In the first half of fiscal 2023, especially in the first quarter, we struggled with difficulties in obtaining materials, and confusions in supply chains. However, as we worked to recover from the struggle in the second half of the year, we were able to mark certain results including increased revenue and profit year on year despite the hardship. Further, the revenue exceeded five trillion yen for the first time, and ratio of oversea revenue to total revenue also exceeded 50% for the first time.

More recently, the procurement environment has been especially difficult including for obtaining materials. We have been addressing this by increasing inventory, but we will watch the situation and gradually optimize the balance to ensure we generate cash.

We are still far from the FY2026 profit and capital efficiency targets. The automotive equipment business has recorded deficit for three consecutive years and has been significantly behind schedule, but we will take fundamental structural reform to rebuild results. Although the targets still remain high company-wide, many businesses have already taken steady measures to improve the situation and the results are beginning to emerge. By enhancing current initiatives, we would like to ensure we meet the Mid-term Management Plan targets.

We are projecting highest ever revenue and operating profit for FY2024 and see these projections as an important step in achieving the Mid-term Management Plan. They are by no means low numbers, but we would like to make steady investments for the future to meet the targets. In particular, we will steadily allocate resources to focused businesses especially in Key Growth Businesses, to surpass competitors. In order to do this, we will further enhance the business portfolio strategy we also took on in FY2023 to identify struggling businesses and shift resources more speedily.

A look back at fiscal 2023

To achieve the Medium-term Management Plan for FY2026

Initiatives for management reform

All board members will continue the various ongoing management efforts and come together to work on the following, with a strong intent to go through with the reform to create a strong Mitsubishi Electric Group.

1. With a focus on profitability and capital efficiency, we will advance the portfolio strategy that includes withdrawals and sales of low-efficiency businesses and shift our resources to Key Growth Businesses. We will promote sale of cross-shareholdings, a non-business asset, by the principle of not owning them.
2. We will aim for a shift from the PL-first management to the management with a focus on capital efficiency and cash-generating capabilities of our businesses. We have already reassessed KPI for company management and tied the indicators to board member compensations. We will spread the shift to job sites to materialize the shift.
3. The board members and managers will form teams and put together expertise on each level for speedy management.
4. The management including myself personally will enhance dialogues with the capital market in various ways, visualize financial and non-financial indicators thoroughly, and announce engagements including how we are working on improving profitability and capital efficiency, bringing transparent governance, and investing in human resources. We also consider feedbacks from outside the company extremely beneficial, such as perspectives, recommendations, and advice from the capital market. We will explore them thoroughly and apply them to our management.
To be a selected company by continuously bringing value

The Mitsubishi Electric Group works on many competitive businesses and has a portfolio of superior devices, components and systems. In addition to the wide ranging and extensive technologies, markets, and customers, we also boast digital technologies that will enliven all of these. Furthermore, by fully utilizing our personnel base of many competent individuals, we will play our part in solving social challenges and in bringing a vibrant and sustainable society.

As the Mitsubishi Electric Group, we will continuously bring value through continuous technological innovation and ceaseless creativity, so that we will be a company to be selected by society and customers, a company of appealing businesses and workplaces to grow together with people so that we will be selected by our employees. Furthermore, a company that continuously improve our corporate value so that we will be selected by investors. In order to achieve this, we will aim for high profitability and capital efficiency as a Circular Digital-Engineering Company.

Financial Strategy

As its financial targets for fiscal 2026, the Mitsubishi Electric Group has established consolidated revenue of 5 trillion yen, an operating profit margin of 10%, ROE of 10%, and cash generation of 3.4 trillion-yen over five years. The consolidated revenue of 5 trillion yen was achieved in fiscal 2023 ahead of schedule. Going forward, we will focus on achieving the targets of an operating profit margin of 10% and ROE of 10% by advancing appropriate capital allocations according to our business portfolio strategy.

Cash Generation

We are aiming to generate cash of 3.4 trillion-yen over five years. The progress up to fiscal 2023 was behind the fiscal 2026 target, but we will strive to generate more cash by improving cash flows from operating activities through increasing working capital efficiency, such as by improving profitability, reducing inventory, and promoting the collection of trade receivables and also by promoting the sale of cross-shareholdings.

Capital Allocation

For capital allocation, we will invest in our core competences, mainly in the Key Growth Businesses including investing in capital expenditure research and development, human capital and intellectual property, to achieve the financial targets and to strongly advance our business portfolio strategy that we have defined by how businesses are characterized (their growth potential, profitability, and capital efficiency). In executing the business portfolio strategy, we have been using indicators of capital efficiency (ROIC Mitsubishi-Electric version) and of profitability (operating profit margin). We are also working on management with an awareness of the cost of capital, for instance by using WACC (Weighted Average Cost of Capital) as a benchmark to review capital investment and M&A.

*1 After making adjustments, such as adding R&D expenses to operating cash flow
*2 Strategic investments such as M&As, R&D expenses, Capital investment
Shareholder Returns

For shareholder returns, we are planning to return 0.6 trillion yen over five years up to FY2026. In FY2023 we provided dividends of 14 yen in the first half of the year and 26 yen in the second half of the year, in total of 40 yen a year. We strive to provide dividends steadily and continuously by both allocating profits according to each fiscal year’s profitability status and by considering enhancing our finances with retained earnings. For treasury stock, after comprehensively considering improving capital efficiency, improving profit per share, and the share price benchmark, we set a sum of 50 billion yen for FY2024. Going forward, we will continue to return profits to our shareholders through both dividends and acquisitions of treasury stocks from the profits generated by our business growth.

Our Cross-Shareholdings Policy

Mitsubishi Electric’s basic policy on cross-shareholdings is to not own them, in principle. However, we may come to own shares that we consider necessary for our business management. We will regularly check whether owning such shares is justified, and if there is little reason for owning them, we will make efforts to reduce such shareholdings, such as by promoting their sale after considering the respective companies’ situations.

When exercising voting rights for cross-shareholdings, we will follow the guidelines established separately on exercising voting rights and decide on an approval or objection by evaluating whether doing so will improve the

How our cross-shareholdings have transitioned

<table>
<thead>
<tr>
<th>Stocks (brands)</th>
<th>Total on B/S &lt;market value&gt; (100 million yen)</th>
<th>Total on B/S &lt;book value&gt; (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>End of FY2021</td>
<td>283</td>
<td>2,467</td>
</tr>
<tr>
<td>End of FY2022</td>
<td>256</td>
<td>2,113</td>
</tr>
<tr>
<td>End of FY2023</td>
<td>220</td>
<td>2,362</td>
</tr>
</tbody>
</table>

Invested companies’ corporate value, as well as Mitsubishi Electric’s corporate value. If there is a concern that Mitsubishi Electric’s corporate value will be adversely affected, we will oppose the agenda item in question.

Fund Procurement

In advancing our growth strategy, we will dynamically procure funds from financial institutions etc., as needed, including for capital investment, research & development, and M&A, while also using our own capital from the cash flow generated by sales activities, especially in our key growth businesses. Any fund procurement from financial institutions etc., will be conducted with a certain level of financial discipline.

Total Shareholder Return (TSR)

Mitsubishi Electric’s TSR, which consists of dividends and share price fluctuations, is as follows. To improve value for our shareholders, we will strive for company management with an awareness of share price.

### Total shareholder return

<table>
<thead>
<tr>
<th></th>
<th>Past 10 years</th>
<th>Past 5 years</th>
<th>Past 3 years</th>
<th>Past 1 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mitsubishi Electric TSR</td>
<td>134.7%</td>
<td>104.3%</td>
<td>126.9%</td>
<td>114.8%</td>
</tr>
<tr>
<td>TOPIX</td>
<td>242.1%</td>
<td>131.8%</td>
<td>153.4%</td>
<td>105.8%</td>
</tr>
</tbody>
</table>

*Based on the number of years up to the end of fiscal 2023
*Mitsubishi Electric and TOPIX both include dividends