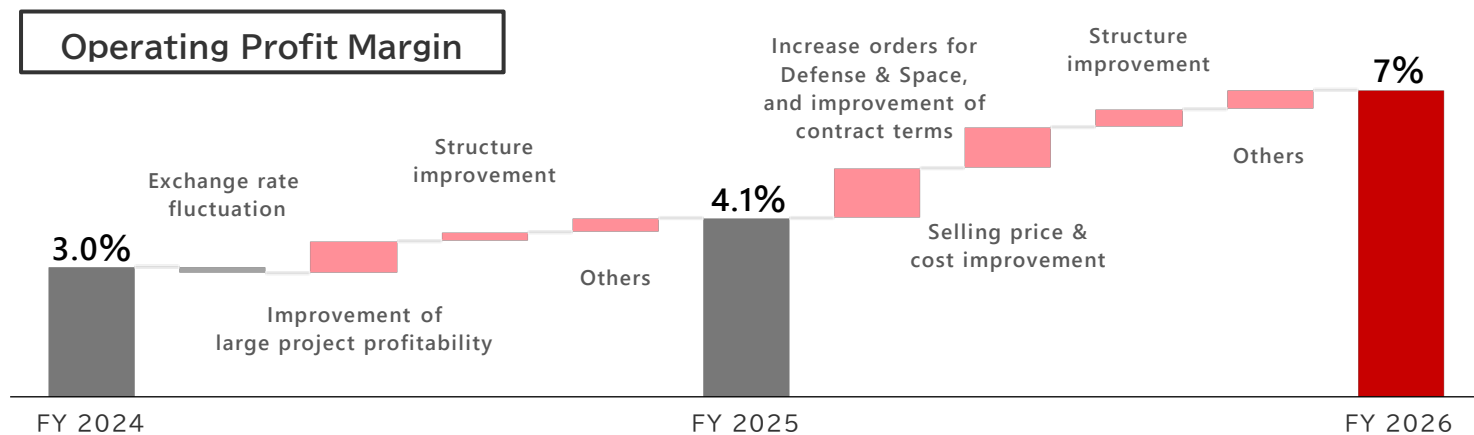
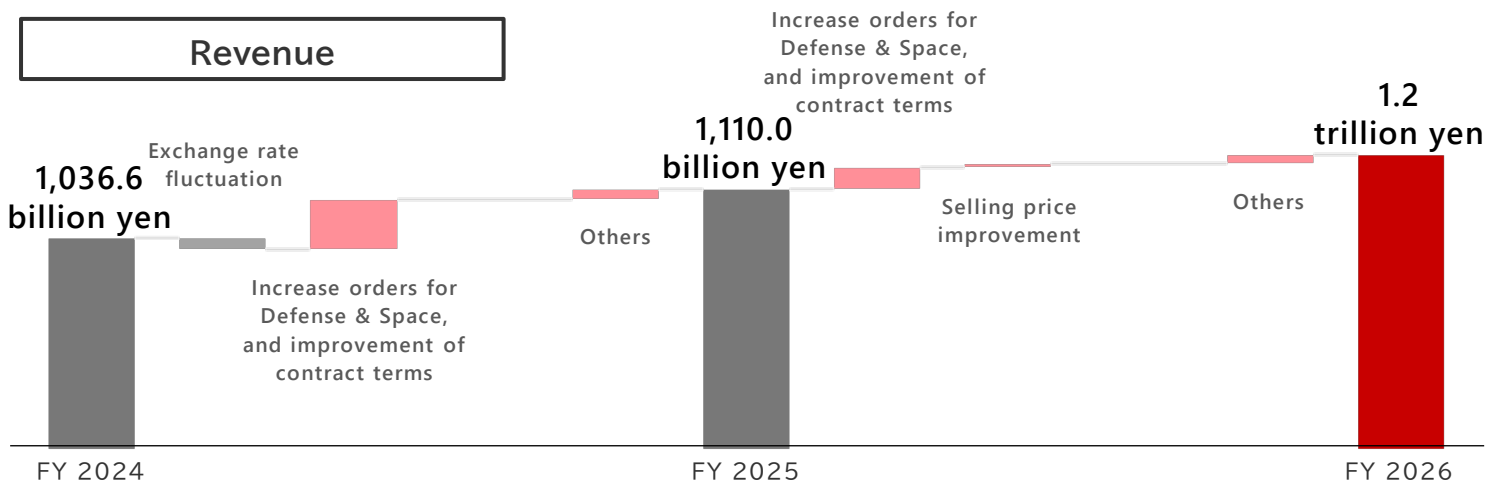
### [Public/Transportation/Power]

- Improve profit margin by expanding cash-generating businesses and maintenance businesses
- Improvement of the mid- to long-term cost structure through asset-light management

7

## FY 2026 Financial Targets

# FY 2026 Financial Targets



【 Increase in defense and space orders, improvement of contract terms 】  
 Reliable response to the increase in the defense budget, profitability improvement and contract terms improvement

【 Improvement of large project profit and loss 】  
 Enhance project management, additional contracts

【 Structure Improvement 】  
 Optimize production systems for the Transportation Systems Business

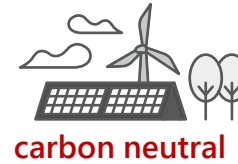
【 Improvement of selling price and cost 】  
 Selling price improvement and cost reduction in the Core Business

In addition, aims to achieve an operating profit margin of more than 10% in FY 2031 by promoting the Solution and the Decarbonization-related Businesses.

8

## Ideal Form

Social challenges



Infrastructure BA's Ideal Form for 2030

**Achieve stable operation of the world's critical infrastructure and carbon neutrality**

**Contribute to the security of Japan and Asia**

- Achieve stable operation through abundant technology cultivated through delivery experience and (monitoring control, detection of abnormal signs, etc.)
- Achieve carbon neutrality through Decarbonization Components and EMS

- Through unique and cutting-edge technology, provide products and services that contribute to national security

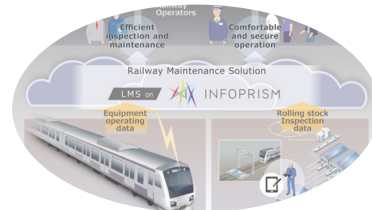
Measures for realization

- Secure stable profits in the Core Businesses by selecting and concentrating on cash-generating businesses
- Strengthen business infrastructure to enhance ability to respond to potential business risks and improve asset efficiency

New business domains



Facility Infrastructure



Mobility Infrastructure

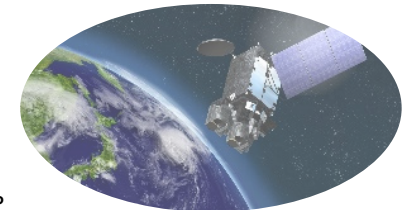


Energy Infrastructure



National Security

Source: JMoD HP



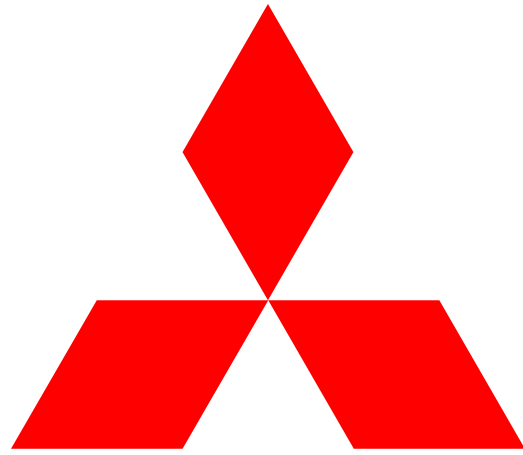
Space Infrastructure

## 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

\* This document has been translated from Japanese original for reference purpose only.  
In the event of any discrepancy between this document and the Japanese original, the original shall prevail.



**MITSUBISHI  
ELECTRIC**

*Changes for the Better*