

[Translation]

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Annual Securities Report

The 149th Business Term
From April 1, 2019 to March 31, 2020

Mitsubishi Electric Corporation

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

The 149th Business Term (from April 1, 2019 to March 31, 2020)

Annual Securities Report

1. This is an English translation of the Annual Securities Report (“Yukashoken Hokokusho”) pursuant to Article 24, paragraph 1 of the Financial Instruments and Exchange Act of Japan, 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.
2. This report does not contain the attachments to the Annual Securities Report (“Yukashoken Hokokusho”) submitted via the above method, but English translations of the Independent Auditors’ Report have been appended to the back of this report.

Mitsubishi Electric Corporation

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[Cover]

[Filed Document]	Annual Securities Report (“Yukashoken Hokokusho”)
[Applicable Law]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	June 26, 2020
[Fiscal Year]	The 149th business term (from April 1, 2019 to March 31, 2020)
[Company Name]	Mitsubishi Denki Kabushiki Kaisha
[Company Name in English]	Mitsubishi Electric Corporation
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[Place Where the Filed Document is Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

Cautionary Statement

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

Such factors materially affecting the expectations expressed herein shall include but are not limited to the following:

- (1) Any change in worldwide economic and social conditions, as well as laws, regulations, taxation and other legislation
- (2) Changes in foreign currency exchange rates, especially JPY/US dollar rates
- (3) Changes in stock markets, especially in Japan
- (4) Changes in balance of supply and demand of products that may affect prices and volume, as well as material procurement conditions
- (5) Changes in the ability to fund raising, especially in Japan
- (6) Uncertainties relating to patents, licenses and other intellectual property, including disputes involving patent infringement
- (7) New environmental regulations or the arising of environmental issues
- (8) Defects in products or services
- (9) Litigation and legal proceedings brought and contemplated against the Company or its subsidiaries and affiliates that may adversely affect operations or finances
- (10) Technological change, the development of products using new technology, manufacturing and time-to-market
- (11) Business restructuring
- (12) Incidents related to information security
- (13) Large-scale disasters including earthquakes, typhoons, tsunami, fires and others
- (14) Social or political upheaval caused by terrorism, war, pandemics, or other factors
- (15) Important matters related to the directors and executive officers, major shareholders and affiliated companies of Mitsubishi Electric Corporation

Part I Information on the Company

I . Overview of the Company

1. Key Financial Data

(1) Consolidated financial data

(Millions of yen, unless otherwise stated)

Fiscal year	IFRS			
	Transition date	147th business term	148th Business term	149th business term
Years ended	April 1,2017	March 2018	March 2019	March 2020
Revenue	—	4,444,424	4,519,921	4,462,509
Profit before income taxes	—	353,206	315,958	281,986
Net profit attributable to Mitsubishi Electric Corp. stockholders	—	255,755	226,648	221,834
Comprehensive income attributable to Mitsubishi Electric Corp. stockholders	—	294,710	189,306	117,132
Mitsubishi Electric Corp. stockholders' equity	2,068,163	2,294,174	2,399,946	2,429,743
Total equity	2,166,963	2,397,219	2,511,155	2,538,859
Total assets	4,238,030	4,305,580	4,356,211	4,409,771
Mitsubishi Electric Corp. stockholders' equity, per share (yen)	963.67	1,069.19	1,118.83	1,132.69
Basic earnings per share attributable to Mitsubishi Electric Corp. stockholders (yen)	—	119.19	105.65	103.41
Diluted earnings per share attributable to Mitsubishi Electric Corp. stockholders (yen)	—	119.19	105.65	103.41
Mitsubishi Electric Corp. stockholders' equity ratio (%)	48.8	53.3	55.1	55.1
Return on equity (%)	—	11.7	9.7	9.2
Price earnings ratio (times)	—	14.3	13.5	12.9
Cash flows from operating activities	—	265,768	239,817	395,834
Cash flows from investing activities	—	(182,015)	(210,668)	(203,997)
Cash flows from financing activities	—	(149,813)	(112,067)	(156,454)
Cash and cash equivalents at end of year	662,469	599,199	514,224	537,559
Employees (persons)	138,700	142,340	145,817	146,518

Notes: 1. The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS") from the 148th business term.

2. Revenue does not include consumption tax, etc.

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.

(Millions of yen, unless otherwise stated)

Fiscal year	U.S.GAAP		
	145th business term	146th business term	147th business term
Years ended	March 2016	March 2017	March 2018
Net sales	4,394,353	4,238,666	4,431,198
Income before income taxes	318,476	296,249	364,578
Net income attributable to Mitsubishi Electric Corp.	228,494	210,493	271,880
Comprehensive income	58,527	268,713	300,256
Mitsubishi Electric Corp. stockholders' equity	1,838,773	2,039,627	2,259,355
Total equity	1,937,503	2,140,708	2,364,145
Total assets	4,059,941	4,172,270	4,264,559
Mitsubishi Electric Corp. stockholders' equity per share (yen)	856.52	950.37	1,052.96
Basic net income per share attributable to Mitsubishi Electric Corp. (yen)	106.43	98.07	126.70
Diluted net income per share attributable to Mitsubishi Electric Corp. (yen)	—	—	—
Equity ratio (%)	45.3	48.9	53.0
Return on equity (%)	12.4	10.9	12.6
Price earnings ratio (times)	11.1	16.3	13.4
Cash flows from operating activities	366,677	365,950	240,450
Cash flows from investing activities	(255,443)	(148,632)	(178,219)
Cash flows from financing activities	(82,144)	(123,495)	(128,291)
Cash and cash equivalents at end of year	574,170	662,469	599,199
Employees (persons)	135,160	138,700	142,340

- Notes: 1. The consolidated financial statements of the Group were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S.GAAP”) until the 147th business term. From the 147th business term, the Company adopted Accounting Standards Update 2015-17 “Balance Sheet Classification of Deferred Taxes” (an amendment of ASC Topic 740 “Income Taxes”) issued by the Financial Accounting Standards Board. Accordingly, all deferred tax assets and liabilities were classified as noncurrent in the consolidated balance sheet and subsequently, deferred tax assets and liabilities attributable to the same tax-paying component or tax jurisdiction were offset and presented in the noncurrent category. The consolidated balance sheets of previous fiscal years were reclassified following this adoption. Accordingly, deferred tax assets previously included in “Prepaid expenses and other current assets” in the current category and deferred tax liabilities previously included in “Other liabilities” were each reclassified to “Other assets”.
2. Net sales do not include consumption tax, etc.
3. Mitsubishi Electric Corp. stockholders’ equity, Mitsubishi Electric Corp. stockholders’ equity per share, Equity ratio and Return on equity are stated in conformity with U.S.GAAP.
4. Equity is stated total of Total Mitsubishi Electric Corp. stockholders’ equity and noncontrolling interests.
5. Diluted net income per share attributable to Mitsubishi Electric Corp. is not included in the table above as no dilutive securities existed.

(2) Financial data of the Company

(Millions of yen, unless otherwise stated)

Fiscal year	145th business term	146th business term	147th business term	148th business term	149th business term
Year end	March 2016	March 2017	March 2018	March 2019	March 2020
Net sales	2,675,749	2,576,296	2,675,821	2,717,760	2,639,209
Ordinary income	185,761	124,840	214,193	184,441	143,216
Net income	163,829	133,391	203,012	164,533	157,854
Common stock	175,820	175,820	175,820	175,820	175,820
Number of issued shares(thousands of shares)	2,147,201	2,147,201	2,147,201	2,147,201	2,147,201
Total net assets	970,199	1,087,077	1,205,085	1,241,462	1,282,260
Total assets	2,718,007	2,853,515	2,886,504	2,841,159	2,866,812
Net assets per share(yen)	451.93	506.53	561.63	578.76	597.76
Dividends per share(yen)	27.00	27.00	40.00	40.00	40.00
[Of the above, interim dividends per share] (yen)	[9.00]	[9.00]	[14.00]	[14.00]	[14.00]
Basic net income per share(yen)	76.31	62.15	94.61	76.70	73.59
Diluted net income per share(yen)	—	—	—	—	—
Stockholders' equity ratio (%)	35.7	38.1	41.7	43.7	44.7
Return on equity (%)	17.6	13.0	17.7	13.5	12.5
Price earnings ratio (times)	15.5	25.7	18.0	18.5	18.1
Dividend payout ratio (%)	35.4	43.4	42.3	52.2	54.4
Employees(persons)	33,321	33,977	34,561	35,203	35,649
[Average number of temporary employees] (persons)	[7,559]	[7,543]	[7,413]	[7,202]	[7,105]
Total shareholder return (%)	84.5	115.6	125.7	109.0	105.6
[comparison index: Nikkei stock average](%)	[87.3]	[98.4]	[111.7]	[110.4]	[98.5]
Highest stock price(yen)	1,718.00	1,802.00	2,179.00	1,776.00	1,658.00
Lowest stock price(yen)	947.00	1,064.50	1,462.00	1,146.00	1,096.50

Notes: 1. Net sales do not include consumption tax, etc.

2. Diluted net income per share is not included in the table above as no dilutive securities existed.

3. Stock prices are market price on the first section of Tokyo Stock Exchange.

2. History

Month/Year	History
January 1921	Mitsubishi Electric Corporation was founded succeeding Kobe Shipyard Electric Works of Mitsubishi Shipbuilding & Engineering Co., Ltd. (currently Mitsubishi Heavy Industries, Ltd.) Established Kobe Works (currently Kobe Works, Energy Systems Center) to manufacture transformers, motors, electric fans, etc.
November 1923	Established Nagasaki Factory (currently Nagasaki Works) received outsourcing from Nagasaki Shipyard Electric Works of Mitsubishi Shipbuilding & Engineering Co., Ltd. to manufacture large-scale heavy electrical equipment such as turbine generators and DC generators for ships.
September 1924	Established Nagoya Works to manufacture standard electrical products such as general-purpose induction motors, and electric home appliances.
December 1940	Established Osaka Factory (currently Itami Works, Transmission & Distribution Systems Center), transferred wireless device and precision factory from Kobe Works.
February 1943	Established Fukuyama Factory (currently Fukuyama Works) and Nakatsugawa Factory (currently Nakatsugawa Works).
April 1943	Established Koriyama Factory (currently Communication Networks Center Koriyama Factory).
June 1943	Established Wakayama Factory (currently Air-Conditioning & Refrigeration Systems Works).
February 1944	Established Himeji Factory (currently Himeji Works).
March 1944	Head Office Research and Development Department changed its name to Research and Development Center. (currently Advanced Technology R&D Center, etc.)
May 1949	Listed on Tokyo Stock Exchange.
October 1953	Established Radio Equipment Works (currently Communications Equipment Works, Communication Networks Center) in response to increasing demand for wireless communication equipment and televisions, etc.
April 1954	Established Shizuoka Factory (currently Shizuoka Works) to manufacture refrigeration equipment for consumers such as refrigerators and air conditioners, etc.
August 1959	Established Kitaitami Factory (currently High Frequency & Optical Device Works) as a semiconductor mass production factory.
October 1960	Established Kamakura Works for the purpose of building a main electronics factory such as wireless/electronic applied equipment and electronic computers in Kanto region.
January 1962	Established Kyoto Works to manufacture Vacuum tube and CRT.
May 1962	Established a joint venture navigation and simulation systems manufacturing company, Mitsubishi Precision Co., Ltd. with General Precision, Inc.
March 1963	Merged Ryoden Kiki Kabushiki Kaisha and changed its name to Gumma Works.
May 1964	Established Itami Works Sanda Factory (currently Sanda Works) to manufacture small switch control devices.
October 1964	Established Inazawa Works to manufacture elevators.
August 1965	Established Research & Development Department (currently Corporate Research & Development Group).
August 1970	Established Manufacturing Development Laboratory (currently Manufacturing Engineering Center) as a company-wide manufacturing engineering center focusing on hardware.
June 1972	Established Ako Factory (currently Transmission & Distribution Systems Center) to manufacture large-scale transformers.
August 1973	Established Mitsubishi Electric America, Inc.(currently Mitsubishi Electric US, Inc.) in the U.S.
April 1974	Established Power and Industrial Systems Center (currently Kobe Works, etc.).
June 1975	Established Corporate Marketing Group.
June 1977	Introduced business group system and established four business groups as Heavy Machinery Group, Electronic Systems Group, Industrial Products Group, and Consumer Products Group.
September 1977	Established Melco Sales Singapore Pte. Ltd. (currently Mitsubishi Electric Asia Pte. Ltd.) in Singapore.
June 1978	Established Mitsubishi Electric Taiwan Co., Ltd. in Taiwan.
April 1979	Established Marugame Works (currently Power Distribution Systems Center) to manufacture closed type power distribution board and circuit breakers.
June 1981	Established Computer & Information Systems Laboratory (currently Information Technology R&D Center) to improve research and development of information processing, transmission, and optic radio wave equipment.
September 1981	Established Kitaitami Works Fukuoka semiconductor Factory (currently Power Device Works).

Month/Year	History
October 1983	Reorganized six business groups as Energy and Industry Systems Group, Consumer Products Group, Electronic Products & Systems Group, Computer and Systems Group, Electronic Devices Group, and International Operations Group.
June 1989	Established Automotive Equipment Group.
June 1993	Reorganized nine business groups as Power & Industrial Systems Group, Public-Use & Building Systems Group, Electronic Products & Systems Group, Information & Communication Systems Group, Audio-Visual & Information Systems Group, Living Environment Systems Group, Factory Automation Systems Group, Automotive Equipment Group, and Semiconductor Group. Established Corporate Engineering, Manufacturing & Information Systems.
August 1995	Established Mitsubishi Electric Information Technology Center America, Inc. (currently Mitsubishi Electric Research Laboratories, Inc.) as a research center in the U.S.
September 1995	Established Mitsubishi Electric Information Technology Centre Europe B.V. (currently Mitsubishi Electric R&D Centre Europe B.V.) as a research center in Europe.
June 1996	Reorganized sales business structure in Europe, and integrated sales companies in the UK, Germany, France, and other European countries to Mitsubishi Electric Europe B.V.
October 1997	Established Mitsubishi Electric (China) Co., Ltd as an investment holding company to support business strategies in China.
April 1998	Split Information & Communication Systems Group into Communication Systems Group and Information Systems Group.
April 1999	Integrated Power & Industrial Systems Group and Public-Use & Building Systems Group to Public Utility Systems Integrated Group. Established Building Systems Group.
May 1999	Completed and commenced operations of the first recycling plant for the household appliance industry (currently Hyper Cycle Systems Corporation).
February 2000	Established Information Network Service Group.
June 2000	Public Utility Systems Integrated Group changed its name to Public Utility Systems Group. Integrated Audio-Visual & Information Systems Group and Living Environment Systems Group to Living Environment & Digital Media Equipment Group.
October 2000	Founded a joint venture home elevator manufacturing company, Mitsubishi Hitachi Home Elevator Corporation with Hitachi, Ltd.
April 2001	Merged Information Systems Group with Information Network Service Group and changed its name to Information Systems & Network Service Group to accelerate IT-related business.
June 2001	Enactment of Mitsubishi Electric Group's "Changes for the Better" corporate statement.
April 2002	Established Mitsubishi Electric US Holdings, Inc. as a holding company in the U.S.
June 2003	Mitsubishi Electric Corporation became a Company with Three-committee System as a corporate governance reform.
October 2003	Founded a joint venture electrical equipment business company for manufacturing plants, Toshiba Mitsubishi-Electric Industrial Systems Corporation with Toshiba Corporation.
April 2005	Semiconductor Group changed its name to Semiconductor & Device Group.
April 2010	Split Public Utility Systems Group into Public Utility Systems Group and Energy & Industrial Systems Group.
April 2010	SPC Electronics Corporation into a wholly-owned subsidiary.
September 2010	Established Mitsubishi Electric India Private Limited as a comprehensive sales company in India.
June 2011	Established Mitsubishi Electric Vietnam Company Limited as a comprehensive sales company in Vietnam.
September 2012	Established Mitsubishi Electric do Brasil Comercio e Servicos Ltda. as a comprehensive sales company in Brazil.
December 2012	Established PT. Mitsubishi Electric Indonesia as a comprehensive sales company in Indonesia.
January 2013	Established Mitsubishi Electric Turkey A.S. as a comprehensive sales company in Turkey.
October 2014	Established Mitsubishi Electric (Russia) LLC as a comprehensive sales company in Russia.
February 2016	DeLclima S.p.A. (currently Mitsubishi Electric Hydronics & IT Cooling Systems S.p.A.), an Italian company engaged in the commercial air conditioning products business, into a wholly-owned subsidiary.
April 2020	Established Business Innovation Group.
	Dissolved Communication Systems Group and its functions were transferred to Public Utility Systems Group and Corporate Research and Development Group.

3. Description of Business

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS). The Mitsubishi Electric Group, which is composed of the Company, 203 consolidated subsidiaries and 39 equity method companies, engages in six business segments (Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, Electronic Devices, Home Appliances, Others) and our products range from all types.

Major business outline for each segment of the Group and the relation of principal affiliated companies are described as follows.

Segment, main products and business lines	Manufacturing	Sales/Installation/Services	Comprehensive Sales Companies
Energy and Electric 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, large display devices, electrical equipment for locomotives and rolling stock, elevators, escalators, building security systems, building management systems, and others	Toyo Electric Corporation Mitsubishi Electric Control Panel Corporation Tada Electric Co., Ltd. Mitsubishi Electric Power Products, Inc. Mitsubishi Electric Shanghai Electric Elevator Co., Ltd. Mitsubishi Elevator Asia Co., Ltd. Mitsubishi Elevator Korea Co., Ltd. Taiwan Mitsubishi Elevator Co., Ltd. Toshiba Mitsubishi-Electric Industrial Systems Corporation Shanghai Mitsubishi Elevator Co., Ltd.	Mitsubishi Electric Building Techno-Service Co., Ltd. Mitsubishi Electric Plant Engineering Corporation Mitsubishi Electric Control Software Corporation Ryoden Elevator Construction, Ltd. Ryoko Co., Ltd. RYO-SA BUILDWARE Co., Ltd. Mitsubishi Elevator Hong Kong Co., Ltd. Mitsubishi Elevator (Thailand) Co., Ltd. Hitachi Mitsubishi Hydro Corporation AG MELCO Elevator Co. L.L.C.	
Industrial Automation Systems 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, car electronics and car mechatronics, car multimedia, and others	DB Seiko Co., Ltd. Mitsubishi Electric Automotive America, Inc. Mitsubishi Electric Thai Auto-Parts Co., Ltd. Mitsubishi Electric Automotive (China) Co., Ltd. Mitsubishi Electric Automotive de Mexico, S.A. de C.V. Mitsubishi Electric Automotive Czech s.r.o. Mitsubishi Electric Automation Manufacturing (Changshu) Co., Ltd. Mitsubishi Electric Dalian Industrial Products Co., Ltd. Shizuki Electric Co., Inc. Shihlin Electric & Engineering Corporation	Setsuyo Astec Corporation Ryowa Corporation Mitsubishi Electric Mechatronics Engineering Corporation Meldas System Engineering Corporation Mitsubishi Electric Mechatronics Software Corporation Mitsubishi Electric Automation (Hong Kong) Ltd. Mitsubishi Electric Automation Korea Co., Ltd. SETSUYO ENTERPRISE CO., LTD.	Chiyoda Mitsubishi Electric Co., Ltd. and other regional comprehensive sales companies (9 companies) Mitsubishi Electric Europe B.V. Mitsubishi Electric US, Inc.
Information and Communication Systems Wireless and wired communications systems, network camera systems, satellite communications equipment, satellites, radar equipment, antennas, missile systems, fire control systems, broadcasting equipment, data transmission devices, network security systems, information systems equipment, systems integration, and others	Mitsubishi Electric TOKKI Systems Corporation Mitsubishi Precision Co., Ltd. SPC Electronics Corporation Seryo Electric Co., Ltd. Miyoshi Electronics Corporation	Mitsubishi Electric Information Network Corporation Mitsubishi Electric Information Systems Corporation Mitsubishi Space Software Co., Ltd. Mitsubishi Electric Business Systems Co., Ltd. Mitsubishi Electric Micro-Computer Application Software Co., Ltd. Tec Hankyu Hanshin Co., Ltd.	Mitsubishi Electric & Electronics (Shanghai) Co., Ltd. Mitsubishi Electric (H.K.) Ltd. Mitsubishi Electric Taiwan Co., Ltd. Mitsubishi Electric Asia Pte. Ltd. Mitsubishi Electric Australia Pty. Ltd.
Electronic Devices Power modules, high-frequency devices, optical devices, LCD devices, and others	Melco Display Technology Inc. Melco Power Device Corporation Vincotech Holdings S.à r.l.	Melco Semiconductor Engineering Corporation	
Home Appliances 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 lamps, indoor lighting, LCD televisions, refrigerators, electric fans, dehumidifiers, air purifiers, cleaners, jar rice cookers, microwave ovens, and others	Mitsubishi Electric Lighting Corporation Mitsubishi Electric Home Appliance Co., Ltd. Mitsubishi Electric Consumer Products (Thailand) Co., Ltd. Shanghai Mitsubishi Electric & Shangfing Air-Conditioner and Electric Appliance Co., Ltd. Mitsubishi Electric (Guangzhou) Compressor Co., Ltd. Mitsubishi Electric Hydronics & IT Cooling Systems S.p.A. Siam Compressor Industry Co., Ltd. Mitsubishi Electric Air Conditioning Systems Europe Ltd. Kang Yong Electric Public Co., Ltd.	Mitsubishi Electric Living Environment Systems Corporation Mitsubishi Electric Life Network Co., Ltd. Mitsubishi Electric Air Conditioning & Refrigeration Equipment Sales Co., Ltd. Mitsubishi Electric Air Conditioning & Refrigeration Systems Co., Ltd. Melco Facilities Corporation Mitsubishi Electric Kang Yong Watana Co., Ltd. Mitsubishi Electric Air-Conditioning & Visual Information Systems (Shanghai) Ltd.	Ryoden Corporation Kanaden Corporation Mansei Corporation
Others Procurement, logistics, real estate, advertising, finance, and other services		Mitsubishi Electric Trading Corporation Mitsubishi Electric Engineering Co., Ltd. Mitsubishi Electric Logistics Corporation Mitsubishi Electric System & Service Co., Ltd. Mitsubishi Electric Life Service Corporation The Kodensha Co., Ltd. iPLANET Inc. Melco Trading (Thailand) Co., Ltd. Mitsubishi Electric Credit Corporation KITA KOUDENSHA Corporation	

- Notes: 1. Comprehensive sales companies include several companies that are responsible for selling products from a number of businesses, and therefore these are placed into their own separate category rather than grouped by business segment.
2. Consolidated subsidiaries are shaded in , while equity method companies are shaded in .
3. Toyo Electric Corporation has changed its company name to Mitsubishi Electric Public Utility Equipment Corporation as of April 1, 2020.
4. Mitsubishi Electric Business Systems Co., Ltd. has changed its company name to Mitsubishi Electric IT Solutions Corporation as of April 1, 2020.

4. Subsidiaries and Affiliated Companies

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
(Consolidated subsidiaries)		Millions of yen				
Mitsubishi Electric Information Systems Corporation	Minato-ku, Tokyo	2,600	Planning, design, development, and sales of information systems, and provision of various solutions and related services	100.0	Yes	The Company outsources software development work. It has lease transactions of buildings with the Company.
Mitsubishi Electric Information Network Corporation	Minato-ku, Tokyo	1,250	Development, manufacturing, sales, and maintenance of IT platforms, network integration, data center services, planning, construction, and operation of information systems, and provision of outsourcing services for information systems	100.0	Yes	The Company outsources information processing work, and uses its communication network. It provides maintenance services for the Company's information system products. It has lease transactions of buildings with the Company.
Mitsubishi Electric Business Systems Co., Ltd.	Nakano-ku, Tokyo	400	Planning, design, development, manufacturing, and sales of information systems, mainly package systems	100.0	Yes	The Company purchases some of its products.
Mitsubishi Electric Building Techno-Service Co., Ltd.	Chiyoda-ku, Tokyo	5,000	Maintenance and repairs of elevator equipment, refrigerating and air conditioning equipment, etc., and total building management and operation	100.0	Yes	It is engaged in sales, installation, and maintenance of the Company's elevators, refrigerating and air conditioning equipment.
Mitsubishi Electric Engineering Co., Ltd.	Chiyoda-ku, Tokyo	1,000	Development, design, manufacturing, sales, construction, installation and preparation of various documents of electric and electronic equipment	100.0	Yes	The Company outsources design work, and purchases some of its products.
Mitsubishi Electric System & Service Co., Ltd.	Setagaya-ku, Tokyo	600	Repairs, sales, installation, and maintenance of home appliances, housing-related equipment, electronic equipment, and factory automation control equipment products	100.0	Yes	It provides maintenance for the Company's home appliances, housing-related equipment, electronic equipment, and factory automation control equipment products. It has lease transactions of land and buildings with the Company.
Mitsubishi Space Software Co., Ltd.	Minato-ku, Tokyo	500	Development, manufacturing, and sales of various software including those for the space business and related system integration business	89.0	Yes	The Company outsources system development work for space-related equipment, etc.
Mitsubishi Electric Plant Engineering Corporation	Taito-ku, Tokyo	350	Maintenance services and engineering for energy and electric plants and equipment	100.0	Yes	It provides maintenance for the Company's energy and electric plants and equipment.
Mitsubishi Electric Control Software Corporation	Hyogo-ku, Kobe-shi	300	Development, design, and manufacturing of system software in the areas of energy, industry, public, transport, car electronics, etc.	100.0	Yes	The Company outsources system software development work. It has lease transactions of buildings with the Company.

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
Mitsubishi Electric Mechatronics Engineering Corporation	Higashi-ku, Nagoya-shi	Millions of yen 300	Installation, adjustment, repairs, and maintenance of electric products for machine tools, electrical machining equipment, laser processing machines, other peripheral equipment, and systems	100.0	Yes	It is engaged in installation and maintenance of the Company's electric products for machine tools. It has lease transactions of buildings with the Company.
Mitsubishi Electric Micro-Computer Application Software Co., Ltd.	Amagasaki-shi, Hyogo	100	Research, development, design, manufacturing, and sales of IT-related systems in the areas of wired, wireless, satellite, graphics, etc., as well as software and hardware related to radio wave applications	[0.1] 100.0	Yes	The Company outsources software development and design work.
Mitsubishi Electric Mechatronics Software Corporation	Naka-ku, Nagoya-shi	100	Development of systems and software for factory automation control equipment, electrical discharge and laser processing machines, elevators, air-conditioning equipment, etc.	[0.1] 100.0	Yes	The Company outsources system software development work. It has lease transactions of buildings with the Company.
Melco Semiconductor Engineering Corporation	Nishi-ku, Fukuoka-shi	30	Design and development of semiconductors and technological development of process testing	[0.1] 100.0	Yes	The Company outsources design and development work.
Mitsubishi Electric Lighting Corporation	Kamakura-shi, Kanagawa	3,785	Manufacturing and sales of lighting equipment for various facilities, household lighting equipment, lamps, and other lighting-related equipment	100.0	Yes	It manufactures and sells lighting equipment and lamps under the Company's brand. The Company purchases some of its products.
Mitsubishi Precision Co., Ltd.	Koto-ku, Tokyo	3,167	Manufacturing and sales of simulator products, precision electronic equipment, electronic application equipment, etc.	74.7	Yes	The Company purchases some of its products
Mitsubishi Electric TOKKI Systems Corporation	Shinagawa-ku, Tokyo	600	Manufacturing, sales, and repairs of radar application equipment, electronic application equipment, and optical equipment	100.0	Yes	The Company purchases some of its products.
SPC Electronics Corporation	Chofu-shi, Tokyo	600	Manufacturing and sales of various microwave and millimeter wave equipment, high frequency application equipment, etc.	100.0	Yes	The Company purchases some of its products.
Mitsubishi Electric Home Appliance Co., Ltd.	Fukaya-shi, Saitama	400	Manufacturing and sales of home appliances including jar rice cookers, cleaners, and IH cooking heaters	100.0	Yes	It is engaged in manufacturing and sales of home appliances under the Company's brand. The Company purchases some of its products.

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
Mitsubishi Electric Control Panel Corporation	Hyogo-ku, Kobe-shi	Millions of yen 390	Development, manufacturing, sales, and maintenance of power distribution and surveillance control systems for power generation and social infrastructure, control panels, switchboards, electronic equipment products, and printed circuit boards and components	[0.0] 100.0	Yes	The Company purchases some of its products. It has lease transactions of land and buildings with the Company.
Tada Electric Co., Ltd.	Amagasaki-shi, Hyogo	300	Manufacturing and sales of cooling equipment for power equipment, other heat exchangers, environmental equipment, welding machines, and electron beam application processing equipment	100.0	Yes	The Company purchases some of its products. It has lease transactions of land and buildings with the Company.
Toyo Electric Corporation	Tamba-shi, Hyogo	300	Manufacturing and sales of electrical equipment for locomotives and rolling stock, and equipment for power generation and distribution	94.9	Yes	The Company purchases some of its products.
Melco Display Technology Inc.	Kikuchi-shi, Kumamoto	200	Manufacturing and sales of small to medium LCD devices for industrial application and automobiles	100.0	Yes	The Company purchases its products. It has lease transactions of land and buildings with the Company.
DB Seiko Co., Ltd.	Himeji-shi, Hyogo	96	Manufacturing and sales of automotive equipment, industrial electronic equipment, etc.	69.9	Yes	The Company purchases some of its products.
Melco Power Device Corporation	Tamba-shi, Hyogo	30	Manufacturing of power devices	67.0	Yes	The Company outsources manufacturing. It has lease transactions of land and buildings with the Company.
Ryowa Corporation	Fukushima-ku, Osaka-shi	689	Sales and maintenance of automotive equipment, information and communications equipment, and environmental equipment	86.2	Yes	It sells the Company's automotive equipment, etc.
Mitsubishi Electric Air Conditioning & Refrigeration Equipment Sales Co., Ltd.	Chiyoda-ku, Tokyo	350	Sales and installation of air-conditioning and refrigeration equipment	100.0	Yes	It is engaged in sales and installation of the Company's air-conditioning and refrigeration equipment.
Melco Facilities Corporation	Mitaka-shi, Tokyo	100	Sales and installation of housing-related equipment	[100.0] 100.0	Yes	It is engaged in sales and installation of the Company's housing-related equipment.
Setsuyo Astec Corporation	Kita-ku, Osaka-shi	90	Sales of factory automation control equipment, power distribution control equipment, semiconductor products, etc.	[0.1] 100.0	Yes	It sells the Company's products.

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
Ryoko Co., Ltd.	Chiyoda-ku, Tokyo	Millions of yen 20	Sales of electrical equipment for transport vehicle	[0.1] 100.0	Yes	It sells the Company's electrical equipment for transport vehicle.
Chiyoda Mitsubishi Electric Co., Ltd. and other regional comprehensive sales companies (9 companies)	Chiyoda-ku, Tokyo, etc.	20 - 300	Sales of electric equipment, and undertaking of related construction	[0 - 0.2] 100.0	Yes	They sell the Company's products.
Mitsubishi Electric Life Service Corporation	Minato-ku, Tokyo	3,000	Buying and selling, brokerage and leasing of real estate, as well as management and operation of welfare facilities	100.0	Yes	The Company outsources management and operation of its welfare facilities, etc. It has lease transactions of land and buildings with the Company.
Mitsubishi Electric Logistics Corporation	Shibuya-ku, Tokyo	1,735	Freight transport and warehousing	[1.3] 99.2	Yes	The Company outsources transport, storage, and cargo handling operations. It has lease transactions of land and buildings with the Company.
The Kodensha Co., Ltd.	Chuo-ku, Tokyo	1,520	Undertaking of electrical construction involving indoor wiring, power stations and substations, power cables, communications, etc., as well as sales of electric equipment, etc.	[0.3] 51.5	Yes	It undertakes electrical installation work using equipment and products supplied by the Company.
Mitsubishi Electric Trading Corporation	Chiyoda-ku, Tokyo	1,000	Domestic and overseas procurement and sales of materials, export of components and equipment for overseas plants, and undertaking outsourced work related to overseas business	[4.2] 100.0	Yes	The Company outsources procurement and physical management of materials. It has lease transactions of offices with the Company.
Mitsubishi Electric Air Conditioning & Refrigeration Systems Co., Ltd.	Shinagawa-ku, Tokyo	400	Installation and maintenance of refrigeration and cold storage equipment, and air-conditioning equipment, as well as installation work of air-conditioning and refrigeration plants	[37.5] 100.0	Yes	It is engaged in installation and maintenance of the Company's refrigeration and cold storage equipment, and air-conditioning equipment.
Ryoden Elevator Construction, Ltd.	Shinjuku-ku, Tokyo	200	Sales and installation of elevators, and manufacturing, sales, and installation of freight elevators for parcels	[21.0] 100.0	Yes	It is engaged in sales and installation of the Company's elevators.
iPLANET Inc.	Minato-ku, Tokyo	200	Advertising agency work, planning, production, and research related to marketing and sales promotion, as well as planning and operation of exhibitions	100.0	Yes	The Company outsources advertising and marketing work.

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
RYO-SA BUILWARE Co., Ltd.	Toshima-ku, Tokyo	Millions of yen 110	Total management and operation of buildings, maintenance, repairs and operation management of building facilities, as well as management and operation of condominiums, etc.	[100.0] 100.0	No	The Company outsources maintenance, inspection, and repairs of some of its facilities including welfare facilities.
Meldas System Engineering Corporation	Higashi-ku, Nagoya-shi	100	Sales of NC units, electrical discharge and laser processing machines, robotic systems, etc.	[0.1] 100.0	Yes	It sells the Company's equipment for industrial use.
Mitsubishi Electric Life Network Corporation	Saiwai-ku, Kawasaki-shi	2,800	Sales of home appliances, electric materials, housing-related equipment, air-conditioning and refrigeration equipment, etc.	100.0	Yes	It sells the Company's home appliances, electric materials, housing-related equipment, air-conditioning and refrigeration equipment, etc.
Mitsubishi Electric Living Environment Systems Corporation	Taito-ku, Tokyo	2,627	Sales of home appliances, electric materials, housing-related equipment, air-conditioning and refrigeration equipment, etc.	[27.0] 100.0	Yes	It sells the Company's home appliances, electric materials, housing-related equipment, air-conditioning and refrigeration equipment, etc.

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
Mitsubishi Electric US Holdings, Inc.	U.S. (Cypress)	Thousands of US\$ 348,672	Holding company in the U.S.	100.0	Yes	It is a holding company of the Company's main U.S. operating companies.
Mitsubishi Electric US, Inc.	U.S. (Cypress)	31,623	Sales, installation, and maintenance of elevators, sales of air-conditioning and refrigeration equipment, electronic components, visual information equipment, etc., procurement of materials, and supervision of the Americas region	[100.0] 100.0	Yes	It sells the Company's products.
Mitsubishi Electric Automotive America, Inc.	U.S. (Mason)	28,000	Manufacturing and sales of automotive equipment	[100.0] 100.0	Yes	It is engaged in manufacturing of equipment using components supplied by the Company, as well as import and sales of finished products.
Mitsubishi Electric Power Products, Inc.	U.S. (Warrendale)	25,850	Manufacturing, sales, and engineering of power transmission and transformation equipment, and electrical equipment for transport vehicles, etc.	[100.0] 100.0	Yes	It is engaged in manufacturing of equipment using components, etc. supplied by the Company, as well as import and sales of finished products.
Mitsubishi Electric Automotive de Mexico, S.A. de C.V.	Mexico (Querétaro)	Thousands of MXN 500,000	Manufacturing and sales of automotive equipment	[5.0] 100.0	Yes	It is engaged in manufacturing and sales under license from the Company.
Mitsubishi Electric Europe B.V.	The Netherlands (Amsterdam)	Thousands of EUR 100,597	Sales, installation, and maintenance of elevators, sales of energy and electric equipment, electronic equipment, electronic components, home appliances, air-conditioning and refrigeration equipment, industrial equipment, automotive electrical equipment, etc., and supervision of the Europe region	100.0	Yes	It sells the Company's products.
Mitsubishi Electric Hydronics & IT Cooling Systems S.p.A.	Italy (Veneto)	10,000	Design, manufacturing, and sales of air-conditioning equipment, etc. for business use	100.0	Yes	It sells air-conditioning equipment, etc. for business use to the Group.
Vincotech Holdings S.à r.l.	Luxembourg	36	Holding company of the Vincotech Group, which is engaged in development, manufacturing, and sales of industrial power devices	100.0	Yes	It is a holding company of operating companies handling power devices in Europe, etc.
Mitsubishi Electric Air Conditioning Systems Europe Ltd.	U.K. (Livingston)	Thousands of £ 14,900	Manufacturing and sales of air-conditioning equipment for business use	[10.0] 100.0	Yes	It is engaged in manufacturing and sales under license from the Company.

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
Mitsubishi Electric Automotive Czech s.r.o.	Czech (Slany)	Thousands of CZK 350,000	Manufacturing and sales of automotive equipment	[10.0] 100.0	Yes	It is engaged in manufacturing and sales under license from the Company.
Mitsubishi Electric Asia Pte. Ltd.	Singapore	Thousands of S\$ 127,587	Sales of home appliances, industrial equipment, air-conditioning and refrigeration equipment, photovoltaic generators, electronic components, etc., and supervision of the Asia region	100.0	Yes	It sells the Company's products.
Siam Compressor Industry Co., Ltd.	Thailand (Chonburi)	Thousands of BAHT 1,603,800	Manufacturing and sales of air-conditioning compressors	[25.0] 98.0	Yes	It is engaged in manufacturing and sales under license from the Company.
Mitsubishi Electric Consumer Products (Thailand) Co., Ltd.	Thailand (Chonburi)	1,200,000	Manufacturing and sales of air-conditioning equipment	[25.0] 90.0	Yes	It is engaged in manufacturing and sales under license from the Company.
Mitsubishi Elevator Asia Co., Ltd.	Thailand (Chonburi)	1,151,500	Manufacturing and sales of elevators	100.0	Yes	It is engaged in manufacturing and sales under license from the Company.
Mitsubishi Electric Thai Auto-Parts Co., Ltd.	Thailand (Rayong)	400,000	Manufacturing and sales of automotive equipment	100.0	Yes	It is engaged in manufacturing and sales under license from the Company.
Mitsubishi Elevator (Thailand) Co., Ltd.	Thailand (Samut-prakarn)	100,000	Sales, installation, and maintenance of elevators	[10.0] 65.0	Yes	It is engaged in sales, installation, and maintenance of the Company's elevators.
Mitsubishi Electric Kang Yong Watana Co., Ltd.	Thailand (Bangkok)	95,100	Sales and after-sale services of home appliances, and sales of standard electrical equipment	50.1	Yes	It sells the Company's products.
Melco Trading (Thailand) Co., Ltd	Thailand (Bangkok)	10,000	Procurement and sales of electric and electronic materials, and trading related to parts and equipment	[100.0] 100.0	Yes	Procurement, sales, and trading for the Group's overseas factories.

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
Mitsubishi Electric (H.K.) Ltd.	China (Hong Kong)	Thousands of HK\$ 1,012,317	Sales and engineering of energy and electric equipment, electronic components, etc., sales of air-conditioning and refrigeration equipment and home appliances, procurement of materials, and supervision of the Hong Kong region	100.0	Yes	It sells the Company's products.
Mitsubishi Electric Automation (Hong Kong) Ltd.	China (Hong Kong)	88,000	Sales of and services for factory automation control equipment, power distribution control equipment, electrical discharge and laser processing machines, etc.	[100.0] 100.0	Yes	It sells the Company's products.
Mitsubishi Elevator Hong Kong Co., Ltd.	China (Hong Kong)	35,000	Sales, installation, and maintenance of elevators	[75.0] 75.0	Yes	It is engaged in sales, installation, and maintenance of the Company's elevators.
Mitsubishi Electric (Guangzhou) Compressor Co., Ltd.	China (Guangzhou)	Thousands of US\$ 122,220	Manufacturing and sales of air-conditioning compressors	[13.7] 100.0	Yes	It is engaged in manufacturing and sales under license from the Company.
Mitsubishi Electric (China) Co., Ltd.	China (Beijing)	86,734	Supervision of the China region	100.0	Yes	It is the Group's regional supervising company in China.
Mitsubishi Electric Automotive (China) Co., Ltd.	China (Changshu)	98,000	Manufacturing and sales of automotive equipment	[10.0] 100.0	Yes	It is engaged in manufacturing and sales under license from the Company.
Shanghai Mitsubishi Electric & Shangling Air-Conditioner and Electric Appliance Co., Ltd.	China (Shanghai)	58,000	Manufacturing and sales of air-conditioning equipment	[11.2] 52.4	Yes	It is engaged in manufacturing and sales under license from the Company.
Mitsubishi Electric Shanghai Electric Elevator Co., Ltd.	China (Shanghai)	53,000	Manufacturing, sales, and maintenance of elevators	[20.0] 60.0	Yes	It is engaged in manufacturing, sales, and maintenance under license from the Company.
Mitsubishi Electric Automation Manufacturing (Changshu) Co., Ltd.	China (Changshu)	43,400	Manufacturing of factory automation control equipment	[10.0] 100.0	Yes	It is engaged in manufacturing of equipment using components supplied by the Company, as well as sales of finished products.
Mitsubishi Electric Air-Conditioning & Visual Information Systems (Shanghai) Ltd.	China (Shanghai)	24,878	Sales of air-conditioning equipment and visual information equipment	[100.0] 100.0	Yes	It sells the Company's products.
Mitsubishi Electric & Electronics (Shanghai) Co., Ltd.	China (Shanghai)	7,000	Sales and engineering of electronic components, etc., as well as procurement of materials	[100.0] 100.0	Yes	It sells the Company's products.

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
Mitsubishi Electric Dalian Industrial Products Co., Ltd.	China (Dalian)	Millions of yen 3,000	Manufacturing of factory automation control equipment, power distribution control equipment, electrical discharge and laser processing machines, etc.	[10.0] 100.0	Yes	It is engaged in manufacturing of equipment using components supplied by the Company, as well as sales of finished products.
Taiwan Mitsubishi Elevator Co., Ltd.	Taiwan (Taipei)	Thousands of NT\$ 2,215,249	Manufacturing, sales, installation, and maintenance of elevators	[11.1] 54.8	Yes	It is engaged in manufacturing, sales, installation, and maintenance under license from the Company.
Mitsubishi Electric Taiwan Co., Ltd.	Taiwan (Taipei)	1,274,710	Sales of energy and electric equipment, industrial equipment, air-conditioning and refrigeration equipment, home appliances, electronic equipment, electronic components, etc., procurement of materials, and supervision of the Taiwan region	100.0	Yes	It sells the Company's products.
SETSUYO ENTERPRISE CO., LTD.	Taiwan (New Taipei)	5,100	Sales of and services for factory automation control equipment, power distribution control equipment, etc.	[100.0] 100.0	Yes	It sells the Company's products.
Mitsubishi Elevator Korea Co., Ltd.	Korea (Seoul)	Thousands of WON 38,500,000	Manufacturing, sales, installation, and maintenance of elevators	[26.0] 80.0	Yes	It is engaged in manufacturing, sales, installation, and maintenance under license from the Company.
Mitsubishi Electric Automation Korea Co., Ltd.	Korea (Seoul)	2,000,000	Sales of and services for factory automation control equipment, power distribution control equipment, electrical discharge and laser processing machines, etc.	[49.0] 100.0	Yes	It sells the Company's products.
Mitsubishi Electric Australia Pty. Ltd.	Australia (Rydalmere)	Thousands of A\$ 11,000	Sales and maintenance of air-conditioning and refrigeration equipment, electrical equipment for locomotives, power transmission and transformation equipment, visual information equipment, home appliances, industrial equipment, automotive electrical equipment, etc.	[70.0] 100.0	Yes	It sells the Company's products.
118 other companies						

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
(Associated and joint ventures) Toshiba Mitsubishi-Electric Industrial Systems Corporation	Chuo-ku, Tokyo	Millions of yen 15,000	Sales, engineering, construction, and services for electrical equipment in manufacturing plants, as well as development and manufacturing of primary equipment	50.0	Yes	The Company purchases some of its products. It sells the Company's products.
Ryoden Corporation	Toshima-ku, Tokyo	10,334	Sales of electric equipment, electronic components, information equipment, other general machinery and equipment, and various materials, and undertaking of related construction, etc.	[1.1] 36.9	Yes	It sells the Company's products.
KANADEN CORPORATION	Chuo-ku, Tokyo	5,576	Sales of electric equipment, electronic components, information, mechatronic equipment, and various materials, and undertaking of related construction	[0.1] 25.4	Yes	It sells the Company's products.
Shizuki Electric Co., Inc.	Nishinomiya-shi, Hyogo	5,001	Manufacturing and sales of capacitors for electronic equipment, equipment products, power, and automotive, power systems, and information equipment	21.2	Yes	The Company purchases some of its products.
Hitachi Mitsubishi Hydro Corporation	Minato-ku, Tokyo	2,000	Sales, engineering, installation, construction, and maintenance of hydroelectric system	30.0	Yes	It sells the Company's products.
Mitsubishi Electric Credit Corporation	Shinagawa-ku, Tokyo	1,010	Leasing of electrical machinery and equipment, automobiles, etc., and installment sales, loan partnership sales, installment purchase arrangements	45.0	Yes	Leasing and installment sales of the Company's products. It leases office equipment and others to the Company
MANSEI CORPORATION	Fukushima-ku, Osaka-shi	1,005	Sales of electric equipment, electronic devices, information and communication equipment, facility equipment, industrial machinery, etc.	[0.1] 22.0	Yes	It sells the Company's products.
KITA KOUDENSHA Corporation	Chuo-ku, Sapporo-shi	840	Undertaking of electrical construction involving indoor wiring, power stations and substations, power cables, communications, etc., as well as sales of electric equipment, etc.	[1.4] 29.1	Yes	The Company supplies equipment and products to it.
Seiry Electric Co., Ltd.	Itami-shi, Hyogo	523	Sales, manufacturing, maintenance, and repair of information and communication equipment, and systems	23.2	Yes	It sells the Company's products.

Company Name	Address	Paid-in Capital	Business Activities	Ratio of Voting Rights Held (%)	Description of Relationship, etc.	
					Interlocking Directorship, etc.	Business Transactions, etc.
Miyoshi Electronics Corporation	Kawanishi-shi, Hyogo	Millions of yen 400	Manufacturing and sales of electronic application equipment, semiconductors, and information and communication equipment	42.8	Yes	The Company outsources manufacturing. The Company purchases some of its products.
Itec Hankyu Hanshin Co., Ltd.	Fukushima-ku, Osaka-shi	200	Sales of electronic equipment, development of systems for transport, building management and medical service, outsourcing of various system development, provision of various solutions and technical services	30.0	Yes	The Company purchases some of its products. It sells the Company's products.
AG MELCO Elevator Co. L.L.C.	UAE (Dubai)	Thousands of AED 10,000	Sales, installation, and maintenance of elevators	[5.0] 39.0	Yes	It is engaged in sales, installation, and maintenance of the Company's elevators.
Kang Yong Electric Public Co., Ltd.	Thailand (Samut-prakan)	Thousands of BAHT 198,000	Manufacturing and sales of refrigerators, electric fans, ventilators, and electric pumps	[0.0] 45.7	Yes	It is engaged in manufacturing and sales under license from the Company. The Company purchases some of its products.
Shanghai Mitsubishi Elevator Co., Ltd.	China (Shanghai)	Thousands of US\$ 155,000	Manufacturing, sales, installation, and maintenance of elevators	[8.0] 400.0	Yes	It is engaged in manufacturing, sales and maintenance under license from the Company.
Shihlin Electric & Engineering Corporation	Taiwan (Taipei)	Thousands of NT\$ 5,209,722	Manufacturing and sales of electrical equipment, energy and electric equipment, and factory automation equipment	21.2	Yes	It receives license as well as supplies of products and components from the Company.
24 other companies						

- Notes: 1. "Interlocking Directorship, etc." under "Description of Relationship, etc.," includes secondees and transferees currently serving as executives, in addition to the executives and employees of the Company concurrently serving as executives.
2. Numbers in brackets ("[]") in the column "Ratio of Voting Rights Held" refer to the ratio of indirect voting rights held (inclusive).
3. Of the companies listed above, Mitsubishi Electric US Holdings, Inc. is classified as specified subsidiaries.
4. Of the companies listed above, The Kodensha Co., Ltd., Ryoden Corporation, KANADEN CORPORATION, Shizuki Electric Co., Inc., MANSEI CORPORATION, KITA KOUDENSHA Corporation and Seiryō Electric Co., Ltd. submit either an annual securities report or securities registration statement.
5. As the respective revenue (excluding inter-company revenue among consolidated subsidiaries) of the companies listed above do not exceed 10% of consolidated revenue, major information mainly on profit and loss is omitted.
6. For the effective use of funds of the Mitsubishi Electric Group, the Group financing system is in place to best utilize funds available within the Group. Under the system, the Company borrows funds from Mitsubishi Electric Building Techno-Service Co., Ltd. and other companies, which together with the Company's own funds are loaned to other companies including Mitsubishi Electric Life Service Corporation.
7. Mitsubishi Electric Business Systems Co., Ltd. has changed its company name to Mitsubishi Electric IT Solutions Corporation as of April 1, 2020.
8. Toyo Electric Corporation has changed its company name to Mitsubishi Electric Public Utility Equipment Corporation as of April 1, 2020.

5. Employees

(1) Consolidated basis

As of March 31,2020

Business Segment	Number of employees
Energy and Electric Systems	46,852
Industrial Automation Systems	33,544
Information and Communication Systems	15,042
Electronic Devices	5,431
Home Appliances	27,462
Others	12,643
Common	5,544
Total	146,518

Note: The number of employees refers solely to full-time employees of the Company and its consolidated subsidiaries.

(2) The Company

As of March 31,2020

Number of employees	Average age	Average length of service(years)	Average annual salary(yen)
35,649 [7,105]	40.5	16.4 years	¥8,069,144

Business Segment	Number of employees
Energy and Electric Systems	8,752
Industrial Automation Systems	10,395
Information and Communication Systems	4,909
Electronic Devices	2,049
Home Appliances	5,140
Common	4,404
Total	35,649

Notes: 1. The number of employees refers solely to full-time employees of the Company.

The number of brackets is average per year of the number of temporary employees, etc.

2. Average annual salary includes bonuses and extra wages.

(3) Relationship with labor union

Mitsubishi Electric Group organizes labor unions by company. The Company's labor union is called Mitsubishi Electric Union. The relationship between management and labor union has been stable since the labor union was formed.

II . Business Overview

1. Management Policy, Business Environment and Corporate Agenda

(1) Management policy

The Mitsubishi Electric Group, based on its Corporate Mission*¹ and Seven Guiding Principles*², has positioned corporate social responsibility (CSR) initiatives as the pillar of its corporate management. The Group will maintain Balanced Corporate Management based on three perspectives: “Growth,” “Profitability & Efficiency” and “Soundness,” and will create a stronger business foundation and pursue sustainable growth.

In addition, based on the corporate statement “Changes for the Better”, we will continue to pursue a better tomorrow with continuous innovation and will endeavor to earn the trust and satisfaction of our stakeholders, such as society, customers, shareholders, and employees.

— Maintain and evolve Balanced Corporate Management —



(2) Business environment and corporate agenda

The world economy is expected to suffer a significantly adverse impact of COVID-19 as its impact becomes more serious. Economic growth rate of fiscal 2021 is expected to be remarkably lower than the previous fiscal year without full economic recovery despite the economic measures taken in various countries and regions. The business environment is expected to be even more severe if COVID-19 has a long-term impact.

Under these circumstances, the Group announced the forecast for fiscal 2021 with revenue of 4.1 trillion yen and an operating profit ratio of 2.9% in the announcement of consolidated financial results for fiscal 2020 on May 11, 2020, which is expected to fall short of the fiscal 2021 growth targets with consolidated revenue of 5 trillion yen or more and operating profit ratio of 8% or more, partly due to external factors such as a slump in growth of demand and foreign exchange fluctuations, and the Group's insufficient response to changes in the market environment as well as the impact of COVID-19. With regard to COVID-19, while ensuring that employment is maintained, we will work to minimize the impact on business results even if it takes a long time for the pandemic to end.

In terms of management targets that should be achieved continuously, the Group expects to maintain a ratio of bonds and borrowings to total assets of 15% or less, but expects failure to achieve an ROE of 10% or more at this stage. The Group will strive to recover this target quickly.

In fiscal 2020, revenue was 4,462.5 billion yen, operating profit ratio was 5.8%, ROE was 9.2%, and the ratio of bonds and borrowings to total assets ^{*3} was 6.1%. Please refer to the next table for operating profit ratio by business segment.

	FY2021 growth targets Operating Profit ratio by Business Segments (Targets)	Fiscal 2020 Actual	Fiscal 2021 Forecast
Energy and Electric Systems	8% or more	6.3%	5.8%
Industrial Automation Systems	13% or more	5.1%	1.1%
Information and Communication Systems	5% or more	5.8%	4.5%
Electronic Devices	7% or more	4.2%	(2.3%)
Home Appliances	6% or more	7.2%	3.3%

In fiscal 2021, the Group will improve performance and drive profitability in order to realize high-quality growth. The Group will build and reinforce an optimal business structure, in both global terms and for the entire corporate Group to enhance competitiveness in Japan, the U.S., Europe and China, while also focusing on meeting demands in growing markets such as India and Southeast Asia.

To this end, the Group will take part in collaborations, mergers and acquisitions and other strategic activities with a view to supplementing missing products and technologies, securing distribution-/service-network in new regions and markets, and acquiring new talent. Furthermore, while carrying out capital cost-conscious management, the Group will continue the following measures: optimizing resource distribution including R&D investments and capital expenditures; strengthening its development and production capability that will contribute to the strengthening of its integrated comprehensive manufacturing capability; emphasizing on quality from the early stages of design and development; increasing its productivity through Just-in-Time production including enhancement of work efficiency in indirect departments; streamlining its human resources structure and allocating them appropriately; further improving its financial standing; and improving its comprehensive business efficiency from a medium and long term perspective, using Mitsubishi Electric's version of ROIC^{*4}, a comprehensive business efficiency indicator.

In formulating the new medium-term management plan, the Group aims to further strengthen its business foundation by accelerating business model transformations by actively utilizing open innovations, reinforcing its solution businesses for increasingly diverse social challenges, and reviewing its business portfolios for higher profitability and more effective use of business resources.

The Group will provide solutions that combine products, systems and services in response to social challenges including environmental issues and resource and energy issues, and thereby further promote creation of value such as “simultaneous achievement of a sustainable society and safety, security and comfort” in the four fields of Life, Industry, Infrastructure, and Mobility. Through all of its corporate activities, the Group will also contribute to achieving the 17 sustainable development goals (SDGs), which are shared worldwide.

Additionally, in promoting creation of value, the Group is working to enhance its business foundation (connections with customers, technologies, personnel, products, corporate culture, etc.), evolve Technology Synergies and Business Synergies through greater collaboration with both inside and outside the Group and transform its business models.

《Strategy》
 Mitsubishi Electric will provide integrated solutions to address diversifying social challenges, in the four fields of Life, Industry, Infrastructure and Mobility, uniting all the capabilities inside and outside of the Group. For this purpose, we will enhance our business foundation fostered over the past 100 years and further transform business models.

*Business foundation fostered over the past 100 years: connection with customers, technologies, personnel, products, corporate culture, etc.



Based on its strategy, Mitsubishi Electric Group will pursue value creation for addressing social challenges, and contribute to achieving the 17 goals of the SDGs, through all corporate activities.



SDGs: “Sustainable Development Goals” adopted by the United Nations as goals to achieve towards 2030

In these efforts, the Mitsubishi Electric Group aims to reduce CO₂ emissions from product usage by 30% compared to fiscal 2001 and 30% from product production across the entire Group compared to fiscal 1991*⁵. These goals follow the “Environmental Vision 2021” with 2021 as its target year, the 100th anniversary of the Company’s founding and are aimed at contributing to the creation of a low-carbon, recycling-based society. Targeting the year 2030, the Group will strive to meet the following greenhouse -gas reduction targets certified under the SBTi*⁶: an 18% reduction (compared to fiscal 2017) under scopes 1 & 2, and a 15% reduction (compared to fiscal 2019) under scope 3. Additionally, the Group will strive to disclose the risks and opportunities brought by climate change, based on the recommendations of the TCFD*⁷. The Group will work in accordance with the Environmental Sustainability Vision 2050, created as a new long-term environmental management vision for the year 2021 and onward. In terms of legal and ethical compliance, various issues have recently become clear at the Group. The Group will put serious effort into preventing the recurrence of labor issues concerning the physical and mental health of employees, improper quality-related conduct leading to delivery of products not conforming to contracts with customers, and the possibility of personal and confidential corporate information leakage due to unauthorized access. With regard to labor issues, the Group will work to build workplaces that enable open communication, and provide thorough and appropriate care for individuals with psychological health issues, through measures centered on the Mitsubishi Electric Workplace Culture Reform Program. With regard to improper quality-related conduct, the Group will further raise awareness of quality, while also strengthening swift initial response measures. With regard to unauthorized access, the Group will strengthen and thoroughly implement prevention of intrusion, diffusion, and leakage, as well as global response and document management, led by the Information Security Supervisory Office under the direct control of the President. Additionally, 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. The Group also intends to improve its corporate governance through continuous promotion of measures such as compliance with Japan’s Corporate Governance Code, while striving for appropriate and timely disclosure of information, in order to acquire a higher level of trust from society, customers, shareholders, and employees.

With regard to COVID-19, the Group gives the highest priority to the safety and health of customers, business partners, and other related parties, as well as employees and their families. Having taken adequate measures to prevent the spread the infection, such as thorough enforcement of remote work, and securing social distance in production, construction and service related departments, we will continue business that are necessary for fulfilling our responsibilities to society as a corporation in order to maintain people’s lives, provide a stable supply of products, provide services, and support our customers.

Steadily executing the strategies above, the Group will work to further enhance its corporate value.

*1 Corporate Mission: The Mitsubishi Electric Group will continually improve its technologies and services by applying creativity to all aspects of its business. By doing so, we enhance the quality of life in our society.

*2 These principles are:

Trust: Establish relationships with society, customers, shareholders, employees, and business partners based on strong mutual trust and respect.

Quality: Provide the best products and services with unsurpassed quality.

Technology: Pioneer new markets by promoting research and development, and fostering technological innovation.

Citizenship: As a global player, contribute to the development of communities and society as a whole.

Ethics and Compliance: In all endeavors, conduct ourselves in compliance with applicable laws and high ethical standards.

Environment: Respect nature, and strive to protect and improve the global environment.

Growth: Assure fair earnings to build a foundation for future growth.

- *3 Ratio of bonds and borrowings to total assets: Calculated based on the balance of borrowings and bonds, excluding lease liabilities.
- *4 ROIC (Mitsubishi Electric version): A comprehensive business efficiency indicator which is calculated by asset items (fixed assets, cash, etc.) per different segments (and not by capital and liability) so that it is easier to track and improve.
- *5 Base fiscal years of reduction targets:
Mitsubishi Electric Corporation: 1990; Associated companies in Japan: 2000; Associated companies outside Japan: 2005
- *6 Science-Based Targets initiative: an international initiative by the United Nations Global Compact (UNGC), World Wildlife Fund for Nature (WWF), CDP, and World Resources Institute (WRI) that calls for setting targets for the reduction of carbon dioxide emissions based on scientific evidence.
Scope 1: Direct emissions resulting from fuel use within the company; Scope 2: Indirect emissions associated with the use of externally purchased electricity and heat, Scope 3: Indirect emissions from the entire value chain other than Scope 1 and 2 emissions
- *7 TCFD (Task Force on Climate-related Financial Disclosures): A task force for the disclosure of climate-related financial information led by the private sector. The TCFD was established at the request of the G20 Finance Ministers and Central Bank Governors.

2. Business Risks

The Mitsubishi Electric Group (hereinafter “the Group”) is involved in development, manufacturing and sales in a wide range of fields including Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, Electronic Devices, Home Appliances and Others, and these operations extend globally, not only inside Japan, but also in North America, Europe, Asia and other regions. Therefore, various factors may affect actual financial standings and operating results of the Group.

Major factors that may affect actual financial standings, operating results, and the decision of investors are as follows:

(1) The impact of COVID-19

The Group is executing business in countries and regions affected by COVID-19. As stated earlier, the Group is implementing countermeasures as it continues its business operations. However, if the disease spreads or the pandemic becomes protracted, declines in demand and other factors may adversely affect the Group’s performance.

The Group disclosed the financial performance forecast for the fiscal year ending March 31, 2021 as indicated in “1. Management Policy, Business Environment and Corporate Agenda” based on the assumption that COVID-19 continues to have a significant impact on revenue and operating profit, etc., until the second quarter of fiscal 2021. The Group’s performance may be affected to a greater extent than currently expected, due to delays in the situation returning to normal, market declines in individual countries and regions, status changes in market recoveries thereafter, and changes in demand structure following sudden changes to societal values or behavior.

(2) Any change in worldwide economic and social conditions, as well as laws, regulations, taxation and other legislation

The Group conducts business in a wide range of fields as diverse as Energy and Electric Systems to Home Appliances, and roughly 40% of the Group’s revenue are from overseas. Domestic revenue includes products not only used in Japan but also that are incorporated in customers’ products and exported overseas. Therefore, if economic growth from the third quarter of fiscal 2021 onwards is slower than expected due to economic and social conditions in various countries and regions, and there are changes in demand for the Group’s products or sales of customer products containing the Group’s products, this may adversely affect the Group’s performance.

Furthermore, roughly half of the Group’s overseas revenue are to Asian markets. A slowdown in the Asian economies due to export industry stagnation or a slump in personal consumption resulting from the U.S.-China trade friction and National Defense Authorization Act trends, etc., may adversely affect the Group’s performance, especially in the Industrial Automation Systems business, due to changes in capital investment and sales trends of durable goods.

(3) Foreign currency exchange rates

In addition to North America, Europe, and China each accounting for roughly 10% of total Group revenue, the Group purchases imported materials that are denominated in U.S. dollars or euros, and sells export goods and purchases imported materials that are denominated in foreign currencies in its Asian production bases. The Group strives to avoid foreign currency exchange rate fluctuations through the use of forward exchange contracts, etc. However, sudden changes in exchange rates that cause major deviations from the exchange rates expected by the Group (105 yen to the U.S. dollar, 115 yen to the euro, and 15.0 yen to the Chinese yuan) may affect the Group’s performance.

The above are forward-looking statements based on the judgment of the Company as of the date of submission of the Annual Securities Report (June 26, 2020).

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

The main measures implemented by the Group during the fiscal year ended March 31, 2020 and planned for implementation during the fiscal year ending March 31, 2021 are as indicated in “1. Management Policy, Business Environment and Corporate Agenda” Below is our analysis of the financial position, operating results, and cash flows of the Group for fiscal 2020 based on these measures.

From fiscal 2020, the Group has applied IFRS 16 Leases. Significant accounting policies, including details regarding IFRS16, are as shown in “Section V Financial Information 1 Consolidated financial statements and other (1) Consolidated Financial Statements (Notes to Consolidated Financial Statements).”

(1) Overview of business performance

The economy in the fiscal year ended March 31, 2020 generally saw a gradual and slow recovery in Japan, the U.S. and Europe until the end of 2019 but the corporate sector slowed down. The growth of China also slowed down with the corporate sector experiencing a slowdown in exports and capital expenditures for fixed assets. The expansion of the novel coronavirus diseases (COVID-19) and its impact put great downward pressure on the global economy from the beginning of 2020.

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

As a result, the business performance for the fiscal year ended March 31, 2020 is as follows.

<Consolidated Performance>		(In billions of yen)	
	Fiscal 2019	Fiscal 2020	year on year
Revenue	4519.9	4462.5	down 57.4
Operating profit	290.4	259.6	down 30.8
Profit before income taxes	315.9	281.9	down 33.9
Net profit attributable to Mitsubishi Electric Corp. stockholders	226.6	221.8	down 4.8

1) Revenue

Revenue for the fiscal year ended March 31, 2020 decreased by 57.4 billion yen from the previous fiscal year to 4,462.5 billion yen due primarily to a decrease in revenue of Industrial Automation Systems segment, despite that revenue increased in Information and Communication Systems, Home Appliances, Energy and Electric Systems, and Electronic Devices segments. In Industrial Automation Systems segment, revenue for the factory automation system business decreased due mainly to stagnant demand for capital expenditures worldwide and revenue for the automotive equipment business decreased due to a slowdown in demand for new cars worldwide.

Other factors that caused the decrease in revenue include the yen appreciating against foreign currencies and the impact of COVID-19 in the fourth quarter.

<Impact of Exchange Rate Fluctuations on Revenue>

	Average exchange rate for fiscal 2019	Average exchange rate for fiscal 2020	Impact of exchange rate fluctuations on revenue
Consolidated total	—	—	About ¥62.0 billion decrease
US\$	¥111	¥109	About ¥9.0 billion decrease
EURO	¥128	¥121	About ¥20.0 billion decrease
CNY	¥16.5	¥15.6	About ¥17.0 billion decrease

2) Operating profit

Operating profit decreased by 30.8 billion yen from the previous fiscal year to 259.6 billion yen due primarily to a decrease in operating profit of Industrial Automation System segment, despite that operating profit increased in Home Appliances, Information and Communication Systems, and Electronic Devices segments. Operating profit ratio decreased by 0.6% from the previous fiscal year to 5.8% due mainly to increased cost ratio.

The cost ratio increased by 1.2% due primarily to lowered operation, a shift in product mix and upfront investment for growth drivers of Industrial Automation Systems segment in addition to the yen appreciating against other currencies.

Selling, general and administrative expenses decreased by 26.2 billion yen from the previous fiscal year and selling, general and administrative expenses to revenue ratio improved by 0.3%.

Other profit (loss) increased by 13.6 billion yen from the previous fiscal year due mainly to sale of land and other profit (loss) to revenue ratio improved by 0.3%.

3) Profit before income taxes

Profit before income taxes decreased by 33.9 billion yen from the previous year to 281.9 billion yen due primarily to a decrease in operating profit, an increase in financial expenses caused by loss on foreign exchange, and a decrease in share of profit of investments accounted for using the equity method. Profit before income taxes to revenue ratio was 6.3%.

4) Net profit attributable to Mitsubishi Electric Corp. stockholders

Net profit attributable to Mitsubishi Electric Corporation stockholders decreased by 4.8 billion yen from the previous year to 221.8 billion yen due primarily to decreased profit before income taxes despite reduced income taxes as a result of the reorganization of its affiliated company outside Japan. Net profit attributable to Mitsubishi Electric Corporation stockholders to revenue ratio was 5.0%.

ROE decreased by 0.5% from the previous fiscal year to 9.2%.

Consolidated Financial Results by Business Segment is as shown below.

1) Energy and Electric Systems

The market of the social infrastructure systems business saw buoyant investment in the public utility for preventing and reducing disaster risks in Japan, also buoyant investment in train system business worldwide, and continued demand in the power systems in Japan due to the electricity system reform. In this environment, the business saw an increase in orders from the previous fiscal year due primarily to an increase in the power systems business worldwide and the public utility and transportation systems businesses in Japan. Revenue for this business remained substantially unchanged from the previous fiscal year due mainly to a decrease in thermal power generation business worldwide despite an increase in orders.

The market of the building systems business saw decreased demand for high-end, large-scale office projects in China, continued market stagnation in the Middle East, and an increase in renewals of elevators and escalators in Japan. In this environment, the business saw a decrease in orders from the previous fiscal year due primarily to market stagnation in China and the Middle East. Revenue for this business remained substantially unchanged from the previous fiscal year due mainly to an increase in new installations of elevators and escalators in Japan, mainly in the Tokyo metropolitan area despite a decrease in orders.

As a result, revenue for this segment increased by 1% from the previous fiscal year to 1,307.3 billion yen.

Operating profit decreased by 0.1 billion yen from the previous fiscal year to 82.3 billion yen, due primarily to the yen appreciating against other currencies and a shift in project portfolios.

2) Industrial Automation Systems

The market of the factory automation systems business saw continued stagnation in demand for automotive-related investments worldwide, semiconductor and machinery-related investments in Japan, and investments related to organic light emitting diodes (OLED) and smartphones outside Japan. In this environment, the business saw decreases in both orders and revenue from the previous fiscal year due primarily to the yen appreciating against other currencies and a decrease in sales of factory automation devices, processing machines and numerical controllers.

The market of the automotive equipment business saw a slowdown in demand for new cars worldwide and the impact of COVID-19 becoming actual in the fourth quarter, while the market of electric-vehicle related equipment expanded worldwide. In this environment, the business saw decreases in both orders and revenue from the previous fiscal year due mainly to a decrease in sales of electrical components and the yen appreciating against other currencies, while sales of electric-vehicle related equipment such as motors and inverters increased.

As a result, revenue for this segment decreased by 8% from the previous fiscal year to 1,349.4 billion yen.

Operating profit decreased by 73.6 billion yen from the previous fiscal year to 68.9 billion yen due primarily to a decrease in revenue, a shift in product mix and upfront investment for growth drivers.

3) Information and Communication Systems

The market of the telecommunications systems business saw buoyant investment by telecommunications carriers to deal with increased traffic caused mainly by the expanding 5G communications networks. In this environment, the business saw increases in both orders and revenue from the previous fiscal year due primarily to increased demand for communications infrastructure equipment.

The market of the information systems and service business saw increased demand relating to the cloud utilization, the enhancement of cyber-security and the improvement of work efficiency. In this environment, the business saw increases in both orders and revenue from the previous fiscal year due mainly to an increase in the system integrations business.

The electronic systems business saw an increase in orders from the previous fiscal year due primarily to an increase in large-scale projects for the space systems business. The revenue also increased from the previous fiscal year due mainly to an increase in large-scale projects for the defense systems business.

As a result, revenue for this segment increased by 7% from the previous fiscal year to 455.5 billion yen.

Operating profit increased by 14.2 billion yen from the previous fiscal year to 26.4 billion yen due primarily to an increase in revenue and a shift in project portfolios.

4) Electronic Devices

The market of the electronic devices saw emerging demand relating to 5G communications networks and next-generation data centers, and accelerated development and market launches of electric vehicles. In this environment, the business saw an increase in orders and revenue also increased by 4% from the previous fiscal year to 208.7 billion yen due primarily to increased demand for high frequency and optical devices, particularly for optical communication devices, and power modules used in automotive applications.

Operating profit increased by 7.2 billion yen from the previous fiscal year to 8.7 billion yen due mainly to an increase in revenue and a shift in product mix.

5) Home Appliances

The market of the home appliances saw a heightened awareness of environmental issues causing increased demand of ductless air conditioners in North America and heat-pump hot water and heating systems in Europe. The demand for industrial air conditioners for schools also increased in Japan. In this environment, the business saw an increase in revenue by 2% from the previous fiscal year to 1,090.2 billion yen due primarily to an increase in sales of air conditioners for Japan, North America and Europe.

Operating profit increased by 18.7 billion yen from the previous fiscal year to 78.2 billion yen due mainly to an increase in revenue and cost improvement.

6) Others

Revenue decreased by 3% from the previous fiscal year to 659.6 billion yen due primarily to decreases in procurements and logistics for the Mitsubishi Electric Group at affiliated companies.

Operating profit increased by 1.8 billion yen from the previous fiscal year to 26.0 billion yen due mainly to cost improvements.

Revenue from customers by geographic segment is as shown below.

1) Japan

Revenue increased by 2% year on year to 2,610.3 billion yen primarily due to increases in the social infrastructure systems, electronic systems, and air conditioner businesses, despite a decrease in the factory automation systems business.

2) North America

Revenue increased by 1% year on year to 432.0 billion yen primarily due to an increase in the air conditioner business, despite decreases in the factory automation systems and the automotive equipment businesses.

3) Asia (excluding Japan)

Revenue decreased by 9% year on year to 919.9 billion yen due to decreases in the building systems, factory automation systems, and air conditioner businesses.

In China, revenue decreased by 14% year on year to 420.5 billion yen primarily due to decreases in the factory automation systems and air conditioner businesses.

4) Europe

Revenue decreased by 4% year on year to 437.2 billion yen due to decreases in the factory automation systems and automotive equipment businesses, despite an increase in the air conditioner business.

5) Others

Revenue in other regions, including Oceania, decreased by 5% year on year to 62.9 billion yen.

(2) Production, orders and sales

1) Production

Production by business segment for the fiscal year ended March 31, 2020 is as follows.

Business Segment	Production (millions of yen)	Change from the preceding fiscal year (%)
Energy and Electric Systems	869,572	100
Industrial Automation Systems	1,213,557	88
Information and Communication Systems	384,209	106
Electronic Devices	174,032	108
Home Appliances	781,652	97
Others	1,465	81
Total	3,424,487	96

Note: The figures in the table above are indicated expected invoice prices regarding make-to-stock products and order received prices regarding build-to-ordered products.

2) Orders

Orders received by business segment for the fiscal year ended March 31, 2020 are as follows.

Business Segment	Orders received (millions of yen)	Change from the preceding fiscal year (%)
Energy and Electric Systems	1,348,866	104
Industrial Automation Systems	1,358,001	95
Information and Communication Systems	448,892	107
Electronic Devices	221,610	111

Note: Home Appliances and Others segments have few products made on other, thus not included in the table above.

3) Sales

Sales by business segment for the fiscal year ended March 31, 2020 are as follows.

Business Segment	Sales (millions of yen)	Change from the preceding fiscal year (%)
Energy and Electric Systems	1,307,389	101
Industrial Automation Systems	1,349,429	92
Information and Communication Systems	455,596	107
Electronic Devices	208,750	104
Home Appliances	1,090,248	102
Others	659,636	97
Elimination	(608,539)	—
Total	4,462,509	99

Note: The figures in the table above include inter-segment sales.

(3) Analysis of financial position

Due to the application of IFRS 16 Lease, the Mitsubishi Electric Group has added lease assets of 93.0 billion yen mainly as property, plant and equipment, and liabilities of 95.1 billion yen as bonds, borrowings and lease liabilities as of the date of the initial application.

Total assets as of the end of this fiscal year increased from the end of the previous fiscal year by 53.5 billion yen to 4,409.7 billion yen. The change in balance of total assets was mainly attributable to increases in property, plant and equipment by 93.8 billion yen and cash and cash equivalents by 23.3 billion yen despite decreases in inventories by 35.2 billion yen and other financial assets by 33.4 billion yen.

Inventories decreased due mainly to the slowdown of the Industrial Automation Systems segment, reduced stock of the Home Appliances segment caused by the consumption tax hike and increased demand for industrial air conditioners for schools, and the yen appreciating against other currencies. Inventory turnover improved by 0.23 from the end of the previous year to 6.43.

Total liabilities increased from the end of the previous fiscal year by 25.8 billion yen to 1,870.9 billion yen. The outstanding balances of bonds, borrowings and lease liabilities increased by 78.5 billion yen, while trade payables decreased by 32.3 billion yen, and net defined benefit liabilities also decreased by 12.8 billion yen. Meanwhile, bonds and borrowings decreased by 8.9 billion yen from the end of the previous fiscal year to 267.0 billion yen, with the ratio of bonds and borrowings to total assets recording 6.1%, representing a 0.2 percentage point decrease compared to the end of the previous fiscal year.

Mitsubishi Electric Corporation stockholders' equity increased by 29.7 billion yen compared to the end of the previous fiscal year to 2,429.7 billion yen. The stockholders' equity ratio was recorded at 55.1%, representing no changes from the end of the previous fiscal year. These changes referred to above primarily result from an increase from recording a net profit attributable to Mitsubishi Electric Corporation stockholders of 221.8 billion yen despite a decrease due to dividend payment of 85.8 billion yen and a loss in accumulated other comprehensive income of 81.6 billion yen caused by the yen appreciating against other currencies and a decline in stock prices.

(Indices related to the Statement of Financial Position)

	As of Mar. 31, 2019	As of Mar. 31, 2020	YoY changes
Trade receivables turnover (times)	3.66	3.59	(0.07)
Inventory turnover (times)	6.20	6.43	0.23
Bonds and borrowings to total assets (%)	6.3	6.1	(0.2)
Mitsubishi Electric Corp. stockholders' equity ratio (%)	55.1	55.1	0.0

Note: 1. Trade receivables turnover is calculated based on the sum of trade receivables and contract assets.

2. Bonds and borrowings to total assets is calculated based on the balance of bonds and borrowings excluding lease liabilities.

(4) Capital resources and funding liquidity

1) Basic policies regarding financial strategies

In order to maintain a solid balance sheet, the Mitsubishi Electric Group continuously strives to improve its cash flow by enhancing its business performance, achieve greater asset efficiency through inventory reduction initiatives and promotion of the collection of trade receivables, and improve fund efficiency through more effective use of Group funds.

The Group is promoting capital cost-conscious management in order to further increase its corporate value and will continue to further improve profitability and capital efficiency by optimizing resource distribution including R&D investments and capital investments.

As the Group implements its growth strategies, it will use cash on hand and funds from operations for the funds necessary for capital investment and M&As, while flexibly raising funds from financial institutions as necessary. The Group will maintain the ratio of bonds and borrowings to total assets below 15% which is one of our management targets to be continuously and stably achieved in the event of capital procurement from financial institutions, etc.

2) Status of cash flows and liquidity

Cash flows from operating activities was 395.8 billion yen (cash in) while cash flows from investing activities was 203.9 billion yen (cash out). As a result, free cash flow for fiscal 2020 increased by 162.6 billion yen compared to the previous fiscal year to 191.8 billion yen (net cash in). Meanwhile, cash flows from financing activities was 156.4 billion yen (cash out), and cash and cash equivalents at end of period increased by 23.3 billion yen from the previous fiscal year to 537.5 billion yen.

Net cash provided by operating activities increased by 156.0 billion yen from the previous fiscal year due primarily to a decrease in payment for inventories, an increase in collection of trade receivables, and an increase in depreciation caused by the application of IFRS 16 Leases.

Net cash used in investing activities increased by 6.6 billion yen from the previous fiscal year due primarily to an increase in proceeds from sale of property, plant and equipment despite an increase in purchase of investment securities and property, plant and equipment.

Net cash used in financing activities decreased by 44.3 billion yen from the previous fiscal year due mainly to increased repayment of lease liabilities caused by the application of IFRS 16 Leases.

3) Status of funding and liquidity

The main component within the need for working funds is operating expenses such as costs for purchasing necessary materials for production, manufacturing costs and selling, general and administrative expenses. The need for funds for investment is due to components such as capital expenditure and M&As.

Short-term working funds are derived from cash on hand and short-term borrowings from financial institutions. Capital expenditure and long-term working funds are derived from long-term borrowings from financial institutions and issuance of corporate bonds while utilizing cash on hand.

The balance of cash and cash equivalents is 537.5 billion yen and the balance of bonds, borrowings and lease liabilities totaled 377.0 billion yen as of the end of fiscal 2020. Of these, short-term borrowings totaled 52.9 billion yen, bonds and long-term borrowings totaled 214.0 billion yen, and lease liabilities totaled 109.9 billion yen.

As of the end of fiscal 2020, the Group had unused committed lines of credit amounting to 82.7 billion yen. However, in preparation for declines in cash inflow resulting from decreases in revenue caused by the COVID-19 situation, the Group is currently striving to curb expenditures and secure liquidity by increasing borrowings and increasing its unused committed lines of credit to about 300.0 billion yen, etc.

(5) Significant accounting estimates and judgments

The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards. Management is required to make judgments, estimates and assumptions that affect the amounts of assets, liabilities, income and expenses in preparation of the consolidated financial statements. Actual results may differ from these estimates. Accounting estimates and assumptions which could have a significant effect on amounts in the consolidated financial statements are as follows.

Regarding the impact of COVID-19, the Group makes accounting estimates such as “Recoverable amount of property, plant and equipment, goodwill and intangible assets” and others at the end of this fiscal year, reflecting the sluggish markets in various countries and regions and following recovery process, and based on the assumption that COVID-19 continues to have a significant impact on revenue and operating profit until the second quarter of the fiscal year ending March 31, 2021. The Group’s actual results may differ from these estimates due to delays in the situation returning to normal, market declines in individual

countries and regions, status changes in market recoveries thereafter, and changes in demand structure following sudden changes to societal values or behavior.

1) Estimated total cost of contracts in which performance obligations are satisfied over time

The Group recognizes revenue for specific construction contracts meeting certain criteria in the Energy and Electric Systems segment and Information and Communication Systems segment according to the progress of the construction. The progress of construction is measured by comparing the cost incurred through the current year to the estimated total 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.

As for construction contracts, the contract specifications and work contents are determined based on the customer's request, and the contract contents are highly individualistic. Also, since many of them are with a relatively long period of time, the estimated total cost may fluctuate due to changes in the environment during the construction process, such as an increase in the cost compared to the initial estimate owing to delays in work processes and fluctuations in the cost owing to the occurrence of events not initially expected in the execution of construction using newly developed technologies.

Management believes that the total estimated costs for construction contracts, which are revised quarterly considering a comparison of the costs incurred up to the current quarter with prior estimates and the latest information based on the progress of construction at that time, are reasonable, but, deviations between estimates and actual results due to changes in the future environment may affect the amount of revenue recognized by the Group.

2) Recognition and measurement of provisions

The Group records the expected amount of future losses on an individual construction order in the Energy and Electric Systems segment and Information and Communication Systems segment as a provision for loss on construction, if it is probable that the estimated total cost of such construction will exceed the contract order amount and if the expected loss amount can be reasonably estimated. The balance of provision for loss on construction as of March 31, 2020 is 40,181 million yen.

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. As for individual construction orders, the contract specifications and work contents are determined based on the customer's request, and the contract contents are highly individualistic. Also, since many of them are with a relatively long period of time, the total estimated cost may fluctuate due to changes in the environment during the construction process, such as an increase in the cost compared to the initial estimate owing to delays in work processes and fluctuations in the cost owing to the occurrence of events not initially expected in the execution of construction using newly developed technologies.

Management believes that the estimated amount of provision for loss on construction, which are revised quarterly considering a comparison of the costs incurred up to the current quarter with prior estimates and the latest information based on the progress of construction at that time, is reasonable, but, deviations between estimates and actual results due to changes in the future environment may affect the profit or loss of the Group.

The Group generally offers warranties on their products against certain manufacturing and other defects for specific periods of time and/or used conditions of the product depending on the nature of the product, the geographic location of its sale and other factors. The Group records a provision for product warranties if it is probable that the future cost will be incurred as of the end of the fiscal year and if the expected cost can be reasonably estimated. The Group estimates future warranty costs based primarily on the historical experience of actual warranty claims. The balance of provision for product warranties as of March 31, 2020 is 53,999 million yen.

Management believes that the estimated amount of future warranty costs is reasonable, but, deviations between estimates and actual results due to changes in the future environment may affect the profit or loss of the Group.

3) Recoverable amount of property, plant and equipment

The Group determines whether there is an indication of impairment for property, plant and equipment. If there is an indication of impairment, these assets are tested for impairment.

The recoverable amount of an asset or cash generating unit is the higher of its value in use and its fair value less costs of disposal. Estimated future cash flows used in the calculation of value in use are discounted to their present value using a pre-tax discount rate reflecting the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss if the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

Management believes that both the estimated future cash flows used in the calculation of value in use and the estimated fair value less costs of disposal are reasonable, but, changes of the estimated recoverable amount of assets or cash-generating units due to the changes in the Group's business and assumptions could affect the recognition of impairment losses on property, plant and equipment in the future.

4) Recoverable amount of goodwill and intangible assets

The Group determines whether there is an indication of impairment for intangible assets with finite useful lives. If there is an indication of impairment, these assets are tested for impairment. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually.

Significant goodwill is the goodwill allocated to the Home Appliances segment. The recoverable amount in impairment tests is calculated using value in use which is primarily calculated by discounting to the present value the estimated cash flows based on a five-year business plan and growth rates approved by management. The discount rate is calculated based on the pre-tax weighted average cost of capital. The discount rates as of March 31, 2020 is 9.3%. Growth rates are calculated by reference to long-term expected growth rates of the market to which the cash-generating unit to which the goodwill is allocated belongs. The growth rates as of March 31, 2020 is 0.8%.

Management believes that both the estimated cash flows based on the business plan and growth rates and discount rates are reasonable, but, changes in the value in use resulting from the change of the estimated cash flows and discount rates due to the changes in the Group's business and assumptions could affect the recognition of impairment losses on goodwill and intangible assets in the future.

5) Recoverability of deferred tax assets

A deferred tax asset is recognized for deductible temporary differences, unused tax losses and tax credit carryforwards to the extent that is probable that they can be utilized against future taxable profit. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that is no longer probable that the related tax benefits will be realized.

In assessing the realizability of deferred tax assets, the Group consider whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profit during the periods in which those deductible temporary differences, unused tax loss carryforwards and tax credit carryforwards become deductible. The Group consider the scheduled reversal of deferred tax liabilities, projected future taxable profit, and tax planning strategies in making this assessment.

Management believes the probability that deferred tax assets determined to be recognizable at March 31, 2020 will be realized to be high, but if future estimated taxable profit decreases during the deferral period, deferred tax assets considered likely to be realized will be reduced.

6) Measurement of defined benefit obligation

The Group has non-contributory and contributory defined benefit plans covering its employees who meet eligibility requirements. Defined benefit expenses and defined benefit obligation of employees are calculated based on actuarial assumptions, such as the discount rate, the retirement rate, the lump-sum payment selection rate, and the mortality rate. The amount of change in fair value arising from remeasurement of the present value of defined benefit obligations and the fair value of plan assets is fully recognized in other comprehensive income in the periods in which it arises and immediately reclassified to retained earnings.

The period of discount is determined based on the period to the date on which future annual benefits are expected to be paid. Discount rates are determined by reference to market yields consistent with the period of discount on high quality corporate bonds, at the end of this fiscal year. The discount rates as of March 31, 2020 is 0.5%.

Management believes that the calculation of actuarial assumptions is reasonable, but, differences from actual results or changes in the actuarial assumptions may affect the amount of defined benefit expenses and defined benefit obligations.

7) Fair value of financial instruments

The Group designates equity instruments which are held primarily to maintain and strengthen business relationships as financial assets measured at fair value through other comprehensive income. The fair value of non-marketable equity 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.

Management believes that the estimates of fair value are reasonable, but, changes in assumptions such as the performance of investee companies and future cash flows could affect the amount of other comprehensive income of the Group.

4. Material Agreements, etc.

(1) Technical license agreements as a licensor

Licensee	Description	Date of contract	Period of contract
Mitsubishi Electric Consumer Products (Thailand) Co., Ltd.	License of manufacturing technology for room air conditioners and package air conditioners	June 1, 1990	To be extended automatically
Shanghai Mitsubishi Electric & Shangling Air-Conditioner and Electric Appliance Co., Ltd.	License of manufacturing technology for room air conditioners , package air conditioners and ventilators	June 25, 2010	December 27, 2025
Mitsubishi Electric(Guangzhou) Compressor Co., Ltd.	License of manufacturing technology for air-conditioning compressors	December 28, 2011	December 31, 2024
Mitsubishi Electric Air Conditioning Systems Europe Ltd.	License of manufacturing technology for air conditioners	October 1, 2005	To be extended automatically
Siam Compressor Industry Co., Ltd.	License of manufacturing technology for air-conditioning compressors	April 1, 2002	To be extended automatically
Mitsubishi Elevator Asia Co., Ltd.	License of manufacturing technology for elevators	June 15, 1992	To be extended automatically
Mitsubishi Electric Automation Manufacturing (Changshu) Co., Ltd.	License of manufacturing technology for servomotors	January 1, 2013	December 31, 2022

Notes: 1. All of the contracts above are contracted by the Company.

2. The license fee based on the above contracts will be paid corresponding to the sales. The license fee for some contracts will be paid by the amount specified by the contract.

5. Research and Development

As the cornerstone of its growth strategy, the Mitsubishi Electric Group will promote short-, medium-, and long-term R&D themes in a balanced manner.

In addition to promoting research and development toward strengthening current businesses, achieving innovation, and continuous development of common basic technologies, the Company is striving to evolve its technology and business synergies to provide integrated solutions that will solve increasingly diverse social issues, while also working to realize sustainable growth through the development of future technologies.

Furthermore, the Company will promote enhancement of efficiency of development for the creation of new value, through proactive utilization of open innovation in collaboration with universities and other external R&D institutions.

During fiscal 2020, the total R&D expenses for the entire Group have amounted to 206.8 billion yen (3% decrease compared to the previous fiscal year). The main R&D achievements for each business segment are as follows.

(1) Energy and Electric Systems

In the Energy and Electric Systems segment, our research is directed at boosting the competitiveness of core products, including such rotating machinery as generators and electric motors; such power transmission/distribution equipment and systems as switchgears and transformers; transportation systems; and elevators and escalators. Other R&D areas include IT-application systems for supervision and control, power information systems, building management systems, and visual information systems. The R&D expenditures for these fields were 35.1 billion yen and the main achievements are as follows.

1) “BLEnDer ICE*1” Battery-powered wireless terminal to collect meter data and control networked sensors

The Group has developed “BLEnDer ICE,” a battery-powered wireless communication terminal for use in sensor networks to collect gas and water meter data and remotely control sensors in the networks. Various tests conducted in the field so far have demonstrated that the terminal operates and communicates stably. This terminal will enable meters to be automatically read and sensor devices to be both monitored and controlled remotely via wide-area telecommunication, to achieve greater efficiency in the maintenance operations of infrastructure operators.

2) Next-generation VVVF inverter for railcars

The Group is developing a traction inverter for railcars that incorporates new power semiconductors using silicon carbide (SiC). In addition to offering the benefits of high levels of efficiency, this inverter is also further energy-efficient, labor-saving for maintenance, compact, lightweight, and low-noise, due to the design optimization of its control circuits, sensors, and units. As a next-generation railcar propulsion control system, it contributes to safer and more reliable transportation.

3) M's BRIDGE global remote-maintenance service for elevators

The Group has developed the M's BRIDGE global remote-maintenance service for the continuous monitoring, inspection and data analysis of elevators via its own IoT platform, and launched it in Hong Kong and Singapore. By providing the service on a global basis going forward, Mitsubishi Electric expects to contribute to the safety, peace of mind and convenience of customers.

(2) Industrial Automation Systems

In the Industrial Automation Systems segment, R&D activities are aimed at enhancing the competitiveness of our lineup, which includes FA control equipment and systems; drive products, such as AC servo motor systems; power distribution and control equipment; mechatronics equipment; industrial robots; automotive electric and electronic components, including electric power steering (EPS) and related products; car multimedia systems; and automated driving, accident avoidance, and driving assistance systems. The R&D expenditures for these fields were 67.4 billion yen and the main achievements are as follows.

1) Electron beam 3D printer

The Group has developed the "EZ300," Japan's first^{*2} powder bed fusion-type metal 3D printer that uses electron beams as its heat source. It has the industry-leading^{*2} modeling speed of 250cc per hour, and realizes the industry's longest^{*2} heating time^{*3} of 1,000 hours by incorporating proprietary rod-shaped cathode, contributing to enhance productivity of manufacturing worksites.

2) ADAS integrated body control unit

The Group has developed a new control unit which can control the vehicle safely and comfortably. ADAS^{*4} control such as lane keep and auto cruise are computed based on surrounding conditions identified using millimeter-wave radar and other technologies, and the results are sent to accelerators, steering, brake units, and other components that control driving, turning, and stopping. The control unit supports Autonomous Driving level2 and contributes to driving more safely.

(3) Information and Communication Systems

In the Information and Communication Systems segment, the Group pursues research related to the development of information and communications infrastructure, network solutions equipment, and space systems. The R&D expenditures for these fields were 13.4 billion yen and the main achievements are as follows.

1) "AQLOC-Light" high-precision positioning GNSS receiver corresponding to CLAS

The Group has developed "AQLOC-Light," a new centimeter-level high-precision positioning device corresponding to centimeter level augmentation service (CLAS) from a Quasi-Zenith satellite system. It is compact and light enough to be installed in small moving objects such as drones, and can perform autonomous positioning even in tunnels and underpasses where satellite signals cannot be received. It contributes to the greater use of high-precision positioning information in a variety of fields.

2) "Fairyview" aerial-view video synthesis technology

The Group has developed "Fairyview," which synthesizes multiple camera images in network surveillance systems into a single image in real time to generate aerial-view or panoramic-view. It can eliminate blind spots due to obstacles such as walls, and allows the monitors to check the wide area at a glance. As a result, it contributes to improving visibility in the wide area with many blind spots, such as shopping malls and outdoor parking lots.

3) "kizkia Lite on Cloud"^{*5} video content analysis solution development environment

Powered by our proprietary "Maisart"^{*6} AI technology, "kizkia"^{*7} detects people and things, as well as their movements, conditions, and situations, based on the learning models generated by AI beforehand. The Group has developed "kizkia Lite on Cloud," a cloud-based AI service development environment that enables easy and efficient generation of the learning models required by "kizkia."

(4) Electronic Devices

In the Electronic Devices segment, our R&D focuses on semiconductor and other electronic devices that are themselves vital components used in all our business segments. The R&D expenditures for these fields were 12.5 billion yen and the main achievements are as follows.

1) High-Performance power semiconductor modules

The Group has developed "SLIMDIP-W," which contributes to energy efficiency, low noise, and downsizing of appliances, and "Super mini DIIPM Ver.7," which contributes to energy efficiency and low noise of appliances and motors for industrial use.

Lower noise and reduced power consumption of these devices were achieved through the incorporation of the latest Si power semiconductor chip.

2) “MeDIR^{*8}” thermal diode infrared sensor

The Group has developed “MeDIR,” a high-pixel, high-thermal-resolution^{*9} thermal diode infrared sensor for application in the fields of security, heating, ventilation and air conditioning (HVAC) and smart buildings. It accurately distinguishes between humans and other heat sources, and enables the identification of specific human behavior, such as walking, running or raising hands.

(5) Home Appliances

In the Home Appliances segment, the Group is engaged in the development of products in such wide-ranging fields as air conditioning equipment, kitchen appliances, vacuum cleaners, lighting, visual information systems, and electronic housing products. The R&D expenditures for these fields were 44.9 billion yen and the main achievements are as follows.

1) Mitsubishi room air conditioner “Kirigamine FZ Series”

The Group developed “Move Eye mirA.I.+,” which applies sensor technology used in satellites and is equipped with thermal diode infrared sensors with high-resolution and high-sensitivity. It is the world’s first^{*10} system to detect minor temperature changes where the airflow reaches and accurately assess airflow reach. AI of “Move Eye mirA.I.+” performs airflow control to determine the optimal airflow position, ensuring that air conditioner airflow reaches its destination regardless of the furniture or layout of the room. It improves comfort while reducing power consumption by 8.6%^{*11}. In recognition of the technologies used in “Move Eye mirA.I.+,” it has received the 2019 Energy Conservation Grand Prize and the Grand Prize at the 69th Electrical Industry Technology Achievement Awards.

2) MX and MB series refrigerators

The Group has developed technologies for maintaining the freshness of meat, fish, and other raw foods by controlling compartment temperatures using AI, as our line-ups of large-capacity, and slim refrigerators with drawer for vegetables placed at the waist height for those who eat fresh vegetables every day. They enable users to store fresh foods bought in bulk for a longer period of time without spoiling flavor and texture, and provide access to necessary portions at any time, contributing to reduction the amount of time required for housework.

(6) Other/Company-wide (cutting-edge R&D/common basic technologies)

In the area of cutting-edge R&D, the Group has been promoting R&D for cutting-edge technology in order to create customer value by solving social issues. The R&D expenditures for these fields were 33.2 billion yen and the main achievements are as follows.

1) New technology controls In-Building Mobilities and facilities, supported with building dynamic maps

The Group has developed a technology for controlling in-building mobile robots as well as personal mobility devices, using building dynamic maps^{*12} to achieve cooperative interaction between the robots, etc. and building facilities, such as elevators and access control systems. In addition, the Company has built systems that work with animated lighting guidance systems^{*13}. This supports the safe, efficient movement of people and In-Building Mobilities in buildings, thereby reducing the workloads of building-management personnel and realizing smart buildings^{*14} in which people and robots coexist safely.

2) Extra-thin antenna technology for inflight connectivity

The Group, in collaboration with NICT^{*15}, has developed technology for an extra-thin Ka-band^{*16} active electronically steered array antenna (AESA) featuring the world’s thinnest^{*17} profile, less than three centimeters. It supports high-speed inflight connectivity services at data rates beyond 100 Mbps, while still making satellite communications antenna thinner and more compact. The new Ka-band AESA is thin and small enough to be installed in any aircraft, regardless of its size, and it can operate even at high latitudes, which will allow passengers to enjoy on-demand streaming and other high-speed internet services on flights worldwide.

3) Compact AI knowledge representation and reasoning solution for human-machine interfaces

The Group has developed the Compact AI Knowledge Representation and Reasoning Solution for HMI (human-machine interfaces) based on its proprietary AI technology “Maisart,” which enables devices to understand vague user commands through the reasoning of missing information, according to the situation. It achieves this by means of a “knowledge graph” which integrates user information, device specification and functionality and external information, and will allow responsive and easy-to-use human-machine interfaces to be embedded in stand-alone consumer products such as home appliances and car navigation systems.

4) Designing technologies for the wooden frame packaging used for large products

In order to reduce wood consumption to better conserve the environment, the Group has developed technologies for more accurately calculating wooden frame strength. By creating and using calculation models that take into account deformation in post and beam nail joints, we reduced post and beam wood usage by roughly 10%.

5) Automation of assembly and inspection through codification of knowledge of skilled workers and enhanced sensing

For small lot products and individual production orders, the Group has diligently analyzed the work expertise of skilled workers to codify their knowledge. This codified knowledge is used along with data from cameras and sensors to enable articulated robots to copy the movements of skilled workers, enabling automation of work that has been conventionally possible only by skilled workers. The Group has introduced these technologies into production sites.

*1 Short for BLEnDer Intelligent Communication Edge

BLEnDer is a packaged software developed by Mitsubishi Electric in response to energy policies.

*2 According to internal research as of August 22, 2019

*3 The time during which a heated negative electrode can stably output electrons

*4 Advanced Driving Assistant System

*5 "kizkia Lite on Cloud" is a registered trademark of Mitsubishi Electric Information Systems Corporation.

*6 Short for Mitsubishi Electric's AI creates the State-of-the-ART in technology

Mitsubishi Electric's AI technology brand aimed at making every device smarter

*7 "kizkia" is a registered trademark of Mitsubishi Electric Information Systems Corporation.

*8 Mitsubishi Electric Diode InfraRed sensor

*9 Indicator of the minimum detectable difference in temperature

*10 According to internal research as of November 1, 2019. For room air conditioners. This technology performs 360° sensing within a room, and determines the reach of hot or cold airflow for its targets.

*11 MSZ-FZ6320S, tested in Mitsubishi Electric Corporation environmental test room (33m²), 7°C outdoor temperature.

Power consumption using standard airflow direction was 546Wh, while power consumption when using AI-controlled airflow was 499Wh to produce the same sensible temperature.

*12 A new three-dimensional map for buildings that shows the status of building facilities (e.g. elevators and access control systems), location of mobility devices and passable route

*13 The animated lighting guidance system "Terasu Guide" (released April 2020) that allows facility users to intuitively understand guidance and warning with lighting animations projected on the floor

*14 Buildings in which advanced IoT is deployed to energy-saving and labor-saving work environments through the building

*15 National Institute of Information and Communications Technology (NICT)

*16 27 to 40 GHz frequency wave

*17 According to internal research as of February 6, 2020.

(Note) The amounts in "II. Business Overview" do not include consumption tax, etc.

III. Property, Plants and Equipment

1. Summary of Capital Investment, etc.

The Mitsubishi Electric Group (the Company and its consolidated subsidiaries) aims to further enhance corporate value through strategically promoting investments that contribute to reinforcing business foundations and to providing integrated solutions that combine strengths from both inside and outside the Group, based on its Corporate Strategy. At the same time, taking into consideration the impact of COVID-19 on business performance, we will thoroughly select and concentrate the investments and thoroughly examine the timing of execution.

Capital Investment in the fiscal year ended March 31, 2020 was 227,450 million yen (based on the recognized value of property, plant and equipment). A breakdown of capital investment by business segments is as follows.

Business Segment	Capital Investment (Millions of yen)		
	Property, plant and equipment	Right-of-use assets	Total
Energy and Electric Systems	22,606	6,808	29,414
Industrial Automation Systems	76,404	2,318	78,722
Information and Communication Systems	25,015	4,967	29,982
Electronic Devices	31,115	183	31,298
Home Appliances	33,754	4,966	38,720
Others	4,911	1,515	6,426
Common	8,483	4,405	12,888
Total	202,288	25,162	227,450

The main purpose of investments by segments in the fiscal year ended March 31, 2020 are as follows.

In Energy and Electric Systems, investments were executed mainly for streamlining operations and enhancing quality in power systems, electric equipment for rolling stock, and the elevators/escalators.

In Industrial Automation Systems, investments were executed mainly for increasing production capacity in factory automation systems and automotive equipment.

In Information and Communication Systems, investments were executed mainly for bolstering research and development capabilities, and streamlining operations.

In Electronic Devices, investments were executed mainly for increasing production capacity in the power device business.

In Home Appliances, investments were executed mainly for increasing production capacity, streamlining operations, and enhancing quality in the air conditioners.

In Common, investments were executed mainly for bolstering research and development capabilities.

Capital investments are derived from cash on hand and funds from operations.

For the fiscal year ended March 31, 2020, production capacity was not materially affected by the sale, disposal, damage, or loss due to natural disasters of property, plant and equipment.

2. Major Property, Plants and Equipment

The Mitsubishi Electric Group (the Company and consolidated subsidiaries) engages in diverse business operations in Japan and overseas. It discloses information on the property, plants and equipment represented in breakdown by business segment and major facilities of the Company and consolidated subsidiaries.

The situation at the end of the fiscal 2020 is as follows.

(1) Breakdown by business segment

Business segment	Carrying amount (Millions of yen)					Number of employees
	Buildings and structures	Machinery and equipment	Land (Area in thousands of m ²)	Others	Total	
Energy and Electric Systems	116,105	24,801	29,646 (6,549)	21,928	192,480	46,852
Industrial Automation Systems	99,339	63,561	12,951 (2,283)	46,067	221,918	33,544
Information and Communication Systems	44,021	6,974	6,589 (568)	15,769	73,353	15,042
Electronic Devices	16,845	32,488	4,517 (659)	15,888	69,738	5,431
Home Appliances	66,323	43,512	18,142 (1,945)	21,337	149,314	27,462
Others	40,795	2,015	22,370 (528)	4,009	69,189	12,643
Commons	50,706	2,427	11,254 (455)	14,003	78,390	5,544
Total	434,134	175,778	105,469 (12,991)	139,001	854,382	146,518

Notes: 1. Carrying amount is carrying amount of property, plant and equipment, and “Others” include the amount of construction in progress.

2. “Commons” include the amount of eliminate of consolidation.

3. Land area indicates the area of land owned by the Company and its consolidated subsidiaries.

(2) The Company

Facility (Main location)	Business Segment	Details of major facilities and equipment	Carrying amount (Millions of yen)					Number of employees
			Buildings and structures	Machinery and equipment	Land (Area in thousands of m ²)	Others	Total	
Kobe Works Energy Systems Center (Hyogo-ku, Kobe-shi)	Energy and Electric Systems	Manufacturing facilities for surveillance-system control and generative equipment, etc.	22,140	3,663	1,468 (280)	2,378	29,650	2,047
Itami Works Transmission & Distribution Systems Center (Amagasaki-shi, Hyogo)	Energy and Electric Systems	Manufacturing facilities for electrical equipment for locomotives and rolling stock, power transmission/distribu tion equipment, etc.	20,938	6,708	2,817 (874)	3,966	34,431	1,933
Nagoya Works (Higashi-ku, Nagoya-shi)	Industrial Automation Systems	Manufacturing facilities for factory automation systems	30,927	9,160	2,435 (668)	10,068	52,591	3,373
Himeji Works (Himeji-shi, Hyogo)	Industrial Automation Systems	Manufacturing facilities for automotive equipment	24,863	16,998	4,591 (272)	12,533	58,986	3,320
Kamakura Works (Kamakura-shi Kanagawa)	Information and Communication Systems	Manufacturing facilities for electronic equipment, etc.	23,996	3,051	1,695 (447)	4,961	33,704	2,167
Power Device Works, Kumamoto Factory (Koshi-shi, Kumamoto)	Electronic Devices	Manufacturing facilities for semiconductors	4,579	19,123	532 (81)	8,243	32,477	646
Shizuoka Works (Suruga-ku, Shizuoka-shi)	Home Appliances	Manufacturing facilities for air conditioning equipment and refrigerator, etc.	13,951	8,029	915 (206)	4,574	27,471	1,897

Notes: 1. Carrying amount is carrying amount of property, plant and equipment (including right-of-use assets), and "Others" include the amount of construction in progress.

2. Land area indicates the area of land owned by the Company.

3. Carrying amount and number of employees include the amount and the number of people in branch factories, etc. of each work.

4. Land of Itami Works and Transmission & Distribution Systems Center includes land of Communication System Center and Communication Networks Center, etc.

(3) Domestic subsidiaries

Facility (Main location)	Business segment	Details of major facilities and equipment	Carrying amount (Millions of yen)					Number of employees
			Buildings and structures	Machinery and equipment	Land (Area in thousands of m ²)	Others	Total	
Mitsubishi Electric Building Techno-Service Co., Ltd., Head office (Chiyoda-ku, Tokyo)	Energy and Electric Systems	Other facilities	16,873	568	9,888 (107)	3,893	31,222	9,477
Mitsubishi Electric Engineering Co., Ltd. Head office (Chiyoda-ku, Tokyo)	Others	Other facilities	3,412	71	638 (8)	1,276	5,397	5,525
Mitsubishi Electric System & Service Co., Ltd., Head office (Setagaya-ku, Tokyo)	Others	Other facilities	1,917	78	1,988 (19)	654	4,637	2,010
Mitsubishi Electric Life Service Corporation, Head office (Minato-ku, Tokyo)	Others	Other facilities	21,347	773	14,132 (127)	276	36,528	1,345
Mitsubishi Electric Logistics Corporation, Head office (Shibuya-ku, Tokyo)	Others	Other facilities	12,027	488	7,414 (312)	1,280	21,209	987

Notes: 1. Carrying amount is carrying amount of property, plant and equipment (including right-of-use assets), and “Others” include the amount of construction in progress.

2. Land area indicates the area of land owned by subsidiaries.

3. Some buildings and structures, land of Mitsubishi Electric Life Service Corporation are rented to the Company.

4. The subsidiaries in the table above have sales offices nationwide, so the figures are on corporate total amount.

(4) Overseas subsidiaries

Facility (Main location)	Business segment	Details of major facilities and equipment	Carrying amount (Millions of yen)					Number of employees
			Buildings and structures	Machinery and equipment	Land (Area in thousands of m ²)	Others	Total	
Mitsubishi Elevator Asia Co., Ltd. (Chonburi, Thai)	Energy and Electric Systems	Manufacturing facilities for elevators and escalators	4,411	2,562	777 (159)	1,354	9,104	2,295
Mitsubishi Electric Automation Manufacturing (Changshu) Co., Ltd. (Changshu, China)	Industrial Automation Systems	Manufacturing facilities for factory automation	4,675	2,953	— (—)	778	8,406	512
Mitsubishi Electric Automotive de Mexico, S.A. de C.V. (Querétaro, Mexico)	Industrial Automation Systems	Manufacturing facilities for automotive electrical equipment and car multimedia	2,281	3,663	373 (150)	1,568	7,885	745
Mitsubishi Electric Thai Auto-Parts Co., Ltd. (Rayong, Thailand)	Industrial Automation Systems	Manufacturing facilities for automotive electrical equipment and car multimedia	3,271	4,522	662 (146)	2,365	10,820	2,304
Mitsubishi Electric Automotive (China) Co., Ltd. (Changshu, China)	Industrial Automation Systems	Manufacturing facilities for automotive electrical equipment and car multimedia	1,801	4,355	— (—)	1,299	7,435	1,054
Siam Compressor Industry Co., Ltd. (Chonburi, Thailand)	Home Appliances	Manufacturing facilities for compressors	1,266	8,265	2,619 (—)	4,083	16,233	2,182
Mitsubishi Electric Consumer Products (Thailand) Co., Ltd. (Chonburi, Thai)	Home Appliances	Manufacturing facilities for air conditioning equipment	7,382	6,718	3,977 (422)	3,760	21,837	2,562
Mitsubishi Electric (Guangzhou) Compressor Co., Ltd. (Guangzhou, China)	Home Appliances	Manufacturing facilities for compressors	1,252	8,629	— (—)	2,942	12,823	2,523

Notes: 1. Carrying amount is carrying amount of property, plant and equipment (including right-of-use assets), and “Others” include the amount of construction in progress.

2. Land area indicates the area of land owned by subsidiaries.

3. Plans for Capital Investment, Disposals of Property, Plants and Equipment, etc.

The Mitsubishi Electric Group (the Company and consolidated subsidiaries) engages in diverse business operations in Japan and overseas, and has not decided on specific plans to newly install or expand each of facilities as of the end of this fiscal year. For this reason, it discloses amounts of capital investment by business segment.

The amount of capital investment (new installation and expansions) for the fiscal year ending March 31, 2021 will be 150,000 million yen (based on investment decisions) and a breakdown by business segment is as follows.

Business segment	Amount (millions of yen)	Main purpose of investment
Energy and Electric Systems	26,000	Increasing production capacity, streamlining operations, and enhancing quality of power systems, electric equipment for rolling stock, and elevators/escalators, etc.
Industrial Automation Systems	48,500	Increasing production capacity for factory automation systems and automotive equipment operations, etc.
Information and Communication Systems	16,000	Bolstering research and development capabilities, and streamlining operations, etc.
Electronic Devices	14,500	Increasing production in the power device business, etc.
Home Appliances	30,000	Increasing the air conditioners production capacity, streamlining operations, and enhancing quality, etc.
Others	6,000	—
Commons	9,000	Equipment work for bolstering research and development capabilities, etc.
Total	150,000	—

Notes: 1. There are no plans to dispose or sell principal facilities, with the exception of disposing and selling facilities due to routine upgrading.

2. These investments are mostly derived from cash on hand and funds from operations.

The Group is expected to finance through borrowings and by issuing bonds as necessary.

3. The figures in the table above do not include real estate leasing, etc.

Note: The amounts in “III. Property, Plants and Equipment” do not include the consumption tax, etc.

IV. 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 fiscal year (shares) (March 31,2020)	Number of shares issued as of the filing date (shares) (June 26,2020)	Stock exchange on which the Company is listed	Description
Common stock	2,147,201,551	2,147,201,551	Japan : Tokyo(the first section) 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 right plans

Not applicable.

3) 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 (Thousands)	Balance of the total number of issued shares (Thousands)	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 April 1,2015 to March 31,2016	—	2,147,201	—	175,820	—	181,140
From April 1,2016 to March 31,2017	—	2,147,201	—	175,820	—	181,140
From April 1,2017 to March 31,2018	—	2,147,201	—	175,820	—	181,140
From April 1,2018 to March 31,2019	—	2,147,201	—	175,820	—	181,140
From April 1,2019 to March 31,2020	—	2,147,201	—	175,820	—	181,140

(5) Outstanding share information by shareholder category

As of March 31,2020

Category	Status of shares(one unit of stock:100 shares)								Number of shares less than one unit (shares)
	Government and municipal public organizations	Financial institutions	Traders of financial instruments	Other corporations	Foreign corporations <i>et al.</i>		Individual <i>et al.</i>	Total	
					Non-individuals	individuals			
Number of shareholders (persons)	—	192	61	1,251	856	64	106,698	109,122	—
Number of shares Held (units)	—	8,949,453	524,244	1,199,927	8,089,308	830	2,704,104	21,467,866	414,951
Ownership percentage of shares (%)	—	41.69	2.44	5.59	37.68	0.00	12.60	100	—

Notes: 1. Of 426,598 shares of treasury stock, 4,265 units are included in “Individual *et al.*” and 98 shares are included in “Number of shares less than one unit”.

2. Of the shares registered in the name of Japan Securities Depository Center, Inc., 77 units are included in “Other corporations” and 80 shares are included in “Number of shares less than one unit”.

(6) Principal shareholders

As of March 31,2020

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. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	181,049	8.43
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited. , Tokyo branch)	ONE LINCOLN STREET, BOSTON MA USA 02111 (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	120,935	5.63
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	106,511	4.96
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	81,862	3.81
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	61,639	2.87
Japan Trustee Services Bank, Ltd. (Trust Account 7)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	46,530	2.17
Mitsubishi Electric Group Employees Shareholding Union	7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo	42,932	2.00
Japan Trustee Services Bank, Ltd. (Trust Account 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	40,731	1.90
JP MORGAN CHASE BANK 385151 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Service Department)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (15-1, Konan 2-chome, Minato-ku, Tokyo)	39,170	1.82
Japan Trustee Services Bank, Ltd. (Trust Account 4)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	36,641	1.71
Total	—	758,005	35.31

(7) Information on voting rights

1) Issued shares

(As of March 31, 2020)

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 2,686,200	—	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 2,144,100,400	21,441,004	Same as above
Shares less than one unit	Common stock 414,951	—	Same as above
Number of shares issued	2,147,201,551	—	—
Total number of voting rights	—	21,441,004	—

Notes: 1. The number of shares included in “Shares less than one unit” are as follows: 98 shares as treasury stocks, 37 shares held by the Board Incentive Plan Trust, 22 shares held by the Mitsubishi Electric Business Partner Shareholding Union, crossholding stocks registered under own name (Ryoden Corporation 71 shares, Mitsubishi Electric Credit Corporation 71 shares, Shonai Mitsubishi Electric Sales Corporation 25 shares), crossholding stocks registered under the name of others (Ryoyo Electric Co., Ltd. 1 share, Shinryo Co., Ltd. 77 shares), 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 7,700 shares (77 voting rights) registered in the name of Japan Securities Depository Center, Inc. and 1,667,700 shares (16,677 voting rights) held through the Board Incentive Plan Trust.

2) Treasury stock, etc.

(As of March 31,2020)

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)	Percentage of total issued shares (%)
Mitsubishi Electric Corporation	7-3, Marunouchi 2-chome,Chiyoda-ku, Tokyo	426,500	0	426,500	0.02
Kanaden Corporation	8-12, Harumi 1-chome,Chuo-ku,Tokyo	880,000	0	880,000	0.04
Okabe Mica Kogyosho Co., Ltd.	8-7, Nakama 1-chome,Nakama-shi,Fukuoka	297,000	0	297,000	0.01
Ryoyo Electric Co., Ltd.	6621, Oda,Yakage-cho, Oda-gun, Okayama	290,200	500	290,700	0.01
Shinryo Co., Ltd.	1-6, Komatsudori 5-chome,Hyogo-ku,Kobe-shi, Hyogo	235,400	400	235,800	0.01
Itec Hankyu Hanshin Co., Ltd.	1-31, Ebie 1-chome,Fukushima-ku,Osaka-shi, Osaka	223,000	0	223,000	0.01
Ryoden Corporation	15-15, Higashiikebukuro 3-chome,Toshima-ku,Tokyo	206,100	0	206,100	0.01
Miyoshi Electronics Corporation	306, Higashisakeyamachi,Miyoshi-shi, Hiroshima	81,300	0	81,300	0.00
Mitsubishi Electric Credit Corporation	6-3, Osaki 1-chome,Shinagawa-ku,Tokyo	20,700	0	20,700	0.00
Shonai Mitsubishi Electric Sales Corporation	5-22, Takarada 2-chome,Tsuruoka-shi, Yamagata	13,100	0	13,100	0.00
KITA KOUDENSHA Corporation	2-10, Kita 11-jo Nishi 23-chome,Chuo-ku, Sapporo-shi, Hokkaido	12,000	0	12,000	0.00
Total	—	2,685,300	900	2,686,200	0.13

Notes: 1. Ryoyo Electric Co., Ltd. and Shinryo Co., Ltd. are members of the Mitsubishi Electric Business Partner Shareholding Union (7-3, Marunouchi 2-chome,Chiyoda-ku, Tokyo), which is made up of our business partners. They owns share of the Company under the name of the shareholding union.

2. In addition to 426,500 shares owned by the Company in the table above and 98 shares less than one unit owned by the Company, 1,667,737 shares of the Company held through the Board Incentive Plan Trust were included in the shares of treasury stock in the consolidated financial statements and financial statements.

(8) Share ownership plan for Executives and employees

As an incentive plan, the Company has adopted a performance-based stock compensation plan (“the Plan”) as compensation for the Executive Officers, with the main purposes of realizing a higher level of growth and further developing management awareness that places importance on the interest of shareholders.

1) Overview of the Plan

The Board Incentive Plan Trust (“BIP Trust”) has been adopted for the Plan. The BIP Trust is a stock incentive plan for executives based on the Performance Share Plan and Restricted Stock Plan in the U.S. Under the Plan, the Company acquires its own shares through the BIP Trust based on the degree of the attainment of the business performance, whereby 50% of performance-based compensation, which had formerly been paid entirely in cash, will be granted to the Executive Officers as stock compensation.

The Company will decide the amount to be contributed to the BIP Trust, the method the BIP Trust will acquire the Company shares, and other necessary matters, at the Compensation Committee meeting held in May each year, and will create a trust on an annual basis based on such decision, beneficiaries of which are the Executive Officers who meet the beneficiary requirements.

If there is any trust for which the 3-year trust term expires at that point of time, the Company may not create a new trust, but may extend the trust term, by revising the trust agreement and entrusting additional money to the existing trust upon the expiry of the trust term of the existing trust; also in such case, the Compensation Committee, etc. will make a decision on the extension of the trust term. Based on the resolution on the renewal of the Plan at the Compensation Committee, etc. held on May 23, 2019, the Company extended the trust term of the BIP Trust, which was created to provide stock compensation to the Executive Officers of the Company for the fiscal year ended March 31, 2016, along with the revision of the trust agreement and the entrustment of additional money. Based on the resolution on the renewal of the Plan at the Compensation Committee, etc. held on May 21, 2020, the Company extended the trust term of the BIP Trust, which was created to provide stock compensation to the Executive Officers of the Company for the fiscal year ended March 31, 2017, along with the revision of the trust agreement and the entrustment of additional money.

2) Outline of the trust agreement

<For the fiscal year ended March 31, 2018>

The BIP Trust was created based on the decision at the Compensation Committee, etc. held on May 24, 2018 on the amount of stock compensation (the amount of trust money to be contributed to the BIP Trust) for the Executive Officers of the Company under the Plan for the fiscal year ended March 31, 2018.

a. Type of trust:	Money trust other than individually operated designated money trust (a third-party benefit trust)
b. Objective of trust:	Granting of incentives for the Executive Officers
c. Entruster:	The Company
d. Trustee:	Mitsubishi UFJ Trust and Banking Corporation (Co-trustee: The Master Trust Bank of Japan, Ltd.)
e. Beneficiary:	Executive Officers who meet the beneficiary requirements
f. Trust caretaker:	A third party with no interest in the Company (certified public accountant)
g. Trust agreement date:	June 1, 2018
h. Trust term:	From June 1, 2018 to August 31, 2021 (planned)
i. Inception date of the Plan:	June 1, 2018
j. Amount of the trust money:	1,054,832 thousand yen (including trust fees and trust expenses)
k. Class of shares to be acquired:	The Company’s common stock
l. Method of acquiring shares:	To be acquired from the stock market
m. Period of acquiring shares:	From June 4, 2018 to June 22, 2018
n. Holder of vested rights:	The Company
o. Exercise of voting rights:	Not to be exercised
p. Residual properties:	Residual properties, which the Company as a holder of vested rights is entitled to receive, shall be to the extent of reserves for trust expenses, which are calculated by deducting the funds to acquire the Company shares from the trust money.

<For the fiscal year ended March 31, 2019>

The BIP Trust was created based on the decision at the Compensation Committee, etc. held on May 23, 2019 on the amount of stock compensation (the amount of trust money to be contributed to the BIP Trust) for the Executive Officers of the Company under the Plan for the fiscal year ended March 31, 2019.

- | | |
|------------------------------------|--|
| a. Type of trust: | Money trust other than individually operated designated money trust (a third-party benefit trust) |
| b. Objective of trust: | Granting of incentives for the Executive Officers |
| c. Entruster: | The Company |
| d. Trustee: | Mitsubishi UFJ Trust and Banking Corporation
(Co-trustee: The Master Trust Bank of Japan, Ltd.) |
| e. Beneficiary: | Executive Officers who meet the beneficiary requirements |
| f. Trust caretaker: | A third party with no interest in the Company (certified public accountant) |
| g. Trust agreement date: | June 3, 2019 |
| h. Trust term: | From June 3, 2019 to August 31, 2022 (planned) |
| i. Inception date of the Plan: | June 3, 2019 |
| j. Amount of the trust money: | 785,244 thousand yen (including trust fees and trust expenses)
* The above amount of the trust money includes residual properties to be succeeded from the existing BIP Trust. |
| k. Class of shares to be acquired: | The Company's common stock |
| l. Method of acquiring shares: | To be acquired from the stock market |
| m. Period of acquiring shares: | From June 4, 2019 to June 21, 2019 |
| n. Holder of vested rights: | The Company |
| o. Exercise of voting rights: | Not to be exercised |
| p. Residual properties: | Residual properties, which the Company as a holder of vested rights is entitled to receive, shall be to the extent of reserves for trust expenses, which are calculated by deducting the funds to acquire the Company shares from the trust money. |

<For the fiscal year ended March 31, 2020>

The BIP Trust was created based on the decision at the Compensation Committee, etc. held on May 21, 2020 on the amount of stock compensation (the amount of trust money to be contributed to the BIP Trust) for the Executive Officers of the Company under the Plan for the fiscal year ended March 31, 2020.

- | | |
|------------------------------------|--|
| a. Type of trust: | Money trust other than individually operated designated money trust (a third-party benefit trust) |
| b. Objective of trust: | Granting of incentives for the Executive Officers |
| c. Entruster: | The Company |
| d. Trustee: | Mitsubishi UFJ Trust and Banking Corporation
(Co-trustee: The Master Trust Bank of Japan, Ltd.) |
| e. Beneficiary: | Executive Officers who meet the beneficiary requirements |
| f. Trust caretaker: | A third party with no interest in the Company (certified public accountant) |
| g. Trust agreement date: | June 1, 2020 |
| h. Trust term: | From June 1, 2020 to August 31, 2023 (planned) |
| i. Inception date of the Plan: | June 1, 2020 |
| j. Amount of the trust money: | 366,909 thousand yen (including trust fees and trust expenses)
* The above amount of the trust money includes residual properties to be succeeded from the existing BIP Trust. |
| k. Class of shares to be acquired: | The Company's common stock |
| l. Method of acquiring shares: | To be acquired from the stock market |
| m. Period of acquiring shares: | From June 2, 2020 to June 12, 2020 |
| n. Holder of vested rights: | The Company |
| o. Exercise of voting rights: | Not to be exercised |
| p. Residual properties: | Residual properties, which the Company as a holder of vested rights is entitled to receive, shall be to the extent of reserves for trust expenses, which are calculated by deducting the funds to acquire the Company shares from the trust money. |

3) Outline of the trust and stock-related administration

- | | |
|----------------------------------|---|
| a. Trust-related administration: | Mitsubishi UFJ Trust and Banking Corporation will be the trustee of the BIP Trust, which is responsible for trust-related administration. |
| b. Stock-related administration: | Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. shall be responsible for the administration of the delivery of the Company shares to beneficiaries, in accordance with the administration service agreement. |

2. Information on Acquisition, etc. of Treasury Stock

Class of shares

Acquisition of common stock under Article 155, Item 7 of the Companies Act.

(1) Acquisition of treasury stock resolved at the general meeting of shareholders

Not applicable.

(2) Acquisition of treasury stock resolved at the Board of Directors meetings

Not applicable.

(3) Details of acquisition of treasury stock not based on the resolutions of the general meeting of shareholders or the Board of Directors meetings

Classification	Number of shares(shares)	Total amount(yen)
Treasury stock acquired during the fiscal year ended March 31,2020	1,051	1,542,935
Treasury stock acquired during the current period	25	32,625

Notes: 1. With regard to “Treasury stock acquired during the current period,” the number of treasury stock acquired due to requests to purchase stock less than one unit shares from June 1, 2020 to the filing date is not included.

2. The number of the Company’s shares acquired the Board Incentive Plan Trust is not included in Treasury stock acquired.

(4) Status of the disposition and holding of acquired treasury stock

Classification	Fiscal year ended March 31,2020		Current period	
	Number of shares (shares)	Total disposition amount (yen)	Number of shares (shares)	Total disposition amount (yen)
Acquired treasury stock which was offered to subscribers	—	—	—	—
Acquired treasury stock which was canceled	—	—	—	—
Acquired treasury stock which was transferred due to merger, share exchange or company split	—	—	—	—
Others(Note 2)	75	68,561	50	45,776
Total numbers of treasury stock held	426,598	—	426,573	—

Notes: 1. With regard to treasury stock held of the current period, the number of treasury stock which was sold or acquired due to requests from shareholders holding less than one unit shares to purchase or sell additional shares from June 1, 2020 to the filing date is not included.

2. The breakdown of other in Fiscal year ended March 31, 2020 and Current period are selling due to requests from shareholders holding less than one unit shares to sell additional shares.

3. The number of the Company’s shares held through the Board Incentive Plan Trust are not included in Total numbers of treasury stock disposed and treasury stock held.

3. Dividend Policy

The Company shall remain focused on enhancing corporate value as its ultimate objective. The Company aims to maintain a balance between distributing profits that reflect earnings conditions for the respective fiscal year and strengthening its financial standings by improving internal reserves. From this perspective, the Company's fundamental policy is to improve overall shareholder returns.

The Company's policy, in principle, is to pay dividends from surplus twice a year, namely an interim dividend and a fiscal year-end dividend.

The Board of Directors is the governing body on dividends from surplus.

In the fiscal year ended March 31, 2020, the Company decided to pay the annual dividend of ¥40 per share, comprising a dividend from surplus (fiscal year-end dividend) of ¥26 per share and an interim dividend of ¥14 per share, in line with its performance and financial standing during the fiscal year.

The dividends from surplus for the fiscal year are as follows.

Resolution date	Total dividend amount (Millions of yen)	Dividend per share (Yen)
Resolution of the Board of Directors' meeting held on October 31, 2019	30,054	14
Resolution of the Board of Directors' meeting held on May 11, 2020	55,816	26

4. Corporate Governance, etc.

(1) Overview of corporate governance

1) Basic corporate governance policy

While maintaining the flexibility of its operations and promoting management transparency, Mitsubishi Electric, as a Company with Three-committee System, works to strengthen the supervisory functions of management with the goal of realizing sustained growth. Our fundamental policy is to build and improve a corporate structure that is more able to meet the expectations of society, customers, shareholders, employees and all of its stakeholders while endeavoring to further increase corporate value.

2) Corporate management structure

In June 2003, Mitsubishi Electric became a Company with Three-committee System. Key to this structure is the separation of supervisory and executive functions; the Board of Directors plays a supervisory decision-making role and Executive Officers handle the day-to-day running of the Company.

A salient characteristic of Mitsubishi Electric’s management structure is that the roles of Chairman of the Board, who heads the supervisory function, and the President & CEO, who is head of all Executive Officers, are clearly separated. Additionally, neither is included among the members of the Nomination and Compensation Committees. The clear division of supervisory and executive functions allows the Company to ensure effective corporate governance.

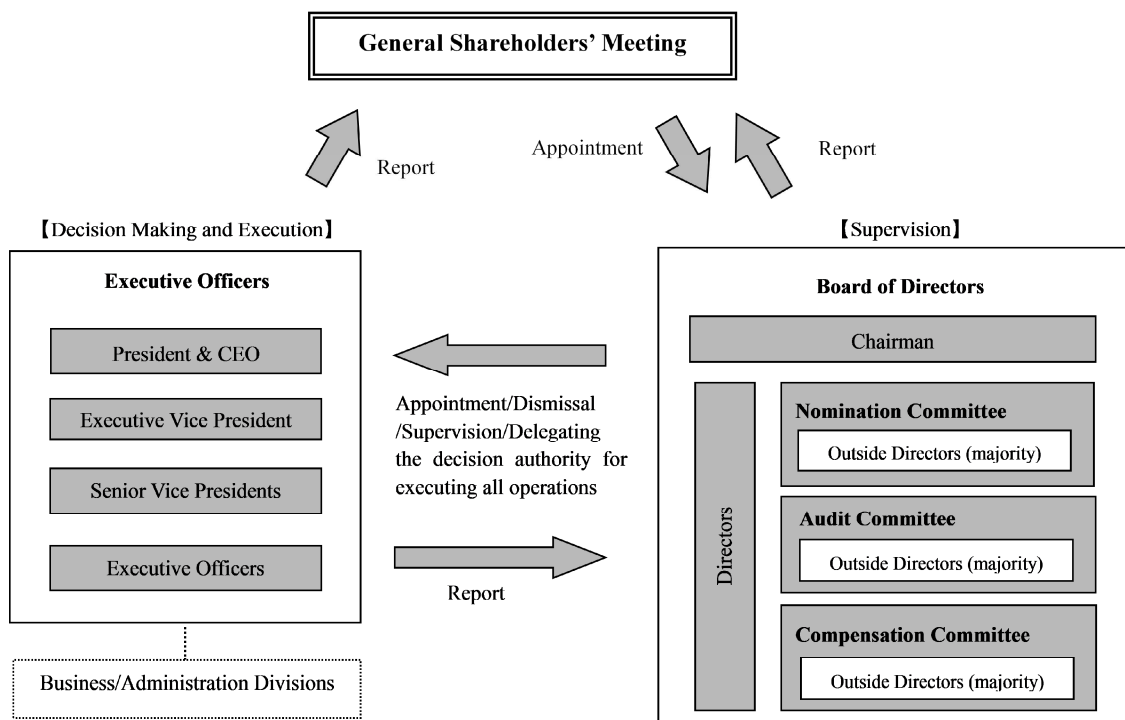
The present Board of Directors is comprised of twelve members (five of whom are Outside Directors, one of whom is a woman), who objectively supervise and advise the Company’s management by executing their duties based on the objectives and authority of the Companies Act, as well as by delegating to Executive Officers the decision authority for executing all operations, except the matters listed in the items of paragraphs 1 and 4 of Article 416 of the Companies Act.

The Board of Directors has three internal bodies: the Nomination, Audit and Compensation Committees. Each body has five members, the majority of whom are Outside Directors, who are chosen by the Board of Directors taking into account the experience and specialties of each person. Each Committee undertakes its duties based on the objectives and authority of the Companies Act.

The bureaus have been established for the Board of Directors and each of the Committees to support directors. The Audit Committee is supported by dedicated independent staff.

Executive Officers make decisions about the execution of operations on matters delegated by the Board of Directors within the range of duties allocated to each Executive Officer based on the objectives and authority of the Companies Act, and then execute such operations. Important items among such matters delegated by the Board of Directors are deliberated and decided upon in Executive Officers’ meetings attended by all Executive Officers.

The members of each body are listed in “(2) Directors and Executive Officers”.



3) Background of corporate management structure

The Company has adopted the form of a Company with Three-committee System to maintain the flexibility of its operations, promote management transparency, and strengthen the supervisory functions of management with the goal of realizing sustained growth.

The Company builds and improves a corporate structure that is more able to meet the expectations of society, customers, shareholders, employees and all of its stakeholders and endeavors to further increase corporate value.

4) Summary of systems necessary to ensure the properness of operations of the Company

a. For the execution of the duties of the Audit Committee, its independence is secured by assigning employees whose job is exclusively to assist the Audit Committee members. In addition, internal regulations regarding the processing of expenses and debts incurred in the execution of the duties of the Audit Committee members are established and such expenses and debts are properly processed.

A system for reporting to the Audit Committee is developed to report information about the Company and its subsidiaries to the Audit Committee via the divisions in charge of internal control, and an internal whistle-blower system is developed and its details are reported to the Audit Committee members.

Furthermore, the Audit Committee members attend important meetings including Executive Officer meetings and conduct investigations such as interviews with Executive Officer and the executives of the Company's offices and subsidiaries, and undertake deliberations to determine audit policies, methods, implementation status, and results of the audit by regularly receiving reports from the Independent Auditor and Executive Officers in charge of audits.

The matters defined by the Company as those necessary for the execution of the duties of the Audit Committee are as follows.

- Assign employees whose job is exclusively to assist the Audit Committee.
- The Senior General Manager of the Corporate Human Resources Division will consult with Audit Committee members regarding the evaluation of performance by and relocation of employees exclusively assisting the Audit Committee.
- Establish a system for reporting information about the Company and its subsidiaries to the Audit Committee via the divisions in charge of internal control.
- Establish internal regulations and systems to protect people who reported information about the Company and its subsidiaries to the Audit Committee.
- Establish internal regulations regarding the processing of expenses and debts incurred in the execution of the duties of the Audit Committee members.
- Establish the following structures and systems in relation to other audits by the Audit Committee:
 - Conduct investigation of the Company and its subsidiaries.
 - Undertake deliberations to determine audit policies, methods, implementation status and results of the audit by regularly convening debriefing sessions between the Independent Auditor and Executive Officers in charge of audits.

b. Internal regulations and systems to ensure the properness of operations within the Mitsubishi Electric Group are established. Executive Officers take responsibility for constructing such systems within the areas over which they are appointed. Important matters are deliberated by convening Executive Officer meetings.

Executive Officers regularly monitor the status of management of the systems. The divisions in charge of internal control monitor the status of design and management of internal control system and regulations. Also an internal whistle-blower system is developed and its details are reported to the Audit Committee members.

Furthermore, the status of management of the system is audited by internal auditors, and the audit results are reported regularly to the Audit Committee via Executive Officers in charge of audit.

The development of systems necessary to ensure that the execution of duties by Executive Officers complies with laws and regulations and the Articles of Incorporation, and other systems prescribed by the Company as systems necessary to ensure the properness of operations of the company and of the corporate group formed by the company and its subsidiaries are as follows.

- (a) Establish internal regulations ensuring that the Executive Officers' performance and execution of duties is in accordance with laws and regulations and the Articles of Incorporation. Internal auditors shall monitor the status of management.
- (b) The following systems shall be established in order to ensure the properness of operations of the Company.

- Establish internal regulations related to the record keeping and information management regarding Executive Officers' performance and execution of duties.
 - Executive officers shall take responsibility for constructing risk management systems related to possible losses within the areas over which they are appointed.
 - Executive officers shall take responsibility for ensuring management efficiency within the areas over which they are appointed.
 - Establish the following systems ensuring that employees' performance and execution of duties is in accordance with laws and regulations and the Articles of Incorporation.
 - Establish internal regulations and action guidelines regarding ethics and compliance.
 - Implement an internal whistle-blower system.
 - Important matters shall be deliberated at Executive Officer meetings.
 - Internal auditors shall monitor the status of management.
- (c) The following systems shall be established in order to ensure the properness of operations within the Group.
- Executive officers shall manage the subsidiaries within the areas over which they are appointed.
 - Establish action guidelines shared throughout the Group regarding ethics and compliance.
 - Create a specialized organization for integrated management of the Group companies.
 - Build systems for reporting matters relating to the performance and execution of duties of the Group companies, managing risks of possible losses, and ensuring the efficiency of performance and execution of duties, and establish management standards. Important matters shall be deliberated and reported at Executive Officer meetings.
 - Conduct regular audits of subsidiaries by internal auditors.

5) Overview of the limited liability agreement

The Company has, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, made and entered into agreements with all of its non-executive directors, to limit their liability as stipulated in Article 423, Paragraph 1 of the Companies Act. Based on these agreements, the limit of liability is either ¥10 million or the minimum statutory amount, whichever is higher.

6) Basic policy regarding control over the Company

At present, the Company has not formulated basic policies or anti-takeover measures.

The Company aims to further enhance corporate value in incessant pursuit of growth and better-than-ever business results. Through proactive IR activities, the Company endeavors to convey timely information to investors and financial markets, regarding its management policies, strategies and business results.

However, due to the possibility that large volumes of shares may be purchased, the Company believes it is necessary to take appropriate steps in response to any action not in conformity with the objective of enhancing the Company's corporate value, or in contrary to the common interest of shareholders. Looking forward, the Company will maintain a careful watch over social trends and examine avenues of action.

7) Provisions of the Articles of Incorporation

a. Requirements for resolutions to elect Directors

The Articles of Incorporation of the Company stipulates that resolutions for the election of Directors shall require a majority vote by shareholders present who are able to exercise their voting rights and who hold one-third or more of voting rights, and that such resolutions shall not be made by cumulative voting.

b. Governing body for dividends from surplus, etc.

The Articles of Incorporation of the Company stipulates that, unless otherwise stipulated by laws and regulations, the Company may make decisions on matters specified in Article 459, Paragraph 1 of the Companies Act by resolution of the Board of Directors, without resolution at the shareholders meeting.

This is attributable to the fact that, because the Company was already a company with a Three committee System prior to the enforcement of the Companies Act, pursuant to the provisions of Article 57 of the *Act on Arrangement of Relevant Acts Incidental to Enforcement of the Companies Act*, the Company's Articles of Incorporation was deemed to stipulate that the Board of Directors shall be entitled to decide on the matters set out in Item 2 through Item 4 of Article 459, Paragraph 1 of the Companies Act, and that such matters shall not be decided by the resolution of the shareholders meeting, effective the enforcement of the Companies Act (May 1, 2006).

c. Requirements for special resolutions at the general meeting of shareholders

To ensure smooth proceedings of the shareholders meeting, the Company's Articles of Incorporation stipulates that the resolutions of the shareholders meeting as provided for in Article 309, Paragraph 2 of the Companies Act shall be by a vote of two-thirds or more of shareholder's voting rights, of one-third or more of the shareholders present who are able to exercise voting rights.

d. Exemption of Directors and Executive Officers from liability

To ensure that Directors and Executive Officers can fully perform their expected roles, the Articles of Incorporation of the Company stipulates that the liability of Directors (including former Directors) and Executive Officers (including former Executive Officers), as prescribed in Article 423, Paragraph 1 of the Companies Act, shall be able to exempt by the resolution of the Board of Directors, to the extent allowed by laws and regulations, in accordance with Article 426, Paragraph 1 of the Companies Act.

(2) Directors and Executive Officers

1) Lists of Directors and Executive Officers

Men: 28 persons, Women: 1 person

(Women's percentage to total number of Directors and Executive Officers: 3%)

a. Directors

Title	Name	Date of Birth	Career summary	Term of office	The number of shares owned
Chairman, Member of the Board	Masaki Sakuyama	March 17, 1952	<p>April 1977 Joined Mitsubishi Electric Corporation</p> <p>April 2008 Executive Officer, Energy & Industrial Systems</p> <p>April 2010 Senior Vice President, Corporate Strategic Planning and Operations of Associated Companies</p> <p>June 2010 Director, Member of the Nomination Committee, Senior Vice President, Corporate Strategic Planning and Operations of Associated Companies</p> <p>April 2012 Director, Member of the Nomination Committee, Representative Executive Officer, Executive Vice President, Semiconductor & Device</p> <p>June 2012 Representative Executive Officer, Executive Vice President, Semiconductor & Device</p> <p>April 2014 Representative Executive Officer, President & CEO</p> <p>June 2014 Director, Representative Executive Officer, President & CEO</p> <p>April 2018 Chairman, Member of the Board (current position)</p>	From June 2020 to June 2021	119,800
Director	Takeshi Sugiyama	December 29, 1956	<p>April 1979 Joined Mitsubishi Electric Corporation</p> <p>April 2014 Executive Officer, Living Environment & Digital Media Equipment</p> <p>April 2016 Senior Vice President, Living Environment & Digital Media Equipment</p> <p>April 2017 Representative Executive Officer, Executive Vice President, Living Environment & Digital Media Equipment</p> <p>April 2018 Representative Executive Officer, President & CEO</p> <p>June 2018 Director, Representative Executive Officer, President & CEO (current position)</p>	Same as above	70,600
Director	Masahiko Sagawa	July 17, 1958	<p>April 1982 Joined Mitsubishi Electric Corporation</p> <p>April 2012 Senior Vice President, Renesas Electronics Corporation</p> <p>October 2013 Deputy Senior General Manager, Corporate Auditing Div.</p> <p>April 2015 Senior General Manager, Corporate Auditing Div.</p> <p>April 2018 Corporate Adviser</p> <p>June 2018 Director, Member of the Audit Committee (current position)</p>	Same as above	11,200
Director	Shinji Harada	August 29, 1960	<p>April 1983 Joined Mitsubishi Electric Corporation</p> <p>March 2012 Senior General Manager, Corporate Administration Div.</p> <p>April 2016 Senior General Manager, Corporate Human Resources Div.</p> <p>April 2018 Executive Officer, General Affairs, Human Resources and Public Relations</p> <p>June 2018 Director, Member of the Nomination Committee, Chairman of the Compensation Committee, Executive Officer, General Affairs, Human Resources and Public Relations</p> <p>June 2020 Director, Member of the Nomination Committee and Member of the Compensation Committee, Executive Officer, General Affairs, Human Resources and Public Relations (current position)</p>	Same as above	13,500

Title	Name	Date of Birth	Career summary		Term of office	The number of shares owned
Director	Tadashi Kawagoishi	December 7, 1960	April 1983 April 2015 April 2018 June 2018	Joined Mitsubishi Electric Corporation Senior General Manager, Corporate Finance Div. Executive Officer, Accounting and Finance Director, Member of the Compensation Committee, Executive Officer, Accounting and Finance (current position)	From June 2020 to June 2021	13,000
Director	Takashi Sakamoto	March 9, 1958	April 1981 October 2011 April 2012 April 2013 April 2017 April 2019 June 2020	Joined Mitsubishi Electric Corporation Deputy Senior General Manager, Purchasing Div. Senior General Manager, Electronic Systems Group, Planning & Administration Dept. Executive Officer, Purchasing Senior Vice President, Purchasing Senior Advisor Director, Member of the Audit Committee (current position)	Same as above	51,800
Director	Kei Uruma	July 27, 1959	April 1982 April 2015 April 2017 April 2018 April 2020 June 2020	Joined Mitsubishi Electric Corporation Executive Officer, Factory Automation Systems Executive Officer, Public Utility Systems Senior Vice President, Public Utility Systems Representative Executive Officer, Senior Vice President, Corporate Strategic Planning and Operations of Associated Companies Director, Representative Executive Officer, Senior Vice President, Corporate Strategic Planning and Operations of Associated Companies (current position)	Same as above	47,400
Director	Mitoji Yabunaka	January 23, 1948	April 1969 January 2008 October 2010 June 2012 June 2020	Joined the Ministry of Foreign Affairs of Japan Vice-Minister, Ministry of Foreign Affairs of Japan (Retired in August 2010) Advisor, Nomura Research Institute, Ltd. (Retired in September 2017) Director, Member of the Nomination Committee and Member of the Compensation Committee, Mitsubishi Electric Corporation Director, Chairman of the Nomination Committee and Member of the Compensation Committee (current position)	Same as above	10,800
Director	Hiroshi Obayashi	June 17, 1947	April 1972 June 2006 July 2008 June 2010 March 2011 June 2013 June 2016 June 2020	Appointed as Public Prosecutor Vice-Minister, Ministry of Justice of Japan Superintending Prosecutor, Tokyo High Public Prosecutors Office Appointed as the Prosecutor General (Retired in December 2010) Attorney-at-law (current position) Director, Member of the Nomination Committee and Member of the Audit Committee, Mitsubishi Electric Corporation Director, Chairman of the Nomination Committee and Member of the Audit Committee Director, Member of the Nomination Committee and Chairman of the Audit Committee (current position)	Same as above	11,700

Title	Name	Date of Birth	Career summary	Term of office	The number of shares owned
Director	Kazunori Watanabe	October 9, 1950	<p>April 1975 Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)</p> <p>September 1978 Registered as a certified public accountant (current position)</p> <p>March 1980 Registered as a tax accountant (current position)</p> <p>May 2002 Partner, Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC)</p> <p>August 2008 Executive Partner, Ernst & Young ShinNihon LLC (Retired in March 2010)</p> <p>March 2010 Chief, Kazunori Watanabe Certified Public Accountant & Tax Accountant Office (current position)</p> <p>June 2015 Director, Member of the Audit Committee and Member of the Compensation Committee, Mitsubishi Electric Corporation.</p> <p>June 2020 Director, Member of the Audit Committee and Chairman of the Compensation Committee (current position)</p>	From June 2020 to June 2021	5,300
Director	Hiroko Koide	August 10, 1957	<p>May 1993 Joined Nippon Lever K.K. (currently Unilever Japan K.K.)</p> <p>April 2001 Director, Nippon Lever K.K. (Retired in March 2006)</p> <p>April 2006 Joined Masterfoods Ltd. (currently Mars Japan Limited)</p> <p>April 2008 Chief Operating Officer (COO), Mars Japan Limited (Retired in August 2010)</p> <p>November 2010 President and Director, Parfums Christian Dior Japon K.K. (Retired in January 2012)</p> <p>April 2013 Senior Vice President, Global Marketing, Newell Rubbermaid (U.S.) (currently Newell Brands Inc. (U.S.)) (Retired in February 2018)</p> <p>June 2016 Director, Member of the Nomination Committee and Member of the Compensation Committee, Mitsubishi Electric Corporation (current position)</p> <p>April 2018 Director, Vicela Japan Co., Ltd. (Retired in March 2019)</p>	Same as above	8,500
Director	Takashi Oyamada	November 2, 1955	<p>April 1979 Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)</p> <p>June 2015 Director, Deputy President, Mitsubishi UFJ Financial Group, Inc.</p> <p>April 2016 President, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.) (Retired in June 2017) and Director, Mitsubishi UFJ Financial Group, Inc. (Retired in June 2017)</p> <p>June 2017 Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.) (current position)</p> <p>June 2019 Director, Member of the Nomination Committee and Member of the Audit Committee, Mitsubishi Electric Corporation (current position)</p>	Same as above	1,300
Total					364,900

Notes: 1. The Company is a company with Three-committee System under Article 2, Item 12 of the Companies Act.

2. Messrs. Mitoji Yabunaka, Hiroshi Obayashi, Kazunori Watanabe and Takashi Oyamada and Ms. Hiroko Koide are five Outside Directors, as defined under Article 2, Item 15 of the Companies Act.

b. Executive Officers

Title	Name	Date of Birth	Career summary		Term of office	The number of shares owned
Representative Executive Officer, President & CEO	Takeshi Sugiyama	December 29, 1956	See "a. Directors"		From April 2020 to March 2021	70,600
Representative Executive Officer, Senior Vice President, Export Control and Building Systems	Yasuyuki Ito	March 19, 1957	April 1980 April 2014 April 2017 April 2018 April 2020	Joined Mitsubishi Electric Corporation Executive Officer, Energy & Industrial Systems Senior Vice President, Energy & Industrial Systems Senior Vice President, Building Systems Representative Executive Officer, Senior Vice President, Export Control and Building Systems (current position)	Same as above	57,600
Representative Executive Officer, Senior Vice President, Corporate Strategic Planning and Operations of Associated Companies	Kei Uruma	July 27, 1959	See "a. Directors"		Same as above	47,400
Executive Officer, Senior Vice President, Business Innovation	Satoshi Matsushita	February 11, 1960	April 1982 April 2013 April 2016 April 2017 April 2020	Joined Mitsubishi Electric Corporation Senior General Manager, Global Strategic Planning & Marketing Group Chairman and Managing Director, Mitsubishi Electric (China) Co., Ltd Executive Officer, Global Strategic Planning & Marketing Senior Vice President, Business Innovation (current position)	Same as above	13,100
Executive Officer, Senior Vice President, Automotive Equipment	Hiroshi Onishi	September 19, 1960	April 1985 April 2013 April 2016 April 2017 April 2019 April 2020	Joined Mitsubishi Electric Corporation Senior General Manager, Manufacturing Engineering Center Deputy Vice President, Corporate Total Productivity Management & Environmental Programs Group Executive Officer, Total Productivity Management & Environmental Programs Executive Officer, Automotive Equipment Senior Vice President, Automotive Equipment (current position)	Same as above	21,500
Executive Officer, Senior Vice President, Factory Automation Systems	Yoshikazu Miyata	December 11, 1960	April 1983 April 2015 April 2017 April 2020	Joined Mitsubishi Electric Corporation Deputy Senior General Manager, Corporate Strategic Planning Div. Executive Officer, Factory Automation Systems Executive Officer, Senior Vice President, Factory Automation Systems (current position)	Same as above	18,300

Title	Name	Date of Birth	Career summary		Term of office	The number of shares owned
Executive Officer, Senior Vice President, Living Environment & Digital Media Equipment	Tadashi Matsumoto	December 7, 1958	April 1981 April 2013 April 2016 April 2018 April 2020	Joined Mitsubishi Electric Corporation Senior General Manager, Shizuoka Works Group Senior Vice President, Living Environment & Digital Media Equipment Group Executive Officer, Living Environment & Digital Media Equipment Executive Officer, Senior Vice President, Living Environment & Digital Media Equipment (current position)	From April 2020 to March 2021	13,400
Executive Officer, IT and Research & Development	Masahiro Fujita	November 24, 1957	April 1983 April 2014 April 2017	Joined Mitsubishi Electric Corporation Senior General Manager, Advanced Technology R&D Center Executive Officer, IT and Research & Development (current position)	Same as above	29,400
Executive Officer, Advertising and Domestic Marketing	Jun Nagasawa	March 16, 1960	April 1983 April 2013 April 2016 April 2018	Joined Mitsubishi Electric Corporation Senior General Manager, Kanagawa Branch Office Senior General Manager, Kansai Branch Office Executive Officer, Advertising and Domestic Marketing (current position)	Same as above	16,900
Executive Officer, General Affairs, Human Resources and Public Relations	Shinji Harada	August 29, 1960		See "a. Directors"	Same as above	13,500
Executive Officer, Accounting and Finance	Tadashi Kawagoishi	December 7, 1960		See "a. Directors"	Same as above	13,000
Executive Officer, Auditing and Legal Affairs & Compliance	Takakazu Murozono	March 29, 1961	April 1983 April 2015 April 2016 April 2018	Joined Mitsubishi Electric Corporation Deputy Senior General Manager, Corporate Licensing Div. Senior General Manager, Corporate Legal & Compliance Div. Executive Officer, Auditing and Legal Affairs & Compliance (current position)	Same as above	19,700
Executive Officer, Information Systems & Network Service	Koichi Orito	November 22, 1961	April 1986 April 2015 June 2016 April 2018 April 2020	Joined Mitsubishi Electric Corporation Senior General Manager, Energy Systems Center Group Senior Vice President, Energy & Industrial System Group Executive Officer, Energy & Industrial System, Executive Officer, Information Systems & Network Service (current position)	Same as above	7,600
Executive Officer, Purchasing	Juichi Shikata	March 11, 1960	April 1983 April 2013 April 2016 April 2017 April 2019	Joined Mitsubishi Electric Corporation Senior General Manager, Planning & Administration Dept. Building Systems Group Group Senior Vice President, Building Systems Group Deputy Senior General Manager, Corporate Strategic Planning Div. Executive Officer, Purchasing (current position)	Same as above	9,900

Title	Name	Date of Birth	Career summary		Term of office	The number of shares owned
Executive Officer, Electronic Systems	Yoshihisa Hara	November 14, 1960	April 1983 April 2015 April 2016 April 2018 April 2019	Joined Mitsubishi Electric Corporation Deputy Senior General Manager, Kamakura Works Senior General Manager, Kamakura Works Group Senior Vice President, Electronic Systems Group Executive Officer, Electronic Systems (current position)	From April 2020 to March 2021	6,200
Executive Officer, Information Security and Total Productivity Management & Environmental Programs	Atsuhiko Yabu	June 25, 1960	April 1984 April 2012 April 2016 August 2018 April 2019 April 2020	Joined Mitsubishi Electric Corporation President, Mitsubishi Electric Air Conditioning Systems Europe Ltd. Executive Vice President, Mitsubishi Electric US, Inc.t CEO, Mitsubishi Electric Trane HVAC US LLC Executive Officer, Total Productivity & Management Environmental Programs Executive Officer, Information Security and Total Productivity Management & Environmental Programs (current position)	Same as above	8,300
Executive Officer, Government & External Relations, Export Control, and Intellectual Property	Satoshi Kusakabe	January 24, 1960	April 1982 July 2007 July 2010 October 2010 September 2012 June 2013 July 2015 July 2018 November 2018 July 2019 July 2020	Joined the Ministry of International Trade and Industry Director-General, Personnel Division, Minister's Secretariat, Ministry of Economy, Trade and Industry Deputy Director-General, Minister's Secretariat (in charge of Economic and Industrial Policy Bureau), Ministry of Economy, Trade and Industry Councillor, Cabinet Secretariat (National Policy Unit) Director-General for Policy Planning and Coordination, Ministry of Economy, Trade and Industry Deputy Vice-Minister of Economy, Trade and Industry, Ministry of Economy, Trade and Industry Commissioner, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry Retired from the Ministry of Economy, Trade and Industry Advisor, Tokio Marine & Nichido Fire Insurance Co., Ltd. Advisor, Mitsubishi Electric Corporation Executive Officer, Government & External Relations, Export Control, and Intellectual Property (current position)	Same as above	2,000
Executive Officer, Global Strategic Planning & Marketing	Yoji Saito	October 7, 1960	April 1983 April 2015 April 2020	Joined Mitsubishi Electric Corporation President and CEO, Mitsubishi Electric Europe B.V. Pan European Representative of Mitsubishi Electric Executive Officer, Global Strategic Planning & Marketing (current position)	Same as above	3,800
Executive Officer, Public Utility Systems	Hideki Fukushima	January 13, 1962	April 1987 April 2015 April 2018 April 2020	Joined Mitsubishi Electric Corporation Senior General Manager, Itami Works Group Senior Vice President, Public Utility Systems Group Executive Officer, Public Utility System (current position)	Same as above	6,000

Title	Name	Date of Birth	Career summary		Term of office	The number of shares owned
Executive Officer, Energy & Industrial Systems	Noriyuki Takazawa	August 12, 1962	April 1986 April 2014	Joined Mitsubishi Electric Corporation Deputy Senior General Manager, Transmission & Distribution Systems Marketing Div.	From April 2020 to March 2021	3,500
			April 2016	Senior General Manager, Transmission & Distribution Systems Marketing Div.		
			April 2018	Group Senior Vice President, Energy & Industrial Systems Group		
			April 2020	Executive Officer, Energy & Industrial Systems (current position)		
Executive Officer, Semiconductor & Device	Yuzuru Saito	September 14, 1962	April 1986 April 2015	Joined Mitsubishi Electric Corporation Senior General Manager, Communication Systems Engineering Center	Same as above	2,900
			April 2018	Senior General Manager, Telecommunication Systems Sales & Marketing Div.		
			April 2020	Executive Officer, Semiconductor & Device (current position)		
Total						384,600

Note: The Company is a company with Three-committee System under Article 2, Item 12 of the Companies Act.

2) Outside Directors

The Company has five Outside Directors, each of whom has no special interest with the Company. Although companies in which each of the Outside Directors holds office in or has been a director or officer of include those with trading relationships with the Company, no such relationships have an impact on the independence of each relevant Outside Directors based on the scale or nature of such trading, and thus they possess no risk of giving rise to any conflict of interest with the general shareholders of the Company.

Outside Directors are expected to supervise management from a high-level perspective based on their abundant experience. Those who are comprehensively judged to possess the character, acumen, and business and professional experience suited to fulfill that role, and who satisfy the requirements of independent executives specified by the Tokyo Stock Exchange and the requirements specified in Mitsubishi Electric's Guidelines on the Independence of Outside Directors (see note at below) and thus possess no risk of giving rise to any conflict of interest with the general shareholders of the company, are selected as Outside Director candidates by the Nomination Committee.

<Independency Guideline for Outside Directors>

Mitsubishi Electric Corporation nominates persons with experience in company management in the business world, attorneys and academics, among other specialists, who are appropriate to oversee the Company's business operations and not falling under any of the following cases, as candidates for Outside Directors. Each of the following 1, 2, 4 and 5 includes a case in any fiscal year during the past three fiscal years.

1. Persons who serve as Executive Directors, Executive Officers, managers or other employees (hereinafter "business executers") at a company whose amount of transactions with the Company accounts for more than 2% of the consolidated sales of the Company or the counterparty
2. Persons who serve as business executers at a company to which the Company has borrowings that exceed 2% of the consolidated total assets
3. Persons who are related parties of the Company's independent auditor
4. Persons who receive more than 10 million yen of compensation from the Company as specialists or consultants
5. Persons who serve as Executive Officers (Directors, etc.) of an organization to which the Company offers contribution that exceeds 10 million yen and 2% of the total revenue of the organization
6. Persons who are the Company's major shareholders (holding more than 10% of voting rights) or who serve as their business executers
7. Persons who are related parties of a person or company that have material conflict of interest with the Company

In addition, Outside Directors enhance the checking function of management by receiving reports about the activity status of internal auditors, the audit committee, accounting auditors, and divisions in charge of internal control via the Board of Directors, and providing valuable comments regarding Mitsubishi Electric's management from an objective perspective. By doing this, they bring greater transparency to the management framework and strengthen the Board's function of supervising management.

(3) Status of Audit

1) Audit Committee

a. Organization, members, and procedures of the Audit Committee

The Audit Committee is made up of five directors, three of whom are outside directors. The Committee audits the legality, adequacy, and efficiency of the execution of the duties by directors and Executive Officers and creates an audit report to be submitted to the shareholders' meeting with its resolution.

Masahiko Sagawa, a member of the Audit Committee, has long years of experience in the accounting and financial operations of the Company and its affiliates. Kazunori Watanabe, a member of the Audit Committee, is a Certified Public Accountant and has a considerable degree of knowledge about finance and accounting.

The Audit Committee has four dedicated staffers who take direct orders from Audit Committee members and support them in executing their duties.

b. Frequency of the Audit Committee meeting and attendance of each Audit Committee member

In fiscal 2020, the Company held the regular Audit Committee meeting basically once a month (and one special meeting). One meeting took about two hours. The attendance of each Audit Committee member is as shown below.

Title	Name	Attendance/meetings	Attendance rate
Director (full-time)	Akihiro Matsuyama	13/13	100%
Director (full-time)	Masahiko Sagawa	13/13	100%
Outside director	Hiroshi Obayashi	13/13	100%
Outside director	Kazunori Watanabe	13/13	100%
Outside director	Takashi Oyamada	11/11	100%

Note: 1. Out of the above members, Akihiro Matsuyama and Masahiko Sagawa are responsible for investigation.

2. Because Takashi Oyamada was appointed as an outside director on June 27, 2019, his attendance after his appointment is shown.

3. Akihiro Matsuyama retired on June 26, 2020.

c. Activities of the Audit Committee members

The Audit Committee members—mainly those responsible for investigation (full-time Audit Committee members)—attend Executive Officers' meetings and other such important conferences, and conduct interviews and surveys of Executive Officers and the executive staff of the Company's offices and affiliates in accordance with the policies and assignments agreed upon the Committee.

Divisions in charge of internal control, including the Corporate Auditing Division, submit internal audit reports to the Audit Committee members, who hold meetings such as those to discuss internal audit policies and periodic report meetings to exchange opinions. Outside Audit Committee members visit our offices, affiliates, and other locations with the members responsible for investigation as needed and offer their opinions based on their expert knowledge at the Audit Committee meeting and other occasions.

In addition, the Audit Committee members discuss policies and methods of auditing with accounting auditors, who furnish them with reports on the status and results of the audits of the Company that they themselves conduct, and exchange opinions with them.

d. Agenda of the Audit Committee

The main agenda of the Audit Committee include the determination of audit policies and activity planning, check on the execution of the duties by directors and Executive Officers and the establishment and operation of the internal control system, check on methods of auditing by accounting auditors and validity of results, and evaluation of accounting auditors and decision on whether to reappoint them.

Especially in fiscal 2020, the Audit Committee focused on checking and verifying how the Group had strengthened its business foundation including the internal control and compliance systems and the business platform that supports profitability, improved the cash flow through the streamlining of assets, and worked on activities such as the proper handling of quality issues and "Work Style Reforms" with an aim to improve the mid- and long-term corporate value of the Group.

As the Group is committed to contribute to the achievement of the SDGs to solve diverse social challenges, the Audit Committee also checked and verified the Group's contribution through business as well as the efforts in the environment, CSR, and other fields.

In fiscal 2020, as indicated in “II. Business Overview 1. Management Policy, Business Environment and Corporate Agenda (2) Business environment and corporate agenda,” labor issues, improper quality-related conduct, the possibility of information leakage due to unauthorized access, and other issues have become clear at the Group. The Audit Committee has confirmed that the Executive Officers are formulating and implementing measures to prevent recurrence based on the analysis of the cause of each issue, and will closely monitor the response to each issue and the progress thereof going forward.

e. Effectiveness evaluation of the Audit Committee

The Audit Committee conducts evaluation to improve performance every year. In the Audit Committee review in fiscal 2020, outside Audit Committee members concluded that the members responsible for investigation (full-time Audit Committee members) periodically report their activity results and that management information is properly shared in a timely manner in the Audit Committee. Although we believe that this evaluation in effect endorses the performance of the Audit Committee, we will continue to make efforts to improve performance.

2) Status of Internal Audit

a. Organization, members, and procedures for internal audit

An internal audit is intended to contribute to the sound management and strengthened management structure of the Company and its affiliates in Japan and overseas by improving management efficiency, strengthening risk management, thoroughly observing the code of corporate ethics and ensuring compliance, and enhancing internal control.

With approximately 60 members acting independently in Japan and overseas, the Company's Corporate Auditing Division conducts internal audits of the Company from a fair and impartial standpoint. In addition, the division's activities are supported by auditors with extensive knowledge of their particular fields, assigned from relevant business units. The Corporate Auditing Division reports the results of such audits to the President & CEO and the Audit Committee.

b. Relationship with the divisions in charge of internal control

In the Group, the administration divisions such as the Corporate Strategic Planning Division, the Corporate Accounting Division, the Corporate Legal & Compliance Division, and the Corporate Export Control Division inspect the establishment and operation of the internal control system and regulations, etc. under their scope of responsibility for internal control. In addition, each business division has its own compliance department, which reliably spreads companywide compliance policies and inspects the compliance status in each business division.

The Corporate Auditing Division internally audits the operation and other aspects of the internal control system, evaluates the internal control related to the establishment of internal whistle-blower system and financial review, and mutually exchanges necessary information with each division in charge of internal control.

c. Mutual relationship among internal audit, the audit by the Audit Committee, and accounting audit

The Corporate Auditing Division reports the internal audit policies and internal audit results to the Audit Committee and exchanges opinions with the Audit Committee members on a regular basis.

The Corporate Auditing Division also reports internal audit results to the accounting auditors and continuously works with them, discussing the evaluation of the internal control related to financial review as needed.

3) Status of accounting audit

a. Overview of the Independent Auditor

The Company has appointed KPMG AZSA LLC as its Independent Auditor.

KPMG AZSA LLC was engaged in the accounting audit of consolidated financial statements of the Company under the Securities Exchange Act (currently the Financial Instruments and Exchange Act) for the fiscal year ended March 31, 2005, and has been engaged in the accounting audit of the Company under the Companies Act and the Securities Exchange Act (currently the Financial Instruments and Exchange Act) from the fiscal year ended March 31, 2006. The Company started preparing consolidated financial statements in English in accordance with the USGAAP from the fiscal year ended March 31, 1970, prompted by the need of issuing USD-denominated convertible bonds in the European market in March 1970, and has been preparing consolidated financial statements in English in accordance with IFRS from the fiscal year ended March 31, 2019 onward. Since the fiscal year ended March 31, 1981, the Company has been entrusting the accounting audit of such

consolidated financial statements prepared in English to a Japanese member firm (currently KPMG AZSA LLC) of Peat, Marwick, Mitchell & Co. (currently KPMG).

Designated Limited Liability Partners who executed the accounting audit of the Company are certified public accountants, Messrs. Hideaki Koyama, Naoki Matsumoto, and Yukihiro Ishiguro. The supporting team that assisted the execution of the accounting audit consisted of adequate staff including certified public accountants that belong to KPMG AZSA LLC. The Company provides KPMG AZSA LLC an environment for conducting audits from a fair and impartial standpoint, including provision of adequate management information.

b. Reasons for selecting the Independent Auditor

The Company selects the Independent Auditor mainly in consideration of the following:

- The Independent Auditor complies with the matters related to the performance of duties of the Independent Auditor stipulated under Article 131 of the Ordinances of Companies Accounting, such as the matters related to independence.
- The Independent Auditor retains sufficient audit staff with professional experience and expertise to conduct audits of the Group.
- The Independent Auditor retains a network to adequately conduct audits of subsidiaries and affiliated companies of the Company in Japan and overseas, in accordance with local laws and regulations as well as fair and appropriate accounting standards, etc.

KPMG AZSA LLC has been appointed as the Independent Auditor of the Company, because it is a member firm of the KPMG network that provides audit services globally, with staff and systems capable of auditing the Group's global business activities in an integrated manner as an international accounting expert, can handle consolidated account closing in accordance with IFRS, establishes and operates a quality control system adequately, and maintains independence from the Group, with a sufficient investigation system on which to base its opinions.

<Matters set out in Article 126, Item 4 of the Ordinance for Enforcement of the Companies Act>

- Policies on dismissal or non-reappointment of the Independent Auditor
The Company has set out the following policies for determination of dismissal or non-reappointment of the Independent Auditor.
 - (a) The Independent Auditor may be dismissed in the event that it:
 - Commits any breach or omission of due fulfillment of the responsibilities of its work;
 - Acts in a manner that is inappropriate for an independent auditor; or,
 - Is involved in any sort of incident or activity that is deemed to fall within the scope of the items above.
 - (b) In addition to the above, for such reasons as (but not limited to) amelioration of the audit quality, the Company may opt, as necessary, not to renew the retention or appointment of the Independent Auditor.

c. Evaluation of the Independent Auditor

The Audit Committee has established the Company's evaluation standards for the Independent Auditor and evaluates the Independent Auditor accordingly with respect to its independence, systems to perform its duties, status of accounting audits, and quality control. The Company has determined that the performance of the Independent Auditor is appropriate for the fiscal year under review in accordance with the Company's standards.

d. Details of audit fees, etc.

(a) Fees to the certified public accountants

(Millions of yen)

Classification	Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2020	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fee for non-audit services
The Company	283	54	264	3
Consolidated subsidiaries	204	16	210	7
Total	487	71	474	11

Fees for non-audit services paid by the Company and its consolidated subsidiaries for fiscal 2019 and 2020 consist mainly of accounting advisory services.

(b) Fees to organizations that belong to the same network (KPMG)

(Millions of yen)

Classification	Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2020	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fee for non-audit services
The Company	107	37	104	137
Consolidated subsidiaries	645	150	653	143
Total	752	187	758	280

Fees to audit firms, etc. that belong to the same network (KPMG) as KPMG AZSA LLC, the Company's auditing accountants, for non-audit services paid by the Company and its consolidated subsidiaries for fiscal 2019 and 2020 consist mainly of accounting advisory services.

e. Policies for determining audit fees

Audit fees are determined based on the verification of validity of the audit plan including audit structure, procedures, and schedule, as well as the unit price of fees per audit hour, subject to the approval of the Audit Committee.

f. Reasons for the Audit Committee's consent on the compensation paid to the Independent Auditor

The Audit Committee has agreed to the amount of fees paid to the Independent Auditor as reasonable, as the amount is based on the estimated audit hours derived from audit policies and plans for the fiscal year under review confirmed with the Independent Auditor, and the unit price of fees is reasonable.

(4) Compensation for Directors and Executive Officers

1) The policy for determining compensation for Directors and Executive Officers

a. Basic policies

- (a) As a Company with a Three-committee System, the Company segregates the supervisory function and the execution function of management. The supervisory function of management is assigned to the Board of Directors and the execution function of management is assigned to the Executive Officers. The compensation scheme for Directors and the compensation scheme for the Executive Officers will be set differently, corresponding to the contents and responsibilities of each of the duty and position.
- (b) Directors give advice to and supervise the Company's management from an objective point of view, and therefore, the basic policy of the compensation scheme for Directors is the payment of fixed-amount compensation and the retirement benefit upon resignation.
- (c) The compensation scheme for the Executive Officers focuses on incentives for the realization of management policies and the improvement of business performance, and performance-based compensation will be paid in addition to the payment of fixed-amount compensation and the retirement benefit upon resignation, based on the following basic policies:
 - (i) The compensation scheme should raise awareness of the contribution to the improvement of the mid- and long-term business performance, and to the enhancement of the Group's corporate value.
 - (ii) The compensation scheme should be closely linked with the company's performance and be highly transparent and objective.
 - (iii) The compensation scheme should mainly aim at sharing of interest with shareholders and raising management awareness which places importance on the interest of shareholders.
- (d) In order to introduce from the outside objective points of view and specialized knowledge about the executive compensation scheme, the Company will employ external compensation consultants, and deliberate the compensation level, compensation scheme, etc. with the support of such consultants, taking into consideration external data concerning compensation in major Japanese corporations developing their businesses globally, the domestic economic environment, industry trends, management conditions, etc.

b. The system and the policy for determining compensation for Directors and Executive Officers

(a) Compensation for Directors

- (i) A fixed amount of compensation shall be set at a level considered reasonable, while taking into account the contents of the Directors' duties and the Company's conditions, etc.
- (ii) The amount of the retirement benefit will be decided on the basis of the monthly amount of compensation and the number of service years, etc.

(b) Compensation for Executive Officers

- (i) A fixed amount of compensation shall be set at a level considered reasonable, while taking into account the contents of the Executive Officer's duties and the Company's conditions, etc.
- (ii) Performance-based compensation shall be paid as indicated below.
 - The Group strives to achieve sustainable growth and further improvement of corporate value through its threefold balanced management policy of "Growth," "Profitability & Efficiency" and "Soundness." The Group has defined consolidated revenue of 5 trillion yen or more and an operating profit ratio of 8% or more as fiscal 2021 targets. The payment reference amount for performance-based compensation is based on the consolidated business performance such as net profit attributable to Mitsubishi Electric Corp. stockholders, in line with this policy and these targets. In the fiscal year ended March 31, 2020, revenue was 4,462.5 billion yen, operating profit ratio was 5.8%, and net profit attributable to Mitsubishi Electric Corp. stockholders was 221.8 billion yen.
 - Compensation for Executive Officers are set within a range of $\pm 20\%$ the payment reference amount, reflecting business performance in their respective business segments.
 - With the purposes of meshing the interest of shareholders with the Executive Officers and further raising management awareness that places importance on the interest of shareholders, and increasing the incentives for the improvement of business performance from the mid- and long-term perspectives, 50% of performance-based compensation will be paid in the form of shares. Share-based compensation consists of Company stocks issued after a three-year deferment period. The Company sets a rule that the Executive Officers are required to continue to hold the Company stocks issued until 1 year has passed from resignation, in principle.
- (iii) The amount of the retirement benefit will be decided on the basis of the monthly amount of compensation and the number of service years, etc.

(iv) If the Company achieves the consolidated revenue of 5 trillion yen or more and the operating profit ratio of 8% or more, which is the growth targets for fiscal 2021, the basic composition of the compensation is as follows: basic compensation 30%, performance-based compensation 60%, and retirement benefit 10%. The ratio of mid- and long-term incentives (share-based compensation in the performance-based compensation, and retirement benefit) is 40% of the total compensation. If the consolidated business performance for the current fiscal year is within the growth target for fiscal 2021, the performance-based compensation ratio in total compensation fluctuates between 0% and 60%.

(c) Decision-making process

The Company decides on compensation decision policies for Directors and Executive Officers, and the compensation given to individuals based on these policies, through the Compensation Committee, a majority of which is comprised of outside directors. The details of the activities of the Compensation Committee are reported to the Board of Directors on a case-by-case basis. The Company held four times of Compensation Committee meetings during the fiscal year ended March 31, 2020.

2) Directors' and Executive Officers' Compensation

Classification	Number Receiving Payment	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)			
			Basic compensation	Performance-based compensation	Share-based compensation	Retirement benefit
Directors	3	195				
Outside Directors	6	73	60	-	-	13
Executive Officers	21	1,858	854	731	365	273

Notes: 1. The number of Directors receiving compensation does not include Outside Directors or Directors who concurrently hold posts as Executive Officers.

2. Regarding Executive Officers who assumed the office in the fiscal year ended March 31, 2019, there was a difference amounting to 24 million yen between the total compensation disclosed for the previous fiscal year and the compensation paid during the fiscal year ended March 31, 2020. Said difference was not included in the amount disclosed above.

3) Directors or Executive Officers who received compensation of 100 million yen or more

Name	Classification	Company	Total amount of compensation, etc. (Millions of yen)	Total amount of each type (Millions of yen)			
				Basic compensation	Performance-based compensation	Share-based compensation	Retirement benefit
Takeshi Sugiyama	Executive Officer	The Company	170				

(5) Status of stocks held

1) Criteria and approach on classification of stocks for investment

With regard to the classification of stocks for investment held for pure investment purposes and stocks for investment held for purposes other than pure investment purposes, the Company classifies stocks held solely for profit purposes from changes in the stock value or dividends on stock as pure investment. There are no stocks held solely for pure investment.

2) Stocks for investment held for purposes other than pure investment purposes

a. The holding policy, and the method for verifying the reasonableness of holding and the outline of the verifications regarding the propriety of individually held stocks at the meetings of the Board of Directors and others.

The Company holds stocks that are determined to be necessary for business operations, taking into consideration maintaining and strengthening relationships with business partners. The Company comprehensively judges whether or not stocks held are significant, from the viewpoint of their profitability, business feasibility, holding risks, etc., aspects which are verified and confirmed yearly in the Executive Officers' meeting and in the Board of Directors' meeting. Furthermore, the Company performs verifications with regard to profitability, as to whether the income gained from related businesses and total dividends received are reaching a level above the capital cost, with regard to business feasibility whether there are not any significant changes in business relationships or amounts of transactions, etc., and with regard to holding risks, whether the corporate value of the investee has fallen or not. When stocks are thus judged to have a low holding significance, the Company considers reduction such as by selling them, taking into consideration the situation of the concerned company.

Based on the results of the above verifications, the Company sold a part of its held stocks in the current fiscal year.

b. Number of Issues and Amount on the Balance Sheet

	Number of issues (issues)	Total amount on the balance sheet (millions of yen)
Unlisted stocks	182	17,831
Stocks other than unlisted stocks	123	143,029

(Issues whose number of shares increased in the current fiscal year)

	Number of issues (issues)	Total purchase price for the increased number of shares (millions of yen)	Reasons for the increased number of shares
Unlisted stocks	4	3,752	Number of shares increased due to acquisition of shares with the aim of maintaining and strengthening business relationships
Stocks other than unlisted stocks	9	334	Number of shares increased due to acquisition of shares with the aim of maintaining and strengthening business relationships

(Issues whose number of shares decreased in the current fiscal year)

	Number of issues (issues)	Total selling price for the decreased number of shares (millions of yen)
Unlisted stocks	6	324
Stocks other than unlisted stocks	9	5,706

c. Number of shares of specified investment stocks and deemed stockholdings per issue and the amount on the balance sheet, and others

Specified investment stocks

Issue	Fiscal Year Ended March 31, 2020	Fiscal Year Ended March 31, 2019	Purpose of holding, effect of quantitative holding, reason of increase in the number of shares held	Shares held by each company
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Amount on the Statement of Balance Sheet (millions of yen)	Amount on the Statement of Balance Sheet (millions of yen)		
Renesas Electronics Corporation	75,706	75,706	Maintaining and strengthening business relationships in procurement	No
	29,449	38,761		
Central Japan Railway Company	770	770	Maintaining and strengthening business relationships in the transportation systems business	Yes
	13,346	19,812		
SUZUKI MOTOR CORPORATION	4,105	4,105	Maintaining and strengthening business relationships in the automotive equipment business	Yes
	10,610	20,108		
East Japan Railway Company	958	958	Maintaining and strengthening business relationships in the transportation systems business	Yes
	7,833	10,232		
Ryoyo Electro Corporation	2,246	2,246	Maintaining and strengthening business relationships in sales	Yes
	4,625	3,635		
Shin-Etsu Chemical Co., Ltd.	406	406	Maintaining and strengthening business relationships in procurement	Yes
	4,363	3,774		
Mitsubishi Heavy Industries, Ltd.	1,394	1,394	Maintaining and strengthening business relationships in all businesses	Yes
	3,809	6,410		
Shimadzu Corporation	1,250	1,250	Maintaining and strengthening business relationships in procurement	Yes
	3,557	4,001		
Mitsubishi Estate Company, Limited	2,003	2,003	Maintaining and strengthening business relationships in the building systems business and real estate lease	Yes
	3,194	4,017		
TAKEBISHI CORPORATION	2,340	2,340	Maintaining and strengthening business relationships in sales	Yes
	3,091	3,306		
TEIKOKU ELECTRIC MFG. CO., LTD.	2,286	2,286	Maintaining and strengthening business relationships in the automotive equipment business	Yes
	3,002	2,569		
Mitsubishi Research Institute, Inc.	902	902	Maintaining and strengthening collaborative relationships in the social infrastructure systems business	Yes
	2,968	3,017		
TACHIBANA ELETECH CO., LTD.	1,921	1,921	Maintaining and strengthening business relationships in sales	Yes
	2,782	3,195		

Issue	Fiscal Year Ended March 31, 2020	Fiscal Year Ended March 31, 2019	Purpose of holding, effect of quantitative holding, reason of increase in the number of shares held	Shares held by each company
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Amount on the Statement of Balance Sheet (millions of yen)	Amount on the Statement of Balance Sheet (millions of yen)		
JEOL Ltd.	1,000	1,000	Maintaining and strengthening business relationships in procurement	Yes
	2,637	1,992		
Mitsubishi Materials Corporation	1,149	1,458	Maintaining and strengthening business relationships in procurement	Yes
	2,546	4,262		
SOHGO SECURITY SERVICES CO., LTD.	455	455	Maintaining and strengthening collaborative relationships in the building systems business	Yes
	2,393	2,193		
The Kansai Electric Power Company, Incorporated	1,957	1,957	Maintaining and strengthening business relationships in the power systems business	No
	2,356	3,194		
KDDI CORPORATION	632	632	Maintaining and strengthening business relationships in the telecommunications systems business	No
	2,017	1,508		
Hankyu Hanshin Holdings, Inc.	551	551	Maintaining and strengthening business relationships in the transportation systems business	Yes
	2,006	2,290		
The Chugoku Electric Power Company, Incorporated	1,161	1,161	Maintaining and strengthening business relationships in the power systems business	Yes
	1,751	1,603		
Citizen Watch Co., Ltd	4,317	4,317	Maintaining and strengthening business relationships in the factory automation systems business	Yes
	1,657	2,664		
Mitsubishi Logistics Corporation	733	733	Maintaining and strengthening business relationships in the building systems business	Yes
	1,599	2,264		
Keisei Electric Railway Co., Ltd.	441	441	Maintaining and strengthening business relationships in the transportation systems business	Yes
	1,377	1,772	Number of shares increased due to constant purchase through the business partner shareholding union	
THE SHIZUOKA BANK, LTD.	2,033	2,033	Maintaining and strengthening business relationships in finance	Yes
	1,336	1,714		
Mitsubishi Gas Chemical Company, Inc.	1,133	1,133	Maintaining and strengthening business relationships in procurement	Yes
	1,332	1,789		

Issue	Fiscal Year Ended March 31, 2020	Fiscal Year Ended March 31, 2019	Purpose of holding, effect of quantitative holding, reason of increase in the number of shares held	Shares held by each company
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Amount on the Statement of Balance Sheet (millions of yen)	Amount on the Statement of Balance Sheet (millions of yen)		
Keikyu Corporation	665	664	Maintaining and strengthening business relationships in the transportation systems business	No
	1,209	1,247	Number of shares increased due to constant purchase through the business partner shareholding union	
Tohoku Electric Power Company, Incorporated	1,056	1,056	Maintaining and strengthening business relationships in the power systems business	No
	1,099	1,491		
OSAKA GAS CO., LTD.	509	509	Maintaining and strengthening business relationships in the power systems business	No
	1,037	1,112		
Keio Corporation	149	147	Maintaining and strengthening business relationships in the transportation systems business	No
	953	1,052	Number of shares increased due to constant purchase through the business partner shareholding union	
RYOBI LIMITED	660	660	Maintaining and strengthening business relationships in procurement	Yes
	875	1,639		
KAGA ELECTRONICS CO., LTD.	500	500	Maintaining and strengthening business relationships in the electronic devices business	No
	851	1,016		
AEON CO., LTD	318	318	Maintaining and strengthening business relationships in the building systems business	No
	764	737	Number of shares increased due to constant purchase through the business partner shareholding union	
NARASAKI SANGYO CO., LTD.	419	419	Maintaining and strengthening business relationships in sales	Yes
	731	788		
Chubu Electric Power Company, Incorporated	478	478	Maintaining and strengthening business relationships in the power systems business	No
	729	827		
Tokyo Electric Power Company Holdings, Incorporated	1,924	1,924	Maintaining and strengthening business relationships in the power systems business	No
	725	1,347		
YAMADA DENKI CO., LTD.	1,485	1,485	Maintaining and strengthening business relationships in the home appliances business	No
	640	810		

Issue	Fiscal Year Ended March 31, 2020	Fiscal Year Ended March 31, 2019	Purpose of holding, effect of quantitative holding, reason of increase in the number of shares held	Shares held by each company
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Amount on the Statement of Balance Sheet (millions of yen)	Amount on the Statement of Balance Sheet (millions of yen)		
Oi Electric Co., Ltd.	247	*	Maintaining and strengthening business relationships in procurement	Yes
	631	*		
Kyoei Sangyo Co., Ltd.	558	558	Maintaining and strengthening business relationships in sales	Yes
	605	877		
SUMITOMO CORPORATION	448	448	Maintaining and strengthening collaborative relationships in the building systems business	Yes
	555	686		
EDION Corporation	597	597	Maintaining and strengthening business relationships in the home appliances business	No
	533	577		
K'S HOLDINGS CORPORATION	518	*	Maintaining and strengthening business relationships in the home appliances business	No
	530	*		
TODA CORPORATION	820	820	Maintaining and strengthening collaborative relationships in the building systems business	Yes
	515	557		
TOKYO SANGYO CO., LTD.	1,026	*	Maintaining and strengthening business relationships in the power systems business	Yes
	499	*		
SEIBU HOLDINGS INC.	419	419	Maintaining and strengthening business relationships in the transportation systems business	No
	498	812		
Sumitomo Mitsui Trust Holdings, Inc.	150	150	Maintaining and strengthening business relationships in finance	Yes
	468	596		
NIPPON STEEL CORPORATION	502	643	Maintaining and strengthening business relationships in procurement	Yes
	464	1,257		
AISAN TECHNOLOGY CO., LTD.	350	350	Maintaining and strengthening business relationships in the electronic systems business	No
	457	846		
JFE Holdings, Inc.	640	640	Maintaining and strengthening business relationships in procurement	Yes
	450	1,203		
Kyushu Railway Company	140	*	Maintaining and strengthening business relationships in the transportation systems business	No
	435	*		

Issue	Fiscal Year Ended March 31, 2020	Fiscal Year Ended March 31, 2019	Purpose of holding, effect of quantitative holding, reason of increase in the number of shares held	Shares held by each company
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Amount on the Statement of Balance Sheet (millions of yen)	Amount on the Statement of Balance Sheet (millions of yen)		
Ryoyu Systems Co., Ltd.	56	*	Maintaining and strengthening business relationships in the information systems and service business	Yes
	431	*		
Mitsubishi Chemical Holdings Corporation	*	1,399	Maintaining and strengthening business relationships in procurement	No
	*	1,090		
Mazda Motor Corporation	*	710	Maintaining and strengthening business relationships in the automotive equipment business	No
	*	879		
TAISEI CORPORATION	*	109	Maintaining and strengthening collaborative relationships in the building systems business	Yes
	*	561		
AGC Inc.	-	441	Maintaining and strengthening business relationships in procurement	No
	-	1,711		
Sekisui House, Ltd.	-	749	Maintaining and strengthening business relationships in the home appliances business	No
	-	1,372		

- Notes: 1. As it involves trade secrets, the Company will not disclose the quantitative effect of stocks held. However, the Company comprehensively judges whether or not stocks held are significant, from the viewpoint of each issue's profitability, feasibility, holding risks, etc., aspects which are verified and confirmed yearly in the Executive Officers' meeting and in the Board of Directors' meeting. Furthermore, we perform verifications with regard to profitability, as to whether the income gained from related businesses and total dividends received are reaching a level above the capital cost, with regard to business feasibility whether there aren't any significant changes in business relationships or amounts of transactions, etc., and with regard to holding risks, whether the corporate value of the investee has fallen or not.
2. When determining share holdings with the highest values in the amounts recorded on the balance sheet, specified investment shares and deemed shareholdings are not combined.
3. "-" signifies that the Company does not own shares of the issue.
4. "*" signifies that the figures are not displayed because the amount on the balance sheet of the issue is less than 1/100 of the Company's capital amount and the issue's amount on the balance sheet is less than the top 50 issues displayed.
5. The meaning of "Yes" in the "Shares held by each company" column includes shares held by operating subsidiaries under holding companies.

Deemed stockholdings

Issue	Fiscal Year Ended March 31, 2020	Fiscal Year Ended March 31, 2019	Purpose of holding, effect of quantitative holding, reason of increase in the number of shares held	Shares held by each company
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Amount on the Statement of Balance Sheet (millions of yen)	Amount on the Statement of Balance Sheet (millions of yen)		
Mitsubishi Corporation	17,768	17,768	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	Yes
	40,715	54,618		
Odakyu Electric Railway Co., Ltd.	12,908	12,908	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	Yes
	30,617	34,632		
OBIC Co., Ltd	2,160	2,160	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	Yes
	30,585	24,105		
Mitsubishi UFJ Financial Group, Inc.	44,121	44,121	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	Yes
	17,780	24,266		
Tokio Marine Holdings, Inc.	3,219	3,219	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	Yes
	15,936	17,262		
Mitsubishi Estate Company, Limited	6,390	6,390	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	Yes
	10,192	12,815		
TIS Inc.	4,796	1,598	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights. Number of shares increased due to stock split	Yes
	8,572	8,378		
Mitsubishi Heavy Industries, Ltd.	2,408	2,408	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	Yes
	6,580	11,072		

Issue	Fiscal Year Ended March 31, 2020	Fiscal Year Ended March 31, 2019	Purpose of holding, effect of quantitative holding, reason of increase in the number of shares held	Shares held by each company
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Amount on the Statement of Balance Sheet (millions of yen)	Amount on the Statement of Balance Sheet (millions of yen)		
NTT DOCOMO, INC.	1,625	1,625	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	No
	5,487	3,983		
Central Japan Railway Company	219	219	The Company has contributed its shares to the employee retirement benefit trust, of which the Company has the power to instruct exercise of voting rights.	Yes
	3,793	5,630		

- Notes: 1. In regard to the quantitative effects of stocks held, as part of management of the trust accounts for retirement benefits, the Company makes sure that there are stable yields to investments, to be used as a source of payment of retirement benefits in the future.
2. When determining share holdings with the highest values in the amounts recorded on the balance sheet, specified investment shares and deemed shareholdings are not combined.
3. The meaning of “Yes” in the “Shares held by each company” column includes shares held by operating subsidiaries under holding companies.

V. Financial Information

1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements

- (1) The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) since the Group meets all the requirements of a “specified international accounting standard company” in Article 1-2 of the Ordinance of the Ministry of Finance No. 28 of 1976, “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements”, and therefore Article 93 of that Ordinance applies to the Group.
- (2) The non-consolidated financial statements of the Company are prepared in accordance with the Ordinance of the Ministry of Finance No. 59 of 1963 “Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (hereinafter “Ordinance on Financial Statements, etc.”).

Also, the Company is qualified as a company submitting financial statements prepared in accordance with special provision and prepares financial statements in accordance with the provision of Article 127 of the Ordinance on Financial Statements, etc.

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year from April 1, 2019 to March 31, 2020 and the non-consolidated financial statements for the 149th fiscal year (from April 1, 2019 to March 31, 2020) are audited by KPMG AZSA LLC.

3. Special efforts to secure the appropriateness of the consolidated financial statements, etc. and development of a system that can properly prepare consolidated financial statements in accordance with IFRS. The details are shown below.

- (1) The Company has established a system to properly understand the contents of accounting standards and to respond to revisions to standards and laws by being a member of the Financial Accounting Standards Foundation and participating in seminars and other events hosted by the foundation as well as by participating in subcommittees hosted by economic organizations.
- (2) Regarding the application of IFRS, the Company obtains the standards issued by the International Accounting Standards Board timely to ascertain the latest standards. In addition, in order to prepare consolidated financial statements appropriately in accordance with IFRS, we have developed group accounting policies that comply with IFRS and prepare consolidated financial statements based on the policies.

1 【Consolidated Financial Statements and other】

(1) 【Consolidated Financial Statements】

(a) 【Consolidated Statement of Financial Position】

Yen (millions)

	Notes	Mar. 31, 2019	Mar. 31, 2020
(Assets)			
Cash and cash equivalents		514,224	537,559
Trade receivables	6,27, 29	938,264	900,430
Contract assets	22,27, 29	295,652	343,637
Other financial assets	7,27	48,768	56,765
Inventories	8	729,098	693,890
Other current assets		98,287	95,752
Current assets		2,624,293	2,628,033
Investments accounted for using the equity method	12	197,959	196,237
Other financial assets	7,27	303,834	262,367
Property, plant and equipment	9,11	760,540	854,382
Goodwill and intangible assets	10,11	137,615	146,323
Deferred tax assets	13	233,087	249,830
Other non-current assets	18	98,883	72,599
Non-current assets		1,731,918	1,781,738
Total assets		4,356,211	4,409,771

Yen (millions)

	Notes	Mar. 31, 2019	Mar. 31, 2020
(Liabilities)			
Bonds, borrowings and lease liabilities	14,16,27	104,969	133,369
Trade payables	17,29	559,641	527,307
Contract liabilities	22,29	138,877	147,781
Other financial liabilities	15,27	159,579	160,810
Accrued expenses		268,651	265,059
Accrued income taxes	13	24,298	21,335
Provisions	19	106,006	99,215
Other current liabilities	18	54,314	47,789
Current liabilities		1,416,335	1,402,665
Bonds, borrowings and lease liabilities	14,16,27	193,469	243,634
Net defined benefit liabilities	18	176,087	163,240
Provisions	19	6,905	5,210
Deferred tax liabilities	13	10,164	10,193
Other non-current liabilities		42,096	45,970
Non-current liabilities		428,721	468,247
Total liabilities		1,845,056	1,870,912
(Equity)			
Common stock	20	175,820	175,820
Capital surplus	20	202,834	202,832
Retained earnings	20	1,960,466	2,071,817
Accumulated other comprehensive income (loss)	13,18,20,27	63,809	(17,802)
Treasury stock, at cost	20	(2,983)	(2,924)
Mitsubishi Electric Corp. stockholders' equity		2,399,946	2,429,743
Non-controlling interests		111,209	109,116
Total equity		2,511,155	2,538,859
Total liabilities and equity		4,356,211	4,409,771

(b) 【Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income】
 【Consolidated Statement of Profit or Loss】

Yen (millions)

	Notes	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Revenue	22,29	4,519,921	4,462,509
Cost of sales	8,9, 10,16, 18	3,186,869	3,200,170
Selling, general and administrative expenses	9,10, 16,18	1,043,294	1,017,075
Other profit (loss)	11,23, 27	719	14,397
Operating profit		290,477	259,661
Financial income	24	9,747	10,285
Financial expenses	16,24	4,382	7,008
Share of profit of investments accounted for using the equity method	12	20,116	19,048
Profit before income taxes		315,958	281,986
Income taxes	13	78,304	48,474
Net profit		237,654	233,512
Net profit attributable to:			
Mitsubishi Electric Corp. stockholders	26	226,648	221,834
Non-controlling interests		11,006	11,678

	Notes	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Earnings per share (attributable to Mitsubishi Electric Corp. stockholders)			
Basic	26	105.65	103.41
Diluted	26	105.65	103.41

【Consolidated Statement of Comprehensive Income】

Yen (millions)

	Notes	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Net profit		237,654	233,512
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	27	(39,284)	(31,874)
Remeasurements of defined benefit plans	18	12,234	(23,574)
Share of other comprehensive income of investments accounted for using the equity method	12	(995)	(1,528)
Total items that will not be reclassified to net profit		(28,045)	(56,976)
Items that may be reclassified to net profit			
Exchange differences on translating foreign operations		(6,756)	(49,360)
Net changes in the fair value of cash flow hedges	27	(37)	20
Share of other comprehensive income of investments accounted for using the equity method	12	(2,645)	(2,434)
Total items that may be reclassified to net profit		(9,438)	(51,774)
Total other comprehensive income (loss)	25	(37,483)	(108,750)
Comprehensive income		200,171	124,762
Comprehensive income attributable to:			
Mitsubishi Electric Corp. stockholders		189,306	117,132
Non-controlling interests		10,865	7,630

(c) 【Consolidated Statement of Changes in Equity】

Year ended Mar. 31, 2019

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 year		175,820	199,442	1,811,348	109,492	(1,928)	2,294,174	103,045	2,397,219
Comprehensive income									
Net profit				226,648			226,648	11,006	237,654
Other comprehensive income (loss), net of tax	25				(37,342)		(37,342)	(141)	(37,483)
Comprehensive income		—	—	226,648	(37,342)	—	189,306	10,865	200,171
Reclassification to retained earnings	7,18			8,341	(8,341)		—		—
Dividends	21			(85,871)			(85,871)	(5,872)	(91,743)
Purchase of treasury stock						(1,055)	(1,055)		(1,055)
Disposal of treasury stock			0			0	0		0
Transactions with non-controlling interests and others			3,392				3,392	3,171	6,563
Balance at end of year		175,820	202,834	1,960,466	63,809	(2,983)	2,399,946	111,209	2,511,155

Year ended Mar. 31, 2020

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 year		175,820	202,834	1,960,466	63,809	(2,983)	2,399,946	111,209	2,511,155
Cumulative effects of changes in accounting policies	3			(1,521)			(1,521)	(7)	(1,528)
Adjusted balance at beginning of year		175,820	202,834	1,958,945	63,809	(2,983)	2,398,425	111,202	2,509,627
Comprehensive income									
Net profit				221,834			221,834	11,678	233,512
Other comprehensive income (loss), net of tax	25				(104,702)		(104,702)	(4,048)	(108,750)
Comprehensive income		—	—	221,834	(104,702)	—	117,132	7,630	124,762
Reclassification to retained earnings	7,18			(23,091)	23,091		—		—
Dividends	21			(85,781)			(85,871)	(7,826)	(93,697)
Purchase of treasury stock						(785)	(785)		(785)
Disposal of treasury stock			(844)			844	0		0
Transactions with non-controlling interests and others			842				842	(1,890)	(1,048)
Balance at end of year		175,820	202,832	2,071,817	(17,802)	(2,924)	2,429,743	109,116	2,538,859

(d) 【Consolidated Statement of Cash Flows】

Yen (millions)

	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Cash flows from operating activities		
Net profit	237,654	233,512
Adjustments to cash flows from operating activities		
Depreciation and amortization	176,247	210,686
Impairment losses	2,645	1,332
Loss (gain) on sales and disposal of property, plant and equipment, net	369	(10,834)
Income taxes	78,304	48,474
Share of profit of investments accounted for using the equity method	(20,116)	(19,048)
Financial income and financial expenses	(5,365)	(3,277)
Decrease (increase) in trade receivables	(13,949)	23,956
Decrease (increase) in contract assets	(26,831)	(48,213)
Decrease (increase) in inventories	(82,718)	18,504
Decrease (increase) in other assets	(3,981)	15,220
Increase (decrease) in trade payables	(20,792)	(28,582)
Increase (decrease) in net defined benefit liabilities	(11,692)	(16,113)
Increase (decrease) in other liabilities	(29,713)	(11,172)
Others, net	8,843	9,540
Subtotal	288,905	423,985
Interest and dividends received	24,788	23,448
Interest paid	(2,428)	(2,284)
Income taxes paid	(71,448)	(49,315)
Cash flows from operating activities	239,817	395,834
Cash flows from investing activities		
Purchase of property, plant and equipment	(188,042)	(192,833)
Proceeds from sale of property, plant and equipment	4,170	19,571
Purchase of intangible assets	(29,985)	(24,364)
Purchase of investment securities, net of cash acquired	(13,304)	(20,019)
Proceeds from sale of investment securities, net of cash disposed	11,824	13,687
Others, net	4,669	(39)
Cash flows from investing activities	(210,668)	(203,997)
Cash flows from financing activities		
Proceeds from bonds and long-term borrowings	77,604	35,350
Repayments of bonds and long-term borrowings	(91,138)	(41,676)
Increase (decrease) in short-term borrowings, net	(2,077)	(2,093)
Repayments of lease liabilities	(9,358)	(53,947)
Dividends paid to Mitsubishi Electric Corp. stockholders	(85,871)	(85,871)
Purchase of treasury stock	(1,055)	(785)
Disposal of treasury stock	0	0
Dividends paid to non-controlling interests	(6,617)	(6,929)
Transactions with non-controlling interests	6,445	(503)
Cash flows from financing activities	(112,067)	(156,454)
Effect of exchange rate changes on cash and cash equivalents	(2,057)	(12,048)
Net increase (decrease) in cash and cash equivalents	(84,975)	23,335
Cash and cash equivalents at beginning of year	599,199	514,224
Cash and cash equivalents at end of year	514,224	537,559

【Notes to Consolidated Financial Statements】

1. Reporting entity

Mitsubishi Electric Corporation (“the Company”) is an entity located in Japan. The 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) Energy and Electric Systems, (2) Industrial Automation Systems, (3) Information and Communication Systems, (4) Electronic Devices, (5) Home Appliances and (6) Others. The Group’s manufacturing operations are conducted principally by the Company with 23 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 consolidated financial statements in accordance with IFRS

The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) since the Group meets all the requirements of a “specified international accounting standard company” in Article 1-2 of the Ordinance of the Ministry of Finance No. 28 of 1976, “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements”, and therefore Article 93 of that Ordinance applies to the Group.

(2) Basis of measurement

The 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 as described in Note “3. Significant accounting policies.”

(3) Functional currency and presentation currency

The 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

(1) Basis of consolidation

(a) Subsidiary

Subsidiaries are entities that are controlled by the Company. The Company determines that it controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The subsidiary's financial statements are included in the consolidation from the date when the Company gains control to the date when it ceases to control the subsidiary.

When the accounting policies used by a subsidiary differ from those of the Group, the subsidiary’s financial statements are adjusted as necessary. The balances of receivables and payables among consolidated companies, inter-company transactions, and unrealized gains and losses arising from inter-company transactions are eliminated upon preparation of the consolidated financial statements.

Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

If there are changes in the ownership interest in a subsidiary that result in a loss of control, the gains or losses resulting from the loss of control are recognized in profit or loss.

(b) Associates and joint ventures

Associates are entities over which the Company has significant influence, but not control or joint control in terms of its financial and operating policies.

Joint ventures are investees where two or more parties including the Company share the contractually agreed control over economic activities and have rights to the net asset of the investees under a joint arrangement which requires the unanimous consent of the parties sharing control when strategic financing and operating decisions related to these activities are made.

Investments in associates and joint ventures are accounted for using the equity method from the date when significant influence or joint control is obtained to the date when it is lost.

When the accounting policies applied by associates and joint ventures differ from those applied by the Group, the associates and joint ventures' financial statements are adjusted as necessary.

Gains or losses on discontinuation of application of the equity method resulting from the loss of significant influence on or joint control over associates and joint ventures are recognized in profit or loss.

(2) Business combinations

Business combinations are accounted for by applying the acquisition method.

Consideration for an acquisition is measured at the aggregate of the fair value of assets transferred and liabilities assumed, in exchange for control over an acquiree, and equity instruments issued by the Company and its consolidated subsidiaries as of the date when control was obtained.

Non-controlling interests are measured at fair value or at the net identifiable assets multiplied by the ratio of non-controlling interest as of the date when control was obtained, for each individual business combination.

If the aggregate of consideration for the acquisition, recognized amount of the non-controlling interest and the fair value as of the date when control was obtained of any interest in the acquiree held before the date when control was obtained exceeds the fair value of the identifiable assets and liabilities, this excess is recognized as goodwill in the Consolidated Statement of Financial Position. If the aggregate is less than the fair value of the identifiable assets and liabilities, this deficiency amount is recognized immediately in profit or loss in the Consolidated Statement of Profit or Loss.

Acquisition-related costs are accounted for as expenses when incurred.

(3) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into the functional currencies of the Company and its consolidated subsidiaries at the exchange rates at the date of the transactions.

Foreign currency monetary assets and liabilities at the end of the year are translated into functional currencies at the exchange rate at the end of the year.

Foreign currency non-monetary assets and liabilities measured at fair value are translated into functional currencies using the exchange rate at the date when the fair value was measured.

The exchange differences arising from translation or settlement are recognized in profit or loss. However, financial assets measured through other comprehensive income and exchange differences arising from the effective part of qualifying cash flow hedges are recognized in other comprehensive income.

(b) Financial statements of a foreign operation

Assets and liabilities of a foreign operation are translated into Japanese yen at the exchange rate at the end of the year and, unless there are significant changes in foreign exchange rates, income and expenses of a foreign operation are translated into Japanese yen at the average exchange rate prevailing during the year. Exchange differences arising on the translation of the financial statements of a foreign operation are recognized in other comprehensive income. Cumulative exchange differences on translating a foreign operation are reclassified to profit or loss if a foreign operation is disposed and control, significant influence or joint control are lost.

(4) Financial instruments

(a) Non-derivative financial assets

The Company and its consolidated subsidiaries classify non-derivative financial assets as financial assets measured at amortized cost or financial assets measured at fair value through profit or loss or other comprehensive income. This classification is determined at initial recognition. Among financial assets, equity and debt instruments are initially recognized on the commitment date and all other financial assets are initially recognized on the date of the transaction.

Among non-derivative financial assets, trade receivables recognized in accordance with IFRS 15 are initially measured at the transaction price, while others are initially measured at fair value (after adding transaction costs directly attributable to the financial assets).

(i) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- the financial assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are measured at the initial recognition amount plus or minus accumulated amortization using the effective interest method, adjusting allowance for credit losses.

(ii) Financial assets measured at fair value

Financial assets that are not measured at amortized cost are measured at fair value. Financial assets measured at fair value are classified in the following categories according to the objective of holding the financial assets:

- Financial assets measured at fair value through other comprehensive income

Equity instruments which are held primarily to maintain and strengthen business relationships are designated as financial assets measured at fair value through other comprehensive income.

Changes in fair value after initial recognition of financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income. However, dividends from financial assets measured at fair value through other comprehensive income are recognized as financial income in profit or loss. When these financial assets are derecognized, cumulative gains or losses previously recognized in other comprehensive income are reclassified to retained earnings.

- Financial assets measured at fair value through profit or loss

Financial assets that are not classified as financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

Changes in fair value after initial recognition of financial assets measured at fair value through profit or loss are recognized in profit or loss.

(iii) Impairment of financial assets

Expected credit losses of financial assets measured at amortized cost are recognized as allowances for credit losses. Expected credit losses are the present value of the difference between the cash flows that are due to the Company and its consolidated subsidiaries in accordance with the contract and the cash flows that the Company and its consolidated subsidiaries expect to receive.

It is determined whether credit risk on a financial asset has increased significantly since initial recognition. If it has not increased significantly, allowance for credit losses is measured at an amount equal to 12-month expected credit losses. If it has increased significantly, allowance for credit losses is measured at an amount equal to the lifetime expected credit losses. When the fact of past due exist, actual or anticipated significant changes in debtors' results of operations are considered in assessing whether the credit risk on a financial asset has increased significantly since initial recognition. For financial assets that fall under any of the following categories, the possibility of credit impairment is determined:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Regardless of the events above, the amount of allowance for credit losses for trade receivables and contract assets that do not contain a significant financing component is measured at an amount equal to the lifetime expected credit losses.

The amount of reversal in impairment losses are recognized in profit or loss.

(iv) Derecognition of financial assets

The Company and its consolidated subsidiaries derecognize financial assets if the contractual rights to the cash flows from the financial asset expire, or the contractual rights to receive the cash flows of the financial asset are transferred and the Company and its consolidated subsidiaries transfer substantially all the risks and rewards of ownership of the financial asset.

(b) Non-derivative financial liabilities

The Company and its consolidated subsidiaries initially measure non-derivative financial liabilities at fair value (after deducting transaction costs directly attributable to the financial liabilities) and measure them at amortized cost using the effective interest method after initial recognition.

The Company and its consolidated subsidiaries derecognize financial liabilities when they are extinguished, that is, when the obligation specified in the contract is discharged, canceled or expires.

(c) Derivatives and hedge accounting

The Company and its consolidated subsidiaries use derivatives such as forward exchange contracts to hedge foreign currency risks. These derivatives are initially measured at fair value at the time that contracts are entered into. They are subsequently remeasured at fair value and resulting gains or losses are recognized in profit or loss. However, the effective part of cash flow hedges is recognized in other comprehensive income.

At the inception of the hedge, the Company and its consolidated subsidiaries formally designate and document the hedging relationship and the risk management objective and strategy for undertaking the hedge. It is assessed at the inception of the hedge and in subsequent periods on an ongoing basis whether derivatives used for hedging transactions are highly effective in offsetting changes in cash flows of the hedged item.

Hedges that meet the qualifying criteria are accounted for as follows:

(i) Cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income in the Consolidated Statement of Comprehensive Income. The ineffective portion is recognized immediately in profit or loss in the Consolidated Statement of Profit or Loss.

Amounts related to the hedging instrument that have been recognized in other comprehensive income are reclassified to profit or loss when hedged transaction affects profit or loss.

(5) Cash and cash equivalents

Cash and cash equivalents are cash on hand and cash in banks which can be withdrawn at any time. Cash and cash equivalents are classified as financial assets measured at amortized cost.

(6) Inventories

Inventories are measured at the lower of cost or net realizable value. The costs of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost, work-in-progress for build-to-ordered products are recorded under the specific identification method and make-to-stock products are recorded at the average production costs. Raw material and finished goods inventories are generally recorded using the average-cost method.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(7) Property, plant and equipment

The cost model is used to measure property, plant and equipment which are presented at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes the costs directly related to the acquisition of the asset as well as the costs of dismantling and removing it and restoring the site.

Depreciation of property, plant and equipment is generally calculated by the diminishing-balance method, except for certain assets which are depreciated by the straight-line method, over the estimated useful life of the assets according to general assets classification, type of construction, and use of these assets.

The estimated useful life of buildings is 3 to 50 years, while machinery and equipment and others is 2 to 20 years.

Useful life, residual value and the depreciation method are reviewed at least at each fiscal year-end. If there have been any changes, they are prospectively reflected as changes in accounting estimates.

(8) Goodwill and intangible assets

(a) Goodwill

Goodwill is not amortized but is tested for impairment at least annually. Goodwill is presented at cost less accumulated impairment losses.

(b) Intangible assets

Intangible assets are measured at cost on initial recognition and presented at cost less any accumulated amortization and any accumulated impairment losses.

Development expenditures are recognized as intangible assets only if they are reliably measurable and technically and commercially realizable; it is probable that they will result in future economic benefits; and the Company and its consolidated subsidiaries intend and have sufficient ability to complete development and use or sell the assets.

Intangible assets acquired in a business combination are measured at fair value on initial recognition.

Intangible assets with finite useful lives are mainly software for internal use and customer relationship which are amortized on a straight-line basis over the estimated useful life. The estimated useful life of software is approximately 3 to 5 years, while that of customer relationship is approximately 13 to 20 years.

Estimated useful life, residual value and the amortization method are reviewed at each fiscal year-end. If there have been any changes, they are prospectively reflected as changes in accounting estimates.

The Company does not amortize intangible assets with indefinite useful lives but tests them for impairment at least annually.

(9) Leases

From the year ended Mar. 31, 2020, as a lessee, the Group recognizes right-of-use assets that represent a right to use an underlying asset and lease liabilities that represent the obligation for lease payment for all leases other than leases that have a lease term of 12 months or less and leases for which the underlying asset is of low value.

Right-of-use assets are initially measured at cost, which mainly comprises the amount of the initial measurement of lease liabilities, any initial direct costs, costs to be incurred in dismantling and removing the underlying asset and costs to be incurred in restoring the underlying asset. After the initial recognition, right-of-use assets are measured applying a cost model, and presented at cost less any accumulated depreciation and any accumulated impairment losses. Right-of-use assets are depreciated over the shorter of the useful life or the lease term in the same way as the depreciation of property, plant and equipment owned by the Group.

Lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date discounted mainly using the lessee's incremental borrowing rate. Lease payments are allocated to financial expenses and the repaid amount of lease liabilities based on the interest method.

Until the year ended Mar. 31, 2019, a lease which contractually transfers substantially all the risks and rewards of ownership of an asset to the Group is classified as a finance lease. Other lease transactions are classified as operating leases.

A leased asset in a finance lease transaction is recorded at the commencement of the lease at the lower of the present value of the minimum lease payments or the fair value of the asset. The depreciation of the leased assets is calculated in accordance with the Company's depreciation policy for owned property, plant and equipment.

Minimum lease payments in finance lease transactions are allocated to the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

In an operating lease transaction, lease payments are recognized as an expense over the lease term on a straight-line basis.

(10) Impairment of non-financial assets

The Group determines whether there is an indication of impairment for non-financial assets, excluding inventories and deferred tax assets. If there is an indication of impairment, these non-financial assets are tested for impairment. Goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually at the same time every year.

The recoverable amount of an asset or cash generating unit is the higher of its value in use and its fair value less costs of disposal. Estimated future cash flows used in the calculation of value in use are discounted to their present value using a pre-tax discount rate reflecting the time value of money and the risks specific to the asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating units are determined by integrating the asset into the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment losses are recognized in profit or loss if the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses recognized on cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to reduce pro rata the carrying amounts of the other assets in the unit.

Impairment losses for goodwill are not reversed. For assets other than goodwill, it is assessed whether there is any indication that impairment losses recognized in prior periods may have decreased or no longer exist. Impairment losses are reversed if the recoverable amount exceeds the carrying amount. When reversing impairment losses, the maximum to which the carrying amount of an asset is increased is its carrying amount (less necessary depreciation and amortization) if the impairment loss had not been recognized.

(11) Employee benefits

(a) Post-employment benefits

The Company and its consolidated subsidiaries provide defined contribution plans and defined benefit plans as employee retirement benefit plans.

The present value of the defined benefit obligations and the related current service cost and past service cost are determined using the projected unit credit method.

The period of discount is determined based on the period to the date on which future annual benefits are expected to be paid. Discount rates are determined by reference to market yields consistent with the period of discount on high quality corporate bonds, at the end of the consolidated fiscal year.

Net defined benefit liability or asset is determined at the present value of the defined benefit obligation less the fair value of the plan assets. If the determination shows that a defined benefit plan has been overfunded for the Company and its consolidated subsidiaries, the defined benefit asset is recognized at the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan as a ceiling.

The amount of change in fair value arising from remeasurement of the present value of defined benefit obligations and the fair value of plan assets is fully recognized in other comprehensive income in the periods in which it arises and immediately reclassified to retained earnings.

Past service costs arising on plan amendments are recognized in profit or loss for the period in which they arise.

Contributions to defined contribution plans are recognized as expenses for the period in which the employees render the related service.

(b) Short-term employee benefits

Short-term employee benefits are not discounted. They are recognized as expenses at the time when the employees render the related service.

For bonuses, the amount expected to be paid is recognized as a liability if there is a legal or constructive obligation for payments and it can be reliably estimated.

(12) Provisions

Provisions are recognized when the Company and its consolidated subsidiaries have a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are recognized at the amounts of estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the liabilities.

(13) Revenues

The Company and its consolidated subsidiaries recognize revenue in an amount that reflects the consideration to which they expect to be entitled by transferring a good or service to a customer using the five-step approach below, except for income from interest and dividends as defined in IFRS 9.

Step1 : Identify the contract(s) with a customer.

Step2 : Identify the performance obligations in the contract.

Step3 : Determine the transaction price.

Step4 : Allocate the transaction price to the separate performance obligations in the contract.

Step5 : Recognize revenue when (or as) the entity satisfies a performance obligation.

For mass-produced goods such as home appliances, semiconductors and industrial products, revenue is recognized when the customer accepts the product. For products requiring acceptance inspection of delivered goods, revenue is only recognized when the customer accepts the product, the Group verifies that the product achieves predefined performance and there remain only verification of items that are not significant for the customer's final operation check. Consideration for transactions is received primarily within one year after the performance obligation has been satisfied.

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

Revenue from specific construction contracts meeting certain criteria 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 estimated total cost. 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.

Consideration from maintenance agreements and specific construction contracts meeting certain criteria is received incrementally during the period of the contract, separately from the satisfaction of performance obligations, and the remaining amount is received primarily within one year after all performance obligations are satisfied.

Contract assets are recognized as rights to consideration recorded due to recognizing revenue according to progress. Contract assets are reclassified to trade receivables when the rights to consideration become unconditional. Advance consideration received from customers before fulfillment of the contract is recognized as a contract liability and reversed as revenue from the contract related to the advance consideration is recognized.

Revenue is recognized in an amount that reflects the consideration to which the Company and its consolidated subsidiaries expect to be entitled by transferring the good or service. For contracts which consist of any combination of products, equipment, installation and maintenance, each element is treated as a separate performance obligation and revenue is allocated to each element in proportion to its stand-alone selling price when the good or service provided has a stand-alone value as a separate product.

For contracts which include subsequent changes in consideration such as rebates and discounts, the transaction price is determined by taking into account the variable consideration in a way that the actual value does not significantly diverge from the estimate.

For contracts in which significant financing benefits are received because the timing of satisfaction of the performance obligation and the customer's payment differ, the transaction price is determined after adjustment to reflect the time value of money. The adjustment is recognized as interest expense or income.

For contracts in which the Company and its consolidated subsidiaries do not have discretion in establishing the transaction price, do not have inventory risk, or another party is primarily responsible for fulfilling the contract, revenue is recognized on a net basis.

Any anticipated losses on fixed-price contracts are recognized in the Consolidated Statement of Profit or Loss when such losses can be reliably estimated. Provisions are made for contingencies in the period when they become known pursuant to specific contract terms and conditions and are reliably estimable.

(14) Income taxes

Income taxes consist of current and deferred taxes. Income taxes are recognized in profit or loss except for those related to business combinations and those related to items recognized directly in equity or other comprehensive income.

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities. The amount of tax is calculated based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are recognized for temporary differences between the accounting carrying amounts of assets and liabilities and their tax basis, tax loss carryforwards and tax credit carryforwards at the end of the reporting period.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Taxable temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit
- Taxable temporary differences associated with investments in consolidated subsidiaries, associates and joint ventures, when the timing of reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax assets and liabilities are measured at the tax rates and in accordance with tax laws that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the Company and its consolidated subsidiaries have a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle on a net basis.

A deferred tax asset is recognized for deductible temporary differences, unused tax losses and tax credit carryforwards to the extent that is probable that they can be utilized against future taxable profit. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that is no longer probable that the related tax benefits will be realized.

In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

(15) Earnings per share

The Company and its consolidated subsidiaries calculate basic earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders by dividing net profit attributable to Mitsubishi Electric Corp. stockholders by the weighted-average number of ordinary shares outstanding adjusted for treasury stock during each year.

Diluted earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders is calculated after adjusting for the effect of all dilutive potential ordinary shares.

(16) Government grants

Asset-related government grants are recognized when there is reasonable assurance that the Company and its consolidated subsidiaries will comply with the attached conditions and will receive the grants. Grants are recognized by calculating the carrying amount of the asset, in which the amount of government grants measured at fair value is directly deducted from the cost of the asset.

Changes in Accounting Policies

Lease

The Group has applied IFRS 16 *Leases* (hereafter “IFRS 16”) from the year ended March 31, 2020. For transition, the Group elected the approach to recognize the cumulative effect as an adjustment to the beginning balance of retained earnings in the year ended March 31, 2020.

In applying IFRS 16, the Group chose the practical expedient and assessed whether a contract contains a lease based on the IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. After the date of initial application, the Group assessed whether a contract contains a lease based on IFRS 16.

As a lessee, the Group had previously not capitalized leases classified as operating lease under IAS 17, but due to application of IFRS 16, the Group introduced the single accounting model to capitalize lessee’s lease in principle. For all leases other than leases that have a lease term of 12 months or less and leases for which the underlying asset is of low

value, the Group recognizes right-of-use assets that represent a right to use an underlying asset and lease liabilities that represent the obligation for lease payment as of the commencement date.

Right-of-use assets are measured at the carrying amount calculated on the assumption that IFRS 16 was applied from the commencement of lease, and presented in “Property, plant and equipment” in the Consolidated Statement of Financial Position. Due to application of IFRS 16, receivables concerning subleases are newly recognized, and presented in “Other financial assets” in the Consolidated Statement of Financial Position. Lease liabilities are measured at the present value of the remaining lease payments discounted using the lessee’s incremental borrowing rate at the date of the initial application, and presented in “Bonds, borrowings and lease liabilities” in the Consolidated Statement of Financial Position. For presentation, the former line item “Bonds and borrowings” is now presented as “Bonds, borrowings and lease liabilities.”

Right-of-use assets are depreciated over the shorter of the useful life or the lease term in the same way as the depreciation of property, plant and equipment owned by the Group. Lease payments are allocated to financial expenses and the repaid amount of lease liabilities based on the interest method, and financial expenses are recognized in the Consolidated Statement of Profit or Loss.

The Group uses the following practical expedients when applying IFRS16:

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics
- to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application
- to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease

Due to application of IFRS 16, the Group newly recognized right-of-use assets of 93,066 million yen and lease liabilities of 95,193 million yen as of the date of the initial application. Accordingly, retained earnings decreased by 1,521 million yen. For presentation of the Consolidated Statement of Cash Flows, operating lease payments formerly included in Cash flows from operating activities are now presented in Cash flows from financing activities in amounts less interest expenses. The line item “Repayments of lease liabilities”, which was included in “Repayments of bonds and long-term borrowings”, is now presented separately. As a result, previous repayments of financial lease liabilities of 9,358 million yen, which was presented in “Repayments of bonds and long-term borrowings” of 100,496 million yen in the Consolidated Cash Flow Statement in the year ended March 31, 2019, is now restated as “Repayments of lease liabilities”.

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 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 which could have a significant effect on amounts in the consolidated financial statements are as follows:

- Recoverable amount of property, plant and equipment, goodwill and intangible assets (see Note “11: Impairment losses”)
- Recoverability of deferred tax assets (see Note “13: Income taxes”)
- Measurement of defined benefit obligation (see Note “18: Employee benefits”)
- Recognition and measurement of provisions (see Note “19: Provisions”)
- Estimated total cost of contracts in which performance obligations are satisfied over time (see Note “22: Revenues”)
- Fair value of financial instruments (see Note “27: Financial instruments”)

Regarding the impact of COVID-19, the Group makes accounting estimates such as “Recoverable amount of property, plant and equipment, goodwill and intangible assets” and others at the end of this fiscal year, reflecting the sluggish markets in various countries and regions and following recovery process, and based on the assumption that COVID-19 continues to have a significant impact on revenue and operating profit until the second quarter of the fiscal year ending March 31, 2021.

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 6 categories, Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, Electronic Devices, Home Appliances, and Others, by aggregating multiple operating segments based on types and characteristics of products, production methods, and similarities in market.

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

Energy and Electric Systems	Public Utility Systems Energy & Industrial Systems Building 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, large display devices, electrical equipment for locomotives and rolling stock, elevators, escalators, building security systems, building management systems, and others
Industrial Automation Systems	Factory Automation Systems 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, car electronics and car mechatronics, car multimedia, and others
Information and Communication Systems	Communication Systems Information Systems & Network Service Electronic Systems	Wireless and wired communications systems, network camera systems, satellite communications equipment, satellites, radar equipment, antennas, missile systems, fire control systems, broadcasting equipment, data transmission devices, network security systems, information systems equipment, systems integration, and others
Electronic Devices	Semiconductor & Device	Power modules, high-frequency devices, optical devices, LCD devices, and others
Home Appliances	Living Environment & Digital Media Equipment	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 lamps, indoor lighting, LCD televisions, refrigerators, electric fans, dehumidifiers, air purifiers, cleaners, jar rice cookers, microwave ovens, 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 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.

Year ended Mar. 31, 2019

	Yen (millions)								
	Energy and Electric Systems	Industrial Automation Systems	Information and Communi- cation Systems	Electronic Devices	Home Appliances	Others	Total	Eliminations and corporate	Consolidated total
I Revenue and operating profit									
Revenue									
(1) External customers	1,287,724	1,453,958	384,851	157,987	1,056,943	178,458	4,519,921	—	4,519,921
(2) Intersegment	9,021	13,675	41,418	41,921	17,101	498,278	621,414	(621,414)	—
Total	1,296,745	1,467,633	426,269	199,908	1,074,044	676,736	5,141,335	(621,414)	4,519,921
Operating profit	82,501	142,563	12,247	1,442	59,451	24,172	322,376	(31,899)	290,477
II Other items									
Depreciation and amortization	26,032	72,355	19,740	14,368	37,556	6,196	176,247	—	176,247
Impairment losses	190	—	—	930	1,212	313	2,645	—	2,645
Capital expenditures	28,808	92,056	20,271	19,384	42,406	15,102	218,027	—	218,027

Year ended Mar. 31, 2020

	Yen (millions)								
	Energy and Electric Systems	Industrial Automation Systems	Information and Communi- cation Systems	Electronic Devices	Home Appliances	Others	Total	Eliminations and corporate	Consolidated total
I Revenue and operating profit									
Revenue									
(1) External customers	1,299,146	1,336,584	410,551	164,336	1,074,198	177,694	4,462,509	—	4,462,509
(2) Intersegment	8,243	12,845	45,045	44,414	16,050	481,942	608,539	(608,539)	—
Total	1,307,389	1,349,429	455,596	208,750	1,090,248	659,636	5,071,048	(608,539)	4,462,509
Operating profit	82,309	68,962	26,457	8,701	78,206	26,050	290,685	(31,024)	259,661
II Other items									
Depreciation and amortization	33,859	81,619	25,164	16,683	42,891	10,470	210,686	—	210,686
Impairment losses	—	—	9	451	673	199	1,332	—	1,332
Capital expenditures	25,162	90,905	19,463	21,644	42,473	17,550	217,197	—	217,197

(3) Information by geographical areas

Revenue from external customers by the location of customers are as follows:

	Yen (millions)			
	Year ended Mar. 31, 2019		Year ended Mar. 31, 2020	
	Revenue from external customers	% of total revenue	Revenue from external customers	% of total revenue
Japan	2,556,644	56.6%	2,610,322	58.5%
North America	429,451	9.5%	432,096	9.7%
Asia (excluding Japan)	1,013,883	22.4%	919,973	20.6%
Europe	453,748	10.0%	437,214	9.8%
Others	66,195	1.5%	62,904	1.4%
Overseas Total	1,963,277	43.4%	1,852,187	41.5%
Consolidated total	4,519,921	100.0%	4,462,509	100.0%
China (within Asia)	486,405	10.8%	420,529	9.4%

There are no individual countries or regions with significant revenue from external customers in the years ended March 31, 2019 and 2020, except for Japan and China.

Non-current assets (property, plant and equipment, goodwill and intangible assets) by location of the Company and its consolidated subsidiaries are as follows:

As of Mar. 31, 2019

							Yen (millions)	
	Japan	Overseas				Corporate	Consolidated total	
		North America	Asia (excluding Japan)	Europe	Others	Total		
Non-current assets	614,966	29,992	143,566	60,036	1,914	235,508	47,681	898,155

As of Mar. 31, 2020

							Yen (millions)	
	Japan	Overseas				Corporate	Consolidated total	
		North America	Asia (excluding Japan)	Europe	Others	Total		
Non-current assets	703,846	31,809	143,605	65,842	2,154	243,410	53,449	1,000,705

Note : The major countries and regions included in each segment are as follows:

(1) North America: United States, Canada, and Mexico

(2) Asia (excluding Japan): China, South Korea, Thailand, Malaysia, Singapore, Indonesia, and India

(3) Europe: United Kingdom, France, Germany, the Netherlands, Spain, Italy, and Czech Republic

6. Trade receivables

Components of trade receivables are as follows. Trade receivables are classified as financial assets measured at amortized cost.

	Yen (millions)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
Notes receivable	99,778	91,214
Accounts receivable	838,486	809,216
Total	938,264	900,430

7. Other financial assets

(1) Components of other financial assets

Components of other financial assets are set out in the table below. Equity instruments are classified as financial assets measured at fair value through other comprehensive income. Derivative assets are classified as financial assets measured at fair value through profit or loss. Accounts receivable (non-trade), loans and others are classified as financial assets measured at amortized cost.

	Yen (millions)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
Other financial assets		
Equity instruments	262,572	216,161
Accounts receivables (non-trade)	41,431	44,912
Lease receivables	4,212	12,555
Loans	4,079	2,713
Derivative assets	1,134	2,219
Others	39,174	40,572
Total	352,602	319,132
Current assets	48,768	56,765
Non-current assets	303,834	262,367
Total	352,602	319,132

(2) Financial assets measured at fair value through other comprehensive income

Equity instruments which are held primarily to maintain and strengthen business relationships are designated as financial assets measured at fair value through other comprehensive income.

Major equity instruments held and their fair value are as follows:

	Yen (millions)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
Investees		
Renesas Electronics Corporation	38,762	29,450
Central Japan Railway Company	20,069	13,520
Suzuki Motor Corporation	21,194	11,183
East Japan Railway Company	10,233	7,833
Ryoyo Electro Corporation	3,635	4,626
Others	168,679	149,549
Total	262,572	216,161

Others comprise many small equity instruments.

Note : Dividend income related to financial assets measured at fair value through other comprehensive income is disclosed in note "24. Financial income and financial expenses".

(3) Derecognition of financial assets measured at fair value through other comprehensive income

The Company and its consolidated subsidiaries derecognize some financial assets measured at fair value through other comprehensive income by selling them in order to improve the efficiency of assets or revise business relationships.

The fair value and cumulative gain (loss) before tax effect at the time of derecognition are as follows:

				Yen (millions)	
Year ended Mar. 31, 2019		Year ended Mar. 31, 2020			
Fair value	Cumulative gain (loss)	Fair value	Cumulative gain (loss)		
7,702	(4,065)	7,265	1,740		

Cumulative gain (loss) recognized as other comprehensive income were reclassified to retained earnings at the time of derecognition of financial assets. The amounts after tax effect reclassified in the years ended March 31, 2019 and 2020 were 3,709 million yen (loss) and 1,002 million yen (gain), respectively.

8. Inventories

Components of inventories are as follows:

			Yen (millions)	
			As of Mar. 31, 2019	As of Mar. 31, 2020
Finished goods			376,147	346,400
Work in process			199,360	206,335
Raw materials			153,591	141,155
	Total		729,098	693,890

The amount of write-downs of inventories recognized as expenses in the years ended March 31, 2019 and 2020 are 15,845 million yen and 21,067 million yen, respectively. These amounts are included in "Cost of sales" in the Consolidated Statement of Profit or Loss.

9. Property, plant and equipment

(1) Change in the carrying amount, cost and accumulated depreciation and impairment losses on property, plant and equipment are as set out in the table below. The amounts include right-of-use assets due to lease agreements.

(a) Carrying amount

					Yen (millions)
					Year ended Mar. 31, 2019
	Land	Buildings and structures	Machinery and equipment, and others	Construction in progress	Total
Balance at beginning of year	99,015	349,704	232,225	43,313	724,257
Acquisition	1,944	2,749	21,050	172,699	198,442
Reclassification from construction in progress	244	33,536	119,417	(153,197)	—
Depreciation	—	(23,042)	(129,273)	—	(152,315)
Impairment losses	(299)	(926)	(1,240)	—	(2,465)
Sales and disposals	(354)	(1,760)	(2,940)	(16)	(5,070)
Exchange differences on translating foreign operations	(221)	(686)	(713)	(161)	(1,781)
Others	535	231	(104)	(1,190)	(528)
Balance at end of year	100,864	359,806	238,422	61,448	760,540

Year ended Mar. 31, 2020

	Yen (millions)				
	Land	Buildings and structures	Machinery and equipment, and others	Construction in progress	Total
Balance at beginning of year	100,864	359,806	238,422	61,448	760,540
Adjusted balance at the beginning of year due to the application of IFRS 16	104,141	438,568	234,525	61,448	838,682
Acquisition	3,461	20,419	15,745	187,825	227,450
Reclassification from construction in progress	1,240	38,744	139,680	(179,664)	—
Depreciation	(552)	(53,389)	(130,901)	—	(184,842)
Impairment losses	(71)	(393)	(717)	—	(1,181)
Sales and disposals	(1,614)	(6,483)	(3,374)	(16)	(11,487)
Exchange differences on translating foreign operations	(1,008)	(4,069)	(5,377)	(1,128)	(11,582)
Others	(128)	737	(397)	(2,870)	(2,658)
Balance at end of year	<u>105,469</u>	<u>434,134</u>	<u>249,184</u>	<u>65,595</u>	<u>854,382</u>

Note : Depreciation on property, plant and equipment is included in “Cost of sales” and “Selling, general and administrative expenses” in the Consolidated Statement of Profit or Loss.

(b) Cost

	Yen (millions)				
	Land	Buildings and structures	Machinery and equipment, and others	Construction in progress	Total
Balance at April 1, 2018	101,220	847,428	1,961,467	43,810	2,953,925
Balance at March 31, 2019	103,286	871,713	2,013,412	61,930	3,050,341
Adjusted balance at April 1, 2019 due to the application of IFRS 16	106,563	950,475	2,009,515	61,930	3,128,483
Balance at March 31, 2020	109,271	970,722	2,045,787	66,077	3,191,857

(c) Accumulated depreciation and impairment losses

	Yen (millions)				
	Land	Buildings and structures	Machinery and equipment, and others	Construction in progress	Total
Balance at April 1, 2018	2,205	497,724	1,729,242	497	2,229,668
Balance at March 31, 2019	2,422	511,907	1,774,990	482	2,289,801
Balance at March 31, 2020	3,802	536,588	1,796,603	482	2,337,475

(2) Right-of-use assets

The carrying amounts of right-of-use assets as of March 31, 2019 and 2020 are as follows:

	Yen (millions)			
	Land	Buildings and structures	Machinery and equipment, and others	Total
Adjusted balance at April 1, 2019	3,743	79,575	10,538	93,856
Balance at March 31, 2020	5,889	67,549	9,377	82,815

The amount of acquisition and depreciation on right-of-use assets for the year ended March 31, 2020 are 25,162 million yen and 35,062 million yen, respectively. The depreciation is mainly expensed for buildings and structures.

10. Goodwill and intangible assets

Change in the carrying amount, cost and accumulated amortization and impairment losses on goodwill and intangible assets are as follows:

(1) Carrying amount

Year ended Mar. 31, 2019

	Yen (millions)				
	Goodwill	Software	Customer relationship	Others	Total
Balance at beginning of year	49,293	39,523	20,906	23,238	132,960
Acquisition	—	20,235	—	9,750	29,985
Acquisitions through business combinations	1,111	172	—	551	1,834
Amortization	—	(19,013)	(1,898)	(3,021)	(23,932)
Sales and disposals	—	(255)	—	(90)	(345)
Exchange differences on translating foreign operations	(2,834)	(118)	(786)	(574)	(4,312)
Others	111	1,440	(98)	(28)	1,425
Balance at end of year	47,681	41,984	18,124	29,826	137,615

Year ended Mar. 31, 2020

	Yen (millions)				
	Goodwill	Software	Customer relationship	Others	Total
Balance at beginning of year	47,681	41,984	18,124	29,826	137,615
Acquisition	—	19,412	—	5,065	24,477
Acquisitions through business combinations	7,361	—	—	3,670	11,031
Amortization	—	(19,810)	(1,796)	(4,238)	(25,844)
Impairment losses	—	(16)	—	—	(16)
Sales and disposals	—	(794)	—	(18)	(812)
Exchange differences on translating foreign operations	(1,593)	(191)	(661)	(478)	(2,923)
Others	—	3,205	—	(410)	2,795
Balance at end of year	<u>53,449</u>	<u>43,790</u>	<u>15,667</u>	<u>33,417</u>	<u>146,323</u>

Notes : 1 Amortization of intangible assets are included in “Cost of sales” and “Selling, general and administrative expenses” in the Consolidated Statement of Profit or Loss.

2 Significant intangible assets excluding goodwill as of the date of March 31, 2019 and 2020 are customer relationship in the Home Appliances segment acquired through the purchase of DeLclima S.p.A. (currently Mitsubishi Electric Hydronics & IT Cooling Systems S.p.A.) in December 2015. The carrying amount and remaining amortization periods as of the date of March 31, 2019 and 2020 are 16,544 million yen (average remaining amortization period of 10 years) and 14,250 million yen (average remaining amortization period of 9 years), respectively.

(2) Cost

	Yen (millions)				
	Goodwill	Software	Customer relationship	Others	Total
Balance at April 1, 2018	49,293	119,382	29,279	43,402	241,356
Balance at March 31, 2019	47,681	127,216	27,985	51,775	254,657
Balance at March 31, 2020	53,449	133,562	26,936	56,277	270,224

(3) Accumulated amortization and impairment losses

	Yen (millions)				
	Goodwill	Software	Customer relationship	Others	Total
Balance at April 1, 2018	—	79,859	8,373	20,164	108,396
Balance at March 31, 2019	—	85,232	9,861	21,949	117,042
Balance at March 31, 2020	—	89,772	11,269	22,860	123,901

The amount of research and development expenses for the years ended March 31, 2019 and 2020 are 212,794 million yen and 206,846 million yen, respectively.

11. Impairment losses

(1) Property, plant and equipment and intangible assets (excluding goodwill)

Impairment losses are recognized in “Other profit (loss)” in the Consolidated Statement of Profit or Loss.

For the year ended March 31, 2019, impairment losses consisted of 2,645 million yen of impairment mainly of property, plant and equipment. The recoverable amount of an asset or cash-generating unit is mainly measured based on the fair value less cost of disposal.

For the year ended March 31, 2020, impairment losses consisted of 1,181 million yen of impairment mainly of property, plant and equipment and 151 million yen of impairment of intangible assets and others. The recoverable amount of an asset or cash generating unit is mainly measured based on the fair value less cost of disposal.

(2) Goodwill

The cash-generating unit group to which significant goodwill is allocated as of March 31, 2019, and 2020 was the Home Appliances segment. The carrying amount of goodwill allocated to the Home Appliances segment are 41,285 million yen and 39,537 million yen, respectively.

The recoverable amount in impairment tests is calculated using value in use.

Value in use is primarily calculated by discounting to the present value the estimated cash flows based on a five-year business plan and growth rates approved by management. The discount rate is calculated based on the pre-tax weighted average cost of capital. The discount rates as of March 31, 2019 and 2020 are 10.2% and 9.3%, respectively. Growth rates are calculated by reference to long-term expected growth rates of the market to which the cash-generating unit belongs. The growth rates as of March 31, 2019 and 2020 are both 0.8%.

Impairment losses on goodwill are not recognized in the years ended March 31, 2019 and 2020.

It is considered unlikely that a significant impairment would have occurred even if the key assumptions used in determinations of impairment were changed within a reasonably predictable range.

12. Investments accounted for using the equity method

The carrying amount of investment and share of comprehensive income in individually immaterial associates and joint ventures are as follows:

(1) Carrying amount of investment

	Yen (millions)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
Associates	119,464	120,160
Joint ventures	78,495	76,077
Total	<u>197,959</u>	<u>196,237</u>

(2) Share of comprehensive income

	Yen (millions)	
	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Associates		
Net profit	15,101	15,526
Other comprehensive income (loss)	(3,100)	(2,094)
Total comprehensive income	<u>12,001</u>	<u>13,432</u>
Joint ventures		
Net Profit	5,015	3,522
Other comprehensive income (loss)	(540)	(1,868)
Total comprehensive income	<u>4,475</u>	<u>1,654</u>
Total	<u>16,476</u>	<u>15,086</u>

13. Income taxes

Major components of deferred tax assets and liabilities are as follows:

	Yen (millions)			
	Consolidated Statement of Financial Position		Consolidated Statement of Profit or Loss	
	As of Mar. 31, 2019	As of Mar. 31, 2020	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Deferred tax assets				
Net defined benefit liabilities	61,395	69,504	(2,889)	(2,410)
Accrued expenses	84,843	81,618	(6,126)	(3,229)
Property, plant and equipment	38,488	36,799	(624)	(2,035)
Lease liabilities	—	23,985	—	(2,046)
Inventories	34,514	33,016	(6,372)	(1,498)
Tax loss carryforwards	737	5,653	(303)	4,916
Others	55,077	52,675	(1,116)	(4,210)
Total	<u>275,054</u>	<u>303,250</u>	<u>(17,430)</u>	<u>(10,512)</u>
Deferred tax liabilities				
Property, plant and equipment	3,790	3,329	(70)	(461)
Right-of-use assets	—	18,468	—	(2,980)
Financial assets measured at fair value through other comprehensive income	25,720	13,956	—	—
Others	22,621	27,860	2,809	270
Total	<u>52,131</u>	<u>63,613</u>	<u>2,739</u>	<u>(3,171)</u>
Net deferred tax assets	<u>222,923</u>	<u>239,637</u>	<u>(20,169)</u>	<u>(7,341)</u>

Changes in net deferred tax assets are as follows:

	Yen (millions)	
	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Balance at beginning of year	233,561	222,923
Adjusted balance at the beginning of year due to the application of IFRS16	233,561	223,522
Amounts recognized in profit or loss	(20,169)	(7,341)
Amounts recognized in other comprehensive income	8,471	23,235
Others	1,060	221
Balance at end of year	<u>222,923</u>	<u>239,637</u>

In assessing the realizability of deferred tax assets, the Company and its consolidated subsidiaries consider whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profit during the periods in which those deductible temporary differences, unused tax loss carryforwards and tax credit carryforwards become deductible. The Company and its consolidated subsidiaries consider the scheduled reversal of deferred tax liabilities, projected future taxable profit, and tax planning strategies in making this assessment. Based on these factors, the Company and its consolidated subsidiaries consider the probability that deferred tax assets determined to be recognizable at March 31, 2020 will be realized to be high, but if future estimated taxable profit decreases during the deferral period, deferred tax assets considered likely to be realized will be reduced.

Tax loss carryforwards, tax credit carryforwards and deductible temporary differences for which deferred tax assets are not recognized are as follows:

	Yen (millions)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
Tax loss carryforwards	51,464	20,506
Tax credit carryforwards	1,113	7,824
Deductible temporary differences	3,690	3,591
Total	<u>56,267</u>	<u>31,921</u>

The expiration schedule of tax loss carryforwards for which deferred tax assets are not recognized are as follows:

	Yen (millions)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
Within one year	2,826	2,077
One to five years	4,698	3,922
Over five years	43,940	14,507
Total	<u>51,464</u>	<u>20,506</u>

The expiration schedule of tax credit carryforwards for which deferred tax assets are not recognized are as follows:

	Yen (millions)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
One to five years	—	6,070
Over five years	1,113	1,754
Total	<u>1,113</u>	<u>7,824</u>

The total amount of taxable temporary differences related to investments in consolidated subsidiaries for which deferred tax liabilities are not recognized as of the date of March 31, 2019 and 2020 are 529,955 million yen and 533,190 million yen, respectively.

The components of income taxes are as set out in the table below.

The amount of the benefit arising from a tax loss or temporary difference of a prior period for which deferred tax assets were not recognized is included in current and deferred tax expenses. The effect of this on current and deferred tax expenses in the years ended March 31, 2019 and 2020 are insignificant.

	Yen (millions)	
	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Current tax expense	58,135	41,133
Deferred tax expense		
Origination and reversal of temporary differences	20,169	7,341
Total	<u>78,304</u>	<u>48,474</u>

The Company and its domestic consolidated subsidiaries are subject mainly to corporate tax, inhabitant tax and business tax. Statutory tax rate of the Company is approximately 30.5% for the years ended March 31, 2019 and 2020, respectively. Foreign consolidated subsidiaries are subject to income taxes at their locations.

The causes of the difference between the statutory tax rate and the average effective tax rate are as follows:

	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Statutory tax rate	30.5%	30.5%
Changes in unrecognized deferred tax assets	(0.2)	1.3
Expenses permanently not deductible for tax purposes	0.6	0.5
International tax rate difference	(4.7)	(5.0)
Tax credits	(2.0)	(0.6)
Tax effect attributable to investments accounted for using the equity method	(2.0)	(2.1)
Taxable profit decreased by liquidation of consolidated subsidiaries	—	(8.2)
Others	2.6	0.8
Average effective tax rate	<u>24.8%</u>	<u>17.2%</u>

In the year ended March 31, 2020, the Company liquidated its consolidated subsidiary MEHIT Holding S.r.l. in conjunction with the reorganization within the Group. As taxable income decreased due to the liquidation, income tax expense for this fiscal year decreased by 23,009 million yen. This amount does not reflect the effects of tax credits for research and development resulting from the decreased taxable income associated with the liquidation.

Although the Group has applied a consolidated tax payment system in Japan, the Company's local taxes, which are not covered by the consolidated tax system, have resulted in tax losses in year ended March 31, 2020 due to a decrease in taxable income associated with the liquidation of MEHIT Holding S.r.l. The Company recognized 20,112 million yen in net deferred tax assets corresponding to local taxes in year ended March 31, 2020, based on the judgment that it is probable that the deductible temporary differences and tax loss carryforwards can be utilized against future taxable profit.

14. Bonds, borrowings and lease liabilities

(1) Components of bonds, borrowings and lease liabilities

Components of bonds, borrowings and lease liabilities are as follows:

	Yen (millions)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
Unsecured borrowings		
Weighted average interest rate	0.53%	0.39%
Final maturity	2025	2030
Balance at end of year	235,972	247,008
Sub total	235,972	247,008
Unsecured bonds		
Annual interest rate: 0.27%, due June 5, 2019	20,000	—
Annual interest rate: 0.43%, due June 4, 2021	20,000	20,000
Sub total	40,000	20,000
Lease liabilities	22,466	109,995
Sub total	22,466	109,995
Total	298,438	377,003
Current liabilities	104,969	133,369
Non-current liabilities	193,469	243,634

As of March 31, 2020, the Company and its subsidiaries had unused committed lines of credit that can provide short-term funds from subscribing financial institutions amounting to ¥82,790 million.

(2) Changes in liabilities related to financing activities

Changes in liabilities related to financing activities are as follows:

Year ended Mar. 31, 2019

	Yen (millions)				
	Balance at beginning of year	Changes from financing cash flows	Non-cash changes		Balance at end of year
			Increase from new leases	Foreign currency translation adjustments and others	
Short-term borrowings	56,507	(2,077)	—	1,150	55,580
Bonds	40,000	—	—	—	40,000
Long-term borrowings	193,961	(13,534)	—	(35)	180,392
Lease obligations	21,482	(9,358)	10,424	(82)	22,466
Total	311,950	(24,969)	10,424	1,033	298,438

Note : Balances to be repaid or redeemed in 1 year or less are included in “Bonds”, “Long-term borrowings” and “Lease obligations”.

Year ended Mar. 31, 2020

Yen (millions)

	Balance at beginning of year	Changes from financing cash flows	Non-cash changes		Balance at end of year
			Increase from new leases	Foreign currency translation adjustments and others	
Short-term borrowings	55,580	(2,093)	—	(520)	52,967
Bonds	40,000	(20,000)	—	—	20,000
Long-term borrowings	180,392	13,674	—	(25)	194,041
Lease liabilities	117,659	(53,947)	47,560	(1,277)	109,995
Total	393,631	(62,366)	47,560	(1,822)	377,003

Note 1: Balances to be repaid or redeemed in 1 year or less are included in “Bonds”, “Long-term borrowings” and “Lease liabilities”.

Note 2: For the year ended March 31, 2020, the presentation of line items have been changed from "Lease obligations" to "Lease liabilities" in accordance with the application of IFRS 16. In addition, the balance at the beginning of year increased by 95,193 million yen due to the application of IFRS 16.

15. Other financial liabilities

Components of other financial liabilities are as set out in the table below. Accounts payable (non-trade) and guarantee deposits received are financial liabilities measured at amortized cost. Derivative liabilities are financial liabilities measured at fair value through profit or loss.

	Yen (millions)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
Other financial liabilities		
Accounts payable-others	147,521	148,992
Guarantee deposits received	10,115	10,174
Derivative liabilities	1,943	1,644
Total	159,579	160,810
Current liabilities	159,579	160,810
Non-current liabilities	—	—
Total	159,579	160,810

16. Leases

(As of Mar. 31, 2019)

The Company and its consolidated subsidiaries engage in finance lease and operating lease transactions in which they lease assets mainly including buildings, machinery and equipment.

(1) Finance lease obligations

Minimum lease payments and their present value based on finance lease agreements are as follows:

	Yen (millions)	
	Minimum lease payments	Present value of minimum lease payments
	As of Mar. 31, 2019	As of Mar. 31, 2019
Within one year	9,302	8,204
One to five years	16,111	14,217
Over five years	49	45
Total	25,462	22,466
Deductions for financial expenses and others	△2,996	
Present value of lease obligations	22,466	

(2) Operating leases

Future minimum lease payments under non-cancelable operating leases are as follows:

	Yen (millions)
	As of Mar. 31, 2019
Within one year	23,138
One to five years	43,765
Over five years	9,533
Total	76,436

Minimum lease payments related to operating leases recognized as expenses in the years ended March 31, 2019 is 57,904 million yen. These operating leases were mainly for office space, warehouses, employee facilities and computer equipment.

(As of Mar. 31, 2020)

The Company and its consolidated subsidiaries mainly serve as lessees for buildings and structures in leasing transactions.

For the year ended March 31, 2020, there are no significant contracts that have already been signed but have not been leased.

There are no significant restrictions (e.g. restrictions on additional borrowing and additional leases) imposed by the lease contract.

The Company and its consolidated subsidiaries recognize the lease payments as expenses over the lease term for leases that have a lease term of 12 months or less and leases for which the underlying asset is of low value.

(1) Lease expenses as a lessee

In the year ended March 31, 2020, leases expense as a lessee is as follows:

	Yen(millions)
	Year ended Mar.31,2020
Interest on lease liabilities	816
Expenses for short-term leases	8,669
Expenses for leases of low-value assets, excluding short-term leases of low-value assets	5,473

In the year ended March 31, 2020, the total cash outflow for leases is 68,905 million yen.

(2) The effects of applying IFRS 16

The effects of applying IFRS 16 are as follows:

	Yen(millions)
Future minimum lease payments under non-cancelable operating leases as of March 31, 2019	76,436
Discounted present value using the incremental borrowing rate as of April 1, 2019	73,860
Finance lease obligations recognized as of March 31, 2019	22,466
Discount present value of cancelable operating leases	35,317
Recognition exemptions (short-term leases and leases of low-value assets)	-13,984
Lease liabilities as of April 1, 2019	117,659

As of April 1, 2019, the weighted average incremental borrowing rate applied to the lease liabilities initially recognized is 0.83%.

17. Trade payables

Components of trade payables are as set out in the table below. Trade payables are classified as financial liabilities measured at amortized cost.

	Yen (millions)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
Notes payable	90,840	88,384
Accounts payable	468,801	438,923
Total	<u>559,641</u>	<u>527,307</u>

18. Employee benefits

(1) Post-employment benefits

The Company has non-contributory and contributory defined benefit plans covering its employees who meet eligibility requirements. Under the non-contributory plans, employees with less than twenty years of service are entitled to lump-sum payments at date of severance, and employees with twenty or more years of service are entitled to annuity payments subsequent to retirement, determined by the current basic rate of pay, length of service and termination conditions. In addition, certain employees who meet the eligibility requirements are entitled to additional lump-sum payments at the date of retirement based on the retirement age. Under the contributory plans, employees are entitled to lump-sum or annuity payments at a certain age. The assets of certain of the non-contributory plans and the contributory plans are combined in accordance with the regulations and administered by a board of trustees comprised equally of employer and employee representatives. An employee retirement benefit trust is established for certain of the non-contributory plans.

The institution managing the fund and plan assets is legally obligated to act with the objective of maximizing the benefit to plan participants, and bears responsibility for management of the plan assets according to a prescribed investment policy. The Company is obligated to contribute to the fund over the future, and the amount of the contribution is periodically revised to the extent as is permitted in laws and regulations.

The Company amended its benefit plan under labor and management agreement during the year ended March 31, 2005, and established a defined contribution plan in part of non-contributory benefit plan on April 1, 2005. In addition, the Company amended its contributory defined benefit plan and introduced a cash balance pension plan. Under the cash balance pension plan, each participant has a notional account which is credited yearly based on the current rate of contribution and market-related interest rate.

The domestic consolidated subsidiaries provide various pension plans, including employees' pension fund plans, and/or corporate pension fund plans, based on each subsidiary's respective pension policies.

In addition, foreign consolidated subsidiaries that have adopted a pension policy mainly provides defined contribution pension plans.

(2) Defined benefit plans

Changes in the present value of defined benefit obligations and fair value of plan assets are as follows:

	Yen (millions)	
	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Present value of a defined benefit obligation		
Balance at beginning of year	1,177,570	1,175,020
Service cost	38,483	39,001
Interest cost	6,567	5,790
Remeasurements of defined benefit pension plans		
Actuarial gains and losses arising from changes in demographic assumptions	617	66
Actuarial gains and losses arising from changes in financial assumptions	6,190	(2,803)
Others	5,185	5,914
Benefits paid	(58,447)	(61,312)
Others	(1,145)	(6,346)
Balance at end of year	1,175,020	1,155,330
Fair value of plan assets		
Balance at beginning of year	1,055,222	1,080,459
Interest income	6,396	5,632
Remeasurements of defined benefit pension plans		
Return on plan assets (excluding interest income)	29,551	(30,791)
Employer contributions	27,422	26,686
Plan participants' contributions	850	859
Benefits paid	(38,003)	(39,965)
Others	(979)	(1,096)
Balance at end of year	1,080,459	1,041,784
Net defined benefit liability recognized in the Consolidated Statement of Financial Position	94,561	113,546
Net defined benefit liabilities	180,576	169,674
Net defined benefit assets	86,015	56,128
Net amount	94,561	113,546

Notes : 1 Service costs, interest costs and interest income are included in “Cost of sales” and “Selling, general and administrative expenses” in the Consolidated Statement of Profit or Loss.

2 Part of net defined benefit liabilities is included in “Other current liabilities” in the Consolidated Statement of Financial Position.

3 Net defined benefit assets are included in “Other non-current assets” in the Consolidated Statement of Financial Position.

The company and its consolidated subsidiaries plan to pay contributions of 24,276 million yen in the next fiscal year.

The Company's investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, the Company formulates an investment portfolio comprised of the optimal combination of equity and debt instruments. Plan assets are invested in individual equity and debt instruments using the guidelines of the investment portfolio in order to produce a total return that will match the expected return on a mid-term to long-term basis. The Company evaluates the gap between expected return and actual return of invested plan assets on an annual basis. In addition, taking into consideration the management environment and the revision of regulations, the Company revises the investment portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets based on the pension asset and liability management method.

The Company's target asset allocation ratios are as follows: approximately 23% is invested in equity instruments, approximately 45% is invested in debt instruments and investments in life insurance company general accounts and approximately 34% is invested in other investments, primarily in hedge funds. As for selection of plan assets, the Company examines the nature of investments, and appropriately diversifies investments.

Major components of plan assets are as follows:

	Yen (millions)					
	As of Mar. 31, 2019			As of Mar. 31, 2020		
	Has quoted market prices in active markets		Total	Has quoted market prices in active markets		Total
	Yes	No		Yes	No	
Cash and cash equivalents	21,320	—	21,320	22,032	—	22,032
Equity instruments						
Marketable equity securities	248,472	—	248,472	213,833	—	213,833
Pooled funds	—	158,605	158,605	—	163,568	163,568
Debt instruments						
Government, municipal and corporate bonds	3,485	14,272	17,757	7,103	13,861	20,964
Pooled funds	—	375,343	375,343	—	261,353	261,353
Life insurance company general accounts	—	104,184	104,184	—	105,229	105,229
Others	—	154,778	154,778	—	254,805	254,805
Total	<u>273,277</u>	<u>807,182</u>	<u>1,080,459</u>	<u>242,968</u>	<u>798,816</u>	<u>1,041,784</u>

Notes : 1 Marketable equity securities include mainly domestic stocks.

2 Equity instrument pooled funds are invested into approximately 40% domestic equities and 60% foreign equities as of March 31, 2019 and approximately 20% domestic equities and 80% foreign equities as of March 31, 2020.

3 Debt instrument pooled funds are invested into approximately 60% domestic bonds and 40% foreign bonds as of March 31, 2019 and approximately 40% domestic bonds and 60% foreign bonds as of March 31, 2020.

4 Others include hedge funds.

The key actuarial assumptions used to determine the present value of the defined benefit obligation are as follows:

	As of Mar. 31, 2019	As of Mar. 31, 2020
Discount rate	0.5%	0.5%

The effect of 0.5% change in the discount rate used in actuarial calculations on the present value of the defined benefit obligation is as follows. The sensitivity analysis assumes no change in other assumptions, but in actuality, changes in other assumptions may affect the sensitivity analysis.

	Yen (millions)			
	As of Mar. 31, 2019		As of Mar. 31, 2020	
Discount rate increases 0.5%	Decrease of	63,212	Decrease of	61,458
Discount rate decreases 0.5%	Increase of	69,061	Increase of	67,462

The weighted average durations of the defined benefit obligation for the years ended March 31, 2019 and 2020 are both 11.6 years.

(3) Defined contribution plans

The amounts of cost recognized for the Company and certain consolidated subsidiaries' defined contribution plans for the years ended March 31, 2019 and 2020 are 11,570 million yen and 11,856 million yen, respectively.

(4) Employee benefits expense

The total amounts of employee benefits expense included in the Consolidated Statement of Profit or Loss for the years ended March 31, 2019 and 2020 are 1,168,476 million yen and 1,184,783 million yen, respectively.

19. Provisions

Components and changes in provisions are as follows:

Year ended Mar. 31, 2020

	Yen (millions)			
	Provision for product warranties	Provision for loss on construction contracts	Other provisions	Total
Balance at beginning of year	58,082	41,911	12,918	112,911
Additions	21,561	35,207	4,844	61,612
Utilized	(20,907)	(35,747)	(5,092)	(61,746)
Reversed	(4,215)	(765)	(2,231)	(7,211)
Exchange differences on translating foreign operations and others	(522)	(425)	(194)	(1,141)
Balance at end of year	53,999	40,181	10,245	104,425
Current liabilities				99,215
Non-current liabilities				5,210

(1) Provision for product warranties

The Company and its consolidated subsidiaries generally offer warranties on their products against certain manufacturing and other defects for specific periods of time and/or used conditions of the product depending on the nature of the product, the geographic location of its sale and other factors. The Company and its consolidated subsidiaries recognize accrued warranty costs based primarily on historical experience of actual warranty claims as well as current information on repair costs.

(2) Provision for loss on construction contracts

The Company and its consolidated subsidiaries record the expected amount of future losses on an individual construction order as a provision for loss on construction, if it is probable that the estimated total cost of such construction will exceed the contract order amount and if the expected loss amount can be reasonably estimated. The timing of expenditure is affected by future construction progress.

20. Equity and other equity items

(1) Common stock

(a) Number of total authorized shares

The number of total authorized shares as of March 31, 2019 and 2020 was 8,000,000,000 shares.

(b) Number of shares issued

Changes in the number of shares issued are as follows:

	(Shares)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
Balance at beginning of year	2,147,201,551	2,147,201,551
Changes during the year	—	—
Balance at end of year	<u>2,147,201,551</u>	<u>2,147,201,551</u>

Note : The shares issued by the Company are ordinary shares with no par value and outstanding shares are fully paid.

(2) Treasury stock, at cost

Changes in the number of treasury stock, at cost are as follows:

	(Shares)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
Balance at beginning of year	1,493,460	2,156,322
Changes during the year	662,862	(61,987)
Balance at end of year	<u>2,156,322</u>	<u>2,094,335</u>

Note : Shares in the Company held by the Board Incentive Plan Trust are included in the number of treasury stock.

(1,730,700 shares as of March 31, 2019, and 1,667,737 shares as of March 31, 2020)

(3) Capital surplus

In the Companies Act of Japan ("Companies Act"), it is stipulated that one half or more of the amount pertaining to payment or benefits for the issuance of shares shall be included in common stock and the remainder shall be included in capital reserve within capital surplus. Capital reserve can be transferred to common stock with a resolution of the shareholders' meeting.

(4) Retained earnings

The Companies Act requires that an amount equal to 10% of the surplus reduced by dividends of surplus be appropriated as capital reserve or legal reserve included in retained earnings until the aggregated amount of capital reserve and the legal reserve equals 25% of common stock. Legal reserve may be appropriated to cover deficit or reversed with a resolution of the shareholders' meeting.

(5) Accumulated other comprehensive income (loss)

Changes in each item of accumulated other comprehensive income (loss) are as follows:

Year ended Mar. 31, 2019

	Yen (millions)				
	Exchange differences on translating foreign operations	Changes in fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Net changes in the fair value of cash flow hedges	Total
Balance at beginning of year	17,549	91,952	—	(9)	109,492
Net change in other comprehensive income	(9,181)	(40,158)	12,050	(53)	(37,342)
Reclassification to retained earnings	—	3,709	(12,050)	—	(8,341)
Balance at end of year	<u>8,368</u>	<u>55,503</u>	<u>—</u>	<u>(62)</u>	<u>63,809</u>

Year ended Mar. 31, 2020

	Yen (millions)				
	Exchange differences on translating foreign operations	Changes in fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Net changes in the fair value of cash flow hedges	Total
Balance at beginning of year	8,368	55,503	—	(62)	63,809
Net change in other comprehensive income	(47,887)	(32,747)	(24,093)	25	(104,702)
Reclassification to retained earnings	—	(1,002)	24,093	—	23,091
Balance at end of year	<u>(39,519)</u>	<u>21,754</u>	<u>—</u>	<u>(37)</u>	<u>(17,802)</u>

Net changes in other comprehensive income (loss) attributable to non-controlling interests are as follows:

	Yen (millions)				
	Exchange differences on translating foreign operations	Changes in fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Net changes in the fair value of cash flow hedges	Total
Year ended Mar. 31, 2019	(210)	83	(20)	6	(141)
Year ended Mar. 31, 2020	(3,908)	(135)	(1)	(4)	(4,048)

21. Dividends

Dividends paid for the years ended March 31, 2019 and 2020 are as follows:

Resolution date	Total amount of dividends	Dividend per share	Record date	Effective date
	Yen (millions)	Yen		
April 27, 2018 Board of Directors Meeting	55,816	26	March 31, 2018	June 4, 2018
October 29, 2018 Board of Directors Meeting	30,054	14	September 30, 2018	December 4, 2018
April 26, 2019 Board of Directors Meeting	55,816	26	March 31, 2019	June 4, 2019
October 31, 2019 Board of Directors Meeting	30,054	14	September 30, 2019	December 3, 2019

Dividends with a record date in the year ended March 31, 2020 and the effective date in the next fiscal year are as follows:

Resolution date	Total amount of dividends	Dividend per share	Record date	Effective date
	Yen (millions)	Yen		
May 11, 2020 Board of Directors Meeting	55,816	26	March 31, 2020	June 2, 2020

22. Revenues

(1) Disaggregation of revenue

The Group's business consists of 6 reportable segments: Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, Electronic Devices, Home Appliances 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.

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

Year ended Mar. 31, 2019

	Yen (millions)						Consolidated total
	Japan	Overseas				total	
		North America	Asia (excluding Japan)	Europe	Others		
Energy and Electric Systems	876,378	110,662	257,538	20,510	22,636	411,346	1,287,724
Industrial Automation Systems	611,392	205,034	431,092	201,068	5,372	842,566	1,453,958
Information and Communication Systems	370,702	4,560	7,278	1,581	730	14,149	384,851
Electronic Devices	50,012	10,818	72,192	24,639	326	107,975	157,987
Home Appliances	486,205	97,650	230,329	205,657	37,102	570,738	1,056,943
Others	161,955	727	15,454	293	29	16,503	178,458
Consolidated total	2,556,644	429,451	1,013,883	453,748	66,195	1,963,277	4,519,921

Year ended Mar. 31, 2020

	Yen (millions)						Consolidated total
	Japan	Overseas				total	
		North America	Asia (excluding Japan)	Europe	Others		
Energy and Electric Systems	902,364	111,350	240,393	20,925	24,114	396,782	1,299,146
Industrial Automation Systems	582,427	190,566	387,615	171,533	4,443	754,157	1,336,584
Information and Communication Systems	397,265	6,274	4,313	1,889	810	13,286	410,551
Electronic Devices	55,759	10,841	72,743	24,588	405	108,577	164,336
Home Appliances	510,844	112,521	199,732	217,993	33,108	563,354	1,074,198
Others	161,663	544	15,177	286	24	16,031	177,694
Consolidated total	2,610,322	432,096	919,973	437,214	62,904	1,852,187	4,462,509

The principal businesses and major products and services of each operating segment are shown in Note "5. Segment information".

The Group conducts business through 6 categories by aggregating multiple operating segments based on types and characteristics of products, production methods, and similarities in market.

Revenue is accounted for according to Note “3. Significant accounting policies (13) Revenues”, and revenue recognition methods for each categories are primarily as follows:

(a) Energy and Electric Systems, Information and Communication Systems

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. 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.

(b) Industrial Automation Systems, Electronic Devices, Home Appliances, Others

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

Revenue from mass-produced goods such as home appliances, semiconductors and 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.

(2) Contract liabilities

The amount of revenue recognized during the year that was included in the contract liability balance at the beginning of each year is as follows:

	Yen (millions)	
	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Amount of the contract liability balance at the beginning of the year recognized as revenue during the year	122,246	108,326

(3) Transaction price allocated to remaining performance obligations

The total amount of transaction price allocated to remaining performance obligations is 1,306,385 million yen as of March 31, 2019. The Company and its consolidated subsidiaries recognize this revenue primarily according to satisfaction of the performance obligations. The period in which this revenue is expected to be recognized is from the years ending March 31, 2020 to 2040.

The total amount of transaction price allocated to remaining performance obligations is 1,436,840 million yen as of March 31, 2020. The Company and its consolidated subsidiaries recognize this revenue primarily according to satisfaction of the performance obligations. The period in which this revenue is expected to be recognized is from the years ending March 31, 2021 to 2043.

The Company and its consolidated subsidiaries apply the practical expedient in IFRS 15 paragraph 121(a) and do not include contracts that have an original expected duration of one year or less in the total amount of the transaction price allocated to remaining performance obligations.

23. Other profit (loss)

The major components of other profit (loss) are as follows:

	Yen (millions)	
	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Gain on sales of land	1,609	12,708
Impairment losses	(2,645)	(1,332)

24. Financial income and financial expenses

Components of financial income and financial expenses are as set out in the table below. Dividend income were related to financial assets measured at fair value through other comprehensive income. Interest income and interest expenses were mainly related to financial assets and liabilities measured at amortized cost.

	Yen (millions)	
	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Financial income		
Dividends	6,282	6,807
Interest income	3,465	3,478
Total	<u>9,747</u>	<u>10,285</u>
Financial expenses		
Interest expenses	2,627	2,320
Exchange losses	1,755	4,688
Total	<u>4,382</u>	<u>7,008</u>

Note : Gains (losses) on derivative instruments not designated as hedges are included in exchange losses.

25. Other comprehensive income

The amount arising during the year on each item of other comprehensive income (loss), reclassification adjustments to profit or loss and tax effects is as follows:

	Yen (millions)					
	Year ended Mar. 31, 2019			Year ended Mar. 31, 2020		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
Items that will not be reclassified to net profit						
Changes in fair value of financial assets measured at fair value through other comprehensive income						
Amount arising during the year	(52,768)	13,484	(39,284)	(43,052)	11,178	(31,874)
Net change during the year	<u>(52,768)</u>	<u>13,484</u>	<u>(39,284)</u>	<u>(43,052)</u>	<u>11,178</u>	<u>(31,874)</u>
Remeasurements of defined benefit plans						
Amount arising during the year	17,559	(5,325)	12,234	(33,968)	10,394	(23,574)
Net change during the year	<u>17,559</u>	<u>(5,325)</u>	<u>12,234</u>	<u>(33,968)</u>	<u>10,394</u>	<u>(23,574)</u>
Share of other comprehensive income of investments accounted for using the equity method						
Amount arising during the year	(1,432)	437	(995)	(2,198)	670	(1,528)
Net change during the year	<u>(1,432)</u>	<u>437</u>	<u>(995)</u>	<u>(2,198)</u>	<u>670</u>	<u>(1,528)</u>
Items that may be reclassified to net profit						
Exchange differences on translating foreign operations						
Amount arising during the year	(6,729)	(27)	(6,756)	(49,521)	89	(49,432)
Reclassification adjustments to net profit	—	—	—	72	—	72
Net change during the year	<u>(6,729)</u>	<u>(27)</u>	<u>(6,756)</u>	<u>(49,449)</u>	<u>89</u>	<u>(49,360)</u>
Net changes in the fair value of cash flow hedges						
Amount arising during the year	(75)	23	(52)	(54)	20	(34)
Reclassification adjustments to net profit	24	(9)	15	77	(23)	54
Net change during the year	<u>(51)</u>	<u>14</u>	<u>(37)</u>	<u>23</u>	<u>(3)</u>	<u>20</u>
Share of other comprehensive income of investments accounted for using the equity method						
Amount arising during the year	(2,942)	297	(2,645)	(2,542)	108	(2,434)
Net change during the year	<u>(2,942)</u>	<u>297</u>	<u>(2,645)</u>	<u>(2,542)</u>	<u>108</u>	<u>(2,434)</u>
Other comprehensive income (loss)	<u>(46,363)</u>	<u>8,880</u>	<u>(37,483)</u>	<u>(131,186)</u>	<u>22,436</u>	<u>(108,750)</u>

26. 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)	
	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Net profit attributable to Mitsubishi Electric Corp. stockholders	226,648	221,834

	Shares	
	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Basic average ordinary shares outstanding	2,145,198,524	2,145,093,215

	Yen	
	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Basic earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders	105.65	103.41
Diluted earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders	105.65	103.41

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. (1,577,931 shares as of March 31, 2019, and 1,682,267 shares as of March 31, 2020).

27. Financial instruments

(1) Capital management

The Company and its consolidated subsidiaries carry out capital management using ROE and the ratio of bonds and borrowings to total assets as continuing key performance indicators in order to establish a strong financial basis and enable further business expansion globally. Capital is defined as equity (Mitsubishi Electric Corp. stockholders' equity) as presented in the Consolidated Statement of Financial Position.

ROE and the ratio of bonds and borrowings to total assets are as set out in the table below. ROE is calculated as Net profit attributable to Mitsubishi Electric Corp. stockholders divided by equity. The ratio of bonds and borrowings to total assets was calculated as bonds and borrowings including lease liabilities divided by total assets until the year ended in Mar. 31, 2019 and is calculated as bonds and borrowings excluding lease liabilities divided by total assets from the year ended in Mar. 31, 2020.

	As of Mar. 31, 2019	As of Mar. 31, 2020
ROE	9.7%	9.2%
Ratio of bonds and borrowings to total assets	6.9%	6.1%

There are no significant capital regulations that apply to the Company and its consolidated subsidiaries.

(2) Financial risk management

In the course of their management activities, the Company and its consolidated subsidiaries face financial risks including market risk, credit risk and liquidity risk, and carry out risk management to mitigate these risks.

(a) Market risk management

(i) Currency risk management

The Group is engaged in production and sales activities in various regions including Japan, North America, Europe, Asia and other regions. Revenue and expenses as well as assets and liabilities denominated in foreign currencies may be affected by foreign exchange rate fluctuations.

The Company and certain consolidated subsidiaries have entered into forward exchange contracts mainly to hedge cash flows from foreign currency-denominated forecast transactions.

Currency risk exposure

The Company and its consolidated subsidiaries' currency risk exposure (net) is primarily as set out in the table below. Amounts for which currency risk is hedged using forward exchange contracts are excluded.

	Yen (millions)	
	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
U.S. dollars	11,344	8,481
Euros	23,404	16,023

Foreign exchange sensitivity analysis

With regards to foreign currency-denominated financial instruments held by the Company and its consolidated subsidiaries, assuming that all variables other than foreign exchange are constant, the effect of a 1% increase in the value of the yen against the U.S. dollar and euro on profit before income taxes in the Consolidated Statement of Profit or Loss are as follows (negative values shown in parentheses):

	Yen (millions)	
	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
U.S. dollars	(113)	(85)
Euros	(234)	(160)

(ii) Interest rate risk management

The Company and its consolidated subsidiaries may be affected by fluctuations in interest rates of borrowings with variable interest.

The Company and its consolidated subsidiaries limit interest rate risk exposure by procuring most of their bonds and borrowings with fixed interest rates.

Interest rate risk exposure

The interest rate risk exposure of the Company and its consolidated subsidiaries are as follows:

	Yen (millions)	
	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Variable interest rate bonds and borrowings	55,682	54,228

Interest rate sensitivity analysis

With regard to financial instruments held by the Company and its consolidated subsidiaries, assuming that all variables other than interest rates are constant, the effect of a 1% increase in the interest rate on profit before income taxes in the Consolidated Statement of Profit or Loss are as follows (negative values shown in parentheses):

	Yen (millions)	
	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Effect on profit before income taxes	(557)	(542)

(b) Credit risk management

Receivables arising from the operating activities of the Company and its consolidated subsidiaries may be affected by changes in the financial conditions of customers.

The Company and its consolidated subsidiaries determine trade receivables and other receivables, to be in default if they cannot be recovered in part or in full or recovery is considered extremely difficult.

In order to mitigate risk by setting transaction amount limits in line with credit risk, the Company and its consolidated subsidiaries first conduct screening through external agencies and then, establish customer credit limits and regularly monitor customers' financial condition.

Derivative transactions with the purpose of mitigating market risk are carried out with highly reputable financial institutions to minimize credit risk.

Excluding guarantees, the carrying amount after impairment of financial assets and contract assets presented in the consolidated financial statements is the maximum exposure without taking account of collateral received for credit risk on the financial assets and contract assets of the Company and its consolidated subsidiaries.

The Company and its consolidated subsidiaries have given guarantees to financial institutions related to transactions of associates and employees as follows:

	Yen (millions)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
Guarantees of bank loan		
Associates	50	45
Employees	1,002	677
Others	6,257	4,626
Total	7,309	5,348

Note : Others are mainly repurchase obligations related to transferred receivables. Details are disclosed in (5) Securitizations.

Allowance for credit losses relating to performance of guarantee above is not recognized because the effect on the consolidated financial statements is immaterial.

The amount of allowance for credit losses for trade receivables and contract assets is calculated by estimating the lifetime expected credit losses until collection.

The amount of allowance for credit losses for other financial assets is in principle calculated by estimating 12-month expected credit losses. However, allowance for credit losses for financial assets for which credit risk has increased significantly since initial recognition or credit-impaired financial assets is calculated as an amount equal to lifetime expected credit losses.

The amount of allowance for credit losses is calculated as follows:

- Trade receivables and contract assets

Grouping is performed based on credit risk rating, then receivables are multiplied by an allowance rate based on the historical credit loss rate and adjusted for forecasts of future economic conditions. Further, trade receivables and contract assets consists of a lot of homogenous customers, and their credit ratings are deemed to be identical.

- Other financial assets

For financial assets whose credit risk has not been determined to have increased significantly since initial recognition, grouping is performed based on risks having similar characteristics, then cost is multiplied by an allowance rate based on the historical credit loss rate and adjusted for forecasts of future economic conditions. However, for financial assets whose credit risk has increased significantly since initial recognition and credit-impaired financial assets, the difference between the present value of the amount expected to be recovered and adjusted for forecasts of future economic conditions, and the carrying amount is used individually.

Changes in allowance for credit losses are as follows:

Year ended Mar. 31, 2019

	Yen (millions)				
	Lifetime expected credit losses				
	12-month expected credit losses	Financial assets always measured at an amount equal to lifetime expected credit losses	Financial assets for which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	Total
Balance at beginning of year	117	8,617	—	4,162	12,896
Additions	1	5,085	—	1,588	6,674
Utilized	—	(2,030)	—	(614)	(2,644)
Reversed	(1)	(3,768)	—	(1,002)	(4,771)
Exchange differences on translating foreign operations, others	—	(73)	—	(7)	(80)
Balance at end of year	117	7,831	—	4,127	12,075

Year ended Mar. 31, 2020

Yen (millions)

	Lifetime expected credit losses				Total
	12-month expected credit losses	Financial assets always measured at an amount equal to lifetime expected credit losses	Financial assets for which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
Balance at beginning of year	117	7,831	—	4,127	12,075
Additions	—	3,291	—	1,654	4,945
Utilized	(1)	(737)	—	(327)	(1,065)
Reversed	(18)	(1,928)	—	(1,257)	(3,203)
Exchange differences on translating foreign operations, others	—	(224)	—	(61)	(285)
Balance at end of year	98	8,233	—	4,136	12,467

The carrying amounts (before deducting the allowance for credit losses) of financial assets and contract assets subject to recognition of allowance for credit losses are as follows:

Yen (millions)

	Lifetime expected credit losses				Total
	Financial assets measured at an amount equal to 12-month expected credit losses	Financial assets always measured at an amount equal to lifetime expected credit losses	Financial assets for which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
As of Mar. 31, 2019	84,232	1,241,747	—	6,156	1,332,135
As of Mar. 31, 2020	98,445	1,252,300	—	6,443	1,357,188

(c) Liquidity risk management

The Company and its consolidated subsidiaries finance through borrowings from financial institutions and by issuing bonds, which may be affected by deterioration in the financing environment.

In order to hedge the risk of not being able to make payment on financial liabilities by the due date, the Company and its consolidated subsidiaries manage liquidity risk by preparing adequate funds for repayment, securing readily available lines of credit from financial institutions and continuously monitoring planned and actual cash flows.

Balances of financial liabilities (including derivative instruments) classified by due dates are as set out in the table below.

As of Mar. 31, 2019		Yen (millions)			
	Carrying amount	Contractual cash flows	Within one year	One to five years	Over five years
Non-derivatives financial liabilities					
Trade payables and other financial liabilities	717,277	717,277	717,277	—	—
Short-term borrowings	55,580	56,201	56,201	—	—
Long-term borrowings	180,392	182,712	22,000	155,690	5,022
Bonds	40,000	40,312	20,140	20,172	—
Lease obligations	22,466	25,462	9,302	16,111	49
Derivatives financial liabilities					
Forward exchange contracts and others	1,943	1,943	1,943	—	—
Total	<u>1,017,658</u>	<u>1,023,907</u>	<u>826,863</u>	<u>191,973</u>	<u>5,071</u>
As of Mar. 31, 2020		Yen (millions)			
	Carrying amount	Contractual cash flows	Within one year	One to five years	Over five years
Non-derivatives financial liabilities					
Trade payables and other financial liabilities	686,473	686,473	686,473	—	—
Short-term borrowings	52,967	53,645	53,645	—	—
Long-term borrowings	194,041	195,873	38,418	149,427	8,028
Bonds	20,000	20,172	86	20,086	—
Lease liabilities	109,995	117,021	44,734	56,932	15,355
Derivatives financial liabilities					
Forward exchange contracts and others	1,644	1,644	1,644	—	—
Total	<u>1,065,120</u>	<u>1,074,828</u>	<u>825,000</u>	<u>226,445</u>	<u>23,383</u>

Note : For the year ended March 31, 2020, the presentation of line items have been changed from "Lease obligations" to "Lease liabilities" in accordance with the application of IFRS 16.

(3) Derivatives and hedging activities

The Company and its consolidated subsidiaries operate internationally, giving rise to significant exposure to market risks from changes in foreign currencies and interest rates. Derivative instruments are comprised principally of forward exchange contracts and currency swaps utilized by the Company and certain consolidated subsidiaries to reduce these risks. The Company and certain consolidated subsidiaries do not hold or issue financial instruments for trading purposes. Currency swaps are utilized to hedge changes in fair value, but are not designated as hedging instruments.

(a) Cash flow hedges

The Company and certain consolidated subsidiaries have entered into forward exchange contracts mainly to hedge market risk of claims and debts denominated in foreign currencies from foreign exchange rate fluctuations. The Company and certain consolidated subsidiaries designate the forward exchange contracts as hedging instruments in cash flow hedges. The Company and certain consolidated subsidiaries set an appropriate hedge ratio at the inception of the hedging relationship based on the quantities of the hedged items and the hedging instruments. In principle, a one-to-one hedging relationship is used. The significant conditions of the hedged items and the hedging instruments are in principal matched.

The Company and certain consolidated subsidiaries consider the period in which hedged cash flows are expected to occur and the period in which those are expected to affect profit or loss are from April 2020 to September 2021.

The notional principal amount of forward exchange contracts designated as hedging instruments as of March 31, 2019 and 2020 are as follows:

Type of hedge	Yen (millions)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
Forward exchange contracts	5,464	3,333

The fair value of forward exchange contracts designated as hedging instruments as of March 31, 2019 and 2020 are as follows:

Type of hedge	Line item	Yen (millions)	
		As of Mar. 31, 2019	As of Mar. 31, 2020
Forward exchange contracts	Other financial assets	50	16
	Other financial liabilities	59	47

The amount of ineffective portion of hedges recognized in profit or loss is insignificant.

(4) Fair value of 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 in the years ended March 31, 2019 and 2020.

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

(a) 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:

Bonds and borrowings (excluding short-term borrowings and lease obligations)

Fair values of bonds are calculated using the Reference Statistical Prices of the Japan Securities Dealers Association and are classified as level 2 because fair value is calculated using observable market data. 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, 2019		As of Mar. 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial instruments measured at amortized cost				
Bonds and borrowings	220,392	216,712	214,041	210,103

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

(b) 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

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 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.

Debt financial instruments

Fair values of investment trusts are classified as level 2 because fair value is calculated as the market value of an identical asset in an inactive market based on the market approach.

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, 2019

	Yen (millions)			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	—	1,134	—	1,134
Financial assets measured at fair value through other comprehensive income				
Equity instruments	201,898	—	60,674	262,572
Total	<u>201,898</u>	<u>1,134</u>	<u>60,674</u>	<u>263,706</u>
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	1,943	—	1,943
Total	<u>—</u>	<u>1,943</u>	<u>—</u>	<u>1,943</u>

As of Mar. 31, 2020

	Yen (millions)			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	—	2,219	—	2,219
Financial assets measured at fair value through other comprehensive income				
Equity instruments	152,683	—	63,478	216,161
Total	<u>152,683</u>	<u>2,219</u>	<u>63,478</u>	<u>218,380</u>
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	1,644	—	1,644
Total	<u>—</u>	<u>1,644</u>	<u>—</u>	<u>1,644</u>

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

	Yen (millions)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
Balance at beginning of year	60,240	60,674
Gains (losses)	(953)	(1,244)
Purchases	2,178	5,530
Sale	(791)	(672)
Transfer due to acquisition of control over a subsidiary	—	(810)
Balance at end of year	<u>60,674</u>	<u>63,478</u>

Note : Gains (losses) 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 Consolidated Statement of Comprehensive Income.

(5) Securitizations

The Company and its consolidated subsidiaries have transferred trade receivables and other receivables, to unconsolidated securitization-purpose structured entities, and losses on securitization of 225 million yen and 196 million yen were recorded in the years ended March 31, 2019 and 2020, respectively.

(a) Involvement with unconsolidated securitization-purpose structured entities

Unconsolidated securitization-purpose structured entities are used in the securitization of trade receivables and other receivables. Because these entities are structured by third-party financial institutions who operate the entities as part of their business and the entities purchase a large amount of assets from customers other than the Company, the ratio of financial assets transferred by the Company to the entities’ total assets is low and the Company has therefore determined that their assessed risk exposure has low relevance to the Company. The Company and its consolidated subsidiaries do not provide significant non-contractual support to the structured entities. The Company’s involvement with the structured entities primarily consists of the provision of limited credit quality enhancements, servicing the assets and the receipt of commissions for services provided.

The transferred financial assets, in some cases, may be repurchased under limited and specific conditions. Losses on securitization are expected to be all offset within a year and the maximum exposure as of March 31, 2019 and 2020 were 5,518 million yen and 3,900 million yen, respectively.

(b) Transfer of financial assets that were derecognized in their entirety

Subsequent to securitization, the Company and its consolidated subsidiaries retain collection and administrative responsibilities for the receivables. They have not recorded a servicing asset or liability since the cost of collection effort approximates the amount of commission income. The maximum exposure to losses from continuing involvement on financial assets derecognized as of March 31, 2020 was included in the maximum exposure to losses stated in (a) Involvement with unconsolidated securitization-purpose structured entities above.

28. Principal subsidiaries

The Company's principal subsidiaries are described in " I . Overview of the Company 4. Subsidiaries and Affiliated Companies".

There were no significant changes in principal subsidiaries and ownership percentages of voting rights of the principal subsidiaries in the year ended March 31, 2019 and 2020.

29. Related parties

(1) Related party transactions

The balances of receivables and payables with associates and joint ventures are as follows:

	Yen (millions)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
Balance of trade receivables and contract assets		
Associates	64,712	68,097
Joint ventures	20,324	17,857
Total	<u>85,036</u>	<u>85,954</u>
Balance of trade payables and contract liabilities		
Associates	17,050	16,377
Joint ventures	9,939	10,231
Total	<u>26,989</u>	<u>26,608</u>

Other than the above, the balances of receivables under factoring transactions with joint ventures as of the date of March 31, 2019 and 2020 are 6,613 million yen and 6,207 million yen, respectively. The balances of payables under factoring transactions with joint ventures as of the date of March 31, 2019 and 2020 are 35,023 million yen and 30,549 million yen, respectively.

The amounts of transactions with associates and joint ventures are as follows:

	Yen (millions)	
	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020
Revenue		
Associates	244,047	240,635
Joint ventures	59,149	62,105
Total	<u>303,196</u>	<u>302,740</u>
Purchases		
Associates	102,632	99,720
Joint ventures	40,238	44,488
Total	<u>142,870</u>	<u>144,208</u>

Other than the above, the amounts of factoring transactions for trade receivables with joint ventures for the years ended March 31, 2019 and 2020 are 64,193 million yen and 58,539 million yen, respectively. The amounts of factoring transactions for trade payables with joint ventures for the years ended March 31, 2019 and 2020 are 126,993 million yen and 107,897 million yen, respectively.

(2) Total key management personnel compensation

The amounts of expenses recognized related to key management personnel compensation, for the years ended March 31, 2019 and 2020 are 3,144 million yen and 2,150 million yen, respectively. This include officers' retirement benefits of 433 million yen and 332 million yen, respectively.

30. Commitments

Contractual commitments related to purchases of property, plant and equipment is as follows:

	Yen (millions)	
	As of Mar. 31, 2019	As of Mar. 31, 2020
Contractual commitments related to purchases of property, plant and equipment	38,245	29,188

31. Contingent liabilities

There were no significant events as of March 31, 2020.

32. Subsequent events

There were no significant subsequent events which should be disclosed as of the date of the approval of the consolidated financial statements for the year ended March 31, 2020.

33. Approval of the consolidated financial statements

The consolidated financial statements were approved by Takeshi Sugiyama, President & CEO, on June 26, 2020.

Independent auditor's report

Takeshi Sugiyama
President & CEO
Mitsubishi Electric Corporation

Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Electric Corporation (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated statement of financial position as at March 31, 2020 and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of provision for loss on construction contracts	
The key audit matter	How the matter was addressed in our audit
<p>As described in Notes 4. “Significant accounting estimates and judgments” and 19. “Provisions” to the consolidated financial statements, the Company and its consolidated subsidiaries record the expected amount of future losses on an individual construction order as a provision for loss on construction, if it is probable that the estimated total cost of such construction will exceed the contract order amount and if the expected loss amount can be reasonably estimated. As also described in Note 19 to the consolidated financial statements, the provision for loss on construction contracts recognized in the consolidated financial statements of the Company and its consolidated subsidiaries amounted to ¥40,181 million as of March 31, 2020.</p> <p>In the Public Utility Systems and Energy & Industrial Systems businesses within the Energy and Electric Systems segment and the Electronic Systems business within the Information and Communication Systems segment, many construction contracts are entered into with customers. As these construction contracts include those with significantly large contractual amounts, and they are often related to the latest technology, additional demand on new designs and new customers, estimating the total cost of completing these contracts involves a high degree of estimation uncertainty. Accordingly, management's judgment</p>	<p>The primary procedures we performed to evaluate the reasonableness of the Company's estimate of the total cost that provided a basis for recording a provision for loss on construction contracts in the Public Utility Systems, Energy & Industrial Systems, and Electronic Systems businesses included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of the Company's certain internal controls relevant to the process of estimating the total cost. In this assessment, we focused our testing on:</p> <ul style="list-style-type: none">• Internal controls relevant to ensuring that estimate of total cost including the projection of material costs and working hours taking into account any uncertainties is reasonable; and• Internal controls relevant to ensuring that any changes in circumstances that may arise subsequent to the commencement of construction are reflected to the estimated total cost in an appropriate and timely manner. <p>(2) Evaluating the reasonableness of the estimated total cost</p>

<p>thereon has a significant effect on the estimate of the total cost used in measuring a provision for loss on construction contracts.</p> <p>We, therefore, determined that the estimate of the total cost which provided a basis for recording a provision for loss on construction contracts in the Public Utility Systems, Energy & Industrial Systems, and Electronic Systems businesses was one of the most significant matters in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</p>	<p>To evaluate the reasonableness of the estimated total cost, we performed the following procedures:</p> <ul style="list-style-type: none"> ● We identified construction orders out of those in the Public Utility Systems, Energy & Industrial Systems, and Electronic Systems businesses which involved a higher degree of uncertainty compared to other contracts in estimating the total cost, based on our understandings of the contract terms, type of construction, cost components, and assumptions used in the estimate. ● Of the orders identified, we selected contracts whose percentage of completion showed a significant deviation from an expected percentage of completion built on the pattern of costs incurred for similar contracts in the past experienced by the same business unit. ● For the selected construction orders, to evaluate the reasonableness of significant assumptions used as a basis of estimating the total cost, we: <ul style="list-style-type: none"> - Inquired of relevant responsible personnel the reason why the percentage of completion showed a significant deviation when compared to the pattern of costs incurred for similar contracts in the past; - Compared the estimated total cost as of the end of this fiscal year to the initial estimated total cost, and assessed the reasons for any changes in estimate to evaluate the precision of the estimated total cost; - Inquired of relevant responsible personnel regarding the status of construction as well as whether reassessment of the estimated total cost was necessary, and evaluated the reasonableness of the responses in light of the construction time-table and the costs incurred to date; and - Agreed the estimated total cost to the cost calculation sheet and observed that all costs necessary for the type of construction agreed with the customer were included in the cost calculation.
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Revenue recognition for construction contracts	
The key audit matter	How the matter was addressed in our audit
<p>As described in Notes 3. “Significant accounting policies, (13) Revenues,” 4. “Significant accounting estimates and judgments” and 22. “Revenues” to the consolidated financial statements, the Company and its consolidated subsidiaries recognize revenue for specific construction contracts meeting certain criteria according to the progress of the construction if progress can be reasonably measured. The progress of construction is measured by comparing the cost incurred through the current year to the estimated total cost. As also described in Note 22 to the consolidated financial statements, revenue recognized for the Energy and Electric Systems segment and the Information and Communication Systems segment amounted to ¥1,307,389 million and ¥455,596 million, respectively, for the fiscal year ended March 31, 2020, and these amounts included revenue for construction contracts recognized according to the progress.</p>	<p>The primary procedures we performed to evaluate the reasonableness of the Company’s estimate of the total cost that provided a basis for measuring the progress of construction used in recognizing revenue for construction contracts in the Public Utility Systems, Energy & Industrial Systems, and Electronic Systems businesses included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of the Company’s certain internal controls relevant to the process of estimating the total cost. In this assessment, we focused our testing on:</p> <ul style="list-style-type: none"> ● Internal controls relevant to ensuring that estimate of total cost including the projection of material costs and working hours taking into account any uncertainties is reasonable; and

Revenue and operating profit for the relevant reportable segments (See Note 5 to the consolidated financial statements)

Amounts in JPY millions

	Energy and Electric Systems	Information and Communication Systems
Revenue	1,307,389	455,596
Operating profit	82,309	26,457

In the Public Utility Systems and Energy & Industrial Systems businesses within the Energy and Electric Systems segment, and the Electronic Systems business within the Information and Communication Systems segment, many construction contracts are entered into with customers. As these construction contracts include those with significantly large contractual amounts, and they are often related to the latest technology, additional demand on new designs and new customers, estimating the total cost of completing these contracts involves a high degree of estimation uncertainty. Accordingly, management's judgment thereon has a significant effect on the estimate of the total cost used in measuring the progress of construction.

We, therefore, determined that the estimate of the total cost which provided a basis for measuring the progress of construction used in recognizing revenue for construction contracts in the Public Utility Systems, Energy & Industrial Systems, and Electronic Systems businesses was one of the most significant matters in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.

- Internal controls relevant to ensuring that any changes in circumstances that may arise subsequent to the commencement of construction are reflected to the estimated total cost in an appropriate and timely manner.

(2) Evaluating the reasonableness of the estimated total cost

To evaluate the reasonableness of the estimated total cost, we performed the following procedures:

- We identified construction orders out of those in the Public Utility Systems, Energy & Industrial Systems, and Electronic Systems businesses which involved a higher degree of uncertainty compared to other contracts in estimating the total cost, based on our understandings of the contract terms, type of construction, cost components, and assumptions used in the estimate.
- Of the orders identified, we selected contracts whose percentage of completion showed a significant deviation from an expected percentage of completion built on the pattern of costs incurred for similar contracts in the past experienced by the same business unit.
- For the selected construction orders, to evaluate the reasonableness of significant assumptions used as a basis of estimating the total cost, we:
 - Inquired of relevant responsible personnel the reason why the percentage of completion showed a significant deviation when compared to the pattern of costs incurred for similar contracts in the past;
 - Compared the estimated total cost as of the end of this fiscal year to the initial estimated total cost, and assessed the reasons for any changes in estimate to evaluate the precision of the estimated total cost;
 - Inquired of relevant responsible personnel regarding the status of construction as well as whether reassessment of the estimated total cost was necessary, and evaluated the reasonableness of the responses in light of the construction time-table and the costs incurred to date; and
 - Agreed the estimated total cost to the cost calculation sheet and observed that all costs necessary for the type of construction agreed with the customer were included in the cost calculation.

Responsibilities of Management and the Audit committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the executive officers and the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hideaki Koyama
Designated Engagement Partner
Certified Public Accountant

Naoki Matsumoto
Designated Engagement Partner
Certified Public Accountant

Yukihiko Ishiguro
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 26, 2020

(2) 【Other】

Quarterly Financial Information

		Three months ended Jun. 30, 2019	Six months ended Sep. 30, 2019	Nine months ended Dec. 31, 2019	Year ended Mar. 31, 2020
Revenue	Yen (millions)	1,050,764	2,182,528	3,250,129	4,462,509
Profit before income taxes	Yen (millions)	59,745	124,022	198,782	281,986
Net profit attributable to Mitsubishi Electric Corp. stockholders	Yen (millions)	42,777	91,253	159,710	221,834
Basic earnings per share attributable to Mitsubishi Electric Corp. stockholders	Yen	19.94	42.54	74.45	103.41

		Three months ended Jun. 30, 2019	Three months ended Sep. 30, 2019	Three months ended Dec. 31, 2019	Three months ended Mar. 31, 2020
Basic earnings per share attributable to Mitsubishi Electric Corp. stockholders	Yen	19.94	22.60	31.91	28.96

(Translation)

Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

Independent Auditor's Report on the Financial Statements
and
Internal Control Over Financial Reporting

June 26, 2020

Takeshi Sugiyama
President & CEO
Mitsubishi Electric Corporation

KPMG AZSA LLC
Tokyo Office, Japan

Hideaki Koyama
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Naoki Matsumoto
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yukihiko Ishiguro
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Mitsubishi Electric Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section in the company's Annual Securities Report, which comprise the consolidated statement of financial position as at March 31, 2020 and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to consolidated financial statements in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards prescribed in Article 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (hereinafter referred to as "IFRS").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of provision for loss on construction contracts	
The key audit matter	How the matter was addressed in our audit
<p>As described in Notes 4. “Significant accounting estimates and judgments” and 19. “Provisions” to the consolidated financial statements, the Company and its consolidated subsidiaries record the expected amount of future losses on an individual construction order as a provision for loss on construction, if it is probable that the estimated total cost of such construction will exceed the contract order amount and if the expected loss amount can be reasonably estimated. As also described in Note 19 to the consolidated financial statements, the provision for loss on construction contracts recognized in the consolidated financial statements of the Company and its consolidated subsidiaries amounted to ¥40,181 million as of March 31, 2020.</p> <p>In the Public Utility Systems and Energy & Industrial Systems businesses within the Energy and Electric Systems segment and the Electronic Systems business within the Information and Communication Systems segment, many construction contracts are entered into with customers. As these construction contracts include those with significantly large contractual amounts, and they are often related to the latest technology, additional demand on new designs and new customers, estimating the total cost of completing these contracts involves a high degree of estimation uncertainty. Accordingly, management’s judgment thereon has a significant effect on the estimate of the total cost used in measuring a provision for loss on construction contracts.</p> <p>We, therefore, determined that the estimate of the total cost which provided a basis for recording a provision for loss on construction contracts in the Public Utility Systems, Energy & Industrial Systems, and Electronic Systems businesses was one of the most significant matters in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to evaluate the reasonableness of the Company’s estimate of the total cost that provided a basis for recording a provision for loss on construction contracts in the Public Utility Systems, Energy & Industrial Systems, and Electronic Systems businesses included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of the Company’s certain internal controls relevant to the process of estimating the total cost. In this assessment, we focused our testing on:</p> <ul style="list-style-type: none"> ● Internal controls relevant to ensuring that estimate of total cost including the projection of material costs and working hours taking into account any uncertainties is reasonable; and ● Internal controls relevant to ensuring that any changes in circumstances that may arise subsequent to the commencement of construction are reflected to the estimated total cost in an appropriate and timely manner. <p>(2) Evaluating the reasonableness of the estimated total cost</p> <p>To evaluate the reasonableness of the estimated total cost, we performed the following procedures:</p> <ul style="list-style-type: none"> ● We identified construction orders out of those in the Public Utility Systems, Energy & Industrial Systems, and Electronic Systems businesses which involved a higher degree of uncertainty compared to other contracts in estimating the total cost, based on our understandings of the contract terms, type of construction, cost components, and assumptions used in the estimate. ● Of the orders identified, we selected contracts whose percentage of completion showed a significant deviation from an expected percentage of completion built on the pattern of costs incurred for similar contracts in the past experienced by the same business unit. ● For the selected construction orders, to evaluate the reasonableness of significant assumptions used as a basis of estimating the total cost, we: <ul style="list-style-type: none"> - Inquired of relevant responsible personnel the reason why the percentage of completion showed a significant deviation when compared to the pattern of costs incurred for similar contracts in the past; - Compared the estimated total cost as of the end of this fiscal year to the initial estimated total cost, and assessed the reasons for any changes in estimate to evaluate the precision of the estimated total cost;

- Inquired of relevant responsible personnel regarding the status of construction as well as whether reassessment of the estimated total cost was necessary, and evaluated the reasonableness of the responses in light of the construction time-table and the costs incurred to date; and
- Agreed the estimated total cost to the cost calculation sheet and observed that all costs necessary for the type of construction agreed with the customer were included in the cost calculation.

Revenue recognition for construction contracts

The key audit matter

As described in Notes 3. “Significant accounting policies, (13) Revenues,” 4. “Significant accounting estimates and judgments” and 22. “Revenues” to the consolidated financial statements, the Company and its consolidated subsidiaries recognize revenue for specific construction contracts meeting certain criteria according to the progress of the construction if progress can be reasonably measured. The progress of construction is measured by comparing the cost incurred through the current year to the estimated total cost. As also described in Note 22 to the consolidated financial statements, revenue recognized for the Energy and Electric Systems segment and the Information and Communication Systems segment amounted to ¥1,307,389 million and ¥455,596 million, respectively, for the fiscal year ended March 31, 2020, and these amounts included revenue for construction contracts recognized according to the progress.

Revenue and operating profit for the relevant reportable segments (See Note 5 to the consolidated financial statements)

Amounts in JPY millions

	Energy and Electric Systems	Information and Communication Systems
Revenue	1,307,389	455,596
Operating profit	82,309	26,457

In the Public Utility Systems and Energy & Industrial Systems businesses within the Energy and Electric Systems segment, and the Electronic Systems business within the Information and Communication Systems segment, many construction contracts are entered into with customers. As these construction contracts include those with significantly large contractual amounts, and they are often related to the latest technology, additional demand on new designs and new customers, estimating the total cost of completing these contracts involves a high degree of estimation uncertainty. Accordingly, management’s judgment thereon has a significant effect on the estimate of the total cost used in measuring the progress of construction.

We, therefore, determined that the estimate of the total cost which provided a basis for measuring the progress of construction used in recognizing revenue for construction contracts in the Public Utility Systems, Energy & Industrial

How the matter was addressed in our audit

The primary procedures we performed to evaluate the reasonableness of the Company’s estimate of the total cost that provided a basis for measuring the progress of construction used in recognizing revenue for construction contracts in the Public Utility Systems, Energy & Industrial Systems, and Electronic Systems businesses included the following:

(1) Internal control testing

We tested the design and operating effectiveness of the Company’s certain internal controls relevant to the process of estimating the total cost. In this assessment, we focused our testing on:

- Internal controls relevant to ensuring that estimate of total cost including the projection of material costs and working hours taking into account any uncertainties is reasonable; and
- Internal controls relevant to ensuring that any changes in circumstances that may arise subsequent to the commencement of construction are reflected to the estimated total cost in an appropriate and timely manner.

(2) Evaluating the reasonableness of the estimated total cost

To evaluate the reasonableness of the estimated total cost, we performed the following procedures:

- We identified construction orders out of those in the Public Utility Systems, Energy & Industrial Systems, and Electronic Systems businesses which involved a higher degree of uncertainty compared to other contracts in estimating the total cost, based on our understandings of the contract terms, type of construction, cost components, and assumptions used in the estimate.
- Of the orders identified, we selected contracts whose percentage of completion showed a significant deviation from an expected percentage of completion built on the pattern of costs incurred for similar contracts in the past experienced by the same business unit.
- For the selected construction orders, to evaluate the reasonableness of significant assumptions used as a basis of estimating the total cost, we:

- Inquired of relevant responsible personnel the reason why the percentage of completion showed a significant

<p>Systems, and Electronic Systems businesses was one of the most significant matters in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</p>	<p>deviation when compared to the pattern of costs incurred for similar contracts in the past;</p> <ul style="list-style-type: none"> - Compared the estimated total cost as of the end of this fiscal year to the initial estimated total cost, and assessed the reasons for any changes in estimate to evaluate the precision of the estimated total cost; - Inquired of relevant responsible personnel regarding the status of construction as well as whether reassessment of the estimated total cost was necessary, and evaluated the reasonableness of the responses in light of the construction time-table and the costs incurred to date; and - Agreed the estimated total cost to the cost calculation sheet and observed that all costs necessary for the type of construction agreed with the customer were included in the cost calculation.
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Responsibilities of Management and the Audit committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the executive officers and the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Internal Control Report

We also have audited the accompanying internal control report of Mitsubishi Electric Corporation as at March 31, 2020, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2020, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the Internal Control Report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit committee for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The audit committee is responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Audit Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.