

# Financial Strategy

## Balancing Profitability and Efficiency Improvements with Expanded Growth Investment to Achieve Sustainable Corporate Value Growth



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To achieve our fiscal 2026 financial targets revised in May 2024 and achieve an operating profit margin of 10% and ROE of 10% as soon as possible after that, the Mitsubishi Electric Group will emphasize profitability and efficiency more than ever. We will evolve our financial strategy and implement B/S<sup>\*1</sup> management that positions ROIC<sup>\*2</sup> as an important management indicator. In addition, we will intensely pursue growth, accelerating the weighted allocation of management resources with a focus on expanding growth investments in key growth businesses to leverage our business portfolio strategy. While these measures will be undertaken with financial discipline from the perspective of soundness, we will also support aggressive investments without missing opportunities, based on our current solid financial foundation. By achieving profit growth across our businesses, we will strengthen shareholder returns and continuously enhance dialogue with the capital market, thereby achieving sustainable corporate value enhancement.

### Implementing B/S-Driven Management Using ROIC

While the Mitsubishi Electric Group previously emphasized P/L<sup>\*3</sup>-based management, we are shifting this approach to promote B/S-driven management, positioning ROIC as a principal management indicator. Specifically, we will work on: (1) implementing management measures from an ROIC perspective; (2) pursuing a business portfolio strategy; and (3) advancing a partnership strategy.

#### (1) Implementing Management Measures from an ROIC Perspective

By positioning ROIC not only as a criterion for investment and business selection decisions but also as a central indicator for transitioning to a more efficient management structure, we will promote a mindset change at all levels toward management with high awareness of capital costs. This will speed our efforts to improve profitability and efficiency across all areas, including by transforming business structures, for instance, provision of integrated solutions and expansion of the maintenance business, selection of business deals and pricing revision, streamlining product lineups, and production base strategies.

#### (2) Promoting a Business Portfolio Strategy

In promoting our business portfolio strategy, we will balance profitability, efficiency, and growth potential through weighted allocation of management resources to key growth businesses, which are Mitsubishi Electric Group's growth drivers, followed by resilient businesses.<sup>\*4</sup> For businesses with profitability and efficiency challenges or those requiring consideration from the best-owner perspective, we will continue to optimize through the ongoing portfolio review process.

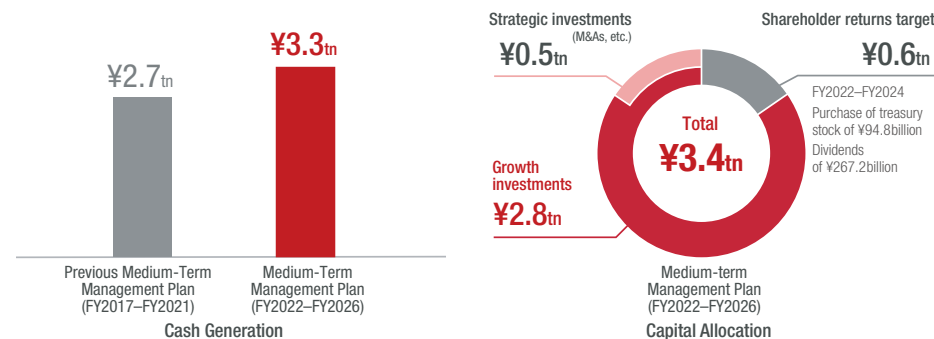
#### (3) Advancing a Partnership Strategy

Moving away from our previous tendency towards self-sufficiency, we will strategically focus resources on areas where the Mitsubishi Electric Group can demonstrate its strengths (products, processes, regions, etc.) and pursue partnerships that can build mutually complementary relationships.

### Cash Generation and Capital Allocation

We will work to expand cash generation<sup>\*5</sup> by improving profitability and enhancing working capital efficiency to improve operating cash flow, as well as by identifying businesses with issues, selling off assets associated with affiliate reorganization, and selling cross-shareholdings.

In terms of capital allocation, backed by the cash generated and our solid financial foundation, we will actively seize growth investment opportunities that align with our strategy, working to expand capital investment, R&D investment, human capital investment, and strategic investments such as M&A. Additionally, we will steadily execute shareholder returns by paying stable dividends and flexibly purchasing treasury stock.



\*1 Balance sheet

\*2 Return on invested capital

\*3 Profit and loss statement

\*4 Businesses with stable demand that contribute to the Mitsubishi Electric Group's resilient management regardless of market fluctuation

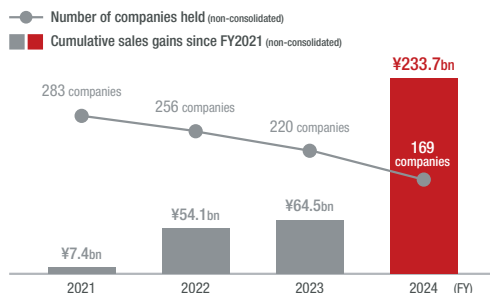
\*5 After making adjustments, such as adding R&D expenses to operating cash flow

## Disciplined Financial Management

For funds required for capital investment, R&D, M&A, etc., as we move forward with our growth strategy, we will utilize our own funds sourced from cash flow generated primarily through operating activities in key growth businesses while flexibly raising funds as needed. When raising funds from financial institutions, we will do so with financial discipline, aiming for a D/E ratio of around 0.3 as a guideline for leverage utilization.

## Our Cross-Shareholdings Policy

Our basic policy on cross-shareholdings is, in principle, not to own them. However, we may come to own such shares considered necessary for our business management. We regularly check whether owning such shares is justified. If there is little reason for owning them, we make efforts to reduce such shareholdings, such as by promoting their sale after considering the respective companies' situations. In fiscal 2024, we sold approximately 169.3 billion yen worth of shares, including those of Renesas Electronics Corporation. When exercising voting rights for cross-shareholdings, we follow separately established guidelines on exercising voting rights, approval or objection determined according to whether doing so will improve the corporate value of the company in which we are invested, as well as Mitsubishi Electric's corporate value. If there is concern that Mitsubishi Electric's corporate value will be adversely affected, we will oppose the agenda item in question.



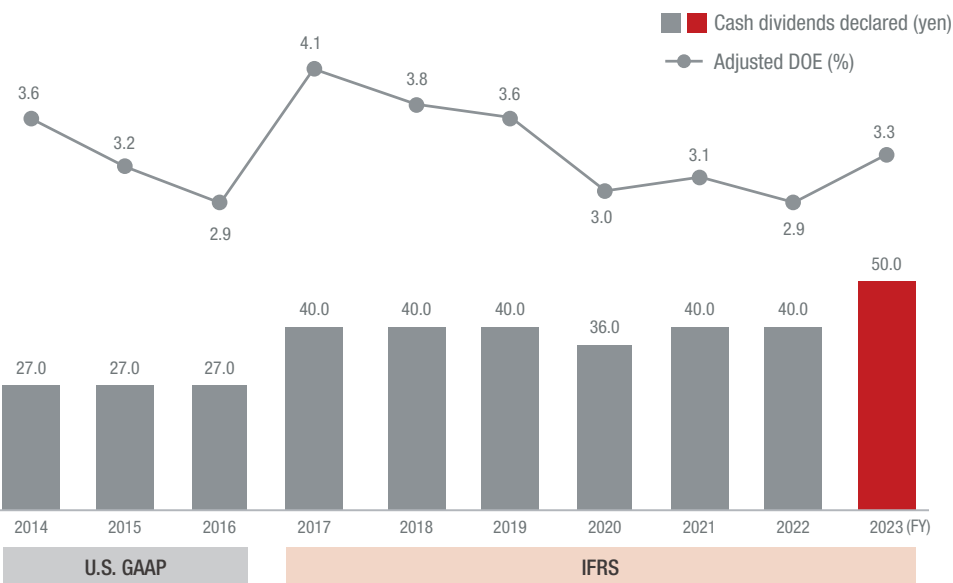
## Improving Total Shareholder Return through Profit Growth and Shareholder Return Measures

For shareholder returns, we plan to return 0.6 trillion yen over five years up to fiscal 2026. In fiscal 2024, we implemented an annual dividend of 50 yen per share, an increase of 10 yen per share from the previous fiscal year, and acquired approximately 45 billion yen of treasury stock. For dividends, we will maintain stable payments targeting an adjusted DOE\*1 of around 3%, with a view to appropriate profit returns according to shareholder equity levels and maintaining financial soundness for continuous growth investments. We will continue to combine dividends with flexible treasury stock acquisitions\*2 to return profits gained from business growth to our shareholders. The following table shows our total shareholder return (TSR), which includes dividends and stock price changes. We will pursue management with a strong awareness of stock price in order to enhance shareholder value.

\*1 Adjusted dividend on equity ratio: Dividend paid ÷ The stockholders' equity (excluding accumulated other comprehensive income (loss))

\*2 Notice Regarding Repurchase of Company Shares (announced on August 29, 2024)

- Set a treasury stock acquisition frame with a maximum of 20 million shares to be acquired and a maximum total acquisition amount of 30 billion yen
- Repurchase period: August 30, 2024 to October 31, 2024



Total Shareholder Return*3	Mitsubishi Electric TSR	Past 10 years	Past 5 years	Past 3 years	Past 1 year
		TOPIX	249.2%	191.1%	156.7%
		288.6%	196.2%	152.5%	141.3%

\*3 Based on the number of years up to the end of fiscal 2024, Mitsubishi Electric and TOPIX both include dividends

## Dialogue with the Capital Market

The Mitsubishi Electric Group promotes active IR and SR activities to gain understanding and trust from shareholders, investors, and analysts in the capital market. We strive for timely and appropriate disclosure of management policies, strategies, and performance. We recognize that feedback from the capital market, including opinions and dialogue results, is extremely important. Based on this recognition, we will sincerely accept feedback obtained through active dialogue and reflect it in our management.

In fiscal 2024, in addition to financial results briefings (four times a year) and IR DAY (once a year), we held the first Mitsubishi Electric Group Sustainability Briefing to deepen stakeholders' understanding of our sustainability initiatives. We believe that improving understanding and earning trust in the Mitsubishi Electric Group in the capital market also leads to lower capital costs. We will continue striving for more understandable and comprehensive dialogue and information disclosure, pursuing continuing growth in corporate value.