



[Translation]

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# Quarterly Report

The Second Quarter of 152nd Business Term  
From July 1, 2022 to September 30, 2022

Mitsubishi Electric Corporation

7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo

The Second Quarter of 152nd Business Term (from July 1, 2022 to September 30, 2022)

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# Quarterly Report

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This is an English translation of the Quarterly Report (“Shihanki Hokokusho”) pursuant to Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act of Japan filed via the Electronic Disclosure for Investors’ Network (“EDINET”) system as set forth in Article 27-30-2 of the same Act. The translation includes a table of contents and pagination that are not included in the electronic filing.

Mitsubishi Electric Corporation

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## [Cover]

|   |  |
|---|--|
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| [Company Name]  | Mitsubishi Denki Kabushiki Kaisha  |
| [Company Name in English]   | Mitsubishi Electric Corporation  |
| [Title and Name of Representative]                                  | Kei Uruma, President & CEO   |
| [Address of Head Office]  | 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo   |
| [Phone Number]  | 03(3218)2111<br>(This has been changed since the current quarterly report.)            |
| [Contact Person]  | Takashi Wakabayashi, Senior Manager, Accounting Section, Corporate Accounting Division |
| [Contact Address]   | 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo   |
| [Phone Number]  | 03(3218)2111   |
| [Contact Person]  | Takashi Wakabayashi, Senior Manager, Accounting Section, Corporate Accounting Division |
| [Place Where the Filed Document is Available for Public Inspection] | Tokyo Stock Exchange, Inc.<br>(2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)              |

### Cautionary Statement

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

The main factors materially affecting the expectations expressed herein include but are not limited to the following:

- (1) Changes in worldwide economic and social conditions, as well as regulations, taxation and other legislation
- (2) Changes in foreign currency exchange rates
- (3) Changes in stock markets
- (4) Changes in the fund-raising environment
- (5) Changes in the supply and demand of products, as well as the material procurement environment
- (6) Establishment of important patents, status of significant licenses and disputes related to key patents
- (7) Litigation and other legal proceedings
- (8) Issues related to quality and defects in products or services
- (9) Laws, regulations and issues related to the global environment, especially responses to climate change
- (10) Laws, regulations and issues related to human rights
- (11) Radical technological innovation, as well as the development, manufacturing and time-to-market of products using new technology
- (12) Business restructuring
- (13) Information security incidents
- (14) Large-scale disasters, including earthquakes, tsunamis, typhoons, volcanic eruptions and fires
- (15) Social, economic and political upheaval due to heightened geopolitical risks, war, conflict, terrorism or other factors
- (16) Social, economic and political upheaval due to pandemics or other factors
- (17) Important matters related to Mitsubishi Electric Corporation’s directors and executive officers, major shareholders, affiliated companies and other stakeholders

# I. Overview of the Company

## 1. Key Financial Data

(Millions of yen, unless otherwise stated)

|   | For the six months<br>ended Sept. 30, 2021 | For the six months<br>ended Sept. 30, 2022 | Year ended<br>Mar. 31, 2022 |
|---|--|--|-----------------------------|
| Revenue   | 2,138,377                                  | 2,339,567                                  | 4,476,758                   |
| [For the three months ended September 30, 2021 and 2022, respectively]                  | [1,071,935]                                | [1,271,844]                                |                             |
| Profit before income taxes  | 148,395                                    | 103,111                                    | 279,693                     |
| Net profit attributable to Mitsubishi Electric Corp. stockholders                       | 104,836                                    | 74,825                                     | 203,482                     |
| [For the three months ended September 30, 2021 and 2022, respectively]                  | [43,001]                                   | [41,333]                                   |                             |
| Comprehensive income attributable to Mitsubishi Electric Corp. stockholders             | 112,559                                    | 165,304                                    | 356,926                     |
| Mitsubishi Electric Corp. stockholders' equity  | 2,794,781                                  | 3,085,257                                  | 2,975,941                   |
| Total equity  | 2,909,738                                  | 3,211,106                                  | 3,097,397                   |
| Total assets  | 4,711,681                                  | 5,204,622                                  | 5,107,973                   |
| Basic earnings per share attributable to Mitsubishi Electric Corp. stockholders (yen)   | 48.94                                      | 35.43                                      | 95.41                       |
| [For the three months ended September 30, 2021 and 2022, respectively]                  | [20.09]                                    | [19.57]                                    |                             |
| Diluted earnings per share attributable to Mitsubishi Electric Corp. stockholders (yen) | 48.94                                      | 35.43                                      | 95.41                       |
| Mitsubishi Electric Corp. stockholders' equity ratio (%)                                | 59.3                                       | 59.3                                       | 58.3                        |
| Cash flows from operating activities  | 164,919                                    | 50,770                                     | 282,371                     |
| Cash flows from investing activities  | (79,392)                                   | (89,850)                                   | (114,867)                   |
| Cash flows from financing activities  | (132,515)                                  | (91,046)                                   | (241,319)                   |
| Cash and cash equivalents at end of period  | 721,939                                    | 631,587                                    | 727,179                     |

Notes: 1. The condensed quarterly consolidated financial statements and the consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (“IFRS”).

2. As the Group prepares the condensed quarterly consolidated financial statements, the key financial data of the Company is not provided.

3. Diluted earnings per share attributable to Mitsubishi Electric Corp. stockholders is equal to Basic earnings per share attributable to Mitsubishi Electric Corp. stockholders as no dilutive securities existed.

## 2. Description of Business

The condensed quarterly consolidated financial statements of the Mitsubishi Electric Group are prepared in accordance with IFRS. The Mitsubishi Electric Group, which is composed of the Company, 210 consolidated subsidiaries and 40 equity method companies, engages in 5 business segments (Infrastructure, Industry and Mobility, Life, Business Platform, Others) and our products range from all types.

The classification of reportable segments were changed from 6 categories such as Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, Electronic Devices, Home Appliances, and Others to the above-noted 5 categories from the first quarter of this fiscal year. Details are described in “IV. Financial Information, 1. Condensed Quarterly Consolidated Financial Statements, Notes 5. Segment information.”

Changes in major subsidiaries and affiliated companies during the six months ended September 30, 2022 were as follows.

(Life) Mitsubishi Electric Building Techno-Service Co., Ltd. has succeeded building systems business of the Company, and changed its company name to Mitsubishi Electric Building Solutions Corporation as of April 1, 2022.

(Others) Mitsubishi Space Software Co., Ltd. has merged with Mitsubishi Electric Control Software Corporation, Mitsubishi Electric Micro-Computer Application Software Co., Ltd., Mitsubishi Electric Mechatronics Software Corporation, Melco Power Systems Co., Ltd., and Nippon Advanced Technology Co., Ltd., and changed its company name to Mitsubishi Electric Software Corporation as of April 1, 2022.

Chiyoda Mitsubishi Electric Co., Ltd., a comprehensive sales company, has merged with Seikosha Co., Ltd., and changed its company name to Mitsubishi Electric Industrial Solutions Corporation as of April 1, 2022.

## II. Business Overview

### 1. Business and Other Risks

For the six months ended September 30, 2022, there were no new business and other risks such as unusual fluctuations in the financial position, operating results, and cash flows.

For the six months ended September 30, 2022, the followings are the changes in the Business and Other Risks stated in the Annual Securities Report for the fiscal year ended March 31, 2022, and the relevant changes and additions are underlined.

The item numbers correspond to “Part I Information on the Company, II. Business Overview, 2. Business and Other Risks” in the Annual Securities Report for the fiscal year ended March 31, 2022.

#### 1) Impact of improper quality control practices on the Group’s performance

An internal investigation revealed that the inspections of some of the HVAC (Heating, Ventilation and Air Conditioning systems) and other products for railcars manufactured at Nagasaki Works were conducted in a different way from the inspections described in the purchase specification, had not been actually conducted, and had inappropriate documentation in the inspection reports, etc. Following this, the Company has set up the Investigative Committee (chaired by Hiroshi Kimeda, Nishimura & Asahi, announced July 2, 2021) to investigate the existence of improper quality control practices on a company-wide basis, the facts and causes of the improper practices, and based on the findings of the investigation, to formulate measures to prevent any recurrence, etc.

The committee had identified 2,362 cases necessarily to investigate in total and it had finished all the investigations across Mitsubishi Electric’s 22 sites in Japan by objective data and other information obtained through a questionnaire survey for all domestic employees of the Company, conducting forensic investigations into parties at the relevant sites and officers and carrying out interviews and inquiries with relevant parties.

In the course of these investigations, the Company received investigation reports from the Investigative Committee on October 1, 2021, December 23, 2021, May 25, 2022, and October 20, 2022, regarding the status of the investigation as of each of these dates. The Group has recorded significant inspection and replacement costs, etc. in relation to the improper quality control practices identified until September 30, 2022 in the current fiscal year, including those described in the final report dated October 20, 2022.

This situation as well as the findings and recommendations of the Investigation and Governance Review Committees are being taken very seriously by the Company. Going forward, The Company is determined to emerge as a new company by working to prevent any recurrence across the entire Group as well as by implementing three key reforms (quality assurance, organization culture, and governance) to regain public and stakeholder trust. The Company’s management is committed to demonstrating its earnestness to employees by fundamentally overhauling existing internal-communication practices and taking responsibility for getting involved in efforts to correct issues at the workplace level. At the same time, The Company’s management will resolutely forge ahead with efforts to institute company-wide systems, frameworks and other reforms needed to eradicate any improper quality-control practices.

Forward-looking statements in this section are based on the judgment of the Company as of the date of submission of the Quarterly Report (November 8, 2022).

### 2. Management Analysis of Financial Position, Operating Results and Cash Flows

The condensed quarterly consolidated financial statements of the Mitsubishi Electric Group are prepared in accordance with IFRS. The Group makes judgments, estimates and assumptions that affect the amounts of assets, liabilities, income and expenses in preparation of the condensed quarterly consolidated financial statements, and actual results may differ from these estimates.

#### (1) Overview of business performance

The economy in the six months ended September 30, 2022, generally continued to see recovery in the corporate and household sectors in the U.S. In China, there was downward pressure due to the impact of lockdown caused by the expansion of COVID-19, and the pace of subsequent recovery stayed slow. In Japan, gradual recovery continued primarily in the household sector. In Europe, the paces of recovery were even slower in the corporate and household sectors. There was also the impact of the rise in some material prices and high logistics costs, as well as the prolonged electronic components shortage.

As a result, the business performance for the six months ended September 30, 2022 is as follows.

< Consolidated performance >

(In billions of yen)

|  | For the six months ended<br>Sept. 30, 2021 | For the six months ended<br>Sept. 30, 2022 | Compared to the same period<br>of the previous fiscal year |
|--|--|--|--|
| Revenue  | 2,138.3                                    | 2,339.5                                    | up 201.1   |
| Operating profit   | 137.8                                      | 80.5                                       | down 57.3  |
| Profit before income taxes   | 148.3                                      | 103.1                                      | down 45.2  |
| Net profit attributable to Mitsubishi<br>Electric Corp. stockholders | 104.8                                      | 74.8                                       | down 30.0  |

### 1) Revenue

Revenue for the six months ended September 30, 2022 increased by 201.1 billion yen year-on-year to 2,339.5 billion yen owing primarily to the weaker yen, despite a decrease in revenue in the Infrastructure segment. The Life segment saw an increase in the building systems business in Asia and Japan, and the air conditioning systems & home products business also increased due mainly to a recovery in demand for air conditioners in Asia (excluding China), Europe and Japan. The Industry and Mobility segment saw an increase in the factory automation systems business due mainly to an increase in global demand for capital expenditures related to digital equipment and decarbonization, and the automotive equipment business also increased due to robust demand for electric vehicle-related equipment. The Business Platform segment saw an increase in the information systems & network service business due mainly to increases in the IT infrastructure service and the system integrations businesses. The semiconductor & devices business also increased due to robust demand for power modules and optical communication devices.

< Impact of exchange rate fluctuations on revenue >

|                    | Average exchange rate<br>for the six months ended<br>Sept. 30, 2021 | Average exchange rate<br>for the six months ended<br>Sept. 30, 2022 | Impact of exchange rate fluctuations<br>on revenue for the six months ended<br>Sept. 30, 2022 |
|--------------------|---|---|---|
| Consolidated total | —   | —   | About ¥140.0 billion increase   |
| US\$               | ¥110  | ¥135  | About ¥61.0 billion increase  |
| EURO               | ¥131  | ¥139  | About ¥13.0 billion increase  |
| CNY                | ¥17.1   | ¥19.9   | About ¥30.0 billion increase  |

### 2) Operating profit

Operating profit decreased by 57.3 billion yen year-on-year to 80.5 billion yen due mainly to decreases in the Life segment, the Infrastructure segment and the Industry and Mobility segment, despite an increase in the Business Platform segment. Operating profit ratio decreased by 3.0 points year-on-year to 3.4% due mainly to deteriorated cost ratio.

The cost ratio deteriorated by 2.3 points year-on-year despite the improvement owing to the weaker yen, as there was the impact of the rise in some material prices, the Life segment deteriorated due to the lower production level caused by the rise in logistics costs and the electronic components shortage, and the profitability of the Infrastructure segment also deteriorated. Selling, general and administrative expenses increased by 62.0 billion yen year-on-year, and the selling, general and administrative expenses to revenue ratio deteriorated by 0.7 points year-on-year. Other profit (loss) and other profit (loss) to revenue ratio remained substantially unchanged year-on-year.

### 3) Profit before income taxes

Profit before income taxes decreased by 45.2 billion yen year-on-year to 103.1 billion yen due primarily to a decrease in operating profit. The profit before income taxes to revenue ratio was 4.4%.

### 4) Net profit attributable to Mitsubishi Electric Corp. stockholders

Net profit attributable to Mitsubishi Electric Corporation stockholders decreased by 30.0 billion yen year-on-year to 74.8 billion yen due mainly to a decrease in profit before income taxes. The net profit attributable to Mitsubishi Electric Corporation stockholders to revenue ratio was 3.2%.



Consolidated Financial Results by Business Segment are as shown below.

### 1) Infrastructure

The market for the public utility systems business saw robust investment in the public utility area outside Japan, while there was a continuing trend of railway companies in Japan revising their capital expenditure due to the impact of COVID-19. In this environment, orders won by the business increased year-on-year due primarily to an increase in the public utility area outside Japan, while revenue decreased year-on-year due mainly to a decrease in the transportation systems business in Japan.

The market for the energy systems business continued to see capital expenditures of power companies in Japan and robust demand for power supply stabilization in the expansion of renewable energy. In this environment, orders won by the business increased year-on-year due primarily to increases in the power distribution and the power generation businesses in Japan, while revenue decreased year-on-year due mainly to a decrease in the power generation business in Japan.

The defense & space systems business saw a decrease in orders year-on-year due primarily to a decrease in large-scale projects for the defense systems business, while revenue increased year-on-year due mainly to an increase in large-scale projects for the defense systems business.

As a result, revenue for this segment decreased by 2% year-on-year to 402.0 billion yen.

Operating profit declined by 24.1 billion yen year-on-year to a loss of 15.3 billion yen due primarily to a decrease in revenue, a shift in project portfolios and lower profitability in the defense & space systems business.

### 2) Industry and Mobility

The market for the factory automation systems business saw robust demand worldwide primarily for capital expenditures related to digital equipment such as semiconductors and electronic components, as well as products in the decarbonization area such as lithium-ion batteries. In this environment, the business saw increases in both orders and revenue year-on-year.

The market for the automotive equipment business saw sales of new cars remaining substantially unchanged year-on-year and robust demand for electric vehicle-related equipment in line with the expansion of the electric vehicle market, despite the semiconductor shortage. In this environment, the business saw increases in both orders and revenue year-on-year due primarily to the weaker yen and increases in electric-vehicle related equipment such as motors and inverters as well as electrical components.

As a result, revenue for this segment increased by 13% year-on-year to 794.9 billion yen.

Operating profit decreased by 11.2 billion yen year-on-year to 43.9 billion yen due mainly to the rise in material prices and logistics costs, despite the weaker yen.

### 3) Life

The market for the building systems business continued to see recovery from the sluggish market stemming from COVID-19. In this environment, the business saw increases in both orders and revenue year-on-year due primarily to the weaker yen and an increase in Asia and Japan.

The market for the air conditioning systems & home products business saw recovery from the impact of Shanghai's lockdown and an improvement of the situation with regard to the electronic components shortage in and after the second quarter. In this environment, the revenue for the business increased year-on-year due mainly to the weaker yen and an increase in air conditioners in Asia (excluding China), Europe and Japan.

As a result, revenue for this segment increased by 11% year-on-year to 940.1 billion yen.

Operating profit decreased by 35.7 billion yen year-on-year to 34.0 billion yen due primarily to the rise in material prices and logistics costs as well as lower production level in the three months ended June 30, 2022, despite the weaker yen.

### 4) Business Platform

The market for the information systems & network service business saw robust demand due mainly to the restarts of projects delayed in the COVID-19 pandemic, despite the semiconductor shortage. In this environment, the business saw an increase in both orders and revenue due mainly to increases in the IT infrastructure service and the system integrations businesses.

The market for the semiconductor & device business saw robust demand for power modules used in consumer and industrial applications as well as optical communication devices. In this environment, orders won by the business decreased year-on-year due primarily to the end of the TFT-LCD module business, while revenue increased year-on-year due primarily to the weaker yen and increases in power modules used in consumer and industrial applications, as well as high frequency and optical devices, particularly in optical communication devices.

As a result, revenue for this segment increased by 10% year-on-year to 206.8 billion yen.

Operating profit increased by 9.8 billion yen year-on-year to 19.4 billion yen due mainly to the weaker yen and an increase in revenue.

## 5) Others

Revenue increased by 14% year-on-year to 393.0 billion yen due primarily to increases in materials procurement and logistics.

Operating profit increased by 4.8 billion yen year-on-year to 14.3 billion yen due mainly to an increase in revenue.

### (2) Analysis of financial position

Total assets as of the end of this fiscal quarter increased by 96.6 billion yen compared to the end of the previous fiscal year to 5,204.6 billion yen. The change in balance of total assets was mainly attributable to increases in inventories by 178.3 billion yen and contract assets by 35.3 billion yen, despite a decrease in trade receivables by 104.0 billion yen.

Inventories increased due primarily to the weaker yen, recovery in demand for the Industry and Mobility segment and the Life segment, as well as the semiconductor and other electronic components shortage. Trade receivables decreased due mainly to credit collection for projects from the previous fiscal year.

Total liabilities decreased by 17.0 billion yen compared to the end of the previous fiscal year to 1,993.5 billion yen due primarily to a decrease in other financial liabilities by 25.9 billion yen, despite an increase in trade payables of 9.8 billion yen. Bonds and borrowings increased by 0.9 billion yen compared to the end of the previous fiscal year to 218.0 billion yen, with the ratio of bonds and borrowings to total assets recording 4.2%, representing a 0.1 point decrease compared to the end of the previous fiscal year.

Mitsubishi Electric Corporation stockholders' equity increased by 109.3 billion yen compared to the end of the previous fiscal year to 3,085.2 billion yen due mainly to net profit attributable to Mitsubishi Electric Corporation stockholders of 74.8 billion yen and an increase in accumulated other comprehensive income of 89.7 billion yen, mainly reflecting the weaker yen, despite a decrease due primarily to a dividend payment of 54.9 billion yen. The stockholders' equity ratio was 59.3%, representing a 1.0 point increase compared to the end of the previous fiscal year.

### (3) Status of cash flows

Cash flows from operating activities for the six months ended September 30, 2022 were 50.7 billion yen (cash in), while cash flows from investing activities were 89.8 billion yen (cash out). As a result, free cash flow was 39.0 billion yen (cash out). Cash flows from financing activities were 91.0 billion yen (cash out), and cash and cash equivalents at the end of the period decreased by 95.5 billion yen compared to the end of the previous fiscal year to 631.5 billion yen.

Net cash provided by operating activities decreased by 114.1 billion yen year-on-year due primarily to a decrease in profit, the impact of credit collection and an increase in inventories.

Net cash used in investing activities increased by 10.4 billion yen year-on-year due mainly to an increase in purchase of investment securities primarily for the acquisition of subsidiaries, as well as the purchase of property, plant and equipment.

Net cash used in financing activities decreased by 41.4 billion yen year-on-year due primarily to an increase in raising short-term borrowings and a decrease in purchase of treasury stock.

#### (4) Management Policy, Business Environment and Corporate Agenda

For the six months ended September 30, 2022, the following are the changes in “Part I Information on the Company, II. Business Overview, 1. Management Policy, Business Environment and Corporate Agenda” in the Annual Securities Report for the fiscal year ended March 31, 2022, and the relevant changes and additions are underlined.

(Omitted)

The global economy is expected to continue recovering but growth is anticipated to slow down due to an economic slowdown caused by the prolonged situation in Ukraine and monetary tightening against a backdrop of rising inflation in various countries, as the expansion of the novel coronavirus diseases (COVID-19) variants and other uncertainties persist.

(...)

With regard to legal and ethical compliance, the Group takes its recent product and service quality, work-related, and information security issues extremely seriously as a top management priority, and is promoting a number of reoccurrence prevention initiatives. Based on the Mitsubishi Electric Group compliance motto of “Always Act with Integrity,” the Group as a whole will diligently work to further disseminate compliance awareness by strengthening its organizational compliance frameworks through inculcating compliance policy, enhancing internal control measures and internal training.

With regard to improper quality control practices, in July 2021, the Group commissioned investigations to an Investigative Committee chaired by an outside attorney. The committee has conducted to verify the consistency of objective data and other information obtained through a questionnaire survey for all domestic employees of Mitsubishi Electric Corporation, conduct forensic investigations into Executive Officers and other relevant parties and carry out interviews and inquiries with relevant parties. The Company has received the update on the results of the investigation into improper quality control practices (Final Report) from the Company’s Investigative Committee of outside experts, which has completed its investigation of improper quality control practices in all 22 sites of the company, on October 20, 2022. The Company also received its Governance Review Committee’s evaluations, established in October 2021 and composed of external experts, on the Company’s overall governance and internal controls as well as related recommendations, and reports on additional assessment and evaluation on Executive Officer and Director’s responsibility. Based on the Investigative Committee’s reports to date, the Company newly analyzed the different types of improper quality control practices and their underlying causes, and reexamined any need to strengthen three key reforms (quality assurance, organization culture, and governance) that have been under way since October 2021. Although no need for major changes in the direction of the reforms have been identified as a result, further efforts are being taken to prevent any recurrence, including by revising engineering processes, cultivating a culture of two-way communication, and establishing internal controls and governance that focus more on prevention.

In Quality assurance reforms (Revising engineering processes), through the following efforts, the Company aims to provide customers with technically correct explanations and reduce workloads by having managers communicate and negotiate with customers. The goal is to restructure the organization so that there is no need to engage in improper quality control practices in the first place.

- Create an environment that facilitates reliable workplace management, for example, by adding more personnel, streamlining work processes, and rightsizing managerial scopes based on recognition of design and quality-control resources and loads.
- Frontload development and design, for example, by assigning more reviewers where needed to improve review effectiveness, etc.
- Deploy data-driven quality control and procedures, and have managers communicate such actions to customers.

In Organizational culture reforms (Facilitating two-way communication), through the following efforts, the Company aims to open up two-way lines of communication and cultivate a culture in which people feel comfortable in raising issues with their managers, and also in which people collaborate to solve problems.

- Senior management will drive reforms through coaching and town-hall meetings for people in leadership positions, and also through communications from Executive Officers via internal social media networks, etc.
- The Company will promote communication and help people to connect with each other within and across departments to build a self-initiative organization. This will include implementing crossworkplace/department personnel rotations and one-on-one meetings, and also creating guidelines for psychological safety, casual conversations and work-related discussions.
- The Company will institute behavioral changes to ensure that managers actively listen for and seek to understand workplace issues rather than waiting for people to report them, thus facilitating organizational solutions.

In Governance reforms (Building a compliance system focused on prevention), through the following efforts, the Company aims to establish more efficient and effective governance focused on identifying predictive indicators and preventing problems.

- Based on a review of Board of Directors composition that was conducted over the past year, mechanisms will be instituted to

share important information fully, especially with outside directors, and further strengthen the Board of Directors' monitoring functions.

- Strengthen cross-organizational functions company-wide, establish internal controls to detect predictive indicators and prevent problems, and strengthen company-wide risk-control functions.
- Consistently accelerate and enhance the three key reforms through monitoring by the Board of Directors with a majority of outside directors, with an emphasis on stakeholder perspectives.

While receipt of the final report marks the completion of the Investigative Committee's investigation into improper quality control practices at Mitsubishi Electric, which began with a questionnaire survey conducted by the Investigative Committee of external experts in July 2021, the Company will continue to pursue reforms in three key areas as a top priority. Also, the Board of Directors will monitor the progress of these efforts and the Company will provide updates to internal and external stakeholders via its website\*<sup>5</sup>.

Based on the lessons and insights provided by the investigation, the Company's CQO (Chief Quality Officer) has begun conducting quality assessments at Group affiliates as well to grasp the actual situation. Based on the results of the assessments and depending on each Group affiliate's traits, Mitsubishi Electric will shed a light on improvement of their capabilities to prevent improper quality control practices before they manifest. Improvements tailored to each company will be implemented and instructive examples will be shared across the Group as part of ongoing efforts to institute systems and frameworks that do not allow improper quality control practices to arise in the first place.

\*5 For details of the Company's efforts to restore trust and its roadmap for reform, visit: <https://reform.MitsubishiElectric.com/>  
(Omit the last part)

#### (5) Research and Development

For the six months ended September 30, 2022, the total R&D expenses for the entire Group have amounted to 102.7 billion yen (Including elements spent on quality improvements, which constitute manufacturing costs).

There were no significant changes in the research and development activities of the Group for the six months ended September 30, 2022.

### 3. Material Agreements, etc.

In the three months ended September 30, 2022 there were no material agreements entered into, modified, or cancelled.

### III. Information on the Company

#### 1. Information on the Company's Stock, etc.

##### (1) Total number of shares, etc.

###### 1) Total number of shares

| Class        | Authorized shares (shares) |
|--------------|----------------------------|
| Common stock | 8,000,000,000              |
| Total        | 8,000,000,000              |

###### 2) Issued shares

| Class        | Number of shares issued as of the end of the quarter (shares) (Sept. 30, 2022) | Number of shares issued as of the filing date (shares) (Nov. 8, 2022) | Stock exchange on which the Company is listed     | Description  |
|--------------|--|---|---|--|
| Common stock | 2,147,201,551  | 2,147,201,551   | Japan : Tokyo (Prime Market)<br>Overseas : London | The number of shares per one unit of shares is 100 shares. |
| Total        | 2,147,201,551  | 2,147,201,551   | —   | —  |

Note: Common stock in the table above has voting rights.

##### (2) Information on the stock acquisition rights, etc.

###### 1) Details of stock option plans

Not applicable.

###### 2) Details of other stock acquisition rights, etc.

Not applicable.

##### (3) Information on moving strike convertible bonds, etc.

Not applicable.

##### (4) Changes in the total number of issued shares and the amount of common stock, etc.

| Date                                    | Change in the total number of issued shares (Thousand shares) | Balance of the total number of issued shares (Thousand shares) | Change in common stock (millions of yen) | Balance of common stock (millions of yen) | Change in capital reserve (millions of yen) | Balance of capital reserve (millions of yen) |
|---|---|--|--|---|---|--|
| From July 1, 2022 to September 30, 2022 | —   | 2,147,201  | —  | 175,820                                   | —   | 181,140                                      |

## (5) Principal shareholders

As of September 30,2022

| Name   | Address  | Number of shares Held (Thousand shares) | Ownership percentage to the total number of issued shares (excluding treasury stock) (%) |
|--|--|---|--|
| The Master Trust Bank of Japan, Ltd.<br>(Trust Account)  | 11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo   | 337,314                                 | 15.96  |
| SSBTC CLIENT OMNIBUS ACCOUNT<br>(Standing proxy: The Hongkong and Shanghai Banking Corporation Limited., Tokyo branch)         | ONE LINCOLN STREET, BOSTON MA USA 02111<br>(11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)                    | 116,486                                 | 5.51   |
| Custody Bank of Japan, Ltd.<br>(Trust Account)   | 8-12, Harumi 1-chome, Chuo-ku, Tokyo   | 100,889                                 | 4.77   |
| Meiji Yasuda Life Insurance Company  | 1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo   | 81,862                                  | 3.87   |
| Mitsubishi Electric Group Employees Shareholding Union   | 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo   | 45,134                                  | 2.14   |
| JP MORGAN CHASE BANK 380055<br>(Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Service Department)                   | 270 PARK AVENUE, NEW-YORK, NY 10017, UNITED STATES OF AMERICA<br>(15-1, Konan 2-chome, Minato-ku, Tokyo) | 37,252                                  | 1.76   |
| Nippon Life Insurance Company  | 6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo   | 36,339                                  | 1.72   |
| STATE STREET BANK WEST CLIENT - TREATY 505234<br>(Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Service Department) | 1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A.<br>(15-1, Konan 2-chome, Minato-ku, Tokyo)           | 32,565                                  | 1.54   |
| JP MORGAN CHASE BANK 385781<br>(Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Service Department)                   | 25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM<br>(15-1, Konan 2-chome, Minato-ku, Tokyo) | 25,818                                  | 1.22   |
| THE BANK OF NEW YORK MELLON 140044<br>(Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Service Department)            | 240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A.<br>(15-1, Konan 2-chome, Minato-ku, Tokyo)              | 25,158                                  | 1.19   |
| Total  | —  | 838,822                                 | 39.70  |

Notes: In addition to the above, the Company owns 34,098,732 company-owned shares.

2. BlackRock Japan Co., Ltd. submitted a change report on the Statements of Large-Volume Holdings with the company and 7 other companies as co-owners on June 6, 2022. However, since the Company cannot confirm the number of shares actually owned as of September 30, 2022, "Principal shareholders" column is based on the shareholder registry. The shareholding status as of May 31, 2022 according to the report is as follows.

| Name   | Address  | Number of shares Held (Thousand shares) | Ownership percentage to the total number of issued shares (%) |
|--|--|---|---|
| BlackRock Japan Co., Ltd.                    | 8-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo   | 35,864                                  | 1.67  |
| APERIO GROUP, LLC                            | THREE HARBOR DRIVE SUITE 204<br>SAUSALITO, CA, U.S.A.  | 2,507                                   | 0.12  |
| BLACKROCK (NETHERLANDS) B.V.                 | AMSTELPLEIN 1, 1096 HA, AMSTERDAM,<br>NETHERLANDS  | 7,442                                   | 0.35  |
| BLACKROCK FUND MANAGERS LIMITED              | 12 THROGMORTON AVENUE, LONDON,<br>EC2N 2DL, UNITED KINGDOM   | 7,669                                   | 0.36  |
| BLACKROCK ASSET MANAGEMENT IRELAND LIMITED   | 1ST FLOOR, 2 BALLSBRIDGE PARK,<br>BALLSBRIDGE DUBLIN 4,<br>BALLSBRIDGE, DUBLIN, D04 YW83,<br>IRELAND | 12,372                                  | 0.58  |
| BLACKROCK FUND ADVISORS                      | 400 HOWARD STREET, SAN FRANCISCO,<br>CA, U.S.A.  | 31,546                                  | 1.47  |
| BLACKROCK INSTITUTIONAL TRUST COMPANY, N.A.  | 400 HOWARD STREET, SAN FRANCISCO,<br>CA, U.S.A.  | 27,249                                  | 1.27  |
| BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED | 12 THROGMORTON AVENUE, LONDON,<br>EC2N 2DL, UNITED KINGDOM   | 5,128                                   | 0.24  |

## (6) Information on voting rights

### 1) Issued shares

(As of September 30, 2022)

| Classification   | Number of shares (shares)  | Number of voting rights | Description  |
|--|----------------------------|-------------------------|--|
| Shares without voting right                                | —                          | —                       | —  |
| Shares with restricted voting right (treasury stock, etc.) | —                          | —                       | —  |
| Shares with restricted voting right (others)               | —                          | —                       | —  |
| Shares with full voting right (treasury stock, etc.)       | Common stock 34,353,900    | —                       | Standard common stock of the Company without any restriction. Number of shares constituting one unit: 100 shares |
| Shares with full voting right (others)                     | Common stock 2,112,430,400 | 21,124,304              | Same as above  |
| Shares less than one unit                                  | Common stock 417,251       | —                       | Same as above  |
| Number of shares issued                                    | 2,147,201,551              | —                       | —  |
| Total number of voting rights                              | —                          | 21,124,304              | —  |

Notes: 1. The number of shares in “Shares less than one unit” includes 32 shares as treasury stocks, 129 shares held by the Board Incentive Plan Trust and 80 shares registered in the name of Japan Securities Depository Center, Inc.

2. The number of shares and the number of voting rights in “Shares with full voting right (others)” include 6,700 shares (67 voting rights) registered in the name of Japan Securities Depository Center, Inc. and 1,687,700 shares (16,877 voting rights) held through the Board Incentive Plan Trust.



2) Treasury stock, etc.

(As of September 30, 2022)

| Name of shareholder             | Address   | Number of shares held under own name (shares) | Number of shares held under the name of others (shares) | Total shares held (shares) | Ownership percentage to the total number of issued shares (%) |
|---------------------------------|---|---|---|----------------------------|---|
| Mitsubishi Electric Corporation | 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo                      | 34,098,700                                    | —   | 34,098,700                 | 1.59  |
| Ryoyo Electric Corporation      | 6621, Oda, Yakage-cho, Oda-gun, Okayama                         | 243,200                                       | —   | 243,200                    | 0.01  |
| KITA KOUDENSHA Corporation      | 2-10, Kita 11-jo Nishi 23-chome, Chuo-ku, Sapporo-shi, Hokkaido | 12,000  | —   | 12,000                     | 0.00  |
| Total                           | —   | 34,353,900                                    | —   | 34,353,900                 | 1.60  |

Note: In addition to 34,098,700 shares owned by the Company in the table above and 32 shares less than one unit owned by the Company, 1,687,829 shares of the Company held through the Board Incentive Plan Trust are included in the shares of treasury stock in the condensed quarterly consolidated financial statements.

## 2. Directors and Executive Officers

There were no changes in directors and executive officers from the filing date of the Annual Securities Report for the fiscal year ended March 31, 2022 until September 30, 2022.

## IV. Financial Information

### 1. Basis of preparation of the condensed quarterly consolidated financial statements

The Group prepares its condensed quarterly consolidated financial statements in accordance with International Accounting Standards 34 “Interim Financial Reporting” (“IAS34”) since the Group meets all the requirements of a “specified international accounting standard company” in Article 1-2 of the cabinet Ordinance No. 64 of 2007, “Ordinance on Terminology, Forms and Preparation Methods of quarterly Consolidated Financial Statements”, and therefore Article 93 of that Ordinance applies to the Group.

### 2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the condensed quarterly consolidated financial statements for the three months from July 1, 2022 to September 30, 2022 and the first half of the current fiscal year from April 1, 2022 to September 30, 2022 are reviewed by KPMG AZSA LLC.

# 1 【Condensed Quarterly Consolidated Financial Statements】

## (1) 【Condensed Quarterly Consolidated Statement of Financial Position】

Yen (millions)

|   | Notes | As of Mar. 31, 2022 | As of Sept. 30, 2022 |
|---|-------|---------------------|----------------------|
| (Assets)  |       |                     |                      |
| Cash and cash equivalents                         |       | 727,179             | 631,587              |
| Trade receivables                                 |       | 944,405             | 840,397              |
| Contract assets                                   |       | 287,697             | 323,022              |
| Other financial assets                            | 9     | 62,135              | 79,345               |
| Inventories                                       |       | 959,660             | 1,138,040            |
| Other current assets                              |       | 109,220             | 110,896              |
| Current assets                                    |       | 3,090,296           | 3,123,287            |
| Investments accounted for using the equity method |       | 221,467             | 234,745              |
| Other financial assets                            | 9     | 321,056             | 315,504              |
| Property, plant and equipment                     |       | 855,746             | 881,090              |
| Goodwill and intangible assets                    |       | 161,494             | 187,455              |
| Deferred tax assets                               |       | 159,915             | 168,783              |
| Other non-current assets                          |       | 297,999             | 293,758              |
| Non-current assets                                |       | 2,017,677           | 2,081,335            |
| Total assets                                      |       | 5,107,973           | 5,204,622            |

Yen (millions)

|  | Notes | As of Mar. 31, 20202 | As of Sept. 30, 2022 |
|--|-------|----------------------|----------------------|
| <b>(Liabilities)</b>                           |       |                      |                      |
| Bonds, borrowings and lease liabilities        | 9     | 173,213              | 167,130              |
| Trade payables                                 |       | 601,606              | 611,434              |
| Contract liabilities                           |       | 188,300              | 184,052              |
| Other financial liabilities                    | 9     | 167,687              | 141,730              |
| Accrued expenses                               |       | 326,703              | 322,911              |
| Accrued income taxes                           |       | 33,575               | 25,947               |
| Provisions                                     |       | 106,112              | 114,080              |
| Other current liabilities                      |       | 49,526               | 52,523               |
| Current liabilities                            |       | 1,646,722            | 1,619,807            |
| Bonds, borrowings and lease liabilities        | 9     | 156,248              | 162,095              |
| Net defined benefit liabilities                |       | 162,353              | 165,986              |
| Provisions                                     |       | 4,921                | 4,937                |
| Deferred tax liabilities                       |       | 4,774                | 4,861                |
| Other non-current liabilities                  |       | 35,558               | 35,830               |
| Non-current liabilities                        |       | 363,854              | 373,709              |
| Total liabilities                              |       | 2,010,576            | 1,993,516            |
| <b>(Equity)</b>                                |       |                      |                      |
| Common stock                                   |       | 175,820              | 175,820              |
| Capital surplus                                |       | 202,695              | 202,438              |
| Retained earnings                              |       | 2,464,966            | 2,485,597            |
| Accumulated other comprehensive income (loss)  | 9     | 184,528              | 274,261              |
| Treasury stock, at cost                        |       | (52,068)             | (52,859)             |
| Mitsubishi Electric Corp. stockholders' equity |       | 2,975,941            | 3,085,257            |
| Non-controlling interests                      |       | 121,456              | 125,849              |
| Total equity                                   |       | 3,097,397            | 3,211,106            |
| Total liabilities and equity                   |       | 5,107,973            | 5,204,622            |

(2) 【Condensed Quarterly Consolidated Statement of Profit or Loss and Condensed Quarterly Consolidated Statement of Comprehensive Income】  
【Condensed Quarterly Consolidated Statement of Profit or Loss】

Yen (millions)

|   | Notes | For the six months ended<br>Sept. 30, 2021 | For the six months ended<br>Sept. 30, 2022 |
|---|-------|--|--|
| Revenue   | 7     | 2,138,377                                  | 2,339,567                                  |
| Cost of sales   |       | 1,514,319                                  | 1,710,855                                  |
| Selling, general and administrative expenses                            |       | 488,887                                    | 550,908                                    |
| Other profit (loss)   |       | 2,659                                      | 2,699                                      |
| Operating profit  |       | 137,830                                    | 80,503                                     |
| Financial income  |       | 4,635                                      | 12,529                                     |
| Financial expenses  |       | 2,672                                      | 1,627                                      |
| Share of profit of investments<br>accounted for using the equity method |       | 8,602                                      | 11,706                                     |
| Profit before income taxes  |       | 148,395                                    | 103,111                                    |
| Income taxes  |       | 34,470                                     | 22,609                                     |
| Net profit  |       | 113,925                                    | 80,502                                     |
| Net profit attributable to:   |       |  |  |
| Mitsubishi Electric Corp. stockholders                                  |       | 104,836                                    | 74,825                                     |
| Non-controlling interests   |       | 9,089                                      | 5,677                                      |

Yen

|  | Notes | For the six months ended<br>Sept. 30, 2021 | For the six months ended<br>Sept. 30, 2022 |
|--|-------|--|--|
| Earnings per share (attributable to<br>Mitsubishi Electric Corp. stockholders) |       |  |  |
| Basic  | 8     | 48.94                                      | 35.43                                      |
| Diluted  | 8     | 48.94                                      | 35.43                                      |

**【Condensed Quarterly Consolidated Statement of Comprehensive Income】**

Yen (millions)

|   | Notes | For the six months ended<br>Sept. 30, 2021 | For the six months ended<br>Sept. 30, 2022 |
|---|-------|--|--|
| Net profit  |       | 113,925                                    | 80,502                                     |
| Other comprehensive income (loss), net of tax   |       |  |  |
| Items that will not be reclassified to net profit   |       |  |  |
| Changes in fair value of financial assets measured at fair value through other comprehensive income | 9     | 11,650                                     | (2,186)                                    |
| Share of other comprehensive income of investments accounted for using the equity method            |       | 577  | 20   |
| Total items that will not be reclassified to net profit   |       | 12,227                                     | (2,166)                                    |
| Items that may be reclassified to net profit  |       |  |  |
| Exchange differences on translating foreign operations  |       | (9,244)                                    | 89,343                                     |
| Net changes in the fair value of cash flow hedges   |       | (57)                                       | (155)                                      |
| Share of other comprehensive income of investments accounted for using the equity method            |       | 4,098                                      | 10,981                                     |
| Total items that may be reclassified to net profit  |       | (5,203)                                    | 100,169                                    |
| Total other comprehensive income (loss)   |       | 7,024                                      | 98,003                                     |
| Comprehensive income  |       | 120,949                                    | 178,505                                    |
| Comprehensive income attributable to:   |       |  |  |
| Mitsubishi Electric Corp. stockholders  |       | 112,559                                    | 165,304                                    |
| Non-controlling interests   |       | 8,390                                      | 13,201                                     |

**【Condensed Quarterly Consolidated Statement of Profit or Loss】**

Yen (millions)

|   | Notes | For the three months ended<br>Sept. 30, 2021 | For the three months ended<br>Sept. 30, 2022 |
|---|-------|--|--|
| Revenue   |       | 1,071,935                                    | 1,271,844                                    |
| Cost of sales   |       | 766,010                                      | 934,382                                      |
| Selling, general and administrative expenses                            |       | 251,051                                      | 291,550                                      |
| Other profit (loss)   |       | 188  | 626  |
| Operating profit  |       | 55,062                                       | 46,538                                       |
| Financial income  |       | 846  | 4,032  |
| Financial expenses  |       | 1,534  | 900  |
| Share of profit of investments<br>accounted for using the equity method |       | 4,508  | 6,545  |
| Profit before income taxes  |       | 58,882                                       | 56,215                                       |
| Income taxes  |       | 12,061                                       | 11,376                                       |
| Net profit  |       | 46,821                                       | 44,839                                       |
| Net profit attributable to:   |       |  |  |
| Mitsubishi Electric Corp. stockholders                                  |       | 43,001                                       | 41,333                                       |
| Non-controlling interests   |       | 3,820  | 3,506  |

Yen

|  | Notes | For the three months ended<br>Sept. 30, 2021 | For the three months ended<br>Sept. 30, 2022 |
|--|-------|--|--|
| Earnings per share (attributable to<br>Mitsubishi Electric Corp. stockholders) |       |  |  |
| Basic  | 8     | 20.09  | 19.57  |
| Diluted  | 8     | 20.09  | 19.57  |

**【Condensed Quarterly Consolidated Statement of Comprehensive Income】**

Yen (millions)

|   | Notes | For the three months ended<br>Sept. 30, 2021 | For the three months ended<br>Sept. 30, 2022 |
|---|-------|--|--|
| Net profit  |       | 46,821                                       | 44,839                                       |
| Other comprehensive income (loss), net of tax   |       |  |  |
| Items that will not be reclassified to net profit   |       |  |  |
| Changes in fair value of financial assets<br>measured at fair value through other<br>comprehensive income |       | 13,522                                       | (339)  |
| Share of other comprehensive income of<br>investments accounted for using the equity<br>method            |       | 639  | (42)   |
| Total items that will not be reclassified to<br>net profit  |       | 14,161                                       | (381)  |
| Items that may be reclassified to net profit  |       |  |  |
| Exchange differences on translating foreign<br>operations   |       | (8,300)                                      | 11,114                                       |
| Net changes in the fair value of cash flow<br>hedges  |       | (53)   | (94)   |
| Share of other comprehensive income of<br>investments accounted for using the equity<br>method            |       | 1,620  | 7,613  |
| Total items that may be reclassified to net<br>profit   |       | (6,733)                                      | 18,633                                       |
| Total other comprehensive income (loss)   |       | 7,428  | 18,252                                       |
| Comprehensive income  |       | 54,249                                       | 63,091                                       |
| Comprehensive income attributable to:   |       |  |  |
| Mitsubishi Electric Corp. stockholders  |       | 51,103                                       | 58,668                                       |
| Non-controlling interests   |       | 3,146  | 4,423  |



### (3) 【Condensed Quarterly Consolidated Statement of Changes in Equity】

For the six months ended Sept. 30, 2021

Yen (millions)

|  | Notes | Mitsubishi Electric Corp. stockholders' equity |                 |                   |   |                         | Total     | Non-controlling interests | Total equity |
|--|-------|--|-----------------|-------------------|---|-------------------------|-----------|---------------------------|--------------|
|  |       | Common stock                                   | Capital surplus | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock, at cost |           |                           |              |
| Balance at beginning of period                         |       | 175,820  | 202,777         | 2,266,490         | 111,801                                       | (2,595)                 | 2,754,293 | 116,318                   | 2,870,611    |
| Comprehensive income                                   |       |  |                 |                   |   |                         |           |                           |              |
| Net profit   |       |  |                 | 104,836           |   |                         | 104,836   | 9,089                     | 113,925      |
| Other comprehensive income (loss), net of tax          |       |  |                 |                   | 7,723   |                         | 7,723     | (699)                     | 7,024        |
| Comprehensive income                                   |       | —  | —               | 104,836           | 7,723   | —                       | 112,559   | 8,390                     | 120,949      |
| Reclassification to retained earnings                  |       |  |                 | 215               | (215)   |                         | —         |                           | —            |
| Dividends  | 6     |  |                 | (55,816)          |   |                         | (55,816)  | (9,111)                   | (64,927)     |
| Purchase of treasury stock                             |       |  |                 |                   |   | (16,490)                | (16,490)  |                           | (16,490)     |
| Disposal of treasury stock                             |       |  | (1,053)         |                   |   | 1,053                   | 0         |                           | 0            |
| Transactions with non-controlling interests and others |       |  | 235             |                   |   |                         | 235       | (640)                     | (405)        |
| Balance at end of period                               |       | 175,820  | 201,959         | 2,315,725         | 119,309                                       | (18,032)                | 2,794,781 | 114,957                   | 2,909,738    |

For the six months ended Sept. 30, 2022

Yen (millions)

|  | Notes | Mitsubishi Electric Corp. stockholders' equity |                 |                   |   |                         | Total     | Non-controlling interests | Total equity |
|--|-------|--|-----------------|-------------------|---|-------------------------|-----------|---------------------------|--------------|
|  |       | Common stock                                   | Capital surplus | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock, at cost |           |                           |              |
| Balance at beginning of period                         |       | 175,820  | 202,695         | 2,464,966         | 184,528                                       | (52,068)                | 2,975,941 | 121,456                   | 3,097,397    |
| Comprehensive income                                   |       |  |                 |                   |   |                         |           |                           |              |
| Net profit   |       |  |                 | 74,825            |   |                         | 74,825    | 5,677                     | 80,502       |
| Other comprehensive income (loss), net of tax          |       |  |                 |                   | 90,479  |                         | 90,479    | 7,524                     | 98,003       |
| Comprehensive income                                   |       | —  | —               | 74,825            | 90,479  | —                       | 165,304   | 13,201                    | 178,505      |
| Reclassification to retained earnings                  |       |  |                 | 746               | (746)   |                         | —         |                           | —            |
| Dividends  | 6     |  |                 | (54,940)          |   |                         | (54,940)  | (6,853)                   | (61,793)     |
| Purchase of treasury stock                             |       |  |                 |                   |   | (1,575)                 | (1,575)   |                           | (1,575)      |
| Disposal of treasury stock                             |       |  | (784)           |                   |   | 784                     | 0         |                           | 0            |
| Transactions with non-controlling interests and others |       |  | 527             |                   |   |                         | 527       | (1,955)                   | (1,428)      |
| Balance at end of period                               |       | 175,820  | 202,438         | 2,485,597         | 274,261                                       | (52,859)                | 3,085,257 | 125,849                   | 3,211,106    |

## (4) 【Condensed Quarterly Consolidated Statement of Cash Flows】

Yen (millions)

|  | For the six months ended<br>Sept. 30, 2021 | For the six months ended<br>Sept. 30, 2022 |
|--|--|--|
| Cash flows from operating activities   |  |  |
| Net profit   | 113,925                                    | 80,502                                     |
| Adjustments to cash flows from operating activities                          |  |  |
| Depreciation and amortization  | 96,330                                     | 99,844                                     |
| Impairment losses  | 1  | 706  |
| Loss (gain) on sales and disposal of property, plant and equipment, net      | 946  | (1,424)                                    |
| Income taxes   | 34,470                                     | 22,609                                     |
| Share of profit of investments accounted for using the equity method         | (8,602)                                    | (11,706)                                   |
| Financial income and financial expenses                                      | (1,963)                                    | (10,902)                                   |
| Decrease in trade receivables  | 188,462                                    | 141,318                                    |
| Decrease (increase) in contract assets                                       | (32,207)                                   | (33,052)                                   |
| Decrease (increase) in inventories   | (99,262)                                   | (135,628)                                  |
| Decrease in other assets   | 13,221                                     | 4,859                                      |
| Increase (decrease) in trade payables  | (26,960)                                   | (656)                                      |
| Increase in net defined benefit liabilities                                  | 9,888                                      | 7,148                                      |
| Increase (decrease) in other liabilities                                     | (72,822)                                   | (55,685)                                   |
| Others, net  | (13,997)                                   | (29,721)                                   |
| Subtotal   | 201,430                                    | 78,212                                     |
| Interest and dividends received  | 9,631                                      | 12,132                                     |
| Interest paid  | (1,243)                                    | (1,536)                                    |
| Income taxes paid  | (44,899)                                   | (38,038)                                   |
| Cash flows from operating activities   | 164,919                                    | 50,770                                     |
| Cash flows from investing activities   |  |  |
| Purchase of property, plant and equipment                                    | (65,419)                                   | (71,469)                                   |
| Proceeds from sale of property, plant and equipment                          | 1,126                                      | 3,284                                      |
| Purchase of intangible assets  | (9,753)                                    | (11,656)                                   |
| Purchase of investment securities and others, net of cash acquired           | (9,210)                                    | (19,826)                                   |
| Proceeds from sale of investment securities and others, net of cash disposed | 3,953                                      | 6,747                                      |
| Others, net  | (89)                                       | 3,070                                      |
| Cash flows from investing activities   | (79,392)                                   | (89,850)                                   |
| Cash flows from financing activities   |  |  |
| Proceeds from bonds and long-term borrowings                                 | 98   | 5,614                                      |
| Repayments of bonds and long-term borrowings                                 | (20,457)                                   | (21,026)                                   |
| Increase (decrease) in short-term borrowings, net                            | (3,322)                                    | 18,097                                     |
| Repayments of lease liabilities  | (27,643)                                   | (28,439)                                   |
| Dividends paid to Mitsubishi Electric Corp. stockholders                     | (55,816)                                   | (54,940)                                   |
| Purchase of treasury stock   | (16,490)                                   | (1,575)                                    |
| Disposal of treasury stock   | 0  | 0  |
| Dividends paid to non-controlling interests                                  | (8,437)                                    | (7,073)                                    |
| Transactions with non-controlling interests                                  | (448)                                      | (1,704)                                    |
| Cash flows from financing activities   | (132,515)                                  | (91,046)                                   |
| Effect of exchange rate changes on cash and cash equivalents                 | 1,521                                      | 34,534                                     |
| Net increase (decrease) in cash and cash equivalents                         | (45,467)                                   | (95,592)                                   |
| Cash and cash equivalents at beginning of period                             | 767,406                                    | 727,179                                    |
| Cash and cash equivalents at end of period                                   | 721,939                                    | 631,587                                    |

## 【Notes to condensed quarterly consolidated financial statements】

### 1. Reporting entity

Mitsubishi Electric Corporation (“the Company”) is an entity located in Japan. The condensed quarterly consolidated financial statements of the Mitsubishi Electric Group (“the Group”) comprises the Company, its subsidiaries and equity in the Company’s associates and joint ventures.

The Group is a multinational organization which develops, manufactures, sells and distributes a broad range of electrical and electronic equipment in the fields as diverse as home appliances to space electronics. The Company and its subsidiaries’ principal lines of business are: (1) Infrastructure, (2) Industry and Mobility, (3) Life, (4) Business Platform and (5) Others. The Group’s manufacturing operations are conducted principally by the Company with 22 manufacturing sites located in Japan, as well as overseas manufacturing sites located in Thailand, China, the United States, Mexico, Italy and other countries.

### 2. Basis of preparation

#### (1) Statement of condensed quarterly consolidated financial statements in accordance with IAS 34

The Group prepares its condensed quarterly consolidated financial statements in accordance with International Accounting Standards 34 “Interim Financial Reporting” (“IAS34”) since the Group meets all the requirements of a “specified international accounting standard company” in Article 1-2 of the cabinet Ordinance No. 64 of 2007, “Ordinance on Terminology, Forms and Preparation Methods of quarterly Consolidated Financial Statements”, and therefore Article 93 of that Ordinance applies to the Group.

#### (2) Basis of measurement

The condensed quarterly consolidated financial statements of the Group are prepared using a historical cost basis except for certain financial instruments, defined benefit obligations, and plan assets that are measured at fair value and other items.

#### (3) Functional currency and presentation currency

The condensed quarterly consolidated financial statements of the Group are presented in Japanese yen, which is the Company’s functional currency, rounded down in units of millions of yen.

### 3. Significant accounting policies

Significant accounting policies adopted in preparation of the condensed quarterly consolidated financial statements are consistent with those used in the preparation of the Company's annual consolidated financial statements for the year ended March 31, 2022.

### 4. Significant accounting estimates and judgments

Management is required to make judgments, estimates and assumptions that affect the application of accounting policies and amounts of assets, liabilities, income and expenses in preparation of the condensed quarterly consolidated financial statements in accordance with IFRS. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The effects resulting from changes in accounting estimates are recognized in the period when estimates are revised and in the subsequent periods.

Accounting estimates and assumptions that could have a material effect on the amounts in the condensed quarterly consolidated financial statements are the same as in the Company’s annual consolidated financial statements for the year ended March 31, 2022.

With regard to COVID-19, while circumstances remain uncertain, the Company has assumed that the pandemic would not have a significant long-term impact, and used accounting estimates such as the “Recoverable amount of property, plant and equipment, goodwill and intangible assets.” The Group believes that the above assumption is the best estimate as of September 30, 2022. However, if COVID-19 has a greater impact on future circumstances than expected, it may significantly affect the amounts in the consolidated financial statements. Regarding above the assumption, there are no significant changes from the conditions in the Company's annual consolidated financial statements for the year ended March 31, 2022.

## 5. Segment information

### (1) Overview of reportable segments

The operating segments presented below are identified based on the segments for which separate financial information is available, and are periodically used for decisions on business resources allocation and evaluation of business operation by the Company's management.

The Group conducts business through 5 categories, Infrastructure, Industry and Mobility, Life, Business Platform, and Others, by aggregating multiple operating segments based on types and characteristics of products, production methods, and similarities in market.

Following the change of management structure effective April 1, 2022, the classification of reportable segments was changed from 6 categories such as Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, Electronic Devices, Home Appliances, and Others to the above-noted 5 categories from the first quarter of this fiscal year. Segment information for the six months ended Sept. 30, 2021, has been restated to reflect the reclassification.

Principal operating segments and major products and services included in each category are as follows:

|                          |  |  |
|--------------------------|--|--|
| Infrastructure           | Public Utility Systems,<br>Energy Systems,<br>Defense & Space<br>Systems | Large display devices, electrical equipment for locomotives and rolling stock, wireless and wired communications systems, network camera and their systems, turbine generators, hydraulic turbine generators, nuclear power plant equipment, motors, transformers, power electronics equipment, circuit breakers, gas insulated switchgears, switch control devices, surveillance-system control and security systems, transmission and distribution ICT systems, satellite communications equipment, satellites, radar equipment, antennas, missile systems, fire control systems, broadcasting equipment, and others |
| Industry and<br>Mobility | Factory Automation<br>Systems,<br>Automotive Equipment                   | Programmable logic controllers, inverters, servomotors, human-machine interface, motors, hoists, magnetic switches, no-fuse circuit breakers, short-circuit breakers, transformers for electricity distribution, time and power meters, uninterruptible power supply, industrial fans, computerized numerical controllers, electrical discharge machines, laser processing machines, industrial robots, clutches, automotive electrical equipment, electric powertrain system, ADAS-related products, car electronics and car mechatronics, car multimedia, and others   |
| Life                     | Building Systems,<br>Air Conditioning<br>Systems & Home<br>Products      | Elevators, escalators, building security systems, building management systems, room air conditioners, package air conditioners, chillers, showcases, compressors, refrigeration units, air-to-water heat pump boilers, ventilators, hot water supply systems, IH cooking heaters, LED bulbs, indoor lighting, LCD televisions, refrigerators, electric fans, dehumidifiers, air purifiers, vacuum cleaners, jar rice cookers, microwave ovens, and others  |
| Business Platform        | Information Systems<br>& Network Service,<br>Semiconductor & Device      | Network security systems, information systems equipment, systems integration, power modules, high-frequency devices, optical devices, LCD devices, and others  |
| Others                   | —  | Procurement, logistics, real estate, advertising, finance, and other services  |

Intersegment transactions are conducted generally at prices that the Company's management recognizes as approximate arm's length prices. The calculation method of operating profit (loss) for reportable segments is consistent with that used in the Condensed Quarterly Consolidated Statement of Profit or Loss. It does not include share of profit of investments accounted for using the equity method, financial income or financial expenses.

(2) Segment information by business categories

Segment information by business categories are as follows. Amounts of operating profit in Eliminations and corporate are unallocatable research and development expenses.

For the six months ended Sept. 30, 2021

|                              | Yen (millions) |                       |         |                   |         |           |                            |                    |
|------------------------------|----------------|-----------------------|---------|-------------------|---------|-----------|----------------------------|--------------------|
|                              | Infrastructure | Industry and Mobility | Life    | Business Platform | Others  | Total     | Eliminations and corporate | Consolidated total |
| Revenue and operating profit |                |                       |         |                   |         |           |                            |                    |
| Revenue                      |                |                       |         |                   |         |           |                            |                    |
| External customers           | 404,678        | 694,285               | 837,856 | 130,247           | 71,311  | 2,138,377 | —                          | 2,138,377          |
| Intersegment                 | 4,871          | 7,614                 | 9,016   | 57,069            | 274,597 | 353,167   | (353,167)                  | —                  |
| Total                        | 409,549        | 701,899               | 846,872 | 187,316           | 345,908 | 2,491,544 | (353,167)                  | 2,138,377          |
| Operating profit             | 8,727          | 55,203                | 69,777  | 9,566             | 9,445   | 152,718   | (14,888)                   | 137,830            |

For the six months ended Sept. 30, 2022

|                              | Yen (millions) |                       |         |                   |         |           |                            |                    |
|------------------------------|----------------|-----------------------|---------|-------------------|---------|-----------|----------------------------|--------------------|
|                              | Infrastructure | Industry and Mobility | Life    | Business Platform | Others  | Total     | Eliminations and corporate | Consolidated total |
| Revenue and operating profit |                |                       |         |                   |         |           |                            |                    |
| Revenue                      |                |                       |         |                   |         |           |                            |                    |
| External customers           | 396,927        | 786,398               | 930,811 | 152,192           | 73,239  | 2,339,567 | —                          | 2,339,567          |
| Intersegment                 | 5,077          | 8,563                 | 9,373   | 54,668            | 319,795 | 397,476   | (397,476)                  | —                  |
| Total                        | 402,004        | 794,961               | 940,184 | 206,860           | 393,034 | 2,737,043 | (397,476)                  | 2,339,567          |
| Operating profit (loss)      | (15,382)       | 43,954                | 34,050  | 19,447            | 14,317  | 96,386    | (15,883)                   | 80,503             |

6. Dividends

Dividends paid for the six months ended Sept. 30, 2021 and 2022 are as follows:

| Resolution date                              | Total amount of dividends | Dividend per share | Record date    | Effective date |
|--|---------------------------|--------------------|----------------|----------------|
|  | Yen (millions)            | Yen                |                |                |
| April 28, 2021<br>Board of Directors Meeting | 55,816                    | 26                 | March 31, 2021 | June 2, 2021   |
| May 25, 2022<br>Board of Directors Meeting   | 54,940                    | 26                 | March 31, 2022 | June 2, 2022   |

Dividends with a record date in the six months ended Sept. 30, 2021 and 2022 and the effective date in the next period are as follows:

| Resolution date                                | Total amount of dividends | Dividend per share | Record date        | Effective date   |
|--|---------------------------|--------------------|--------------------|------------------|
|  | Yen (millions)            | Yen                |                    |                  |
| October 28, 2021<br>Board of Directors Meeting | 29,906                    | 14                 | September 30, 2021 | December 2, 2021 |
| October 28, 2022<br>Board of Directors Meeting | 29,583                    | 14                 | September 30, 2022 | December 2, 2022 |

## 7. Revenues

The Group's business consists of 5 reportable segments: Infrastructure, Industry and Mobility, Life, Business Platform and Others. Revenue is presented by these categories since the Company's management periodically uses them for decision of business resources allocation and evaluation of business operations.

The principal businesses and major products and services of each operating segment are shown in Note "5. Segment information". The Group conducts business through 5 categories by aggregating multiple operating segments based on types and characteristics of products, production methods, and similarities in market.

Revenue is disaggregated by region according to the customer's location. The relationship between these disaggregated revenue and segment revenue are as follows:

Following the change of management structure effective April 1, 2022, the classification of reportable segments was changed from the first quarter of this fiscal year. Segment information for the six months ended Sept. 30, 2021, has been restated to reflect the reclassification.

For the six months ended Sept. 30, 2021

|                       | Yen (millions) |               |                        |         |        |           | Consolidated total |
|-----------------------|----------------|---------------|------------------------|---------|--------|-----------|--------------------|
|                       | Japan          | Overseas      |                        |         |        | total     |                    |
|                       |                | North America | Asia (excluding Japan) | Europe  | Others |           |                    |
| Infrastructure        | 331,503        | 38,096        | 21,578                 | 8,803   | 4,698  | 73,175    | 404,678            |
| Industry and Mobility | 268,024        | 79,823        | 270,181                | 71,594  | 4,663  | 426,261   | 694,285            |
| Life                  | 356,112        | 104,545       | 195,629                | 158,433 | 23,137 | 481,744   | 837,856            |
| Business Platform     | 66,217         | 4,626         | 43,457                 | 15,841  | 106    | 64,030    | 130,247            |
| Others                | 61,688         | 383           | 8,800                  | 436     | 4      | 9,623     | 71,311             |
| Consolidated          | 1,083,544      | 227,473       | 539,645                | 255,107 | 32,608 | 1,054,833 | 2,138,377          |

For the six months ended Sept. 30, 2022

|                       | Yen (millions) |               |                        |         |        |           | Consolidated total |
|-----------------------|----------------|---------------|------------------------|---------|--------|-----------|--------------------|
|                       | Japan          | Overseas      |                        |         |        | total     |                    |
|                       |                | North America | Asia (excluding Japan) | Europe  | Others |           |                    |
| Infrastructure        | 309,513        | 49,760        | 23,824                 | 7,644   | 6,186  | 87,414    | 396,927            |
| Industry and Mobility | 296,241        | 113,261       | 291,175                | 79,922  | 5,799  | 490,157   | 786,398            |
| Life                  | 378,145        | 121,539       | 225,967                | 177,493 | 27,667 | 552,666   | 930,811            |
| Business Platform     | 68,884         | 7,504         | 54,234                 | 21,343  | 227    | 83,308    | 152,192            |
| Others                | 63,908         | 697           | 7,896                  | 732     | 6      | 9,331     | 73,239             |
| Consolidated          | 1,116,691      | 292,761       | 603,096                | 287,134 | 39,885 | 1,222,876 | 2,339,567          |

Revenue recognition methods for each categories are primarily as follows:

### 1) Infrastructure

Major revenue recognition methods are as follows. Revenue is primarily recorded over time.

Many contracts related to the production of products qualify as specific construction contracts meeting certain criteria, and revenue is recognized according to the progress of the construction if progress can be reasonably measured. Revenue is recognized only to the extent of the cost incurred if progress cannot be reasonably measured. The progress of construction is measured by comparing the cost incurred through the current year to the aggregate amount of estimated cost. The estimated total cost is calculated for each contract based on various information such as the contract details of the relevant construction contract, required specifications, the presence or absence of new technological development elements, and historical incurred cost results for similar contracts. Estimates and underlying assumptions for the aggregate amount of estimated cost are reviewed on an ongoing basis since there is a possibility that the cost incurred may change due to the progress of construction.

## 2) Life, Business Platform

Major revenue recognition methods of the air conditioning systems & home products business and the semiconductor & device business are as follows. Revenue is primarily recorded at a point in time.

Revenue from mass-produced goods such as home appliances and semiconductors are recognized at the time when the product is accepted by the customer.

Major revenue recognition methods of the building systems business and the information systems & network service business are as follows. Revenue is primarily recorded over time.

Many contracts related to the production of products qualify as specific construction contracts meeting certain criteria, and revenue is recognized according to the progress of the construction if progress can be reasonably measured. Revenue is recognized only to the extent of the cost incurred if progress cannot be reasonably measured. The progress of construction is measured by comparing the cost incurred through the current year to the aggregate amount of estimated cost. The estimated total cost is calculated for each contract based on various information such as the contract details of the relevant construction contract, required specifications, the presence or absence of new technological development elements, and historical incurred cost results for similar contracts. Estimates and underlying assumptions for the aggregate amount of estimated cost are reviewed on an ongoing basis since there is a possibility that the cost incurred may change due to the progress of construction.

Revenue from maintenance agreements is recognized over the contract term as the maintenance is provided.

## 3) Industry and Mobility, Others

Major revenue recognition methods are as follows. Revenue is primarily recorded at a point in time.

Revenue from mass-produced goods such as industrial products are recognized at the time when the product is accepted by the customer.

Revenue from some products requiring acceptance inspection are recognized at the time when the product is received by the customer and the functionality of the product is substantially demonstrated by the Company and its consolidated subsidiaries.

## 8. Earnings per share

Basic earnings per share and diluted earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders are as follows:

|   | Yen (millions)                                |   |
|---|---|---|
|   | For the six<br>months ended<br>Sept. 30, 2021 | For the six<br>months ended<br>Sept. 30, 2022 |
| Net profit attributable to Mitsubishi Electric Corp.<br>stockholders                                | 104,836                                       | 74,825  |
|   | Shares  |   |
|   | For the six<br>months ended<br>Sept. 30, 2021 | For the six<br>months ended<br>Sept. 30, 2022 |
| Basic average ordinary shares outstanding   | 2,142,294,211                                 | 2,111,977,159                                 |
|   | Yen   |   |
|   | For the six<br>months ended<br>Sept. 30, 2021 | For the six<br>months ended<br>Sept. 30, 2022 |
| Basic earnings per share for net profit attributable to<br>Mitsubishi Electric Corp. stockholders   | 48.94   | 35.43   |
| Diluted earnings per share for net profit attributable to<br>Mitsubishi Electric Corp. stockholders | 48.94   | 35.43   |

Note : The number of the Company's shares held through the Board Incentive Plan Trust were included in the shares of treasury stock that were deducted from the average number of ordinary shares outstanding in the calculation of Earnings per share attributable to Mitsubishi Electric Corp. stockholders. (1,283,985 shares for the six months ended Sept. 30, 2021, and 1,125,775 shares for the six months ended Sept. 30, 2022).

|  | Yen (millions)                                  |   |
|--|---|---|
|  | For the three<br>months ended<br>Sept. 30, 2021 | For the three<br>months ended<br>Sept. 30, 2022 |
| Net profit attributable to Mitsubishi Electric Corp.<br>stockholders | 43,001  | 41,333  |

  

|   | Shares  |   |
|---|---|---|
|   | For the three<br>months ended<br>Sept. 30, 2021 | For the three<br>months ended<br>Sept. 30, 2022 |
| Basic average ordinary shares outstanding | 2,140,050,823                                   | 2,111,980,605                                   |

  

|   | Yen   |   |
|---|---|---|
|   | For the three<br>months ended<br>Sept. 30, 2021 | For the three<br>months ended<br>Sept. 30, 2022 |
| Basic earnings per share for net profit attributable to<br>Mitsubishi Electric Corp. stockholders   | 20.09   | 19.57   |
| Diluted earnings per share for net profit attributable to<br>Mitsubishi Electric Corp. stockholders | 20.09   | 19.57   |

Note : The number of the Company's shares held through the Board Incentive Plan Trust were included in the shares of treasury stock that were deducted from the average number of ordinary shares outstanding in the calculation of Earnings per share attributable to Mitsubishi Electric Corp. stockholders. (1,130,436 shares for the three months ended Sept. 30, 2021, and 1,122,279 shares for the three months ended Sept. 30, 2022).



## 9. Financial instruments

The Group classifies fair value measurements from level 1 to level 3 according to the observability of the inputs used in measurement:

- Level 1: quoted prices for identical assets or liabilities in active markets
- Level 2: fair value calculated directly or indirectly using observable prices other than those in level 1
- Level 3: fair value calculated using valuation techniques including unobservable inputs

A determination is made at the end of each consolidated fiscal year as to whether there are financial instruments for which transfers between levels were carried out. There were no financial instruments with significant transfers between levels for the year ended Mar. 31, 2022 and the six months ended Sept. 30, 2022.

For financial instruments classified as level 3, changing the unobservable inputs to reasonably possible alternative assumptions would not change the fair value significantly.

### (1) Financial instruments measured at amortized cost

Methods of measurement of fair value, carrying amount and fair value of financial instruments measured at amortized cost are as follows:

Borrowings (including long-term borrowings to be repaid within 1 year)

Fair values of borrowings are calculated using the present value of future cash flows discounted by the expected interest rate for similar new contracts and are classified as level 2 because fair value is calculated using observable market data.

|   | Yen (millions)      |            |                      |            |
|---|---------------------|------------|----------------------|------------|
|   | As of Mar. 31, 2022 |            | As of Sept. 30, 2022 |            |
|   | Carrying amount     | Fair value | Carrying amount      | Fair value |
| Financial instruments measured at amortized cost            |                     |            |                      |            |
| Borrowings  |                     |            |                      |            |
| (including long-term borrowings to be repaid within 1 year) | 142,208             | 139,994    | 126,846              | 124,245    |

Note : The fair value of financial assets and financial liabilities measured at amortized cost other than the above approximated the carrying amounts.

### (2) Financial instruments measured at fair value on a recurring basis

The method of measurement of fair value and fair value of financial instruments measured at fair value on a recurring basis are as follows:

Equity instruments and debt instruments

The fair value of marketable equity instruments is calculated based on the market price at the end of the consolidated fiscal year and are classified as level 1 because fair value is calculated using the market value of an identical asset in an active market. The fair value of non-marketable equity instruments and debt instruments is calculated based on comprehensively taking into consideration quantitative information on the net assets and other financial information of the investee and forecasts of its future cash flows, and are classified as Level 3 because fair value is calculated based on valuation techniques using unobservable indicators. The reasonableness of the valuation techniques has been verified by the department in charge using various methods, and they have been approved by an appropriate management.

Derivative assets and liabilities

Fair values of derivatives are calculated based on market interest rates and market rates of foreign exchange banks as financial assets or financial liabilities measured at fair value through profit or loss and are classified as level 2 because fair value is calculated using observable market data.

As of Mar. 31, 2022

|  |                        |  | Yen (millions) |               |               |                |
|--|------------------------|--|----------------|---------------|---------------|----------------|
|  |                        |  | Level 1        | Level 2       | Level 3       | Total          |
| <b>Assets</b>  |                        |  |                |               |               |                |
| Financial assets measured at fair value through profit or loss             |                        |  |                |               |               |                |
|  | Debt instruments       |  | —              | —             | 555           | 555            |
|  | Derivative assets      |  | —              | 4,564         | —             | 4,564          |
| Financial assets measured at fair value through other comprehensive income |                        |  |                |               |               |                |
|  | Equity instruments     |  | 200,178        | —             | 70,614        | 270,792        |
|  | Total                  |  | <u>200,178</u> | <u>4,564</u>  | <u>71,169</u> | <u>275,911</u> |
| <b>Liabilities</b>   |                        |  |                |               |               |                |
| Financial liabilities measured at fair value through profit or loss        |                        |  |                |               |               |                |
|  | Derivative liabilities |  | —              | 17,867        | —             | 17,867         |
|  | Total                  |  | <u>—</u>       | <u>17,867</u> | <u>—</u>      | <u>17,867</u>  |

As of Sept. 30, 2022

|  |                        |  | Yen (millions) |               |               |                |
|--|------------------------|--|----------------|---------------|---------------|----------------|
|  |                        |  | Level 1        | Level 2       | Level 3       | Total          |
| <b>Assets</b>  |                        |  |                |               |               |                |
| Financial assets measured at fair value through profit or loss             |                        |  |                |               |               |                |
|  | Debt instruments       |  | —              | —             | 578           | 578            |
|  | Derivative assets      |  | —              | 6,224         | —             | 6,224          |
| Financial assets measured at fair value through other comprehensive income |                        |  |                |               |               |                |
|  | Equity instruments     |  | 187,989        | —             | 77,382        | 265,371        |
|  | Total                  |  | <u>187,989</u> | <u>6,224</u>  | <u>77,960</u> | <u>272,173</u> |
| <b>Liabilities</b>   |                        |  |                |               |               |                |
| Financial liabilities measured at fair value through profit or loss        |                        |  |                |               |               |                |
|  | Derivative liabilities |  | —              | 21,341        | —             | 21,341         |
|  | Total                  |  | <u>—</u>       | <u>21,341</u> | <u>—</u>      | <u>21,341</u>  |

Changes in financial instruments measured at fair value on a recurring basis classified as Level 3 are as follows:

|  |                                | Yen (millions)                             |  |
|--|--------------------------------|--|--|
|  |                                | For the six months ended<br>Sept. 30, 2021 | For the six months ended<br>Sept. 30, 2022 |
|  | Balance at beginning of period | 68,361                                     | 71,169                                     |
|  | Gains (losses)                 |  |  |
|  | in profit or loss              | —  | (9)  |
|  | in other comprehensive income  | 699  | 6,643                                      |
|  | Purchases                      | 406  | 600  |
|  | Sales                          | (81)                                       | (443)                                      |
|  | Balance at end of period       | <u>69,385</u>                              | <u>77,960</u>                              |

Note : 1 Gains (losses) in profit or loss are related to financial assets measured at fair value through profit or loss as of the end of the reporting period and included in “Financial income” or “Financial expenses” in the Condensed Quarterly Consolidated Statement of Profit or Loss.

2 Gains (losses) in other comprehensive income are related to financial assets measured at fair value through other comprehensive income as of the end of the reporting period and included in “Changes in fair value of financial assets measured at fair value through other comprehensive income” in the Condensed Quarterly Consolidated Statement of Comprehensive Income.

10. Contingent liabilities

There were no significant events as of September 30, 2022.

<Contingent liability in relation to the improper quality control practices, recognized as of June 30, 2022 >

In June 2021, an internal investigation revealed that the inspections of some of the HVAC (Heating, Ventilation and Air Conditioning systems) and other products for railcars manufactured at Nagasaki Works were conducted in a different way from the inspections described in the purchase specification, had not been actually conducted, and had inappropriate documentation in the inspection reports.

The Company has been reporting the situation to the customers and discussing with the customers on the measures to be taken. In addition, the Company has set up an investigative committee chaired by an external lawyer in July 2021 to investigate the existence of improper quality control practices on a company-wide basis, the facts and causes of the improper practices, and based on the findings of the investigation, to formulate measures to prevent any recurrence.

In October 2022, the investigation was completed and the final report was received from the Investigative Committee. The Group has recorded significant inspection and replacement costs, etc. in relation to the improper quality control practices identified until September 30, 2022 in the current fiscal year, including those described in the report.

11. Subsequent events

There were no significant subsequent events which should be disclosed as of the date of the approval of the condensed quarterly consolidated financial statements for the six months ended Sept. 30, 2022.

12. Approval of the condensed quarterly consolidated financial statements

The condensed quarterly consolidated financial statements were approved by Kei Uruma, President & CEO, on November 8, 2022.

## 2 【Other】

(1) The Company decided to pay the dividend of ¥14 per share (a total of ¥29,583,439,466) to the shareholders registered or recorded in the shareholder register as of September 30, 2022, by the resolution of the Board of Directors' meeting held on October 28, 2022.

(2) Other

Not applicable.