

Consolidated Financial Results Briefing For Fiscal 2022

Kei Uruma Representative Executive Officer, President & CEO
Kuniaki Masuda Executive Officer, CFO

MITSUBISHI ELECTRIC CORPORATION

April 28, 2022

1. Business Overview

Kei Uruma Representative Executive Officer, President & CEO

1-1. Restoring Trust: Progress of Three Reforms

1-2. New Management Structure

1-3. Financial Results Overview

2. Consolidated Financial Results For Fiscal 2022

Kuniaki Masuda Executive Officer, CFO

1. Business Overview

1-1. Restoring Trust: Progress of Three Reforms

1-2. New Management Structure

1-3. Financial Results Overview

Quality assurance reforms

- ▶ Recruited Yoshikazu Nakai as CQO and head of Corporate Quality Assurance Reengineering Group (announced in Feb 2022), which consists of approx. 100 members in FY2023. Established Quality Assurance & Management Department in each manufacturing site, granted authority to ship and started operation as one of the measures to restructure the control functions.
- ▶ The quality governance subcommittee with an external expert (launched in Dec 2021) conducted semimonthly monitoring of the status of the work of the Corporate Quality Assurance Reengineering Group, which will implement continuous improvements.
- ▶ Two-year budget of more than ¥ 30 billion established to develop quality-assurance system infrastructure. Decisions made to invest approx. ¥ 5 billion in FY2022.

Organizational culture reforms

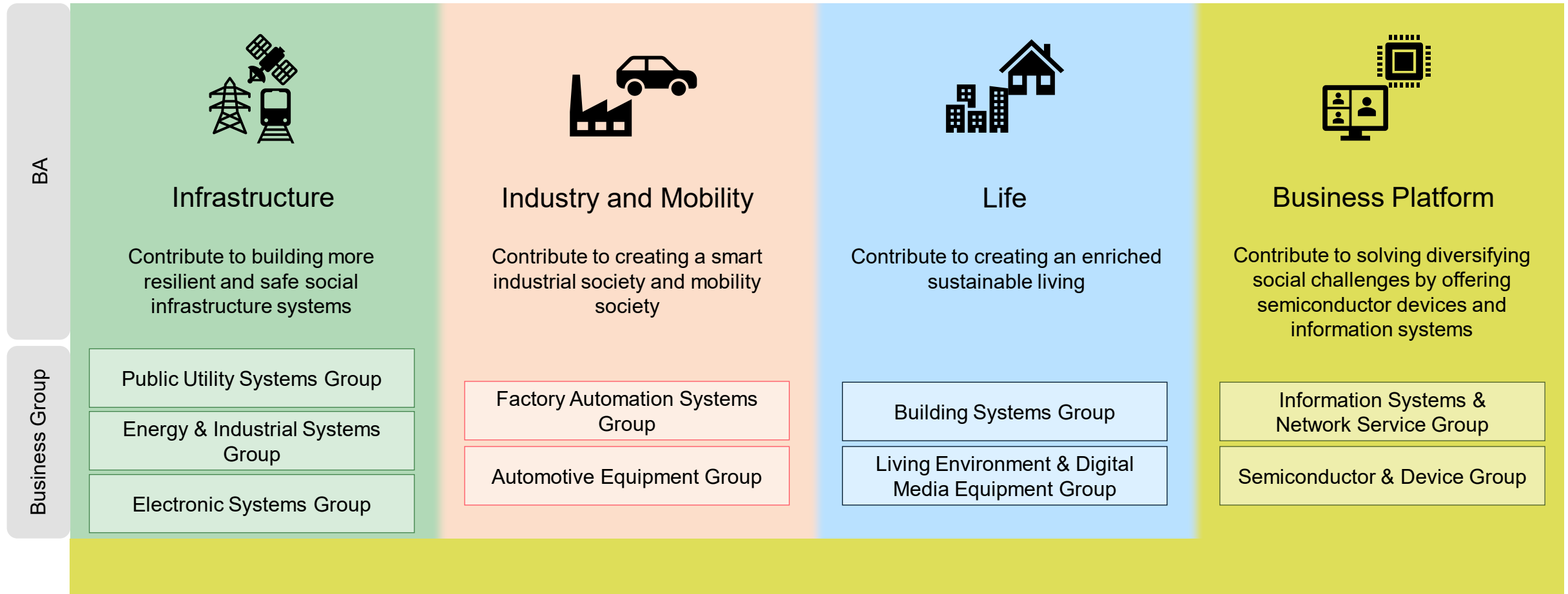
- ▶ Formulated Robust Policies based on proposals by a company-wide transformation project “Team Sousei (Creation).” The team members and executive officers will visit each business site to brief employees on the background on the new policies. (Announced in Apr 2022)
- ▶ Local transformation-project teams have been formed in each business group/division to ensure full and proper implementation.
- ▶ The focus in FY2023 will be communication transformation, including improving human relationships irrespective of individuals’ positions. In Japan, this will include measures such as addressing everyone by the neutral honorific “san” and holding more informal but personal one-on-one meetings.
- ▶ Providing greater access to the CEO by continuously arranging opportunities for dialogue between CEO and employees. Holding small group meetings by level with CEO in FY2023.

Governance reforms

- ▶ Selected two outside director candidates with experience in manufacturing industry. Beginning with the general meeting of shareholders, plan to institute a board comprised of a majority of independent outside directors. (Announced in Mar 2022)
- ▶ Held the meetings of the board of directors 20 times in FY2022, marking a significant increase from 8 times in FY2021, as a result of creating more opportunities to exchange opinions.
- ▶ Revised agenda for the meetings of the board of directors in Mar 2022 to achieve medium- to long-term, continuous improvement of corporate value.
<Agenda for FY2023> Medium- to long- term corporate strategy, organizational culture reform, sustainability initiatives and human resource strategy

Update on the Improper Quality Control Practices is scheduled in late May

In order to accelerate the Company's corporate strategy, established four Business Areas (BA) and assigned BA Owners who will develop business strategies with medium- to long-term perspectives from a bird's-eye view on a wide range of business domains.



1. For FY' 22, achieved record high revenue for Factory Automation Systems and Home Appliances.

- Factory Automation Systems remained strong in digital equipment/decarbonization areas and so did Home Appliances in air conditioners for North America and Europe. Achieved record high operating profit for Factory Automation Systems.

(In billions yen)

	FY' 21 (Actual) (A)	FY' 22 (Actual) (B)	B-A	B/A %
Revenue	4,191.4	4,476.7	+285.3	107
Operating profit	230.1	252.0	+21.8	109
[%]	[5.5%]	[5.6%]	[+0.1%]	-
Profit before income taxes	258.7	279.6	+20.9	108
Net profit attributable to Mitsubishi Electric Corp. stockholders	193.1	203.4	+10.3	105

2. For FY' 23, revenue and operating profit are expected to increase (YoY) mainly in Key Growth Businesses.

- Raise profitability by strengthening business portfolio strategy and promoting global operations particularly of Key Growth Businesses, while creating new business and expanding solution business by open innovations, etc.
- Enhance corporate value by promoting three reforms and accelerating corporate strategy in four Business Areas, which are headed by BA Owners.

(In billions yen)

	FY' 22 (Actual) (A)	FY' 23 (Forecast) (B)	B-A	B/A %
Revenue	4,476.7	4,770.0	+293.2	107
Operating profit	252.0	270.0	+17.9	107
[%]	[5.6%]	[5.7%]	[+0.1%]	-
Profit before income taxes	279.6	295.0	+15.3	105
Net profit attributable to Mitsubishi Electric Corp. stockholders	203.4	215.0	+11.5	106

2. Consolidated Financial Results For Fiscal 2022

1. The orders remained strong mainly in the mass production businesses despite prolonged components shortages.

- For FY22, revenue was ¥ 4,476.7 billion (+7% YoY) and operating profit was ¥ 252.0 billion (+9% YoY) due to strong orders mainly in the mass production businesses despite prolonged components shortages.
- Achieved record high revenue for Factory Automation Systems due to expanding demand in digital equipment/ decarbonization areas and Home Appliances due to strong air conditioners in North America and Europe. Achieved record high operating profit for Factory Automation Systems.

2. For FY' 23, revenue and profit are expected to increase (YoY) considering strong orders.

- Revenue and profit for FY' 23 are expected to increase (YoY) considering strong orders, efforts to stabilize procurement by securing multiple suppliers and the measures against increased costs including reflection on prices, although there is an uncertainty about components shortages, the increasingly serious situation in Ukraine and the impact of Shanghai's lockdown.
※Revenue: ¥ 4,770.0 billion/Operating profit: ¥ 270.0 billion/Operating profit margin: 5.7%

■ Based on a certain premise, the company has taken into consideration the impact of improper testing, including costs for additional inspections and strengthening the quality control system. Depending on the progress of future discussions with customers and investigations, the Group may incur losses exceeding its premise or relating to the discovery of any other improper quality-related conduct. If any potential impact comes to light, it will be disclosed promptly.

- The economy generally continued to see recovery in the corporate sector in the U.S., Europe and Japan.
- The household sector continued to recover in the U.S. and Europe, while in Japan there was the downward pressure stemming from the novel coronavirus diseases (COVID-19), despite recovery owing to normalization of economic activities.
- China continued to see recovery in export and manufacturing, while the pace of recovery in the household sector slowed down.
- There was the impact of the rise in material prices and logistics costs as well as a prolonged components shortage.

<Foreign exchange rate fluctuations>

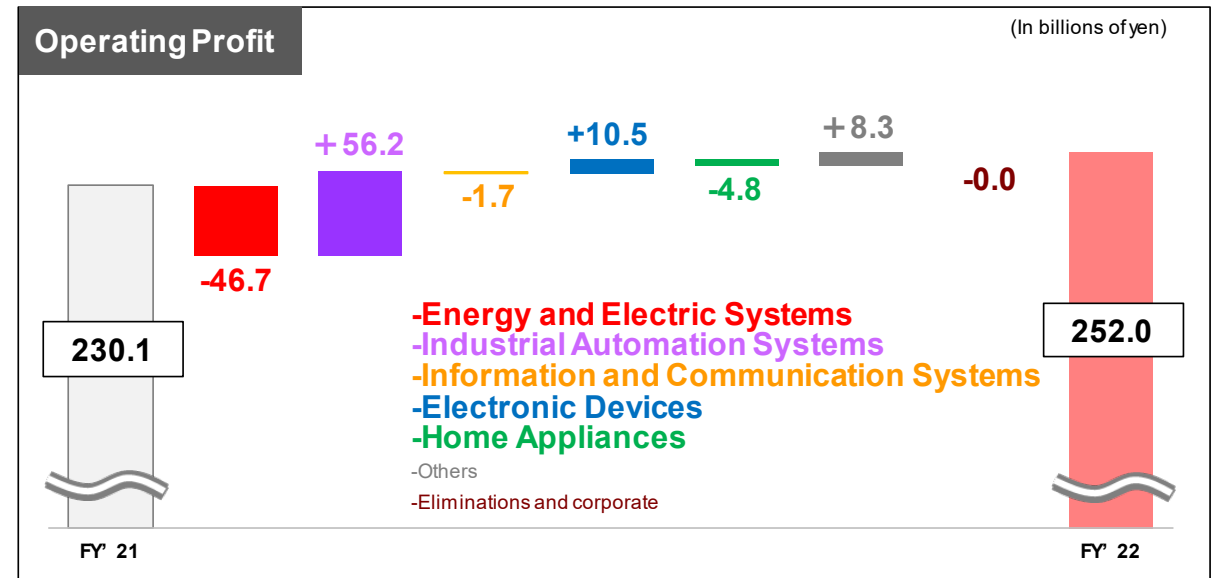
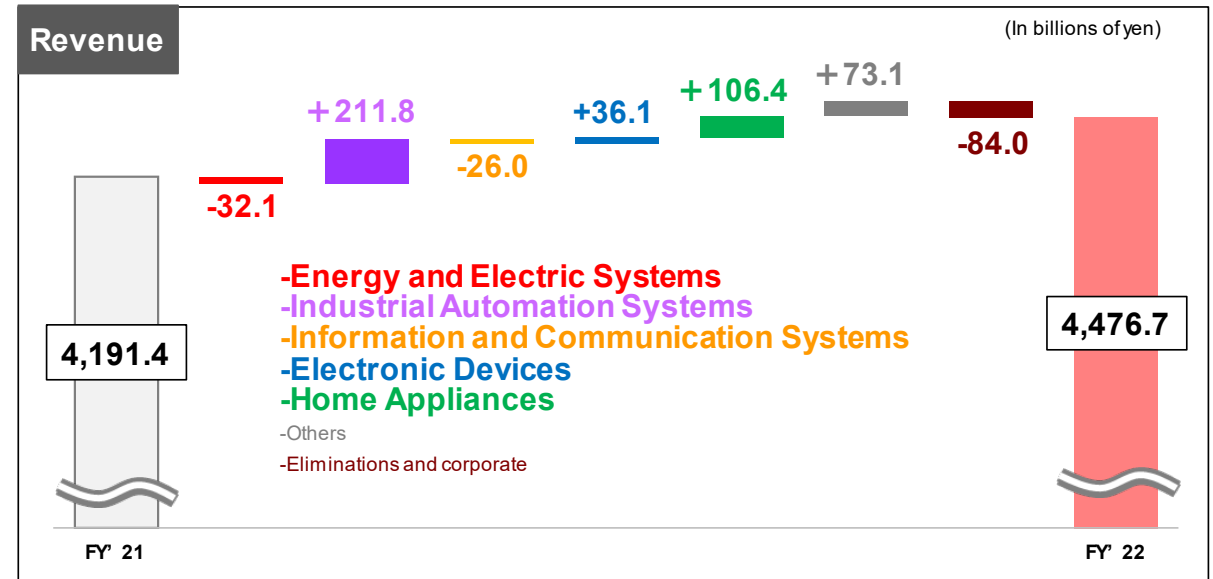
		FY' 21	FY' 22
Foreign exchange rate	US\$	¥106	¥113
	Euro	¥124	¥131
	CNY	¥15.7	¥17.7

Consolidated Financial Results

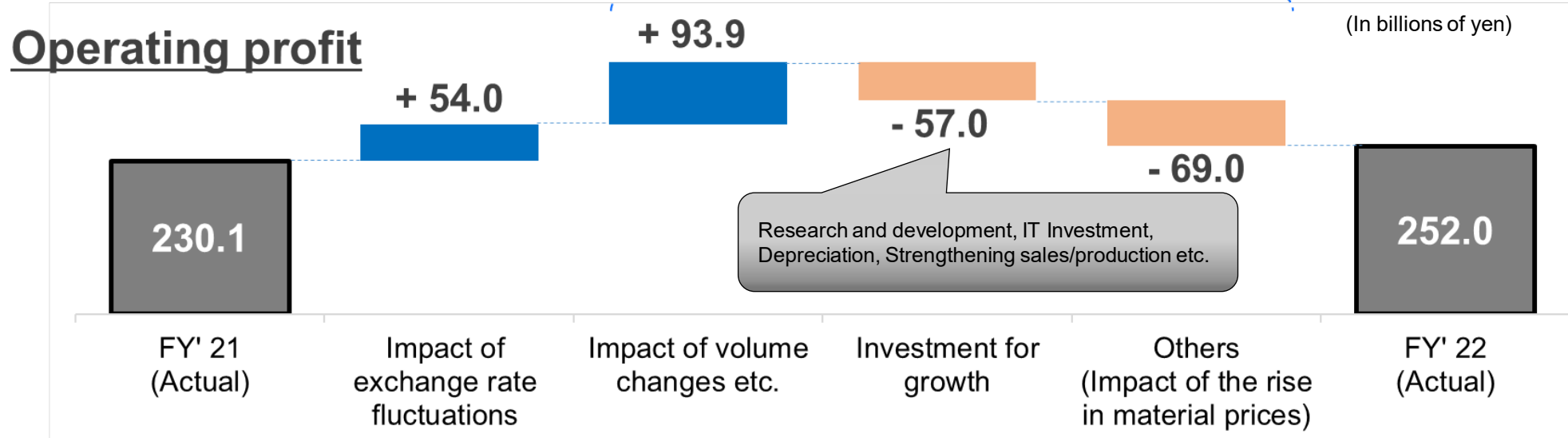
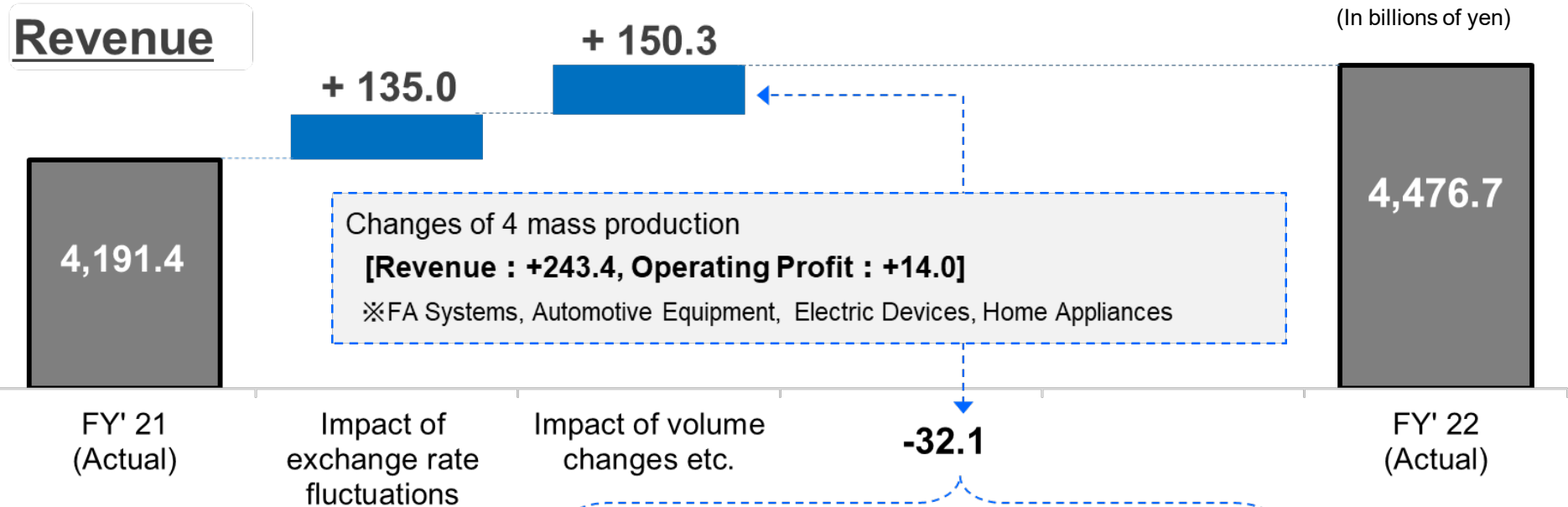
(In billions of yen)

	FY' 21 (A)	FY' 22 (B)	B-A	B/A (%)
Revenue	4,191.4	4,476.7	+285.3	107
Operating profit	230.1	252.0	+21.8	109
(%)	[5.5%]	[5.6%]	[+0.1pt]	-
Profit before income taxes	258.7	279.6	+20.9	108
Net profit attributable to Mitsubishi Electric Corp. stockholders	193.1	203.4	+10.3	105
Dividend per share				
Annual dividend	36 yen	40 yen	4 yen	111
Interim dividend	10 yen	14 yen		
Year-end dividend	26 yen	26 yen		

	FY' 21	FY' 22
Impact of exchange rate fluctuations on revenue	about ¥13.0 billion decrease	about ¥135.0 billion increase



Revenue, Operating profit, Analysis (FY' 21 to FY' 22)



Consolidated Statement of Profit or Loss

(In billions of yen)

	FY' 21 (A)		FY' 22 (B)		B-A
		% of Total		% of Total	
Revenue	4,191.4	100.0%	4,476.7	100.0%	+285.3
Cost of sales	3,017.0	72.0%	3,212.2	71.8%	+195.1
Selling, general and administrative expenses	953.6	22.8%	1,013.6	22.6%	+60.0
Other profit (loss)	9.4	0.3%	1.1	0.0%	-8.2
Operating profit	230.1	5.5%	252.0	5.6%	+21.8
Financial income/expenses	9.3	0.2%	9.2	0.2%	-0.1
Share of profit of investments accounted for using the equity method	19.2	0.5%	18.4	0.4%	-0.8
Profit before income taxes	258.7	6.2%	279.6	6.2%	+20.9
Income taxes	57.0	1.4%	61.8	1.3%	+4.7
Net profit	201.6	4.8%	217.8	4.9%	+16.2
Net profit attributable to Mitsubishi Electric Corp. Stockholders	193.1	4.6%	203.4	4.5%	+10.3

Consolidated Statement of Financial Position

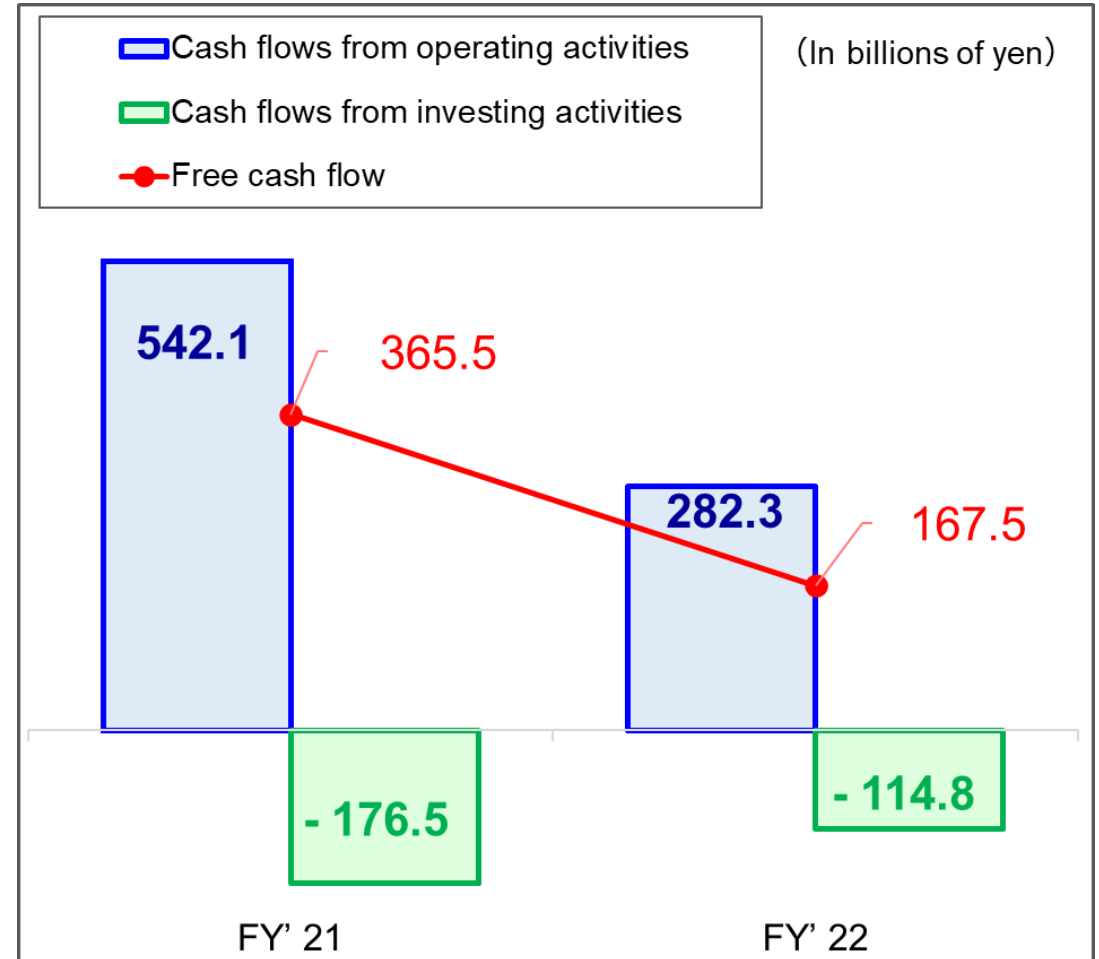
(In billions of yen)

	FY' 21 (A)	FY' 22 (B)	B-A
Total assets	4,797.9	5,107.9	+310.0
Cash and cash equivalents	767.4	727.1	-40.2
Trade receivables and contract assets	1,181.0	1,232.1	+51.0
Inventories	743.7	959.6	+215.8
Property, plant and equipment	857.6	855.7	-1.8
Total liabilities	1,927.3	2,010.5	+83.2
Bonds and borrowings	248.8	217.1	-31.7
[Bonds, borrowings ratio]	[5.2%]	[4.3%]	[-0.9pt]
Total equity	2,870.6	3,097.3	+226.7
Mitsubishi Electric Corp. stockholders' equity	2,754.2	2,975.9	+221.6
[Equity ratio]	[57.4%]	[58.3%]	[+0.9pt]

Consolidated Statement of Cash Flows

(In billions of yen)

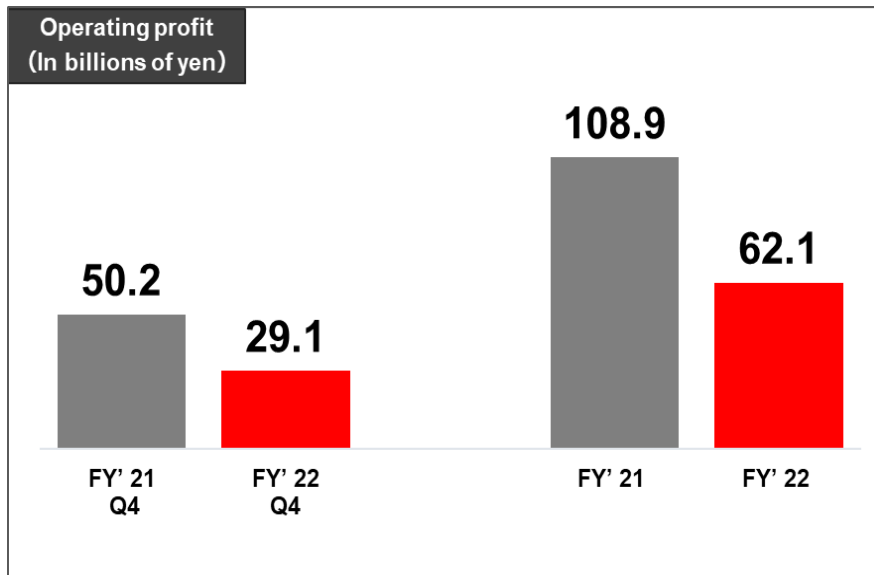
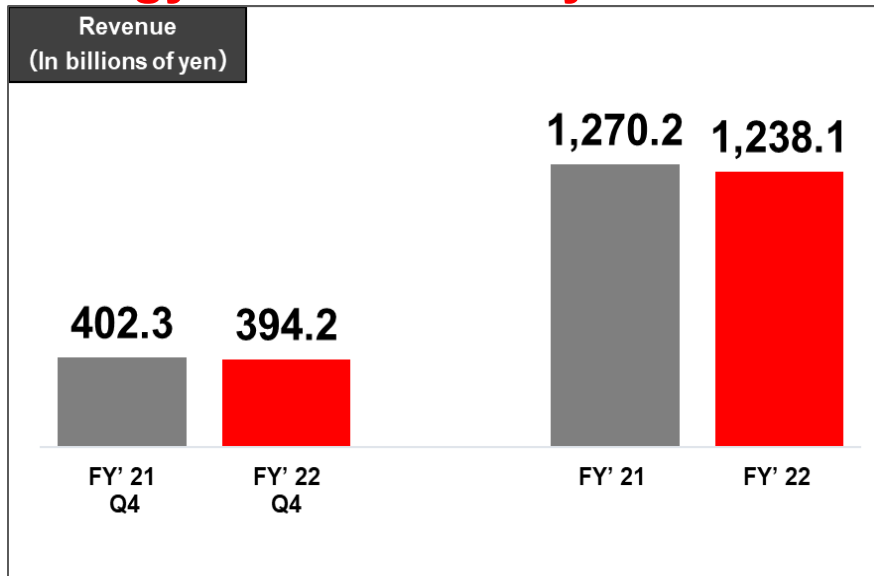
	FY' 21 (A)	FY' 22 (B)	B-A
Cash flows from operating activities	542.1	282.3	-259.7
Cash flows from investing activities	-176.5	-114.8	+61.6
Free cash flow	365.5	167.5	-198.0
※Cash flows from financing activities	-157.3	-241.3	-83.9
Cash and cash equivalents at end of period	767.4	727.1	-40.2



※The status of purchase of treasury stock (Market trades)
 Aggregate value of purchase (Q1-Q4): ¥ 50.0 bn
 [Reference]
 Purchase limit: ¥ 50.0bn
 Purchase period: Jun. 4, 2021-Mar. 31, 2022

Consolidated Financial Results by Business Segment

<Energy and Electric Systems>



FY' 22

Revenue ¥ 1,238.1bn (YoY - ¥ 32.1bn)

<Social Infrastructure Systems> ¥ 710.7bn (YoY - ¥ 57.3bn)

- The market saw buoyant investment in the public utility business in Japan, while demand relating to power systems decreased in Japan and there was the reconsideration of the capital expenditure plans by railway companies in Japan due to the impact of COVID-19.
- Orders won by the business remained substantially unchanged (YoY) due primarily to an increase in the public utility systems business in Japan despite a decrease in the power systems and the transportation systems businesses in Japan. Revenue decreased (YoY) due mainly to decreases in the power systems and the transportation systems businesses in Japan.

<Building Systems> ¥ 527.3bn (YoY + ¥ 25.1bn)

- The market saw recovery from stagnation stemming from COVID-19 primarily in China, while recovery is delayed in some parts of Asia.
- The business saw increases in both orders and revenue (YoY) due mainly to an increase primarily in China.

Operating profit ¥ 62.1bn (YoY - ¥ 46.7bn)

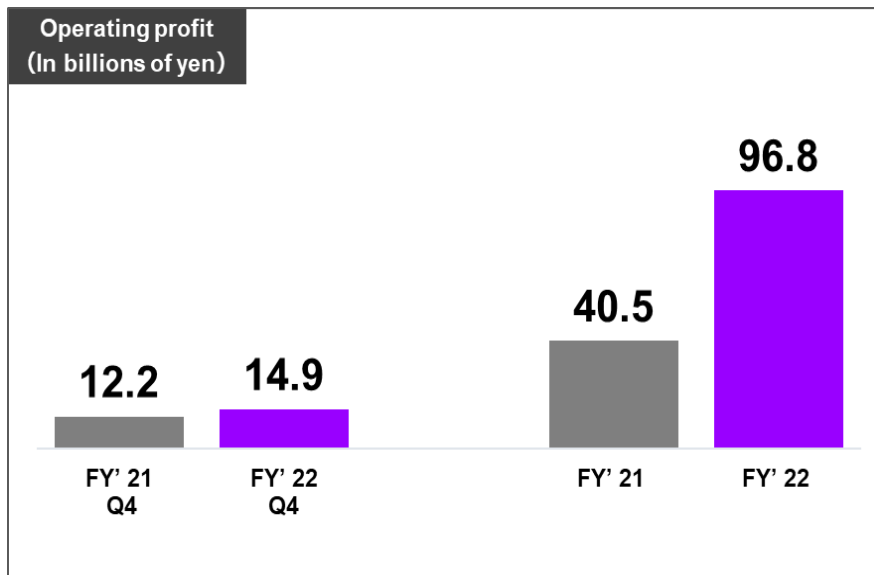
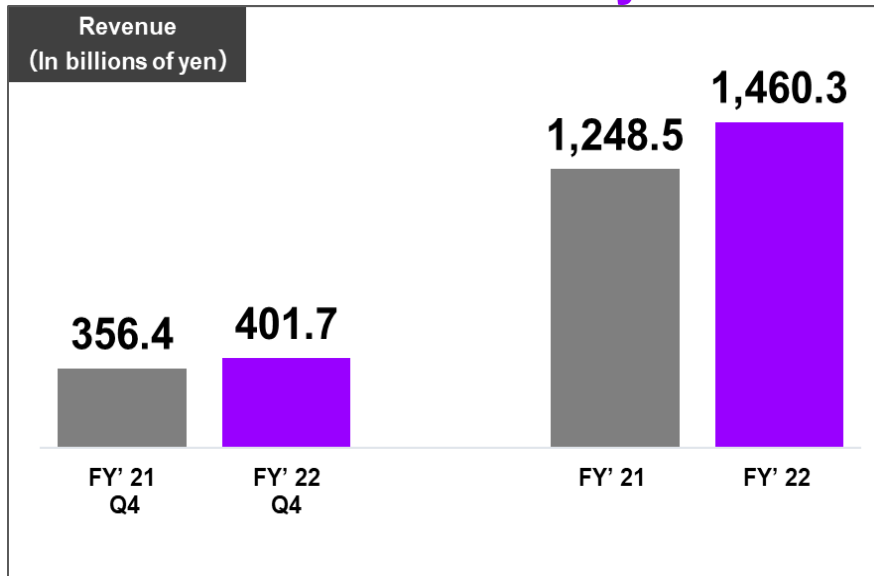
<Social Infrastructure Systems> ¥ 40.2bn (YoY - ¥ 43.2bn)

<Building Systems> ¥ 21.8bn (YoY - ¥ 3.5bn)

- Decreased (YoY) due mainly to decreased revenue and shift in project portfolios.

Consolidated Financial Results by Business Segment

<Industrial Automation Systems>



FY' 22

Revenue ¥ 1,460.3bn (YoY + ¥ 211.8bn)

<Factory Automation Systems> ¥ 755.9bn (YoY + ¥ 168.0bn)

- The market saw a global increase in demand for capital expenditures relating to digital equipment such as semiconductors, electronic components and smartphones, and products in the decarbonization area such as lithium-ion batteries.

- The business saw increases in both orders and revenue (YoY).

<Automotive Equipment> ¥ 704.3bn (YoY + ¥ 43.7bn)

- The market saw an increase in electric vehicle-related equipment due to the expansion of electric vehicle market, while sales of new cars decreased in Japan, China, Europe and the U.S. due primarily to a semiconductor shortage (YoY).

- The business saw increases in both orders and revenue (YoY) due mainly to increases in electric vehicle-related equipment such as motors and inverters, as well as electrical components.

Operating profit ¥ 96.8bn (YoY + ¥ 56.2bn)

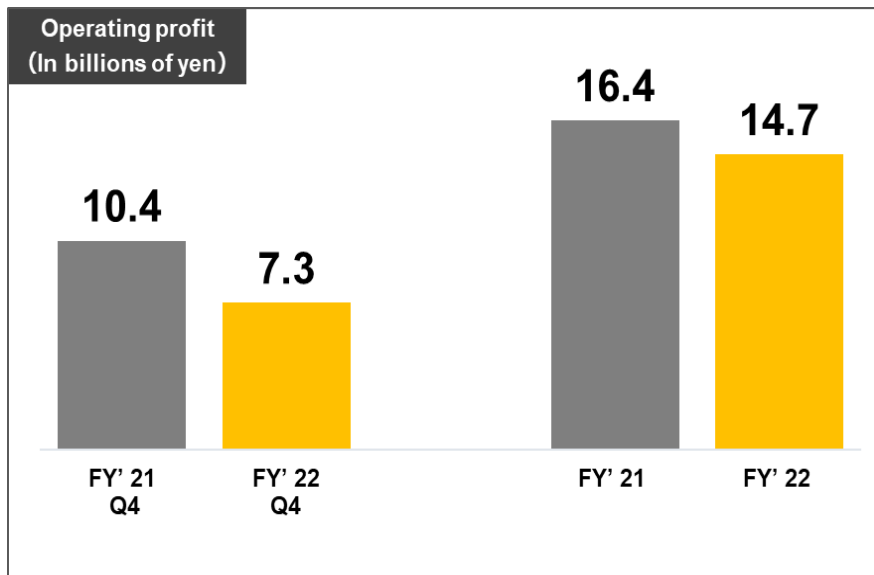
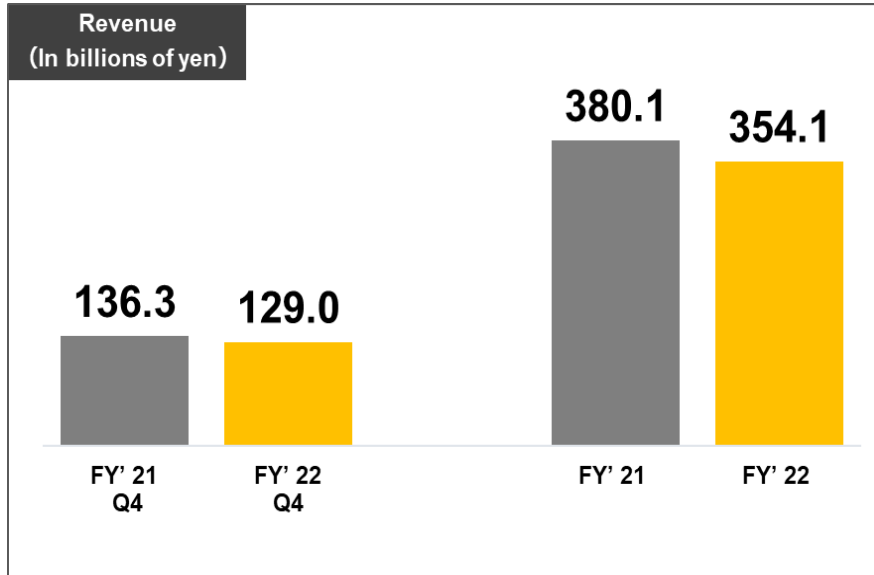
<Factory Automation Systems> ¥ 128.4bn (YoY + ¥ 66.9bn)

- Increased (YoY) due mainly to increased revenue and the yen depreciating against other currencies.

<Automotive Equipment> ¥ -31.5bn (YoY- ¥ 10.7bn)

- Decreased (YoY) due primarily to the rise in material prices and logistics costs.

<Information and Communication Systems>



FY' 22

Revenue ¥ 354.1bn (YoY - ¥ 26.0bn)

<Information systems and service>

- The market saw a decrease in large-scale projects for the IT infrastructure service business, while delayed system development projects restarted, particularly in the manufacturing industry.
- The business saw an increase in orders but a decrease in revenue (YoY).

<Electronic systems>

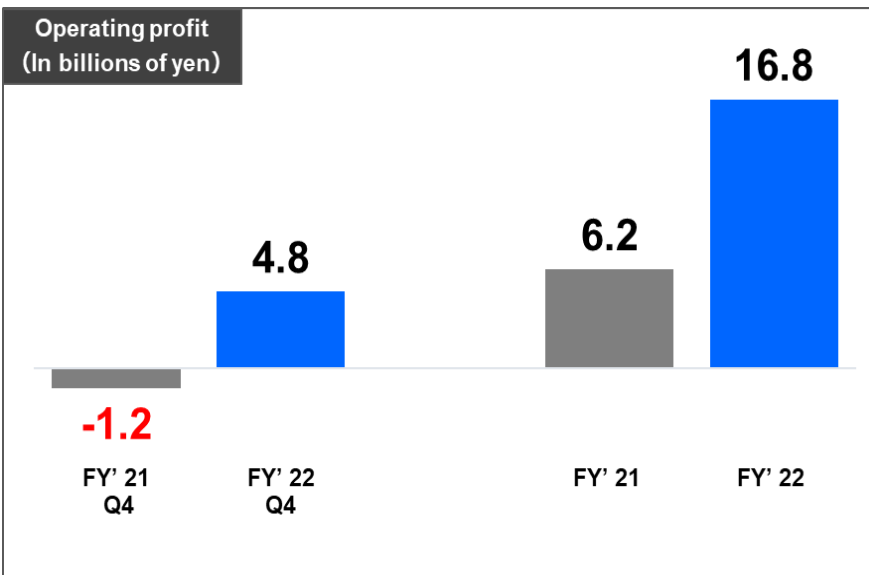
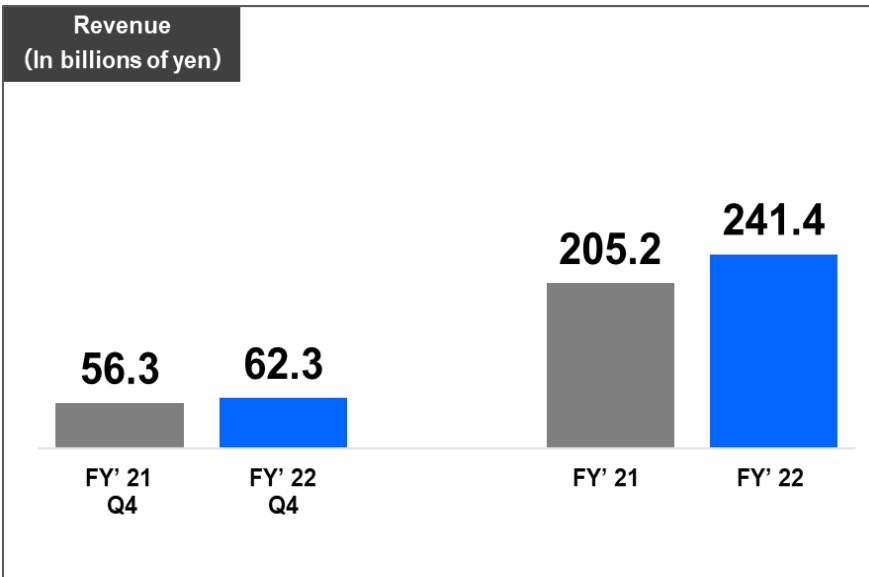
- The business saw an increase in orders (YoY) due primarily to an increase in large-scale projects for the defense systems business, while revenue decreased (YoY) due mainly to a decrease in large-scale projects for the defense systems business.

Operating profit ¥ 14.7bn (YoY - ¥ 1.7bn)

- Decreased (YoY) due mainly to decreased revenue.

Consolidated Financial Results by Business Segment

<Electronic Devices>



FY' 22

Revenue ¥ 241.4bn (YoY + ¥ 36.1bn)

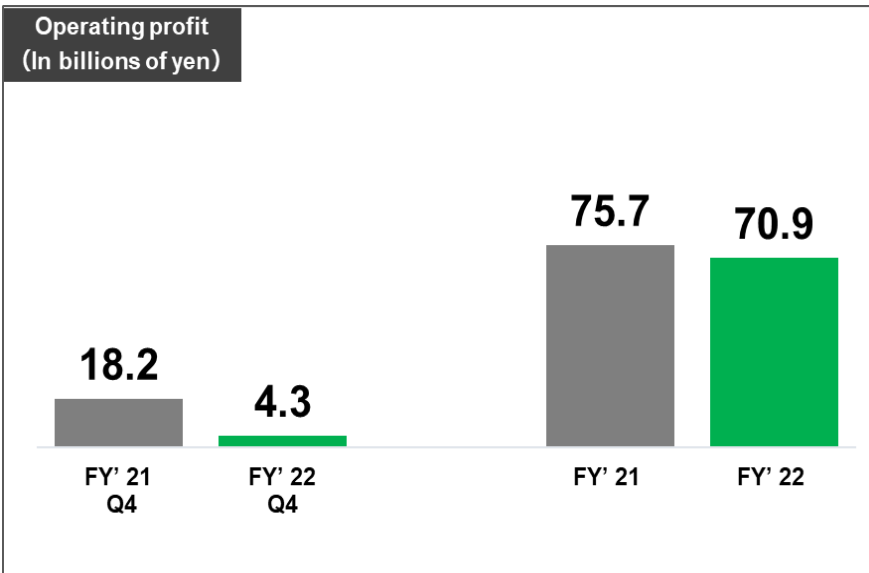
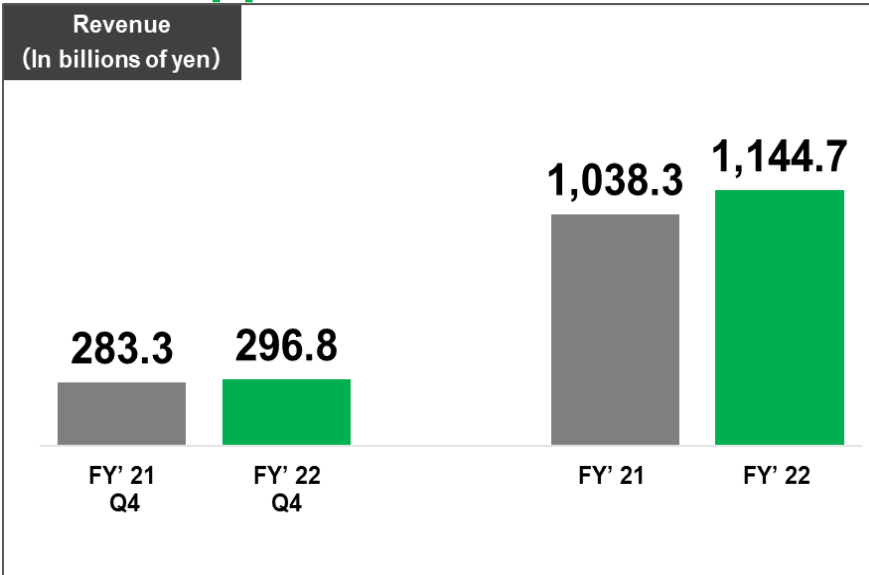
- The market saw recovery in demand for power modules used in consumer, industrial and automotive applications.
- The business saw an increase in orders (YoY) and revenue also increased (YoY) due primarily to an increase in power modules used in consumer, industrial and automotive applications.

Operating profit ¥ 16.8bn (YoY + ¥ 10.5bn)

- Increased (YoY) due mainly to increased revenue.

Consolidated Financial Results by Business Segment

<Home Appliances>



FY' 22

Revenue ¥ 1,144.7bn (YoY+ ¥ 106.4bn)

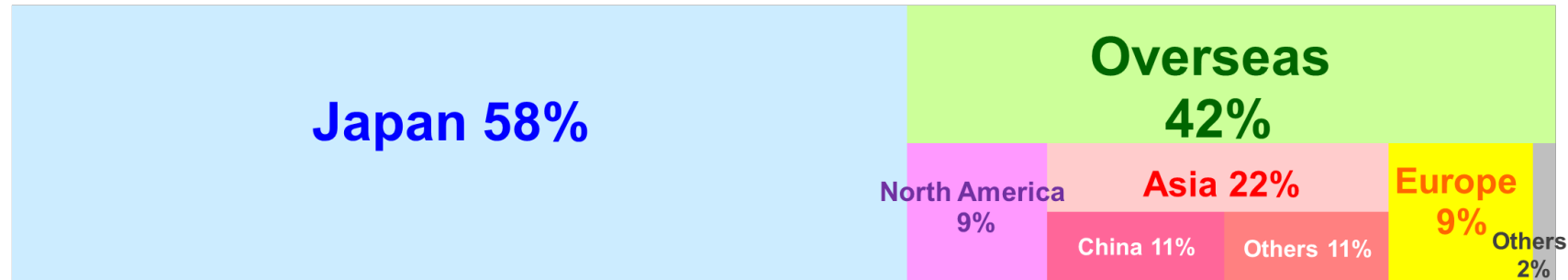
- The market saw an increase in demand for residential air conditioners primarily in Europe and North America as working from home becomes common, despite the impact of a semiconductor shortage. Demand for industrial air conditioners also recovered gradually as capital expenditures started to recover from the impact of COVID-19.
- The business saw an increase (YoY) due mainly to an increase in air conditioners primarily in Europe and North America as well as the yen depreciating against other currencies, despite a decrease in air conditioners in Japan due primarily to a semiconductor shortage.

Operating profit ¥ 70.9bn (YoY- ¥ 4.8bn)

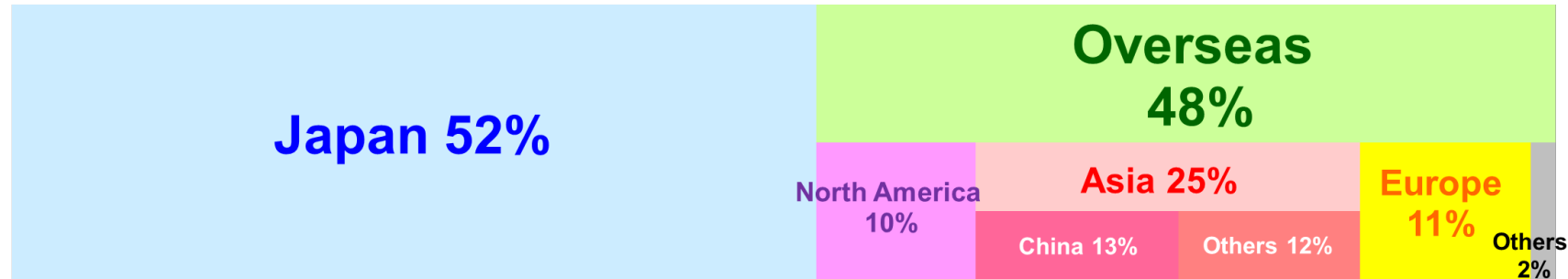
- Decreased (YoY) due mainly to the rise in material prices and logistics costs despite increased revenue and the yen depreciating against other currencies.

Revenue by Location of Customers

FY21



FY22



(In billions of yen)

	Total	Japan	Overseas	North America	Asia	China	Others	Europe	Others
FY' 21 (A)	4,191.4	2,430.8	1,760.5	379.2	926.5	481.8	444.6	391.6	63.1
FY' 22 (B)	4,476.7	2,332.4	2,144.3	461.9	1,114.9	588.8	526.0	495.3	72.1
B/A (%)	107%	96%	122%	122%	120%	122%	118%	126%	114%

FY' 23 Forecast

(In billions of yen)

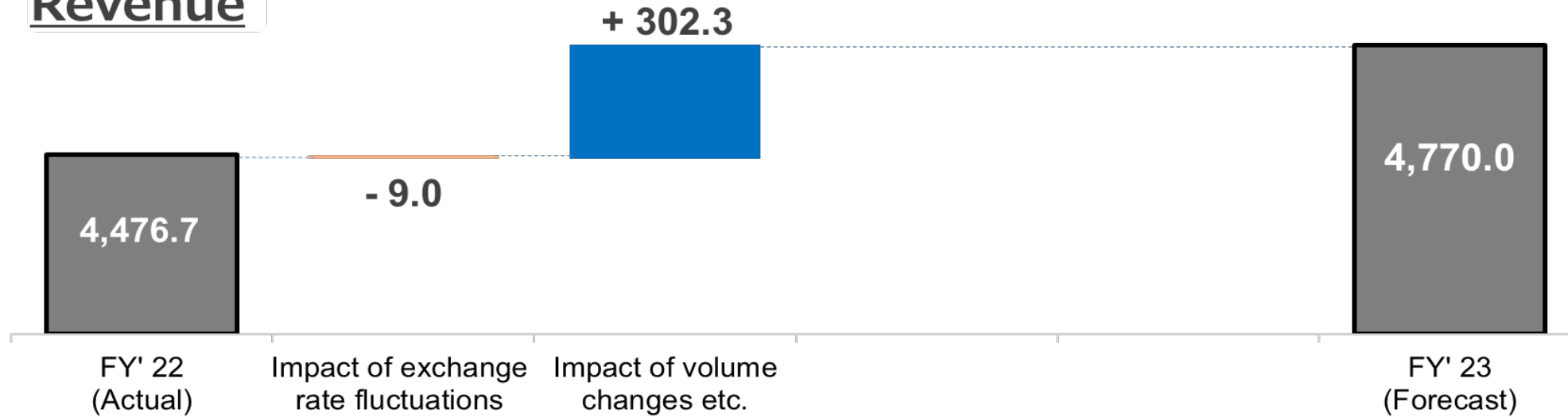
	FY' 22 (Actual) (A)	FY' 23 (Forecast) (B)	B/A (%)
Revenue	4,476.7	4,770.0	107%
Operating profit (%)	252.0 [5.6%]	270.0 [5.7%]	107% -
Profit before income taxes	279.6	295.0	105%
Net profit attributable to Mitsubishi Electric Corp. stockholders	203.4	215.0	106%

		FY' 22 (Actual)	FY' 23 (Forecast)
Foreign exchange rate	US\$	¥113	¥115
	Euro	¥131	¥125
	CNY	¥17.7	¥18.0

Revenue, Operating Profit, Analysis (FY' 22 to FY' 23)

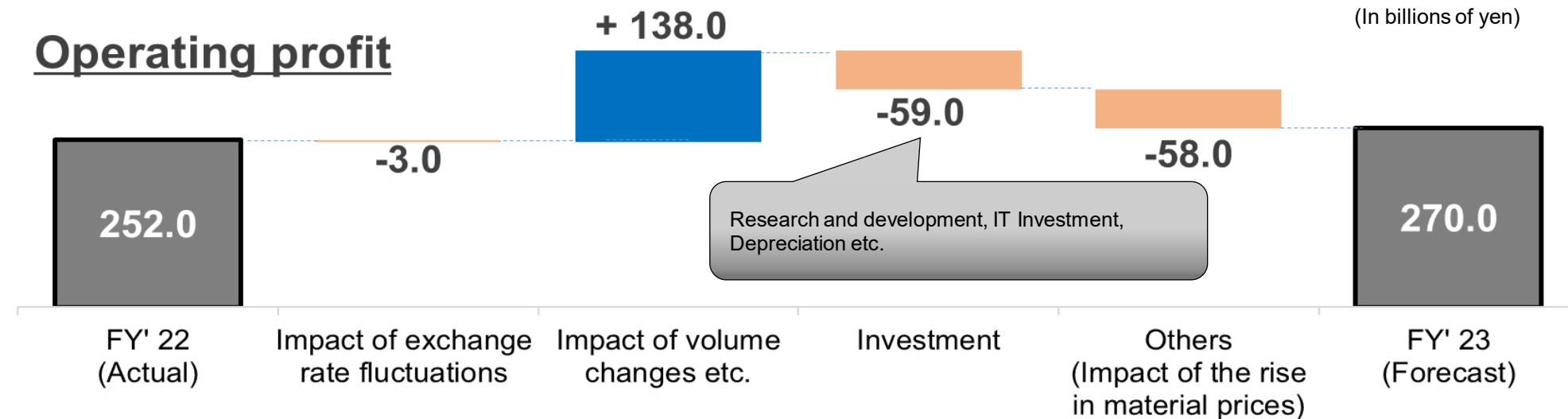
(In billions of yen)

Revenue



(In billions of yen)

Operating profit



Supplementary Information

<Revenue and Operating Profit by Business Segment (Actual)>

(In billions of yen)

	FY' 21 (A)			FY' 22 (B)			B-A		
	Revenue	Operating profit (loss)	Operating profit margin	Revenue	Operating profit (loss)	Operating profit margin	Revenue	Operating profit	Operating profit margin
Energy and Electric Systems	1,270.2	108.9	[8.6%]	1,238.1	62.1	[5.0%]	-32.1	-46.7	[-3.6pt]
Social Infrastructure Systems	768.0	83.5	[10.9%]	710.7	40.2	[5.7%]	-57.3	-43.2	[-5.2pt]
Building Systems	502.1	25.4	[5.1%]	527.3	21.8	[4.1%]	+25.1	-3.5	[-1.0pt]
Industrial Automation Systems	1,248.5	40.5	[3.3%]	1,460.3	96.8	[6.6%]	+211.8	+56.2	[+3.3pt]
Factory Automation Systems	587.9	61.4	[10.5%]	755.9	128.4	[17.0%]	+168.0	+66.9	[+6.5pt]
Automotive Equipment	660.6	-20.8	[-3.2%]	704.3	-31.5	[-4.5%]	+43.7	-10.7	[-1.3pt]
Information and Communication Systems	380.1	16.4	[4.3%]	354.1	14.7	[4.2%]	-26.0	-1.7	[-0.1pt]
Electronic Devices	205.2	6.2	[3.1%]	241.4	16.8	[7.0%]	+36.1	+10.5	[+3.9pt]
Home Appliances	1,038.3	75.7	[7.3%]	1,144.7	70.9	[6.2%]	+106.4	-4.8	[-1.1pt]
Others	603.0	13.6	[2.3%]	676.2	21.9	[3.3%]	+73.1	+8.3	[+1.0pt]
Eliminations and corporate	-554.2	-31.4	—	-638.2	-31.4	—	-84.0	-0.0	—
Consolidated Total	4,191.4	230.1	[5.5%]	4,476.7	252.0	[5.6%]	+285.3	+21.8	[+0.1pt]

Supplementary information

<Revenue and Operating Profit by Business Segment (Forecast)>

(In billions of yen)

	FY' 22 (Actual) (A)			FY' 23 (Forecast) (B)			B-A		
	Revenue	Operating profit (loss)	Operating profit margin	Revenue	Operating profit (loss)	Operating profit margin	Revenue	Operating profit	Operating profit margin
Energy and Electric Systems	1,238.1	62.1	[5.0%]	1,260.0	66.0	[5.2%]	+21.8	+3.8	[+0.2pt]
Social Infrastructure Systems	710.7	40.2	[5.7%]	720.0	42.0	[5.8%]	+9.2	+1.7	[+0.1pt]
Building Systems	527.3	21.8	[4.1%]	540.0	24.0	[4.4%]	+12.6	+2.1	[+0.3pt]
Industrial Automation Systems	1,460.3	96.8	[6.6%]	1,560.0	108.0	[6.9%]	+99.6	+11.1	[+0.3pt]
Factory Automation Systems	755.9	128.4	[17.0%]	800.0	130.0	[16.3%]	+44.0	+1.5	[-0.7pt]
Automotive Equipment	704.3	-31.5	[-4.5%]	760.0	-22.0	[-2.9%]	+55.6	+9.5	[+1.6pt]
Information and Communication Systems	354.1	14.7	[4.2%]	410.0	17.0	[4.1%]	+55.8	+2.2	[-0.1pt]
Electronic Devices	241.4	16.8	[7.0%]	280.0	17.0	[6.1%]	+38.5	+0.1	[-0.9pt]
Home Appliances	1,144.7	70.9	[6.2%]	1,220.0	75.0	[6.1%]	+75.2	+4.0	[-0.1pt]
Others	676.2	21.9	[3.3%]	680.0	20.0	[2.9%]	+3.7	-1.9	[-0.4pt]
Eliminations and corporate	-638.2	-31.4	—	-640.0	-33.0	—	-1.7	-1.5	—
Consolidated Total	4,476.7	252.0	[5.6%]	4,770.0	270.0	[5.7%]	+293.2	+17.9	[+0.1pt]

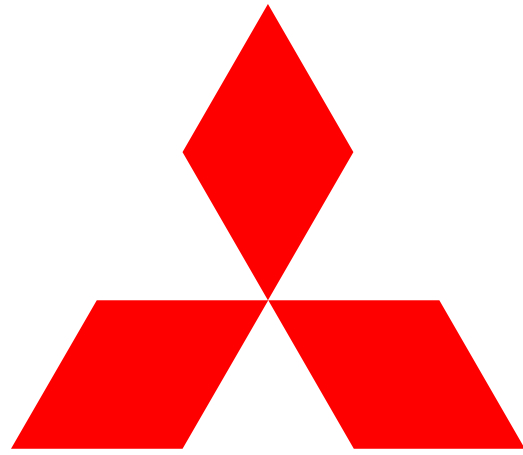
*Following the change of management structure effective April 1, 2022, the classification of reportable segments will be changed and presented from 6 segments such as Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, Electronic Devices, Home Appliances, and Others to 5 segments such as Infrastructure, Industry and Mobility, Life, Business Platform, and Others from the First Quarter of Fiscal 2023. In addition, forecast for 2023 will be reclassified and restated in the new classification.

Cautionary Statement

While the statements herein including the forecast of the Mitsubishi Electric Group are based on assumptions the Group considers to be reasonable under the circumstances on the date of announcement, actual results may differ significantly from forecasts.

Such factors materially affecting the expectations expressed herein shall include but are not limited to the following:

1. Any change in worldwide economic and social conditions, as well as laws, regulations, taxation and other legislation
2. Changes in foreign currency exchange rates, especially JPY/dollar rates
3. Changes in stock markets, especially in Japan
4. Changes in balance of supply and demand of products that may affect prices and volume, as well as material procurement conditions
5. Changes in the ability to fund raising, especially in Japan
6. Uncertainties relating to patents, licenses and other intellectual property, including disputes involving patent infringement
7. New environmental regulations or the arising of environmental issues
8. Defects in products or services
9. Litigation and legal proceedings brought and contemplated against the Company or its subsidiaries and affiliates that may adversely affect operations or finances
10. Technological change, the development of products using new technology, manufacturing and time-to-market
11. Business restructuring
12. Incidents related to information security
13. Large-scale disasters including earthquakes, typhoons, tsunami, fires and others
14. Social or political upheaval caused by terrorism, war, pandemics, or other factors
15. Important matters related to the directors and executive officers, major shareholders and affiliated companies of Mitsubishi Electric Corporation



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Changes for the Better