

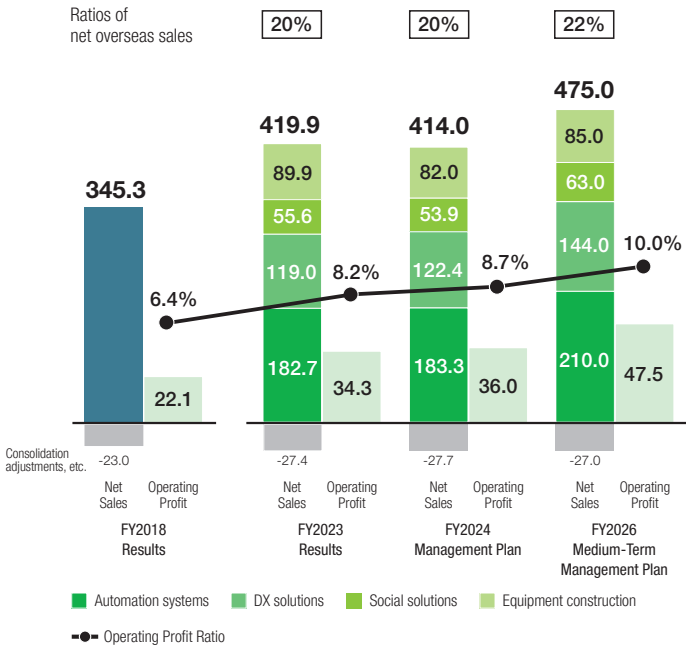
Industry

We aim to expand our businesses and improve profitability by focusing on automation systems and digital transformation solutions. We will accelerate the development of new products targeted at the green transformation and digital transformation markets.



Hiroshi Tetsutani
Managing Executive Officer
Corporate General Manager,
Industry Business Group

Business Performance Trends (Billions of yen)



Q. What were the achievements and challenges of the FY2023 Medium-Term Management Plan?

In terms of achievements, streamlining of development and production through the promotion of platform use and local production for local consumption, as well as regional partner strategies, have contributed greatly to the expansion of business performance. Challenges include further improvement of profitability and expansion of overseas business.

By platforming major components, such as low-voltage inverters and measuring instruments, in the core automation systems business, we have improved development efficiency and expanded local production for local consumption globally.

The challenge is to further improve profitability by promoting platform use and local production for local consumption, as we have already been doing, and to expand our overseas business, especially in India and Southeast Asia. In addition, we will introduce new products and promote system solutions for the Green Transformation (GX) and Digital Transformation (DX) markets, where demand is expected to grow in the future.

Q. What are the key policies and initiatives of the FY2026 Medium-Term Management Plan?

We will focus on expanding our businesses and strengthening profitability with the automation systems and DX solutions businesses.

► Improvement of profitability in the automation systems business and expansion of business through the promotion of local production for local consumption

In terms of major components, we will promote standardization for materials through platform use both domestically and internationally, further expanding our approach of local production for local consumption. This will help improve profitability by reducing costs in procurement, production, and transportation associated with local manufacturing.

For low-voltage inverters, we will begin local production in the US, responding to the increased demand driven by solid investments in the oil and gas market, thus establishing a global six-region production system. Additionally, for products

such as measuring instruments and smart meters, we will move forward with local production for local consumption globally, aiming to increase the local production and consumption rate of major components from 38% in fiscal 2023 to 70% in fiscal 2026. Furthermore, focusing on Asia, we will promote local production for local consumption of system products like industrial high-voltage inverters and induction furnaces, thus enhancing our competitiveness in markets abroad.

► Expansion of overseas businesses in India and Southeast Asia

In the automation systems business, we aim to expand sales of both components and systems, particularly in India and Southeast Asia.

In India, demand remains strong in material industries (e.g., steel and petroleum) and general industries (e.g., power generation, which supports infrastructure). In the components field, we will newly enter the smart meter business in the power generation field, which is expected to grow, and establish a local production system that incorporates automated production technology from Japan. For inverters, this fiscal year we will introduce new specialized products into the elevator industry, where we maintain a leading market share. For compact power supplies, we will leverage our well-regarded quality to expand orders, particularly for communication and healthcare projects. In the systems business, we aim to expand mainly in the steel field, where increased demand is expected due to construction investments in buildings and bridges.

In Southeast Asia, stable growth is expected in the fan and pump market, driven by infrastructure investment, with strong investment continuing in steel and non-ferrous metal plants as well as harbor cranes. We will push for expanded sales of components for the air conditioning market and expand our business by strengthening system proposals for harbor cranes.

► Expansion of the DX solutions business for the manufacturing industries

Given the declining working-age population and digitalization, significant growth in the needs for automation and business transformation is expected. We will strengthen our solution

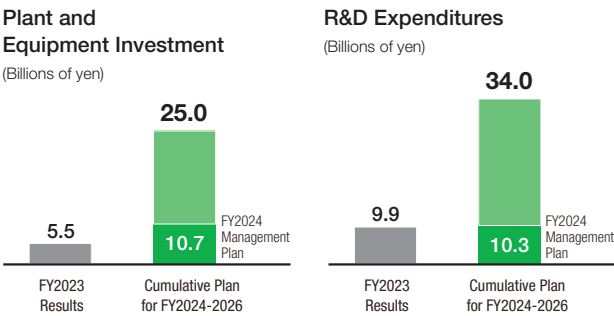
proposals to help a wide range of manufacturing industries realize smart factories.

We will support optimal DX by offering package solutions tailored to customers' industries and challenges by combining software with hardware, such as inverters, sensors, testing equipment, production line machinery, and controllers that receive operational information from these products as well as smart maintenance services that analyze the collected data and energy management systems (EMS). In our own factories, we are already advancing analysis and improving operational efficiency through visualization using a manufacturing dashboard that connects management data with on-site data. We will leverage this expertise in external sales. Additionally, we are working to develop GX-related products, such as heat pumps and ejector cooling systems, to expand the range of solutions that combine saving electric and thermal energy with DX.

► Business expansion in the mobility field

We will launch new products in the mobility field, where medium- to long-term demand is expected to increase. In the ships and harbors field, we will offer electric propulsion systems for ship electrification and shoreside power supply systems to support the realization of carbon-neutral ports. In the automotive field, we will expand our business by offering automotive power electronics products that leverage our strengths in power semiconductors.

Plant and Equipment Investment and R&D Expenditures



Key Plant and Equipment Investment Plans

- New investments in smart meters and automotive power electronics
- Expansion and streamlining of production for new products and production bases in Japan and overseas (including the launch of new production equipment, capacity increases, and in-house manufacturing)

Key R&D Plans

- Promotion of the development of new decarbonization products and environmentally friendly technologies (mobility electrification, heat products, and CO₂/NH₃ recovery systems)
- DX-related equipment (smart factories)
- Expansion of product offerings for global markets
- Development of platforms utilizing next-generation IGBTs

* Figures for R&D expenditures are classified by segment according to theme and therefore differ from the figures stated in the consolidated financial report.

Sales Plans and Target Industries in India and Southeast Asia

