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Mitsubishi Electric Announces Consolidated Financial Results for the First Quarter of Fiscal 2011

Tokyo, July 30, 2010 – Mitsubishi Electric Corporation (TOKYO: 6503) announced today its financial results for the first quarter ending June 30, 2010, of the current fiscal year ending March 31, 2011 (fiscal 2011).

Consolidated Financial Results

Net sales:	778.9 billion yen	(11% increase from the same quarter last year)
Operating income:	51.5 billion yen	(7-fold compared to the same quarter last year)
Income before income taxes:	46.7 billion yen	(51-fold compared to the same quarter last year)
Net income attributable to Mitsubishi Electric Corp.:	26.2 billion yen	–

Management conditions during the first quarter of fiscal 2011 have experienced an ongoing trend of gradual recovery despite the yen's appreciation mainly against Euro, as well as slow economic recovery in certain countries and regions.

Under these circumstances, first quarter consolidated net sales rose by 11% compared to the same period of the previous fiscal year to 778.9 billion yen, owing to increased revenue from the Industrial Automation Systems, Electronic Devices and Home Appliances segments, and other factors.

Consolidated operating income increased 7-fold from the same period of the previous fiscal year to 51.5 billion yen due to higher profits from the Energy and Electric Systems, Industrial Automation Systems, Electronic Devices and Home Appliances segments, and other factors.

Consolidated Financial Results by Business Segment

Energy and Electric Systems

Total sales:	192.3 billion yen	(7% decrease from the same quarter last year)
Operating income:	15.4 billion yen	(3.2 billion yen increase from the same quarter last year)

The social infrastructure systems business saw decreases in both orders and sales compared to the same period of the previous fiscal year due mainly to a decrease in large projects for the overseas power generation business, despite an increase in the domestic transportation business as well as buoyancy in the domestic power generation business.

The building systems business experienced a gradual increase in domestic demand for elevators and escalators compared to the same period of the previous fiscal year, while sales decreased due to decreases of large projects.

As a result, total sales for this segment decreased by 7% from the same period of the previous fiscal year. Operating income increased compared to the same period of the previous fiscal year by 3.2 billion yen due primarily to cost reductions.

Industrial Automation Systems

Total sales: 214.5 billion yen (49% increase from the same quarter last year)
Operating income: 27.0 billion yen (29.5 billion yen improvement from the same quarter last year)

The factory automation systems business saw increases in both orders and sales from the same period of the previous fiscal year owing to growth in demand in the Asian market, including industrial machinery-related investments in China and flat panel display-related investments in Korea and Taiwan.

The automotive equipment business saw increases in both orders and sales from the previous fiscal year due to buoyant automotive sales in the global market including China and India, despite for a downturn in certain markets of Western Europe due to termination of promotional incentives.

As a result, total sales for this segment increased by 49% from the same period of the previous fiscal year. Operating income improved by 29.5 billion yen to profitability compared to the previous fiscal year mainly due to an increase in sales.

Information and Communication Systems

Total sales: 91.2 billion yen (15% decrease from the same quarter last year)
Operating income: 1.6 billion yen (0.3 billion yen decrease from the same quarter last year)

The telecommunications equipment business saw a decrease in sales compared to the same period of the previous fiscal year due to decreases in demand for optical broadband access systems and other communications infrastructures, despite increased orders due to an increase in home broadband equipment.

The information systems and service business saw a decrease in sales compared to the same period of the previous fiscal year mainly due to decreases in the system integration business and the IT infrastructure service business.

The electronic systems business saw increases in orders compared to the same period of the previous fiscal year owing to an increase in the space systems business, for instance the Advanced Land Observing Satellite-2 (ALOS-2), while sales decreased due to a decrease in the electronics business.

As a result, total sales for this segment showed a decrease of 15% compared to the same period of the previous fiscal year. Operating income decreased by 0.3 billion yen compared to the same period of the previous fiscal year due primarily to decreased sales.

Electronic Devices

Total sales: 41.5 billion yen (43% increase from the same quarter last year)
Operating income: 0.7 billion yen (3.3 billion yen improvement from the same quarter last year)

The semiconductor business saw increases in both orders and sales from the same period of the previous fiscal year owing to increased orders in power modules for consumer and industrial use, in addition to a market recovery in optical transmission devices.

The LCD module business saw increases in both orders and sales from the same period of the previous fiscal year due to increased orders for industrial-use products.

As a result, total sales for the segment increased by 43% compared to the same period of the previous fiscal year. Operating income improved by 3.3 billion yen to profitability compared to the same period of the previous fiscal year due primarily to an increase in sales.

Home Appliances

Total sales: 214.9 billion yen (13% increase from the same quarter last year)
Operating income: 14.1 billion yen (6.0 billion yen increase from the same quarter last year)

The home appliances business saw an increase in sales by 13% compared to the same period of the previous fiscal year due primarily to increases in photovoltaic systems for the Japanese market and LCD televisions, both owing to the uplifting effects of government subsidies such as the “eco-points” incentives, as well as growth in photovoltaic systems mainly in Europe.

Operating income increased by 6.0 billion yen from the same period of the previous fiscal year primarily due to increased sales.

Others

Total sales: 134.9 billion yen (15% increase from the same quarter last year)
Operating income: 0.4 billion yen (1.7 billion yen improvement from the same quarter last year)

Sales increased by 15% compared to the same period of the previous fiscal year mainly in affiliated companies involved in material procurement and logistics, etc. Operating income also showed an improvement by 1.7 billion yen to profitability compared to the same period of the previous fiscal year due mainly to increased sales.

Financial Standing

The company's total assets for the fiscal quarter decreased from the end of the previous fiscal year by 39.0 billion yen to 3,176.0 billion yen. This was mainly due to credit collection resulting in a decrease of trade receivables by 143.3 billion yen, while inventories increased by 79.7 billion yen mainly due to variation of the balance of work-in-process as recorded in commensurate with progress in job orders under pertinent contracts.

The balance of outstanding debt and corporate bonds fell by 2.9 billion yen from the balance as of the end of the previous fiscal year to 534.5 billion yen, while the ratio of interest bearing debt to total assets was 16.8%, a 0.1-point increase compared to the end of the previous fiscal year. Trade payables decreased by 39.1 billion yen, and retirement and severance benefits increased by 33.4 billion yen due to an increase in deficiency of pension funds, etc. brought on mainly by a decline in stock prices.

Mitsubishi Electric Corporation shareholders' equity decreased by 14.0 billion yen compared to the end of the previous fiscal year to 950.5 billion yen. Shareholders' equity ratio showed a 0.1-point decrease compared to the end of the previous fiscal year to 29.9%. Retained earnings increased due to a total consolidated net income attributable to Mitsubishi Electric Corporation of 26.2 billion yen, while accumulated other comprehensive income decreased by 31.6 billion yen amidst falling stock prices and other factors.

Operating cash flow for this quarter increased by 37.7 billion yen compared to the same period of the previous fiscal year to 86.6 billion yen (cash in). Investment cash flow increased by 26.7 billion yen compared to the same period of the previous fiscal year to 55.1 billion yen (cash out), resulting from an increase mainly in investment on securities. As a result, free cash flow totaled 31.4 billion yen (cash in). Financial cash flow was 15.7 billion yen (cash out) due to repayment of loans and other factors.

Forecast for Fiscal 2011

With Mitsubishi Electric's financial performance expected to exceed its previous forecast announced on April 30, 2010, the company has modified the consolidated earnings forecast for the first half of fiscal 2011, ending September 30, 2010, due primarily to growth in the Industrial Automation Systems segment, owing to demand for capital expenditures mainly in Asia as well as buoyant automotive sales. The forecast for fiscal 2011, ending March 31, 2011, has also been raised by the same amount revised for the first half of fiscal 2011.

First Half of Fiscal 2011 Consolidated Earnings Forecast

	Previous forecast	Revised forecast	
Net sales:	1,640.0 billion yen	1,690.0 billion yen	(10% increase from the same period last year)
Operating income:	65.0 billion yen	85.0 billion yen	(442% increase from the same period last year)
Income before income taxes:	45.0 billion yen	80.0 billion yen	–
Net income attributable to Mitsubishi Electric Corp.:	30.0 billion yen	50.0 billion yen	–

Fiscal 2011 Consolidated Earnings Forecast

	Previous forecast	Revised forecast	
Net sales:	3,480.0 billion yen	3,530.0 billion yen	(5% increase from the previous fiscal year)
Operating income:	140.0 billion yen	160.0 billion yen	(70% increase from the previous fiscal year)
Income before income taxes:	110.0 billion yen	145.0 billion yen	(126% increase from the previous fiscal year)
Net income attributable to Mitsubishi Electric Corp.:	70.0 billion yen	90.0 billion yen	(218% increase from the previous fiscal year)

Consolidated Financial Results Summary

(In billions of yen except where noted)

	FY '10 Q1 (A) (Apr. 1, 2009 – Jun. 30, 2009)	FY '11 Q1 (B) (Apr. 1, 2010 – Jun. 30, 2010)		
			B – A	B/A (%)
Net sales	699.4	778.9	79.4	111
Operating income	7.3	51.5	44.2	7-fold
Income before income taxes	0.9	46.7	45.8	51-fold
Net income (loss) attributable to Mitsubishi Electric Corp.	(8.2)	26.2	34.4	–
Basic net income (loss) per share attributable to Mitsubishi Electric Corp.	(3.84 yen)	12.22 yen	16.06 yen	–

Note: 1) Consolidated financial charts made in accordance with U.S. GAAP.
2) The company has 156 consolidated subsidiaries.

Consolidated Profit and Loss Statement

(In millions of yen)

	FY '10 Q1 (Apr. 1, 2009 – Jun. 30, 2009)		FY '11 Q1 (Apr. 1, 2010 – Jun. 30, 2010)		B – A	B/A (%)
	(A)	% of total	(B)	% of total		
Net sales	699,451	100.0	778,937	100.0	79,486	111
Cost of sales	519,035	74.2	548,277	70.4	29,242	106
Selling, general and administrative expenses	173,049	24.7	179,063	23.0	6,014	103
Operating income	7,367	1.1	51,597	6.6	44,230	700
Other income	8,611	1.2	12,414	1.6	3,803	144
Interest and dividends	3,946	0.5	3,241	0.4	(705)	82
Other	4,665	0.7	9,173	1.2	4,508	197
Other expenses	15,061	2.2	17,234	2.2	2,173	114
Interest	2,469	0.4	1,973	0.3	(496)	80
Equity in losses of affiliated companies	10,235	1.5	5,705	0.7	(4,530)	56
Other	2,357	0.3	9,556	1.2	7,199	405
Income before income taxes	917	0.1	46,777	6.0	45,860	51-fold
Income taxes	9,011	1.3	19,035	2.4	10,024	211
Net income (loss)	(8,094)	(1.2)	27,742	3.6	35,836	–
Net income attributable to the noncontrolling interests	154	0.0	1,509	0.2	1,355	980
Net income (loss) attributable to Mitsubishi Electric Corp.	(8,248)	(1.2)	26,233	3.4	34,481	–

Consolidated Balance Sheet

(In millions of yen)

	FY '10 (A) (ending Mar. 31, 2010)	FY '11 Q1 (B) (ending Jun. 30, 2010)	B – A
(Assets)			
Current assets	1,927,473	1,863,165	(64,308)
Cash and cash equivalents	391,118	399,693	8,575
Short-term investments	9,542	11,279	1,737
Trade receivables	790,754	646,908	(143,846)
Inventories	474,204	553,950	79,746
Prepaid expenses and other current assets	261,855	251,335	(10,520)
Long-term trade receivables	1,560	2,064	504
Investments	465,653	477,798	12,145
Net property, plant and equipment	517,534	515,643	(1,891)
Other assets	302,874	317,400	14,526
Total assets	3,215,094	3,176,070	(39,024)
(Liabilities and equity)			
Current liabilities	1,266,909	1,221,495	(45,414)
Bank loans and current portion of long-term debt	128,999	136,618	7,619
Trade payables	633,670	594,554	(39,116)
Other current liabilities	504,240	490,323	(13,917)
Long-term debt	408,501	397,915	(10,586)
Retirement and severance benefits	458,763	492,241	33,478
Other fixed liabilities	59,727	57,431	(2,296)
Total equity	1,021,194	1,006,988	(14,206)
Mitsubishi Electric Corp. shareholders' equity	964,584	950,518	(14,066)
Common stock	175,820	175,820	–
Capital surplus	210,006	208,561	(1,445)
Retained earnings	776,763	794,416	17,653
Accumulated other comprehensive income (loss)	(196,509)	(228,109)	(31,600)
Treasury stock at cost	(1,496)	(170)	1,326
Noncontrolling interests	56,610	56,470	(140)
Total liabilities and equity	3,215,094	3,176,070	(39,024)
Balance of Debt	537,500	534,533	(2,967)
Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments	(41,524)	(51,310)	(9,786)
Pension liability adjustments	(171,674)	(182,177)	(10,503)
Unrealized gains on securities	16,600	5,426	(11,174)
Unrealized gains (losses) on derivative instruments	89	(48)	(137)

Consolidated Cash Flow Statement

(In millions of yen)

	FY '10 Q1 (A) (Apr. 1, 2009 – Jun. 30, 2009)	FY '11 Q1 (B) (Apr. 1, 2010 – Jun. 30, 2010)	B – A
I Cash flows from operating activities			
1 Net income (loss)	(8,094)	27,742	35,836
2 Adjustments to reconcile net income to net cash provided by operating activities			
(1) Depreciation of tangible fixed assets and other	28,845	21,855	(6,990)
(2) Decrease in trade receivables	149,165	132,096	(17,069)
(3) Decrease (increase) in inventories	(50,631)	(91,142)	(40,511)
(4) Increase (decrease) in trade payables	(86,356)	(23,626)	62,730
(5) Other, net	15,937	19,700	3,763
Net cash provided by operating activities	48,866	86,625	37,759
II Cash flows from investing activities			
1 Capital expenditure	(28,477)	(26,035)	2,442
2 Proceeds from sale of property, plant and equipment	481	1,702	1,221
3 Purchase of short-term investments and investment securities	(3,371)	(37,187)	(33,816)
4 Proceeds from sale of short-term investments and investment securities	2,547	6,217	3,670
5 Other, net	468	166	(302)
Net cash used in investing activities	(28,352)	(55,137)	(26,785)
I + II Free cash flow	20,514	31,488	10,974
III Cash flows from financing activities			
1 Proceeds from long-term debt	50,100	–	(50,100)
2 Repayment of long-term debt	(36,092)	(5,002)	31,090
3 Increase (decrease) in bank loans, net	(93,789)	(1,760)	92,029
4 Dividends paid	–	(8,580)	(8,580)
5 Purchase of treasury stock	(5)	(9)	(4)
6 Reissuance of treasury stock	10	1	(9)
7 Other, net	–	(438)	(438)
Net cash provided by (used in) financing activities	(79,776)	(15,788)	63,988
IV Effect of exchange rate changes on cash and cash equivalents	4,964	(7,125)	(12,089)
V Net increase (decrease) in cash and cash equivalents	(54,298)	8,575	62,873
VI Cash and cash equivalents at beginning of period	358,616	391,118	32,502
VII Cash and cash equivalents at end of period	304,318	399,693	95,375

Consolidated Segment Information

1. Sales and Operating Income by Business Segment

(In millions of yen)

Business Segment	FY '10 Q1 (Apr. 1, 2009 – Jun. 30, 2009)		FY '11 Q1 (Apr. 1, 2010 – Jun. 30, 2010)		C – A	D – B	C/A (%)
	Sales (A)	Operating income (loss) (B)	Sales (C)	Operating income (D)			
Energy and Electric Systems	206,934	12,186	192,323	15,415	(14,611)	3,229	93
Industrial Automation Systems	143,871	(2,551)	214,560	27,015	70,689	29,566	149
Information and Communication Systems	107,743	1,992	91,222	1,651	(16,521)	(341)	85
Electronic Devices	29,007	(2,563)	41,544	737	12,537	3,300	143
Home Appliances	190,721	8,093	214,949	14,155	24,228	6,062	113
Others	117,411	(1,243)	134,987	460	17,576	1,703	115
Subtotal	795,687	15,914	889,585	59,433	93,898	43,519	112
Eliminations and other	(96,236)	(8,547)	(110,648)	(7,836)	(14,412)	711	–
Total	699,451	7,367	778,937	51,597	79,486	44,230	111

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

2. Sales and Operating Income by Location

(In millions of yen)

Location	FY '10 Q1 (Apr. 1, 2009 – Jun. 30, 2009)		FY '11 Q1 (Apr. 1, 2010 – Jun. 30, 2010)		C – A	D – B	C/A (%)
	Sales (A)	Operating income (loss) (B)	Sales (C)	Operating income (D)			
Japan	590,184	(3,863)	662,845	37,439	72,661	41,302	112
North America	46,139	406	49,698	86	3,559	(320)	108
Asia (excluding Japan)	86,697	5,508	133,381	11,320	46,684	5,812	154
Europe	66,870	691	76,900	3,571	10,030	2,880	115
Others	6,429	183	8,369	938	1,940	755	130
Subtotal	796,319	2,925	931,193	53,354	134,874	50,429	117
Eliminations	(96,868)	4,442	(152,256)	(1,757)	(55,388)	(6,199)	–
Total	699,451	7,367	778,937	51,597	79,486	44,230	111

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

3. Sales by Location of Customers

(In millions of yen)

Location	FY '10 Q1 (Apr. 1, 2009 – Jun. 30, 2009)		FY '11 Q1 (Apr. 1, 2010 – Jun. 30, 2010)		B – A	B/A (%)
	Sales (A)	% of total net sales	Sales (B)	% of total net sales		
Japan	463,849	66.3	487,534	62.6	23,685	105
North America	55,892	8.0	54,152	6.9	(1,740)	97
Asia (excluding Japan)	94,585	13.5	139,540	17.9	44,955	148
Europe	68,147	9.8	76,099	9.8	7,952	112
Others	16,978	2.4	21,612	2.8	4,634	127
Total overseas sales	235,602	33.7	291,403	37.4	55,801	124
Consolidated total	699,451	100.0	778,937	100.0	79,486	111

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) Important trends
The Mitsubishi Electric Group's operations may be affected by trends in the global economy, social conditions, laws, tax codes, and regulations.
- (2) Foreign currency exchange rates
Fluctuations in foreign currency markets may affect Mitsubishi Electric's sales of exported products and purchases of imported materials that are denominated in U.S. dollars or Euros, as well as its Asian production bases' sales of exported products and purchases of imported materials that are denominated in foreign currencies.
- (3) Stock markets
A fall in stock market prices may cause Mitsubishi Electric to record devaluation losses on marketable securities, or cause an increase in retirement benefit obligations in accordance with a decline in the fair value of pension assets.
- (4) Supply/demand balance for products and procurement conditions for materials and components
A decline in prices and shipments due to changes in the supply/demand balance, as well as an increase in material prices due to a worsening of material and component procurement conditions may adversely affect the Mitsubishi Electric Group's performance.
- (5) Fund raising
An increase in interest rates, the yen interest rate in particular, would increase Mitsubishi Electric's interest expenses.
- (6) Significant patent matters
Important patent filings, licensing, copyrights and patent-related disputes may adversely affect related businesses.
- (7) Environmental legislation or relevant issues
We may incur losses or expenses owing to changes in environmental legislation or the occurrence of environmental issues. Such changes in legislation or the occurrence of environmental issues may also impact manufacturing and all corporate activities of the Mitsubishi Electric Group.

- (8) Flaws or defects in products or services
We may incur losses or expenses resulting out of flaws or defects in products or services, and the lowered reputation of the quality of all our products and services may affect the entire Mitsubishi Electric group.
- (9) Litigation and other legal proceedings
The Mitsubishi Electric Group's operations may be affected by lawsuits or other legal proceedings against Mitsubishi Electric, its subsidiaries and/or equity-method affiliated companies.
- (10) Disruptive changes
Disruptive changes in technology, development of products using new technology, timing of production, and market introduction may adversely affect the Mitsubishi Electric Group's performance.
- (11) Business restructuring
The Mitsubishi Electric Group may record losses due to restructuring measures.
- (12) Natural disasters
The Mitsubishi Electric Group's operations, particularly manufacturing activities, may be affected by the occurrence of earthquakes, typhoons, tsunami, fires and other large-scale disasters.
- (13) Other significant factors
The Mitsubishi Electric Group's operations may be affected by the outbreak of social or political upheaval due to terrorism, war, pandemic by new strains of influenza and other diseases, or other factors.

Notes

- 1. Change of status in material affiliates in this quarterly period: none
- 2. Abbreviated accounting procedures and procedures inherent to compiling quarterly consolidated financial statements: not applicable
- 3. Changes in principles and procedures of accounting methods for compiling quarterly consolidated financial statements, or in presentation methods, etc.: none
- 4. Important factors related to the conditions for the going concern: not applicable

About Mitsubishi Electric

With over 85 years of experience in providing reliable, high-quality products to both corporate clients and general consumers all over the world, Mitsubishi Electric Corporation (TOKYO: 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 3,353.2 billion yen (US\$ 36.1 billion*) in the fiscal year ended March 31, 2010. For more information visit <http://global.mitsubishielectric.com>

*At an exchange rate of 93 yen to the US dollar, the rate given by the Tokyo Foreign Exchange Market on March 31, 2010

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