

2018 ANNUAL REPORT

For the year ended March 31, 2018





Aiming to Become a "Global, Leading Green Company" That Contributes to the Realization of a Prosperous Society.

As the Mitsubishi Electric Group comes closer to celebrating in fiscal 2021 the 100th anniversary of our founding, we are contributing to the realization of a prosperous society, aiming to become a "Global, Leading Green Company."

The Mitsubishi Electric Group has become a global network of diverse businesses providing cutting-edge technologies that encompass a wide variety of applications ranging from homes, offices, and factories to social infrastructure and outer space.

Looking ahead, we will increase collaboration within the Group and continually take on the challenges of "Always improving" and "Always delivering new value."

Changes for the Better

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Note

FY2014: April 1, 2013–March 31, 2014

FY2015: April 1, 2014–March 31, 2015

FY2016: April 1, 2015–March 31, 2016

FY2017: April 1, 2016–March 31, 2017

FY2018: April 1, 2017–March 31, 2018

FY2019: April 1, 2018–March 31, 2019

FY2020: April 1, 2019–March 31, 2020

FY2021: April 1, 2020–March 31, 2021

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. To this end, all members of the Group will pursue the following Seven Guiding Principles.

Seven Guiding Principles

Trust, Quality, Technology, Citizenship, Ethics and Compliance, Environment, Growth



Looking back on the economic situation during the fiscal year ended March 31, 2018 (hereinafter, “fiscal 2018”), the Chinese economy remained virtually flat, while the U.S. economy experienced steady expansion. In addition, Japan and Europe saw moderate recovery. Turning to movements in foreign currency exchange rates, from May through early November 2017 the yen remained weak against U.S. dollar and euro, compared to the previous fiscal year. However, the yen strengthened against U.S. dollar from late November 2017 onward.

Under these circumstances, the Mitsubishi Electric Group placed greater emphasis than ever before on promoting growth strategies rooted in its competitive advantages, as well as on initiatives to boost its competitiveness and strengthen its management structure.

As a result, the Mitsubishi Electric Group recorded consolidated net sales of ¥4,431.1 billion in fiscal 2018—an increase of 5% compared to the previous fiscal year. Operating income increased 18% year-on-year to ¥318.6 billion, for a Group operating income ratio of 7.2%.

In accordance with its management targets, the Group will remain committed to maintaining a return on equity (ROE) of above 10% and keeping the ratio of interest-bearing debt to total assets below 15% while striving to achieve its growth targets, namely, consolidated net sales of ¥5.0 trillion or more and an operating income ratio of 8% or more, by fiscal 2021.

Moving forward toward securing sustained business expansion thereafter, the Mitsubishi Electric Group will also keep a focus on accelerating efforts to expand strong businesses while taking advantage of Technology Synergies and Business Synergies to support a variety of management initiatives.

Based on our Corporate Mission and Seven Guiding Principles, we of the Mitsubishi Electric Group position corporate social responsibility (CSR) initiatives as our main pillar of corporate management. Accordingly, the entire Group is committed to providing products, systems and services on a worldwide basis while being mindful of the challenges that society now faces—particularly environmental issues and resource and energy issues. In this way, we aim to be recognized as a “Global, Leading Green Company” capable of contributing to the realization of a prosperous society.

As we resolutely advance forward to achieve our goals, we ask for your continued support.

July 2018

A handwritten signature in black ink that reads "T. Sugiyama".

President & CEO **Takeshi Sugiyama**

Performance for the Year Ended March 31, 2018

Years ended March 31	Yen (millions)			U.S. dollars (thousands)
	2018	2017	2016	2018
Net sales	¥4,431,198	¥4,238,666	¥4,394,353	\$41,803,755
Operating income	318,637	270,104	301,172	3,006,009
Net income attributable to Mitsubishi Electric Corp.	271,880	210,493	228,494	2,564,906
Total assets	4,264,559	4,172,270	4,059,941	40,231,689
Interest-bearing debt	311,485	352,124	404,039	2,938,538
Mitsubishi Electric Corp. shareholders' equity	2,259,355	2,039,627	1,838,773	21,314,670
Capital expenditure (Based on the recognized value of property, plant and equipment)	181,513	175,542	177,801	1,712,387
R&D expenditures	210,308	201,330	202,922	1,984,038

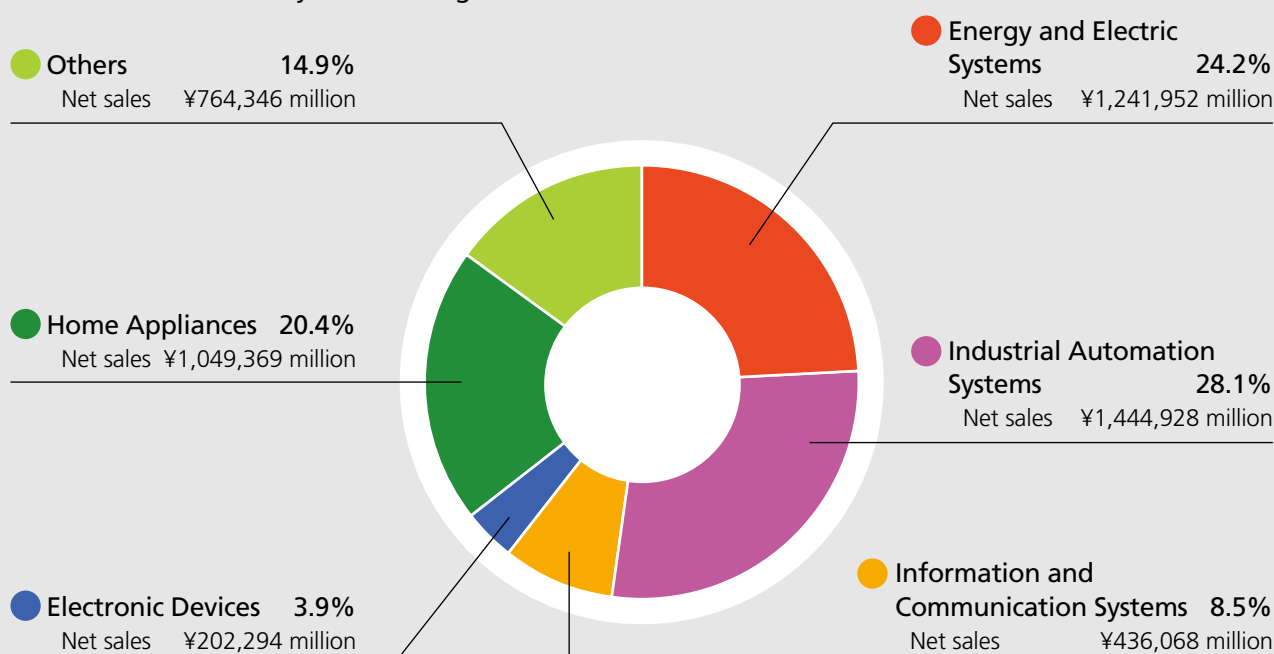
	Yen			U.S. dollars
Per-Share Amounts				
Net income attributable to Mitsubishi Electric Corp.				
Basic	¥126.70	¥98.07	¥106.43	\$1.195
Diluted	—	—	—	—
Cash dividends declared	40	27	27	0.377

	%			
Statistical Information				
Operating income ratio	7.2%	6.4%	6.9%	—
Return on equity (ROE)	12.6	10.9	12.4	—
Interest-bearing debt to total assets	7.3	8.4	10.0	—

See accompanying Notes to Consolidated Financial Statements on page 45.

- The Company prepares consolidated financial statements with procedures, accounting terms, forms, and preparation that are in conformity with accounting principles generally accepted in the United States of America based on the rules and regulations applicable in Japan.
- From the fiscal year ended March 31, 2018, the Company has adopted Accounting Standards Update 2015-17 "Balance Sheet Classification of Deferred Taxes" issued by the Financial Accounting Standards Board. The consolidated balance sheet as of the previous fiscal year has been reclassified to reflect this adoption.
- Operating income is presented as net sales less cost of sales, selling, general, administrative, and R&D expenses, and loss on impairment of long-lived assets.
- Diluted net income per share attributable to Mitsubishi Electric Corp. is not included in the above figure as no dilutive securities existed.
- U.S. dollar amounts are converted from yen at the rate of ¥106=U.S.\$1, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2018.

Net Sales Breakdown by Business Segment

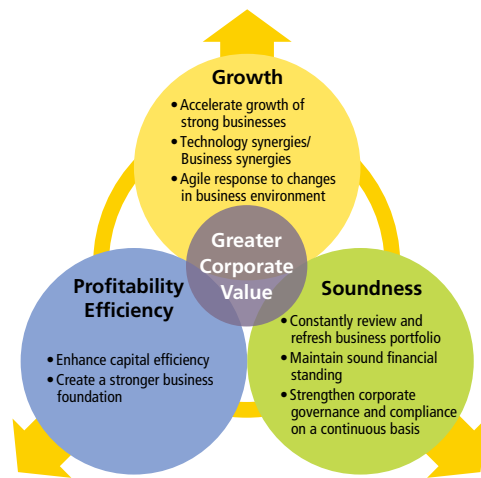


Note: Inter-segment sales are included in the amounts of the diagram above.

Management Philosophy and Policy

The Mitsubishi Electric Group has positioned corporate social responsibility (CSR) as a pillar of its corporate management, based on its Corporate Mission and Seven Guiding Principles. Accordingly, the Group has made committed efforts to become a corporation whose efforts are appreciated through its initiatives toward solving social issues. Or in other words, a corporation that is trusted by its stakeholders, including its society, customers, shareholders, and employees as a whole, and that earns their satisfaction through its business practices.

The Group has taken on the challenge of resolving environmental issues, resource and energy issues, and other social issues all of us face today on a global scale through its products, systems and services. In doing so, it aims to be recognized as a "Global, Leading Green Company" contributing to the realization of a prosperous society that simultaneously achieves "sustainability" and "safety, security and comfort." In these ways, the Mitsubishi Electric Group pursues the sustainable development of the entire Group.



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.

Embodiment of the Corporate Mission

"Global, Leading Green Company"
Contribute to the realization of a prosperous society that simultaneously achieves "sustainability" and "safety, security and comfort"

Growth Targets to be Achieved by FY2021
Net Sales 5 trillion JPY or more
OPM 8% or more

Initiatives to Create Value

Provide Products, Systems, and Services Globally

Make Strong Businesses Stronger

Technology Synergies/ Business Synergies

Contemporary Challenges in Society

Environmental issues

Resource/ Energy issues

Management Targets

Toward "High-Quality" Growth

In line with its efforts to achieve a higher level of growth, the Mitsubishi Electric Group has revised its growth targets for fiscal 2021 to consolidated net sales of ¥5.0 trillion or more, and an operating income ratio of 8% or more. The Group will also work to continuously and stably achieve the following management targets: secure an ROE of 10% or more, and secure an interest-bearing debt ratio of 15% or less of total assets.

In fiscal 2018, the Mitsubishi Electric Group achieved consolidated net sales of ¥4,431.1 billion and operating income of ¥318.6 billion, achieving record highs for both. In addition, the Group continued to achieve its management targets for ROE of 10% or more and an interest-bearing debt of 15% or less of total assets, recording figures of 12.6% and 7.3%, respectively, as of March 31, 2018.

Growth Targets to be Achieved by FY2021

Net sales	Operating income ratio
¥5.0 trillion or more	8% or more

Management Targets to be Continuously and Stably Achieved

ROE	Ratio of interest-bearing debt to total assets
10% or more	15% or less

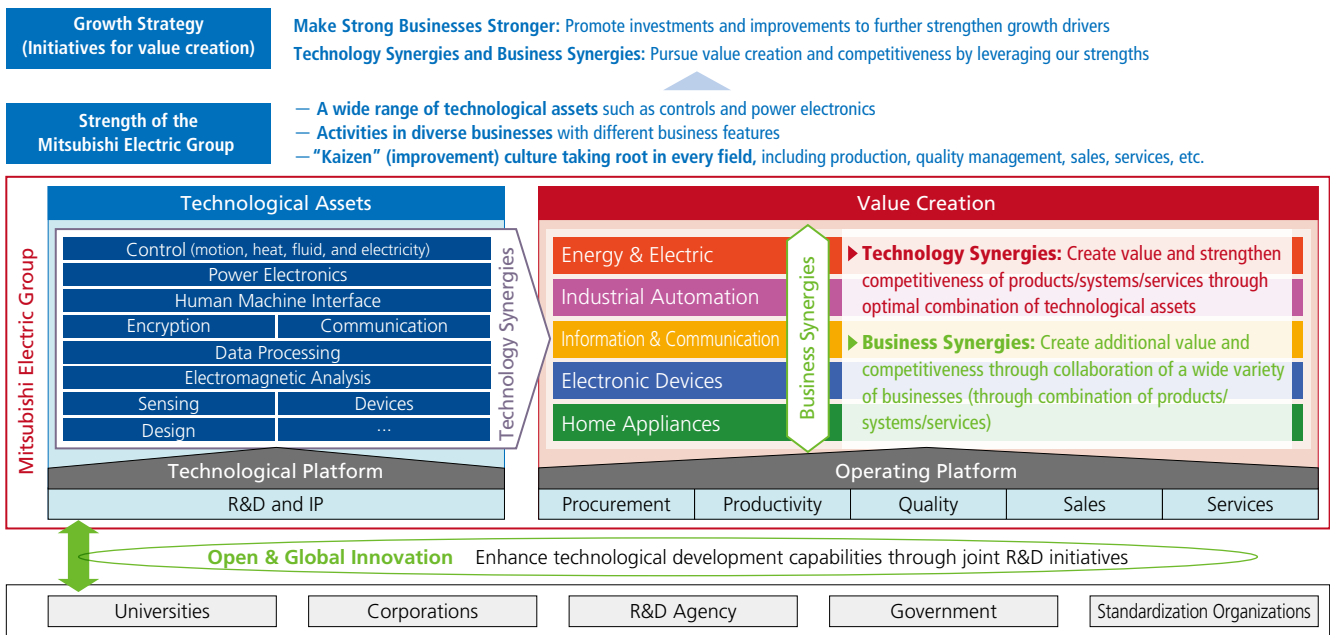
To ensure its corporate growth is sustainable, since fiscal 2002 the Group has adhered to the management policy of maintaining Balanced Corporate Management based on three perspectives: growth, profitability and efficiency, and soundness. Through these perspectives it has striven to secure greater corporate value.

The Group is also committed to continuously enhancing its corporate governance and compliance systems.

Bolstering Growth Strategies

The Mitsubishi Electric Group's distinctive strengths lie in the following three areas: 1) A wide range of technological assets such as controls and power electronics; 2) Activities in diverse businesses with different business features; and 3) "Kaizen" (improvement) culture taking root in every field, including production, quality management, sales, services, etc.

Fully utilizing these strengths, the Group is striving to make strong businesses stronger while taking advantage of technology synergies and business synergies. Having positioned these pursuits as the core of its growth strategies, the Mitsubishi Electric Group will thus endeavor to achieve its fiscal 2021 growth targets and secure sustained business expansion thereafter.



Make Strong Businesses Stronger

Currently, the Group has identified eight businesses—Power Systems, Transportation Systems, Building Systems, Factory Automation (FA) Systems, Automotive Equipment, Space Systems, Power Devices, and Air-Conditioning & Refrigeration Systems—as growth drivers. In addition to these businesses being prioritized for the allocation of management resources, ongoing initiatives are under way to improve these operations and enhance their strengths. Focusing on these businesses, the Group will thus expand its operations into markets worldwide, ranging from Japan, North America, Europe, and China to newly emerging markets, including those elsewhere in Asia. By satisfying the needs of each market, the Group will continue to provide and create value for its customers, and thereby secure sustainable growth going forward.

Technology Synergies and Business Synergies

Fully employing its strengths, the Mitsubishi Electric Group will pursue the coordination of diverse technologies and businesses to create additional value and secure greater competitiveness. Specifically, the Group seeks to improve the performance and reliability of every product and system it offers by creating technology synergies through optimal combinations of its strong technological assets, which encompass a wide range of technological fields, as well as business synergies through the coordination of its diverse business activities. At the same time, the Group will improve its ability to respond to its customers’ business challenges and needs by further accelerating the strategic combination of its technologies, products, systems, and services. Through these efforts, the Group will secure greater reputation with its customers in existing markets while developing new businesses and markets.

While executing its growth strategies, the Mitsubishi Electric Group will continue to allocate a high volume of investment resources, including research and development and capital, while actively pursuing collaborative ties and M&As to boost corporate growth for the Group with the following three perspectives in mind: Supplement missing parts (products/ technology) essential for business expansion; Secure distribution-/ service-network

(supply chain) in entering new regions/ markets; and Acquire talent in order to strengthen business execution capabilities. By doing so, the Group will maximize its investment outcome. At the same time, the Group will review and refresh its business portfolio to reallocate its management resources to areas that show growth. Moreover, the Group will strengthen this portfolio by continuously creating new strong businesses capable of driving future growth.

Building Robust Management Foundation

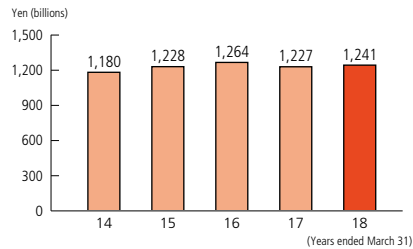
To strengthen its management foundation, the Mitsubishi Electric Group continuously strives to improve its capital efficiency. As a part of initiatives to this end, the Group continues to expand net sales and reduce costs while engaging in activities with the aim of improving inventory turnover, trade receivables turnover, and Just in Time operations. In addition to implementing these efforts in an exhaustive manner, in fiscal 2016 the Group began utilizing an internal performance indicator, ROIC (Mitsubishi Electric version) to monitor asset efficiency by business segment, thereby improving the ROE of all Group operations. Looking ahead, the Mitsubishi Electric Group will continue to focus on generating stable cash flows while maintaining a well-balanced approach in securing funds for executing strategic growth investment and enhancing shareholder returns in step with profit growth. In these ways, the Group will diligently work to increase corporate value.

Striving for Continuous Innovation

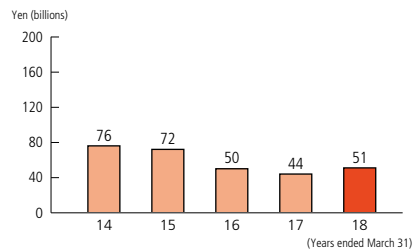
The Mitsubishi Electric Group will steadfastly carry out its management policies guided by a commitment to Balanced Corporate Management, while putting into practice the concept behind its overarching corporate statement: Changes for the Better. Each and every employee will share the common goal of “Always improving” and “Always delivering new value,” and the Mitsubishi Electric Group—by continuing to undergo transformation itself—will mature into a corporation that is always producing something better.

Energy and Electric Systems

Net sales



Operating income

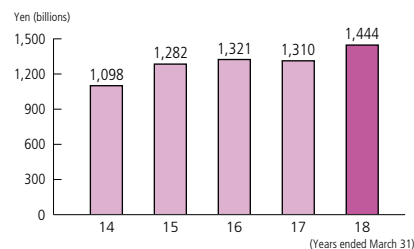


MAIN PRODUCTS AND BUSINESS LINES

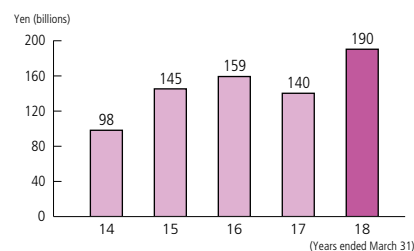
Turbine generators, hydraulic turbine generators, nuclear power plant equipment, motors, transformers, power electronics equipment, circuit breakers, gas insulated switchgears, switch control devices, surveillance-system control and security systems, transmission and distribution systems, large display devices, electrical equipment for locomotives and rolling stock, elevators, escalators, building security systems, building management systems, and others

Industrial Automation Systems

Net sales



Operating income

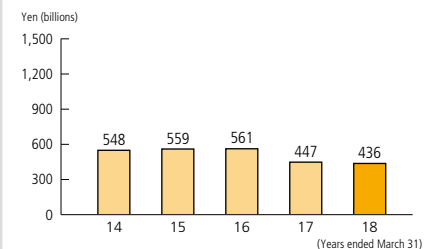


MAIN PRODUCTS AND BUSINESS LINES

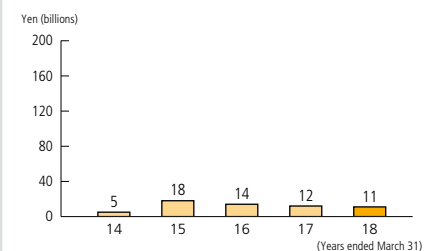
Programmable logic controllers, inverters, servomotors, human-machine interface, motors, hoists, magnetic switches, no-fuse circuit breakers, short-circuit breakers, transformers for electricity distribution, time and power meters, uninterruptible power supply, industrial fans, computerized numerical controllers, electrical discharge machines, laser processing machines, industrial robots, clutches, automotive electrical equipment, car electronics and car mechatronics, car multimedia, and others

Information and Communication Systems

Net sales



Operating income



MAIN PRODUCTS AND BUSINESS LINES

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

Fiscal 2018 Topics

- Began rolling out Maisart brand AI technologies that employ proprietary Mitsubishi Electric AI expertise and application technologies.



Maisart

- Guinness World Records Ltd. certified¹ KIRIGAMINE as the longest-running air-conditioner brand.²

¹ Certified on June 27, 2017

² Longest running cross-flow-fan air conditioner brand; 49 years and 258 days



- Became the first* in the industry to mass-produce a crankshaft-mounted integrated starter-generator (ISG) system for 48V hybrid vehicles. Daimler AG is planning to incorporate this ISG system into its Mercedes-Benz vehicles.

* As of October 26, 2017 (Mitsubishi Electric research)



2017

- Completed a new satellite component production facility in June 2018 to manufacture and test solar array panels and other products made using composite materials within the premises of the Kamakura Works' Sagami Factory (Sagamihara City, Kanagawa Prefecture), with plans calling for bringing this facility online in October.



- Chosen by CDP, an international NGO focused on researching, assessing and disclosing environmental initiatives undertaken by businesses and municipal bodies, to receive the highest rating under its fiscal 2018 assessment program in the three categories: "Climate Change," "Water" and "Supply Chain." The Company secured this rating for a second consecutive year.

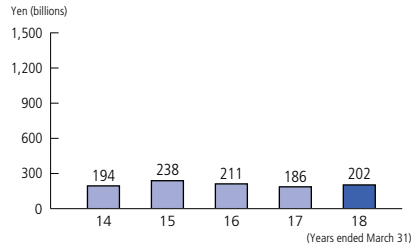


- Became a co-founder of the Edgexcross Consortium, an inter-company, inter-industry initiative aimed at creating new value through the pursuit of edge computing technologies, such as MELIPCs, real-time data analyzers and other Edgexcross solutions.

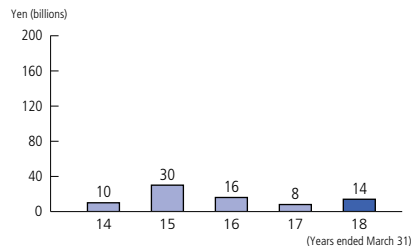


Electronic Devices

Net sales



Operating income

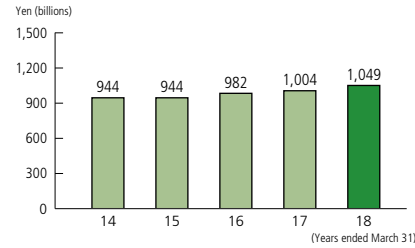


MAIN PRODUCTS AND BUSINESS LINES

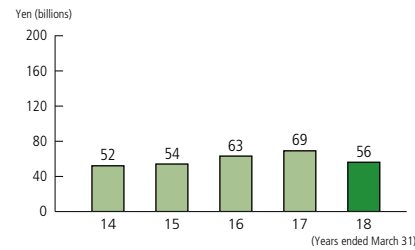
Power modules, high-frequency devices, optical devices, LCD devices, and others

Home Appliances

Net sales



Operating income

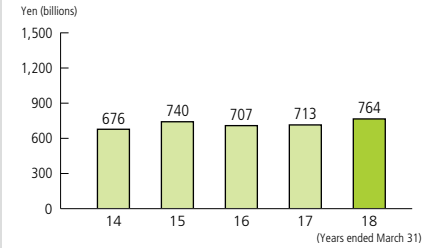


MAIN PRODUCTS AND BUSINESS LINES

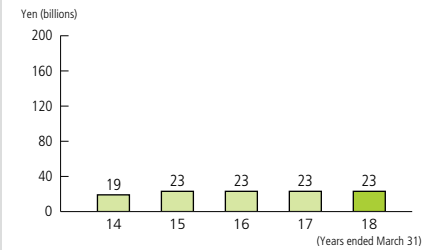
Room air conditioners, package air conditioners, chillers, showcases, compressors, refrigeration units, air-to-water heat pump boilers, ventilators, photovoltaic systems, hot water supply systems, IH cooking heaters, LED lamps, fluorescent lamps, indoor lighting, LCD televisions, refrigerators, electric fans, dehumidifiers, air purifiers, cleaners, jar rice cookers, microwave ovens, and others

Others

Net sales



Operating income



MAIN PRODUCTS AND BUSINESS LINES

Procurement, logistics, real estate, advertising, finance, and other services

- Mitsubishi Electric Automation Manufacturing (Changshu) Co., Ltd. (Jiangsu Province, China) established a new industrial robot manufacturing line at its second factory and brought it online.



- Bringing its new factory online, Mitsubishi Electric Turkey Klima Sistemleri Üretim Anonim Şirketi (Mitsubishi Electric Air Conditioning Systems Manufacturing Turkey) became the Mitsubishi Electric Group's local operating base for room air conditioner development and manufacturing.



- Delivered equipment/systems that contribute to ZEB (net Zero Energy Building) for the new head office building of SHIRASAGI DENKI KOGYO Co., Ltd., as the first ZEB planner among electrical equipment manufacturers, in January 2018.



2018

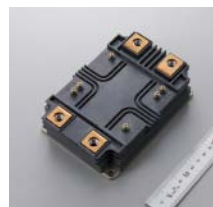
- Became the first* Japanese company to receive an order from French National Railways for prototype traction transformers for rolling stock.

* As of December 5, 2017 (Mitsubishi Electric research)



- Developed a 6.5 kV full-SiC power semiconductor module that is believed to offer the world's highest* power density rating thanks to its unique single-chip structure and a newly developed package.

* Among high-voltage power semiconductor modules; as of January 31, 2018; Mitsubishi Electric research

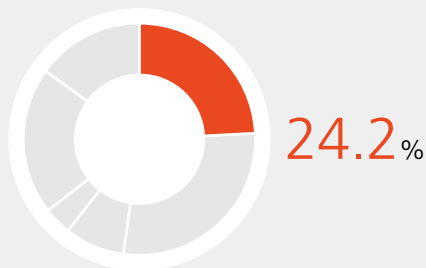


- Mitsubishi Electric's Power Distribution Systems Center (Marugame City, Kagawa Prefecture) completed a new factory equipped with IoT-driven innovative production systems employing the "e-F@ctory" to manufacture vacuum valves and circuit breakers.



Energy and Electric Systems

Net Sales Breakdown by Business Segment



Net Sales

¥1,241.9 billion
up 1% year on year

Operating Income

¥51.7 billion
up ¥7.3 billion year on year

The social infrastructure systems business saw decreases in both orders and sales compared to the previous fiscal year due primarily to decreases in the transportation systems business outside Japan and the power systems business in Japan.

The building systems business remained substantially unchanged in orders, while sales increased compared to the previous fiscal year due primarily to growth in the renewal business in Japan and the new installation of elevators and escalators outside Japan.

As a result, total sales for this segment increased by 1% from the previous fiscal year to ¥1,241.9 billion. Operating income increased by ¥7.3 billion from the previous fiscal year to ¥51.7 billion due primarily to a shift in project portfolios.



Next-generation SiC Inverter for Railcars

Mitsubishi Electric has developed a traction inverter for railcars that incorporates silicon carbide (SiC), a new type of semiconductor. This new inverter, with its energy-efficient, compact, lightweight, low-maintenance, and low-noise design, is expected to play a major role in next-generation railcar propulsion systems.



Large-scale Visual Information System

Offerings in the Mitsubishi Electric Group's lineup of large-scale visual information systems boast Diamond Vision™—a technology that helps fuel audience excitement in such venues as stadiums—along with cutting-edge information distribution platforms that employ the internet and data broadcasting. As such, the Group provides visual information systems that enrich people's lives in various ways.

©CHIBA LOTTE MARINES



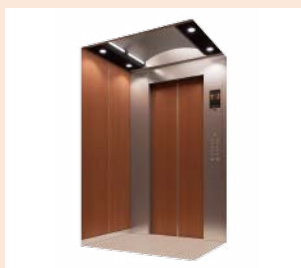
Transmission & Distribution Systems

Transmission and distribution facilities are essential parts of the electricity supply infrastructure, and to ensure stability their components must meet stringent requirements for reliability, functionality and performance. Satisfying customer needs for sophisticated solutions, Mitsubishi Electric boasts a broad lineup of high-quality products that support such facilities.



D-SMiree Smart Power Distribution Network Systems for Medium or Low Voltage Direct Current

In response to growing calls for standalone power distribution structures in which individual buildings' electricity needs are met by discrete on-site generation facilities, Mitsubishi Electric has created the Energy Management System (EMS), which is specifically designed for direct current distribution. Boasting predictive functions covering both generator output and electricity demand, the EMS helps control charging and discharging schedules to best utilize direct current generated by photovoltaic generators as well as that released from batteries, thus eliminating energy loss attributable to conversion to alternating current.



NEXIEZ Machine-room-less Elevators

Compact, lightweight, and energy-saving, NEXIEZ machine-room-less elevators are the global flagship product. They are widely used throughout the world, mainly in low- to mid-rise buildings. Models designed with various functions and features for specific regions are also available to meet the preferences and customer needs of each region.

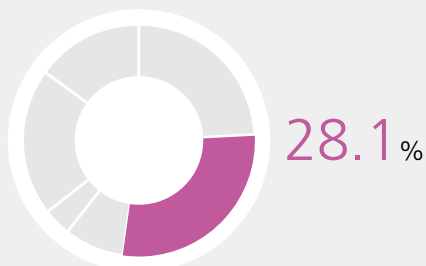


Series Z Escalators

The Z-Series escalators offer enhanced safety through several features that ease stepping on/off and help prevent clothing from getting caught, so that passengers of all ages, from small children to the elderly, can use the escalators safely. They also offer a higher level of energy conservation by providing optional features such as VVVF inverters. Environmentally friendly, people-friendly, and beautiful, the Z-Series show the future of escalators.

Industrial Automation Systems

Net Sales Breakdown by Business Segment



Net Sales

¥1,444.9 billion
up 10% year on year

Operating Income

¥190.8 billion
up ¥50.7 billion year on year

The factory automation systems business saw increases in both orders and sales from the previous fiscal year due primarily to growth in capital expenditures in the fields of organic light emitting diodes (OLED) mainly in Korea, smartphones and electric cars in China as well as buoyancy in exports by machinery manufacturers in Japan.

The automotive equipment business saw increases in both orders and sales from the previous fiscal year, due primarily to increases in sales volume of Japanese car manufacturers in China, as well as the weaker yen, despite decreased car sales in North America.

As a result, total sales for this segment increased by 10% from the previous fiscal year to ¥1,444.9 billion. Operating income increased by ¥50.7 billion from the previous fiscal year to ¥190.8 billion due primarily to an increase in sales.



Programmable Logic Controllers

Mitsubishi Electric's MELSEC series of programmable logic controllers supports a wide array of production and social infrastructure applications; solutions range from control and safety devices to information and instrumentation management. As a leading global brand, the MELSEC series contributes to the construction of cutting-edge control systems owing to its capabilities, performance, product variety, and high reliability.



AC Servos

The MELSERVO Series enhance all aspects of production devices and facilities. From rotary servo motors to linear servo motors and direct drive motors, a wide range of products is available to meet any number of applications and to significantly improve the performance of all relevant devices.



Computerized Numerical Controllers—CNCs

A broad range of CNCs is available. Including, for example, the M800/80 Series, which increases productivity and precision and optimizes machine tool operation through an independently developed dedicated CPU and abundant control functions. It is also compatible with the various field networks that are necessary for constructing automated systems.



Electrical Discharge Machines (EDMs)

Beginning with the newly launched MP series, a strategic product on a global scale, Mitsubishi Electric provides a lineup of EDMs that add value and improve the manufacturing productivity of molds and precision components. Such equipment is indispensable to the production of automobiles, home electronics, and IT-related devices.



Electric Power Steering (Motors and Controllers)

Mitsubishi Electric was the first company in the world to mass produce motors and controllers for electric power steering to assist driver steering in line with driving conditions. Over the years, Mitsubishi Electric has helped to improve steering feel, response, and stability while delivering compact units and high-output performance, and contributing to reduced automobile CO₂ emissions.

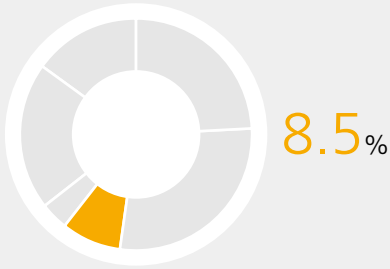


Car Navigation System

The DIATONE SOUND. NAVI NR-MZ300PREMI/NR-MZ200PREMI-2 car audio-navigation system offers superior quality in terms of responsiveness, image resolution, and design. It enhances the driving experience more than ever, with faster and more visually appealing navigation.

Information and Communication Systems

Net Sales Breakdown by Business Segment



Net Sales

¥436.0 billion
down 3% year on year

Operating Income

¥11.9 billion
down ¥0.7 billion year on year

The telecommunications equipment business saw decreases in both orders and sales compared to the previous fiscal year due primarily to decreased demand in communications infrastructure equipment.

The information systems and service business saw an increase in sales compared to the previous fiscal year, mainly owing to an increase in the system integrations business.

The electronic systems business saw an increase in orders compared to the previous fiscal year mainly due to increases in the defense systems and space systems businesses, while sales experienced a decrease compared to the previous fiscal year due primarily to a shift in large-scale projects in the defense systems business.

As a result, total sales for this segment decreased by 3% from the previous fiscal year to ¥436.0 billion. Operating income decreased by ¥0.7 billion from the previous fiscal year to ¥11.9 billion due primarily to a decrease in sales.



Information System Integrated Control Center

Specialist engineers are available 24/7 to remotely operate and monitor client information systems and to analyze and determine any problem that might occur using automated tools, enabling a rapid response to any system malfunction. (Mitsubishi Electric Information Network Corporation)



“kizkia”: Video Analysis Solution using Artificial Intelligence

Powered by AI, this system can identify attributes of persons or things and automatically recognize their movements, conditions and situations by analyzing security footage in real-time. It notifies irregular situations which may require staff’s support but would otherwise been overlooked by human observers. The system also makes it possible to support forecasting future conditions. (Mitsubishi Electric Information Systems Corporation)



DS2000 Standard Satellite Platform

The DS2000 is a standard satellite platform modeled after JAXA’s ETS-VIII. It meets the need for high-quality, low-cost satellites with shortened delivery times. It has already been adopted for use by Japan and other countries; more than ten satellites currently in orbit use it. It will eventually be incorporated into JAXA’s Engineering Test Satellite 9, which is being launched in response to the need for high-throughput communications satellites.



Vehicle-mounted Stations for Satellite Communications

Vehicle-mounted satellite communication equipment enables transmission of video and audio for broadcast news (satellite news gathering) and information for disaster management. Mitsubishi Electric products are employed by Japanese broadcasters, the public sector, and infrastructure companies such as gas and electricity utilities.



Broadband Optical Access Systems

Mitsubishi Electric is progressively installing Gigabit Ethernet Passive Optical Network (GE-PON) systems, which play a central role in broadband services. The need for GE-PON systems is steadily expanding due to high-capacity broadband content, including the increased use of visual services.



Digital CCTV (Closed-circuit Television) System

This digital CCTV system meets the expanding range of needs for video surveillance systems, which is achieved through new digital technology incorporated into its high-resolution megapixel camera and its high level of scalability, which can accommodate even large-scale systems.

Electronic Devices

Net Sales Breakdown by Business Segment



Net Sales

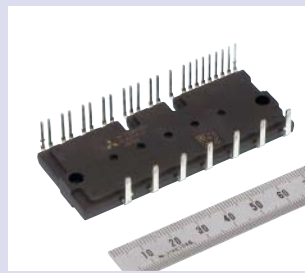
¥202.2 billion
up 8% year on year

Operating Income

¥14.5 billion
up ¥6.1 billion year on year

The electronic devices business saw an increase in orders from the previous fiscal year due to increases in demand for power modules used in consumer and industrial applications, despite a decrease in demand for optical communication devices, and total sales increased by 8% compared to the previous fiscal year to ¥202.2 billion.

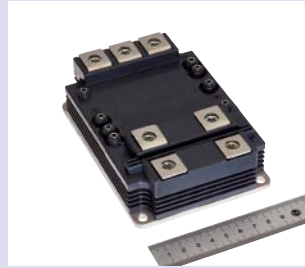
Operating income increased by ¥6.1 billion from the previous fiscal year to ¥14.5 billion due primarily to an increase in sales.



1200V Large DIPIPM*™ Ver. 6

The Mitsubishi Electric has expanded its lineup of 1200V large DIPIPM™ Ver. 6 to include those suited for 40kW-class package air conditioners, thus contributing to downsizing, light-weighting and energy-saving inverters for use in air conditioners and other appliances.

* DIPIPM: Transfer mold package intelligent power module with short-circuit protection.

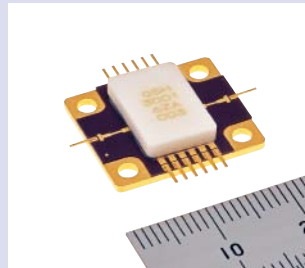


LV100-Type X-Series HVIGBT¹ Modules

Incorporating 7th-generation IGBT and RFC diodes, these high-voltage power semiconductor modules are designed to support traction, power transmission systems and large industrial application with their large capacities. The modules will offer high power and high efficiency of the inverter systems by realizing the greatest power density on the market² and it will enable inverter systems to be more flexible configurations and higher reliability by new package structure and optimized terminal layout.

¹ High Voltage Insulated Gate Bipolar Transistor

² As of May 11, 2017, Mitsubishi Electric research



Ka-Band¹ GaN² HEMT³ MMIC⁴ for Satellite Earth Stations

This GaN HEMT MMIC suitable for satellite communication system which are used for high-speed communication during natural disasters and in areas where ground networks are difficult to construct. Playing key roles in these systems, the GaN HEMT MMIC offers industry top-level low distortion⁵ and output power of 8W, will help to downsize satellite earth stations.

¹ Microwaves with frequencies ranging from 26 to 40 GHz

² Gallium Nitride

³ High Electron Mobility Transistor

⁴ Monolithic Microwave Integrated Circuit

⁵ Based on Mitsubishi Electric research as of October 4, 2017; compared with other Ka-band GaN HEMT MMIC devices for use in satellite earth stations



Compact Integrated 400Gbps¹ EML²-TOSA³

The Mitsubishi Electric became the first in the industry⁴ to release 400Gbps EML TOSAs conforming to the IEEE 400GBASE-LR8 standards⁵ established for high-capacity communication systems supporting 400Gbps transmissions by covering 8 wavelengths with a pair of TOSAs. Used in facilities such as data centers, these devices thus help enhance optical communications infrastructure by boosting transmission speed and capacity.

¹ Gigabits per seconds

² Electro-absorption Modulated Laser diode

³ Transmitter Optical Sub Assembly

⁴ As of March 7, 2018, based on internal research

⁵ Ethernet basic standards formulated by the American Institute of Electrical and Electronics Engineers for 400Gbps communication speed, 10 km transmission distance and eight different wavelengths



19.0-inch SXGA

TFT-LCD Modules with Touch Panels for Industrial Applications (19.0-inch SXGA, 8.0-inch WVGA, 12.1-inch XGA/WXGA)

These projected capacitive touch panels using cover glass of up to five millimeters in thickness, support maximum 10 simultaneous touch inputs, and can be used even with thick, heat-resisting gloves or when the screen is wet. They are ideal for outdoor applications that require impact or water resistance.



8.4-inch
VGA

10.4-inch
XGA

Transflective Series TFT-LCD Modules for Industrial Applications (8.4-inch VGA and 10.4-inch XGA)

Transflective series TFT-LCD modules ensure low power consumption by switching off backlight when ambient light is available. As these modules boast market-leading visibility under direct sunlight and are capable of operating in wide temperature range, this lineup provides superior solutions for display used outdoors in industrial equipment.

Home Appliances

Net Sales Breakdown by Business Segment



Net Sales

¥1,049.3 billion
up 4% year on year

Operating Income

¥56.0 billion
down ¥13.6 billion year on year

The home appliances business saw a 4% increase in sales compared to the previous fiscal year to ¥1,049.3 billion, due to increases in sales of air conditioners in the European, Chinese and U.S. markets, in addition to positive influences caused by the weaker yen.

Operating income decreased by ¥13.6 billion compared to the previous fiscal year to ¥56.0 billion due primarily to increases in material prices and sales expenses.



Air Conditioning Systems

In addition to KIRIGAMINE room air conditioners, Mitsubishi Electric offers an extensive lineup of products with applications extending from stores, offices, and buildings to factories and industrial facilities while featuring environmentally compatible, energy-saving technologies. These qualities allow Mitsubishi Electric to meet air conditioning needs globally.



Home Equipment

ENEDIA is a system that effectively uses renewable energy through the ingenious application of a home energy management system (HEMS) that stores electricity generated by solar panels in the batteries of an electric vehicle. ENEDIA is based on Mitsubishi Electric's concept of a smart electric home that conserves energy by using highly efficient air conditioners, water heaters, and cooking equipment. It gives residents a way to conserve energy without sacrificing comfort.



Home Appliances

Mitsubishi Electric develops home appliances by incorporating its unique technologies and perspectives so that its products can be used in various scenes of daily life, such as the kitchen, living room, and bedroom. Efforts are made to develop products that contribute to making life more comfortable for users, meeting and even surpassing their expectations.



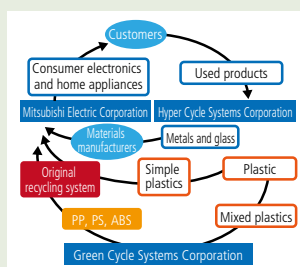
Lighting Fixtures and Light Bulbs

Mitsubishi Electric offers an extensive lineup of high-efficiency, long-lasting LED products that meet diverse needs for energy-saving light bulbs and equipment in households, stores, offices, and factories. The company's LED products make the future brighter for families and society as a whole.



Visual Equipment for Public and Business Applications

Mitsubishi Electric's high-quality image processing technologies deliver exceptionally sharp images with superior color reproduction and are incorporated in a wide range of products developed to suit a variety of application needs. These systems are being used in Japan and abroad for large-screen applications, such as digital signage used to display images, data, and information at public facilities and other venues.



Recycling Consumer Electronics and Home Appliances

Mitsubishi Electric has developed technologies for automatically sorting the three major types of plastic (polypropylene (PP), polystyrene (PS), and acrylonitrile-butadiene-styrene (ABS)) used in consumer electronics and home appliances. This original recycling system is being utilized to promote the reuse of plastics in the company's products by improving the physical properties of the sorted materials.

Basic Policy on Research and Development

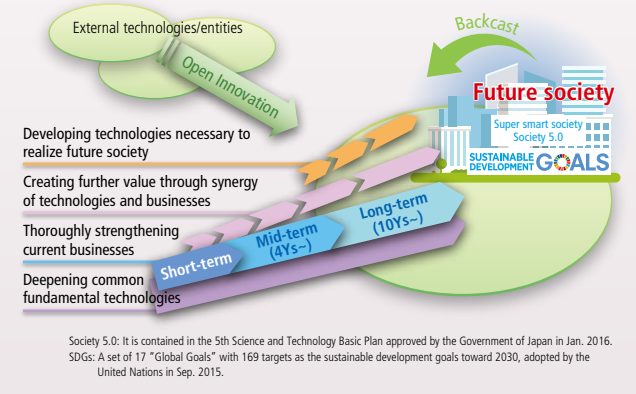
As the cornerstone of its growth strategy, the Mitsubishi Electric Group will promote short-, medium-, and long-term R&D themes in a balanced manner.

In addition to thoroughly strengthening current businesses, the Group is striving to leverage its accumulated strengths as an innovative, diversified electrical equipment manufacturer to create greater value through technological and business synergies and is engaging in R&D of future technologies needed to realize its ideal vision.

At the same time, the Group is also focused on research into fundamental technologies that support all of its products. Furthermore, the Group will maximize achievements by promoting enhancement of efficiency of development through proactive utilization of open innovation in collaboration with universities and other external R&D institutions.

R&D policy

Well balanced short-, mid- and long-term R&D



Major R&D Achievements in Fiscal 2018

Development of Object-Recognition Camera Technology for Coming Mirrorless Cars

Mitsubishi Electric Corporation has developed what is believed to be the industry's highest*¹ performing automotive camera technology for coming mirrorless cars*² that instantly detects various object types at distances of up to 100 meters using Mitsubishi Electric Corporation's proprietary Maisart*³-brand artificial intelligence (AI) technology.

As a result of the approval of mirrorless cars for use in Europe and Japan in June 2016, the market is expected to rapidly expand in the future.

This technology instantly detects approaching objects and identifies the type of object at the same time, which is expected to help prevent accidents, especially when drivers change lanes, by warning drivers. As such, the development of this technology will contribute to the realization of a safe and secure automobile society.

*¹ As of January 17, 2018 (survey conducted by Mitsubishi Electric Corporation)

*² System that replaces rearview and side mirrors with camera-monitoring systems

*³ Mitsubishi Electric's AI creates the State-of-the-ART in technology Mitsubishi Electric's AI technology brand aimed at making all equipment smart



Instant recognition of distant objects to help ensure driving safety

Development of 6.5 kV Full-SiC Power Semiconductor Module*¹

Mitsubishi Electric Corporation has developed a 6.5 kV full-SiC*² power semiconductor module featuring the world's highest*³ power density*⁴ of 9.3 kVA/cm³ (1.8 times compared with Si*⁵ module) enabled by insulating substrate with both thermal conductivity and heat tolerance, and by high reliable bonding technology.

Since the replacement of Si modules with full-SiC modules substantially reduces switching loss and makes it possible to conduct high frequency operations, which had been difficult to carry out with Si modules, this technology can realize energy-efficient power electronics equipment as well as compact peripheral components. The application of this module will lead to smaller and more energy-efficient power electronics equipment for high-voltage electrical equipment for railcars and power system and transformer equipment.

*¹ This development is subsidized by the New Energy and Industrial Technology Development Organization (NEDO).

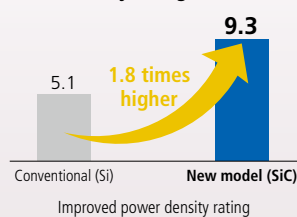
*² SiC: Silicon Carbide (a compound of carbon and silicon)

*³ As of January 31, 2018, as high-voltage power semiconductor module (survey conducted by Mitsubishi Electric Corporation)

*⁴ The magnitude of power generated by a certain volume at the time of standard operation

*⁵ Si: Silicon

Power density rating (kVA/cm³)



6.5kV full-SiC power semiconductor module

Contributing to advances in railcar- and power facility-related equipment in terms of energy efficiency and miniaturization

Protection of Intellectual Property Rights

Basic Policy

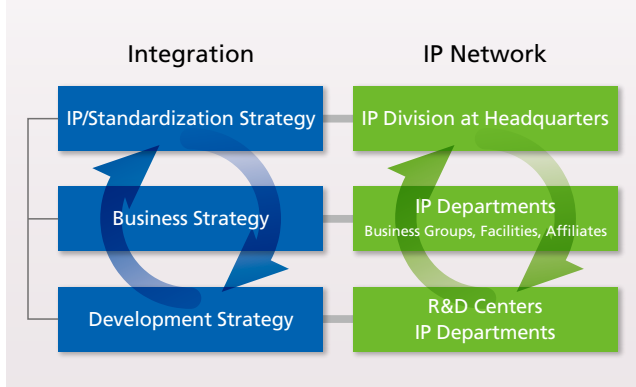
The proper protection of intellectual property (IP) rights promotes technological progress and sound competition, and also contributes to realizing affluent lifestyles and the development of society.

The Mitsubishi Electric Group recognizes that intellectual property (IP) rights represent a vital management resource essential to its future and must be protected. Through integrating business, R&D, and IP activities, the Group is proactively strengthening its global IP assets, which are closely linked to the Group's business growth strategies and contribute to both business and society.

Structure of the Intellectual Property Division

The IP divisions of the Mitsubishi Electric Group include the Head Office IP Division, which is the direct responsibility of the president, and the IP divisions at the Works, R&D centers, and affiliated companies. The activities of each IP division are carried out under the executive officer in charge of IP at each location. The Head Office IP Division formulates strategies for the entire Group, promotes critical projects, coordinates interaction with external agencies including patent offices, and is in charge of IP public relations activities. At the Works, R&D center, and affiliated company level, IP divisions promote individual strategies in line with the Group's overall IP strategies. Through mutual collaboration, these divisions work to link and fuse their activities in an effort to develop more effective initiatives.

Integrating Business, R&D and IP Activities



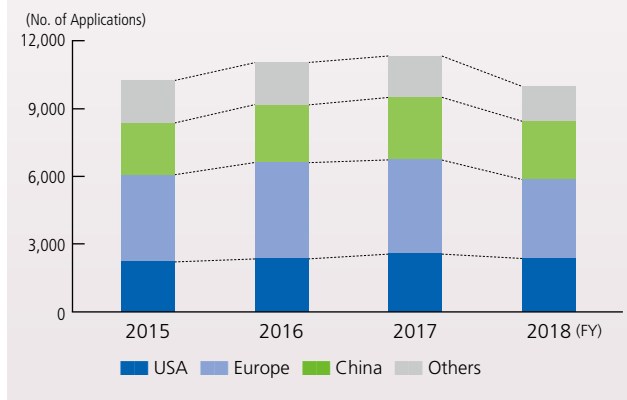
Global IP Strategy

The Mitsubishi Electric Group identifies critical IP-related themes based on its mainstay businesses and important R&D projects, and is accelerating the globalization of IP activities also by filing patents prior to undertaking business development in emerging countries where an expansion of business opportunities is expected. Furthermore, resident officers are assigned to Mitsubishi Electric sites in the United States, Europe, and China to take charge of IP activities and strengthen the IP capabilities of business offices,

R&D centers, and affiliated companies in each country. Through these initiatives, we strive to create a robust global patent network.

As an indication of the Mitsubishi Electric Group's IP capability and global IP activities, the company ranked 1st in Japan in terms of the number of patent registrations (in 2017) announced by the Japan Patent Office (JPO), and 4th in the world in terms of Patent Cooperation Treaty (PCT) applications by businesses (in 2017) announced by the World Intellectual Property Organization (WIPO).

Annual Trends in Overseas Patent Applications by the Mitsubishi Electric Group



Respecting IP Rights

The Mitsubishi Electric Group firmly recognizes the importance of mutually acknowledging and respecting not only its own intellectual property rights but the intellectual property rights of others as well. This stance is clearly set forth in the Mitsubishi Electric Group Conduct Guidelines and practiced throughout the Group.

Any infringements on the IP rights of others not only violate the Code of Corporate Ethics and Compliance, but also have the potential to significantly impair the Group's continued viability as a going concern. The resulting potential impairments include being obliged to pay significant licensing fees or being forced to discontinue the manufacture of a certain product.

In order to prevent any infringement on the IP rights of others, various educational measures are provided mainly to engineers and IP officers, to raise employee awareness and promote greater respect for the IP rights of others. At the same time, a set of rules has been put in place to ensure that a survey of the patent rights of others is carried out at every stage from development to production, and is strictly enforced throughout the entire Group.

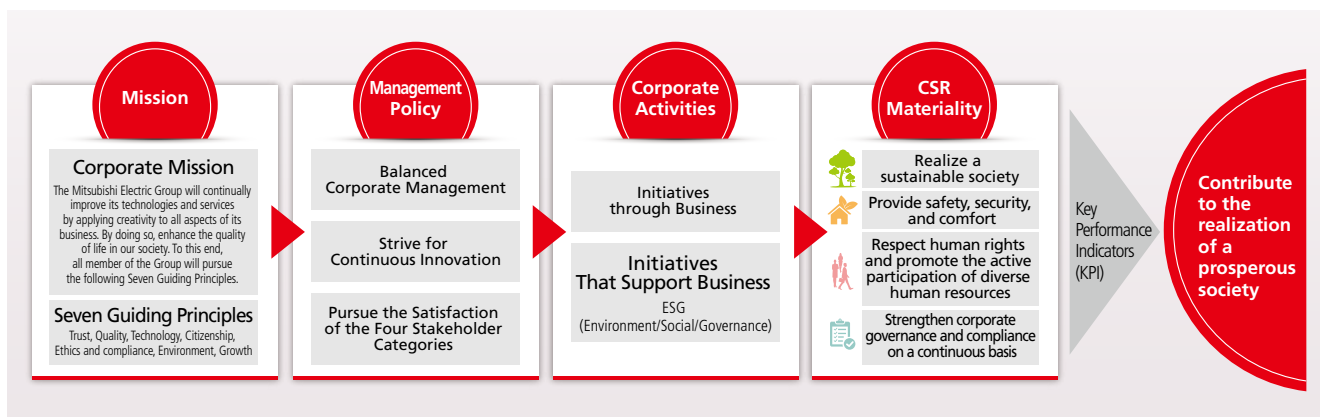
The Mitsubishi Electric Group also works diligently to prevent any infringement on its IP rights by others. In addition to in-house activities, we place particular weight on collaborating with industry organizations while approaching government agencies both in Japan and overseas as a part of a wide range of measures to prevent the counterfeiting of our products.

CSR Management

Principles of CSR

The Mitsubishi Electric Group regards its corporate social responsibility (CSR) initiatives as the foundation of its corporate management, and upholds its Corporate Mission and Seven Guiding Principles as the basic policies of its CSR. Particularly with respect to initiatives related to ethics and legal compliance, Group-wide efforts are made to enforce measures such as enhancing training and strengthening internal controls. Active measures are also taken to ensure and improve quality assurance, environmental preservation activities, philanthropic activities, and communication with stakeholders.

By engaging in corporate activities based on a management plan and implementing ongoing improvement activities related to CSR and key performance indicators (KPI) based on the PDCA approach, we will contribute toward creating an affluent society.



Promotional System for CSR

The policies and planning for the CSR activities of the Mitsubishi Electric Group are decided by a CSR Committee appointed by Mitsubishi Electric's executive officers. The Committee is composed of the heads of Mitsubishi Electric's management departments (19 members in charge of environmental, social and governance aspects from divisions such as Corporate Strategic Planning and Corporate Human Resources), and discusses the results of activities performed during the previous fiscal year, decisions on future activity plans, and responses to law amendments, from a perspective that spans the entire Mitsubishi Electric Group.

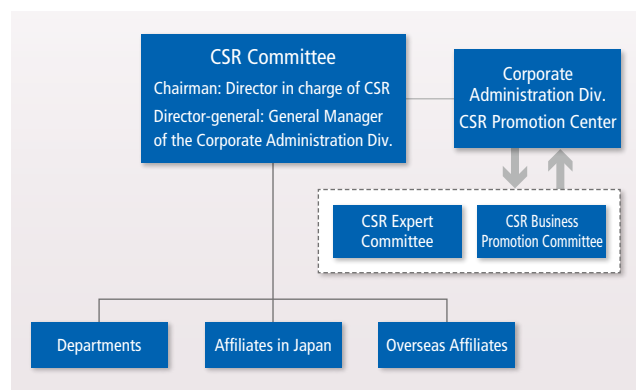
Knowing that CSR activities are directly linked to corporate management, each department responsible for ethics and legal compliance, quality assurance and improvement, environmental conservation and philanthropy activities, and communication with stakeholders implements their own initiatives, based on the CSR policy of the Mitsubishi Electric Group.

In addition to the CSR Committee that is generally held once a year, various activities are also promoted and implemented in communication with the CSR Expert Committee and CSR Business Promotion Committee, which are convened as a forum for sharing and executing the policies and plans established by the CSR Committee.

Main agenda of the CSR Committee (held in April 2018)

- Report on achievements made in the previous fiscal year and activities planned in the current fiscal year
- Responses to the sustainable development goals (SDGs*)
- Responses to ESG (environment, society, governance) investment
- Human rights initiatives
- Supply chain management

* The Sustainable Development Goals (SDGs) comprise a set of targets adopted by the U.N. General Assembly in 2015 as part of an action plan to be accomplished by 2030 that would end poverty, protect the planet, and ensure prosperity for all.



Initiatives related to the SDGs

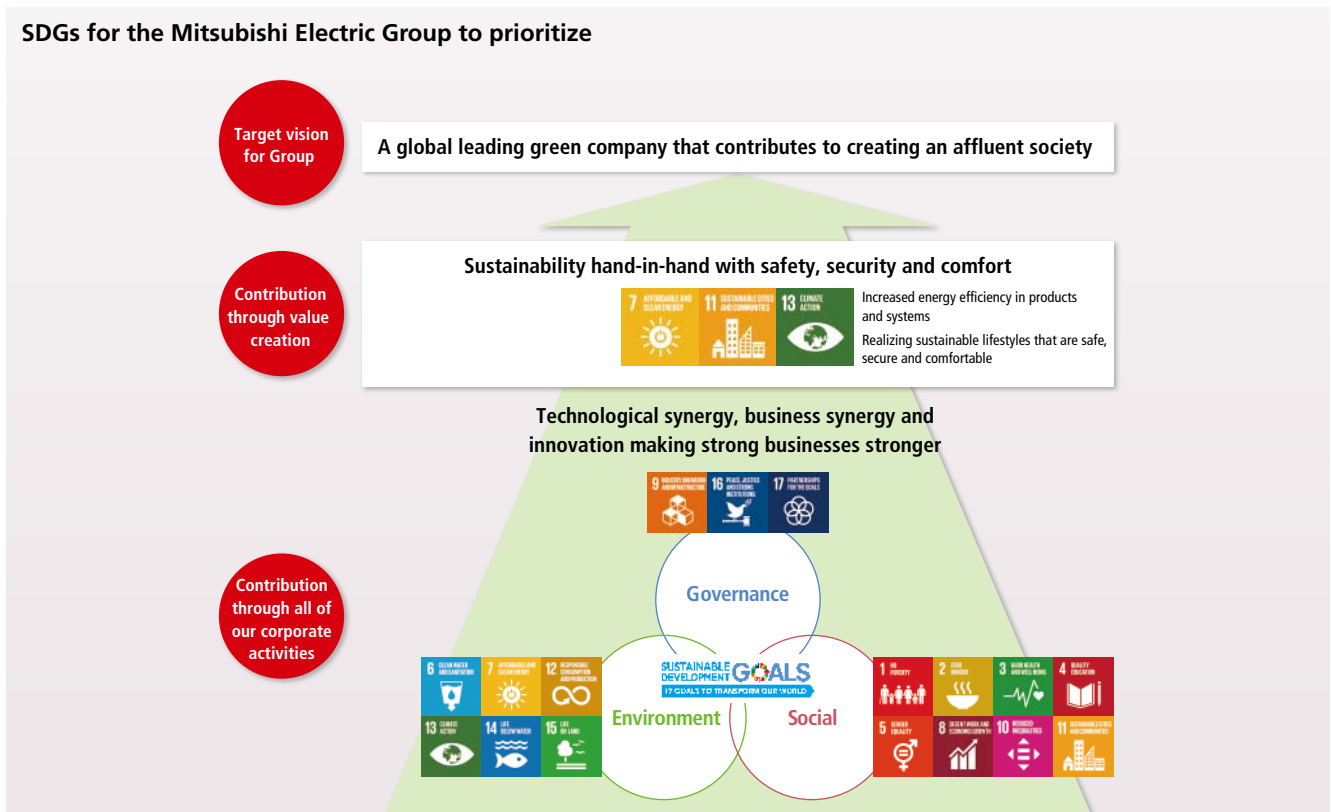
Through our numerous businesses and the entirety of our corporate activities, including environment, society and governance (ESG)-related activities, the Mitsubishi Electric Group is playing its part in achieving the 17 SDGs.

At the same time, we believe we need to define specific fields and focus our efforts to further contribute to attaining the SDGs. Goal 7, "Affordable and clean energy," Goal 11, "Sustainable cities and communities," and Goal 13, "Climate action," are areas where we can apply our strengths as a comprehensive electrical

and electronic manufacturer, and are consistent with the nature of the company we are aiming to become. We will contribute even more to achieving the SDGs by creating value in these areas via technological and business synergy, prioritizing the initiatives we advance.

Into the future, the Mitsubishi Electric Group will integrate the concept of the SDGs with our management direction, and continue to advance initiatives related to the SDGs.

SDGs for the Mitsubishi Electric Group to prioritize



Initiatives / External Evaluation

In May 2018, the Mitsubishi Electric Group signed the United Nations Global Compact (UNGC) aimed at promoting CSR activities based on international norms.

Mitsubishi Electric has once again in fiscal 2018 been named to the A List Companies, the highest ranking given by the international non-governmental organization CDP, in recognition of its environmental initiatives in the three categories of "Climate Change," "Water" and "Supply Chain" for the second consecutive year following fiscal 2017.

In addition, Mitsubishi Electric is included in a number of ESG-centered stock indices.



MSCI | 2017 Constituent
MSCI Japan ESG
Select Leaders Index

MSCI | 2017 Constituent
MSCI Japan Empowering
Women Index (WIN)



G: Governance

Corporate Governance

Basic Corporate Governance Policy

To realize sustained growth and increase corporate value, the Mitsubishi Electric Group works to maintain the flexibility of its operations while promoting management transparency. These endeavors are supported by an efficient corporate governance structure that clearly defines and reinforces the supervisory functions of management while ensuring that the Company is responsive to the expectations of customers, shareholders, and all of its stakeholders.

- IR Library

<http://www.MitsubishiElectric.com/en/investors/library/>

Corporate Management and Governance Structure

Corporate Management Structure

In June 2003, Mitsubishi Electric became a company with a 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.

The present Board 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. The Board of Directors has three internal bodies: the Audit, Nomination and Compensation committees. Each body has five members, the majority of whom are outside directors. The Audit Committee is supported by dedicated independent staff.

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.

Internal Control System

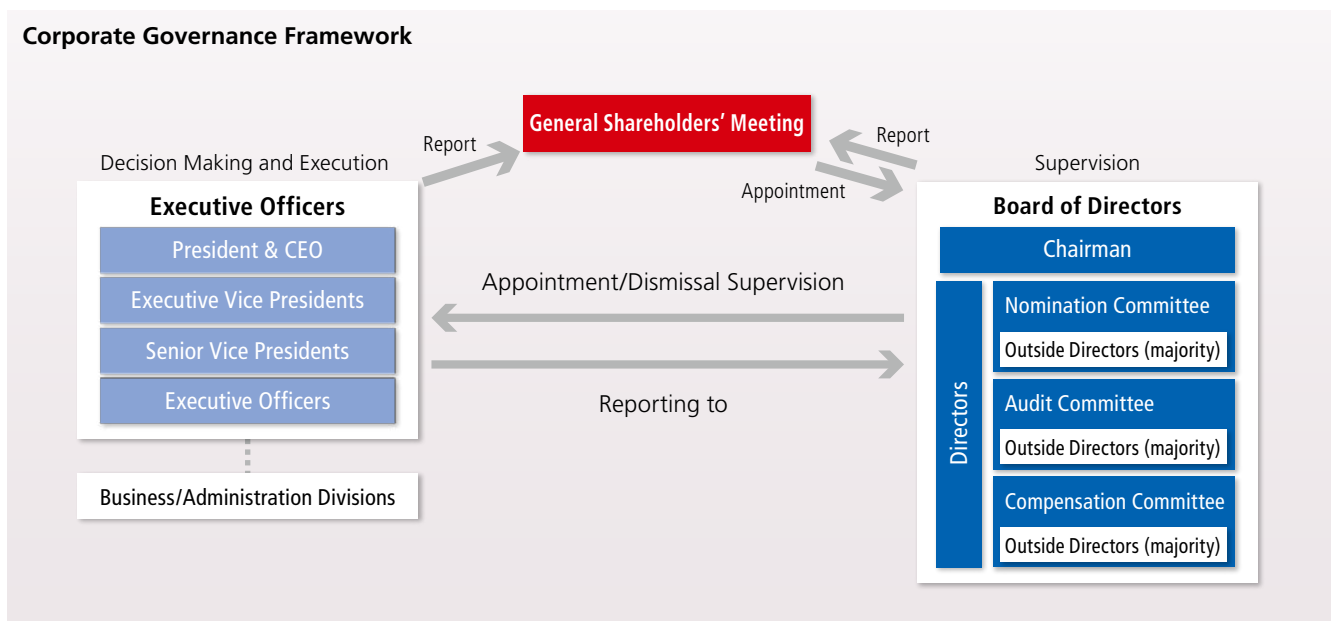
(A) For proper execution of duties by the Audit Committee, the committee's independence is ensured such as by assigning dedicated employees to assist in its duties, and the expenses and responsibilities incurred by the committee in the course of executing its duties are appropriately processed according to internal regulations.

A framework is also in place for reporting to the Audit Committee. The Internal Control Department keeps the Audit Committee informed of information about Mitsubishi Electric and affiliate companies, and an internal reporting system is used to report that information to audit committee members.

Audit committee members attend executive officers' meetings and other such important conferences, and conduct hearings and surveys of executive officers and the executive staff of Mitsubishi Electric offices and affiliated companies. It also receives regular reports from the accounting auditor and executive officer in charge of auditing, and discusses auditing policies and methods and the implementation status and results of audits.

(B) Internal regulations and system are in place to ensure proper operations by the Mitsubishi Electric Group. Within this system, executive officers undertake their duties on their own responsibility and hold executive officers' meetings to deliberate on important matters.

Executive officers themselves make periodic inspections of the operational status of the system, and the Internal Control Department inspects the design and operation of the internal



control framework and regulations, and the status of internal reporting system and then report the result to audit committee members.

Furthermore, an internal auditor audits the operational status of the framework, and through an executive officer in charge of auditing, regularly reports the results of such audits to the Audit Committee.

Corporate Auditing Division and Audit Committee

Acting independently, Mitsubishi Electric'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 profound knowledge of their particular fields, assigned from certain business units.

The Audit Committee is made up of five directors, three of whom are outside directors. In accordance with the policies and assignments agreed to by the committee, the performances of directors and executive officers as well as affiliated companies are audited.

The Corporate Auditing Division, through the executive officer in charge of auditing, submits reports to the Audit Committee, which holds periodic meetings to exchange information and discuss auditing policies. In addition, the Audit Committee discusses policies and methods of auditing with accounting auditors, who furnish it with reports on the status and results of the audits of the Company that they themselves conduct.

Providing Directors with Appropriate Information at the Appropriate Time, and Conducting Reviews of the Board with Analyses and Evaluations

To strengthen the Board's capacity to supervise Company's management, the bureaus of the Board of Directors and each committee provide the directors with the information necessary for supervising management, in a timely and appropriate manner. And, to further improve the Board of Directors' capacity to supervise management, venues have been established for supplying information to and exchanging views with outside directors, and the Company is working to further enhance the provision of management-related information to the Board of Directors itself.

Additionally, in order to further enhance the functioning of the Board of Directors, the Board meetings are reviewed on an annual basis, and analyses and evaluations are conducted in the following areas.

- Frequency, scheduling, and time spent on the meetings
- The information supplied in relation to discussions at the meetings (quality and quantity) and the method of its provision
- Materials, details and methods of explanation, question-and-answer guidelines, time apportioned for each proposal on the meetings
- Other mechanisms for improving the functioning of the Board of Directors.
- Points for improvement of policies based on previous reviews of the Board of Directors, etc.

As a result of the recent review, the Board of Directors was evaluated for making ongoing improvements in response to the results of previous reviews and engaging in discussions in an even more active and open manner compared to before, based on the understanding that sharing timely and appropriate management information with executive officers is essential for the Board to properly fulfill its business supervisory function. This evaluation in effect endorses the performance of the Board of Directors, but further efforts will be made to enhance debates and discussion by the Board, such as by expanding deliberation times.

Policies regarding decisions on compensation, etc.

Compensation scheme for Directors and Executive Officers

Policies regarding decisions on compensation, etc. will be made through resolutions by the Compensation Committee, the majority of which consists of Outside Directors. A summary of the policies is as follows.

Compensation scheme for Directors

1. Directors give advice to and supervise the Company's management from an objective point of view, and therefore, the compensation scheme for Directors is the payment of fixed-amount compensation and the retirement benefit upon resignation.
2. Directors will receive their compensation as a fixed amount, and the compensation to be paid will be set at a level considered reasonable, while taking into account the contents of the Directors' duties and the Company's conditions, etc.
3. Directors will receive the retirement benefit upon their resignation, and the retirement benefit to be paid will be set at a level decided on the basis of the monthly amount of compensation and the number of service years, etc.

Compensation scheme for Executive Officers

1. 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.
2. Fixed-amount compensation will be set at a level considered reasonable taking into account the contents of the Executive Officers duties and the Company's conditions.
3. The level of performance-based compensation will be decided while taking into account the consolidated business performance and the performance of the business to which the respective Executive Officer is assigned, etc. 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. The Company sets a rule that, when the Executive Officers acquire the Company shares as a part of compensation, they are required to continue the shareholding until 1 year has passed from resignation.

4. 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.

* For the amount of compensation given to directors and executive officers, please refer to our financial statements. (Japanese only)

http://www.MitsubishiElectric.co.jp/ir/data/negotiable_securities/

Outside Directors

Effective Utilization of Outside Directors

The Board of Directors comprises twelve members, five of whom are Outside Directors (one of whom is a woman), who objectively supervise and advise the Company's management (composition ratio of outside directors: 42%).

Outside Directors receive reports about the activity status of internal auditors, the audit committee, accounting auditors, and internal control departments via the Board of Directors, and provide their impartial views regarding Mitsubishi Electric's management from an objective perspective. By doing so, they bring greater transparency to the management framework and strengthen the Board's function of supervising management.

Criteria for Judgment of the Independence of Independent Outside Directors

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 right) 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 Nominating 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. Note that 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 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 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

Outside Directors (as of June 28, 2018)

Title	Name	Positions Held	Reasons for Nomination	Board Attendance Rate (FY2018)
Outside Director	Mitoji Yabunaka	Member of the Nomination Committee Member of the Compensation Committee	Mr. Yabunaka's experience and insights as an expert in international affairs cultivated through the course of a career are highly beneficial to Mitsubishi Electric. Mitsubishi Electric thus expects him to bring an objective viewpoint to the overseeing of the Company's business operations.	100% (7/7)
Outside Director	Hiroshi Obayashi	Chairman of the Nomination Committee Member of the Audit Committee	Mr. Obayashi's experience and insights cultivated through the course of a career as a lawyer (public prosecutor, attorney-at-law) are highly beneficial to Mitsubishi Electric. Mitsubishi Electric thus expects him to bring an objective viewpoint to the overseeing of the Company's business operations.	100% (7/7)
Outside Director	Kazunori Watanabe	Member of the Audit Committee Member of the Compensation Committee	Mr. Watanabe's experience and insights as a certified public accountant cultivated over the course of his career are highly beneficial to Mitsubishi Electric. Mitsubishi Electric thus expects him to bring an objective viewpoint to the overseeing of the Company's business operations.	100% (7/7)
Outside Director	Katsunori Nagayasu	Member of the Nomination Committee Member of the Audit Committee	Mr. Nagayasu's experience and insights as a business specialist cultivated over the course of his career in bank management are highly beneficial to Mitsubishi Electric. Mitsubishi Electric thus expects him to bring an objective viewpoint to the overseeing of the Company's business operations.	86% (6/7)
Outside Director	Hiroko Koide	Member of the Nomination Committee Member of the Compensation Committee	Ms. Koide's experience and insights as a business specialist cultivated over the course of her career in international corporate management are highly beneficial to Mitsubishi Electric. Mitsubishi Electric thus expects her to bring an objective viewpoint to the overseeing of the Company's business operations.	100% (7/7)

Mitsubishi Electric Corporation held seven Board of Directors meetings during the fiscal year.

Compliance

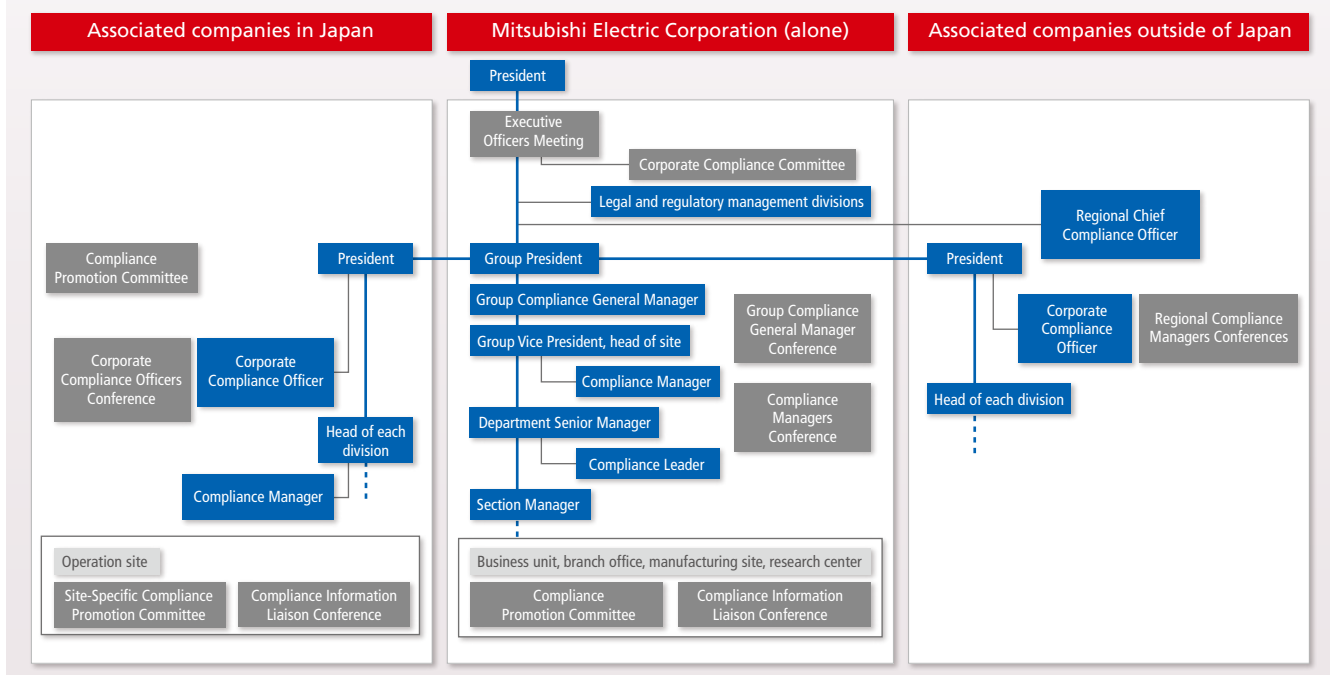
Our Concept of Compliance

With the Mitsubishi Electric Group Corporate Ethics and Compliance Statement formulated in 2001 as our basic guideline for compliance, the Mitsubishi Electric Group recognizes the importance of ethics and absolute compliance with legal requirements as a fundamental precondition for the Group's continued existence. Based on this awareness, we are attempting to perfect a compliance system which promotes compliance in the broadest sense, encompassing the perspective of corporate ethics, rather than merely focusing on following the letter of the law. At the same time, we are working to educate our employees in this area.

The Corporate Ethics and Compliance Statement

Compliance with the Law	We will conduct ourselves always in compliance with applicable laws and with a high degree of sensitivity to changes in social ethics or local practices. We will never establish a target, nor make a commitment, that can only be achieved with conduct that would violate applicable laws or business ethics or practices.
Respect for Human Rights	We will conduct ourselves always with a respect for human rights. We will not discriminate based on nationality, race, religion, gender, disability, or any other reason prohibited by applicable laws nor will we violate international laws providing protection for individual and human rights or any treaties providing such protection to which the country where any of our companies is located is a party.
Contributing to Society	Concurrently with the pursuit of a reasonable profit, we will conduct ourselves always with an awareness of our corporate social responsibility in order to further the progress of society as a whole.
Collaboration and Harmonization with the Community	As a good corporate citizen and neighbor, we will support civic and charitable organizations and activities in the communities where we reside or work that in our view contribute to community development.
Consideration of Environmental Issues	As part of our goal to achieve a recycling-oriented society, we will pay attention to and respect the global environment in every aspect of our business.
Awareness of Personal Integrity	We will conduct ourselves with the highest integrity, making a proper distinction between public and private matters, and we will use company resources—including money, time, and information—for legitimate business purposes. We will use company computers and various networks and online services, including e-mail and Internet access, primarily for company business.

Mitsubishi Electric Group compliance promotion structures



Risk management

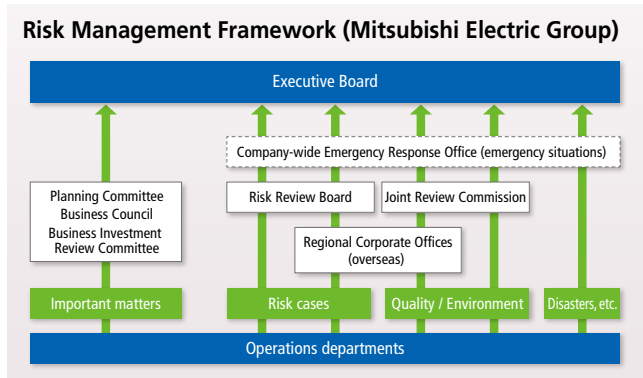
Basic policy

The Mitsubishi Electric Group engages in the development, manufacture and sale of a broad range of products in diverse sectors, including the Energy & Electric Systems, Industrial Automation Systems, Information & Communication Systems, Electronic Devices and Home Appliances. Moreover, the Group operates these businesses not only in Japan but overseas, such as in North America, Europe and Asia.

To respond to the expectations of all stakeholders beginning with society, customers and shareholders, and to realize sustainable growth, the Group has a framework in place for managing business-related risks in an appropriate manner.

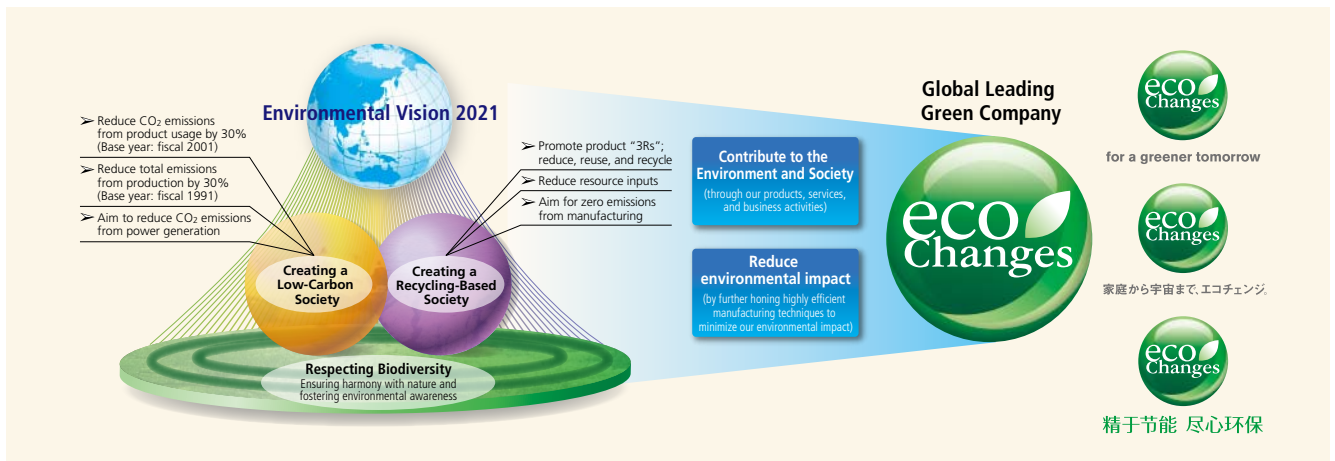
The framework provides proper responses to risks depending on their type, size and impact. For example, by incorporating risk

management into business activities, risks are managed according to the size and characteristics of each business, and important risks that cover the entire Group are mainly managed by corporate departments.



E: Environment

Environmental Vision 2021



Mitsubishi Electric promotes environmental activities with the aim of realizing Environmental Vision 2021, which sets forth the long-term environmental management vision of the Mitsubishi Electric Group. With the guideline of making positive contributions to the earth and its people through technology and action, the Company is working toward the realization of a sustainable society utilizing wide-ranging and sophisticated technologies as well as the promotion of proactive and ongoing actions by our employees. The Vision sets 2021 as its target year, coinciding with the 100th anniversary of Mitsubishi Electric's founding.

Environmental Initiatives and the SDGs

Shaping the World of 2030

SDGs Closely Related to Mitsubishi Electric Group Environmental Activities

- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 14 LIFE BELOW WATER
- 15 LIFE ON LAND

Example 1 Offering Technologies that Contribute to the Conservation of the Aquatic Environment

We have provided ozone generators, which use ozone instead of chlorine to purify water, for nearly 50 years. The ozone generators can be used at water purification and sewage treatment plants, pharmaceutical and chemical plants, and aquariums, contributing to the conservation of our aquatic environment.

Example 2 Increasing Product Energy Efficiency

Mitsubishi Electric Group products consume electricity when used. As increased product energy efficiency results in less CO₂ generated during use, our goal is to develop energy-efficient products.

Cultivating Innovation for the Future

Great expectations are being placed on corporate innovation to achieve the SDGs and Paris Agreement goals. Mitsubishi Electric set up the Center for Future Innovation in July 2015 to promote open innovation, with future-oriented research and development instead of focusing on prolonging the use of existing technologies. Accelerating the cultivation of innovation in this way, alongside making full use of the strengths of our products and services, will allow us to contribute to the environment across a wide range of fields.

9th Environmental Plan

The Mitsubishi Electric Group has formulated a three-year environmental plan that defines specific activity targets since 1993 and engages in enhancing environmental management with the goal of becoming a global, leading green company. The 9th Environmental Plan (FY2019-2021) was formulated in April 2018 toward achieving the goals of Environmental Vision 2021, and takes into account a medium to long-term perspective that is based on the Paris Agreement and measures against future water shortage. Through this plan, we will contribute to achieving six targets out of the 17 Sustainable Development Goals (SDGs) set by the United Nations, including “7. Affordable and Clean Energy” and “13. Climate Action.”

Major initiatives of the Mitsubishi Electric Group’s 9th Environmental Plan

1. Realizing a Low-carbon Society

- (1) Reduce CO₂ emissions from production and emissions of non-CO₂ greenhouse gases (gases such as SF₆, PFCs and HFCs that were specified for reduction in the Kyoto Protocol), and suppress total annual emissions (CO₂ equivalent) from 2.66 million tons in the base year*¹ to less than 1.47 million tons in fiscal 2021.
- (2) Improve the energy-saving performance of products and reduce CO₂ emissions from product usage by 35% on average compared to fiscal 2001.

*1 CO₂ emissions from production: Mitsubishi Electric, FY1991; affiliates in Japan, FY2001; overseas affiliates, FY2006.
Non-CO₂ greenhouse gases: Mitsubishi Electric and affiliates in Japan, FY2001; overseas affiliates, FY2006.

2. Creating a Recycling-based Society

- (1) Reduce water usage per unit of sales by 1% per annum compared to the base year (FY2011). (New target)
- (2) Make products compact and lightweight, and reduce resource inputs by an average of 40% from fiscal 2001.

3. Creating a Society in Tune with Nature

- (1) Carry out leaving creature studies and launch biodiversity protection activities that include the preservation of local species, control of non-native species, and maintenance of green space in consideration of the surrounding ecosystem at all manufacturing bases in Japan based on internal guidelines set in line with the Aichi Targets*².
- (2) Continue to hold Mitsubishi Electric Outdoor Classrooms and the “Satoyama” Woodland Preservation Project in Japan, and aim to draw in 12,000 participants (cumulative total of more than 51,000).

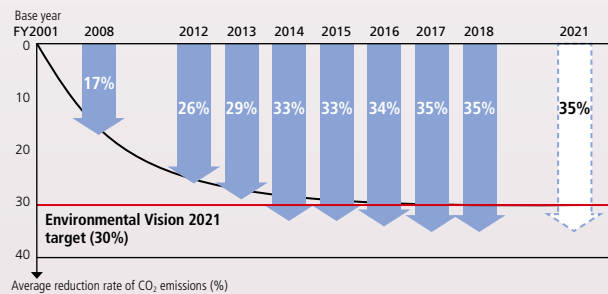
*2 Global targets adopted at the 10th Meeting of the Conference of the Parties to the Convention of Biological Diversity (COP 10), which was held in Nagoya City, Aichi Prefecture in October 2010. They form the core of the Strategic Plan for Biodiversity 2011-2020.

Initiatives for creating a low-carbon society

—Reducing CO₂ emissions from product usage by improving the energy-saving performance of products—

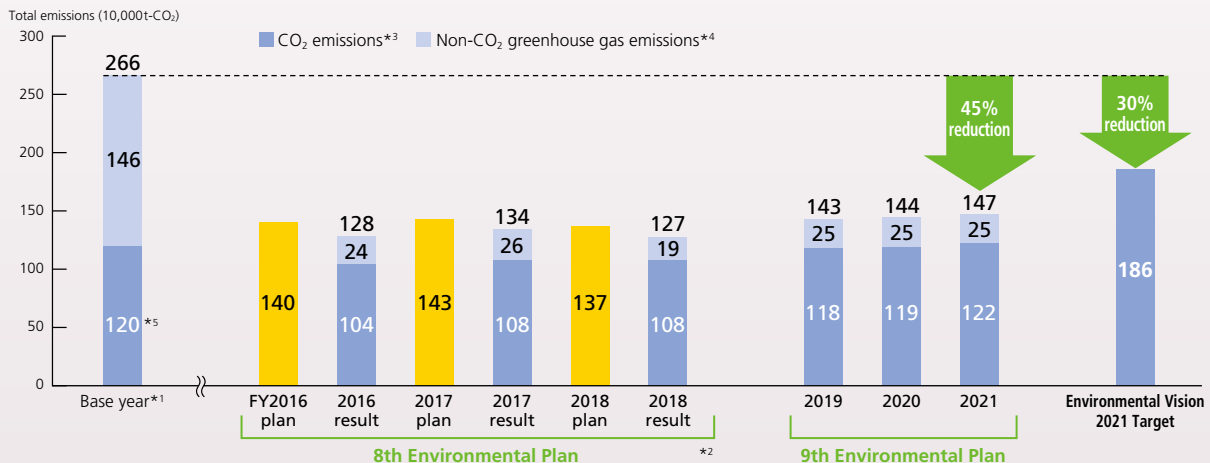
Reduce CO₂ emissions from product usage by an average of 35% from FY2001

- FY2018 result
Average reduction rate of CO₂ emissions from product usage by improving the energy-saving performance of products: Target achieved (35% reduction achieved in 107 product categories compared to FY2001)
- Target of the 9th Environmental Plan
Average reduction rate of CO₂ emissions from product usage: Maintain the 35% reduction rate compared to FY2001



Initiatives for creating a low-carbon society —Reducing CO₂ emissions from production—

Control CO₂ emissions to suppress the increase in emissions from increased production and increased number of offices that formulate an environmental plan.



*1 Base year for CO₂: Mitsubishi Electric, FY1991; affiliates in Japan, FY2001; overseas affiliates, FY2006
Base year for non-CO₂ greenhouse gases: Mitsubishi Electric and affiliates in Japan, FY2001; overseas affiliates, FY2006
*2 The emission coefficient for Japan has been calculated based on the figure published by the Federation of Electric Power Companies of Japan at the time of formulation of the 8th Environmental Plan (2013, two nuclear plants in operation).
*3 The overseas emission coefficient has been calculated in reference to the figure published by JEMA (2006).
*4 The Global Warming Potential (GWP) of non-CO₂ greenhouse gases has been calculated in reference to the figure published in IPCC’s Second Assessment Report (1995).
*5 20,000 t-CO₂ has been added, as two overseas affiliates have been newly included in the scope of calculations.

S: Social

Human rights management

Basic policy

The Mitsubishi Electric Group established Policies on Respect for Human Rights in September 2017 and declared its commitment to ensure human rights responses that match international norms. In particular, we are striving to implement measures to prevent and mitigate adverse impacts on human rights. To do so, we are conducting due diligence on human rights in conformance with the UN Guiding Principles on Business and Human Rights, and creating a corrective mechanism in the event it comes to light that a company's action or involvement has inflicted an adverse impact on human rights.

Specific initiatives

In fiscal 2019, the Mitsubishi Electric Group will launch human rights due diligence initiatives by identifying and evaluating impacts on human rights (a human rights impact assessment) at all company sites. We will also explore ways to improve the mechanism for receiving grievances from those who have suffered a human rights violation and provide an avenue for relief (a grievance handling mechanism). At the same time, all suppliers along our supply chain will be requested to strengthen their human rights responses as part of their initiatives to promote CSR procurement.

In fiscal 2020 and beyond, we will promote these initiatives further, and plan to create a system that also includes the supply chain in preventing and mitigating adverse impacts on human rights. The program will include follow-up evaluations of the initiatives for human rights responses.

Workforce Diversity

Basic policy

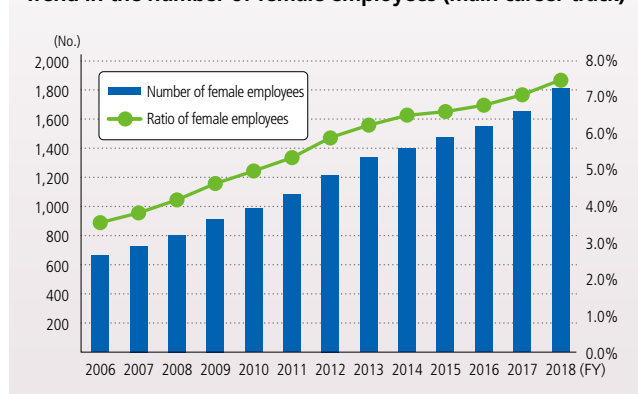
Within today's rapidly changing workforce environment, providing a workplace where employees can work to their full potential regardless of gender or age is essential to business development. Furthermore, it has become more vital than ever before to employ an even greater diversity of people, given the increasingly aging and diminishing population in Japan. Based on this awareness, Mitsubishi Electric promotes employee diversity through the following measures.

Women's Participation

To formulate and implement original measures that would help female employees and employees with children form a career while also enriching their personal lives, Mitsubishi Electric established the CP-Plan* Promotion Center within its Corporate Human Resources Division in April 2006, with a mandate to promote recruitment, training, assignment, and institutional initiatives from a diversified perspective.

*Career management & Personal life well-balanced Plan

Trend in the number of female employees (main career track)



Creating a Working Environment where Work-Life Balance Can Be Achieved by Everyone through a "Reform of Working Styles"

Since fiscal 2017, Mitsubishi Electric promotes a "reform of working styles" as a management policy, and strives to create a working environment where work-life balance can be achieved by everyone by "creating a corporate culture that places even greater emphasis on achievements and efficiency" and "reforming employees' attitudes toward work."

Each department, organization and office implements specific measures that promote the reform of working styles based on the following four perspectives.

- Improvement of productivity by streamlining operations
- Further pursuit of achievements and efficiency
- Work-life fulfillment
- Promotion of communication in the workplace

We provided information and promoted employee awareness was promoted through posters, in-house newsletters, the internal website and other such tools, and implemented an education campaign to raise awareness of work-style reform for employees in managerial positions. In February 2017, the "President's Forum on Work-Style Reforms" was launched, in which the president of Mitsubishi Electric makes a round of all offices to personally explain the objectives and importance of the initiative to all employees.

In addition to this Group-wide initiative, each office also implements activities that suit their specific situations.



Work-Style Reforms

Supply Chain Management

Basic policy

The Mitsubishi Electric Group ensures fair and impartial selection and evaluation of business partners in Japan and overseas by providing an explanation of the Group's Purchasing Policy and CSR Procurement Policy, and requesting business partners' understanding of these policies. By ensuring proper evaluation of suppliers based on selection and evaluation criteria established by the Group, risks are also mitigated along the supply chain.

The Group's criteria for evaluating business partners include not only quality, cost, delivery schedules and services, but also initiatives in response to environmental regulations and CSR initiatives. As a basic policy, the Group preferentially procures materials from suppliers who rank high in a comprehensive evaluation.

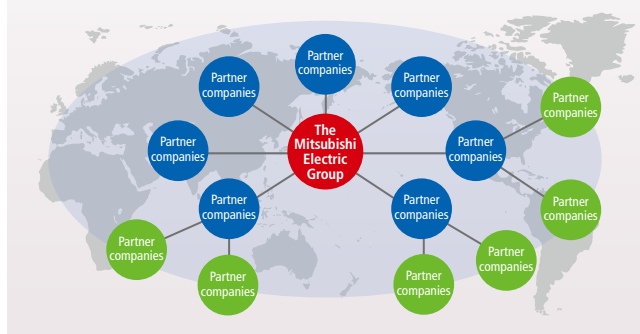
Framework for Promotion of Supply Chain Management

The Mitsubishi Electric Group launched the WΣ21II (Worldwide Strategic Integration for Global Markets in the 21st Century Advance to the Next Stage)* activity in April 2017, and is promoting optimal procurement activities suited to each region through the Materials Planning Office. The Materials Planning Office was established in collaboration among regional corporate

offices in China, Asia, Europe and Americas to implement purchasing strategies through conferences of procurement officers and other such meetings. Accompanying this initiative, the supply chain has also expanded to various countries where the Group operates, so initiatives are also pursued to mitigate any perceived risks regarding a range of issues related to labor laws and regulations, and to environmental problems.

* WΣ21II: An initiative of purchasing departments to work towards achieving the Mitsubishi Electric Group's management goal of reaching net sales of 5 trillion yen and an operating income ratio of 8% or more by 2020.

Expansion of CSR initiatives through the supply chain



Quality Management

Basic policy

The Mitsubishi Electric Group is committed to improving its technologies and services by applying creativity to all aspects of its business, to thereby enhance the quality of life in our society, as stated in our corporate mission. This commitment inherits the principles outlined in the Keys to Management (in Japanese, Keiei no Yotei) with regard to "our contribution to social prosperity," "quality improvement," and "customer satisfaction," and forms the basic spirit of our relationship with society and our customers.

To give concrete shape to this basic spirit, the Seven Guiding Principles define our actions in response to society and customers. It teaches us to establish relationships based on trust, provide the best products and services with unsurpassed quality, and respond to customer expectations through technology by promoting research and development and pioneering new markets.

Under these principles, we constantly strive to increase customer satisfaction and contribute to social prosperity in all aspects of our business, from the production of high-quality, easy-to-use products to our after-purchase support and response to major issues.

Management system

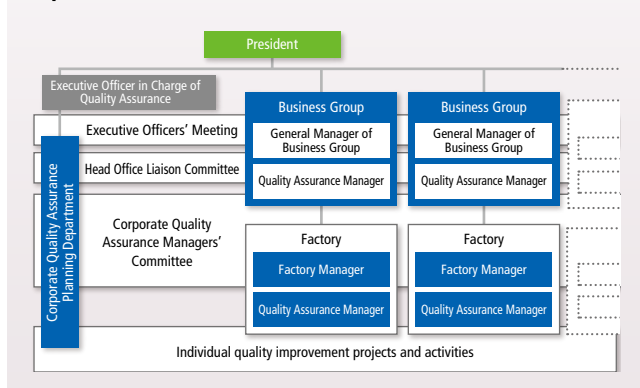
Based on the Four Basic Quality Assurance Principles, we have established a system for quality assurance and improvement activities throughout the entire Group, including the appointment of a quality assurance promotion manager in all business group headquarters. We have also formulated quality assurance guidelines to ensure compliance with quality assurance legislation and standards and further develop quality improvement activities. At

the level of management, we also regularly report on the status of quality at meetings of executive officers.

Worldwide manufacturing bases take responsibility for the quality assurance of each product and are implementing concrete improvement initiatives in relation to quality assurance measures (quality management) for processes at each stage, from market surveys regarding Mitsubishi Electric products, through product planning, development and design, manufacturing, transportation, storage, installation, maintenance and servicing, and education, to the disposal of the product.

In addition, in operating our Quality Management System (QMS), we regularly check our PDCA cycle with reference to ISO and other international certification standards, seeking to realize ever higher quality by process improvement.

Promotion of Quality Assurance and Improvement Activities



Philanthropic Activities

Philosophy and Policies

The Mitsubishi Electric Group shares a common Philosophy and Policies based on its Corporate Mission and Seven Guiding Principles, and carries out a variety of activities accordingly.

Philosophy

As a corporate citizen committed to meeting societal needs and expectations, the Mitsubishi Electric Group will make full use of the resources it has at hand to contribute to creating an affluent society in partnership with its employees.

Policies

- We shall carry out community-based activities in response to societal needs in the fields of social welfare and global environmental conservation.
- We shall contribute to developing the next generation through activities that support the promotion of science and technology, culture and arts, and sports.

Community Contributions and Human Resource Development Activities

The Mitsubishi Electric SOCIO-ROOTS Fund matching-gift program supports such beneficiaries as social welfare facilities through donations, with the Company making contributions equivalent in value to the donations of employees. The "Satoyama" Woodland

Preservation Project focuses on restoring the natural environment in the vicinity of operational sites with the help of employee volunteers. The Mitsubishi Electric Science Workshop invites children to experience the fun of science with the aim of nurturing future engineers. In addition to these key activities undertaken by Mitsubishi Electric, employees at Group affiliates in Japan and overseas are strongly committed to philanthropic activities, participating in various volunteer activities and supporting local social welfare organizations and sports teams.

Foundations

The Mitsubishi Electric America Foundation and Mitsubishi Electric Thai Foundation, both founded in 1991, also carry out various activities in the spirit of the Mitsubishi Electric Group's Philosophy and Policies. The Mitsubishi Electric America Foundation, with the cooperation of its branches in the United States, helps young people with disabilities to become employed and participate more fully in society. The Mitsubishi Electric Thai Foundation, in addition to providing scholarships to university students and supporting a school lunch program for grade school students, has been promoting employee-involved volunteer activities that support education and environmental protection.



The Mitsubishi Electric Science Workshop was chosen to receive an Encouragement Award under the Eighth Career Education Awards program (Mitsubishi Electric)



"Mouth and Foot Painting Artists of the World Exhibition" (Mitsubishi Electric Building Techno-Service Co., Ltd.)



Mitsubishi Electric America Foundation was chosen to receive the "2018 CATALYST AWARD" by the American Association of People with Disabilities (the United States)



Supporting the Special Olympics (Mitsubishi Electric Europe B.V. Italian Branch)



Local Group companies engaging in joint coral planting activities (Thailand)

Disclosure of Non-Financial Information

The Mitsubishi Electric Group discloses key non-financial information via the "CSR Initiatives" section of its corporate website and CSR reports. Fulfilling the Group's accountability obligations as a corporate citizen, these communication channels provide information on various initiatives classified under environmental, social and governance categories while providing an ESG survey index that helps readers quickly confirm the status of the Group's initiatives spanning a variety of fields.

CSR at Mitsubishi Electric

<http://www.MitsubishiElectric.com/en/sustainability/csr/>

Directors (As of June 28, 2018)

Masaki Sakuyama	Chairman
Takeshi Sugiyama	
Nobuyuki Okuma	
Akihiro Matsuyama	Chairman of the Audit Committee
Masahiko Sagawa	Member of the Audit Committee
Shinji Harada	Member of the Nomination Committee, Chairman of the Compensation Committee
Tadashi Kawagoishi	Member of the Compensation Committee
Mitoji Yabunaka	Member of the Nomination Committee, Member of the Compensation Committee
Hiroshi Obayashi	Chairman of the Nomination Committee, Member of the Audit Committee, Attorney-at-Law
Kazunori Watanabe	Member of the Audit Committee, Member of the Compensation Committee, Certified Public Accountant, Registered Tax Accountant
Katsunori Nagayasu	Member of the Nomination Committee, Member of the Audit Committee, Senior Advisor, MUFG Bank, Ltd.
Hiroko Koide	Member of the Nomination Committee, Member of the Compensation Committee, Director, Vicela Japan Co., Ltd.

Representative Executive Officers (As of April 1, 2018)

Takeshi Sugiyama
Yutaka Ohashi
Nobuyuki Okuma

Executive Officers (As of April 1, 2018)

President & CEO:

Takeshi Sugiyama

Executive Vice President:

Yutaka Ohashi In charge of Export Control and Information
Systems & Network Service

Senior Vice Presidents:

Nobuyuki Okuma In charge of Corporate Strategic Planning and
Operations of Associated Companies

Isao Iguchi In charge of Automotive Equipment

Takashi Sakamoto In charge of Purchasing

Yasuyuki Ito In charge of Building Systems

Kei Uruma In charge of Public Utility Systems

Executive Officers:

Toru Sanada In charge of Semiconductor & Device

Takashi Nishimura In charge of Communication Systems

Hisashi Kato In charge of Government &
External Relations, Export Control and
Intellectual Property

Masamitsu Okamura In charge of Electronic Systems

Masahiro Fujita In charge of IT and Research &
Development

Satoshi Matsushita In charge of Global Strategic Planning &
Marketing

Hiroshi Onishi In charge of Total Productivity
Management & Environmental Programs

Yoshikazu Miyata In charge of Factory Automation Systems

Tadashi Matsumoto In charge of Living Environment &
Digital Media Equipment

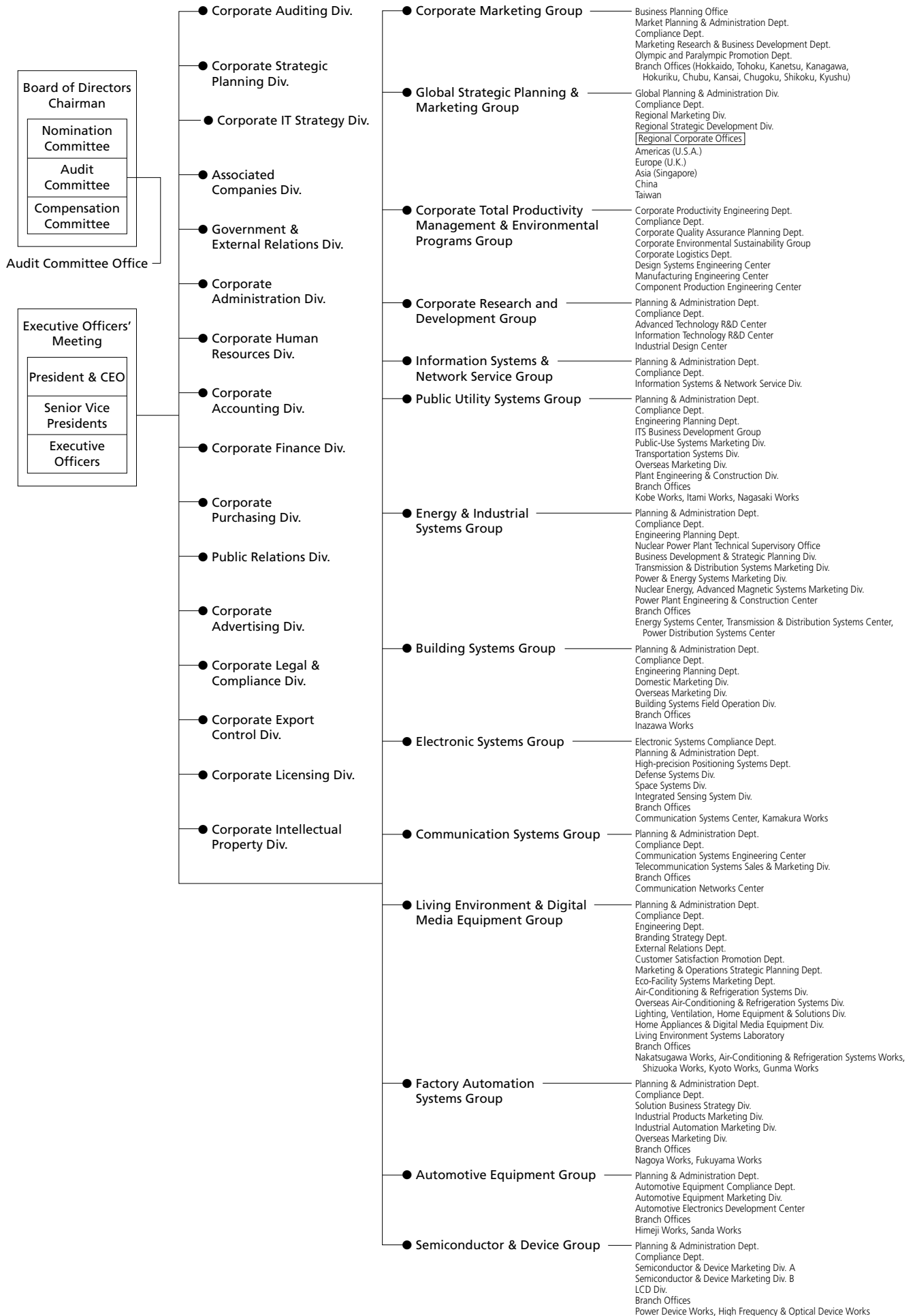
Jun Nagasawa In charge of Advertising and
Domestic Marketing

Shinji Harada In charge of General Affairs,
Human Resources and Public Relations

Tadashi Kawagoishi In charge of Accounting and Finance

Takakazu Murozono In charge of Auditing and Legal Affairs &
Compliance

Koichi Orito In charge of Energy & Industrial Systems



	Manufacturing	Sales/Installation/Services	Comprehensive Sales Companies
Energy and Electric Systems	<p>Toyo Electric Corporation 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.</p> <p>Toshiba Mitsubishi-Electric Industrial Systems Corporation Mitsubishi Hitachi Home Elevator Corporation Shanghai Mitsubishi Elevator Co., Ltd. Zhuzhou Shiling Transportation Equipment Company Limited</p>	<p>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 BUILWARE Co., Ltd. Mitsubishi Elevator Hong Kong Co., Ltd. Mitsubishi Electric Saudi Ltd.</p> <p>Hitachi Mitsubishi Hydro Corporation AG MELCO Elevator Co. L.L.C.</p>	
Industrial Automation Systems	<p>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 Automation Manufacturing (Changshu) Co., Ltd. Mitsubishi Electric Dalian Industrial Products Co., Ltd.</p> <p>Shizuki Electric Co., Inc. Nippon Injector Corporation Shihlin Electric & Engineering Corporation</p>	<p>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.</p>	
Information and Communication Systems	<p>Mitsubishi Electric TOKKI Systems Corporation Mitsubishi Precision Co., Ltd. SPC Electronics Corporation</p> <p>Seiryō Electric Co., Ltd. Miyoshi Electronics Corporation</p>	<p>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.</p> <p>Itec Hankyu Hanshin Co., Ltd.</p>	<p>Chiyoda Mitsubishi Electric Co., Ltd. and other regional comprehensive sales companies (9 companies) Mitsubishi Electric Europe B.V. Mitsubishi Electric US, Inc. 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.</p>
Electronic Devices	<p>Melco Display Technology Inc. Melco Power Device Corporation Vincotech Holdings S.a.r.l.</p>	<p>Melco Semiconductor Engineering Corporation</p>	<p>Ryoden Trading Co., Ltd. Kanaden Corporation Mansei Corporation</p>
Home Appliances	<p>Mitsubishi Electric Lighting Corporation Mitsubishi Electric Home Appliance Co., Ltd. Mitsubishi Electric Consumer Products (Thailand) Co., Ltd. Shanghai Mitsubishi Electric & Shangling 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.</p> <p>Kang Yong Electric Public Co., Ltd.</p>	<p>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.</p>	
Others		<p>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.</p> <p>Mitsubishi Electric Credit Corporation KITA KOUDENSHA Corporation</p>	

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. Companies shaded in gray are consolidated subsidiaries, while others are equity-method affiliate companies.

Financial Section

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Five-Year Summary

Mitsubishi Electric Corporation and Subsidiaries

Years ended March 31	Yen (millions)					U.S. dollars (thousands)
	2018	2017	2016	2015	2014	2018
Summary of Operations						
Net sales	¥4,431,198	¥4,238,666	¥4,394,353	¥4,323,041	¥4,054,359	\$41,803,755
Cost of sales	3,030,902	2,950,729	3,071,435	3,032,161	2,914,589	28,593,415
Selling, general, administrative and R&D expenses	1,061,778	1,014,389	1,013,264	970,191	900,807	10,016,774
Loss on impairment of long-lived assets	19,881	3,444	8,482	3,085	3,791	187,557
Operating costs	4,112,561	3,968,562	4,093,181	4,005,437	3,819,187	38,797,745
Operating income	318,637	270,104	301,172	317,604	235,172	3,006,009
Income before income taxes	364,578	296,249	318,476	322,968	248,990	3,439,415
Net income attributable to Mitsubishi Electric Corp.	¥ 271,880	¥ 210,493	¥ 228,494	¥ 234,694	¥ 153,473	\$ 2,564,906
Financial Ratios						
Return on sales (%)	6.1	5.0	5.2	5.4	3.8	—
Return on equity (%)	12.6	10.9	12.4	13.9	10.9	—
Return on assets (%)	6.4	5.1	5.6	6.1	4.4	—
Equity ratio (%)	53.0	48.9	45.3	45.4	42.2	—
Per-Share Amounts						
Net income attributable to Mitsubishi Electric Corp. (yen/U.S. dollars)						
Basic	¥ 126.70	¥ 98.07	¥ 106.43	¥ 109.32	¥ 71.49	\$ 1.195
Diluted	—	—	—	—	—	—
Cash dividends declared (yen/U.S. dollars)	¥ 40	¥ 27	¥ 27	¥ 27	¥ 17	\$ 0.377
Statistical Information						
Current assets	¥2,606,493	¥2,500,685	¥2431,456	¥2,518,441	¥2,173,150	\$24,589,557
Current liabilities	1,471,367	1,525,761	1,507,943	1,612,582	1,494,243	13,880,821
Working capital	1,135,126	974,924	923,513	905,859	678,907	10,708,736
Mitsubishi Electric Corp. shareholders' equity	2,259,355	2,039,627	1,838,773	1,842,203	1,524,322	21,314,670
Cash dividends paid	68,696	57,963	57,963	42,936	25,762	648,076
Total assets	4,264,559	4,172,270	4,059,941	4,059,451	3,612,966	40,231,689
Capital expenditure (Based on the recognized value of property, plant and equipment)	181,513	175,542	177,801	194,458	173,968	1,712,387
R&D expenditures	210,308	201,330	202,922	195,314	178,945	1,984,038
Depreciation	¥ 154,559	¥ 141,584	¥ 145,249	¥ 156,205	¥ 132,956	\$ 1,458,104
Employees (at the end of the year)	142,340	138,700	135,160	129,249	124,305	—

- Notes: 1. The Company prepares consolidated financial statements with procedures, accounting terms, forms, and preparation that are in conformity with accounting principles generally accepted in the United States of America based on the rules and regulations applicable in Japan.
2. From the fiscal year ended March 31, 2018, the Company has adopted Accounting Standards Update 2015-17 "Balance Sheet Classification of Deferred Taxes" issued by the Financial Accounting Standards Board. The consolidated balance sheet as of the previous fiscal year has been reclassified to reflect this adoption.
3. Operating income is presented as net sales less cost of sales, selling, general, administrative and R&D expenses, and loss on impairment of long-lived assets. Total operating income for each segment conforms to above mentioned operating income. Business restructuring expenses are shown as non-operating expenses.
4. R&D expenditures include elements spent on quality improvements, which constitute manufacturing costs.
5. U.S. dollar amounts are translated from yen at the rate of ¥106=U.S.\$1, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2018.
6. The Company has 205 consolidated subsidiaries and 36 equity-method companies as of March 31, 2018.
7. Diluted net income per share attributable to Mitsubishi Electric Corp. is not included in the above table as no dilutive securities existed.

OVERVIEW

During the fiscal year ended March 31, 2018, the global economy saw a stable status in China, a buoyant expansion in the U.S. and gradual trends of recovery in Japan and Europe. In addition, the yen, compared to the previous fiscal year, weakened against the U.S. dollar and the euro in and after May, but became stronger against the U.S. dollar after the latter half of November.

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, in fiscal 2018, the Mitsubishi Electric Group recorded net sales of ¥4,431.1 billion and operating income of ¥318.6 billion. Income before income taxes came to ¥364.5 billion. Net income attributable to Mitsubishi Electric Corporation was ¥271.8 billion for the fiscal year.

Net Sales

The Mitsubishi Electric Group recorded increases in sales in the following segments: Energy and Electric Systems, Industrial Automation Systems, Electronic Devices and Home Appliances. Consolidated net sales increased by ¥192.5 billion year on year to ¥4,431.1 billion.

Cost of Sales, Expenses and Operating Income

The cost of sales increased by ¥80.1 billion compared to the previous fiscal year to ¥3,030.9 billion, representing 68.4% of total net sales, an improvement of 1.2 percentage points. Selling, general and administrative (SG&A) expenses together with research and development (R&D) expenses totaled ¥1,061.7 billion, up ¥47.3 billion year on year. As a result, the ratio of SG&A and R&D expenses to net sales deteriorated by 0.1 of a percentage point year on year to 24.0%. Loss on impairment of long-lived assets increased by ¥16.4 billion year on year to ¥19.8 billion.

Accounting for the aforementioned factors, operating income amounted to ¥318.6 billion, an increase of ¥48.5 billion compared to the previous fiscal year. This increase was primarily attributable to increases in income in the Energy and Electric Systems, Industrial Automation Systems and Electronic Devices business segments.

Non-Operating Income and Expenses

Financial income, the sum of interest and dividend income less interest expenses, amounted to ¥5.8 billion, an improvement of ¥1.4 billion compared to the previous fiscal year.

Equity in earnings of affiliated companies totaled ¥22.2 billion, an increase of ¥0.7 billion compared to the previous fiscal year.

Other income decreased by ¥2.2 billion to ¥29.5 billion year on year. Other expenses decreased by ¥19.8 billion year on year to ¥11.7 billion.

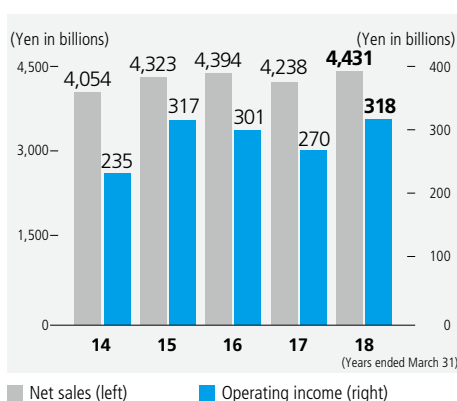
Income before Income Taxes

Income before income taxes increased by ¥68.3 billion compared to the previous fiscal year to ¥364.5 billion, for a ratio to net sales of 8.2%. This is largely attributable to the aforementioned increase in operating income of ¥48.5 billion and a ¥19.7 billion improvement in the balance of non-operating income and expenses.

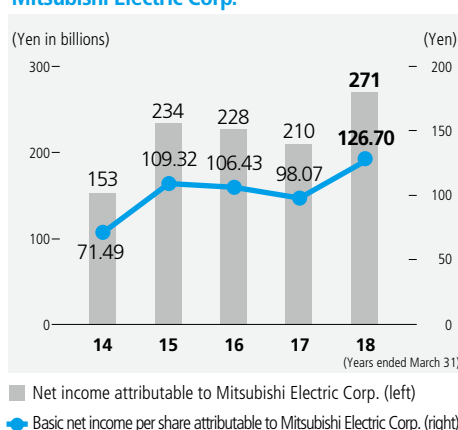
Net Income Attributable to Mitsubishi Electric Corp.

Net income attributable to Mitsubishi Electric Corp. increased by ¥61.3 billion year on year to ¥271.8 billion (a ratio to net sales of 6.1%) largely on the back of the increase in income before income taxes.

Net sales / Operating income



Net income attributable to Mitsubishi Electric Corp. / Basic net income per share attributable to Mitsubishi Electric Corp.



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 and Home Appliances, and these operations extend globally, not only inside Japan, but also in North America, Europe, Asia and other regions. While the statements herein are based on certain assumptions and premises that the Group trusts and considers to be reasonable under the circumstances on the date of announcement, actual financial standings and operating results are subject to change due to any of the factors as contemplated hereunder and/or any additional factor unforeseeable as of the date of this announcement. Such factors materially affecting the expectations expressed herein shall include but are not limited to the following:

(1) Important trends

The Group’s operations may be affected by trends in the global economy, social conditions, laws, tax codes and regulations.

(2) Foreign currency exchange rates

Fluctuations in foreign currency markets may affect the Group’s sales of exported products and purchases of imported materials that are denominated in U.S. dollars or euros, as well as its Asian production bases’ sales of exported products and purchases of imported materials that are denominated in foreign currencies.

(3) Stock markets

A fall in stock market prices may cause a decline in value of the Group’s marketable securities and pension assets.

(4) Supply/demand balance for products and procurement conditions for materials and components

A decline in prices and shipments due to changes in the supply/demand balance, as well as an increase in material prices due to a worsening of material and component procurement conditions, may adversely affect the Group’s performance.

(5) Fund raising

An increase in interest rates, the yen interest rate in particular, would increase the Group’s interest expenses.

(6) Significant patent matters

Important patent filings, licensing, copyrights and patent-related disputes may adversely affect related businesses.

(7) Environmental legislation or relevant issues

The Group may incur losses or expenses owing to changes in environmental legislation or the occurrence of environmental issues. Such changes in legislation or the occurrence of environmental issues may also impact manufacturing and all corporate activities of the Group.

(8) Flaws or defects in products or services

The Group may incur losses or expenses resulting out of flaws or defects in products or services, and the lowered reputation of the quality of all its products and services may affect the entire Group.

(9) Litigation and other legal proceedings

The Group’s operations may be affected by lawsuits or other legal proceedings against Mitsubishi Electric, its subsidiaries and/or equity-method affiliated companies.

(10) Disruptive changes

Disruptive changes in technology, development of products using new technology, timing of production and market introduction may adversely affect the Group’s performance.

(11) Business restructuring

The Group may record losses due to restructuring measures.

(12) Information security

The performance of the Group may be affected by computer virus infections, unauthorized access and other unpredictable incidents that lead to the loss or leakage of personal information held by the Group or confidential information regarding the Group’s business such as its technology, sales and other operations.

(13) Natural disasters

The Group’s operations, particularly manufacturing activities, may be affected by the occurrence of earthquakes, typhoons, tsunamis, fires and other large-scale disasters.

(14) Other significant factors

The Group’s operations may be affected by the outbreak of social or political upheaval due to terrorism, war, pandemic by new strains of influenza and other diseases, or other factors.

RESULTS BY BUSINESS SEGMENT

Net Sales by Business Segment

Years ended March 31	Yen (millions)					U.S. dollars (thousands)
	2018	2017	2016	2015	2014	2018
Energy and Electric Systems	¥1,241,952	¥1,227,906	¥1,264,604	¥1,228,958	¥1,180,093	\$11,716,529
Industrial Automation Systems	1,444,928	1,310,136	1,321,937	1,282,749	1,098,796	13,631,396
Information and Communication Systems	436,068	447,754	561,119	559,521	548,282	4,113,849
Electronic Devices	202,294	186,554	211,580	238,402	194,658	1,908,434
Home Appliances	1,049,369	1,004,415	982,064	944,830	944,351	9,899,708
Others	764,346	713,603	707,746	740,517	676,034	7,210,811
Subtotal	5,138,957	4,890,368	5,049,050	4,994,977	4,642,214	48,480,727
Eliminations	(707,759)	(651,702)	(654,697)	(671,936)	(587,855)	(6,676,972)
Consolidated total	¥4,431,198	¥4,238,666	¥4,394,353	¥4,323,041	¥4,054,359	\$41,803,755

Operating Income by Business Segment

Years ended March 31	Yen (millions)					U.S. dollars (thousands)
	2018	2017	2016	2015	2014	2018
Energy and Electric Systems	¥ 51,710	¥ 44,319	¥ 50,342	¥ 72,448	¥ 76,324	\$ 487,830
Industrial Automation Systems	190,826	140,073	159,160	145,982	98,079	1,800,245
Information and Communication Systems	11,987	12,700	14,999	18,934	5,529	113,085
Electronic Devices	14,554	8,382	16,870	30,163	10,050	137,302
Home Appliances	56,057	69,696	63,856	54,296	52,878	528,839
Others	23,900	23,214	23,620	23,742	19,801	225,472
Subtotal	349,034	298,384	328,847	345,565	262,661	3,292,773
Eliminations and other	(30,397)	(28,280)	(27,675)	(27,961)	(27,489)	(286,764)
Consolidated total	¥318,637	¥270,104	¥301,172	¥317,604	¥235,172	\$3,006,009

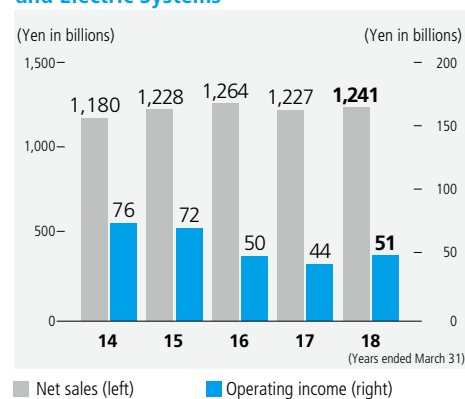
Energy and Electric Systems

The social infrastructure systems business saw decreases in both orders and sales compared to the previous fiscal year due primarily to decreases in the transportation systems business outside Japan and the power systems business in Japan.

The building systems business remained substantially unchanged in orders, while sales increased compared to the previous fiscal year due primarily to growth in the renewal business in Japan and the new installation of elevators and escalators outside Japan.

As a result, total sales for this segment increased by 1% from the previous fiscal year to ¥1,241.9 billion. Operating income increased by ¥7.3 billion from the previous fiscal year to ¥51.7 billion due primarily to a shift in project portfolios.

Net sales and Operating income of Energy and Electric Systems



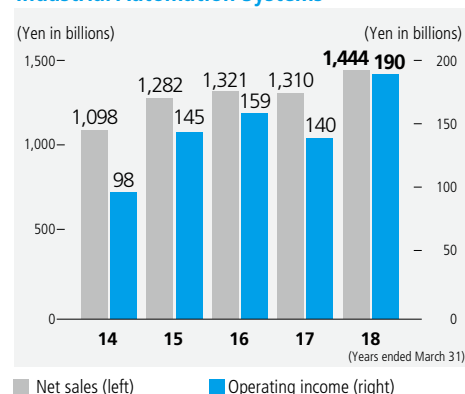
Industrial Automation Systems

The factory automation systems business saw increases in both orders and sales from the previous fiscal year due primarily to growth in capital expenditures in the fields of organic light emitting diodes (OLED) mainly in Korea, smartphones and electric cars in China as well as buoyancy in exports by machinery manufacturers in Japan.

The automotive equipment business saw increases in both orders and sales from the previous fiscal year, due primarily to increases in sales volume of Japanese car manufacturers in China, as well as the weaker yen, despite decreased car sales in North America.

As a result, total sales for this segment increased by 10% from the previous fiscal year to ¥1,444.9 billion. Operating income increased by ¥50.7 billion from the previous fiscal year to ¥190.8 billion due primarily to an increase in sales.

Net sales and Operating income of Industrial Automation Systems



Information and Communication Systems

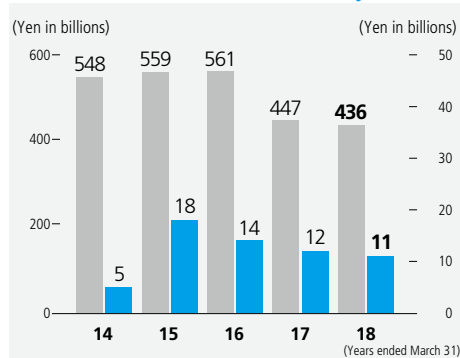
The telecommunications equipment business saw decreases in both orders and sales compared to the previous fiscal year due primarily to decreased demand in communications infrastructure equipment.

The information systems and service business saw an increase in sales compared to the previous fiscal year, mainly owing to an increase in the system integrations business.

The electronic systems business saw an increase in orders compared to the previous fiscal year mainly due to increases in the defense systems and space systems businesses, while sales experienced a decrease compared to the previous fiscal year due primarily to a shift in large-scale projects in the defense systems business.

As a result, total sales for this segment decreased by 3% from the previous fiscal year to ¥436.0 billion. Operating income decreased by ¥0.7 billion from the previous fiscal year to ¥11.9 billion due primarily to a decrease in sales.

Net sales and Operating income of Information and Communication Systems



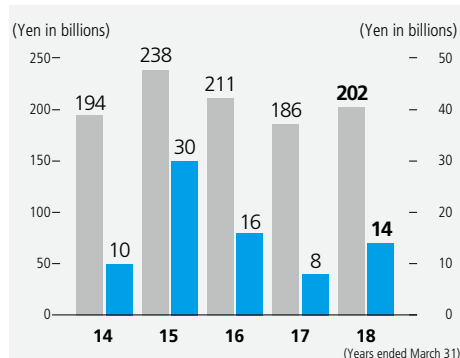
■ Net sales (left) ■ Operating income (right)

Net sales and Operating income of Electronic Devices

Electronic Devices

The electronic devices business saw an increase in orders from the previous fiscal year due to increases in demand for power modules used in consumer and industrial applications, despite a decrease in demand for optical communication devices, and total sales increased by 8% compared to the previous fiscal year to ¥202.2 billion.

Operating income increased by ¥6.1 billion from the previous fiscal year to ¥14.5 billion due primarily to an increase in sales.



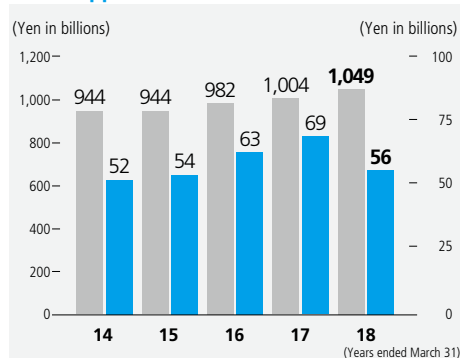
■ Net sales (left) ■ Operating income (right)

Net sales and Operating income of Home Appliances

Home Appliances

The home appliances business saw a 4% increase in sales compared to the previous fiscal year to ¥1,049.3 billion, due to increases in sales of air conditioners in the European, Chinese and U.S. markets, in addition to positive influences caused by the weaker yen.

Operating income decreased by ¥13.6 billion compared to the previous fiscal year to ¥56.0 billion due primarily to increases in material prices and sales expenses.



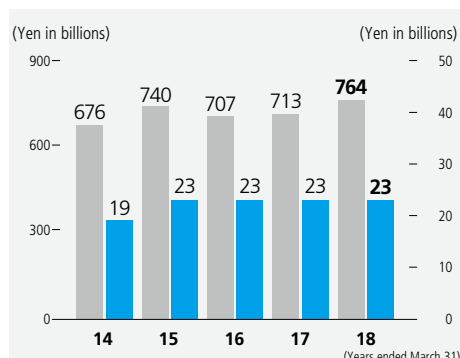
■ Net sales (left) ■ Operating income (right)

Net sales and Operating income of Others

Others

Sales increased by 7% compared to the previous fiscal year to ¥764.3 billion mainly due to an increase in sales at affiliated companies involved in materials procurement.

Operating income increased by ¥0.6 billion to ¥23.9 billion from the previous fiscal year due primarily to an increase in sales.



■ Net sales (left) ■ Operating income (right)

RESULTS BY GEOGRAPHIC SEGMENT

Net Sales by Geographic Segment

Years ended March 31	Yen (millions)					U.S. dollars (thousands)
	2018	2017	2016	2015	2014	2018
Japan	¥ 3,506,240	¥ 3,402,132	¥ 3,563,530	¥ 3,578,960	¥3,362,854	\$33,077,736
North America	417,951	421,553	446,935	388,021	325,224	3,942,934
Asia (excluding Japan)	1,180,748	1,040,098	1,054,563	1,047,758	887,022	11,139,132
Europe	476,582	421,073	387,628	383,965	352,950	4,496,057
Others	51,094	46,854	50,260	49,495	47,824	482,019
Eliminations	(1,201,417)	(1,093,044)	(1,108,563)	(1,125,158)	(921,515)	(11,334,123)
Consolidated total	¥ 4,431,198	¥ 4,238,666	¥ 4,394,353	¥ 4,323,041	¥4,054,359	\$41,803,755

Operating Income (Loss) by Geographic Segment

Years ended March 31	Yen (millions)					U.S. dollars (thousands)
	2018	2017	2016	2015	2014	2018
Japan	¥214,873	¥152,027	¥173,383	¥226,199	¥177,315	\$2,027,103
North America	(3,941)	9,002	9,421	5,178	1,679	(37,179)
Asia (excluding Japan)	88,150	93,318	91,006	82,419	59,023	831,604
Europe	11,933	12,828	14,806	11,803	4,768	112,575
Others	2,852	2,458	904	402	1,735	26,906
Eliminations	4,770	471	11,652	(8,397)	(9,348)	45,000
Consolidated total	¥318,637	¥270,104	¥301,172	¥317,604	¥235,172	\$3,006,009

Japan

Sales increased by 3% year on year to ¥3,506.2 billion primarily due to increases in sales in the factory automation systems, automotive equipment and electronic devices businesses. Operating income increased by ¥62.8 billion to ¥214.8 billion due mainly to the increase in sales.

North America

Sales decreased by 1% year on year to ¥417.9 billion primarily due to decreases in sales in the power systems and automotive equipment businesses. Operating loss amounted to ¥3.9 billion, a turnaround of ¥12.9 billion from the previous fiscal year, due mainly to the recording of a loss on impairment of long-lived assets associated with part of the power systems business.

Asia (excluding Japan)

Sales increased by 14% year on year to ¥1,180.7 billion mainly because of increases in sales in the building systems, factory automation systems and automotive equipment businesses. Operating income decreased by ¥5.1 billion to ¥88.1 billion, reflecting such factors as increases in material prices for the air conditioner business.

Europe

Sales increased by 13% year on year to ¥476.5 billion mainly because of higher sales in the factory automation systems, electronic devices and air conditioner businesses. Operating income decreased by ¥0.8 billion to ¥11.9 billion due mainly to increases in material prices for the air conditioner business.

Others

Sales in other regions, including figures for Mitsubishi Electric's Australian subsidiary, amounted to ¥51.0 billion, while operating income was ¥2.8 billion.

RESEARCH AND DEVELOPMENT

R&D Expenditures

Years ended March 31	Yen (billions)					U.S. dollars (millions)
	2018	2017	2016	2015	2014	2018
Energy and Electric Systems	¥ 35.4	¥ 35.5	¥ 33.7	¥ 31.4	¥ 28.8	\$ 334.4
Industrial Automation Systems	69.5	66.4	70.8	70.5	63.4	656.1
Information and Communication Systems	17.9	18.2	18.9	16.3	15.6	168.9
Electronic Devices	13.4	10.0	10.6	10.9	9.3	126.4
Home Appliances	41.8	41.1	39.8	37.3	34.1	394.5
Others	32.2	29.7	28.7	28.6	27.5	303.8
Consolidated total	¥210.3	¥201.3	¥202.9	¥195.3	¥178.9	\$1,984.0

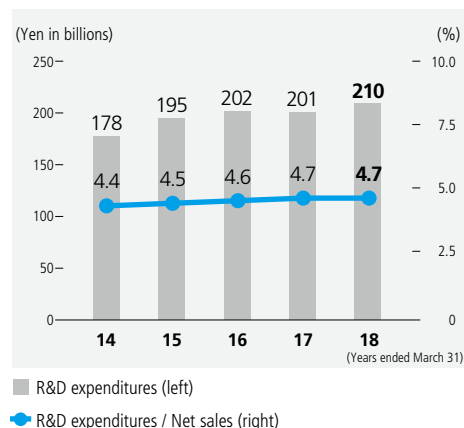
The Mitsubishi Electric Group actively promotes R&D initiatives that cover fundamental and advanced applications as well as product commercialization and manufacturing technologies. Carrying out these initiatives are various Group facilities, including corporate laboratories in Japan and laboratories in the United States and Europe as well as the R&D departments of factories and consolidated subsidiaries. Moreover, we pursue advanced and wide-ranging R&D activities in partnership with universities and research institutions both in Japan and overseas.

In fiscal 2018, total R&D expenditures, including quality improvement expenses constituting manufacturing costs, amounted to ¥210.3 billion. Mitsubishi Electric reports R&D activities by business segment according to purpose, type, result, and expenditure.

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. Notable among Mitsubishi Electric's recent R&D achievements are "INFOPRISM," an IoT platform for social infrastructure and energy systems; radio equipment for Communication-based Train Control System (CBTC); the Mitsubishi Infrastructure Monitoring System for Diagnosis (MMSD) II vehicle; new integrated Station Energy Saving Inverter (S-EIV) which offers 400V AC-output; technology for electromagnetic-field and large-coupled analysis of Turbine Generators; a Modular Multilevel Converter (MMC) Cell for high-voltage direct current (HVDC) transmission that utilizes a SiC power semiconductor module; emergency machine-room-less elevators; Destination Oriented Allocation System for elevators that optimally guides and groups passengers at different departure points to cars that ensure they reach their destinations as fast as possible; and Building total solution BuilUnity. R&D expenditures in this segment totaled ¥35.4 billion.

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. Mitsubishi Electric's important R&D successes encompass M2PM Series electronic power meters; Graphic operation terminal GOT2000 Series explosion-proof GOT; eX-F D-CUBES Series fiber laser processing machines; MELSEC iQ-R Series redundant system complying with IEC 61508 SIL2; MELSENSOR vision sensors; BFS-80SUG and BFS-80SG Straight Centrifugal Fan; a driver monitoring system with wide-angle camera; the DIATONE SOUND. NAVI NR-MZ300PREMI high-end car audio-navigation system; an interactive news reader function for car navigation systems; the DS-G300 in-vehicle DIATONE speaker; and the industry's first¹ crankshaft-mounted integrated starter-generator (ISG) system for 48V hybrid vehicles. R&D expenditures in this segment totaled ¥69.5 billion.

R&D expenditures / R&D expenditures ratio



In the Information and Communication Systems segment, Mitsubishi Electric pursues research related to the development of information and communications infrastructure, network solutions equipment, and space systems. Notable R&D successes for Mitsubishi Electric include a Ka-band converter for satellite communication achieving high frequency resolution and low phase noise property; 28GHz Massive-element Antenna and RF Module for 5G Base Stations; the “IoT GW” communications gateway designed for IoT systems; the 10G-EPON system for cable TV networks; “Eimon” image analysis technology capable of enhancing the value of network camera systems; coaxial cameras for MELOOK 3 imaging security systems; an electronic signature server module “MistyGuard SignedXML² Server”; the “Rakukake-Kun” paperless application window system; and the “Nekaroku5 NS-850”, a new product of the recording and delivering server for surveillance camera that boasts a compact housing and enables operating in rough environments. R&D expenditures in this segment totaled ¥17.9 billion.

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. Major R&D achievements include LV100-type X-series HVIGBT modules; 25A/600V Super-mini full SiC DIPIPM; Compact Integrated 400Gbps EML-TOSA; and 19.0-inch TFT-LCD modules with projected capacitive touch panels for industrial applications. R&D expenditures in this segment totaled ¥13.4 billion.

In the Home Appliances segment, Mitsubishi Electric is engaged in the development of products in such wide-ranging fields as air conditioning equipment, kitchen appliances, vacuum cleaners, lighting, visual information systems, electronic housing products, and photovoltaic systems. Major R&D achievements include KIRIGAMINE FZ Series room air conditioners—the first in the world³ to be equipped with an AI-driven function capable of predicting perceived temperature a minute into the future (chosen to receive the highest recognition under the Fiscal 2017 Energy Conservation Grand Prize commendation program); “Zubadan Mr. Slim” package air conditioners for cold regions enhancing comfort with continuous heating for up to 10 hours; “MX Series” large-capacity and slim and user-friendly refrigerators with drawer for vegetables, automatic ice maker, Supercool chilling case placed at the waist height; and Filterless cyclone vacuum cleaner “Fujin ZXG Series” equipped with a specially designed feather-duster nozzle to quickly and thoroughly remove dust from each nook and cranny in room. R&D expenditures in this segment totaled ¥41.8 billion.

In the area of cutting-edge R&D, Mitsubishi Electric is developing cutting-edge technologies aimed at helping resolve issues which society is confronting and creating value for customers and, to this end, has identified four keywords: Smart manufacturing, Smart mobility, Comfortable space, and Infrastructure for safety, security and relief. Major R&D achievements include fast force-feedback control algorithm for industrial robots using AI technology; an object-recognition camera technology using proprietary AI for coming mirrorless cars; Safe and Secure Lighting system technologies for vehicles; a platform that enables smart appliances to cooperate; a friction charged dust-collecting device; a cyber-attack detection technology; the new “REESA” small, low-cost array antenna; a new 6.5kV full-SiC power semiconductor module; an intelligent wireless communication technology supported with artificial intelligence; a compact hardware AI technology; evaluation and analysis technologies for visualization of system behavior; design and fabrication technologies utilizing 3D model for sheet metal production; a manufacturing technology of low-profile direct drive motor. R&D expenditures in this area totaled ¥32.2 billion.

1. The first as a crankshaft-mounted ISG system for 48V hybrid vehicles; as of October 26, 2017; Mitsubishi Electric research

2. Trademark pending; Mitsubishi Electric Information Systems Corporation has submitted applications for trademark rights for SignedXML.

3. As of November 1, 2017; Mitsubishi Electric research

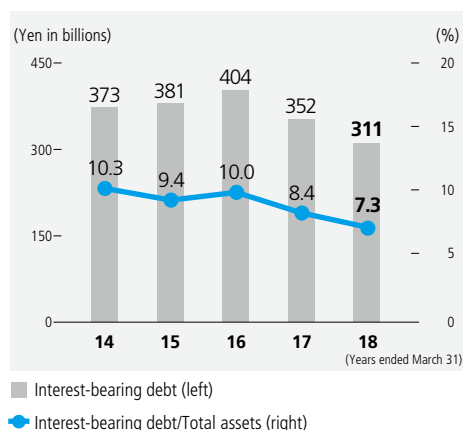
FINANCIAL POSITION

Total assets amounted to ¥4,264.5 billion as of March 31, 2018, an increase of ¥92.2 billion compared to the end of the previous fiscal year. Despite a decrease of ¥63.2 billion in cash and cash equivalents, primary factors contributing to the increase in total assets included an increase of ¥98.7 billion in work-in-process and other inventories recorded in step with progress in construction, as well as an increase in the sum of trade receivables and long-term trade receivables totaling ¥49.5 billion.

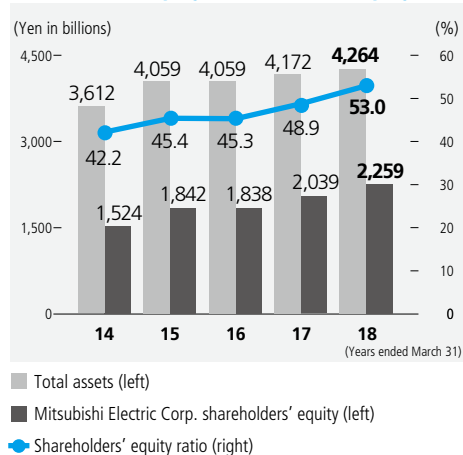
Under liabilities, the outstanding balance of debt and corporate bonds fell by ¥40.6 billion compared to the end of the previous fiscal year to ¥311.4 billion, and the ratio of interest-bearing debt to total assets was 7.3%, a decrease of 1.1 percentage points year on year. While trade payables decreased by ¥60.7 billion, retirement and severance benefits declined by ¥23.9 billion largely because of an increase in pension plan assets caused by higher share prices. As a result of these and other factors, total liabilities decreased by ¥131.1 billion to ¥1,900.4 billion.

Mitsubishi Electric Corp. shareholders' equity grew by ¥219.7 billion compared to the end of the previous fiscal year to ¥2,259.3 billion and the ratio of Mitsubishi Electric Corp. shareholders' equity to total assets was 53.0%, up 4.1 of a percentage point year on year. Despite a decrease attributable to the payment of cash dividends totaling ¥68.6 billion, an increase due to the posting of net income attributable to Mitsubishi Electric Corp. amounting ¥271.8 billion for the fiscal year and a rise in accumulated other comprehensive income of ¥16.5 billion reflecting the weaker yen and higher share prices, led to the overall growth in shareholders' equity.

Interest-bearing debt / Debt ratio



Total assets / Mitsubishi Electric Corp. shareholders' equity / Shareholders' equity ratio



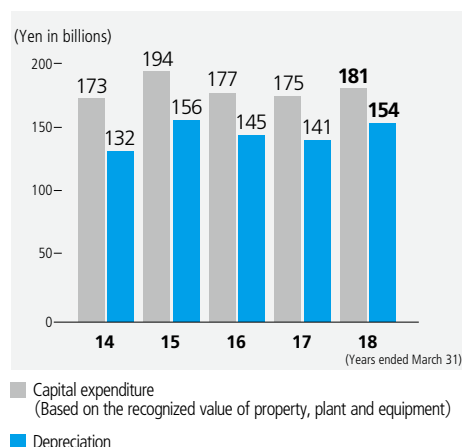
CAPITAL EXPENDITURES

In line with its policy of improving performance by implementing the Balanced Corporate Management Policy and pursuing sustainable growth, the Mitsubishi Electric Group aims to realize its growth strategies as it increases profitability. To that end, the Group directed its capital investment mainly toward the areas of energy and electric systems, factory automation equipment, automotive equipment, power devices, and air conditioning equipment. At the same time the Group continued to reinforce its solid business platform through the careful selection and concentration of investments.

On an individual business segment basis, investments were made in Energy and Electric Systems (including power systems, electric equipment for rolling stock, and elevators/escalators) aimed at increasing production capacity, streamlining operations, and enhancing quality. In Industrial Automation, capital expenditures were used primarily for boosting production capacity for factory automation systems and automotive equipment operations. In Information and Communication Systems, funds were appropriated for bolstering research and development capabilities, while in Electronic Devices, Mitsubishi Electric directed investment mainly toward augmenting production in the power device business. In Home Appliances, expenditures focused largely on increasing the air conditioners production capacity, streamlining operations, and enhancing quality. In Common and Others, investments mainly went toward boosting research and development capabilities.

Capital expenditures are derived from cash on hand and funds from operations. For this fiscal year, production capacity was not materially affected by the sale, disposal, damage, or loss due to natural disaster of property, plant and equipment.

Capital expenditures / Depreciation



CASH FLOWS

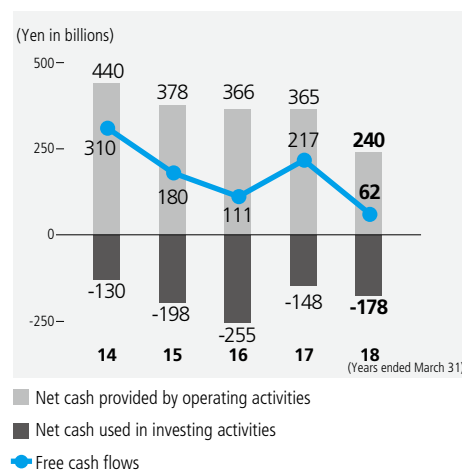
In the year ended March 31, 2018, net cash provided by operating activities amounted to ¥240.4 billion, while net cash used in investing activities was ¥178.2 billion. As a result, free cash flow was an inflow of ¥62.2 billion, down ¥155.0 billion compared to the previous fiscal year. Taking this into account along with other factors, including net cash used in financing activities of ¥128.2 billion, fiscal year-end cash and cash equivalents amounted to ¥599.1 billion, a decrease of ¥63.2 billion year on year.

Net cash provided by operating activities decreased by ¥125.5 billion compared to the previous fiscal year. This downturn was largely attributable to an increase in inventories and growth in trade payables.

Net cash used in investing activities increased by ¥29.5 billion year on year, due mainly to an increase in cash outflows attributable to the purchase of property, plant and equipment.

Net cash used in financing activities increased by ¥4.7 billion year on year, due mainly to growth in the payment of cash dividends.

Cash flows



Consolidated Balance Sheets

Mitsubishi Electric Corporation and Subsidiaries
March 31, 2018 and 2017

	Yen (millions)		U.S. dollars (thousands) (note 2)
	2018	2017	2018
Assets			
Current assets:			
Cash and cash equivalents	¥ 599,199	¥ 662,469	\$ 5,652,821
Trade receivables (notes 4, 6 and 16)	1,087,593	1,037,201	10,260,311
Inventories (note 5)	741,782	643,040	6,997,943
Prepaid expenses and other current assets (notes 1 (aa), 15 and 19)	177,919	157,975	1,678,482
Total current assets	2,606,493	2,500,685	24,589,557
Long-term receivables and investments:			
Long-term trade receivables (note 18)	1,965	2,815	18,538
Investments in securities and other (notes 3, 11, 18 and 19)	410,715	421,455	3,874,670
Investments in affiliated companies (note 6)	203,580	197,480	1,920,566
Total long-term receivables and investments	616,260	621,750	5,813,774
Property, plant and equipment (notes 19, 20 and 21):			
Land	112,647	113,241	1,062,708
Buildings	852,574	807,201	8,043,151
Machinery and equipment	1,964,737	1,891,377	18,535,255
Construction in progress	43,313	56,160	408,612
	2,973,271	2,867,979	28,049,726
Less accumulated depreciation	2,232,823	2,135,368	21,064,368
Net property, plant and equipment	740,448	732,611	6,985,358
Other assets (notes 1 (aa), 8, 10, 19 and 20)	301,358	317,224	2,843,000
Total assets	¥4,264,559	¥4,172,270	\$40,231,689

See accompanying notes to consolidated financial statements.

U.S. dollars
(thousands)
(note 2)

	Yen (millions)		
	2018	2017	2018
Liabilities and Equity			
Current liabilities:			
Bank loans (note 7)	¥ 56,042	¥ 60,868	\$ 528,698
Current portion of long-term debt (notes 7, 18 and 21)	66,388	63,500	626,302
Trade payables (notes 6 and 9)	719,404	780,202	6,786,830
Accrued expenses (note 17)	361,948	363,849	3,414,604
Accrued income taxes (note 10)	33,179	26,295	313,009
Other current liabilities (notes 11, 15 and 19)	234,406	231,047	2,211,378
Total current liabilities	1,471,367	1,525,761	13,880,821
Long-term debt (notes 7, 18 and 21)	189,055	227,756	1,783,538
Retirement and severance benefits (note 11)	171,017	194,990	1,613,368
Other liabilities (notes 1 (aa), 10 and 17)	68,975	83,055	650,707
Total liabilities	1,900,414	2,031,562	17,928,434
Mitsubishi Electric Corp. shareholders' equity:			
Common stock (note 12):			
Authorized 8,000,000,000 shares; issued 2,147,201,551 shares in 2018 and in 2017	175,820	175,820	1,658,679
Capital surplus (note 12)	213,250	212,530	2,011,793
Legal reserve	69,382	68,482	654,547
Retained earnings	1,788,359	1,586,075	16,871,312
Accumulated other comprehensive income (loss) (notes 3, 10, 11, 13 and 15)	14,472	(2,052)	136,528
Treasury stock, at cost 1,493,460 shares in 2018 1,059,870 shares in 2017	(1,928)	(1,228)	(18,189)
Total Mitsubishi Electric Corp. shareholders' equity	2,259,355	2,039,627	21,314,670
Noncontrolling interests	104,790	101,081	988,585
Total equity	2,364,145	2,140,708	22,303,255
Commitments and contingent liabilities (note 17)			
Total liabilities and equity	¥4,264,559	¥4,172,270	\$40,231,689

Consolidated Statements of Income

Mitsubishi Electric Corporation and Subsidiaries
Years ended March 31, 2018, 2017 and 2016

	Yen (millions)			U.S. dollars (thousands) (note 2)
	2018	2017	2016	2018
Revenues:				
Net sales (note 6)	¥4,431,198	¥4,238,666	¥4,394,353	\$41,803,755
Interest and dividends (note 6)	8,611	7,653	8,573	81,236
Equity in earnings of affiliated companies (note 6)	22,261	21,508	29,433	210,009
Other (notes 3, 13, 15 and 20)	29,542	31,824	22,570	278,698
Total revenues	4,491,612	4,299,651	4,454,929	42,373,698
Costs and expenses:				
Cost of sales (notes 11 and 21)	3,030,902	2,950,729	3,071,435	28,593,415
Selling, general and administrative (notes 11, 20 and 21)	868,812	829,425	826,232	8,196,340
Research and development	192,966	184,964	187,032	1,820,434
Loss on impairment of long-lived assets (notes 19 and 20)	19,881	3,444	8,482	187,557
Interest	2,727	3,225	3,495	25,726
Other (notes 13, 15, 16, 17 and 20)	11,746	31,615	39,777	110,811
Total costs and expenses	4,127,034	4,003,402	4,136,453	38,934,283
Income before income taxes	364,578	296,249	318,476	3,439,415
Income taxes (note 10):				
Current	62,213	55,518	52,691	586,915
Deferred	20,026	17,966	24,355	188,925
	82,239	73,484	77,046	775,840
Net income	282,339	222,765	241,430	2,663,575
Net income attributable to noncontrolling interests	10,459	12,272	12,936	98,669
Net income attributable to Mitsubishi Electric Corp.	¥ 271,880	¥ 210,493	¥ 228,494	\$ 2,564,906

Net income per share attributable to Mitsubishi Electric Corp. (note 14):

	Yen			U.S. dollars (thousands) (note 2)
	2018	2017	2016	2018
Basic	¥126.70	¥98.07	¥106.43	\$1.195
Diluted	—	—	—	—

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Electric Corporation and Subsidiaries
Years ended March 31, 2018, 2017 and 2016

	Yen (millions)			U.S. dollars (thousands) (note 2)
	2018	2017	2016	2018
Net income	¥282,339	¥222,765	¥241,430	\$2,663,575
Other comprehensive income (loss), net of tax (note 13):				
Foreign currency translation adjustments	17,023	(22,968)	(70,881)	160,594
Pension liability adjustments (note 11)	15,857	26,096	(86,516)	149,595
Unrealized gains (losses) on securities (note 3)	(14,875)	42,684	(25,498)	(140,330)
Unrealized gains (losses) on derivative instruments (note 15)	(88)	136	(8)	(830)
Total	17,917	45,948	(182,903)	169,029
Comprehensive income	300,256	268,713	58,527	2,832,604
Comprehensive income attributable to noncontrolling interests	11,852	9,573	4,796	111,811
Comprehensive income attributable to Mitsubishi Electric Corp.	¥288,404	¥259,140	¥53,731	\$2,720,793

See accompanying notes to consolidated financial statements.

Consolidated Statements of Equity

Mitsubishi Electric Corporation and Subsidiaries
Years ended March 31, 2018, 2017 and 2016

Yen (millions)

	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Mitsubishi Electric Corp. shareholders' equity	Non-controlling interests	Total equity
Balance at March 31, 2015	¥175,820	¥211,155	¥64,058	¥1,267,438	¥124,064	¥ (332)	¥1,842,203	¥ 87,964	¥1,930,167
Comprehensive income (loss):									
Net income attributable to Mitsubishi Electric Corp.				228,494			228,494		228,494
Net income attributable to noncontrolling interests								12,936	12,936
Other comprehensive income (loss), net of tax (note 13):									
Foreign currency translation adjustments					(63,112)		(63,112)	(7,769)	(70,881)
Pension liability adjustments (note 11)					(86,123)		(86,123)	(393)	(86,516)
Unrealized gains (losses) on securities (note 3)					(25,510)		(25,510)	12	(25,498)
Unrealized gains (losses) on derivative instruments (note 15)					(18)		(18)	10	(8)
							53,731	4,796	58,527
Transfer to legal reserve			1,594	(1,594)					
Acquisition of subsidiary								33,439	33,439
Equity transactions with noncontrolling interests and other		844					844	(27,469)	(26,625)
Dividends paid to Mitsubishi Electric Corp. shareholders				(57,963)			(57,963)		(57,963)
Purchase of treasury stock						(43)	(43)		(43)
Reissuance of treasury stock		0				1	1		1
Balance at March 31, 2016	¥175,820	¥211,999	¥65,652	¥1,436,375	¥ (50,699)	¥ (374)	¥1,838,773	¥ 98,730	¥1,937,503
Comprehensive income (loss):									
Net income attributable to Mitsubishi Electric Corp.				210,493			210,493		210,493
Net income attributable to noncontrolling interests								12,272	12,272
Other comprehensive income (loss), net of tax (note 13):									
Foreign currency translation adjustments					(21,312)		(21,312)	(1,656)	(22,968)
Pension liability adjustments (note 11)					27,238		27,238	(1,142)	26,096
Unrealized gains (losses) on securities (note 3)					42,610		42,610	74	42,684
Unrealized gains (losses) on derivative instruments (note 15)					111		111	25	136
							259,140	9,573	268,713
Transfer to legal reserve			2,830	(2,830)					
Equity transactions with noncontrolling interests and other		531					531	(7,222)	(6,691)
Dividends paid to Mitsubishi Electric Corp. shareholders				(57,963)			(57,963)		(57,963)
Purchase of treasury stock						(854)	(854)		(854)
Reissuance of treasury stock		0				0	0		0
Balance at March 31, 2017	¥175,820	¥212,530	¥68,482	¥1,586,075	¥ (2,052)	¥(1,228)	¥2,039,627	¥101,081	¥2,140,708
Comprehensive income (loss):									
Net income attributable to Mitsubishi Electric Corp.				271,880			271,880		271,880
Net income attributable to noncontrolling interests								10,459	10,459
Other comprehensive income (loss), net of tax (note 13):									
Foreign currency translation adjustments					15,614		15,614	1,409	17,023
Pension liability adjustments (note 11)					15,918		15,918	(61)	15,857
Unrealized gains (losses) on securities (note 3)					(14,939)		(14,939)	64	(14,875)
Unrealized gains (losses) on derivative instruments (note 15)					(69)		(69)	(19)	(88)
							288,404	11,852	300,256
Transfer to legal reserve			900	(900)					
Equity transactions with noncontrolling interests and other		720					720	(8,143)	(7,423)
Dividends paid to Mitsubishi Electric Corp. shareholders				(68,696)			(68,696)		(68,696)
Purchase of treasury stock						(700)	(700)		(700)
Reissuance of treasury stock		0				0	0		0
Balance at March 31, 2018	<u>¥175,820</u>	<u>¥213,250</u>	<u>¥69,382</u>	<u>¥1,788,359</u>	<u>¥ 14,472</u>	<u>¥(1,928)</u>	<u>¥2,259,355</u>	<u>¥104,790</u>	<u>¥2,364,145</u>

U.S. dollars (thousands) (note 2)

	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Mitsubishi Electric Corp. shareholders' equity	Non-controlling interests	Total equity
Balance at March 31, 2017	\$1,658,679	\$2,005,000	\$646,057	\$14,962,972	\$ (19,359)	\$(11,585)	\$19,241,764	\$953,595	\$20,195,359
Comprehensive income (loss):									
Net income attributable to Mitsubishi Electric Corp.				2,564,906			2,564,906		2,564,906
Net income attributable to noncontrolling interests								98,669	98,669
Other comprehensive income (loss), net of tax (note 13):									
Foreign currency translation adjustments					147,302		147,302	13,292	160,594
Pension liability adjustments (note 11)					150,170		150,170	(575)	149,595
Unrealized gains (losses) on securities (note 3)					(140,934)		(140,934)	604	(140,330)
Unrealized gains (losses) on derivative instruments (note 15)					(651)		(651)	(179)	(830)
							2,720,793	111,811	2,832,604
Transfer to legal reserve			8,490	(8,490)					
Equity transactions with noncontrolling interests and other		6,793					6,793	(76,821)	(70,028)
Dividends paid to Mitsubishi Electric Corp. shareholders				(648,076)			(648,076)		(648,076)
Purchase of treasury stock						(6,604)	(6,604)		(6,604)
Reissuance of treasury stock		0				0	0		0
Balance at March 31, 2018	<u>\$1,658,679</u>	<u>\$2,011,793</u>	<u>\$654,547</u>	<u>\$16,871,312</u>	<u>\$136,528</u>	<u>\$(18,189)</u>	<u>\$21,314,670</u>	<u>\$988,585</u>	<u>\$22,303,255</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Electric Corporation and Subsidiaries
Years ended March 31, 2018, 2017 and 2016

	Yen (millions)			U.S. dollars (thousands) (note 2)
	2018	2017	2016	2018
Cash flows from operating activities:				
Net income	¥282,339	¥222,765	¥241,430	\$2,663,575
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	154,559	141,584	145,249	1,458,104
Impairment losses of property, plant and equipment	19,330	3,344	5,766	182,358
Loss (gain) from sales and disposal of property, plant and equipment, net	(1,122)	(542)	2,159	(10,585)
Deferred income taxes	20,026	17,966	24,355	188,925
Loss (gain) from sales of securities and other, net	(23,622)	(2,243)	(1,511)	(222,849)
Loss (gain) from sale of subsidiaries	884	(14,569)	—	8,340
Devaluation losses of securities and other, net	680	1,216	1,110	6,415
Equity in earnings of affiliated companies	(22,261)	(21,508)	(29,433)	(210,009)
Decrease (increase) in trade receivables	(45,827)	(21,580)	1,583	(432,330)
Decrease (increase) in inventories	(95,357)	(7,576)	39,220	(899,594)
Decrease (increase) in other assets	(21,644)	19,239	7,612	(204,189)
Increase (decrease) in trade payables	(48,428)	20,853	(21,754)	(456,868)
Increase (decrease) in accrued expenses and retirement and severance benefits	(21,328)	(31,590)	(53,706)	(201,208)
Increase (decrease) in other liabilities	1,970	(6,253)	(39,104)	18,585
Other, net	40,251	44,844	43,701	379,726
Net cash provided by operating activities	240,450	365,950	366,677	2,268,396
Cash flows from investing activities:				
Capital expenditure	(186,792)	(167,165)	(182,251)	(1,762,189)
Proceeds from sale of property, plant and equipment	3,005	9,049	2,400	28,349
Purchase of short-term investments and investment securities (net of cash acquired)	(8,518)	(6,007)	(13,285)	(80,358)
Purchase of shares of MELCO Hydronics & IT Cooling S.p.A. (net of cash acquired)	—	—	(50,587)	—
Proceeds from sale of short-term investments and investment securities	36,072	10,774	8,511	340,302
Proceed from sale of subsidiary (net of cash disposed)	(878)	12,786	—	(8,283)
Decrease (increase) in loans receivable	(834)	13,878	(854)	(7,868)
Other, net	(20,274)	(21,947)	(19,377)	(191,264)
Net cash used in investing activities	(178,219)	(148,632)	(255,443)	(1,681,311)
Cash flows from financing activities:				
Proceeds from long-term debt	20,180	145	110,108	190,377
Repayment of long-term debt	(64,186)	(58,489)	(93,163)	(605,528)
Increase (decrease) in short-term debt, net	(5,974)	350	(13,912)	(56,357)
Dividends paid	(68,696)	(57,963)	(57,963)	(648,076)
Purchase of treasury stock	(700)	(854)	(43)	(6,604)
Reissuance of treasury stock	0	0	1	0
Purchase of MELCO Hydronics & IT Cooling S.p.A.'s noncontrolling interests	—	—	(21,825)	—
Other, net	(8,915)	(6,684)	(5,347)	(84,104)
Net cash provided by (used in) financing activities	(128,291)	(123,495)	(82,144)	(1,210,292)
Effect of exchange rate changes on cash and cash equivalents	2,790	(5,524)	(23,437)	26,320
Net increase (decrease) in cash and cash equivalents	(63,270)	88,299	5,653	(596,887)
Cash and cash equivalents at beginning of year	662,469	574,170	568,517	6,249,708
Cash and cash equivalents at end of year	¥599,199	¥662,469	¥574,170	\$5,652,821

Note: The name of MELCO Hydronics & IT Cooling S.p.A. was changed and is MEHIT Holding S.r.l. as of March 31, 2018.
See accompanying notes to consolidated financial statements.

(1) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Description of Business

Mitsubishi Electric Corporation (the "Company") is a multinational organization which develops, manufactures, sells and distributes a broad range of electrical and electronic equipments in the fields as diverse as home appliances and 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.

Each line's sales as a percentage of total consolidated sales, before elimination of internal sales, for the year ended March 31, 2018 are as follows: Energy and Electric Systems – 24%, Industrial Automation Systems – 28%, Information and Communication Systems – 9%, Electronic Devices – 4%, Home Appliances – 20% and Others – 15%.

The operations of the Company and its subsidiaries is mainly conducted in Japan. Net sales for the year ended March 31, 2018 comprises of the following geographical locations: Japan – 55%, North America – 9%, Asia (excluding Japan) – 24%, Europe – 10% and Others – 2%.

Our manufacturing operations are conducted principally at the Parent company with 23 manufacturing sites located in Japan as well as overseas manufacturing sites located in the United States, United Kingdom, Thailand, Malaysia, China and other countries.

(b) Basis of Presentation

The Company and its subsidiaries maintain their books of account in conformity with financial accounting standards in the countries of their domicile.

The Company prepares the consolidated financial statements with reflecting the adjustments which are considered necessary to conform with accounting principles generally accepted in the United States of America.

(c) Consolidation

The Company prepares the consolidated financial statements including the accounts of the parent company and those of its majority-owned subsidiaries, whether directly or indirectly controlled. All significant intercompany transactions, accounts, and unrealized gains or losses have been eliminated.

Investments in corporate joint ventures and affiliated companies with the ownership interest of 20% to 50%, in which the Company does not have control, but has the ability to exercise significant influence, are accounted for by the equity method of accounting. Investments of less than 20% or on which the Company does not have significant influence are accounted for by the cost method.

The Company evaluates Variable Interest Entities (VIEs) whether it has a controlling financial interest in an entity through means other than voting rights and whether it should

consolidate the entity as the primary beneficiary when the Company has a controlling financial interest.

(d) Use of Estimates

The Company makes estimates and assumptions to prepare the consolidated financial statements in conformity with generally accepted accounting principles, and those estimates and assumptions affect the reported amounts of assets and liabilities as well as the disclosed amounts of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation allowances for receivables, inventories and deferred tax assets; the carrying amount of property, plant and equipment; goodwill and other intangible assets; and assets and obligations related to employee benefits. Actual results could differ from those estimates.

(e) Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents for the consolidated cash flow statements.

(f) Short-Term Investments and Investment Securities

The Company classifies investments in debt and equity securities into trading, available-for-sale, or held-to-maturity securities.

Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities which the Company has the ability and intent to hold until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

Marketable trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of other comprehensive income (loss) until realized. Realized gains or losses from the sale of securities are determined on the average cost of the particular security held at the time of sale.

A decline in the fair value of any available-for-sale security below costs that is other-than-temporary results in a reduction in carrying amount to the fair value, which becomes the new acquisition cost for the security.

To determine whether an impairment of equity security is other-than-temporary, the Company considers whether it has the ability and intent to hold the security until a market price recovery and considers whether evidence indicating the market price of the security is recoverable to the carrying amount

outweighs the counter evidence. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, and forecasted performance of the investee.

To determine whether an impairment of debt security is other-than-temporary, the Company considers whether it has the intent to sell the debt security and it is more likely than not that the Company is required to sell until a market price of the investment is recoverable to the amortized cost.

Other investments are stated at cost. The Company recognizes a loss when there is other-than-temporary decline in value of other investments, using the same policy as described above for available-for-sale security impairments.

(g) Allowance for Doubtful Receivables

The Company records an allowance for doubtful receivables based on credit loss history and evaluation of specific doubtful receivables.

(h) Inventories

In work-in-process, the Company records the ordered products at the acquisition cost and the regular purchased products at the average production costs. Those products are recorded at the lower of cost or market. Net costs in excess of billings on long-term contracts are included in inventories. Raw material and finished product inventories are generally recorded using the average-cost method, and evaluated at the lower of cost or market. In accordance with the general practice in the heavy electrical industry, inventories related to Energy and Electric Systems include items with long manufacturing periods which are not realizable within one year.

(i) Property, Plant and Equipment

The Company records property, plant and equipment at cost. Depreciation of property, plant and equipment is generally calculated by the declining-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 class, type of construction, and use of these assets.

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

(j) Leases

The Company records capital leases at the inception of the lease at the lower of the discounted present value of future minimum lease payments or the fair value of the leased assets. The depreciation of the leased assets is calculated in accordance with the Company's normal depreciation policy.

(k) Income Taxes

The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing

assets and liabilities and their respective tax basis, operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Valuation allowances are established to reduce deferred tax assets to their net realizable value if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The Company recognizes the financial statement effects of unrecognized tax benefits only if those positions are more likely than not of being sustained.

(l) Product Warranties

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

(m) Retirement and Severance Benefits

The Company recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans in the consolidated balance sheet at the end of the year, and records the corresponding amount to accumulated other comprehensive income (loss), net of tax. The adjustment items for accumulated other comprehensive income (loss) are unrecognized prior service cost and unrecognized net gain or loss. The amounts of these adjustments are recognized as net periodic pension cost in future years.

(n) Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement including title transfer exists, delivery has occurred, the sales price is fixed or determinable, and collectability is probable. These criteria are met for mass-merchandising products such as consumer products and semiconductors at the time when the product is received by the customer, and for products with acceptance provisions such as heavy machinery and industrial products at the time when the product is received by the customer and the specific criteria of the product are demonstrated by the Company with only certain inconsequential or perfunctory work left to be performed by the customer. Revenue from maintenance agreements is recognized over the contract term when the maintenance is provided and the cost is incurred. Also, the Company applies the percentage of completion method for long-term construction contracts.

The Company measures the percentage of completion by comparing expenses recognized through the current year to the aggregate amount of estimated cost. Any anticipated losses on fixed price contracts are charged to operations when such losses can be estimated. Provisions are made for contingencies in the period when they become known pursuant to specific contract terms and conditions and are estimable.

For the contract which may consist of any combination of products, equipment, installation and maintenance, revenue is allocated to each accounting unit based on its relative fair value, when each deliverable is accounted for by each separate accounting unit.

(o) Research and Development and Advertising

The Company accounts for the costs of research and development and advertising as expense when those costs are incurred.

(p) Shipping and Handling Costs

The Company records shipping and handling costs mainly as selling, general and administrative expenses.

(q) Net Income per Share

The Company calculates basic net income per share attributable to Mitsubishi Electric Corp. by dividing net income attributable to Mitsubishi Electric Corp. by the weighted-average number of common shares outstanding during each year. Diluted net income per share attributable to Mitsubishi Electric Corp. reflects the potential dilution and is calculated on the basis that dilutive securities were converted at the beginning of the year or at time of issuance (if later), and that dilutive stock option were exercised (less the number of treasury stock assumed to be purchased from the proceeds using the average market price of the Company's common stock).

(r) Foreign Currency Translation

The Company translates receivables and payables in foreign currency at the prevailing rates of exchange at the balance sheet date. Gains and losses resulting from translation of receivables and payables are recognized in current earnings. Assets and liabilities of the Company's overseas consolidated subsidiaries are translated into Japanese yen at the prevailing rates of exchange at the balance sheet date. Income and expense items are translated at the average exchange rate prevailing during the year. Gains and losses resulting from translation of financial statements are recognized as foreign currency translation adjustments in other comprehensive income (loss).

(s) Derivatives

The Company recognizes all derivatives as either assets or liabilities in the consolidated financial statements and measures them at fair value. For derivatives designated as fair value

hedges, changes in fair value of the hedged item and the derivative are recognized in current earnings. For derivatives designated as cash flow hedges, fair value changes of the effective portion of the hedging instruments are recognized as a component of other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of all hedges is recognized in earnings immediately.

The Company discloses the use and purpose of derivative instruments, accounting for derivative instruments and related hedged items. The Company also discloses the effects on the entity's financial position, results of operations, and cash flows by the derivative instruments and hedging activities.

(t) Securitizations

The Company accounts for the securitization of the accounts receivables as a sale, if it is determined based on the Company's evaluation that it has surrendered control over the transferred receivables.

Accordingly, the receivables sold under these facilities are excluded from Trade receivables in the accompanying consolidated balance sheets. Gain or loss on sale of receivables is calculated based on the allocated carrying amount of the receivables sold. When a portion of accounts receivables is transferred, the participating interest that continues to be held is recorded at the allocated carrying amount of the assets based on their relative fair values at the date of the transfer. The Company estimates fair value based on the present value of future expected cash flows less credit losses.

(u) Impairment of Long-Lived Assets

The Company reviews for impairment of long-lived assets such as property, plant, and equipment and purchased intangibles subject to amortization, to be held and used whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment loss is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Long-lived assets to be disposed of other than sale continue to be classified as held and used until they are disposed.

Long-lived assets classified as held-for-sale are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held-for-sale are presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

(v) Goodwill and Other Intangible Assets

The Company accounts for business combinations using the acquisition method. The Company recognizes at fair value the assets acquired, the liabilities assumed, any noncontrolling interests in the acquiree, and acquired goodwill at the acquisition date. The Company discloses the nature of business combination to enable the readers to evaluate the effects of such transaction on the consolidated financial statements.

The Company does not amortize goodwill and other intangible assets with indefinite useful life but tests it for impairment at least annually. In the impairment test, the fair value of the reporting unit is compared to its carrying amount (including goodwill). Impairment loss is recognized for the amount by which the carrying amount exceeds the fair value, up to the carrying amount of goodwill allocated to the reporting unit. Also other intangible assets determined to have useful life are amortized over their respective estimated useful life, and tested for impairment by the same process as impairment of long-lived assets.

(w) Cost Associated with Exit or Disposal Activities

The Company recognizes the costs associated with exit or disposal activities as liability only when it meets the definition of a liability in the Statements of Financial Accounting Concepts No. 6, "Elements of Financial Statements". The Company uses fair value for initial measurement of liabilities related to exit or disposal activities.

(x) Guarantees

The Company recognizes the guarantees and indemnification arrangements as liability measured at fair value as they are issued or modified by the Company, and discloses the guarantees that the Company has undertaken, including a rollforward of the Company's product warranty liabilities. The Company continually monitors the conditions of the guarantees and indemnifications to identify occurrence of probable losses, and when such losses are identified and if estimable, they are recognized in current earnings.

(y) Asset Retirement Obligations

The Company recognizes legal obligations associated with the retirement of long-lived assets that result from an acquisition,

construction and development, and (or) from a normal operation of a long-lived asset, except for certain lease obligations. The Company recognizes a liability for an asset retirement obligation at fair value in the period which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently allocated to expense over the asset's useful life. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

(z) Reclassifications

The Company has made certain reclassifications of the previous fiscal years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2018.

(aa) Application of New Accounting Standards

From the year ended March 31, 2018, the Company has 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 are 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 are offset and presented in the noncurrent category. The consolidated balance sheets of previous fiscal years have been 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" are each reclassified to "Other assets".

The Company is planning to voluntarily adopt International Financial Reporting Standards (IFRS) for its consolidated financial statements from the year ending March 31, 2019, in place of U.S. generally accepted accounting principles (U.S. GAAP). Therefore, we will not present the U.S. GAAP accounting pronouncements that will be effective after April 1, 2018.

(2) U.S. DOLLAR AMOUNTS

The Company has presented the consolidated financial statements in Japanese yen, and solely for the convenience of the reader, has provided translated amounts in United States dollars at the rate of ¥106=U.S.\$1, which was the approximate

exchange rate prevailing on the Tokyo Foreign Exchange Market at the end of March 2018. This translation should not be construed as a representation that the amounts shown could be converted into United States dollars at such rate.

(3) SECURITIES

Marketable securities included in investments in securities and other consists of available-for-sale securities. The cost, gross unrealized holding gains, gross unrealized holding losses and fair value for such securities by equity securities and debt securities at March 31, 2018 and 2017 are as follows:

	Yen (millions)			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
2018:				
Available-for-sale:				
Equity securities	¥85,910	¥176,080	¥1,101	¥260,889
Debt securities	200	—	3	197
	<u>¥86,110</u>	<u>¥176,080</u>	<u>¥1,104</u>	<u>¥261,086</u>

	Yen (millions)			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
2017:				
Available-for-sale:				
Equity securities	¥91,546	¥199,654	¥903	¥290,297
Debt securities	200	—	2	198
	<u>¥91,746</u>	<u>¥199,654</u>	<u>¥905</u>	<u>¥290,495</u>

	U.S. dollars (thousands)			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
2018:				
Available-for-sale:				
Equity securities	\$810,472	\$1,661,132	\$10,387	\$2,461,217
Debt securities	1,886	—	28	1,858
	<u>\$812,358</u>	<u>\$1,661,132</u>	<u>\$10,415</u>	<u>\$2,463,075</u>

Debt securities consist of investment trusts.

In the years ended March 31, 2018 and 2016, net unrealized gains on available-for-sale securities, net of taxes and noncontrolling interests, decreased by ¥14,939 million (\$140,934 thousand), and ¥25,510 million, respectively, and in the year ended March 31, 2017, increased by ¥42,610 million.

As of March 31, 2018 and 2017, the cost of non-marketable equity securities were ¥16,791 million (\$158,406 thousand) and ¥15,162 million, respectively.

Maturities of marketable securities classified as available-for-sale at March 31, 2018 are as follows:

	Yen (millions)		U.S. dollars (thousands)	
	Cost	Fair value	Cost	Fair value
Due within one year	¥ 200	¥ 197	\$ 1,886	\$ 1,858
Marketable equity securities	85,910	260,889	810,472	2,461,217
	<u>¥86,110</u>	<u>¥261,086</u>	<u>\$812,358</u>	<u>\$2,463,075</u>

Gross unrealized losses on available-for-sale securities and the fair value of the related securities, aggregated by length of time that individual securities has been in continuous unrealized loss positions, at March 31, 2018 are as follows:

	Yen (millions)					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Available-for-sale:						
Equity securities	¥6,839	¥441	¥1,257	¥660	¥8,096	¥1,101
Debt securities	—	—	197	3	197	3
	<u>¥6,839</u>	<u>¥441</u>	<u>¥1,454</u>	<u>¥663</u>	<u>¥8,293</u>	<u>¥1,104</u>

	U.S. dollars (thousands)					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Available-for-sale:						
Equity securities	\$64,519	\$4,160	\$11,858	\$6,227	\$76,377	\$10,387
Debt securities	—	—	1,858	28	1,858	28
	<u>\$64,519</u>	<u>\$4,160</u>	<u>\$13,716</u>	<u>\$6,255</u>	<u>\$78,235</u>	<u>\$10,415</u>

The Company did not recognize any impairment losses from the decline in the fair value of the marketable securities. Based on that evaluation and the Company's ability and intention to hold those securities for a reasonable period of time sufficient for recovery of fair value, the Company does not consider those securities to be other-than-temporarily impaired.

Proceeds from the sale of available-for-sale securities and gross realized gains and losses on those sales in the years ended March 31, 2018, 2017 and 2016 are as follows:

	Yen (millions)			U.S. dollars (thousands)
	2018	2017	2016	2018
Proceeds	¥29,166	¥5,037	¥3,834	\$275,151
Gross realized gains	23,509	2,681	1,488	221,783
Gross realized losses	23	593	3	217

For the years ended March 31, 2018, 2017 and 2016, the Company did not recognize any material losses on impairment of marketable securities due to other-than-temporary declines in fair value.

(4) TRADE RECEIVABLES

Trade receivables are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Notes receivable	¥ 99,267	¥ 93,612	\$ 936,481
Accounts receivable	999,660	951,962	9,430,755
Allowance for doubtful receivables	(11,334)	(8,373)	(106,925)
	<u>¥1,087,593</u>	<u>¥1,037,201</u>	<u>\$10,260,311</u>

(5) INVENTORIES

Inventories are comprised of the following:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Work in process	¥315,592	¥278,237	\$2,977,283
Less accumulated billings on long-term contracts	25,926	24,708	244,585
	289,666	253,529	2,732,698
Raw materials	132,637	111,641	1,251,292
Finished products	319,479	277,870	3,013,953
	¥741,782	¥643,040	\$6,997,943

(6) INVESTMENTS IN AFFILIATED COMPANIES

A summary of the combined financial information relating to affiliated companies accounted for by the equity method of accounting (Toshiba Mitsubishi-Electric Industrial Systems Corporation, Shanghai Mitsubishi Elevator Co., Ltd, etc.) as of March 31, 2018 and 2017, and for the years ended March 31, 2018, 2017 and 2016 is as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Financial Position			
Current assets	¥1,356,408	¥1,309,367	\$12,796,302
Property, plant and equipment	115,759	119,389	1,092,066
Other assets	137,926	129,224	1,301,189
Total assets	¥1,610,093	¥1,557,980	\$15,189,557
Current liabilities	¥ 880,835	¥ 885,052	\$ 8,309,764
Non-current liabilities	165,130	127,051	1,557,830
Total liabilities	1,045,965	1,012,103	9,867,594
Shareholders' equity	564,128	545,877	5,321,963
Total liabilities and shareholders' equity	¥1,610,093	¥1,557,980	\$15,189,557

	Yen (millions)			U.S. dollars (thousands)
	2018	2017	2016	2018
Results of Operations				
Sales	¥1,313,676	¥1,290,406	¥1,363,861	\$12,393,170
Net income attributable to affiliated companies	60,238	58,124	76,158	568,283

The balances and transactions with affiliated companies accounted for by the equity method of accounting as of March 31, 2018 and 2017, and for the years ended March 31, 2018, 2017 and 2016 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Trade receivables	¥70,266	¥58,497	\$662,887
Trade payables	50,971	47,648	480,858

	Yen (millions)			U.S. dollars (thousands)
	2018	2017	2016	2018
Sales	¥301,524	¥294,027	¥300,524	\$2,844,566
Purchases	138,797	141,545	139,666	1,309,406
Dividends	18,739	18,538	18,084	176,783

Investments in affiliated companies accounted for by the equity method of accounting include the shares of 8 publicly quoted affiliates, which are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Investments at equity	¥42,451	¥39,379	\$400,481
Quoted market value	62,490	57,923	589,528

(7) BANK LOANS AND LONG-TERM DEBT

Bank loans consisted of the following:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Borrowings from banks and others	¥56,042	¥60,868	\$528,698

The weighted average interest rates on borrowings from banks and others outstanding as of March 31, 2018 and 2017 are 0.60% and 0.82%, respectively.

At March 31, 2018, the Company and its subsidiaries had unused committed lines of credit that can provide short-term funds from subscribing financial institutions amounting to ¥82,890 million (\$781,981 thousand).

Long-term debt consisted of the following:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Borrowings from banks and other companies, due 2018 to 2025 with bearing interest rate ranging from 0.17% to 6.83% at March 31, 2018: due 2017 to 2025 with bearing interest rate ranging from 0.15% to 5.42% at March 31, 2017			
Unsecured	¥193,961	¥228,910	\$1,829,821
0.27% Japanese yen bonds due 2019	20,000	20,000	188,679
0.43% Japanese yen bonds due 2021	20,000	20,000	188,679
Capital lease obligations	21,482	22,346	202,661
	255,443	291,256	2,409,840
Less amount due within one year	66,388	63,500	626,302
	¥189,055	¥227,756	\$1,783,538

The aggregate annual maturities of long-term debt outstanding at March 31, 2018 are as follows:

Year ending March 31:	Yen (millions)	U.S. dollars (thousands)
2019	¥ 66,388	\$ 626,302
2020	47,508	448,189
2021	41,888	395,170
2022	36,974	348,811
2023	48,650	458,962
Thereafter	14,035	132,406
Total	<u>¥255,443</u>	<u>\$2,409,840</u>

Substantially all of the loans with banks and others have basic written agreements. With respect to all present or future loans, these agreements state that the Company would need to provide collateral or guarantors immediately upon the banks' requests and that any collateral furnished pursuant to such agreements will be used against repayment of debts in case of default.

(8) GOODWILL AND OTHER INTANGIBLE ASSETS

The gross carrying amount, accumulated amortization and net carrying amount of intangible assets other than goodwill as of March 31, 2018 and 2017 are as follows:

	Yen (millions)		
	Gross carrying amount	Accumulated amortization	Net carrying amount
2018:			
Finite-lived intangible assets			
Software	¥119,382	¥ 79,761	¥39,621
Customer relationship	30,050	5,985	24,065
Others	35,630	19,853	15,777
Sub total	185,062	105,599	79,463
Indefinite-lived intangible assets	2,617	—	2,617
Total	<u>¥187,679</u>	<u>¥105,599</u>	<u>¥82,080</u>

	Yen (millions)		
	Gross carrying amount	Accumulated amortization	Net carrying amount
2017:			
Finite-lived intangible assets			
Software	¥108,287	¥70,359	¥37,928
Customer relationship	27,628	3,180	24,448
Others	33,867	16,093	17,774
Sub total	169,782	89,632	80,150
Indefinite-lived intangible assets	2,791	—	2,791
Total	<u>¥172,573</u>	<u>¥89,632</u>	<u>¥82,941</u>

	U.S. dollars (thousands)		
	Gross carrying amount	Accumulated amortization	Net carrying amount
2018:			
Finite-lived intangible assets			
Software	\$1,126,245	\$752,462	\$373,783
Customer relationship	283,491	56,462	227,029
Others	336,132	187,292	148,840
Sub total	1,745,868	996,216	749,652
Indefinite-lived intangible assets	24,689	—	24,689
Total	<u>\$1,770,557</u>	<u>\$996,216</u>	<u>\$774,341</u>

Finite-lived intangible assets acquired during the years ended March 31, 2018 and 2017 are ¥19,674 million (\$185,604 thousand) and ¥19,250 million respectively, mainly acquisition of softwares.

Amortization expenses of intangible assets for the years ended March 31, 2018, 2017 and 2016 are ¥24,330 million (\$229,528 thousand), ¥22,663 million, ¥19,006 million, respectively.

Estimated amortization expenses for the next five years are as follows:

Year ending March 31:	Yen (millions)	U.S. dollars (thousands)
2019	¥20,365	\$ 192,123
2020	15,374	145,038
2021	9,875	93,160
2022	6,192	58,415
2023	4,616	43,547

Changes in the carrying amount of goodwill for the years ended March 31, 2018 and 2017 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Balance at beginning of year	¥59,890	¥63,979	\$565,000
Acquisition	1,102	—	10,396
Foreign currency translation adjustments, etc	3,108	(4,089)	29,321
Balance at end of year	¥64,100	¥59,890	\$604,717

Goodwill is mainly allocated to the Home Appliances segment by ¥58,974 million (\$556,358 thousand) as of March 31, 2018 and ¥55,840 million as of March 31, 2017.

(9) TRADE PAYABLES

Trade payables are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Notes payable	¥ 89,661	¥127,585	\$ 845,858
Accounts payable	629,743	652,617	5,940,972
	¥719,404	¥780,202	\$6,786,830

(10) INCOME TAXES

Total income taxes were allocated as follows:

	Yen (millions)			U.S. dollars (thousands)
	2018	2017	2016	2018
Income before income taxes	¥82,239	¥73,484	¥77,046	\$775,840
Shareholders' equity - accumulated other comprehensive income (loss):				
Foreign currency translation adjustments	1,684	(3,690)	(5,551)	15,887
Pension liability adjustments	6,469	12,542	(40,390)	61,028
Unrealized gains (losses) on securities	(8,403)	15,229	(8,558)	(79,274)
Unrealized gains (losses) on derivative instruments	(21)	38	(20)	(198)
	¥81,968	¥97,603	¥22,527	\$773,283

The significant components of deferred tax expense attributable to income taxes are as follows:

	Yen (millions)			U.S. dollars (thousands)
	2018	2017	2016	2018
Change in valuation allowance related to deferred tax assets	¥ (7,712)	¥ (5,925)	¥ (5,130)	\$ (72,755)
Other	27,738	23,891	29,485	261,680
	¥20,026	¥17,966	¥24,355	\$188,925

The Company is subjected to a number of income taxes. The statutory tax rate is approximately 31.0% for the years ended March 31, 2018 and 2017 respectively, approximately 33.0% for the year ended March 31, 2016.

The effective tax rate for the years ended March 31, 2018, 2017 and 2016 is reconciled with the Japanese statutory tax rate in the following table:

	2018	2017	2016
Japanese statutory tax rate	31.0%	31.0%	33.0%
Change in valuation allowance	(2.1)	(2.0)	(4.3)
Adjustment for unrealized profit on intercompany transactions	(0.9)	(1.1)	(0.5)
Expenses permanently not deductible for tax purposes	0.6	0.6	1.1
International tax rate difference	(5.7)	(6.2)	(6.6)
Tax credits	(2.5)	(2.4)	(2.5)
Tax effect attributable to undistributed earnings	0.0	2.8	1.6
Effect of income tax rate change	(0.2)	0.0	4.4
Other	2.4	2.1	(2.0)
Effective tax rate	<u>22.6%</u>	<u>24.8%</u>	<u>24.2%</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2018 and 2017 are as follows:

	2018	Yen (millions) 2017	U.S. dollars (thousands) 2018
Deferred tax assets:			
Retirement and severance benefits	¥ 4,694	¥ 9,610	\$ 44,283
Accrued expenses	88,085	90,683	830,991
Property, plant and equipment	42,046	39,510	396,660
Inventories	23,417	21,276	220,915
Pension liability adjustments	79,397	85,928	749,028
Tax loss carryforwards	11,772	18,480	111,057
Other	57,248	59,693	540,075
Total gross deferred tax assets	306,659	325,180	2,893,009
Valuation allowance	(31,249)	(38,961)	(294,802)
Deferred tax assets, less valuation allowance	275,410	286,219	2,598,207
Deferred tax liabilities:			
Securities contributed to employee retirement benefit trust	26,122	26,122	246,434
Property, plant and equipment	6,973	5,556	65,783
Net unrealized gains on securities	36,287	38,122	342,330
Other	73,924	68,733	697,396
Total gross deferred tax liabilities	143,306	138,533	1,351,943
Net deferred tax assets	<u>¥132,104</u>	<u>¥147,686</u>	<u>\$1,246,264</u>

The valuation allowance for deferred tax assets as of April 1, 2016 was ¥44,886 million. The net change in the total valuation allowance for the years ended March 31, 2018 and 2017 was a decrease of ¥7,712 million (\$72,755 thousand) and ¥5,925 million, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not 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 income during the periods in which those temporary differences become deductible. Management considers the scheduled

reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

At March 31, 2018, the certain subsidiaries had net operating loss carryforwards of ¥51,161 million (\$482,651 thousand) and ¥66,115 million (\$623,726 thousand) for corporate and local income tax purposes, respectively, which were available to offset future taxable income, if any. A part of the net operating loss carryforwards will never expire. The rest of the net operating loss carryforwards will expire mainly in the years ending March 31, 2020.

Net deferred tax assets and liabilities at March 31, 2018 and 2017 are reflected in the accompanying consolidated balance sheets under the following captions:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Other assets	¥142,093	¥162,169	\$1,340,500
Other liabilities	(9,989)	(14,483)	(94,236)
	¥132,104	¥147,686	\$1,246,264

Deferred tax liabilities have been recognized for the undistributed earnings of subsidiaries and affiliated companies. Deferred tax liabilities have not been recognized for undistributed earnings of some domestic subsidiaries as such earnings, if distributed in the form of dividends, is not taxable under present circumstances.

Although the Company believes that there are no significant unrecognized tax benefits as of March 31, 2018 and 2017, future determination by tax authorities could affect the effective tax rate in the future periods.

The Company records interest and penalties related to additional income tax, etc. in Income taxes in the Consolidated Statements of Income. Both interest and penalties accrued as

of March 31, 2018 and 2017, and interest and penalties for the years ended March 31, 2018, 2017 and 2016 are not material.

The Company and its subsidiaries file income tax returns in Japan and various foreign tax jurisdictions. The tax years that remain subject to examination by major tax jurisdictions are as follows:

Location	Open tax years
Japan	2011–2018
United States	2015–2018
Thailand	2013–2018
Europe	2013–2018

(11) RETIREMENT AND SEVERANCE BENEFITS

The Company has non-contributory and contributory defined benefit plans covering substantially all of its employees who meet eligibility requirements.

Under the non-contributory plans, employees with less than twenty years of service are entitled to lump-sum severance indemnities 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 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 Company amended its benefit plan under labor and management agreement during the year ended March 31,

2005, and established a defined contribution 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 sponsor various pension plans, which are partially or entirely employees' pension fund plan, and/or corporate pension fund plan, based on each subsidiary's respective pension policies.

In addition, the foreign consolidated subsidiaries that have adopted pension policy mainly sponsor defined contribution pension plan.

The Company measures the fair value of plan assets and the projected benefit obligations at the end of the year, and recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of pension in consolidated balance sheets with the amount of corresponding adjustment to Accumulated other comprehensive income (loss), net of tax.

Obligations and funded status

Reconciliations of beginning and ending balances of the projected benefit obligations and the fair value of the plan assets are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Change in projected benefit obligations:			
Projected benefit obligations at beginning of year	¥1,139,913	¥1,167,468	\$10,753,896
Service cost	35,487	35,939	334,783
Interest cost	7,280	5,835	68,679
Plan participants' contributions	1,010	1,019	9,528
Actuarial loss (gain)	14,035	(5,969)	132,406
Benefits paid	(60,193)	(66,616)	(567,858)
Acquisitions and divestitures, etc.	1,706	2,237	16,094
Projected benefit obligations at end of year	1,139,238	1,139,913	10,747,528
Change in plan assets:			
Fair value of plan assets at beginning of year	1,015,173	964,489	9,577,104
Actual return on plan assets	50,178	44,942	473,377
Employer contributions	27,358	49,504	258,094
Plan participants' contributions	833	825	7,859
Benefits paid	(39,600)	(45,948)	(373,585)
Acquisitions and divestitures, etc.	1,280	1,361	12,075
Fair value of plan assets at end of year	1,055,222	1,015,173	9,954,924
Funded status at end of year	¥ (84,016)	¥ (124,740)	\$ (792,604)

Amounts recognized in the consolidated balance sheets at March 31, 2018 and 2017 consist of:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Investments in securities and other	¥ 90,197	¥ 73,705	\$ 850,915
Other current liabilities	(3,196)	(3,455)	(30,151)
Retirement and severance benefits	(171,017)	(194,990)	(1,613,368)
	¥ (84,016)	¥(124,740)	\$ (792,604)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2018 and 2017 consist of:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Actuarial loss	¥273,229	¥305,590	\$2,577,632
Prior service cost	(9,627)	(20,197)	(90,821)
	¥263,602	¥285,393	\$2,486,811

The accumulated benefit obligations for all defined benefit plans are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Accumulated benefit obligations	¥1,131,932	¥1,132,807	\$10,678,604

Components of net periodic retirement and severance costs and other amounts recognized in other comprehensive income (loss)

Net periodic retirement and severance costs for the years ended March 31, 2018, 2017 and 2016 consisted of the following components:

	Yen (millions)			U.S. dollars (thousands)
	2018	2017	2016	2018
Service cost	¥ 36,497	¥ 36,958	¥ 33,980	\$ 344,311
Interest cost on projected benefit obligations	7,280	5,835	11,403	68,679
Expected return on plan assets	(17,274)	(16,593)	(16,482)	(162,962)
Amortization of prior service cost	(10,570)	(10,596)	(12,044)	(99,717)
Amortization of actuarial loss	14,161	17,551	12,077	133,594
	30,094	33,155	28,934	283,905
Plan participants' contributions	(1,010)	(1,019)	(1,033)	(9,528)
Net periodic retirement and severance costs	¥ 29,084	¥ 32,136	¥ 27,901	\$ 274,377

Other changes in plan assets and projected benefit obligations recognized in other comprehensive income (loss) for the years ended March 31, 2018, 2017 and 2016 are summarized as follows:

	Yen (millions)			U.S. dollars (thousands)
	2018	2017	2016	2018
Actuarial loss (gain)	¥(18,200)	¥(31,951)	¥126,876	\$(171,698)
Amortization of actuarial loss	(14,161)	(17,551)	(12,077)	(133,594)
Amortization of prior service cost	10,570	10,596	12,044	99,717
	¥(21,791)	¥(38,906)	¥126,843	\$(205,575)

The estimated actuarial loss and prior service cost for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are summarized as follows:

	Yen (millions)	U.S. dollars (thousands)
Actuarial loss	¥ 11,910	\$112,358
Prior service cost	(10,118)	(95,453)

Actuarial assumptions

Actuarial assumptions used to determine benefit obligations at March 31, 2018 and 2017 are as follows:

	2018	2017
Discount rate	0.6%	0.7%
Assumed rate of increase in future compensation levels	1.7%	1.7%

Actuarial assumptions used to determine net periodic retirement and severance costs for the years ended March 31, 2018, 2017 and 2016 are as follows:

	2018	2017	2016
Discount rate	0.7%	0.5%	1.0%
Assumed rate of increase in future compensation levels	1.7%	1.7%	1.7%
Expected long-term rate of return on plan assets	2.5%	2.5%	2.5%

The expected long-term rate of return is based on actual historical returns and the expectations for future returns of each plan asset category in which the Company invests.

Plan Assets:

The fair values of the Company's pension plan assets at March 31, 2018 and 2017 are as follows:

Yen (millions)

	2018			Total
	Level 1	Level 2	Level 3	
Assets measured by other than net asset value				
Equity securities				
Marketable equity securities	¥230,408	¥ —	¥ —	¥ 230,408
Debt securities				
Government , municipal and corporate debt securities	6,036	14,161	—	20,197
Other assets				
Life insurance company general accounts	—	102,436	—	102,436
Other	—	49,407	—	49,407
Assets measured by net asset value				
Equity securities				
Pooled funds	—	—	—	154,156
Debt securities				
Pooled funds	—	—	—	387,779
Other assets				
Other	—	—	—	110,839
Total plan assets	¥236,444	¥166,004	¥—	¥1,055,222

- Notes: 1 Assets that measure fair value by the net asset value are not categorized in the fair value hierarchy.
2 Marketable equity securities include mainly domestic stocks.
3 Pooled funds of equity securities include approximately 40% domestic stocks and 60% foreign stocks.
4 Pooled funds of debt securities include approximately 50% domestic bonds and 50% foreign bonds.
5 Government, municipal and corporate debt securities of level 1 include government debt securities.

Yen (millions)

	2017			Total
	Level 1	Level 2	Level 3	
Assets measured by other than net asset value				
Equity securities				
Marketable equity securities	¥211,657	¥ —	¥ —	¥ 211,657
Debt securities				
Government , municipal and corporate debt securities	5,414	14,804	—	20,218
Other assets				
Life insurance company general accounts	—	101,100	—	101,100
Other	—	47,585	—	47,585
Assets measured by net asset value				
Equity securities				
Pooled funds	—	—	—	179,368
Debt securities				
Pooled funds	—	—	—	373,851
Other assets				
Other	—	—	—	81,394
Total plan assets	¥217,071	¥163,489	¥—	¥1,015,173

- Notes: 1 Assets that measure fair value by the net asset value are not categorized in the fair value hierarchy.
2 Marketable equity securities include mainly domestic stocks.
3 Pooled funds of equity securities include approximately 30% domestic stocks and 70% foreign stocks.
4 Pooled funds of debt securities include approximately 60% domestic bonds and 40% foreign bonds.
5 Government, municipal and corporate debt securities of level 1 include government debt securities.

U.S. dollars (thousands)

	2018			
	Level 1	Level 2	Level 3	Total
Assets measured by other than net asset value				
Equity securities				
Marketable equity securities	\$2,173,660	\$ —	\$ —	\$2,173,660
Debt securities				
Government , municipal and corporate debt securities	56,944	133,594	—	190,538
Other assets				
Life insurance company general accounts	—	966,377	—	966,377
Other	—	466,104	—	466,104
Assets measured by net asset value				
Equity securities				
Pooled funds	—	—	—	1,454,302
Debt securities				
Pooled funds	—	—	—	3,658,292
Other assets				
Other	—	—	—	1,045,651
Total plan assets	<u>\$2,230,604</u>	<u>\$1,566,075</u>	<u>\$ —</u>	<u>\$9,954,924</u>

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 securities. Plan assets are invested in individual equity and debt securities 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 the 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 investment portfolio consists of five major components. The Company's target asset allocation percentage is that approximately 18% is invested in equity securities, approximately 65% is invested in debt securities and investments in life insurance company general accounts, approximately 8% is invested in hedge funds, approximately 8% is invested in long-term alternative investments, and approximately

1% is deposit in bank. As for selection of plan assets, the Company has examined the contents of investment, and appropriately diversified investments.

See note 19 which shows categorized input for fair value measurements by the valuation technique into a three-level hierarchy.

Each level into which assets are categorized is based on inputs used to measure the fair value of the assets.

Level 1 assets are comprised principally of equity securities and government bonds, which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions. Level 2 assets are comprised principally of corporate bonds and investments in life insurance company general accounts. Corporate bonds are valued using quoted prices for identical assets in markets that are not active. Investments in life insurance company general accounts are valued at the amounts that are the conventional interest adding to the principle amounts calculated by a life insurance company.

Assets measured by net asset value are comprised of pooled funds, hedge funds and long-term alternative investments which are valued at their net asset values that are calculated by the sponsor of the fund.

Cash Flows

The Company expects to contribute ¥27,107 million (\$255,726 thousand) to its pension plan in the year ending March 31, 2019. Estimated future benefit payments are as follows:

Year ending March 31:	Yen (millions)	U.S. dollars (thousands)
2019	¥ 58,390	\$ 550,849
2020	56,611	534,066
2021	57,052	538,226
2022	56,432	532,377
2023	55,545	524,009
2024-2028	255,681	2,412,085

The amount of cost recognized for the Company and certain subsidiaries' defined contribution plans for the years ended March 31, 2018, 2017 and 2016 are ¥10,881 million (\$102,651 thousand), ¥10,155 million and ¥10,265 million, respectively.

(12) SHAREHOLDERS' EQUITY

Changes in common stock for the years ended March 31, 2018 and 2017 are as follows:

	Shares	
	2018	2017
Number of common shares issued:		
Balance at beginning of year	2,147,201,551	2,147,201,551
Balance at end of year	2,147,201,551	2,147,201,551

Conversions into common stock of convertible debenture issued subsequent to October 1, 1982 and exercise of warrants were accounted for in accordance with the provisions of the Japanese Commercial Code by crediting one-half of the conversion price and exercise price to each of the common stock account and the capital surplus account.

The Japanese Corporate Law enforced on May 1, 2006 requires that an amount equal to 10% of dividends and other distributions paid in cash by the Company and its domestic subsidiaries be appropriated as a legal reserve until the aggregated amount of additional paid-in capital and the legal reserve equal to 25% of the common stocks. The additional paid-in capital and the legal reserve may be used to reduce a deficit or transferred to common stock with a resolution of the shareholders' meeting.

The amount available for dividends under the Japanese Corporate Law is based on the amount recorded in the

Company's books of account in accordance with accounting standards of Japan. The adjustments included in the accompanying consolidated financial statements to have them conform with accounting principles generally accepted in the United States of America, but not recorded in the books of account, have no effect on the determination of retained earnings available for dividends under the Japanese Corporate Law. Retained earnings available for dividends shown in the Company's books of account amounted to ¥697,942 million (\$6,584,358 thousand) at March 31, 2018.

Cash dividends and appropriations to the legal reserve charged to retained earnings during the years ended March 31, 2018, 2017 and 2016 represent dividends paid out during the years and the related appropriations to the legal reserve.

(13) OTHER COMPREHENSIVE INCOME (LOSS)

Changes in accumulated other comprehensive income (loss) for the years ended March 31, 2018, 2017 and 2016 are as follows:

	Yen (millions)				
	2018				
	Foreign currency translation adjustments	Pension liability adjustments	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivative instruments	Total
Balance at beginning of year	¥18,535	¥(156,993)	¥136,352	¥ 54	¥ (2,052)
Other comprehensive income before reclassifications	15,174	13,440	100	(75)	28,639
Amounts reclassified from accumulated other comprehensive income	440	2,478	(15,039)	6	(12,115)
Net change during the year	15,614	15,918	(14,939)	(69)	16,524
Balance at end of year	¥34,149	¥(141,075)	¥121,413	¥(15)	¥ 14,472

Yen (millions)

	2017				Total
	Foreign currency translation adjustments	Pension liability adjustments	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivative instruments	
Balance at beginning of year	¥39,847	¥(184,231)	¥ 93,742	¥ (57)	¥(50,699)
Other comprehensive income before reclassifications	(21,312)	22,439	44,061	258	45,446
Amounts reclassified from accumulated other comprehensive income	—	4,799	(1,451)	(147)	3,201
Net change during the year	(21,312)	27,238	42,610	111	48,647
Balance at end of year	<u>¥18,535</u>	<u>¥(156,993)</u>	<u>¥136,352</u>	<u>¥ 54</u>	<u>¥ (2,052)</u>

Yen (millions)

	2016				Total
	Foreign currency translation adjustments	Pension liability adjustments	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivative instruments	
Balance at beginning of year	¥102,959	¥ (98,108)	¥119,252	¥(39)	¥ 124,064
Other comprehensive income before reclassifications	(63,112)	(86,145)	(24,547)	(8)	(173,812)
Amounts reclassified from accumulated other comprehensive income	—	22	(963)	(10)	(951)
Net change during the year	(63,112)	(86,123)	(25,510)	(18)	(174,763)
Balance at end of year	<u>¥ 39,847</u>	<u>¥(184,231)</u>	<u>¥ 93,742</u>	<u>¥(57)</u>	<u>¥ (50,699)</u>

U.S. dollars (thousands)

	2018				Total
	Foreign currency translation adjustments	Pension liability adjustments	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivative instruments	
Balance at beginning of year	\$174,858	\$(1,481,066)	\$1,286,340	\$ 509	\$ (19,359)
Other comprehensive income before reclassifications	143,151	126,793	943	(708)	270,179
Amounts reclassified from accumulated other comprehensive income	4,151	23,377	(141,877)	57	(114,292)
Net change during the year	147,302	150,170	(140,934)	(651)	155,887
Balance at end of year	<u>\$322,160</u>	<u>\$(1,330,896)</u>	<u>\$1,145,406</u>	<u>\$(142)</u>	<u>\$ 136,528</u>

Reclassifications out of accumulated other comprehensive income (loss) for the years ended March 31, 2018, 2017 and 2016 are as follows:

Details about Accumulated other comprehensive income components	2018		Affected line items in consolidated statements of income
	Amounts reclassified from accumulated other comprehensive income		
	Yen (millions)	U.S. dollars (thousands)	
Foreign currency translation adjustments	¥ 440	\$ 4,151	Other costs and expenses
	440	4,151	Total before tax
	—	—	Income tax
	440	4,151	Net of tax
Pension liability adjustments			
Amortization of prior service cost	(10,570)	(99,717)	See Note
Amortization of actuarial loss	14,161	133,594	See Note
	3,591	33,877	Total before tax
	(1,113)	(10,500)	Income tax
	2,478	23,377	Net of tax
Unrealized gains (losses) on securities			
Realized gains on sales	(23,486)	(221,566)	Other revenues
	(23,486)	(221,566)	Total before tax
	8,447	79,689	Income tax
	(15,039)	(141,877)	Net of tax
Unrealized gains (losses) on derivative instruments			
	6	57	Other costs and expenses
	6	57	Total before tax
	0	0	Income tax
	6	57	Net of tax
Total amounts reclassified	¥(12,115)	\$(114,292)	Net of tax

Note: These accumulated other comprehensive income components are included in the computation of net periodic retirement and severance costs. See Note 11 "Retirement and Severance Benefits".

Yen (millions)

Details about Accumulated other comprehensive income components	2017		Affected line items in consolidated statements of income
	Amounts reclassified from accumulated other comprehensive income		
	Yen (millions)	U.S. dollars (thousands)	
Pension liability adjustments			
Amortization of prior service cost	¥(10,596)		See Note
Amortization of actuarial loss	17,551		See Note
	6,955		Total before tax
	(2,156)		Income tax
	4,799		Net of tax
Unrealized gains (losses) on securities			
Realized gains on sales	(2,088)		Other revenues
	(2,088)		Total before tax
	637		Income tax
	(1,451)		Net of tax
Unrealized gains (losses) on derivative instruments			
	(200)		Other revenues
	(200)		Total before tax
	53		Income tax
	(147)		Net of tax
Total amounts reclassified	¥ 3,201		Net of tax

Note: These accumulated other comprehensive income components are included in the computation of net periodic retirement and severance costs. See Note 11 "Retirement and Severance Benefits".

Yen (millions)

	2016	
Details about Accumulated other comprehensive income components	Amounts reclassified from accumulated other comprehensive income	Affected line items in consolidated statements of income
Pension liability adjustments		
Amortization of prior service cost	¥(12,044)	See Note
Amortization of actuarial loss	12,077	See Note
	33	Total before tax
	(11)	Income tax
	22	Net of tax
Unrealized gains (losses) on securities		
Realized gains on sales	(1,485)	Other revenues
	(1,485)	Total before tax
	522	Income tax
	(963)	Net of tax
Unrealized gains (losses) on derivative instruments		
	(18)	Other revenues
	(18)	Total before tax
	8	Income tax
	(10)	Net of tax
Total amounts reclassified	¥ (951)	Net of tax

Note: These accumulated other comprehensive income components are included in the computation of net periodic retirement and severance costs. See Note 11 "Retirement and Severance Benefits".

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the years ended March 31, 2018, 2017 and 2016 are as follows:

	Yen (millions)		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
2018:			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of year	¥ 16,858	¥(1,684)	¥ 15,174
Less reclassification adjustments for gains (losses) realized in net income	440	—	440
Net change in foreign currency translation adjustments during the year	17,298	(1,684)	15,614
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	18,796	(5,356)	13,440
Less reclassification adjustments for gains (losses) realized in net income	3,591	(1,113)	2,478
Net change in pension liability adjustment	22,387	(6,469)	15,918
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	144	(44)	100
Less reclassification adjustments for gains (losses) realized in net income	(23,486)	8,447	(15,039)
Net change in unrealized gains (losses) on securities	(23,342)	8,403	(14,939)
Unrealized gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	(96)	21	(75)
Less reclassification adjustments for gains (losses) realized in net income	6	0	6
Net change in unrealized gains (losses) on derivative instruments	(90)	21	(69)
Other comprehensive income (loss)	¥ 16,253	¥ 271	¥ 16,524

	Yen (millions)		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
2017:			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of year	¥(25,002)	¥ 3,690	¥(21,312)
Less reclassification adjustments for gains (losses) realized in net income	—	—	—
Net change in foreign currency translation adjustments during the year	(25,002)	3,690	(21,312)
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	32,825	(10,386)	22,439
Less reclassification adjustments for gains (losses) realized in net income	6,955	(2,156)	4,799
Net change in pension liability adjustment	39,780	(12,542)	27,238
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	59,927	(15,866)	44,061
Less reclassification adjustments for gains (losses) realized in net income	(2,088)	637	(1,451)
Net change in unrealized gains (losses) on securities	57,839	(15,229)	42,610
Unrealized gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	349	(91)	258
Less reclassification adjustments for gains (losses) realized in net income	(200)	53	(147)
Net change in unrealized gains (losses) on derivative instruments	149	(38)	111
Other comprehensive income (loss)	<u>¥ 72,766</u>	<u>¥(24,119)</u>	<u>¥ 48,647</u>

	Yen (millions)		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
2016:			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of year	¥ (68,663)	¥ 5,551	¥ (63,112)
Less reclassification adjustments for gains (losses) realized in net income	—	—	—
Net change in foreign currency translation adjustments during the year	(68,663)	5,551	(63,112)
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	(126,546)	40,401	(86,145)
Less reclassification adjustments for gains (losses) realized in net income	33	(11)	22
Net change in pension liability adjustment	(126,513)	40,390	(86,123)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	(32,583)	8,036	(24,547)
Less reclassification adjustments for gains (losses) realized in net income	(1,485)	522	(963)
Net change in unrealized gains (losses) on securities	(34,068)	8,558	(25,510)
Unrealized gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	(20)	12	(8)
Less reclassification adjustments for gains (losses) realized in net income	(18)	8	(10)
Net change in unrealized gains (losses) on derivative instruments	(38)	20	(18)
Other comprehensive income (loss)	<u>¥(229,282)</u>	<u>¥54,519</u>	<u>¥(174,763)</u>

	U.S. dollars (thousands)		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
2018:			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of year	\$ 159,038	\$(15,887)	\$ 143,151
Less reclassification adjustments for gains (losses) realized in net income	4,151	—	4,151
Net change in foreign currency translation adjustments during the year	163,189	(15,887)	147,302
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	177,321	(50,528)	126,793
Less reclassification adjustments for gains (losses) realized in net income	33,877	(10,500)	23,377
Net change in pension liability adjustment	211,198	(61,028)	150,170
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	1,358	(415)	943
Less reclassification adjustments for gains (losses) realized in net income	(221,566)	79,689	(141,877)
Net change in unrealized gains (losses) on securities	(220,208)	79,274	(140,934)
Unrealized gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	(906)	198	(708)
Less reclassification adjustments for gains (losses) realized in net income	57	0	57
Net change in unrealized gains (losses) on derivative instruments	(849)	198	(651)
Other comprehensive income (loss)	\$ 153,330	\$ 2,557	\$ 155,887

(14) NET INCOME PER SHARE ATTRIBUTABLE TO MITSUBISHI ELECTRIC CORP.

A reconciliation of the numerators and denominators of the basic and diluted net income per share attributable to Mitsubishi Electric Corp. calculations is as follows:

	Yen (millions)			U.S. dollars (thousands)
	2018	2017	2016	2018
Net income attributable to Mitsubishi Electric Corp.	¥271,880	¥210,493	¥228,494	\$2,564,906
Effect of dilutive securities	—	—	—	—
Diluted net income attributable to Mitsubishi Electric Corp.	¥271,880	¥210,493	¥228,494	\$2,564,906

	Shares		
	2018	2017	2016
Average common shares outstanding	2,145,808,679	2,146,291,296	2,146,799,336
Effect of dilutive securities	—	—	—
Diluted common shares outstanding	2,145,808,679	2,146,291,296	2,146,799,336

	Yen			U.S. dollars
	2018	2017	2016	2018
Net income per share attributable to Mitsubishi Electric Corp.:				
Basic	¥126.70	¥98.07	¥106.43	\$1.195
Diluted	—	—	—	—

Diluted net income per share attributable to Mitsubishi Electric Corp. is not presented as no dilutive securities existed as of and for the years ended March 31, 2018, 2017 and 2016.

Note: The average number of the Company's shares held through the Board Incentive Plan Trust were 969,077 and 490,000 shares for the years ended March 31, 2018 and 2017 respectively. These shares are included in the average number of shares outstanding as treasury stock shares that are deducted from the basis of the calculation of Net income per share attributable to Mitsubishi Electric Corp.

(15) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Foreign Exchange Risk Management and Interest Rate Risk Management

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

Contract Amounts, Notional Principal Amounts and Credit Risk

The Company and its subsidiaries are exposed to risk of credit-related losses in the event of nonperformance by counterparties to foreign exchange contracts, foreign currency swaps and interest rate swaps. The Company believes such risk is minimal due to the high credit ratings of these counterparties.

Information with Respect to Fair Value Hedges

Certain subsidiaries have entered into foreign currency swaps to hedge currency exposure and designate them as fair value hedges.

Information with Respect to Cash Flow Hedges

The Company and certain of its subsidiaries have entered into forward foreign exchange contracts mainly with forecasted transactions to hedge against market risks from changes in foreign currencies and interest rate swap agreements to modify the interest rate characteristics of a portion of its long-term debt from a variable to a fixed rate. The Company and certain of its subsidiaries designate them as cash flow hedges. The maximum period for cash flow hedges is 14 months. The Company expects that the amounts of net loss of ¥33 million (\$311 thousand) in accumulated other comprehensive income (loss) will be reclassified into earnings over the next 12 months with transactions such as collection of foreign currency receivables and payment of foreign currency payables and interests on long-term debt.

Derivatives not Designated as Hedging Instruments

The Company and certain of its subsidiaries enter into foreign exchange contracts and certain of foreign currency swaps and interest rate swaps that are not designated as hedging instruments to hedge against certain foreign currency and interest rate exposures. The Company and certain of its subsidiaries recognize the changes in unrealized gains and losses on such instruments in earnings.

Contract amounts of foreign exchange contracts and foreign currency swaps at March 31, 2018 and 2017 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Foreign exchange contracts:			
Forwards to sell foreign currencies	¥320,257	¥311,630	\$3,021,292
Forwards to buy foreign currencies	118,547	123,655	1,118,368
Foreign currency swaps	144,435	127,763	1,362,594

The estimated fair values of foreign exchange contracts and foreign currency swaps at March 31, 2018 and 2017 are as follows:

Derivatives designated as hedging instruments	Consolidated balance sheet line item	Yen (millions)		U.S. dollars (thousands)
		2018	2017	2018
Foreign exchange contracts	Prepaid expenses and other current assets	¥30	¥103	\$283

Derivatives designated as hedging instruments	Consolidated balance sheet line item	Yen (millions)		U.S. dollars (thousands)
		2018	2017	2018
Foreign exchange contracts	Other current liabilities	¥67	¥49	\$632

Derivatives not designated as hedging instruments	Consolidated balance sheet line item	Asset derivatives		
		Estimated fair value		U.S. dollars (thousands)
		2018	Yen (millions) 2017	2018
Foreign exchange contracts	Prepaid expenses and other current assets	¥4,721	¥1,485	\$44,538
Foreign currency swaps	Prepaid expenses and other current assets	—	14	—
Total		¥4,721	¥1,499	\$44,538

Derivatives not designated as hedging instruments	Consolidated balance sheet line item	Liability derivatives		
		Estimated fair value		U.S. dollars (thousands)
		2018	Yen (millions) 2017	2018
Foreign exchange contracts	Other current liabilities	¥ 490	¥2,920	\$ 4,623
Foreign currency swaps	Other current liabilities	2,641	1,414	24,915
Total		¥3,131	¥4,334	\$29,538

The effect of foreign exchange contracts designated as cash flow hedges on the consolidated statements of income for the years ended March 31, 2018, 2017 and 2016 are as follows:

Derivatives designated as cash flow hedging instruments	Consolidated balance sheet line item	Amount of gain or (loss) recognized in OCI on derivative (effective portion)			
		Yen (millions)			U.S. dollars (thousands)
		2018	2017	2016	2018
Foreign exchange contracts		¥(96)	¥349	¥(38)	\$ (906)

Derivatives designated as cash flow hedging instruments	Line item of gain or (loss) recognized from accumulated OCI into income	Amount of gain or (loss) recognized from accumulated OCI into income (effective portion)			
		Yen (millions)			U.S. dollars (thousands)
		2018	2017	2016	2018
Foreign exchange contracts	Other revenues (costs and expenses)	¥(6)	¥200	¥18	\$ (57)

The effect of foreign exchange contracts, foreign currency swaps and interest rate swaps not designated as hedging instruments on the consolidated statements of income for the years ended March 31, 2018, 2017 and 2016 are set forth below:

Derivatives not designated as hedging instruments	Line item of gain or (loss) recognized in income on derivative	Amount of gain or (loss) recognized in income on derivative			
		Yen (millions)			U.S. dollars (thousands)
		2018	2017	2016	2018
Foreign exchange contracts	Other revenues (costs and expenses)	¥ 577	¥ 2,451	¥(2,090)	\$ 5,444
Foreign currency swaps	Other revenues (costs and expenses)	(2,246)	(2,422)	278	(21,189)
Interest rate swaps	Other revenues (costs and expenses)	—	—	(32)	—
Total		¥(1,669)	¥ 29	¥(1,844)	\$ (15,745)

(16) SECURITIZATIONS

The Company sells its accounts receivable under several securitization programs.

When the Company retains subordinated interests in the certain accounts receivables after the sale of these receivables,

a portion of these, where the Company retains subordinated interests, is not taken off from the balance sheet and is recorded at their fair value. Such carrying value is adjusted to reflect the portion that is not expected to be collectible. As of March 31,

2018, the Company did not retain subordinated interests in the certain accounts receivables after the sale of these receivables.

The Company recognized losses of ¥210 million (\$1,981 thousand), ¥237 million and ¥389 million on the securitizations of receivables for the years ended March 31, 2018, 2017 and 2016, respectively.

Subsequent to securitization, the Company retains collection and administrative responsibilities for the receivables. The Company has not recorded a servicing asset or liability since the cost of collection effort is approximate to the amount of commission income.

Certain cash flows received from special purpose entities (SPEs) and banks on the above transactions for the years ended March 31, 2018, 2017 and 2016 are as follows:

	Yen (millions)			U.S. dollars (thousands)
	2018	2017	2016	2018
Proceeds from new securitizations	¥301,438	¥336,092	¥381,429	\$2,843,755

Quantitative information about trade receivables including securitized receivables as of March 31, 2018 and 2017 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Trade receivables	¥1,154,237	¥1,131,407	\$10,889,028
Less: Securitized receivables	66,644	94,206	628,717
Net balance	¥1,087,593	¥1,037,201	\$10,260,311

As of March 31, 2018 and 2017, delinquencies and credit losses of trade receivables including securitized receivables are immaterial.

(17) COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2018, commitments outstanding for the purchase of property, plant and equipment were ¥27,671 million (\$261,047 thousand).

It is common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in settlement of accounts receivable and to subsequently discount such notes at banks. At March 31, 2018, certain subsidiaries were contingently liable to trade notes discounted in the amount of ¥389 million (\$3,670 thousand). Certain subsidiaries account for the discounted notes as sale of receivables.

As of March 31, 2018, the Company has no significant concentrations of credit risk.

While the Company and certain of its subsidiaries are defendants and co-defendants in various lawsuits and legal actions, based upon the advice of legal counsel, the

Company's management is of the opinion that damages, if any, would not have a material effect on the Company's consolidated financial position and results of operations, except for the following cases.

Civil lawsuits were filed against the Company related to violations of the Antitrust Laws regarding the sales of certain automotive parts and others. In this respect, the Company has already agreed to settle with some of the purchasers of the automotive parts and others and has made settlement payments.

As of March 31, 2018, the Company recorded an estimated amount of ¥1,695 million (\$15,991 thousand) as a reserve for possible losses of competition-law-related expenses in "Other liabilities" mainly relating to certain automotive parts cases.

The following table provides the undiscounted maximum amount of potential future payments for each major group of guarantees at March 31, 2018:

	Yen (millions)	U.S. dollars (thousands)
Guarantees of bank loan:		
Employees	¥1,414	\$13,340
Affiliated and other companies	532	5,019
Other	6,559	61,877
Total	¥8,505	\$80,236

The guarantees for the employees are principally made for their housing loans, and the term of guarantees is 1 year to 11 years. The guarantees for the affiliated and other companies are made to enhance their credit, and the term of guarantees is 1 year.

Change in accrued product warranty for the years ended March 31, 2018 and 2017 is summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2018	2017	2018
Balance at beginning of year	¥57,990	¥55,834	\$547,075
Addition	52,250	49,956	492,925
Utilization	50,229	47,627	473,858
Foreign currency translation adjustments	(7)	(173)	(66)
Balance at end of year	¥60,004	¥57,990	\$566,076

(18) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company uses the following methods and assumptions to estimate the fair value of each class of financial instrument for which it is practical to estimate its value:

(a) Cash and cash equivalents, Trade receivables, Bank loans, Trade payables and Other current liabilities

The carrying amount approximates fair value because of the short term nature of these instruments.

(b) Investments in securities and other

The fair values of most investments in securities and other are estimated based on quoted market prices for these instruments. For other investments for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs.

(c) Long-term trade receivables

The fair value of the Company's long-term trade receivables is

calculated under income approach using market interest rates, therefore, it is classified in level 2.

(d) Long-term debt

The fair value of the Company's corporate bonds is calculated under market approach using quoted published price, therefore, it is classified in level 2. The fair value of the Company's long-term debt is calculated under income approach using market interest rates, therefore, it is classified in level 2. The Company excludes the financial instruments relating to lease activities because its carrying amount approximates fair value.

(e) Derivative financial instruments

The fair values of derivative financial instruments, consisting principally of foreign exchange contracts, foreign currency swaps and interest rate swaps are estimated by obtaining quotes from brokers. (See note 15 about estimated fair value.)

The estimated fair values of the Company's financial instruments at March 31, 2018 and 2017 are summarized as follows:

	Yen (millions)				U.S. dollars (thousands)	
	2018		2017		2018	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Nonderivatives:						
Assets:						
Marketable securities and other	¥261,086	¥261,086	¥290,495	¥290,495	\$2,463,075	\$2,463,075
Long-term trade receivables	1,965	1,935	2,815	2,784	18,538	18,255
Liabilities:						
Long-term debt, including current portion	233,961	231,418	268,910	266,961	2,207,179	2,183,189

Limitations

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(19) FAIR VALUE MEASUREMENTS

The Company defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. On that basis, the Company has categorized the inputs for fair value measurement by the valuation technique into a three-level hierarchy, and placed the order of priority.

Level 1 : Quoted prices in active markets for identical assets or liabilities.

Level 2 : Inputs other than quoted prices included within Level 1 that are directly or indirectly observable for the asset or liability.

Level 3 : Unobservable inputs for the asset or liability.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of March 31, 2018 and 2017. The Company measures the fair value of those assets and liabilities in accordance with the requirements of FASB ASC for those assets and liabilities.

Yen (millions)

	2018			Total
	Level 1	Level 2	Level 3	
Assets and liabilities measured by other than net asset value				
Assets:				
Equity securities				
Marketable equity securities	¥260,889	¥ —	¥ —	¥260,889
Derivatives	—	4,751	—	4,751
Liabilities:				
Derivatives	—	3,198	—	3,198
Assets measured by net asset value				
Assets:				
Debt securities				
Investment trusts	—	—	—	197

Yen (millions)

	2017			Total
	Level 1	Level 2	Level 3	
Assets and liabilities measured by other than net asset value				
Assets:				
Equity securities				
Marketable equity securities	¥290,297	¥ —	¥ —	¥290,297
Derivatives	—	1,602	—	1,602
Liabilities:				
Derivatives	—	4,383	—	4,383
Assets measured by net asset value				
Assets:				
Debt securities				
Investment trusts	—	—	—	198

U.S. dollars (thousands)

	2018			Total
	Level 1	Level 2	Level 3	
Assets and liabilities measured by other than net asset value				
Assets:				
Equity securities				
Marketable equity securities	\$2,461,217	\$ —	\$ —	\$2,461,217
Derivatives	—	44,821	—	44,821
Liabilities:				
Derivatives	—	30,170	—	30,170
Assets measured by net asset value				
Assets:				
Debt securities				
Investment trusts	—	—	—	1,858

Level 1 equity securities are marketable equity securities, which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions. Level 2 derivatives are comprised principally of foreign exchange contracts, which are valued based on market approach, using quotes obtained from counterparties or third parties. Assets measured by net asset value are comprised of pooled funds, which are valued at their net asset values that are calculated by the sponsor of the fund.

Assets that measure fair value by the net asset value are not categorized in the fair value hierarchy.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

At March 31, 2018, a portion of long-lived assets was written down to their fair value of ¥14,289 million (\$134,802 thousand), resulting in an impairment charge of ¥19,881 million (\$187,557 thousand), which was included in loss on impairment of long-lived assets for the year ended March 31, 2018. The impaired long-lived assets are classified as Level 3 assets, because they are measured mainly based on the unobservable inputs such as net sales price under market approach.

At March 31, 2017, a portion of long-lived assets was written down to their fair value of ¥6,475 million, resulting in

an impairment charge of ¥3,444 million, which was included in loss on impairment of long-lived assets for the year ended March 31, 2017. The impaired long-lived assets are classified as Level 3 assets, because they are measured mainly based on the unobservable inputs such as net sales price under market approach.

The valuation process of long-lived assets is documented in "Notes to Consolidated Financial Statements (1) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (u) Impairment of Long-Lived Assets".

(20) SUPPLEMENTARY INCOME AND EXPENSE INFORMATION

	Yen (millions)			U.S. dollars (thousands)
	2018	2017	2016	2018
Advertising expenses	¥(34,279)	¥(32,544)	¥(30,498)	\$(323,387)
Shipping and handling costs	(93,767)	(86,990)	(86,963)	(884,594)
Exchange losses	(4,046)	(9,932)	(14,269)	(38,170)
Gain from sale of subsidiary	—	14,569	—	—
Loss on disaster	—	(8,326)	—	—
Loss on impairment of long-lived assets	(19,881)	(3,444)	(8,482)	(187,557)

Advertising expenses are included in "Costs and expenses – Selling, general and administrative".

Shipping and handling costs represents the costs included in "Costs and expenses – Selling, general and administrative".

Exchange losses are included in "Costs and expenses – Other".

Gain from sale of subsidiary is included in "Revenues – Other".

For the year ended March 31, 2017, the Company recognized a gain of ¥14,569 million which is attributable to the sellout of a domestic subsidiary with mobile phone sales as its main business at ¥17,400 million.

Loss on disaster is included in "Costs and expenses – Other".

For the year ended March 31, 2017, the Company recognized loss on disaster of ¥8,326 million for the repair and removal of facilities, the disposal and inspection of inventories and fixed costs during the low operating period which are associated with the recovery from damage suffered from the 2016 Kumamoto earthquake.

Loss on impairment of long-lived assets is included in "Costs and expenses – Loss on impairment of long-lived assets".

For the year ended March 31, 2018, the Company and certain of its subsidiaries recognized impairment losses of ¥19,330 million (\$182,359 thousand) on tangible assets such as buildings and machineries, and ¥551 million (\$5,198 thousand) on intangible assets and others. The impairment losses include ¥16,040 million (\$151,320 thousand) for Energy and Electric Systems business related assets, mainly at a certain part of the power systems business in North America due to a decline in profitability. The impairment losses were mainly measured based on the fair value less cost to sell.

For the year ended March 31, 2017, the Company and certain of its subsidiaries recognized impairment losses of ¥3,344 million on tangible assets such as buildings and tools, and ¥100 million on intangible assets and others. The impairment losses include ¥1,214 million for Information and Communication Systems business related assets and ¥1,338 million for Home Appliances business related assets due to a decline in profitability. The impairment losses were mainly measured based on the fair value less cost to sell.

For the year ended March 31, 2016, the Company and certain of its subsidiaries recognized impairment losses of ¥5,766 million on tangible assets such as buildings and machineries, and ¥2,716 million on intangible assets and

others. The impairment losses include ¥2,428 million for Energy and Electric Systems business related assets and ¥2,418 million for Information and Communication Systems

business related assets due to a decline in profitability. The impairment losses were mainly measured based on the fair value less cost to sell.

(21) LEASES

The Company and certain of its subsidiaries enter into capital lease and operating lease agreements with Mitsubishi Electric Credit Corporation, an equity method investee. The leased assets, which are committed under capital lease agreements, are capitalized.

The Company and certain of its subsidiaries lease buildings, machineries and equipments. At March 31, 2018, the aggregated cost and accumulated depreciation of leased assets under capital leases amounted to ¥29,720 million (\$280,377 thousand) and ¥15,252 million (\$143,887 thousand), respectively.

Future minimum lease payments under capital and non-cancelable operating leases as of March 31, 2018 are as follows:

	Yen (millions)		U.S. dollars (thousands)	
	Capital leases	Operating leases	Capital leases	Operating leases
Year ending March 31:				
2019	¥ 8,443	¥14,437	\$ 79,651	\$136,198
2020	7,165	12,246	67,594	115,528
2021	4,785	10,212	45,142	96,340
2022	2,501	7,931	23,594	74,821
2023	710	5,062	6,698	47,755
Thereafter	36	4,114	340	38,811
Total minimum lease payments	23,640	¥54,002	223,019	\$509,453
Less: Estimated executory costs	1,448		13,660	
Net minimum lease payments	22,192		209,359	
Less: Amount representing interest	710		6,698	
Present value of net minimum capital lease payments	21,482		202,661	
Less: Current portion of obligations under capital leases	7,697		72,613	
Obligations under capital leases, excluding current portion	¥13,785		\$130,048	

Rental expenses related to operating leases for the years ended March 31, 2018, 2017 and 2016 amounted to ¥53,380 million (\$503,585 thousand), ¥50,435 million and ¥48,786 million, respectively. These operating leases are for office space, warehouses, employee facilities and computer equipment, and are customarily renewed.

(22) SUPPLEMENTARY CASH FLOW INFORMATION

	Yen (millions)			U.S. dollars (thousands)
	2018	2017	2016	2018
Cash paid during the year for:				
Interest	¥ 2,617	¥ 2,552	¥ 3,038	\$ 24,689
Income taxes	70,022	56,686	69,981	660,585

(23) SEGMENT INFORMATION

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

The Company conducts business through 6 reportable business segments, Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, Electronic Devices, Home Appliances, and Others, based on types and characteristics of products, production method, and similarity in market.

Principal businesses of each segment are as follows:

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
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, car electronics and car mechatronics, car multimedia, and others
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
Electronic Devices	Power modules, high-frequency devices, optical devices, LCD devices, and others
Home Appliances	Room air conditioners, package air conditioners, chillers, showcases, compressors, refrigeration units, air-to-water heat pump boilers, ventilators, photovoltaic systems, hot water supply systems, IH cooking heaters, LED lamps, fluorescent 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 the price that the Company's management recognizes as approximate arm's length price. Operating income (loss) in Segment Information is presented as net sales less cost of sales, selling, general, administrative and R&D expenses, and loss on impairment of long-lived assets.

Segment Information

Segment information for the years ended March 31, 2018, 2017 and 2016 are as follows:

As of and for the year ended March 31, 2018								Yen (millions)	
	Energy and Electric Systems	Industrial Automation Systems	Information and Communication Systems	Electronic Devices	Home Appliances	Others	Subtotal	Eliminations and Corporate	Total
I Net sales and operating income									
Sales:									
(1) External customers	¥1,233,831	¥1,431,713	¥388,799	¥165,378	¥1,033,134	¥178,343	¥4,431,198	¥ —	¥4,431,198
(2) Intersegment	8,121	13,215	47,269	36,916	16,235	586,003	707,759	(707,759)	—
Net sales	1,241,952	1,444,928	436,068	202,294	1,049,369	764,346	5,138,957	(707,759)	4,431,198
Operating costs	1,190,242	1,254,102	424,081	187,740	993,312	740,446	4,789,923	(677,362)	4,112,561
Operating income	¥ 51,710	¥ 190,826	¥ 11,987	¥ 14,554	¥ 56,057	¥ 23,900	¥ 349,034	¥ (30,397)	¥ 318,637
II Assets, depreciation and amortization, loss on impairment of long-lived assets, and capital expenditures									
Assets	¥1,347,878	¥1,273,421	¥379,855	¥178,061	¥ 926,684	¥235,836	¥4,341,735	¥ (77,176)	¥4,264,559
Depreciation and amortization	30,042	70,865	18,455	12,569	40,758	6,407	179,096	—	179,096
Loss on impairment of long-lived assets	16,040	131	—	1,514	1,935	261	19,881	—	19,881
Capital expenditures	30,780	83,992	17,985	15,589	40,618	17,366	206,330	—	206,330

As of and for the year ended March 31, 2017

Yen (millions)

	Energy and Electric Systems	Industrial Automation Systems	Information and Communication Systems	Electronic Devices	Home Appliances	Others	Subtotal	Eliminations and Corporate	Total
I Net sales and operating income									
Sales:									
(1) External customers	¥1,219,087	¥1,297,646	¥410,599	¥151,256	¥ 986,693	¥173,385	¥4,238,666	¥ —	¥4,238,666
(2) Intersegment	8,819	12,490	37,155	35,298	17,722	540,218	651,702	(651,702)	—
Net sales	1,227,906	1,310,136	447,754	186,554	1,004,415	713,603	4,890,368	(651,702)	4,238,666
Operating costs	1,183,587	1,170,063	435,054	178,172	934,719	690,389	4,591,984	(623,422)	3,968,562
Operating income	¥ 44,319	¥ 140,073	¥ 12,700	¥ 8,382	¥ 69,696	¥ 23,214	¥ 298,384	¥ (28,280)	¥ 270,104
II Assets, depreciation and amortization, loss on impairment of long-lived assets, and capital expenditures									
Assets	¥1,325,485	¥1,145,675	¥353,303	¥164,845	¥ 872,666	¥256,625	¥4,118,599	¥ 53,671	¥4,172,270
Depreciation and amortization	28,476	62,880	18,252	14,371	34,640	6,432	165,051	—	165,051
Loss on impairment of long-lived assets	63	—	1,214	643	1,338	186	3,444	—	3,444
Capital expenditures	35,948	64,931	17,412	9,493	43,266	15,481	186,531	—	186,531

As of and for the year ended March 31, 2016

Yen (millions)

	Energy and Electric Systems	Industrial Automation Systems	Information and Communication Systems	Electronic Devices	Home Appliances	Others	Subtotal	Eliminations and Corporate	Total
I Net sales and operating income									
Sales:									
(1) External customers	¥1,255,062	¥1,308,776	¥512,156	¥180,618	¥964,172	¥173,569	¥4,394,353	¥ —	¥4,394,353
(2) Intersegment	9,542	13,161	48,963	30,962	17,892	534,177	654,697	(654,697)	—
Net sales	1,264,604	1,321,937	561,119	211,580	982,064	707,746	5,049,050	(654,697)	4,394,353
Operating costs	1,214,262	1,162,777	546,120	194,710	918,208	684,126	4,720,203	(627,022)	4,093,181
Operating income	¥ 50,342	¥ 159,160	¥ 14,999	¥ 16,870	¥ 63,856	¥ 23,620	¥ 328,847	¥ (27,675)	¥ 301,172
II Assets, depreciation and amortization, loss on impairment of long-lived assets, and capital expenditures									
Assets	¥1,314,185	¥1,051,511	¥391,323	¥162,772	¥855,241	¥245,065	¥4,020,097	¥ 39,844	¥4,059,941
Depreciation and amortization	29,559	59,276	18,922	17,469	32,745	6,612	164,583	—	164,583
Loss on impairment of long-lived assets	2,428	—	2,418	1,719	1,514	403	8,482	—	8,482
Capital expenditures	42,037	70,677	22,954	17,792	40,379	5,126	198,965	—	198,965

As of and for the year ended March 31, 2018								U.S. dollars (thousands)	
	Energy and Electric Systems	Industrial Automation Systems	Information and Communication Systems	Electronic Devices	Home Appliances	Others	Subtotal	Eliminations and Corporate	Total
I Net sales and operating income									
Sales:									
(1) External customers	\$11,639,916	\$13,506,726	\$3,667,915	\$1,560,170	\$9,746,547	\$1,682,481	\$41,803,755	\$ —	\$41,803,755
(2) Intersegment	76,613	124,670	445,934	348,264	153,161	5,528,330	6,676,972	(6,676,972)	—
Net sales	11,716,529	13,631,396	4,113,849	1,908,434	9,899,708	7,210,811	48,480,727	(6,676,972)	41,803,755
Operating costs	11,228,699	11,831,151	4,000,764	1,771,132	9,370,869	6,985,339	45,187,954	(6,390,208)	38,797,746
Operating income	\$ 487,830	\$ 1,800,245	\$ 113,085	\$ 137,302	\$ 528,839	\$ 225,472	\$ 3,292,773	\$ (286,764)	\$ 3,006,009
II Assets, depreciation and amortization, loss on impairment of long-lived assets, and capital expenditures									
Assets	\$12,715,830	\$12,013,406	\$3,583,538	\$1,679,821	\$8,742,302	\$2,224,868	\$40,959,765	\$ (728,076)	\$40,231,689
Depreciation and amortization	283,416	668,538	174,104	118,575	384,509	60,443	1,689,585	—	1,689,585
Loss on impairment of long-lived assets	151,320	1,236	—	14,283	18,255	2,463	187,557	—	187,557
Capital expenditures	290,377	792,377	169,670	147,066	383,189	163,830	1,946,509	—	1,946,509

Notes: 1 The amount of unallocatable R&D expenditure included in "Eliminations and Corporate" on "Operating costs" for the years ended March 31, 2018, 2017 and 2016 are ¥30,397 million (\$286,764 thousand), ¥28,280 million and ¥27,675 million, respectively.

2 The amount of Corporate assets included in "Eliminations and Corporate" on "Assets" for the years ended March 31, 2018, 2017 and 2016 are ¥276,906 million (\$2,612,321 thousand), ¥301,522 million and ¥266,378 million, respectively, and those amounts are mainly the Company's deposit in bank.

Geographical Information

Sales to external customers by the location of customers, and long-lived assets by the location of the Company and its subsidiaries as of and for the years ended March 31, 2018, 2017 and 2016 are as follows:

As of and for the year ended March 31, 2018							Yen (millions)	
	Japan	North America	Asia (excluding Japan)	Europe	Others	Overseas total	Consolidated total	
Sales to external customers	¥2,423,626	¥417,423	¥1,075,683	¥431,316	¥83,150	¥2,007,572	¥4,431,198	
% of total net sales	54.7%	9.4%	24.3%	9.7%	1.9%	45.3%	100.0%	
Long-lived assets	593,923	29,823	144,987	62,212	2,124	239,146	833,069	

As of and for the year ended March 31, 2017							Yen (millions)	
	Japan	North America	Asia (excluding Japan)	Europe	Others	Overseas total	Consolidated total	
Sales to external customers	¥2,405,552	¥422,259	¥940,150	¥384,075	¥86,630	¥1,833,114	¥4,238,666	
% of total net sales	56.8%	10.0%	22.2%	9.0%	2.0%	43.2%	100.0%	
Long-lived assets	569,594	50,771	142,312	60,407	2,601	256,091	825,685	

As of and for the year ended March 31, 2016							Yen (millions)	
	Japan	North America	Asia (excluding Japan)	Europe	Others	Overseas total	Consolidated total	
Sales to external customers	¥2,521,194	¥447,578	¥963,684	¥369,978	¥91,919	¥1,873,159	¥4,394,353	
% of total net sales	57.4%	10.2%	21.9%	8.4%	2.1%	42.6%	100.0%	
Long-lived assets	546,879	54,326	137,704	68,623	2,416	263,069	809,948	

As of and for the year ended March 31, 2018							U.S. dollars (thousands)	
	Japan	North America	Asia (excluding Japan)	Europe	Others	Overseas total	Consolidated total	
Sales to external customers	\$22,864,396	\$3,937,953	\$10,147,953	\$4,069,019	\$784,434	\$18,939,359	\$41,803,755	
% of total net sales	54.7%	9.4%	24.3%	9.7%	1.9%	45.3%	100.0%	
Long-lived assets	5,603,047	281,349	1,367,802	586,906	20,038	2,256,095	7,859,142	

Notes: 1 The major countries and regions included in each segments 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

2 Long-lived assets consist of property, plant and equipment, intangible assets, and others.

In addition to the disclosure requirement of FASB ASC Topic 280 "Segment Reporting", the Company discloses the following information as supplement.

Geographical Information Based on the Location of the Company and Its Subsidiaries

As of and for the year ended March 31, 2018								Yen (millions)
	Japan	North America	Asia (excluding Japan)	Europe	Others	Subtotal	Eliminations and Corporate	Total
I Net sales and operating income								
Sales:								
(1) External customers	¥2,633,087	¥397,434	¥ 888,871	¥460,739	¥51,067	¥4,431,198	¥ —	¥4,431,198
(2) Intersegment	873,153	20,517	291,877	15,843	27	1,201,417	(1,201,417)	—
Net sales	3,506,240	417,951	1,180,748	476,582	51,094	5,632,615	(1,201,417)	4,431,198
Operating costs	3,291,367	421,892	1,092,598	464,649	48,242	5,318,748	(1,206,187)	4,112,561
Operating income (loss)	¥ 214,873	¥ (3,941)	¥ 88,150	¥ 11,933	¥ 2,852	¥ 313,867	¥ 4,770	¥ 318,637
II Assets	¥3,180,817	¥270,455	¥ 967,844	¥403,605	¥38,532	¥4,861,253	¥ (596,694)	¥4,264,559

As of and for the year ended March 31, 2017								Yen (millions)
	Japan	North America	Asia (excluding Japan)	Europe	Others	Subtotal	Eliminations and Corporate	Total
I Net sales and operating income								
Sales:								
(1) External customers	¥2,617,074	¥401,578	¥ 765,696	¥407,502	¥46,816	¥4,238,666	¥ —	¥4,238,666
(2) Intersegment	785,058	19,975	274,402	13,571	38	1,093,044	(1,093,044)	—
Net sales	3,402,132	421,553	1,040,098	421,073	46,854	5,331,710	(1,093,044)	4,238,666
Operating costs	3,250,105	412,551	946,780	408,245	44,396	5,062,077	(1,093,515)	3,968,562
Operating income	¥ 152,027	¥ 9,002	¥ 93,318	¥ 12,828	¥ 2,458	¥ 269,633	¥ 471	¥ 270,104
II Assets	¥2,789,475	¥300,493	¥ 903,290	¥374,081	¥39,498	¥4,406,837	¥ (234,567)	¥4,172,270

As of and for the year ended March 31, 2016								Yen (millions)
	Japan	North America	Asia (excluding Japan)	Europe	Others	Subtotal	Eliminations and Corporate	Total
I Net sales and operating income								
Sales:								
(1) External customers	¥2,786,357	¥423,958	¥ 759,765	¥374,184	¥50,089	¥4,394,353	¥ —	¥4,394,353
(2) Intersegment	777,173	22,977	294,798	13,444	171	1,108,563	(1,108,563)	—
Net sales	3,563,530	446,935	1,054,563	387,628	50,260	5,502,916	(1,108,563)	4,394,353
Operating costs	3,390,147	437,514	963,557	372,822	49,356	5,213,396	(1,120,215)	4,093,181
Operating income	¥ 173,383	¥ 9,421	¥ 91,006	¥ 14,806	¥ 904	¥ 289,520	¥ 11,652	¥ 301,172
II Assets	¥2,743,024	¥296,077	¥ 835,934	¥311,829	¥36,924	¥4,223,788	¥ (163,847)	¥4,059,941

As of and for the year ended March 31, 2018								U.S. dollars (thousands)
	Japan	North America	Asia (excluding Japan)	Europe	Others	Subtotal	Eliminations and Corporate	Total
I Net sales and operating income								
Sales:								
(1) External customers	\$24,840,444	\$3,749,377	\$ 8,385,575	\$4,346,595	\$481,764	\$41,803,755	\$ —	\$41,803,755
(2) Intersegment	8,237,292	193,557	2,753,557	149,462	255	11,334,123	(11,334,123)	—
Net sales	33,077,736	3,942,934	11,139,132	4,496,057	482,019	53,137,878	(11,334,123)	41,803,755
Operating costs	31,050,633	3,980,113	10,307,528	4,383,482	455,113	50,176,869	(11,379,123)	38,797,746
Operating income (loss)	\$ 2,027,103	\$ (37,179)	\$ 831,604	\$ 112,575	\$ 26,906	\$ 2,961,009	\$ 45,000	\$ 3,006,009
II Assets	\$30,007,708	\$2,551,462	\$ 9,130,604	\$3,807,594	\$363,509	\$45,860,877	\$ (5,629,188)	\$40,231,689

Notes: 1 The Company has identified 5 location segments based on geographical proximity, similarity in market, and interconnectedness within business activities.

2 The major countries and regions included in each segments 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

3 The amount of company-wide shared assets included in "Eliminations and Corporate" on "Assets" for the years ended March 31, 2018, 2017 and 2016 are ¥341,006 million (\$3,217,038 thousand), ¥361,412 million and ¥330,357 million, respectively, and those amounts are mainly the Company's deposit in bank and goodwill.

(24) SUBSEQUENT EVENT

As of June 28, 2018, the date the consolidated financial statements are issued, there are no incidence of subsequent events that would have material effects on the Company's consolidated financial position and results of operations.



Independent Auditors' Report

The Board of Directors
Mitsubishi Electric Corporation:

We have audited the accompanying consolidated financial statements of Mitsubishi Electric Corporation and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended March 31, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Mitsubishi Electric Corporation and its subsidiaries as of March 31, 2018 and 2017, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2018, in accordance with U.S. generally accepted accounting principles.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AZSA LLC.

Tokyo, Japan
June 28, 2018

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Corporate Data

Mitsubishi Electric Corporation

Tokyo Building, 2-7-3, Marunouchi,
Chiyoda-ku, Tokyo 100-8310, Japan
Tel: +81(3)3218-2111

Established: January 15, 1921

Paid-in Capital: ¥175,820 million

Shares issued: 2,147,201,551 shares

Employees: 142,340

Shareholders' Meeting

The annual meeting of shareholders of the Corporation is regularly held in June each year. Additionally, special shareholders meetings may be held as necessary.

Stock Exchange Listings

Japan: Tokyo

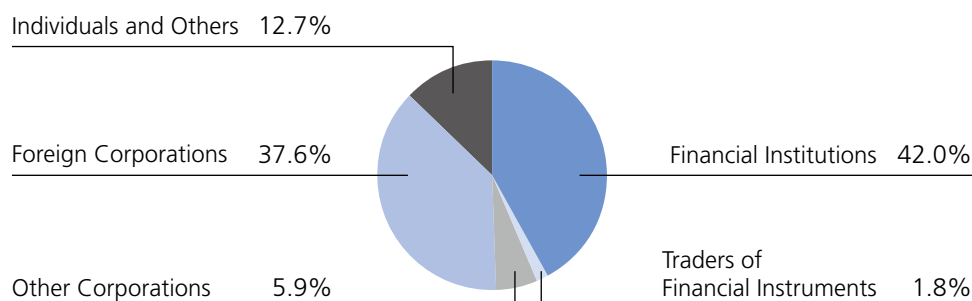
Europe: London

Major Shareholders

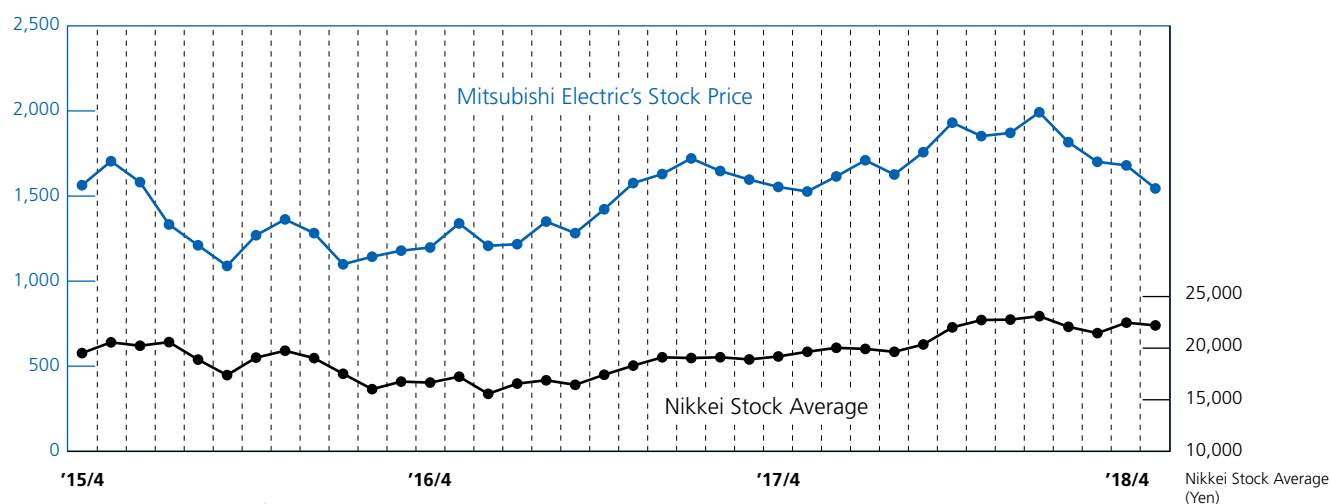
	Number of Shares (thousands)	Percentage of Ownership
The Master Trust Bank of Japan, Ltd. (Trust Account)	152,604	7.1%
Japan Trustee Services Bank, Ltd. (Trust Account)	121,513	5.7%
State Street Bank and Trust Company	86,049	4.0%
Meiji Yasuda Life Insurance Company	81,862	3.8%
Nippon Life Insurance Company	61,639	2.9%
Mitsubishi Electric Group Employees Shareholding Union	40,984	1.9%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	38,213	1.8%
Japan Trustee Services Bank, Ltd. (Trust Account 7)	37,147	1.7%
Japan Trustee Services Bank, Ltd. (Trust Account 4)	36,387	1.7%
State Street Bank West Client-Treaty 505234	36,279	1.7%

Note: Shareholder ratio calculations deduct 424,760 company-owned shares.

Distribution of Shareholders



Stock Price (Yen)



The Nikkei Stock Average is based on information copyrighted by Nihon Keizai Shimbun, Inc.

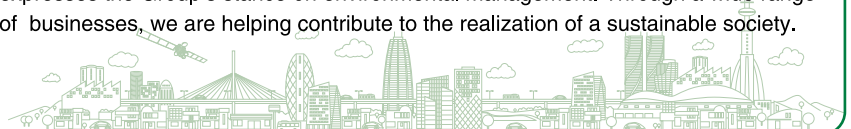
MITSUBISHI ELECTRIC CORPORATION

<http://www.MitsubishiElectric.com>



for a greener tomorrow

Eco Changes is the Mitsubishi Electric Group's environmental statement, and expresses the Group's stance on environmental management. Through a wide range of businesses, we are helping contribute to the realization of a sustainable society.



Please address inquiries for further information to:
Mitsubishi Electric Corporation, Corporate Finance Div.
Tokyo Building, 2-7-3, Marunouchi, Chiyoda-ku, Tokyo 100-8310, Japan
Phone: 81-3-3218-2391