

[Translation]

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Quarterly Report

The First Quarter of 150th Business Term
From April 1, 2020 to June 30, 2020

Mitsubishi Electric Corporation

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

The First Quarter of 150th Business Term (from April 1, 2020 to June 30, 2020)

Quarterly Report

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

Mitsubishi Electric Corporation

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Cautionary Statement

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

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

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

I . Overview of the Company

1. Key Financial Data

(Millions of yen, unless otherwise stated)

	For the three months ended Jun. 30, 2019	For the three months ended Jun. 30, 2020	Year ended Mar. 31, 2020
Revenue	1,050,764	858,151	4,462,509
Profit before income taxes	59,745	27,109	281,986
Net profit attributable to Mitsubishi Electric Corp. stockholders	42,777	17,885	221,834
Comprehensive income attributable to Mitsubishi Electric Corp. stockholders	22,219	45,464	117,132
Mitsubishi Electric Corp. stockholders' equity	2,364,044	2,419,155	2,429,743
Total equity	2,474,755	2,529,482	2,538,859
Total assets	4,294,911	4,446,387	4,409,771
Basic earnings per share attributable to Mitsubishi Electric Corp. stockholders (yen)	19.94	8.34	103.41
Diluted earnings per share attributable to Mitsubishi Electric Corp. stockholders (yen)	19.94	8.34	103.41
Mitsubishi Electric Corp. stockholders' equity ratio (%)	55.0	54.4	55.1
Cash flows from operating activities	126,449	133,541	395,834
Cash flows from investing activities	(51,001)	(55,239)	(203,997)
Cash flows from financing activities	(82,032)	112,363	(156,454)
Cash and cash equivalents at end of period	500,644	730,352	537,559

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

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

3. Revenue does not include consumption tax, etc.

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

2. Description of Business

The condensed quarterly consolidated financial statements of the Mitsubishi Electric Group are prepared in accordance with IFRS. The Mitsubishi Electric Group, which is composed of the Company, 204 consolidated subsidiaries and 40 equity method companies, engages in six business segments (Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, Electronic Devices, Home Appliances, Others) and our products range from all types.

II. Business Overview

1. Business Risks

For the three months ended June 30, 2020, there were no new business risks such as unusual fluctuations in the financial position, operating results, and cash flows.

There were no material changes in the business risks stated in the Annual Securities Report for the fiscal year ended March 31, 2020.

Forward-looking statements in this section are based on the judgment of the Company as of the date of submission of the Quarterly Report (August 12, 2020).

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

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

(1) Overview of business performance

The economy in the three months ended June 30, 2020 generally saw a severe business environment with the serious impact of the novel coronavirus diseases (COVID-19) resulting in a significant slowdown in both corporate sector and household sector in Japan, the U.S. and Europe, while China experienced a gradual recovery mainly owing to an increase in capital expenditures for fixed assets. There were also signs of bottoming out as measures to fully restart economy were taken in various countries and regions recently.

As a result, the business performance for the three months ended June 30, 2020 is as follows.

<Consolidated Performance>

(In billions of yen)

	For the three months ended Jun. 30, 2019	For the three months ended Jun. 30, 2020	Compared to the same period of the previous fiscal year
Revenue	1,050.7	858.1	down 192.6
Operating profit	54.9	20.2	down 34.7
Profit before income taxes	59.7	27.1	down 32.6
Net profit attributable to Mitsubishi Electric Corp. stockholders	42.7	17.8	down 24.8

1) Revenue

Revenue in the first quarter decreased by 192.6 billion yen from the same period of the previous fiscal year to 858.1 billion yen as a result of decreased revenue in all segments. Energy and Electric Systems segment saw a decrease in the building systems business that experienced global stagnation of urban development and construction due to the impact of COVID-19, while the social infrastructure systems business increased with transportations systems and power systems businesses remaining buoyant in Japan. Industrial Automation Systems segment saw a decrease of the automotive equipment business due to a slowdown in demand for new cars globally. Home Appliances segment saw a significant decrease in air conditioners as economic activities were considerably limited outside Japan and capital expenditures were restrained in Japan.

<Impact of Exchange Rate Fluctuations on Revenue>

	Average exchange rate for the three months ended Jun. 30, 2019	Average exchange rate for the three months ended Jun. 30, 2020	Impact of exchange rate fluctuations on revenue for the three months ended Jun. 30, 2020
Consolidated total	—	—	About ¥13.0 billion decrease
US\$	¥110	¥107	About ¥2.0 billion decrease
EURO	¥123	¥119	About ¥3.0 billion decrease
CNY	¥16.0	¥15.1	About ¥5.0 billion decrease

2) Operating profit

Operating profit decreased by 34.7 billion yen from the same period of the previous fiscal year to 20.2 billion yen due mainly to decreased operating profit in Industrial Automation Systems, Home Appliances, and Information and Communication Systems segments, while operating profit increased in Energy and Electric Systems and Electronic Devices segments. Operating profit ratio decreased by 2.8% from the same period of the previous fiscal year to 2.4%.

The cost ratio increased by 0.9% from the same period of the previous fiscal year due primarily to lowered operation caused by decreased revenue of Industrial Automation Systems and Home Appliances segments in addition to the yen appreciating against other currencies. Selling, general and administrative expenses decreased by 27.6 billion yen from the same period of the previous fiscal year due mainly to reduced cost, but selling, general and administrative expenses to revenue ratio increased by 2.0%. Other profit (loss) increased by 0.8 billion yen from the same period of the previous fiscal year, while other profit (loss) to revenue ratio improved by 0.1%.

3) Profit before income taxes

Profit before income taxes decreased by 32.6 billion yen from the same period of the previous fiscal year to 27.1 billion yen due primarily to a decrease in operating profit despite of an improvement in non-operating expenses owing to decreased loss on foreign exchange. Profit before income taxes to revenue ratio was 3.2%.

4) Net profit attributable to Mitsubishi Electric Corp. stockholders

Net profit attributable to Mitsubishi Electric Corporation stockholders decreased by 24.8 billion yen from the same period of the previous fiscal year to 17.8 billion yen due mainly to decreased profit before income taxes. Net profit attributable to Mitsubishi Electric Corporation stockholders to revenue ratio was 2.1%.

Consolidated Financial Results by Business Segment is as shown below.

1) Energy and Electric Systems

The market of the social infrastructure systems business saw demand relating to the electricity systems reform and investment in public utilities for preventing and reducing disaster risks remaining buoyant in Japan. In this environment, the business saw an increase in orders from the same period of the previous fiscal year due primarily to increases in the power systems and the public utility systems businesses in Japan. Revenue also increased due mainly to increases in the transportation systems and the power systems businesses in Japan.

The market of the building systems business saw decreased demand in new installations of elevators and escalators due to global stagnation and delay in urban development and construction caused by the impact of COVID-19. In this environment, the business saw decreases in both orders and revenue from the same period of the previous fiscal year due primarily to decreases in Japan and Asia.

As a result, revenue for this segment decreased by 4% from the same period of the previous fiscal year to 265.7 billion yen.

Operating profit increased by 9.4 billion yen from the previous fiscal year to 18.6 billion yen due mainly to a shift in project portfolios and cost improvement.

2) Industrial Automation Systems

The market of the factory automation systems business saw decreases in automotive-related demand worldwide and machinery-related demand in Japan due to the impact of COVID-19, while a part of demand relating to 5G communications networks and semiconductor remained buoyant and there was demand relating to increased mask production outside Japan. In this environment, the business saw decreases in both orders and revenue from the same period of the previous fiscal year.

The market of the automotive equipment business saw the impact of COVID-19 putting further downward pressure on a slowdown in demand for new cars in all regions except for China. In this environment, the business saw decreases in both orders and revenue from the same period of the previous fiscal year due primarily to a decrease in electrical components despite of an increase in electric-vehicle related equipment such as motors and inverters.

As a result, revenue for this segment decreased by 29% from the same period of the previous fiscal year to 236.2 billion yen due mainly to a slowdown of the automotive equipment business.

Operating profit declined by 24.5 billion yen from the same period of the previous fiscal year to a loss of 3.4 billion yen due primarily to decreased revenue.

3) Information and Communication Systems

The market of the information systems and service business saw delays and cancellations of IT investments, particularly in the manufacturing industry due to the impact of COVID-19, while there was increased demand for IT infrastructure development to promote remote working. In this environment, the business saw decreases in both orders and revenue from the same period of the previous fiscal year due mainly to a decrease in the system integrations business.

The electronic systems business saw decreases in both orders and revenue from the same period of the previous fiscal year due primarily to a decrease in large-scale project for the space systems business.

As a result, revenue for this segment decreased by 27% from the same period of the previous fiscal year to 63.2 billion yen.

Operating profit declined by 1.9 billion yen from the same period of the previous fiscal year to a loss of 0.5 billion yen due mainly to decreased revenue.

4) Electronic Devices

The market of the electronic devices business saw a slowdown in demand for power modules used in automotive applications, while demand for high frequency and optical devices relating to 5G communications networks and next-generation data centers remained buoyant. In this environment, the business saw a decrease in orders from the same period of the previous fiscal year. Revenue also decreased by 2% from the same period of the previous fiscal year to 49.7 billion yen due primarily to decreases in power and TFT-LCD modules used in automotive applications, despite of an increase in high frequency and optical devices, particularly in optical communication devices.

Operating profit increased by 2.4 billion yen from the same period of the previous fiscal year to 3.0 billion yen due mainly to a shift in product mix.

5) Home Appliances

The market of the home appliances business saw decreased demand for air conditioners globally due primarily to the impact of COVID-19 causing lockdowns and considerable limitation of economic activities outside Japan and restrained capital expenditure in Japan. Meanwhile, there was some demand for consumer electronics during stay-at-home period. In this environment, the business saw a decrease in revenue by 20% from the same period of the previous fiscal year to 237.3 billion yen due primarily to a decrease in air conditioners worldwide and the yen appreciating against other currencies.

Operating profit decreased by 17.6 billion yen from the same period of the previous fiscal year to 13.5 billion yen due mainly to decreased revenue and the yen appreciating against other currencies.

6) Others

Revenue decreased by 16% from the same period of the previous fiscal year to 125.4 billion yen due primarily to decreases in procurements and logistics for the Mitsubishi Electric Group at affiliated companies.

Operating profit declined by 3.5 billion yen from the same period of the previous fiscal year to a loss of 1.3 billion yen due mainly to decreased revenue.

(2) Management Policy, Business Environment and Corporate Agenda

1) Management policy

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

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

— Maintain and evolve Balanced Corporate Management —



2) Business environment and corporate agenda

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

Under these circumstances, the forecast for fiscal 2021 is expected to fall short of the fiscal 2021 growth targets with consolidated revenue of 5 trillion yen or more and operating profit ratio of 8% or more, partly due to external factors such as a slump in growth of demand and foreign exchange fluctuations, and the Group’s insufficient response to changes in the market environment as well as the impact of COVID-19. In terms of management targets that should be achieved continuously, the Group expects to maintain a ratio of bonds and borrowings to total assets of 15% or less, but expects failure to achieve an ROE of 10% or more at this stage. The Group will strive to recover this target quickly. With regard to COVID-19, while ensuring that employment is maintained, we will work to minimize the impact on business results even if it takes a long time for the pandemic to end.

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

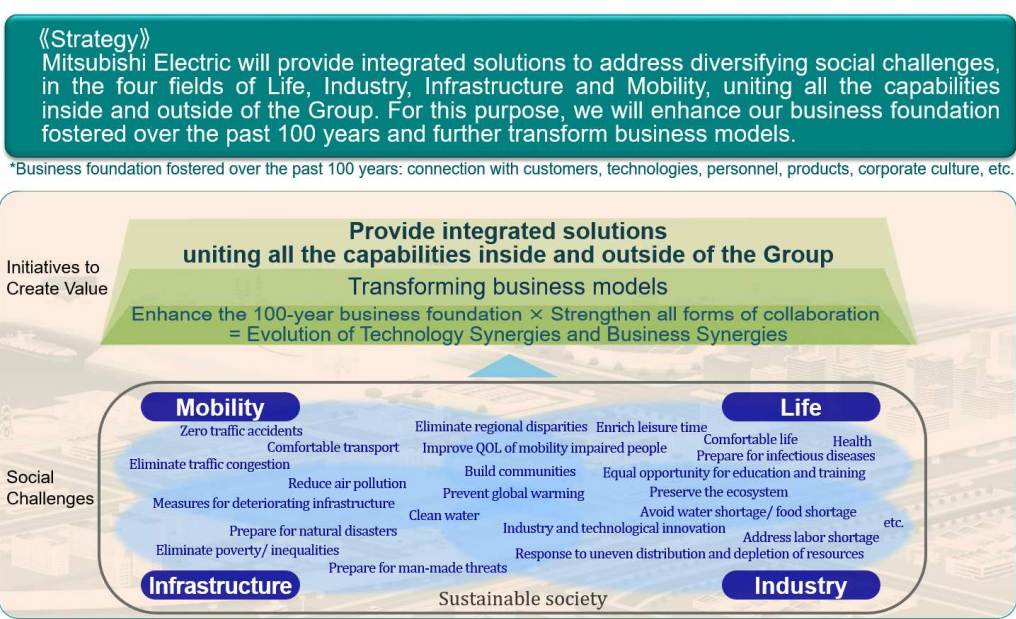
To this end, the Group will take part in collaborations, mergers and acquisitions and other strategic activities with a view to supplementing missing products and technologies, securing distribution-/service-network in new regions and markets, and acquiring new talent. Furthermore, while carrying out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

from a medium and long term perspective, using Mitsubishi Electric’s version of ROIC*³, a comprehensive business efficiency indicator.

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

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

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



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



In these efforts, the Mitsubishi Electric Group aims to reduce CO₂ emissions from product usage by 30% compared to fiscal 2001 and 30% from product production across the entire Group compared to fiscal 1991*⁴. These goals follow the “Environmental Vision 2021” with 2021 as its target year, the 100th anniversary of the Company’s founding and are aimed at contributing to the creation of a low-carbon, recycling-based society. Targeting the year 2030, the Group will strive to meet the following greenhouse -gas reduction targets certified under the SBTi*⁵: an 18% reduction (compared to fiscal 2017) under scopes 1 & 2, and a 15% reduction (compared to fiscal 2019) under scope 3. Additionally, the Group will strive to disclose the risks and opportunities brought by climate change, based on the recommendations of the TCFD*⁶. The Group will work in accordance with the Environmental Sustainability Vision 2050, created as a new long-term environmental management vision for the year 2021 and onward. In terms of legal and ethical compliance, various issues have recently become clear at the Group. The Group will put serious effort into preventing the recurrence of labor issues concerning the physical and mental health of employees, improper quality-related conduct leading to delivery of products not conforming to contracts with customers, and the possibility of personal and confidential corporate information leakage due to unauthorized access. With regard to labor issues, the Group will work to build workplaces that enable open communication, and provide thorough and appropriate care for individuals with psychological health issues, through measures centered on the Mitsubishi Electric Workplace Culture Reform Program. With regard to improper quality-related conduct, the Group will further raise awareness of quality, while also strengthening swift initial response measures. With regard to unauthorized access, the Group will strengthen and thoroughly implement prevention of intrusion, diffusion, and leakage, as well as global response and document management, led by the Information Security Supervisory Office under the direct control of the President. Additionally, the Group as a whole will diligently work to further disseminate compliance awareness by strengthening its organizational compliance frameworks through inculcating compliance policy, enhancing internal control measures and internal training. The Group also intends to improve its corporate governance through continuous promotion of measures such as compliance with Japan’s Corporate Governance Code, while striving for appropriate and timely disclosure of information, in order to acquire a higher level of trust from society, customers, shareholders, and employees.

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

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

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

*2 These principles are:

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

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

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

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

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

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

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

*3 ROIC (Mitsubishi Electric version): A comprehensive business efficiency indicator which is calculated by asset items (fixed assets, cash, etc.) per different segments (and not by capital and liability) so that it is easier to track and improve.

*4 Base fiscal years of reduction targets:

Mitsubishi Electric Corporation: 1990; Associated companies in Japan: 2000; Associated companies outside Japan: 2005

*5 Science-Based Targets initiative: an international initiative by the United Nations Global Compact (UNGC), World Wildlife Fund for Nature (WWF), CDP, and World Resources Institute (WRI) that calls for setting targets for the reduction of carbon dioxide emissions based on scientific evidence.

Scope 1: Direct emissions resulting from fuel use within the company; Scope 2: Indirect emissions associated with the use of externally purchased electricity and heat; Scope 3: Indirect emissions from the entire value chain other than Scope 1 and 2 emissions.

*6 TCFD (Task Force on Climate-related Financial Disclosures): A task force for the disclosure of climate-related financial information led by the private sector. The TCFD was established at the request of the G20 Finance Ministers and Central Bank Governors.

(3) Analysis of financial position

Total assets as of the end of this fiscal quarter increased from the end of the previous fiscal year by 36.6 billion yen to 4,446.3 billion yen. The change in balance of total assets was mainly attributable to increases in cash and cash equivalents by 192.7 billion yen and inventories by 85.5 billion yen, while trade receivables decreased by 233.1 billion yen primarily as a result of credit collection.

Trade receivables decreased due primarily to credit collection for projects from the previous fiscal year and decreased revenue caused by the impact of COVID-19. Cash and cash equivalents increased owing to borrowings made for the purpose of securing liquidity on hand to be prepared for a deterioration in balance caused by COVID-19.

Total liabilities increased from the end of the previous fiscal year by 45.9 billion yen to 1,916.9 billion yen. Balances of bonds, borrowings and lease liabilities increased by 185.0 billion yen, while trade payables decreased by 94.6 billion yen, and other financial liabilities decreased by 48.7 billion yen. Bonds and borrowings increased by 182.9 billion yen from the end of the previous fiscal year to 449.9 billion yen, with the ratio of bonds and borrowings to total assets recording 10.1%, representing a 4.0 point increase compared to the end of the previous fiscal year.

Mitsubishi Electric Corporation stockholders' equity decreased by 10.5 billion yen compared to the end of the previous fiscal year to 2,419.1 billion yen. The stockholders' equity ratio was recorded at 54.4%, representing a 0.7 point decrease compared to the end of the previous fiscal year. These changes referred to above primarily result from a decrease in dividend payment of 55.8 billion yen, despite of increases from recording a net profit attributable to Mitsubishi Electric Corporation stockholders of 17.8 billion yen and accumulated other comprehensive income by 27.5 billion yen mainly reflecting the yen depreciating against other currencies and a rise in stock prices.

(4) Status of cash flows

Cash flows from operating activities for the three months ended Jun. 30, 2020 was 133.5 billion yen (cash in), while cash flows from investing activities was 55.2 billion yen (cash out). As a result, free cash flow was 78.3 billion yen (cash in). Cash flows from financing activities was 112.3 billion yen (cash in), and cash and cash equivalents at end of period increased from the end of the previous fiscal year by 192.7 billion yen to 730.3 billion yen.

Net cash provided by operating activities increased by 7.0 billion yen from the same period of the previous fiscal year due primarily to progress in credit collection for projects from the previous fiscal year and reduced use of materials and cost to deal with decreased revenue for the three months ended Jun. 30, 2020, despite of decreased profit.

Net cash used in investing activities increased by 4.2 billion yen from the same period of the previous fiscal year due mainly to an increase in purchase of property, plant and equipment.

Net cash provided in financing activities increased by 194.3 billion yen from the same period of the previous fiscal year due primarily to an increase in short-term borrowings.

(5) Research and Development

For the three months ended Jun. 30, 2020, the total R&D expenses for the entire Group have amounted to 45.5 billion yen (Including elements spent on quality improvements, which constitute manufacturing costs).

There were no significant changes in the research and development activities of the Group for the three months ended Jun. 30, 2020.

3. Material Agreements, etc.

For the first quarter of the current fiscal year from April 1, 2020 to June 30, 2020, there were no material agreements entered into, modified, or cancelled.

III. Information on the Company

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

(1) Total number of shares, etc.

1) Total number of shares

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

2) Issued shares

Class	Number of shares issued as of the end of the quarter (shares) (Jun. 30, 2020)	Number of shares issued as of the filing date (shares) (Aug. 12, 2020)	Stock exchange on which the Company is listed	Description
Common stock	2,147,201,551	2,147,201,551	Japan : Tokyo (the first section) overseas : London	The number of shares per one unit of shares is 100 shares.
Total	2,147,201,551	2,147,201,551	—	—

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

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

1) Details of stock option plans

Not applicable.

2) Details of other stock acquisition rights, etc.

Not applicable.

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

Not applicable.

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

Date	Change in the total number of issued shares (Thousands)	Balance of the total number of issued shares (Thousands)	Change in common stock (millions of yen)	Balance of common stock (millions of yen)	Change in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
From April 1, 2020 to June 30, 2020	—	2,147,201	—	175,820	—	181,140

(5) Principal shareholders

Not applicable.

(6) Information on voting rights

All details provided in this section “(6) Information of voting rights” are based on the register of shareholders as of March 31, 2020, since the register of shareholders as of June 30, 2020 cannot be confirmed.

1) Issued shares

(As of March 31, 2020)

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting right	—	—	—
Shares with restricted voting right (treasury stock, etc.)	—	—	—
Shares with restricted voting right (others)	—	—	—
Shares with full voting right (treasury stock, etc.)	Common stock 2,686,200	—	Standard common stock of the Company without any restriction. Number of shares constituting one unit: 100 shares
Shares with full voting right (others)	Common stock 2,144,100,400	21,441,004	Same as above
Shares less than one unit	Common stock 414,951	—	Same as above
Number of shares issued	2,147,201,551	—	—
Total number of voting rights	—	21,441,004	—

Notes: 1. The number of shares included in “Shares less than one unit” are as follows: 98 shares as treasury stocks, 37 shares held by the Board Incentive Plan Trust, 22 shares held by the Mitsubishi Electric Business Partner Shareholding Union, crossholding stocks registered under own name (Ryoden Corporation 71 shares, Mitsubishi Electric Credit Corporation 71 shares, Shonai Mitsubishi Electric Sales Corporation 25 shares), crossholding stocks registered under the name of others (Ryoyo Electric Co., Ltd. 1 share, Shinryo Co., Ltd. 77 shares), and 80 shares registered in the name of Japan Securities Depository Center, Inc.

2. The number of shares and the number of voting rights in “Shares with full voting right (others)” include 7,700 shares (77 voting rights) registered in the name of Japan Securities Depository Center, Inc. and 1,667,700 shares (16,677 voting rights) held through the Board Incentive Plan Trust.

2) Treasury stock, etc.

(As of March 31, 2020)

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

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

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

2. Directors and Executive Officers

There were no changes in directors and executive officers from the filing date of the Annual Securities Report for the fiscal year ended March 31, 2020.

IV. Financial Information

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

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

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the condensed quarterly consolidated financial statements for the three months ended June 30, 2020, from April 1, 2020 to June 30, 2020 and the first quarter of the current fiscal year from April 1, 2020 to June 30, 2020 are reviewed by KPMG AZSA LLC.

1 【Condensed Quarterly Consolidated Financial Statements】

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

Yen (millions)

	Notes	As of Mar. 31, 2020	As of Jun. 30, 2020
(Assets)			
Cash and cash equivalents		537,559	730,352
Trade receivables		900,430	667,283
Contract assets		343,637	294,677
Other financial assets	9	56,765	81,337
Inventories		693,890	779,429
Other current assets		95,752	103,929
Current assets		2,628,033	2,657,007
Investments accounted for using the equity method		196,237	189,266
Other financial assets	9	262,367	290,542
Property, plant and equipment		854,382	859,854
Goodwill and intangible assets		146,323	144,224
Deferred tax assets		249,830	235,148
Other non-current assets		72,599	70,346
Non-current assets		1,781,738	1,789,380
Total assets		4,409,771	4,446,387

Yen (millions)

	Notes	As of Mar. 31, 2020	As of Jun. 30, 2020
(Liabilities)			
Bonds, borrowings and lease liabilities	9	133,369	337,545
Trade payables		527,307	432,706
Contract liabilities		147,781	173,864
Other financial liabilities	9	160,810	112,073
Accrued expenses		265,059	234,533
Accrued income taxes		21,335	12,497
Provisions		99,215	94,880
Other current liabilities		47,789	75,230
Current liabilities		1,402,665	1,473,328
Bonds, borrowings and lease liabilities	9	243,634	224,508
Net defined benefit liabilities		163,240	170,513
Provisions		5,210	5,163
Deferred tax liabilities		10,193	8,109
Other non-current liabilities		45,970	35,284
Non-current liabilities		468,247	443,577
Total liabilities		1,870,912	1,916,905
(Equity)			
Common stock		175,820	175,820
Capital surplus		202,832	202,266
Retained earnings		2,071,817	2,033,885
Accumulated other comprehensive income (loss)	9	(17,802)	9,778
Treasury stock, at cost		(2,924)	(2,594)
Mitsubishi Electric Corp. stockholders' equity		2,429,743	2,419,155
Non-controlling interests		109,116	110,327
Total equity		2,538,859	2,529,482
Total liabilities and equity		4,409,771	4,446,387

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

【Condensed Quarterly Consolidated Statement of Profit or Loss】

Yen (millions)

	Notes	For the three months ended Jun. 30, 2019	For the three months ended Jun. 30, 2020
Revenue	7	1,050,764	858,151
Cost of sales		749,869	620,418
Selling, general and administrative expenses		246,896	219,245
Other profit (loss)		912	1,712
Operating profit		54,911	20,200
Financial income		4,299	4,816
Financial expenses		2,760	720
Share of profit of investments accounted for using the equity method		3,295	2,813
Profit before income taxes		59,745	27,109
Income taxes		12,935	7,377
Net profit		46,810	19,732
Net profit attributable to:			
Mitsubishi Electric Corp. stockholders		42,777	17,885
Non-controlling interests		4,033	1,847

	Notes	For the three months ended Jun. 30, 2019	For the three months ended Jun. 30, 2020
Earnings per share (attributable to Mitsubishi Electric Corp. stockholders)			
Basic	8	19.94	8.34
Diluted	8	19.94	8.34

【Condensed Quarterly Consolidated Statement of Comprehensive Income】

Yen (millions)

	Notes	For the three months ended Jun. 30, 2019	For the three months ended Jun. 30, 2020
Net profit		46,810	19,732
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to net profit			
Changes in fair value of financial assets measured at fair value through other comprehensive income	9	(3,973)	17,322
Share of other comprehensive income of investments accounted for using the equity method		(65)	(162)
Total items that will not be reclassified to net profit		(4,038)	17,160
Items that may be reclassified to net profit			
Exchange differences on translating foreign operations		(18,979)	11,659
Net changes in the fair value of cash flow hedges		(39)	50
Share of other comprehensive income of investments accounted for using the equity method		434	(272)
Total items that may be reclassified to net profit		(18,584)	11,437
Total other comprehensive income (loss)		(22,622)	28,597
Comprehensive income		24,188	48,329
Comprehensive income attributable to:			
Mitsubishi Electric Corp. stockholders		22,219	45,464
Non-controlling interests		1,969	2,865

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

For the three months ended Jun. 30, 2019

Yen (millions)

	Notes	Mitsubishi Electric Corp. stockholders' equity					Total	Non-controlling interests	Total equity	
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost				
Balance at beginning of year		175,820	202,834	1,960,466	63,809	(2,983)	2,399,946	111,209	2,511,155	
Cumulative effects of changes in accounting policies				(1,521)			(1,521)	(7)	(1,528)	
Adjusted balance at beginning of year		175,820	202,834	1,958,945	63,809	(2,983)	2,398,425	111,202	2,509,627	
Comprehensive income	6									
Net profit				42,777			42,777	4,033	46,810	
Other comprehensive income (loss), net of tax					(20,558)		(20,558)	(2,064)	(22,622)	
Comprehensive income			—	—	42,777	(20,558)	—	22,219	1,969	24,188
Reclassification to retained earnings					(5)	5	—	—	—	
Dividends					(55,816)		(55,816)	(1,642)	(57,458)	
Purchase of treasury stock							(784)	(784)	(784)	
Disposal of treasury stock							844	0	0	
Transactions with non-controlling interests and others						—	(818)	(818)		
Balance at end of year		175,820	201,990	1,945,901	43,256	(2,923)	2,364,044	110,711	2,474,755	

For the three months ended Jun. 30, 2020

Yen (millions)

	Notes	Mitsubishi Electric Corp. stockholders' equity					Total	Non-controlling interests	Total equity	
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost				
Balance at beginning of year		175,820	202,832	2,071,817	(17,802)	(2,924)	2,429,743	109,116	2,538,859	
Comprehensive income	6									
Net profit					17,885		17,885	1,847	19,732	
Other comprehensive income (loss), net of tax						27,579	27,579	1,018	28,597	
Comprehensive income			—	—	17,885	27,579	—	45,464	2,865	48,329
Reclassification to retained earnings					(1)	1	—	—	—	
Dividends					(55,816)		(55,816)	(1,519)	(57,335)	
Purchase of treasury stock							(366)	(366)	(366)	
Disposal of treasury stock							696	0	0	
Transactions with non-controlling interests and others						130	(135)	(5)		
Balance at end of year		175,820	202,266	2,033,885	9,778	(2,594)	2,419,155	110,327	2,529,482	

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

Yen (millions)

	For the three months ended Jun. 30, 2019	For the three months ended Jun. 30, 2020
Cash flows from operating activities		
Net profit	46,810	19,732
Adjustments to cash flows from operating activities		
Depreciation and amortization	46,780	48,992
Impairment losses	—	603
Loss (gain) on sales and disposal of property, plant and equipment, net	220	(685)
Income taxes	12,935	7,377
Share of profit of investments accounted for using the equity method	(3,295)	(2,813)
Financial income and financial expenses	(1,539)	(4,096)
Decrease in trade receivables	192,732	234,299
Decrease (increase) in contract assets	(16,693)	48,774
Decrease (increase) in inventories	(36,211)	(83,465)
Decrease (increase) in other assets	(25,773)	(20,955)
Increase (decrease) in trade payables	(54,838)	(95,155)
Increase in net defined benefit liabilities	3,449	9,444
Increase (decrease) in other liabilities	(35,336)	(27,855)
Others, net	9,237	7,632
Subtotal	138,478	141,829
Interest and dividends received	6,741	6,463
Interest paid	(756)	(520)
Income taxes paid	(18,014)	(14,231)
Cash flows from operating activities	126,449	133,541
Cash flows from investing activities		
Purchase of property, plant and equipment	(43,096)	(50,655)
Proceeds from sale of property, plant and equipment	714	1,976
Purchase of intangible assets	(6,337)	(3,262)
Purchase of investment securities	(6,401)	(4,130)
Proceeds from sale of investment securities, net of cash disposed	3,646	1,251
Others, net	473	(419)
Cash flows from investing activities	(51,001)	(55,239)
Cash flows from financing activities		
Proceeds from bonds and long-term borrowings	103	87
Repayments of bonds and long-term borrowings	(30,598)	(231)
Increase in short-term borrowings, net	18,798	183,170
Repayments of lease liabilities	(12,753)	(12,737)
Dividends paid to Mitsubishi Electric Corp. stockholders	(55,816)	(55,816)
Purchase of treasury stock	(784)	(366)
Disposal of treasury stock	0	0
Dividends paid to non-controlling interests	(981)	(1,730)
Transactions with non-controlling interests	(1)	(14)
Cash flows from financing activities	(82,032)	112,363
Effect of exchange rate changes on cash and cash equivalents	(6,996)	2,128
Net increase (decrease) in cash and cash equivalents	(13,580)	192,793
Cash and cash equivalents at beginning of period	514,224	537,559
Cash and cash equivalents at end of period	500,644	730,352

【Notes to condensed quarterly consolidated financial statements】

1. Reporting entity

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

The Group is a multinational organization which develops, manufactures, sells and distributes a broad range of electrical and electronic equipment in the fields as diverse as home appliances to space electronics. The Company and its subsidiaries’ principal lines of business are: (1) Energy and Electric Systems, (2) Industrial Automation Systems, (3) Information and Communication Systems, (4) Electronic Devices, (5) Home Appliances and (6) Others. The Group’s manufacturing operations are conducted principally by the Company with 23 manufacturing sites located in Japan, as well as overseas manufacturing sites located in Thailand, China, the United States, Mexico, Italy and other countries.

2. Basis of preparation

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

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

3. Significant accounting policies

Significant accounting policies adopted in preparation of the condensed quarterly consolidated financial statements are consistent with those used in the preparation of the Company’s annual consolidated financial statements for the year ended March 31, 2020.

4. Significant accounting estimates and judgments

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

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

Accounting estimates and assumptions that could have a material effect on the amounts in the condensed quarterly consolidated financial statements are the same as in the Company’s annual consolidated financial statements for the year ended March 31, 2020.

The accounting estimates reflect the sluggish markets in various countries and regions and following recovery process, and is based on the assumption that COVID-19 would have a significant impact on revenue and operating profit until the second quarter. Regarding this, there are no significant changes from the conditions in the Company’s annual consolidated financial statements for the year ended March 31, 2020.

5. Segment information

(1) Overview of reportable segments

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

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

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

Energy and Electric Systems	Public Utility Systems Energy & Industrial Systems Building Systems	Turbine generators, hydraulic turbine generators, nuclear power plant equipment, motors, transformers, power electronics equipment, circuit breakers, gas insulated switchgears, switch control devices, surveillance-system control and security systems, transmission and distribution ICT systems, large display devices, electrical equipment for locomotives and rolling stock, wireless and wired communications systems, network camera systems, elevators, escalators, building security systems, building management systems, and others
Industrial Automation Systems	Factory Automation Systems Automotive Equipment	Programmable logic controllers, inverters, servomotors, human-machine interface, motors, hoists, magnetic switches, no-fuse circuit breakers, short-circuit breakers, transformers for electricity distribution, time and power meters, uninterruptible power supply, industrial fans, computerized numerical controllers, electrical discharge machines, laser processing machines, industrial robots, clutches, automotive electrical equipment, electric powertrain system, car electronics and car mechatronics, car multimedia, and others
Information and Communication Systems	Information Systems & Network Service Electronic Systems	satellite communications equipment, satellites, radar equipment, antennas, missile systems, fire control systems, broadcasting equipment, data transmission devices, network security systems, information systems equipment, systems integration, and others
Electronic Devices	Semiconductor & Device	Power modules, high-frequency devices, optical devices, LCD devices, and others
Home Appliances	Living Environment & Digital Media Equipment	Room air conditioners, package air conditioners, chillers, showcases, compressors, refrigeration units, air-to-water heat pump boilers, ventilators, hot water supply systems, IH cooking heaters, LED lamps, indoor lighting, LCD televisions, refrigerators, electric fans, dehumidifiers, air purifiers, cleaners, jar rice cookers, microwave ovens, and others
Others	—	Procurement, logistics, real estate, advertising, finance, and other services

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

(2) Segment information by business categories

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

For the three months ended Jun. 30, 2019

	Yen (millions)								
	Energy and Electric Systems	Industrial Automation Systems	Information and Communication Systems	Electronic Devices	Home Appliances	Others	Total	Eliminations and corporate	Consolidated total
Revenue and operating profit									
Revenue									
External customers	274,242	329,226	77,966	39,486	292,251	37,593	1,050,764	—	1,050,764
Intersegment	1,591	3,088	8,443	11,468	3,753	111,930	140,273	(140,273)	—
Total	275,833	332,314	86,409	50,954	296,004	149,523	1,191,037	(140,273)	1,050,764
Operating profit	9,196	21,182	1,366	597	31,188	2,151	65,680	(10,769)	54,911

For the three months ended Jun. 30, 2020

	Yen (millions)								
	Energy and Electric Systems	Industrial Automation Systems	Information and Communication Systems	Electronic Devices	Home Appliances	Others	Total	Eliminations and corporate	Consolidated total
Revenue and operating profit									
Revenue									
External customers	263,784	233,621	52,710	40,670	234,549	32,817	858,151	—	858,151
Intersegment	1,971	2,610	10,575	9,041	2,849	92,607	119,653	(119,653)	—
Total	265,755	236,231	63,285	49,711	237,398	125,424	977,804	(119,653)	858,151
Operating profit (loss)	18,646	(3,414)	(563)	3,090	13,552	(1,353)	29,958	(9,758)	20,200

6. Dividends

Dividends paid for the three months ended Jun. 30, 2019 and 2020 are as follows:

Resolution date	Total amount of dividends	Dividend per share	Record date	Effective date
	Yen (millions)	Yen		
April 26, 2019 Board of Directors Meeting	55,816	26	March 31, 2019	June 4, 2019
May 11, 2020 Board of Directors Meeting	55,816	26	March 31, 2020	June 2, 2020

7. Revenues

The Group's business consists of 6 reportable segments: Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, Electronic Devices, Home Appliances and Others. Revenue is presented by these categories since the Company's management periodically uses them for decision of business resources allocation and evaluation of business operations.

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

For the three months ended Jun. 30, 2019

	Yen (millions)						Consolidated total
	Japan	Overseas				total	
		North America	Asia (excluding Japan)	Europe	Others		
Energy and Electric Systems	177,611	28,496	57,413	4,875	5,847	96,631	274,242
Industrial Automation Systems	134,928	50,550	94,990	47,716	1,042	194,298	329,226
Information and Communication Systems	76,126	1,106	514	140	80	1,840	77,966
Electronic Devices	13,438	2,727	16,905	6,290	126	26,048	39,486
Home Appliances	126,577	34,999	57,471	66,074	7,130	165,674	292,251
Others	33,777	122	3,519	171	4	3,816	37,593
Consolidated	562,457	118,000	230,812	125,266	14,229	488,307	1,050,764

For the three months ended Jun. 30, 2020

	Yen (millions)						Consolidated total
	Japan	Overseas				total	
		North America	Asia (excluding Japan)	Europe	Others		
Energy and Electric Systems	179,219	26,440	49,763	3,551	4,811	84,565	263,784
Industrial Automation Systems	99,012	18,828	92,295	22,515	971	134,609	233,621
Information and Communication Systems	51,351	585	564	180	30	1,359	52,710
Electronic Devices	11,050	2,905	20,252	6,410	53	29,620	40,670
Home Appliances	109,577	25,381	40,178	52,889	6,524	124,972	234,549
Others	29,473	215	3,086	42	1	3,344	32,817
Consolidated	479,682	74,354	206,138	85,587	12,390	378,469	858,151

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

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

Revenue recognition methods for each categories are primarily as follows:

1) Energy and Electric Systems, Information and Communication Systems

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

Many contracts related to the production of products qualify as specific construction contracts meeting certain criteria, and revenue is recognized according to the progress of the construction if progress can be reasonably measured. Revenue is recognized only to the extent of the cost incurred if progress cannot be reasonably measured. The progress of construction is measured by comparing the cost incurred through the current year to the aggregate amount of estimated cost. Estimates and underlying assumptions for the aggregate amount of estimated cost are reviewed on an ongoing basis since there is a possibility that the cost incurred may change due to the progress of construction.

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

2) Industrial Automation Systems, Electronic Devices, Home Appliances, Others

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

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

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

8. Earnings per share

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

	Yen (millions)	
	For the three months ended Jun. 30, 2019	For the three months ended Jun. 30, 2020
Net profit attributable to Mitsubishi Electric Corp. stockholders	42,777	17,885

	Shares	
	For the three months ended Jun. 30, 2019	For the three months ended Jun. 30, 2020
Basic average ordinary shares outstanding	2,145,060,979	2,145,151,996

	Yen	
	For the three months ended Jun. 30, 2019	For the three months ended Jun. 30, 2020
Basic earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders	19.94	8.34
Diluted earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders	19.94	8.34

Note : The number of the Company's shares held through the Board Incentive Plan Trust were included in the shares of treasury stock that were deducted from the average number of ordinary shares outstanding in the calculation of Earnings per share attributable to Mitsubishi Electric Corp. stockholders. (1,714,959 shares for the three months ended Jun. 30, 2019, and 1,622,982 shares for the three months ended Jun. 30, 2020).

9. Financial instruments

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

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

Level 2: fair value calculated directly or indirectly using observable prices other than those in level 1

Level 3: fair value calculated using valuation techniques including unobservable inputs

A determination is made at the end of each consolidated fiscal year as to whether there are financial instruments for which transfers between levels were carried out. There were no financial instruments with significant transfers between levels for the three months ended Jun. 30, 2020

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

(1) Financial instruments measured at amortized cost

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

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

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

	Yen (millions)			
	As of Mar. 31, 2020		As of Jun. 30, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial instruments measured at amortized cost				
Bonds and borrowings	214,041	210,103	213,912	209,377

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

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

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

Equity instruments

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

Derivative assets and liabilities

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

As of Mar. 31, 2020

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

As of Jun. 30, 2020

		Yen (millions)			
		Level 1	Level 2	Level 3	Total
Assets					
Financial assets measured at fair value through profit or loss					
	Derivative assets	—	1,739	—	1,739
Financial assets measured at fair value through other comprehensive income					
	Equity instruments	175,936	—	67,671	243,607
	Total	<u>175,936</u>	<u>1,739</u>	<u>67,671</u>	<u>245,346</u>
Liabilities					
Financial liabilities measured at fair value through profit or loss					
	Derivative liabilities	—	1,393	—	1,393
	Total	<u>—</u>	<u>1,393</u>	<u>—</u>	<u>1,393</u>

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

		Yen (millions)	
		For the three months ended Jun. 30, 2019	For the three months ended Jun. 30, 2020
	Balance at beginning of year	60,674	63,478
	Gains (losses)	(1,194)	1,490
	Purchases	4,659	2,705
	Sale	—	(2)
	Balance at end of year	<u>64,139</u>	<u>67,671</u>

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

10. Contingent liabilities

There were no significant events as of June 30, 2020.

11. Subsequent events

There were no significant subsequent events which should be disclosed as of the date of the approval of the condensed quarterly consolidated financial statements for the year ended June 30, 2020.

12. Approval of the condensed quarterly consolidated financial statements

The condensed quarterly consolidated financial statements were approved by Takeshi Sugiyama, President & CEO, on August 12, 2020.

2 【Other】

(1) The Company decided to pay the dividend of ¥26 per share (a total of ¥55,816,148,778) to the shareholders registered or recorded in the shareholder register as of March 31, 2020, by the resolution of the Board of Directors' meeting held on May 11, 2020.

(2) Other

Not applicable.