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## **MITSUBISHI ELECTRIC ANNOUNCES CONSOLIDATED FINANCIAL RESULTS FOR THE FIRST QUARTER OF FISCAL 2006**

**Tokyo, July 28, 2005** – Mitsubishi Electric Corporation (President and CEO: Tamotsu Nomakuchi) announced today its financial results for the first quarter ending June 30, 2005, of the current fiscal year ending March 31, 2006 (fiscal 2006).

### **Consolidated Financial Results**

Net sales	737.9 billion yen	(2% increase from the same quarter last year)
Operating income	20.9 billion yen	(20% decrease from the same quarter last year)
Income before income taxes	22.4 billion yen	(9% decrease from the same quarter last year)
Net Income	11.1 billion yen	(10% decrease from the same quarter last year)

Management conditions during the first quarter of fiscal 2006 saw a continued modest economic slowdown in the global economy. The Japanese economy also continued to have a sense of stagnation, and affects from escalation in oil and commodity prices increased.

Under these circumstances, first quarter net sales grew 2% compared to the same period of the previous fiscal year to 737.9 billion yen. Despite decreases in the Information and Communication Systems segment due to reductions in mobile handsets, there were increases in the Energy and Electric Systems, Industrial Automation Systems, Electronic Devices, as well as Home Appliances segments.

Operating income decreased 20% from the same period of the previous fiscal year to 20.9 billion yen. Despite Electronic Devices segment's return to profitability as well as the Home Appliances segment increase in profits, there was worsening of the Energy and Electric Systems, Information and Communications Systems segments as well as reductions in profits in the Industrial Automation Systems segment etc.

## Consolidated Financial Results by Business Segment

### *Energy and Electric Systems*

Total sales	143.6 billion yen	(16% increase from the same quarter last year)
Operating income (loss)	(3.2 billion yen)	(2.7 billion yen worse compared to the same quarter last year)

The social infrastructure systems business saw increases in both orders and sales compared to the same period of the previous fiscal year. Despite curbs in public sector investment and investment by railway operations, etc., there were increases from large-scale projects in power systems and reintegration of transmission and distribution related business.

The building system business experienced increases in both orders and sales compared to the same period of the previous fiscal year due to large domestic orders in elevators and escalators as well as increases in initiatives for China, the Middle East and ASEAN countries.

As a result, total sales for this segment increased 16% from the same period of the previous fiscal year, and operating income fell 2.7 billion due to an increasing cost of sales ratio.

### *Industrial Automation Systems*

Total sales	197.4 billion yen	(1% increase from the same quarter last year)
Operating income	21.8 billion yen	(4.2 billion yen decrease from the same quarter last year)

The factory automation systems business saw increases in orders compared to the same period of the previous fiscal year due to a boom in domestic and overseas automotive related capital expenditure as well as a return of liquid crystal capital expenditures mainly in Korea and Taiwan. Sales fell from the same period of the previous fiscal year because of a reduction in orders from the latter half of the previous fiscal year.

The automotive equipment business saw an increase in both orders and sales compared to the same period of the previous fiscal year due to increases in alternators and starters, etc for domestic and overseas automotive manufacturers.

As a result, total sales for this segment showed an increase of 1% compared to the same period of the previous fiscal year. Operating income decreased 4.2 billion yen due to falls in retail prices as well as increases in development and depreciation costs.

### *Information and Communication Systems*

Total sales	107.5 billion yen	(7% decrease from the same quarter last year)
Operating income (loss)	(5.9 billion yen)	(2.7 billion yen worse compared to the same quarter last year)

The telecommunications equipment business fell compared to same period of the previous fiscal year with a decrease in both orders and sales. This was due to a reduction in mobile handsets despite

increases in optical broadband access system products mainly in fixed line communications infrastructure.

The information systems and service business saw a decrease in sales from the same period of the previous fiscal year. This was due to decreases in the IT solution and platform businesses etc., despite extension of the information outsourcing business.

The electronic system business had a comeback in governmental projects, and both orders and sales increased.

As a result, total sales for this segment showed a decrease of 7% compared to the same period of the previous fiscal year. Operating income became worse by 2.7 billion yen due to decreases in sales, etc.

### ***Electronic Devices***

Total sales	40.3 billion yen	(3% increase from the same quarter last year)
Operating income	2.6 billion yen	(3.6 billion yen improvement from the same quarter last year)

The semiconductor business saw an increase in both orders and sales from the same period of the previous fiscal year due to increases in power modules for white goods (air conditioners, etc), hybrid cars, and domestic industrial machinery as well as laser diodes for recordable DVD players. The liquid crystal business saw decreases in both orders and sales from the same period of the previous fiscal year. This was due to a decrease in sales in large commodity-type models, despite increases in small and medium sized products for use in manufacturing equipment displays.

As a result, total sales for the segment increased by 3% compared to the same period of the previous fiscal year. Operating income improved 3.6 billion yen, and a return to profitability, due to increases in sales, etc.

### ***Home Appliances***

Total sales	213.9 billion yen	(3% increase from the same quarter last year)
Operating income	11.3 billion yen	(0.9 billion yen increase from the same quarter last year)

The home appliance business saw an increase in sales of 3% compared to the same period of the previous fiscal year. Along with air conditioners for domestic and overseas market and refrigerators, washing machines and other white goods for the domestic market, there were increases mainly in domestic residential home equipment such as electric water heaters, solar power generation systems, and induction heating cooking heaters for use in all electric-powered homes. Operating income increased 0.9 billion yen due to increases in sales, etc.

### ***Others***

Total sales	126.4 billion yen	(unchanged from the same quarter last year)
Operating income	2.5 billion yen	(0.1 billion yen increase from the same quarter last year)

Sales remained unchanged compared to the same period of the previous fiscal year in affiliated

companies mainly in material procurement and logistics. Operating income increased 0.1 billion yen due to cost efficiency.

**Forecast for the first half of Fiscal 2006 (ending September 30, 2005) Consolidated  
Financial Results**

The current earnings forecast for the first half of Fiscal 2006 are written below. There are no changes from the earnings forecast from the yearly results announcement on April 28, 2005.

Net sales	1,600 billion yen	(unchanged from the same period last year)
Operating income	30 billion yen	(31% decrease from the same period last year)
Income before income taxes	30 billion yen	(6% decrease from the same period last year)
Net Income	20 billion yen	(5% increase from the same period last year)

**CONSOLIDATED FINANCIAL RESULTS SUMMARY**

(In billions of yen)

	<b>FY '06</b>	FY '05	A/B
	<b>Q1 (A)</b>	Q1 (B)	( <b>%</b> )
Net sales	737. <sup>9</sup>	725. <sup>2</sup>	102
Operating income	20. <sup>9</sup>	26. <sup>2</sup>	80
Income before income taxes	22 <sup>4</sup>	24. <sup>5</sup>	91
Net income	11. <sup>1</sup>	12. <sup>4</sup>	90
Net income per share (in yen)	5. <sup>20</sup>	5. <sup>80</sup>	90

**Note:** 1) Consolidated financial statements are compiled according to U.S. GAAP.  
2) Company has 140 consolidated subsidiaries.  
3) This report is unaudited.

FY'06 Q1: April 1, 2005-June 30, 2005  
FY'05 Q1: April 1, 2004-June 30, 2004

## CONSOLIDATED PROFIT AND LOSS STATEMENT

(In millions of yen)

	<b>FY '06 Q1 (A)</b>	<b>% of total</b>	FY '05 Q1 (B)	% of total	(A - B)	A/B (%)
Net sales	<b>737,984</b>	<b>100.0</b>	725,260	100.0	12,724	102
Cost of sales	<b>543,072</b>	<b>73.6</b>	530,361	73.1	12,711	102
Selling, general and administrative expenses	<b>173,986</b>	<b>23.6</b>	168,640	23.3	5,346	103
Operating income	<b>20,926</b>	<b>2.8</b>	26,259	3.6	(5,333)	80
Other income	<b>8,206</b>	<b>1.1</b>	12,240	1.7	(4,034)	67
Interest and Dividends	<b>2,917</b>	<b>0.4</b>	2,598	0.4	319	112
Other	<b>5,289</b>	<b>0.7</b>	9,642	1.3	(4,353)	55
Other expenses	<b>6,721</b>	<b>0.9</b>	13,990	1.9	(7,269)	48
Interest	<b>2,384</b>	<b>0.3</b>	2,774	0.4	(390)	86
Other	<b>4,337</b>	<b>0.6</b>	11,216	1.5	(6,879)	39
Income before income taxes	<b>22,411</b>	<b>3.0</b>	24,509	3.4	(2,098)	91
Income taxes	<b>12,352</b>	<b>1.7</b>	14,752	2.0	(2,400)	84
Equity in earnings of affiliated companies	<b>1,085</b>	<b>0.2</b>	2,688	0.3	(1,603)	40
Net income	<b>11,144</b>	<b>1.5</b>	12,445	1.7	(1,301)	90

FY'06 Q1: April 1, 2005-June 30, 2005

FY'05 Q1: April 1, 2004-June 30, 2004

## CONSOLIDATED BALANCE SHEET

(In millions of yen)

	FY ' 06 Q1 (A)	FY ' 05 (B)	A - B
<b>(Assets)</b>			
Current assets	1,714,751	1,740,333	(25,582)
Cash and cash equivalents	260,152	246,563	13,589
Short-term investments	20,828	23,719	(2,891)
Trade receivables	658,610	789,463	(130,853)
Inventories	524,472	447,382	77,090
Prepaid expenses and other current assets	250,689	233,206	17,483
Long-term receivables	9,189	9,700	(511)
Investments	484,194	483,547	647
Net property, plant and equipment	574,930	570,660	4,270
Other assets	349,653	358,232	(8,579)
<b>Total assets</b>	<b>3,132,717</b>	<b>3,162,472</b>	<b>(29,755)</b>
<b>(Liabilities and shareholders' equity)</b>			
Current liabilities	1,267,984	1,277,662	(9,678)
Bank loans and current portion of long-term debt	235,733	234,242	1,491
Trade payables	602,952	636,829	(33,877)
Other current liabilities	429,299	406,591	22,708
Long-term debt	507,956	521,542	(13,586)
Retirement and severance benefits	578,450	584,601	(6,151)
Other fixed liabilities	11,565	11,307	258
Minority interests	47,103	46,723	380
Shareholders' equity	719,659	720,637	(978)
Capital stock	175,820	175,820	-
Capital surplus	210,687	210,687	0
Retained earnings	450,108	447,548	2,560
Accumulated other comprehensive income (loss)	(112,089)	(113,022)	933
Treasury stock at cost	(4,867)	(396)	(4,471)
<b>Total liabilities and shareholders' equity</b>	<b>3,132,717</b>	<b>3,162,472</b>	<b>(29,755)</b>
Balance of Debt	743,689	755,784	(12,095)
Accumulated other comprehensive income (loss)			
Foreign currency translation adjustments	(8,651)	(10,722)	2,071
Minimum pension liability adjustments	(139,074)	(138,658)	(416)
Net unrealized gains on securities	35,636	36,358	(722)

FY'06 Q1: April 1, 2005-June 30, 2005  
FY'05: April 1, 2004-March, 31, 2005

## CONSOLIDATED CASH FLOW

(In millions of yen)

	FY '06 Q1 (A)	FY '05 Q1 (B)	A – B
<b>I Cash flows from operating activities</b>			
1 Net income	11,144	12,445	(1,301)
2 Adjustments to reconcile net income to net cash provided by operating activities			
(1) Depreciation of tangible fixed assets and other	20,926	24,676	(3,750)
(2) Decrease in trade receivables	149,182	123,754	25,428
(3) Decrease (increase) in inventories	(53,222)	(80,065)	26,843
(4) Increase (decrease) in trade payables	(79,754)	(41,863)	(37,891)
(5) Other, net	6,826	4,225	2,601
Net cash provided by operating activities	55,102	43,172	11,930
<b>II Cash flows from investing activities</b>			
1 Capital expenditure	(16,478)	(24,502)	8,024
2 Proceeds from sale of property, plant and equipment	1,247	3,782	(2,535)
3 Purchase of short-term investments and investment securities	(10,437)	(14,716)	4,279
4 Proceeds from sale of short-term investments and investment securities	9,122	19,836	(10,714)
5 Other, net	2,491	(276)	2,767
Net cash used in investing activities	(14,055)	(15,876)	1,821
<b>I + II Free cash flow</b>	41,047	27,296	13,751
<b>III Cash flows from financing activities</b>			
1 Proceeds from long-term debt	10,530	97	10,433
2 Repayment of long-term debt	(26,588)	(38,948)	12,360
3 Increase in bank loans, net	701	14,577	(13,876)
4 Dividends paid	(8,584)	(8,585)	1
5 Purchase of treasury stock	(4,474)	(11)	(4,463)
6 Reissuance of treasury stock	4	41	(37)
Net cash provided by (used in) financing activities	(28,411)	(32,829)	4,418
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	953	241	712
<b>V Net increase (decrease) in cash and cash equivalents</b>	13,589	(5,292)	18,881
<b>VI Cash and cash equivalents at beginning of period</b>	246,563	330,596	(84,033)
<b>VII Cash and cash equivalents at the end of period</b>	260,152	325,304	(65,152)

FY'06 Q1: April 1, 2005-June 30, 2005

FY'05 Q1: April 1, 2004-June 30, 2004

## CONSOLIDATED SEGMENT INFORMATION

### Sales and Operating Income by Business Segment

(In millions of yen)

Business Segment	FY '06 Q1			FY '05 Q1			A/B (%)
	Sales (A)	% of total	Operating income (loss)	Sales (B)	% of total	Operating income (loss)	
Energy and Electric Systems	143,650	17.3	(3,249)	124,339	15.3	(502)	116
Industrial Automation Systems	197,439	23.8	21,882	195,977	24.2	26,156	101
Information and Communication Systems	107,581	13.0	(5,939)	115,844	14.3	(3,238)	93
Electronic Devices	40,385	4.9	2,642	39,341	4.9	(1,019)	103
Home Appliances	213,997	25.8	11,346	208,042	25.7	10,398	103
Others	126,498	15.2	2,515	126,800	15.6	2,359	100
Subtotal	829,550	100.0	29,197	810,343	100.0	34,154	102
Eliminations and other	(91,566)	-	(8,271)	(85,083)	-	(7,895)	-
Total	737,984	-	20,926	725,260	-	26,259	102

\*Note: Inter-segment sales are included in the above chart.

FY'06 Q1: April 1, 2005-June 30, 2005

FY'05 Q1: April 1, 2004-June 30, 2004

### **Cautionary Statement**

The expectation of operating results herein and any associated statement to be made orally with respect to the Company's current plans, estimates, strategies and beliefs and any other statements that are not historical facts are forward-looking statements. Words such as "expects", "anticipates", "plans", "believes", "scheduled", "estimated", "targeted" along with any variations of these words and similar expressions are intended to identify forward-looking statements which include but are not limited to projections of revenues, earnings, performance and production. While the statements herein are based on certain assumptions and premises that the Company trusts and considers to be reasonable under the circumstances to the date of announcement, you are requested to kindly take note that actual operating results are subject to change due to any of the factors as contemplated hereunder and/or any additional factor unforeseeable as of the date of this announcement. 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 yen/dollar rates
- (3) Changes in stock markets, especially in Japan
- (4) Changes in balance of demand and supply of products that may affect prices and volume, as well as material procurement conditions
- (5) Changes in the ability to acquire financing, especially in Japan
- (6) Changes in any patent and its licensing, including any dispute involving patent infringement, that may affect operations
- (7) Technological change, the development of products using new technology, manufacturing and time-to-market
- (8) Business restructuring

### **About Mitsubishi Electric**

With over 80 years of experience in providing reliable, high-quality products to both corporate clients and general consumers all over the world, Mitsubishi Electric Corporation (TSE:6503) is a recognized world leader in the manufacture, marketing and sales of electrical and electronic equipment used in information processing and communications, space development and satellite communications, consumer electronics, industrial technology, energy, transportation and building equipment. The company recorded consolidated group sales of 3,410 billion yen (US\$ 31.9billion\*) in the fiscal year ended March 31, 2005. For more information visit <http://global.mitsubishielectric.com>

\*At an exchange rate of 107 yen to the US dollar, the rate given by the Tokyo Foreign Exchange Market on March 31, 2005.

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