

## Summary of the Q&A at the Consolidated Financial Results Briefing for the Third Quarter of Fiscal 2024 (The Press)

Date and time:	Monday, February 5, 2024 from 4:00 p.m. to 5:15 p.m.
Venue:	Head office of Mitsubishi Electric Corporation (Online briefing)
Respondents:	Kuniaki Masuda, Executive Officer, CFO Kenichiro Fujimoto, Executive Officer overseeing Accounting and Finance, Senior General Manager for Corporate Accounting Div.

- Q. What factors contributed to the lower-than-expected demand in the air conditioning systems & home products business?
- A. Demand is weaker than our expectations, particularly in Europe and North America. In Europe, demand for energy-saving products is slowing due to falling gas prices, and the overall economy, including consumer spending, is stagnant. In addition, coupled with the impact of the revision of various subsidies due to policy changes in some countries, the overall market fell. In the U.S., it is taking longer than expected to eliminate channel inventories, which we explained when we announced our Q2 results. Although thus far Europe and North America have been driving the growth of the business, the current situation is that growth has not been as strong as expected.
- Q. Regarding the factory automation systems business, you explained that the lithium-ion battery projects have been delayed, but what is the outlook? Are there any signs of recovery?
- A. While the business environment for the factory automation systems business has thus far not been very good in general, sales of lithium-ion batteries had remained relatively strong. As such, we had high expectations for Q3 as well, but some customers' projects were delayed. Project delays have also been seen in display-related projects. We expect that the projects will resume at some point in the somewhat near future and that demand will recover around Q2 FY25.
- Q. Regarding the slowdown in demand in the factory automation systems business, is there any variation in characteristics by region?
- A. Delays, rescheduling, and other changes to the aforementioned lithium-ion battery-related projects are occurring mainly in East Asia. Beyond lithium-ion batteries, we are seeing delayed capital investments in some display and solar power-related projects.
- Q. Regarding the automotive equipment business, you explained that the effects of the price hike can be seen. How is the progress toward the spin-off?
- A. Preparations for the spin-off are making steady progress. Although performance is recovering, we recognize that we need to raise the capabilities of the business a little more.

- Q. You stated that Q3 company-wide revenue and operating profit were record highs. Is quarterly net profit attributable to Mitsubishi Electric Corp. shareholders also a record high?
- A. In FY20, we achieved the record-high net profit attributable to Mitsubishi Electric Corp. shareholders of 3Q. This fiscal year, we will reach record highs with items up to operating profit.
- Q. Demand for the semiconductor business seems to fluctuate by area, but what is your view of the current business environment and market outlook?
- A. As you noted, orders have been fluctuating by area, and a slowdown in demand has been seen for some products, such as power modules used in air conditioners. However, we recognize that demand for power devices remains generally strong. Although we are still scrutinizing the outlook for FY25, we continue to see firm demand for power devices as a whole. However, we believe it is necessary to closely monitor future market trends for some of the aforementioned products used in consumer and industrial applications.
- Q. Regarding demand in the factory automation systems business, when announcing the Q2 results, you explained that you expected that it had bottomed out, but the situation is even worse in Q3. Do you think the recovery time will be delayed from your previous forecast?
- A. As you point out, the timing of recovery in the factory automation systems business is later than initially expected. We expected capital investments related to lithium-ion batteries to remain flat, but reviews of investment timings on the customer side had a significant impact. Other factors such as a delay in investments related to displays and solar power also occurred, but the biggest discrepancy versus our expectations was investments related to lithium-ion batteries. Although we previously explained that the market conditions would recover from FY25 onward, we now expect the recovery timing to be later than Q1 FY25 due to conditions being more difficult than we had anticipated.
- Q. Although I think it may be difficult to answer because individual segments may be good or bad and foreign exchange rates may also affect the situation, but what is your overall outlook?
- A. Market conditions in the factory automation systems and the air conditioning systems & home products business are tougher than expected, so we have no choice but to forecast that these businesses will have more severe results, at least in Q1 FY25. We will carefully assess how much revenue we can add in other businesses as well as the recovery timing.
- Q. In the automotive equipment business, the operating profit forecast for FY24 has been increased by 13.0 billion yen from the previous forecast. What factors boosted profit in Q3?
- A. First is the effect of price hike that we have been working on for some time. This indicates the effects of improvements appearing in Q3, including those made in the past. Second is the return of overall demand in the automotive equipment business due to the resolution of component procurement difficulties, consequently enabling us to steadily secure the scale of revenue. Third, we believe that foreign exchange rates have had a boost effect. Despite year-on-year improvements in the automotive equipment business, we recognize that it still has some way to go.

- Q. It has been pointed out that growth in xEV sales is sluggish, but what is the demand situation for power modules used in automotive applications?
- A. As mentioned above, the situation for automotive applications is not bad, partly due to the elimination of component procurement difficulties. On the other hand, it is true that some customers are experiencing poor sales. As we have recently announced the availability of new SiC/Si power module products for xEVs, we are striving to set up future deals in a way that leads to success. We recognize that we are not currently in a situation that requires a serious change in policy.
- Q. In the energy systems business, other companies are experiencing strong growth due to demand in decarbonization-related fields in Europe, North America, and Japan. Meanwhile, Mitsubishi Electric does not appear to have grown that much. What are the factors contributing to this?
- A. To improve profitability, we are currently working to change our business structure, by which orders are selectively taken for profitable projects. As a result, we are steadily winning good business deals in smart meters, renewable energy, energy management systems, and customer-related areas. We recognize that we are moving in the right direction.

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