

To Shareholders

Matters for Internet Disclosure
upon the Convocation of
the 150th Ordinary General Meeting of Shareholders

For Fiscal 2021 (April 1, 2020–March 31, 2021)

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The abovementioned items are disclosed to shareholders on Mitsubishi Electric's Website (<https://www.MitsubishiElectric.com/en/investors/meeting/index.html>) in accordance with laws and regulations as well as Article 15 of Mitsubishi Electric's Articles of Incorporation.

mitsubishi electric corporation

■ Business Report

Summary of Systems Necessary to Ensure the Properness of Operations of the Company and the Status of Management

(1) 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.

Item	Matters resolved	Status of management
<p>The matters prescribed by the applicable Ordinance of the Ministry of Justice as those necessary for the execution of the duties of the Audit Committee</p>	<ul style="list-style-type: none"> ■ 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: <ol style="list-style-type: none"> 1. Conduct investigation of the Company and its subsidiaries. 2. 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. 	<ul style="list-style-type: none"> ■ Employees whose job is exclusively to assist the Audit Committee are assigned and are assisting the Audit Committee. ■ The Senior General Manager of the Corporate Human Resources Division consults with Audit Committee members regarding the evaluation of performance by and relocation of employees exclusively assisting the Audit Committee. ■ Reporting systems are established based on the type of information, and information about the Company and its subsidiaries is reported to the Audit Committee via the divisions in charge of internal control. ■ Results of internal audit are reported to the Audit Committee on a regular basis from the internal auditors via the Executive Officers in charge of audits. ■ An internal whistle-blower system is developed and its details are reported to the Audit Committee members. ■ Internal regulations and systems to protect people who reported information about the Company and its subsidiaries to the Audit Committee are established and are thoroughly informed in the Group. ■ 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. ■ The Audit Committee members attend important meetings including Executive Officer meetings, and conduct investigations such as interviews with Executive Officers and the executives of the Company's offices and subsidiaries. ■ The Audit Committee undertakes 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 and exchanging opinions.

(2) 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.

Item	Matters resolved	Status of management	
<p>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</p>	<p>Establish internal regulations ensuring that the Executive Officers' performance and execution of duties is in accordance with laws and regulations the Articles of Incorporations. Internal auditors shall monitor the status of management.</p>	<ul style="list-style-type: none"> ■Internal regulations ensuring that the Executive Officers' performance and execution of duties is in accordance with laws and regulations and the Articles of Incorporations are established. Their duties are executed in accordance with these internal regulations. ■Compliance training is implemented for all Executive Officers on a regular basis. Points of concern for Executive Officers in light of legal reform and social trends are provided. 	<p>Executive Officers take responsibility for constructing systems to ensure the properness of operations of the Group within the areas over which they are appointed, and regularly monitor the status of management of the systems.</p> <p>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.</p>
<p>Other systems prescribed by the applicable Ordinance of the Ministry of Justice as systems necessary to ensure the properness of operations of the company, and of the corporate group formed by the company and its subsidiaries</p>	<p>The following systems shall be established in order to ensure the properness of operations of the Company.</p> <ul style="list-style-type: none"> ■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 the Articles of Incorporation. <ol style="list-style-type: none"> 1. Establish internal regulations and action guidelines regarding ethics and compliance. 2. Implement an internal whistle-blower system. ■Important matters shall be deliberated at Executive Officer meetings. ■Internal auditors shall monitor the status of management. 	<ul style="list-style-type: none"> ■Internal regulations related to the record keeping and information management regarding Executive Officers' performance and execution of duties are established. Record keeping and information management are carried out in an appropriate manner. ■Executive Officers take responsibility for constructing risk management systems related to possible losses within the areas over which they are appointed. Important matters are deliberated by convening Executive Officer meetings. ■Executive officers take responsibility for ensuring management efficiency within the areas over which they are appointed. Important matters are deliberated by convening Executive Officer meetings. ■Internal regulations and action guidelines regarding ethics and compliance are established, based on which the performance and execution of duties is carried out. ■Various types of compliance-related trainings are implemented for employees on a regular basis. 	<p>The status of management of the systems is audited by internal auditors, and the audit results are reported regularly to the Audit Committee via Executive Officers in charge of audit.</p>

Item	Matters resolved	Status of management	
	<p>The following systems shall be established in order to ensure the properness of operations within the Group.</p> <ul style="list-style-type: none"> ■ 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. 	<ul style="list-style-type: none"> ■ Executive Officers take responsibility for managing the subsidiaries within the areas over which they are appointed. ■ Action guidelines shared throughout the Group regarding ethics and compliance are established and thoroughly informed in the Group. ■ A specialized organization for the management of associated companies is created for the integrated management of the Group companies. ■ In order to ensure the properness of operations within the Group, management standards for the Group companies are established. Important matters of the Group companies are deliberated and reported by convening Executive Officer meetings. 	

■ Consolidated Financial Statements

Consolidated Statement of Changes in Equity

(April 1, 2020 to March 31, 2021)

(Millions of yen)

Items	Mitsubishi Electric Corp. stockholders' equity					Total	Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost			
Balance at beginning of period	175,820	202,832	2,071,817	(17,802)	(2,924)	2,429,743	109,116	2,538,859
Net profit			193,132			193,132	8,551	201,683
Other comprehensive income (loss), net of tax				208,427		208,427	5,844	214,271
Comprehensive income	–	–	193,132	208,427	–	401,559	14,395	415,954
Reclassification to retained earnings			78,824	(78,824)		–		–
Dividends			(77,283)			(77,283)	(7,107)	(84,390)
Purchase of treasury stock					(367)	(367)		(367)
Disposal of treasury stock		(696)			696	0		0
Transactions with non-controlling interests and others		641				641	(86)	555
Balance at end of period	175,820	202,777	2,266,490	111,801	(2,595)	2,754,293	116,318	2,870,611

Notes to Consolidated Financial Statements:

1. Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements of Mitsubishi Electric Corporation (the “Company”) are prepared in accordance with the International Financial Reporting Standards (“IFRS”), pursuant to the Article 120, Paragraph 1 of the Ordinance of Company’s Accounting. However, based on the second sentence of the same paragraph, some disclosure items required under IFRS are omitted.

2. Scope of Consolidation and Application of the Equity Method

Number of consolidated subsidiaries: 205

Number of associates and joint ventures accounted for using the equity method: 38

3. Significant Accounting Policies

(1) Valuation of Financial Instruments

(a) Non-derivative Financial Assets

(i) Financial assets measured at amortized cost

When 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, such financial assets are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at fair value, and subsequently 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

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, and all other financial instruments are classified as financial assets measured at fair value through profit or loss.

- Financial assets measured at fair value through other comprehensive income are initially measured at fair value. Changes in fair value after initial recognition are recognized in other comprehensive income.

- Financial assets measured at fair value through profit or loss are initially measured at fair value. Changes in fair value after initial recognition are recognized in profit or loss.

(b) Derivatives

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.

(2) Valuation of Inventories

Inventories are measured at the lower of cost or net realizable value. 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. In determining the cost, work-in-process for build-to-ordered products are recorded under the specific identification method and make-to-stock products are recorded under the average cost method. Raw material and finished goods inventories are generally recorded using the average-cost method.

(3) Valuation and Depreciation of Property, Plant and Equipment

(a) 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. Depreciation of property, plant and equipment is generally calculated by the diminishing balance method over the estimated useful life of the assets, except for certain assets which are depreciated by the straight-line method.

(b) Right-of-use Assets

Right-of-use assets are recognized 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. Lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date that are discounted mainly using the lessee’s incremental borrowing rate. 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.

(4) Impairment of Non-financial Assets

The Company and its consolidated subsidiaries determine 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 by estimating the recoverable amount of the asset or cash generating unit. Goodwill and intangible assets with an indefinite useful life are tested for impairment at least

annually at the same time every year, irrespective of whether there was any indication of impairment. An impairment loss is recognized in profit or loss if the carrying amount of an asset or a cash generating unit exceeds its recoverable amount.

(5) 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.

(6) Accounting Treatment of Post-employment Benefits

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.

Discount rates are determined by reference to the market yields of 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.

The amount of change arising from the remeasurement of defined benefit plans is fully recognized in other comprehensive income in the periods in which it arises and immediately reclassified to retained earnings. Past service costs are recognized in profit or loss for the period in which they arise.

(7) 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 Company and its consolidated subsidiaries verify 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.

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 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.

4. Notes to Accounting Estimates

The Group used accounting estimates for the following items to recognize their amounts in the consolidated financial statements for this fiscal year. These accounting estimates may significantly affect the consolidated financial statements for the next fiscal year.

With regard to the impact of the novel coronavirus disease (COVID-19), while recent circumstances vary depending on the nature of business as well as by country and area, the Company has assumed that the pandemic would not have a significant long-term impact, and used accounting estimates such as the "Recoverable Amount of Property, Plant and Equipment, Goodwill and intangible assets." The Group believes that the above assumption is the best estimate as of the end of this fiscal year. However, if the COVID-19 has a greater impact on future circumstances than expected, it may significantly affect the amounts in the consolidated financial statements.

(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. Revenue in the Energy and Electric Systems segment and Information and Communication Systems segment in this fiscal year are ¥1,270,287 million and ¥380,159 million respectively. A part of these revenues are recognized 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.

The estimated total cost may be fluctuated due to changes in the environment. Deviations between estimates and actual results may significantly affect the amount of revenue in the consolidated financial statements for the next fiscal year.

(2) Recognition and Measurement of Provisions

The Group records the expected amount of future losses on construction contracts 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, 2021 is ¥40,082 million. 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.

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. 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 as well as current information on repair costs. The balance of provision for product warranties as of March 31, 2021 is ¥52,696 million.

The estimated total cost in provision for losses on construction contracts and estimated future warranty cost in provision for product warranties may be fluctuated due to changes in the environment. Deviations between estimates and actual results may significantly affect the amount of provision for losses on construction contracts and provision for product warranties in the consolidated financial statements for the next fiscal year.

(3) Recoverable Amount of Property, Plant and Equipment, Goodwill and intangible assets

For the impairment test of property, plant and equipment, goodwill, and intangible assets, the recoverable amount of an asset or cash generating unit is calculated as 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. Impairment losses of ¥7,826 million are recognized for this fiscal year. As a result, the balance of property plant and equipment is ¥857,645 million, and the balance of goodwill and intangible assets are ¥153,512 million as of March 31, 2021.

The estimated future cash flows and estimated fair value less costs of disposal may be fluctuated due to changes in the environment. Deviations between estimates and actual results may significantly affect the amount of impairment losses on property, plant and equipment, goodwill and intangible assets in the consolidated financial statements for the next fiscal year.

(4) 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. In assessing the realizability of deferred tax assets, the Group estimates future taxable income, and considers whether it is probable that some portion or all of the deferred tax assets will be realized. The Group consider the scheduled reversal of deferred tax liabilities, projected future taxable profit, and tax planning strategies in making this assessment. The balance of deferred tax assets as of March 31, 2021 is ¥183,134 million.

The estimated future taxable profit may be fluctuated due to changes in the environment. Deviations between estimates and actual results may significantly affect the amount of deferred tax assets in the consolidated financial statements for the next fiscal year.

(5) Measurement of Defined Benefit Obligation

Defined benefit obligation is calculated based on actuarial assumptions, such as the discount rate, the retirement rate, the lump-sum payment selection rate, and the mortality rate. 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 balance of net defined benefit liabilities as of March 31, 2021 is ¥161,388 million.

The actuarial assumptions may be fluctuated due to changes in the environment. Deviations between assumptions and actual results or changes in assumptions may significantly affect the amount of defined benefit obligation in the consolidated financial statements for the next fiscal year.

(6) Fair Value of Financial Instruments

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. The balance of non-marketable equity instruments as of March 31, 2021 is ¥68,361 million.

The estimated fair value may be fluctuated due to changes in the environment. Changes in assumptions such as investee's performance and future cash flows estimation may affect the amount of other comprehensive income for the next fiscal year.

5. Notes to Consolidated Statement of Financial Position

(1) Allowance for credit losses directly deducted from assets: ¥13,259 million

(2) Accumulated depreciation of property, plant and equipment: ¥2,464,741 million

The figure for accumulated depreciation of property, plant and equipment includes accumulated impairment losses.

(3) Accumulated Other Comprehensive Income (Loss)

Changes in fair value of financial assets measured at fair value through other comprehensive income: ¥93,893 million

Exchange differences on translating foreign operations: ¥17,866 million

Net changes in the fair value of cash flow hedges: ¥42 million

(4) Guarantee liabilities: ¥4,584 million

6. Notes to Consolidated Statement of Changes in Equity

(1) Class and Total Number of Shares Issued and Outstanding and Treasury Stock as of March 31, 2021

Shares issued and outstanding (common stock): 2,147,201,551 shares

Treasury stock (common stock): 1,916,138 shares

Note: Treasury stock includes 1,488,717 shares of the Company's stock held by the Board Incentive Plan Trust.

(2) Items Concerning Dividends

Dividends paid: ¥77,283 million

7. Notes to Financial Instruments

(1) Items Concerning the Status of Financial Instruments

The Company and its consolidated subsidiaries undertake fund management primarily through short-term investments that have a maturity of three months or less from the date of acquisition and are readily convertible to cash and which are subject to an insignificant risk of changes in value. Such funds are recognized in cash and cash equivalents. Financing is conducted through borrowings from financial institutions and by issuing bonds.

Risks associated with customer credit risk-related trade receivables and contract assets are managed by first conducting screening through external agencies, then establishing customer credit limits and regularly monitoring customers' financial condition.

Other financial assets are mainly equity instruments, which are managed by regularly monitoring their fair value. The Company and certain consolidated subsidiaries also make use of derivative instruments to avoid market risks from changes in foreign currencies and interest rates, and do not hold or issue financial instruments for trading purposes.

(2) Items Concerning the Fair Value of Financial Instruments

The carrying amount in the Consolidated Statement of Financial Position and the fair value of the financial instruments as of March 31, 2021 are as follows. Financial instruments with carrying amounts that approximate fair value are not included in the table below:

(Millions of yen)

	Carrying amount	Fair value
Bonds and borrowings (including long-term bonds and borrowings to be repaid within 1 year)	176,845	173,837

Note: Methods for Calculating the Fair Value of Financial Instruments

Fair values of bonds are calculated using the Reference Statistical Prices of the Japan Securities Dealers Association. Fair values of borrowings are calculated using the present value of future cash flows discounted by the expected interest rate for similar new contracts.

8. Notes to Per Share Information

Equity attributable to Mitsubishi Electric Corp. stockholders per share: ¥1,283.88

Basic earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders: ¥90.03

Diluted earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders: ¥90.03

9. Notes to Significant Subsequent Events

There were no significant subsequent events.

10. Notes to 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.

	(Millions of yen)							
	Japan	Overseas					Subtotal	Consolidated total
		North America	Asia	Europe	Other			
Energy and Electric Systems	917,858	103,836	201,075	18,474	20,282	343,667	1,261,525	
Industrial Automation Systems	511,828	147,185	445,249	126,679	6,308	725,421	1,237,249	
Information and Communication Systems	331,550	3,785	3,589	1,392	272	9,038	340,588	
Electronic Devices	49,923	9,049	76,286	26,692	155	112,182	162,105	
Home Appliances	470,016	114,577	185,589	218,011	36,162	554,339	1,024,355	
Others	149,664	821	14,752	370	4	15,947	165,611	
Consolidated total	2,430,839	379,253	926,540	391,618	63,183	1,760,594	4,191,433	

11. Other Notes

Other profit (loss)

Other profit (loss) in this fiscal year includes gain on sale of land of ¥12,247 million.

■ Financial Statements

Statement of Changes in Net Assets

(April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity									Valuation and translation adjustments	
	Common stock	Capital surplus		Retained earnings				Treasury stock	Total shareholders' equity	Unrealized gains (losses) on securities	Deferred gains or losses on hedges
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings						
					Reserve for reduction entry	General reserve	Retained earnings brought forward				
Balance at beginning of period	175,820	181,140	180	43,955	9,583	300,000	540,753	(2,924)	1,248,509	33,732	18
Cumulative effects of changes in accounting policies							147		147		
Adjusted balance at beginning of period	175,820	181,140	180	43,955	9,583	300,000	540,901	(2,924)	1,248,656	33,732	18
Changes of items during the period											
Dividends from surplus							(77,283)		(77,283)		
Net income							185,526		185,526		
Purchase of treasury stock								(367)	(367)		
Disposal of treasury stock			0					696	696		
Net change of items other than shareholders' equity									-	69,726	(282)
Total changes of items during the period	-	-	0	-	-	-	108,243	328	108,571	69,726	(282)
Balance at end of period	175,820	181,140	181	43,955	9,583	300,000	649,144	(2,595)	1,357,228	103,459	(264)

Notes to Financial Statements:

1. Valuation of Inventories

Raw materials and finished goods are generally recorded using the average-cost method. In work-in-process, Mitsubishi Electric Corporation (the “Company”) records the ordered products at the acquisition cost and the regular purchased products at the average production cost. The inventories on the balance sheet are measured by reflecting write-downs resulting from decreased profitability.

2. Valuation of Short-Term Investment and Investment Securities

(1) Investment in subsidiaries and affiliates: Cost method using the moving-average method

(2) Other securities:

Marketable securities: Fair value at the fiscal year-end. (Unrealized gains and losses, net of the related tax effect are directly recorded in shareholders' equity. The cost is determined on the moving-average method.)

Non-marketable securities: Cost method using the moving-average method

3. Depreciation of property, plant and equipment is calculated by the declining-balance method. However, depreciation of buildings (excluding attached facilities) acquired since April 1, 1998, and on facilities attached to buildings and structures acquired since April 1, 2016 are calculated by the straight-line method.

4. Basis for Calculating Provisions

(1) Allowance for doubtful accounts: To prepare for possible losses on uncollectible notes and accounts receivable. The Company records the estimated uncollectible amounts based on credit loss history for general accounts receivable, and the collectability for each individual account for specific doubtful receivables.

(2) Provision for product warranties: To prepare for expenses related to the servicing of products, the Company records an estimated amount based upon historical experience.

(3) Provision for losses on construction contracts: To prepare for possible losses on the estimated amount of uncompleted construction contracts during the fiscal year, the Company records provisions for aforementioned estimated amount.

(4) Retirement and severance benefits: To prepare for employees' retirement benefits, the Company records an amount calculated based upon the estimated retirement and severance benefit obligations and the fair value of plan assets at the end of the fiscal year.

(5) Provision for loss on investments in foreign subsidiaries and affiliates: To prepare for losses related to overseas investments, the Company records the amount of estimated losses based upon the financial conditions of the entities in which it has investments.

(6) Provision for directors' retirement benefits: To prepare for the payment of retirement benefits to directors and executive officers, the Company records the estimated amount at fiscal year-end calculated based upon internal regulations.

(7) Provision for competition-law-related expense: The Company records the estimated contingent losses related to Competition Laws.

5. Basis for Calculating Revenue and Expenses

The Company recognizes 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.

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 Company verifies that the product achieves predefined performance and there remains 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.

Revenue is recognized in an amount that reflects the consideration to which the Company expects 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.

6. The tax-exclusion method is used to account for consumption taxes.

7. The Company adopts a consolidated taxation system.

8. Changes in Accounting Policies

The Company has adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, revised March 31, 2020 (hereinafter “Revenue Recognition Standard”)) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, revised March 31, 2020) from the beginning of the current fiscal year. Accordingly, revenue is recognized in the amount expected to be received in exchange for goods or services when control of the promised goods or services is transferred to the customer.

With regard to the adoption of the Revenue Recognition Standard, etc., in accordance with the transitional treatment stipulated in the proviso to Paragraph 84 of the Revenue Recognition Standard, the cumulative effect of retrospectively adopting the new accounting policy prior to the beginning of the current fiscal year has been added to or deducted from retained earnings brought forward at the beginning of the current fiscal year, and the new accounting policy has been adopted from the beginning balance of the current fiscal year. As a result, the beginning balance of retained earnings brought forward in the statement of changes in net assets has increased by ¥147 million.

Additionally, net sales decreased by ¥2,067 million, cost of sales by ¥1,843 million, and operating income, ordinary income, and income before income taxes by ¥37 million for this fiscal year, respectively.

9. Changes in Presentation Method

The Company has adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31, March 31, 2020) from the current fiscal year and has included notes to “Accounting Estimates.”

10. Accounting Estimates

Items and balances including major accounting estimates and assumptions that could have a significant effect on the amounts in the financial statements of the Company are as follows.

The details of the estimates have been omitted as they are identical to those in the notes to the consolidated financial statements.

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

The Company has reported net sales of ¥2,459,282 million. A part of this is revenue recognized according to the progress of the construction pursuant to contract agreements.

(ii) Provisions

Reserve for loss on construction contracts ¥26,802 million

Reserve for product warranties ¥37,319 million

(iii) Property, plant and equipment and intangible fixed assets ¥482,970 million

(iv) Deferred tax assets ¥47,681 million

(v) Reserve for retirement benefits ¥11,377 million

(vi) Investment in securities and investment in subsidiaries and affiliates ¥673,724 million

11. Accumulated depreciation of property, plant and equipment: ¥1,649,326 million

The figure for accumulated depreciation of property, plant and equipment includes accumulated impairment losses.

12. Guarantee liabilities: ¥1,043 million

Outstanding of transferred accounts receivable with recourse: ¥641 million; employees (home financing loans): ¥393 million; other: one case totaling ¥8 million

13. Receivables from affiliates:
 Short-term: ¥529,809 million
 Long-term: ¥11,298 million
 Payables to affiliates:
 Short-term: ¥673,994 million
 Long-term: ¥108,160 million
14. Net sales to affiliates: ¥1,331,011 million
 Purchases from affiliates: ¥1,072,070 million
 Total transactions with affiliates, excluding operating transactions: ¥35,889 million
15. Shares issued and outstanding at the fiscal year-end (common stock): 2,147,201,551 shares
16. Treasury stock at the fiscal year-end (common stock): 1,916,138 shares
 Note: The number of treasury stock includes 1,488,717 shares held through the Board Incentive Plan (BIP) Trust.

17. Dividends

(1) Amount of dividends paid

Resolution	Total cash dividends	Dividends per share	Record date	Effective date
May 11, 2020 resolution of the Board of Directors	¥55,816 million	¥26.00	March 31, 2020	June 2, 2020
October 29, 2020 resolution of the Board of Directors	¥21,467 million	¥10.00	September 30, 2020	December 2, 2020

(2) Dividends with a record date in the current period and the effective date in the next period

Resolution	Total cash dividends	Dividends per share	Record date	Effective date
April 28, 2021 resolution of the Board of Directors	¥55,816 million	¥26.00	March 31, 2021	June 2, 2021

18. Significant components of the deferred tax assets and deferred tax liabilities

(1) Deferred tax assets:

Provision for retirement benefits and others: ¥108,535 million

(2) Deferred tax liabilities:

Gain on contribution of securities to employee retirement benefit trust and others: (¥60,854 million)

(3) Net deferred tax assets: ¥47,681 million

19. Transactions with Related Parties

Category	Company name	% of voting rights	Relationship	Details of transactions	Amount (¥ Millions)	Item	Period-end balance (¥ Millions)
Subsidiary	Mitsubishi Electric Europe B.V.	Direct 100%	As a subsidiary, sells Mitsubishi Electric products	Sales of Mitsubishi Electric products*	156,828	Trade accounts receivables	83,752
Subsidiary	Mitsubishi Electric Living Environment Systems Corporation	Direct 73% Indirect 27%	As a subsidiary, sells Mitsubishi Electric's home electric systems and equipment	Sales of Mitsubishi Electric products*	194,729	Trade accounts receivables	46,705
Subsidiary	Mitsubishi Electric Automotive America, Inc.	Indirect 100%	As a subsidiary, purchases components from Mitsubishi Electric to manufacture and sell automotive equipment	Manufacture and sales of Mitsubishi Electric products*	65,490	Trade accounts receivables	29,367

Note: Terms of transactions with subsidiaries, including prices are determined through the negotiation considering the market condition.

20. Net assets per share: ¥680.76
 Net income per share: ¥86.48

21. Transfer pricing taxation adjustment of ¥16,519 million is an adjustment received from an overseas subsidiary for prior year transactions based on the mutual agreement relating to the application for advance pricing agreements on transfer pricing.
22. Gain on sales of property, plant and equipment of ¥12,246 million is a gain on sales of land.
23. Loss on impairment of ¥2,783 million is attributable to the impairment of property, plant and equipment and others.