

[Translation]

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Quarterly Report

The Second Quarter of 150th Business Term
From July 1, 2020 to September 30, 2020

Mitsubishi Electric Corporation

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

The Second Quarter of 150th Business Term (from July 1, 2020 to September 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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[Cover]

[Filed Document]	Quarterly Report (“Shihannki Hokokusho”)
[Applicable Law]	Article 24-4-7, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	November 6, 2020
[Fiscal Year]	The Second Quarter of 150th business term (from July 1, 2020 to September 30, 2020)
[Company Name]	Mitsubishi Denki Kabushiki Kaisha
[Company Name in English]	Mitsubishi Electric Corporation
[Title and Name of Representative]	Takeshi Sugiyama, President & CEO
[Address of Head Office]	7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo
[Phone Number]	03(3218)2272
[Contact Person]	Yoshinobu Yoshinaga, Senior Manager, Accounting Section, Corporate Accounting Division
[Contact Address]	7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo
[Phone Number]	03(3218)2272
[Contact Person]	Yoshinobu Yoshinaga, Senior Manager, Accounting Section, Corporate Accounting Division
[Place Where the Filed Document is Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

Cautionary Statement

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

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

- (1) Any change in worldwide economic and social conditions, as well as laws, regulations, taxation and other legislation
- (2) Changes in foreign currency exchange rates, especially JPY/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 six months ended Sept. 30, 2019	For the six months ended Sept. 30, 2020	Year ended Mar. 31, 2020
Revenue	2,182,528	1,902,024	4,462,509
[For the three months ended September 30, 2019 and 2020, respectively]	[1,131,764]	[1,043,873]	
Profit before income taxes	124,022	75,686	281,986
Net profit attributable to Mitsubishi Electric Corp. stockholders	91,253	48,231	221,834
[For the three months ended September 30, 2019 and 2020, respectively]	[48,476]	[30,346]	
Comprehensive income attributable to Mitsubishi Electric Corp. stockholders	66,082	81,602	117,132
Mitsubishi Electric Corp. stockholders' equity	2,407,907	2,455,297	2,429,743
Total equity	2,517,453	2,562,572	2,538,859
Total assets	4,358,001	4,359,490	4,409,771
Basic earnings per share attributable to Mitsubishi Electric Corp. stockholders (yen)	42.54	22.48	103.41
[For the three months ended September 30, 2019 and 2020, respectively]	[22.60]	[14.15]	
Diluted earnings per share attributable to Mitsubishi Electric Corp. stockholders (yen)	42.54	22.48	103.41
Mitsubishi Electric Corp. stockholders' equity ratio (%)	55.3	56.3	55.1
Cash flows from operating activities	214,414	256,945	395,834
Cash flows from investing activities	(115,664)	(107,857)	(203,997)
Cash flows from financing activities	(87,351)	(45,483)	(156,454)
Cash and cash equivalents at end of period	514,170	642,928	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, 206 consolidated subsidiaries and 39 equity method companies, engages in six business segments (Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, Electronic Devices, Home Appliances, Others) and our products range from all types.

II. Business Overview

1. Business Risks

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

There were no significant changes in the business risks stated in the Annual Securities Report for the fiscal year ended March 31, 2020. The current conditions of the Quarterly Report (November 6, 2020) are shown in the underlined section below. The item numbers correspond to the Annual Securities Report for the fiscal year ended March 31, 2020, and some parts that have not changed are omitted.

Forward-looking statements in this section are based on the judgment of the Company as of the date of submission of the Quarterly Report.

(1) The impact of COVID-19

COVID-19 had a significant impact on revenue and operating profit until the second quarter of fiscal 2021, although market recoveries are under way owing to the restart of the economy. On October 29, 2020, the Group disclosed the financial performance forecast for the fiscal year ending March 31, 2021 based on the assumption that the revenue will also be affected by the impact of COVID-19, although market recoveries are expected to continue in and after the third quarter of fiscal 2021. The Group's performance may be affected due to delays in market recoveries and stagnation in market conditions in the individual countries and regions caused by further continuation and re-expansion of COVID-19. In addition, the performance may also be affected due to changes in demand structure following sudden changes to societal values and behavior triggered by COVID-19.

(3) Foreign currency exchange rates

Sudden changes in exchange rates that cause major deviations from the exchange rates in and after the third quarter of fiscal 2021 expected by the Group (105 yen to the U.S. dollar, 120 yen to the euro, and 15.0 yen to the Chinese yuan) may affect the Group's performance.

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

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

(1) Overview of business performance

The economy in the six months ended September 30, 2020 generally saw a severe business environment without an economic recovery in Japan, the U.S. and Europe due to the continuing impact of the novel coronavirus diseases (COVID-19), although it is under way owing to the restart of the economy. Meanwhile, China experienced a gradual recovery mainly owing to an increase in capital expenditures for fixed assets, particularly in public investment, as an effect of political measures.

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

<Consolidated Performance>

(In billions of yen)

	For the six months ended Sept. 30, 2019	For the six months ended Sept. 30, 2020	Compared to the same period of the previous fiscal year
Revenue	2,182.5	1,902.0	down 280.5
Operating profit	114.2	61.3	down 52.8
Profit before income taxes	124.0	75.6	down 48.3
Net profit attributable to Mitsubishi Electric Corp. stockholders	91.2	48.2	down 43.0

1) Revenue

Revenue for the six months ended September 30, 2020 decreased by 280.5 billion yen from the same period of the previous fiscal year to 1,902.0 billion yen as a result of decreased revenue in all segments. Energy and Electric Systems segment saw a decrease in the building systems business in Japan and Asia due to the impact of COVID-19 causing global stagnation of urban development and construction, while the social infrastructure systems business increased particularly in the transportations systems and the power systems businesses in Japan. Industrial Automation Systems segment saw a significant decrease of the

automotive equipment business due to decreased demand for new cars in all regions except for China. The factory automation systems business also decreased due to stagnation in automotive-related demand worldwide and machinery- and building-related demand in Japan. Home Appliances segment saw a decrease in air conditioners due to limited economic activities outside Japan and restrained capital expenditures worldwide.

<Impact of Exchange Rate Fluctuations on Revenue>

	Average exchange rate for the six months ended Sept. 30, 2019	Average exchange rate for the six months ended Sept. 30, 2020	Impact of exchange rate fluctuations on revenue for the six months ended Sept. 30, 2020
Consolidated total	—	—	About ¥15.0 billion decrease
US\$	¥109	¥106	About ¥5.0 billion decrease
EURO	¥121	¥122	About ¥1.0 billion increase
CNY	¥15.6	¥15.2	About ¥5.0 billion decrease

2) Operating profit

Operating profit decreased by 52.8 billion yen from the same period of the previous fiscal year to 61.3 billion yen due mainly to decreased profits in Industrial Automation Systems and Home Appliances segments, while profits increased in Energy and Electric Systems, Electronic Devices and Information and Communication Systems segments. Operating profit ratio decreased by 2.0% from the same period of the previous fiscal year to 3.2%.

The cost ratio increased by 1.2% 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. Selling, general and administrative expenses decreased by 50.3 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 0.8%. Other profit (loss) decreased by 0.2 billion yen from the same period of the previous fiscal year, while other profit (loss) to revenue ratio remained substantially unchanged from the same period of the previous fiscal year.

3) Profit before income taxes

Profit before income taxes decreased by 48.3 billion yen from the same period of the previous fiscal year to 75.6 billion yen due primarily to a decrease in operating profit despite an improvement in non-operating expenses owing to decreased loss on foreign exchange. Profit before income taxes to revenue ratio was 4.0%.

4) Net profit attributable to Mitsubishi Electric Corp. stockholders

Net profit attributable to Mitsubishi Electric Corporation stockholders decreased by 43.0 billion yen from the same period of the previous fiscal year to 48.2 billion yen due mainly to decreased profit before income taxes. Net profit attributable to Mitsubishi Electric Corporation stockholders to revenue ratio was 2.5%.

Consolidated Financial Results by Business Segment are as shown below.

1) Energy and Electric Systems

The market of the social infrastructure systems business saw a decrease in demand relating to power generation worldwide and the reconsideration of the capital expenditure plans by railway companies in Japan due to the impact of COVID-19, while investment in public utilities for preventing and reducing disaster risks remained buoyant in Japan. In this environment, the business saw a decrease in orders from the same period of the previous fiscal year due primarily to decreases in the transportation systems and the power systems businesses in Japan, while revenue increased due mainly to progress in orders already received for projects in the transportation systems and the power systems businesses in Japan.

The market of the building systems business saw decreased demand in new installations and renewals of elevators and escalators worldwide 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 5% from the same period of the previous fiscal year to 564.7 billion yen.

Operating profit increased by 5.8 billion yen from the same period of the previous fiscal year to 26.2 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 continuing stagnation in automotive-related demand worldwide and machinery- and building-related demand in Japan due to the impact of COVID-19, while demand relating to 5G and semiconductor increased 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 a decrease in demand for new cars in all regions except for China due to 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 a decrease in electrical components despite an increase in electric-vehicle related equipment such as motors and inverters.

As a result, revenue for this segment decreased by 20% from the same period of the previous fiscal year to 548.6 billion yen due mainly to a decrease in the automotive equipment business.

Operating profit decreased by 39.5 billion yen from the same period of the previous fiscal year to 1.7 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 system development projects, particularly in the manufacturing industry, due to 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 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 defense systems business.

As a result, revenue for this segment decreased by 17% from the same period of the previous fiscal year to 165.5 billion yen.

Operating profit increased by 0.1 billion yen from the same period of the previous fiscal year to a 4.8 billion yen due mainly to a shift in project portfolios.

4) Electronic Devices

The market of the electronic devices business saw a slowdown in demand for power modules used in automotive and industrial applications, while demand for high frequency and optical devices relating to 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 due primarily to decreases in power and TFT-LCD modules, despite an increase in high frequency and optical devices, particularly in optical communication devices. Revenue also decreased by 2% from the same period of the previous fiscal year to 100.5 billion yen.

Operating profit increased by 4.7 billion yen from the same period of the previous fiscal year to 5.8 billion yen due mainly to a shift in product mix and cost improvement.

5) Home Appliances

The market of the home appliances business saw a decrease in 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 worldwide. Meanwhile, there was some demand for consumer electronics during stay-at-home period. In this environment, the business saw a decrease in revenue by 13% from the same period of the previous fiscal year to 503.7 billion yen due primarily to a decrease in air conditioners.

Operating profit decreased by 17.6 billion yen from the same period of the previous fiscal year to 35.5 billion yen due mainly to decreased revenue.

6) Others

Revenue decreased by 14% from the same period of the previous fiscal year to 272.4 billion yen due primarily to decreases in procurements and logistics for the Mitsubishi Electric Group at affiliated companies.

Operating profit decreased by 7.5 billion yen from the same period of the previous fiscal year to 1.9 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.



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

In these efforts, the Mitsubishi Electric Group aims to reduce CO₂ emissions from product usage by 30% compared to fiscal 2001 and 30% from product production across the entire Group compared to fiscal 1991*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 decreased from the end of the previous fiscal year by 50.2 billion yen to 4,359.4 billion yen. The change in balance of total assets was mainly attributable to a decrease in trade receivables by 190.2 billion yen, while cash and cash equivalents increased by 105.3 billion yen and other financial assets also increased by 42.6 billion yen.

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 decreased from the end of the previous fiscal year by 73.9 billion yen to 1,796.9 billion yen due primarily to decreases in trade payables by 88.7 billion yen and other financial liabilities by 48.0 billion yen, while balances of bonds, borrowings and lease liabilities increased by 47.2 billion yen. Bonds and borrowings increased by 44.5 billion yen from the end of the previous fiscal year to 311.5 billion yen, with the ratio of bonds and borrowings to total assets recording 7.1%, representing a 1.0 point increase compared to the end of the previous fiscal year.

Mitsubishi Electric Corporation stockholders' equity increased by 25.5 billion yen compared to the end of the previous fiscal year to 2,455.2 billion yen. The stockholders' equity ratio was recorded at 56.3%, representing a 1.2 point increase compared to the end of the previous fiscal year. These changes primarily result from increases from recording a net profit attributable to Mitsubishi Electric Corporation stockholders of 48.2 billion yen and accumulated other comprehensive income by 37.7 billion yen mainly reflecting a rise in stock prices, despite a decrease due to dividend payment of 55.8 billion yen.

(4) Status of cash flows

Cash flows from operating activities for the six months ended Sept. 30, 2020 was 256.9 billion yen (cash in), while cash flows from investing activities was 107.8 billion yen (cash out). As a result, free cash flow was 149.0 billion yen (cash in). Cash flows from financing activities was 45.4 billion yen (cash out), and cash and cash equivalents at end of period increased from the end of the previous fiscal year by 105.3 billion yen to 642.9 billion yen.

Net cash provided by operating activities increased by 42.5 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 six months ended Sept. 30, 2020, despite decreased profit.

Net cash used in investing activities decreased by 7.8 billion yen from the same period of the previous fiscal year due mainly to a decrease in purchase of investment securities, intangible assets and property, plant and equipment.

Net cash used in financing activities decreased by 41.8 billion yen from the same period of the previous fiscal year due primarily to an increase in short-term borrowings and a decrease in repayment of long-term borrowings.

(5) Research and Development

For the six months ended Sept. 30, 2020, the total R&D expenses for the entire Group have amounted to 93.1 billion yen (Including elements spent on quality improvements, which constitute manufacturing costs).

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

(6) Major Property, Plants and Equipment

The plan for the capital investment (new installation and expansions) for the fiscal year ending March 31, 2021 was revised as follows (based on investment decisions) in the three months ended September 30, 2020.

Business segment	The plan as of Mar. 31, 2020 (millions of yen)	The plan revised in the three months ended Sept. 30, 2020 (millions of yen)	Main purpose of investment
Energy and Electric Systems	26,000	32,500	Increasing production capacity, streamlining operations, and enhancing quality of power systems, electric equipment for rolling stock, and elevators/escalators, etc.
Industrial Automation Systems	48,500	41,500	Increasing production capacity for factory automation systems and automotive equipment operations, etc.
Information and Communication Systems	16,000	16,000	Bolstering research and development capabilities, and streamlining operations, etc.
Electronic Devices	14,500	16,000	Increasing production in the power device business, etc.
Home Appliances	30,000	22,000	Increasing the air conditioners production capacity, streamlining operations, and enhancing quality, etc.
Others	6,000	6,000	—
Commons	9,000	16,000	Equipment work for bolstering research and development capabilities, etc.
Total	150,000	150,000	—

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

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

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

3. The plan for the capital investment of each business segment was revised in the three months ended September 30, 2020.

Note: The amounts in "(6) Major Property, Plants and Equipment" do not include consumption tax, etc.

3. Material Agreements, etc.

In the three months ended September 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) (Sept. 30, 2020)	Number of shares issued as of the filing date (shares) (Nov. 6, 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 July 1, 2020 to September 30, 2020	—	2,147,201	—	175,820	—	181,140

(5) Principal shareholders

As of September 30,2020

Name	Address	Number of shares Held (Thousand shares)	Ownership percentage to the total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	194,853	9.08
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited., Tokyo branch)	ONE LINCOLN STREET, BOSTON MA USA 02111 (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	108,645	5.06
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	103,388	4.82
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo	81,862	3.81
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo	61,639	2.87
Mitsubishi Electric Group Employees Shareholding Union	7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo	43,725	2.04
Custody Bank of Japan, Ltd. (Trust Account 7)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	42,938	2.00
Custody Bank of Japan, Ltd. (Trust Account 5)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	41,701	1.94
JP MORGAN CHASE BANK 385632 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Service Department)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (15-1, Konan 2-chome, Minato-ku, Tokyo)	37,657	1.75
Custody Bank of Japan, Ltd. (Trust Account 4)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	36,696	1.71
Total	—	753,107	35.08

(6) Information on voting rights

1) Issued shares

(As of September 30, 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 1,584,000	—	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 2,145,200,100	21,452,001	Same as above
Shares less than one unit	Common stock 417,451	—	Same as above
Number of shares issued	2,147,201,551	—	—
Total number of voting rights	—	21,452,001	—

Notes: 1. The number of shares included in “Shares less than one unit” are as follows: 34 shares as treasury stocks, 117 shares held by the Board Incentive Plan Trust, 92 shares held by the Mitsubishi Electric Business Partner Shareholding Union, crossholding stocks registered under own name (Shonai Mitsubishi Electric Sales Corporation 25 shares), crossholding stocks registered under the name of others (Ryoyo Electric Co., Ltd. 66 shares, Shinryo Co., Ltd. 42 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 6,700 shares (67 voting rights) registered in the name of Japan Securities Depository Center, Inc. and 1,488,600 shares (14,886 voting rights) held through the Board Incentive Plan Trust.

2) Treasury stock, etc.

(As of September 30, 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)	Ownership percentage to the total number of issued shares (%)
Mitsubishi Electric Corporation	7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo	426,800	—	426,800	0.02
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	292,500	300	292,800	0.01
Shinryo Co., Ltd.	1-6, Komatsudori 5-chome, Hyogo-ku, Kobe-shi, Hyogo	237,700	300	238,000	0.01
Itec Hankyu Hanshin Co.,Ltd.	1-31, Ebie 1-chome, Fukushima-ku, Osaka-shi, Osaka	223,000	—	223,000	0.01
Miyoshi Electronics Corporation	306, Higashisakeyamachi, Miyoshi-shi, Hiroshima	81,300	—	81,300	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	—	1,583,400	600	1,584,000	0.07

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 426,800 shares owned by the Company in the table above and 34 shares less than one unit owned by the Company, 1,488,717 shares of the Company held through the Board Incentive Plan Trust were included in the shares of treasury stock in the condensed quarterly consolidated financial statements.

2. Directors and Executive Officers

There were no changes in directors and executive officers from the filing date of the Annual Securities Report for the fiscal year ended March 31, 2020 until September 30, 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 September 30, 2020, from July 1, 2020 to September 30, 2020 and the first half of the current fiscal year from April 1, 2020 to September 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 Sept. 30, 2020
(Assets)			
Cash and cash equivalents		537,559	642,928
Trade receivables		900,430	710,148
Contract assets		343,637	321,568
Other financial assets	9	56,765	55,148
Inventories		693,890	715,689
Other current assets		95,752	96,196
Current assets		2,628,033	2,541,677
Investments accounted for using the equity method		196,237	194,968
Other financial assets	9	262,367	306,628
Property, plant and equipment		854,382	862,763
Goodwill and intangible assets		146,323	149,571
Deferred tax assets		249,830	231,403
Other non-current assets		72,599	72,480
Non-current assets		1,781,738	1,817,813
Total assets		4,409,771	4,359,490

Yen (millions)

	Notes	As of Mar. 31, 2020	As of Sept. 30, 2020
(Liabilities)			
Bonds, borrowings and lease liabilities	9	133,369	199,692
Trade payables		527,307	438,525
Contract liabilities		147,781	158,052
Other financial liabilities	9	160,810	112,793
Accrued expenses		265,059	282,966
Accrued income taxes		21,335	21,916
Provisions		99,215	95,521
Other current liabilities		47,789	40,740
Current liabilities		1,402,665	1,350,205
Bonds, borrowings and lease liabilities	9	243,634	224,527
Net defined benefit liabilities		163,240	173,712
Provisions		5,210	5,523
Deferred tax liabilities		10,193	7,721
Other non-current liabilities		45,970	35,230
Non-current liabilities		468,247	446,713
Total liabilities		1,870,912	1,796,918
(Equity)			
Common stock		175,820	175,820
Capital surplus		202,832	202,270
Retained earnings		2,071,817	2,059,855
Accumulated other comprehensive income (loss)	9	(17,802)	19,946
Treasury stock, at cost		(2,924)	(2,594)
Mitsubishi Electric Corp. stockholders' equity		2,429,743	2,455,297
Non-controlling interests		109,116	107,275
Total equity		2,538,859	2,562,572
Total liabilities and equity		4,409,771	4,359,490

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

【Condensed Quarterly Consolidated Statement of Profit or Loss】

Yen (millions)

	Notes	For the six months ended Sept. 30, 2019	For the six months ended Sept. 30, 2020
Revenue	7	2,182,528	1,902,024
Cost of sales		1,562,361	1,384,823
Selling, general and administrative expenses		506,870	456,533
Other profit (loss)		933	686
Operating profit		114,230	61,354
Financial income		5,988	5,651
Financial expenses		5,605	1,893
Share of profit of investments accounted for using the equity method		9,409	10,574
Profit before income taxes		124,022	75,686
Income taxes		25,591	24,284
Net profit		98,431	51,402
Net profit attributable to:			
Mitsubishi Electric Corp. stockholders		91,253	48,231
Non-controlling interests		7,178	3,171

	Notes	For the six months ended Sept. 30, 2019	For the six months ended Sept. 30, 2020
Earnings per share (attributable to Mitsubishi Electric Corp. stockholders)			
Basic	8	42.54	22.48
Diluted	8	42.54	22.48

【Condensed Quarterly Consolidated Statement of Comprehensive Income】

Yen (millions)

	Notes	For the six months ended Sept. 30, 2019	For the six months ended Sept. 30, 2020
Net profit		98,431	51,402
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	6,001	29,056
Share of other comprehensive income of investments accounted for using the equity method		(352)	581
Total items that will not be reclassified to net profit		5,649	29,637
Items that may be reclassified to net profit			
Exchange differences on translating foreign operations		(31,289)	5,343
Net changes in the fair value of cash flow hedges		(91)	66
Share of other comprehensive income of investments accounted for using the equity method		(2,255)	(1,429)
Total items that may be reclassified to net profit		(33,635)	3,980
Total other comprehensive income (loss)		(27,986)	33,617
Comprehensive income		70,445	85,019
Comprehensive income attributable to:			
Mitsubishi Electric Corp. stockholders		66,082	81,602
Non-controlling interests		4,363	3,417

【Condensed Quarterly Consolidated Statement of Profit or Loss】

Yen (millions)

	Notes	For the three months ended Sept. 30, 2019	For the three months ended Sept. 30, 2020
Revenue		1,131,764	1,043,873
Cost of sales		812,492	764,405
Selling, general and administrative expenses		259,974	237,288
Other profit (loss)		21	(1,026)
Operating profit		59,319	41,154
Financial income		1,689	835
Financial expenses		2,845	1,173
Share of profit of investments accounted for using the equity method		6,114	7,761
Profit before income taxes		64,277	48,577
Income taxes		12,656	16,907
Net profit		51,621	31,670
Net profit attributable to:			
Mitsubishi Electric Corp. stockholders		48,476	30,346
Non-controlling interests		3,145	1,324

	Notes	For the three months ended Sept. 30, 2019	For the three months ended Sept. 30, 2020
Earnings per share (attributable to Mitsubishi Electric Corp. stockholders)			
Basic	8	22.60	14.15
Diluted	8	22.60	14.15

【Condensed Quarterly Consolidated Statement of Comprehensive Income】

Yen (millions)

	Notes	For the three months ended Sept. 30, 2019	For the three months ended Sept. 30, 2020
Net profit		51,621	31,670
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		9,974	11,734
Share of other comprehensive income of investments accounted for using the equity method		(287)	743
Total items that will not be reclassified to net profit		9,687	12,477
Items that may be reclassified to net profit			
Exchange differences on translating foreign operations		(12,310)	(6,316)
Net changes in the fair value of cash flow hedges		(52)	16
Share of other comprehensive income of investments accounted for using the equity method		(2,689)	(1,157)
Total items that may be reclassified to net profit		(15,051)	(7,457)
Total other comprehensive income (loss)		(5,364)	5,020
Comprehensive income		46,257	36,690
Comprehensive income attributable to:			
Mitsubishi Electric Corp. stockholders		43,863	36,138
Non-controlling interests		2,394	552

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

For the six months ended Sept. 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 period		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 period		175,820	202,834	1,958,945	63,809	(2,983)	2,398,425	111,202	2,509,627	
Comprehensive income	6									
Net profit				91,253			91,253	7,178	98,431	
Other comprehensive income (loss), net of tax					(25,171)		(25,171)	(2,815)	(27,986)	
Comprehensive income			—	—	91,253	(25,171)	—	66,082	4,363	70,445
Reclassification to retained earnings					1,521	(1,521)	—	—	—	
Dividends					(55,816)		(55,816)	(5,094)	(60,910)	
Purchase of treasury stock							(784)	(784)	(784)	
Disposal of treasury stock							844	0	0	
Transactions with non-controlling interests and others							—	(925)	(925)	
Balance at end of period		175,820	201,990	1,995,903	37,117	(2,923)	2,407,907	109,546	2,517,453	

For the six months ended Sept. 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 period		175,820	202,832	2,071,817	(17,802)	(2,924)	2,429,743	109,116	2,538,859	
Comprehensive income	6									
Net profit					48,231		48,231	3,171	51,402	
Other comprehensive income (loss), net of tax						33,371	33,371	246	33,617	
Comprehensive income			—	—	48,231	33,371	—	81,602	3,417	85,019
Reclassification to retained earnings					(4,377)	4,377	—	—	—	
Dividends					(55,816)		(55,816)	(5,356)	(61,172)	
Purchase of treasury stock							(366)	(366)	(366)	
Disposal of treasury stock							696	0	0	
Transactions with non-controlling interests and others							134	98	232	
Balance at end of period		175,820	202,270	2,059,855	19,946	(2,594)	2,455,297	107,275	2,562,572	

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

Yen (millions)

	For the six months ended Sept. 30, 2019	For the six months ended Sept. 30, 2020
Cash flows from operating activities		
Net profit	98,431	51,402
Adjustments to cash flows from operating activities		
Depreciation and amortization	97,651	100,399
Impairment losses	678	3,013
Loss (gain) on sales and disposal of property, plant and equipment, net	(83)	(168)
Income taxes	25,591	24,284
Share of profit of investments accounted for using the equity method	(9,409)	(10,574)
Financial income and financial expenses	(383)	(3,758)
Decrease in trade receivables	163,109	192,653
Decrease (increase) in contract assets	(60,051)	21,994
Decrease (increase) in inventories	(6,927)	(19,761)
Decrease (increase) in other assets	(20,958)	11,514
Increase (decrease) in trade payables	(50,058)	(89,907)
Increase in net defined benefit liabilities	2,222	10,462
Increase (decrease) in other liabilities	(34,750)	(23,480)
Others, net	19,777	(4,210)
Subtotal	224,840	263,863
Interest and dividends received	18,315	10,864
Interest paid	(1,373)	(1,318)
Income taxes paid	(27,368)	(16,464)
Cash flows from operating activities	214,414	256,945
Cash flows from investing activities		
Purchase of property, plant and equipment	(95,978)	(92,502)
Proceeds from sale of property, plant and equipment	2,438	2,167
Purchase of intangible assets	(12,412)	(8,502)
Purchase of investment securities, net of cash acquired	(16,373)	(12,214)
Proceeds from sale of investment securities, net of cash disposed	6,855	4,046
Others, net	(194)	(852)
Cash flows from investing activities	(115,664)	(107,857)
Cash flows from financing activities		
Proceeds from bonds and long-term borrowings	1,131	219
Repayments of bonds and long-term borrowings	(30,593)	(10,383)
Increase in short-term borrowings, net	29,564	54,663
Repayments of lease liabilities	(26,183)	(27,760)
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	(4,664)	(6,331)
Transactions with non-controlling interests	(6)	291
Cash flows from financing activities	(87,351)	(45,483)
Effect of exchange rate changes on cash and cash equivalents	(11,453)	1,764
Net increase (decrease) in cash and cash equivalents	(54)	105,369
Cash and cash equivalents at beginning of period	514,224	537,559
Cash and cash equivalents at end of period	514,170	642,928

【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 have not changed significantly from the Company’s annual consolidated financial statements for the year ended March 31, 2020. COVID-19 had a significant impact on revenue and operating income until the second quarter of fiscal 2021, although market recoveries are under way owing to the restart of the economy. Accounting estimates and assumptions, such as recoverable amount of property, plant and equipment, goodwill and intangible assets are also based on the assumption that the revenue will also be affected by the impact of COVID-19, although market recoveries are expected to continue from the third quarter of fiscal 2021.

5. Segment information

(1) Overview of reportable segments

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

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

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

Energy and Electric Systems	Public Utility Systems Energy & Industrial Systems Building Systems	Turbine generators, hydraulic turbine generators, nuclear power plant equipment, motors, transformers, power electronics equipment, circuit breakers, gas insulated switchgears, switch control devices, surveillance-system control and security systems, transmission and distribution ICT systems, large display devices, electrical equipment for locomotives and rolling stock, 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 six months ended Sept. 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	587,986	679,707	178,739	80,403	573,748	81,945	2,182,528	—	2,182,528
Intersegment	4,124	6,559	20,286	22,746	8,014	234,300	296,029	(296,029)	—
Total	592,110	686,266	199,025	103,149	581,762	316,245	2,478,557	(296,029)	2,182,528
Operating profit	20,465	41,272	4,705	1,039	53,206	9,521	130,208	(15,978)	114,230

For the six months ended Sept. 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	560,522	543,439	144,929	81,846	497,474	73,814	1,902,024	—	1,902,024
Intersegment	4,209	5,168	20,616	18,737	6,257	198,618	253,605	(253,605)	—
Total	564,731	548,607	165,545	100,583	503,731	272,432	2,155,629	(253,605)	1,902,024
Operating profit	26,277	1,766	4,866	5,802	35,588	1,971	76,270	(14,916)	61,354

6. Dividends

Dividends paid for the six months ended Sept. 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

Dividends with a record date in the six months ended Sept. 30, 2019 and 2020 and the effective date in the next period are as follows:

Resolution date	Total amount of dividends	Dividend per share	Record date	Effective date
	Yen (millions)	Yen		
October 31, 2019 Board of Directors Meeting	30,054	14	September 30, 2019	December 3, 2019
October 29, 2020 Board of Directors Meeting	21,467	10	September 30, 2020	December 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 six months ended Sept. 30, 2019

	Yen (millions)						Consolidated total
	Japan	Overseas				total	
		North America	Asia (excluding Japan)	Europe	Others		
Energy and Electric Systems	392,243	56,497	116,238	10,746	12,262	195,743	587,986
Industrial Automation Systems	287,379	98,289	200,906	91,029	2,104	392,328	679,707
Information and Communication Systems	173,413	2,677	1,346	661	642	5,326	178,739
Electronic Devices	27,423	5,257	34,983	12,502	238	52,980	80,403
Home Appliances	262,296	66,724	108,815	120,874	15,039	311,452	573,748
Others	73,903	314	7,471	250	7	8,042	81,945
Consolidated	1,216,657	229,758	469,759	236,062	30,292	965,871	2,182,528

For the six months ended Sept. 30, 2020

	Yen (millions)						Consolidated total
	Japan	Overseas				total	
		North America	Asia (excluding Japan)	Europe	Others		
Energy and Electric Systems	392,698	50,085	98,693	8,335	10,711	167,824	560,522
Industrial Automation Systems	225,237	61,860	198,819	54,892	2,631	318,202	543,439
Information and Communication Systems	140,854	1,782	1,585	576	132	4,075	144,929
Electronic Devices	23,283	4,863	40,386	13,238	76	58,563	81,846
Home Appliances	231,540	56,430	87,734	107,076	14,694	265,934	497,474
Others	66,726	415	6,517	155	1	7,088	73,814
Consolidated	1,080,338	175,435	433,734	184,272	28,245	821,686	1,902,024

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 six months ended Sept. 30, 2019	For the six months ended Sept. 30, 2020
Net profit attributable to Mitsubishi Electric Corp. stockholders	91,253	48,231

	Shares	
	For the six months ended Sept. 30, 2019	For the six months ended Sept. 30, 2020
Basic average ordinary shares outstanding	2,145,081,054	2,145,209,484

	Yen	
	For the six months ended Sept. 30, 2019	For the six months ended Sept. 30, 2020
Basic earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders	42.54	22.48
Diluted earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders	42.54	22.48

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. (1,694,721 shares for the six months ended Sept. 30, 2019, and 1,565,440 shares for the six months ended Sept. 30, 2020).

	Yen (millions)	
	For the three months ended Sept. 30, 2019	For the three months ended Sept. 30, 2020
Net profit attributable to Mitsubishi Electric Corp. stockholders	48,476	30,346

	Shares	
	For the three months ended Sept. 30, 2019	For the three months ended Sept. 30, 2020
Basic average ordinary shares outstanding	2,145,107,897	2,145,286,166

	Yen	
	For the three months ended Sept. 30, 2019	For the three months ended Sept. 30, 2020
Basic earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders	22.60	14.15
Diluted earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders	22.60	14.15

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. (1,667,737 shares for the three months ended Sept. 30, 2019, and 1,488,717 shares for the three months ended Sept. 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 six months ended Sept. 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 Sept. 30, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial instruments measured at amortized cost				
Bonds and borrowings	214,041	210,103	204,030	200,016

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 Sept. 30, 2020

		Yen (millions)			
		Level 1	Level 2	Level 3	Total
Assets					
Financial assets measured at fair value through profit or loss					
	Derivative assets	—	773	—	773
Financial assets measured at fair value through other comprehensive income					
	Equity instruments	193,709	—	66,977	260,686
	Total	<u>193,709</u>	<u>773</u>	<u>66,977</u>	<u>261,459</u>
Liabilities					
Financial liabilities measured at fair value through profit or loss					
	Derivative liabilities	—	2,217	—	2,217
	Total	<u>—</u>	<u>2,217</u>	<u>—</u>	<u>2,217</u>

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

		Yen (millions)	
		For the six months ended Sept. 30, 2019	For the six months ended Sept. 30, 2020
	Balance at beginning of period	60,674	63,478
	Gains (losses)	(748)	1,492
	Purchases	4,660	3,103
	Sales	(478)	(1,096)
	Balance at end of period	<u>64,108</u>	<u>66,977</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 Sept 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 Sept 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 November 6, 2020.

2 【Other】

(1) The Company decided to pay the dividend of ¥10 per share (a total of ¥21,467,747,170) to the shareholders registered or recorded in the shareholder register as of September 30, 2020, by the resolution of the Board of Directors' meeting held on October 29, 2020.

(2) Other

Not applicable.