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Mitsubishi Electric Announces Consolidated Financial Results for Fiscal 2017

TOKYO, April 28, 2017 – [Mitsubishi Electric Corporation](#) (TOKYO: 6503) announced today its consolidated financial results for fiscal 2017 (April 1, 2016- March 31, 2017).

Consolidated Financial Results

Net sales:	4,238.6	billion yen	(4% decrease from the previous fiscal year)
Operating income:	270.1	billion yen	(10% decrease from the previous fiscal year)
Income before income taxes:	296.2	billion yen	(7% decrease from the previous fiscal year)
Net income attributable to Mitsubishi Electric Corp.:	210.4	billion yen	(8% decrease from the previous fiscal year)

During the fiscal year ended March 31, 2017, the business environment was buoyed by the expanding U.S. economy and gradual recoveries in Japan and Europe, as well as modest improvement in China's economic slowdown. In addition, the yen became stronger against foreign currencies compared to the previous year, but weakened after the U.S. presidential election in November.

Under these circumstances, the Mitsubishi Electric Group has been working even harder than before to promote growth strategies rooted in its advantages, while continuously implementing initiatives to strengthen its competitiveness and business structure.

As a result, the Mitsubishi Electric Group has recorded a net sales of 4,238.6 billion yen for fiscal 2017, a decrease of 4% compared to the previous fiscal year, with decreased sales in the Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, and Electronic Devices segments.

Consolidated operating income decreased by 10% compared to the previous fiscal year to 270.1 billion yen, due to decreased profits in the Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, and Electronic Devices segments.

Consolidated Financial Results by Business Segment

Energy and Electric Systems

Total sales:	1,227.9	billion yen	(3% decrease from the previous fiscal year)
Operating income:	44.3	billion yen	(6.0 billion yen decrease from the previous fiscal year)

The social infrastructure systems business saw an increase in orders compared to the previous fiscal year due to increases in the transportation systems and the public utility systems businesses in Japan, while sales decreased compared to the previous fiscal year due to a decrease in the power systems business inside and outside Japan. In addition, the stronger yen had the negative influences.

The building systems business experienced decreases in both orders and sales compared to the previous fiscal year, due primarily to negative influences caused by the stronger yen, despite growth in the renewal business in Japan, as well as the installation business of new elevators and escalators outside Japan.

As a result, total sales for this segment decreased by 3% from the previous fiscal year. Operating income decreased by 6.0 billion yen from the previous fiscal year due primarily to a decrease in sales.

Industrial Automation Systems

Total sales:	1,310.1	billion yen	(1% decrease from the previous fiscal year)
Operating income:	140.0	billion yen	(19.0 billion yen decrease from the previous fiscal year)

The factory automation systems business saw an increase in orders compared to the previous fiscal year due primarily to growth in capital expenditures in the fields of smartphones and electric cars in China and organic light emitting diodes (OLED) mainly in Korea, while sales remained unchanged compared to the previous fiscal year due primarily to negative influences caused by the stronger yen.

The automotive equipment business saw decreases in both orders and sales compared to the previous fiscal year due primarily to stagnation in light motor car sales in Japan and the negative influences caused by the stronger yen, despite a buoyancy in car sales mainly in Europe.

As a result, total sales for this segment decreased by 1% from the previous fiscal year. Operating income decreased by 19.0 billion yen from the previous fiscal year due primarily to negative influences caused by the stronger yen.

Information and Communication Systems

Total sales:	447.7	billion yen	(20% decrease from the previous fiscal year)
Operating income:	12.7	billion yen	(2.2 billion yen decrease from the previous fiscal year)

The telecommunications equipment business saw decreases in both orders and sales compared to the previous fiscal year due primarily to the sellout of an affiliated company in the beginning of the fiscal year and decreased sales of communications infrastructure equipment.

The information systems and service business saw a decrease in sales compared to the previous fiscal year, mainly owing to a decrease in the system integrations business.

The electronic systems business saw no change in orders, while sales decreased compared to the previous fiscal year due to a decrease in large-scale projects in the space systems business.

As a result, total sales for this segment decreased by 20% from the previous fiscal year. Operating income decreased by 2.2 billion yen from the previous fiscal year due primarily to a decrease in sales.

Electronic Devices

Total sales:	186.5	billion yen	(12% decrease from the previous fiscal year)
Operating income:	8.3	billion yen	(8.4 billion yen decrease from the previous fiscal year)

The electronic devices business saw an increase in orders compared to the previous fiscal year due to an increase in demand for optical communication devices, while sales decreased by 12% compared to the previous fiscal year due to a decrease in demand for power modules and TFT-LCD modules, along with the negative influences caused by the stronger yen.

As a result, operating income decreased by 8.4 billion yen from the previous fiscal year due primarily to a decrease in sales.

Home Appliances

Total sales:	1,004.4	billion yen	(2% increase from the previous fiscal year)
Operating income:	69.6	billion yen	(5.8 billion yen increase from the previous fiscal year)

The home appliances business saw an increase in sales of 2% compared to the previous fiscal year due to increases in sales of air conditioners in the European, Chinese and North American markets and in sales of residential and industrial air conditioners in Japan, despite the negative influences caused by the stronger yen.

Operating income increased by 5.8 billion yen compared to the previous fiscal year largely due to an increase in sales.

Others

Total sales:	713.6	billion yen	(1% increase from the previous fiscal year)
Operating income:	23.2	billion yen	(0.4 billion yen decrease from the previous fiscal year)

Sales increased by 1% compared to the previous fiscal year due to increases mainly at affiliated companies involved in materials procurement.

Operating income decreased by 0.4 billion yen from the previous fiscal year due primarily to negative influences caused by the stronger yen.

Fundamental Dividend Distribution Policy and FY2017 Dividend

Fundamental dividend distribution policy

Mitsubishi Electric's fundamental policy is to comprehensively promote improvement in shareholder profit from the viewpoints of appropriate profit distribution commensurate with earnings performance of the respective fiscal year, as well as strengthening our financial standing through the company's internal reserves, with the ultimate goal of enhancing corporate value.

FY 2017 dividend

Considering the company's business performance and financial conditions in fiscal 2017, the company has decided to pay a year-end retained earnings dividend of 18 yen per share for fiscal 2017. Adding the interim dividend of 9 yen per share, the total annual dividend will be 27 yen per share. Payment is planned to begin on June 2, 2017.

The retained earnings dividend for fiscal 2018 is still undecided.

cf. In fiscal 2016, interim dividend was 9 yen and year-end dividend was 18 yen per share. (Annual dividend of 27 yen per share)

Financial Standing

An analysis on the status of assets, liabilities and equity on a consolidated basis

Total assets as of the end of this fiscal year increased from the end of the previous fiscal year by 120.0 billion yen to 4,180.0 billion yen. The change in the balance of total assets was mainly due to an 88.2 billion yen increase in cash and cash equivalents and an 81.2 billion yen increase in investments as a result of a rise in stock prices.

Total liabilities decreased from the end of the previous fiscal year by 83.1 billion yen to 2,039.3 billion yen. The outstanding balances of debts and corporate bonds decreased by 51.9 billion yen from the end of the previous fiscal year to 352.1 billion yen, resulting in a decline in the ratio of interest bearing debt to total assets to 8.4%, representing a 1.6 point decrease compared to the end of the previous fiscal year. Retirement and severance benefits decreased by 34.7 billion yen, mainly resulting from an increase in pension assets following a rise in stock prices, while the outstanding balance of trade payables increased by 6.4 billion yen.

Mitsubishi Electric Corporation shareholders' equity increased by 200.8 billion yen compared to the end of the previous fiscal year to 2,039.6 billion yen. Shareholders' equity ratio was recorded at 48.8%, representing a 3.5 point increase compared to the end of the previous fiscal year. The changes referred to above primarily resulted from an increase from recording a net income attributable to Mitsubishi Electric Corporation of 210.4 billion yen, along with an increase in accumulated other comprehensive income by 48.6 billion yen caused by such factors as a rise in stock prices, despite dividend payment of 57.9 billion yen.

An analysis on the status of cash flow on a consolidated basis

Cash flows from operating activities for this fiscal year decreased by 0.7 billion yen compared to the previous fiscal year to 365.9 billion yen (cash in). Cash flows from investing activities decreased by 106.8 billion yen compared to the previous fiscal year to 148.6 billion yen (cash out) due to decreases in purchases of short-term investments and investment securities and other factors. As a result, free cash flow was 217.3 billion yen (cash in). Cash flows from financing activities were 123.4 billion yen (cash out) mainly due to dividend payment.

Current Forecast for Fiscal 2018

Despite the uncertainty in business performance remaining high due to factors such as the U.K. government's policies on Brexit and operations of the new U.S. administration, the economic slowdown in China is expected to be mild, and global business conditions are facing gradual growth in the economy with buoyant expansion in the U.S. and a continued trend of recovery in Japan and Europe.

Under these circumstances, the Mitsubishi Electric Group aims to achieve its management targets by uplifting its business performance and financial standings through initiatives such as promoting more strongly its global operations centered around its growth-driving businesses, continuously increasing and strengthening profitability in each business and continuously implementing various Group-wide business improvement measures.

The current financial performance forecast for fiscal 2018 follows below.

Current consolidated forecast for fiscal 2018

Net sales	4,300.0	billion yen	(1% increase from fiscal 2017)
Operating income	280.0	billion yen	(4% increase from fiscal 2017)
Income before income taxes	300.0	billion yen	(1% increase from fiscal 2017)
Net income attributable to Mitsubishi Electric Corp.	215.0	billion yen	(2% increase from fiscal 2017)

Exchange rates for the forecast above is 105 yen to the US dollar and 110 yen to the euro.

Policy Regarding Financial Reporting Standards

Mitsubishi Electric will voluntarily adopt International Financial Reporting Standards (IFRS) for its consolidated financial statements from the first quarter of the fiscal year ending March 31, 2019 (April 1, 2018 to March 31, 2019), in place of U.S. generally accepted accounting principles (U.S. GAAP), in order to enhance international comparability of its financial information in the capital markets.