MITSUBISHI ELECTRIC

*Changes for the Better*

for a greener tomorrow eco Changes

# 2017 ANNUAL REPORT

For the year ended March 31, 2017

# A Global, Leading Green Company That Contributes to the Realization of a Prosperous Society.

As the Mitsubishi Electric Group comes closer to celebrating in fiscal 2021 the 100th anniversary of our founding, we will contribute to the realization of a prosperous society as a global, leading green company.

By “realization of a prosperous society,” we mean creating a “people-friendly” society where everyone can live their lives in safety, peace of mind, health, and comfort—and at the same time an “earth-friendly” society that reduces impact to the environment by advancing the efficient use and reuse of resources and energy.

We of the Mitsubishi Electric Group have come to provide cutting-edge technologies and diverse businesses globally, and on a broad scale of applications ranging from homes, offices, and factories to social infrastructure and outer space.

“To pave the way to a better and brighter tomorrow”— this will be our mindset for future efforts as we increase collaboration within the Group and continually challenge ourselves to innovate.

***Changes for the Better***

## Contents

## Corporate Mission

The Mitsubishi Electric Group will continually improve its technologies and services by applying creativity to all aspects of its business. By doing so, we enhance the quality of life in our society. To this end, all members of the Group will pursue the following Seven Guiding Principles.

## Seven Guiding Principles

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

Looking back on the economic situation during the fiscal year ending March 31, 2017 (hereinafter, "fiscal 2017"), the U.S. economy experienced steady expansion and Japan and Europe saw moderate recovery, while the slowdown in the Chinese economy eased somewhat. Turning to movements in foreign currency exchange rates, although the yen strengthened compared to the previous fiscal year, there was depreciation of the yen following the U.S. presidential election in November.

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

As a result, the Mitsubishi Electric Group recorded consolidated net sales of ¥4,238.6 billion in the fiscal year ending March 31, 2017 — a decrease of 4% compared to the previous fiscal year. Operating income decreased 10% year-on-year to ¥270.1 billion, for a Group operating income ratio of 6.4%. Moving forward, the plan is to implement initiatives that will enable the Group to maintain a return on equity (ROE) above 10%, while keeping the ratio of interest-bearing debt to total assets below 15%, in accordance with management targets. At the same time, the goal is to achieve consolidated net sales of ¥5.0 trillion or more and an operating income ratio of 8% or more by fiscal 2021.

Toward securing these fiscal 2021 growth targets and sustained business expansion, the Mitsubishi Electric Group is accelerating and strengthening its initiatives to create additional value through technology and business synergies.

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

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

July 2017

M. Sakuyama

President & CEO **Masaki Sakuyama**

# Financial Highlights

## Performance for the Year Ended March 31, 2017

| Years ended March 31 | 2017 | 2016 | 2015 | 2017 |
|---|---|---|---|---|
| | Yen (millions) | | | U.S. dollars (thousands) |
| Net sales | **¥4,238,666** | ¥4,394,353 | ¥4,323,041 | **$37,845,232** |
| Operating income | **270,104** | 301,172 | 317,604 | **2,411,643** |
| Net income attributable to Mitsubishi Electric Corp. | **210,493** | 228,494 | 234,694 | **1,879,402** |
| Total assets | **4,180,024** | 4,059,941 | 4,059,451 | **37,321,643** |
| Interest-bearing debt | **352,124** | 404,039 | 381,994 | **3,143,964** |
| Mitsubishi Electric Corp. shareholders' equity | **2,039,627** | 1,838,773 | 1,842,203 | **18,210,955** |
| Capital expenditure (Based on the recognized value of property, plant and equipment) | **175,542** | 177,801 | 194,458 | **1,567,339** |
| R&D expenditures | **201,330** | 202,922 | 195,314 | **1,797,589** |
| | Yen | | | U.S. dollars |
| **Per-Share Amounts** | | | | |
| Net income attributable to Mitsubishi Electric Corp. | | | | |
| Basic | **¥98.07** | ¥106.43 | ¥109.32 | **$0.876** |
| Diluted | — | — | — | — |
| Cash dividends declared | **27** | 27 | 27 | **0.241** |
| | % | | | |
| **Statistical Information** | | | | |
| Operating income ratio | **6.4%** | 6.9% | 7.3% | — |
| Return on equity (ROE) | **10.9** | 12.4 | 13.9 | — |
| Interest-bearing debt to total assets | **8.4** | 10.0 | 9.4 | — |

See accompanying Notes to Consolidated Financial Statements on page 41.

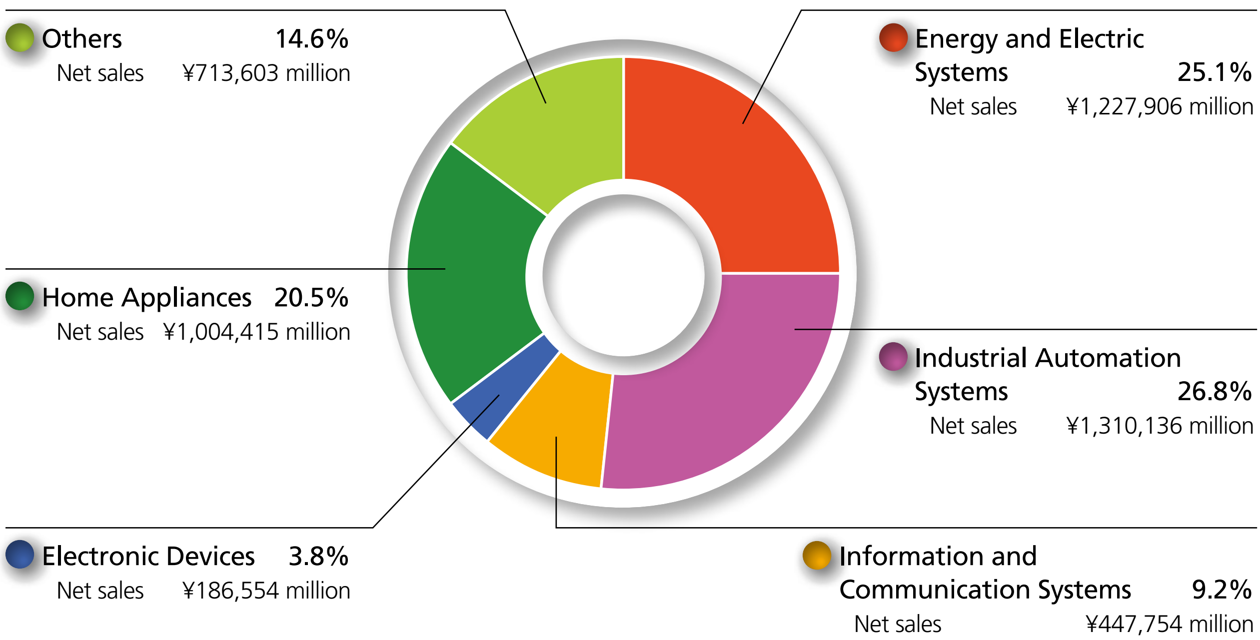
1 The Company prepares consolidated financial statements with procedures, accounting terms, forms, and preparation that are in conformity with accounting principles generally accepted in the United States of America based on the rules and regulations applicable in Japan.

2 Operating income is presented as net sales less cost of sales, selling, general, administrative, and R&D expenses, and loss on impairment of long-lived assets.

3 Diluted net income per share attributable to Mitsubishi Electric Corp. is not included in the above figure as no dilutive securities existed.

4 U.S. dollar amounts are converted from yen at the rate of ¥112=U.S.$1, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2017.

## Net Sales Breakdown by Business Segment




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

## Management Philosophy and Policy

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

Since fiscal 2002, the Group has adhered to the management policy of maintaining balanced management initiatives based on three perspectives: growth, profitability and efficiency, and soundness. Through these perspectives it has pursued the establishment of a sound foundation to its management and sustainable growth.

Based on this policy, the Group has taken on the challenge of resolving environmental issues, resource and energy issues, and other social issues we face today on a global scale through its products, systems and services. In doing so, it aims to become a "global leading green company" contributing to the realization of a prosperous society that simultaneously achieves "sustainability" and "safety, security and comfort", as it pursues sustainable development of the entire Group and strives to further enhance its corporate value.

As for corporate ethics and compliance, the Group will continue to ensure strict adherence to its compliance policy and strengthen internal control.

**Embodiment of the Corporate Mission**


## Management Targets

### Toward "High-Quality" Growth

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

In fiscal 2017, the Mitsubishi Electric Group achieved consolidated net sales of ¥4,238.6 billion, and an operating income of ¥270.1 billion. In addition, the Group continued to achieve its management targets for ROE of 10% or more and an interest-bearing debt of 15% or less of total assets, recording figures of 10.9% and 8.4% respectively.

**Growth Targets to be Achieved by Fiscal 2021**

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

**Management Targets to be Continuously and Stably Achieved**

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

**Management Policy**

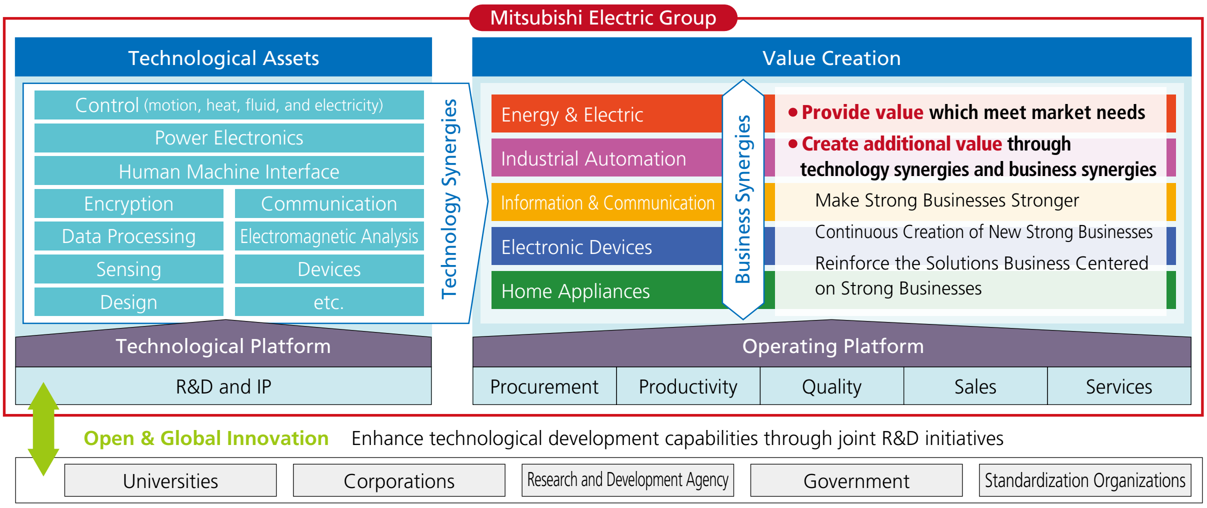
**Maintain Balanced Corporate Management for Sustainable Growth**


## Bolstering Growth Strategies

### Realizing Growth through Value Creation with Growth Drivers

The Mitsubishi Electric Group's strength lies in its abundant technological assets, which encompass a wide range of technologies such as control technologies and power electronics. In addition, the Group possesses a solid operating platform that encompasses materials procurement, production, quality assurance, sales and

**Growth through Value Creation—Overview**




services, in all of which a culture of improvement is firmly entrenched. The Mitsubishi Electric Group is thus well-positioned to freely leverage its competitive edge in a wide range of diverse businesses.

With this in mind, the Group has positioned "making strong businesses stronger" as the core of its growth strategies. Currently, the Group has identified eight businesses—power systems, transportation systems, building systems, factory automation (FA) systems, automotive equipment, space systems, power devices, and air-conditioning and refrigeration systems—as growth drivers. Focusing on these businesses, the Group will expand its operations into markets worldwide, ranging from Japan, North America, Europe, and China to newly emerging markets, including those elsewhere in Asia. By satisfying the needs of each market, the Group will continue to provide and create value for its customers, and thereby secure sustainable growth going forward.

### Additional Value Creation through Technology Synergies and Business Synergies

With the goal of securing its fiscal 2021 growth targets and sustaining its business expansion thereafter, the Mitsubishi Electric Group is accelerating and strengthening its initiatives to create additional value by combining and coordinating a wide range of technologies and businesses with each other, while enhancing each product, system and service.

Specifically, the Group seeks to improve the performance and reliability of every product and system it offers by creating technology synergies through novel combinations of its strong technology assets, and business synergies through the coordination of its diverse business activities. At the same time, the Group will improve its ability to respond to its customers' business challenges and needs by further accelerating combination of its technologies, products, systems, and service. Through these efforts, the Group intends to improve its profits by improving its reputation with its customers in existing markets and developing new businesses and markets.

### Increasing the Allocation of Resources to Steps Aimed at Strengthening Competitiveness

To achieve greater business competitiveness, the Mitsubishi Electric Group will continue to allocate a high level of investment resources, including research and development and capital, to those businesses where the Group is capable of quickly securing growth while generating short-term investment benefits, as well as those exhibiting a high probability of expansion with little or no volatility, with the aim of securing returns on its investments. At the same time, the Group will review and refresh its business portfolio to reallocate its management resources to areas that show growth. Moreover, the Group will strengthen this portfolio by continuously creating new strong businesses capable of driving future growth. In addition, the Group is committed to securing a more robust technological platform through forward-looking R&D that will, in turn, ensure sustainable growth from fiscal 2021 onward.

Additionally, aiming to augment its growth, the Mitsubishi Electric Group will actively pursue collaborative ties and M&As with the following three perspectives in mind: expanding its business by supplementing product groups and technology fields in which the Group is lacking; securing sales and service networks when advancing into new regions and markets; and reaching new customer demographics in order to bolster the Group's business platform.

## Building Robust Management Foundation

To strengthen its management foundation, the Mitsubishi Electric Group continuously strives to improve its capital efficiency. As a part of initiatives to this end, the Group continues to expand net sales and reduce costs while engaging in activities with the aim of improving inventory turnover, trade receivables turnover, and Just in Time operations. In addition to implementing these efforts in an exhaustive manner, in fiscal 2016 the Group began utilizing an internal performance indicator, ROIC (calculated by Mitsubishi Electric's own standards), to monitor asset efficiency by business segment, thereby improving the ROE of all Group operations.

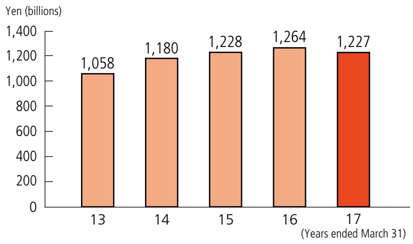
Looking ahead, the Mitsubishi Electric Group will continue to focus on generating stable cash flows, actively invest in growth fields, maintain well-balanced shareholder returns commensurate with profit growth, and diligently work to increase corporate value.

## Continuous Innovation

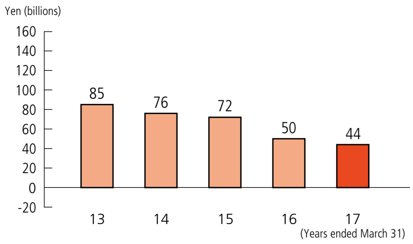
The Mitsubishi Electric Group will steadfastly carry out its management policies guided by a commitment to balanced management, while putting into practice its overarching corporate statement: Changes for the Better. Each and every employee will share the common goal of developing new frontiers through continuous innovation, and the Mitsubishi Electric Group—by continuing to undergo transformation itself—will mature into a corporation that is always producing something better.

## Energy and Electric Systems

Net sales




Operating income

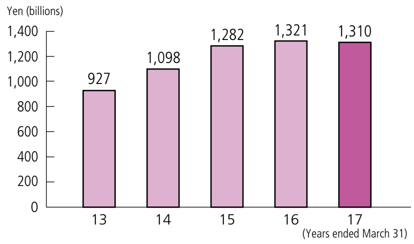



MAIN PRODUCTS AND BUSINESS LINES

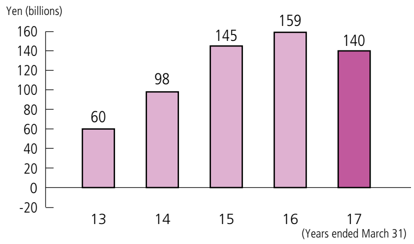
Turbine generators, hydraulic turbine generators, nuclear power plant equipment, motors, transformers, power electronics equipment, circuit breakers, gas insulated switchgears, switch control devices, surveillance-system control and security systems, large display devices, electrical equipment for locomotives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

## Industrial Automation Systems

Net sales




Operating income

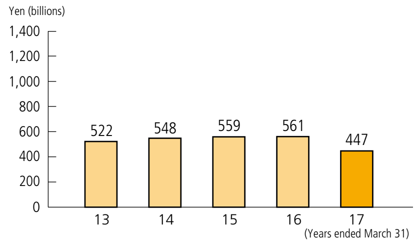



MAIN PRODUCTS AND BUSINESS LINES

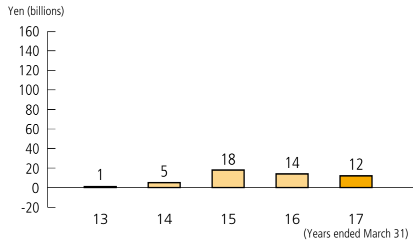
Programmable logic controllers, inverters, servomotors, human-machine interface, motors, hoists, magnetic switches, no-fuse circuit breakers, short-circuit breakers, transformers for electricity distribution, time and power meters, uninterruptible power supply, industrial fans, computerized numerical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

## Information and Communication Systems

Net sales




Operating income




MAIN PRODUCTS AND BUSINESS LINES

Wireless and wired communications systems, network camera systems, satellite communications equipment, satellites, radar equipment, antennas, missile systems, fire control systems, broadcasting equipment, data transmission devices, network security systems, information systems equipment, systems integration, and others

## Fiscal 2017 Topics

- Established Mitsubishi Electric Turkey Klima Sistemleri Üretim Anonim Şirketi (Mitsubishi Electric Air Conditioning Systems Manufacturing Turkey Joint Stock Company), a new subsidiary charged with the development and manufacture of room air conditioners, in the Republic of Turkey.

- Mitsubishi Electric Australia as part of the consortium RailConnect NSW, has been awarded the contract to deliver and maintain Transport for NSW's New Intercity Fleet (512 cars).

- KIRIGAMINE FL series room air conditioners and a robot for replacing segment mirrors in the Next-Generation Thirty Meter Telescope (TMT®) were included in the Good Design Best 100 list, which is under the administration of the GOOD DESIGN AWARD 2016 program sponsored by the Japan Institute of Design Promotion.

### 2016

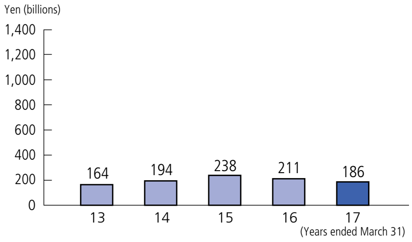
- The "D-SMiree" was identified as the overarching brand name for marketing Mitsubishi Electric's smart power distribution network systems designed for medium- and low-voltage direct current (1,500V DC and below) to help promote energy-saving initiatives undertaken at data centers, buildings, factories, and railway stations, with the D-SMiree Development and Demonstration Facility initiating its operations at the Company's Power Distribution Systems Center in Marugame, Kagawa Prefecture.

- Launched the production of elevators in India by bringing a new factory on line at Mitsubishi Elevator India Private Limited on September 15, 2016.

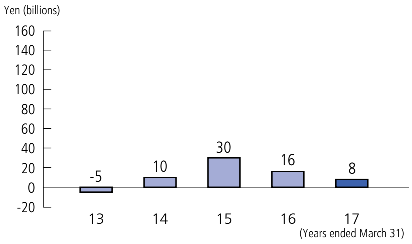
- With world-leading observational capacity attributable to cutting-edge technologies, the Himawari-9, a geostationary meteorological satellite designed and manufactured by Mitsubishi Electric, was successfully launched.

## Electronic Devices

Net sales




Operating income (loss)

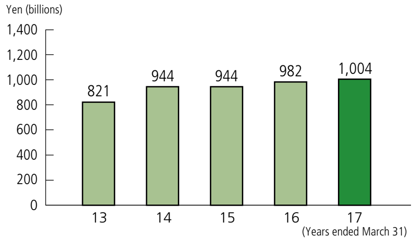



MAIN PRODUCTS AND BUSINESS LINES

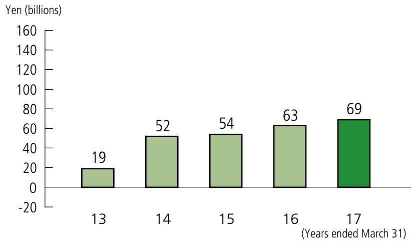
Power modules, high-frequency devices, optical devices, LCD devices, and others

## Home Appliances

Net sales




Operating income

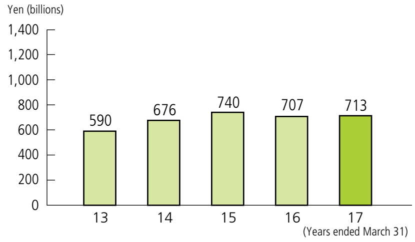



MAIN PRODUCTS AND BUSINESS LINES

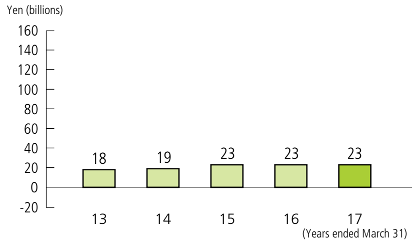
Room air conditioners, package air conditioners, chillers, showcases, compressors, refrigeration units, air-to-water heat pump boilers, ventilators, photovoltaic systems, hot water supply systems, IH cooking heaters, LED lamps, fluorescent lamps, indoor lighting, LCD televisions, refrigerators, electric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

## Others

Net sales




Operating income




MAIN PRODUCTS AND BUSINESS LINES

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

- Delivered the world's fastest elevator*, the world's tallest elevator*, and the world's fastest double-deck elevator* to Shanghai Tower, the tallest building in China (632m high).

*Among elevators in operation as of December 8, 2016

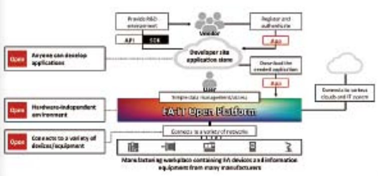
- Received an order from SOGO Hong Kong Co. Ltd. for the installation of a large Diamond Vision™ screen on the outer facade of SOGO Department Store in Causeway Bay.

- Mitsubishi Electric Automation Manufacturing (Changshu) Co., Ltd., a subsidiary that produces FA equipment in Jiangsu Province, China, followed on the completion of its second factory's construction on March 10, 2017 with the launch of factory operations in April.

## 2017

- Selected as an "A-List Company" in four categories—CDP Climate, CDP Water, CDP Supplier Climate, and CDP Supplier Water—by the CDP, an international NGO, under a program aimed at evaluating corporations' environmental initiatives.

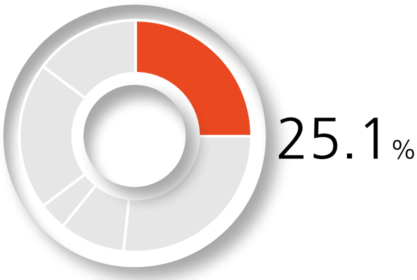
- Introduced a new FA-IT open platform aimed at helping users employ edge computing and realize smarter manufacturing empowered by the IoT.




- The Mitsubishi Electric SOCIO-ROOTS Fund matching-gift program marked its 25th anniversary in April 2017, with a total of more than ¥1,200 million being donated to approximately 1,900 beneficiaries all over Japan.

## Energy and Electric Systems

### Net Sales Breakdown by Business Segment




### Net Sales

¥1,227.9 billion

down 3% year on year

### Operating Income

¥44.3 billion

down ¥6.0 billion year on year

The social infrastructure systems business saw an increase in orders compared to the previous fiscal year due to increases in the transportation systems and the public utility systems businesses in Japan, while sales decreased compared to the previous fiscal year due to a decrease in the power systems business inside and outside Japan. In addition, the stronger yen had the negative influences.

The building systems business experienced decreases in both orders and sales compared to the previous fiscal year, due primarily to negative influences caused by the stronger yen, despite growth in the renewal business in Japan, as well as the installation business of new elevators and escalators outside Japan.

As a result, total sales for this segment decreased by 3% from the previous fiscal year to ¥1,227.9 billion. Operating income decreased by ¥6.0 billion from the previous fiscal year to ¥44.3 billion due primarily to the decrease in sales.

### Next-generation SiC Inverter for Railcars

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

©CHIBA LOTTE MARINES

### Large-scale Visual Information System for ZOZOMARINE STADIUM

A total of five Diamond Vision displays—one main screen, two sub-screens for outfield stands, and two sub-screens for the area behind the backstop netting—have been delivered to ZOZOMARINE STADIUM, the home field of the Chiba Lotte Marines (Japanese professional baseball team). Various images and videos can be shown in an interconnected display, further contributing to excitement throughout the ballpark.

### Particle Therapy System

Utilizing the characteristic features of protons, carbon, and other heavy ions, particle therapy is a cutting edge technology that allows for the pinpoint targeting of cancerous tumors while minimizing side effects on surrounding normal tissues. It is increasingly selected as an advanced solution in the treatment of cancer.

### Power Plants

Mitsubishi Electric power plant installations are used both by power utility companies and by companies in various industries as in-house power generators. Owing to its accumulated expertise and leading technological capabilities, Mitsubishi Electric is able to provide optimal power plants in various power generation fields.

### NEXIEZ Machine-room-less Elevators

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

### Series S Escalators

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

## Industrial Automation Systems

Net Sales Breakdown by Business Segment

26.8%

Net Sales

¥1,310.1 billion

down 1% year on year

Operating Income

¥140.0 billion

down ¥19.0 billion year on year

The factory automation systems business saw an increase in orders compared to the previous fiscal year due primarily to growth in capital expenditures in the fields of smartphones and electric cars in China and organic light emitting diodes (OLED) mainly in Korea, while sales remained unchanged compared to the previous fiscal year due primarily to negative influences caused by the stronger yen.

The automotive equipment business saw decreases in both orders and sales compared to the previous fiscal year due primarily to stagnation in light motor car sales in Japan and the negative influences caused by the stronger yen, despite a buoyancy in car sales mainly in Europe.

As a result, total sales for this segment decreased by 1% from the previous fiscal year to ¥1,310.1 billion. Operating income decreased by ¥19.0 billion from the previous fiscal year to ¥140.0 billion due primarily to the negative influence of the stronger yen.

### Programmable Logic Controllers

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

### AC Servos

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

### Computerized Numerical Controllers—CNCs

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

### Electrical Discharge Machines (EDMs)

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

### Electric Power Steering (Motors and Controllers)

Mitsubishi Electric was the first company in the world to mass produce motors and controllers for electric power steering to assist driver steering in line with driving conditions. Over the years, Mitsubishi Electric has helped to improve steering feel, response, and stability while delivering compact units and high-output performance, and contributing to reduced automobile $CO_2$ emissions.

### Car Navigation System

The DIATONE SOUND. NAVI NR-MZ200 Series car audio-navigation system offers superior quality in terms of responsiveness, image resolution, and design. It enhances the driving experience more than ever, with faster and more visually appealing navigation.

## Information and Communication Systems

### Net Sales Breakdown by Business Segment

9.2%

### Net Sales

**¥447.7 billion**

down 20% year on year

### Operating Income

**¥12.7 billion**

down ¥2.2 billion year on year

The telecommunications equipment business saw decreases in both orders and sales compared to the previous fiscal year due primarily to the sellout of an affiliated company in the beginning of the fiscal year and decreased sales of communications infrastructure equipment.

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

The electronic systems business saw no change in orders, while sales decreased compared to the previous fiscal year due to a decrease in large-scale projects in the space systems business.

As a result, total sales for this segment decreased by 20% from the previous fiscal year to ¥447.7 billion. Operating income decreased by ¥2.2 billion from the previous fiscal year to ¥12.7 billion due primarily to the decrease in sales.

### Information System Integrated Control Center

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


### Mission-critical Server

Employing virtualization technology in its complete fault-tolerant system as an overarching concept, this server not only ensures the succession of customers' application assets, but also integrates internal mission-critical tasks and systems for situations where failure is not an option.
(Mitsubishi Electric Information Network Corporation)

### DS2000 Standard Satellite Platform

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

### Vehicle-mounted Stations for Satellite Communications

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

### Broadband Optical Access Systems

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

### Digital CCTV (Closed-circuit Television) System

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

## Electronic Devices

### Net Sales Breakdown by Business Segment

3.8%

### Net Sales

¥186.5 billion

down 12% year on year

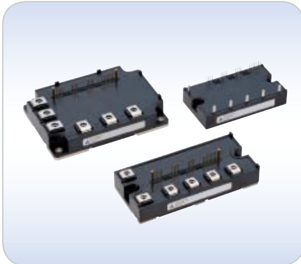
### Operating Income

¥8.3 billion

down ¥8.4 billion year on year

The electronic devices business saw an increase in orders compared to the previous fiscal year due to an increase in demand for optical communication devices, while sales decreased by 12% from the previous fiscal year to ¥186.5 billion, due to a decrease in demand for power modules and TFT-LCD modules, along with the negative influences caused by the stronger yen.

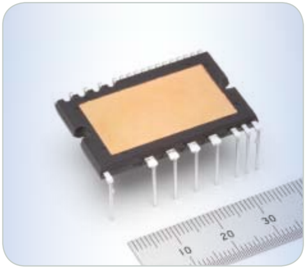
Operating income decreased by ¥8.4 billion compared to the previous fiscal year to ¥8.3 billion due primarily to the decrease in sales.



### IPM G1 Series with 7th-generation IGBT

With the latest IGBT[1] chips, the IPM[2] G1 Series reduces the size and power consumption of industrial equipment such as general-purpose inverters, servo amplifiers, and elevators while also providing higher reliability. A lineup of 52 products across 6 categories makes the G1 Series the best choice for a wide range of applications and industrial equipment needs.

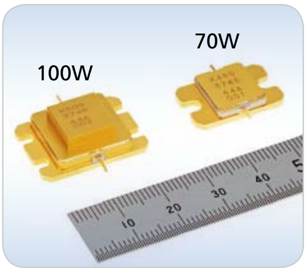
[1] IGBT: Insulated Gate Bipolar Transistor
[2] IPM: Intelligent Power Module



### Super-mini Full SiC DIPIPM

The newly developed SiC[1]-MOSFET[2] reduces power consumption by approximately 75% compared to previous models[3], which means the Super-mini Full SiC DIPIPM[4] ™ offers the industry's lowest power consumption[5], contributing to the increasing year-round energy efficiency of energy-saving air conditioners.

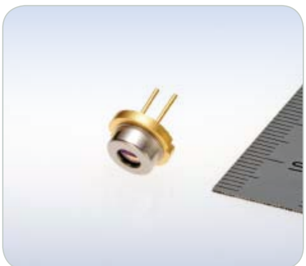
[1] SiC: Silicon Carbide
[2] MOSFET: Metal Oxide Semiconductor Field Effect Transistor
[3] Super-mini DIPIPM Ver. 6 Series (Si product) PSS15S92F6 (15A /600V)
[4] DIPIPM: Dual-In-Line Package Intelligent Power Module
[5] As of August 17, 2016, based on internal research




### Ku-band GaN HEMT for Satellite Earth Stations

An industry-leading[1] output power of 100W GaN[2] HEMT[3] has been achieved by optimizing the transistor structure, reducing the number of power amplifier components and allowing for smaller earth stations. It offers a range of products that utilize an existing power amplifier as a high-output driver stage that are configurable with Mitsubishi Electric products to meet the diverse needs of Ku band[4] satellite earth stations.

[1] As of September 27, 2016, based on internal research of GaN HEMT for Ku band satellite earth stations
[2] GaN: Gallium nitride
[3] HEMT: High Electron Mobility Transistor
[4] Ku band: Microwaves at frequencies between 12 GHz and 18 GHz



### High-power 639-nm Red Laser Diode for Projectors

Featuring an optimized epitaxial structure and emitter size, the high-power 639-nm red laser diode produces an industry-leading[1] continuous wave output of 2.1W and a high power conversion efficiency of 41%[2], aiding the commercialization of large projectors that require high brightness.

[1] As of December 14, 2016, based on internal research
[2] At a case temperature of 25°C, continuous wave output of 2.1W


### TFT LCD Modules with Touch Panels for Industrial Use (6.5-inch VGA, 8.4-inch SVGA/XGA, 10.6-inch WXGA)

These projected capacitive touch panels feature protective glass as thick as 5 mm, support up to 10 simultaneous touch inputs, and can be used even with thick, heat-resisting gloves or when the screen is wet. They are ideal for outdoor applications that require impact resistance and water resistance.

### Tough Series Color TFT LCD Modules for Industrial Use (7.0-inch/8.0-inch WVGA)

These Tough Series modules feature vibration resistance approximately seven times greater than that of conventional modules (6.8 G), a wide operating temperature range (-40°C to 85°C), and an ultra-wide viewing angle (170° from all angles), in response to the trend toward their use in rugged environments, such as in construction machinery, agricultural machinery and machine tools, which require multi-purpose high-quality displays.

## Home Appliances

### Net Sales Breakdown by Business Segment

20.5%

### Net Sales

¥1,004.4billion

up ¥2% year on year

### Operating Income

¥69.6billion

up ¥5.8 billion year on year

Sales of the home appliances business stood at ¥1,004.4 billion, an increase of 2% compared to the previous fiscal year, due to increases in sales of air conditioners in the European, Chinese and North American markets and in sales of residential and industrial air conditioners in Japan, despite the negative influence of the stronger yen.

Operating income increased by ¥5.8 billion compared to the previous fiscal year to ¥69.6 billion largely due to the increase in sales.

### Air Conditioning Systems

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

### Home Equipment

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

### Home Appliances

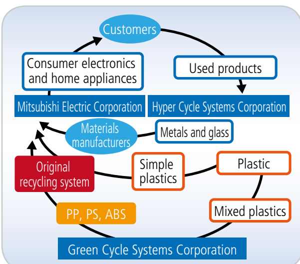
Mitsubishi Electric develops home appliances by incorporating its unique technologies and perspectives so that its products can be used in various scenes of daily life, such as the kitchen, living room, and bedroom. Efforts are made to develop products that contribute to making life more comfortable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


### Lighting Fixtures and Light Bulbs

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

### Visual Equipment for Public and Business Applications

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




### Recycling Consumer Electronics and Home Appliances

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

# Research and Development

## R&D Initiatives

The Mitsubishi Electric Group's R&D network consists of the Advanced Technology R&D Center, Information Technology R&D Center, and Industrial Design Center in Japan as well as laboratories in the United States, Europe, and China. These centers operate under the umbrella of the Corporate Research and Development Group working in collaboration with the development departments of individual Mitsubishi Electric business groups.

The Mitsubishi Electric Group adheres to a balanced R&D approach that embraces short-, medium-, and long-term perspectives. In addition to making growth drivers and other key businesses even stronger, the Group is striving to better leverage its accumulated strengths as an innovative, diversified electrical equipment manufacturer that boasts a wide range of businesses and technologies. By doing so, the Group will realize technological and business synergies aimed at creating new value.

Promoting future-focused R&D that takes a long-term perspective, the Group incorporates the "backcasting" planning method, which starts with defining a desired future and then working backward to identify the technologies necessary to realize said future.

At the same time, the Group is actively engaged in research into fundamental technologies that support all of its products.

Furthermore, the Group is committed to promoting open innovation in collaboration with universities and other external R&D institutions, thereby reaching a next growth stage.

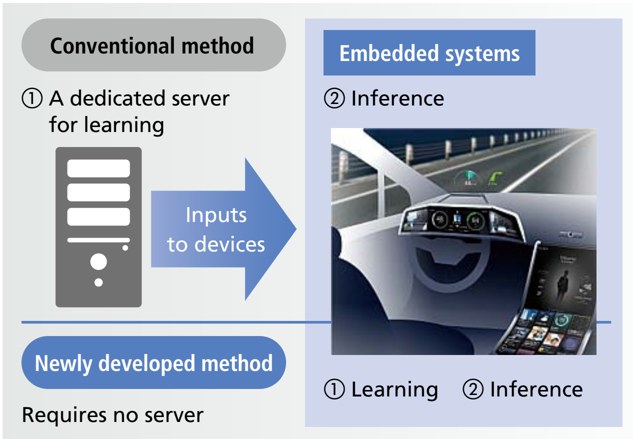
## R&D Achievements in Fiscal 2017

### ● Development of High-Speed Training Algorithm for Deep Learning

Mitsubishi Electric Corporation has developed a high-speed training algorithm for deep learning. This algorithm drastically reduces pre-training time and memory requirements necessary for identification and prediction within embedded systems such as vehicles, industrial robots, and other machinery.

Installing this algorithm into Mitsubishi Electric's Compact AI* enables embedded systems to learn by themselves and realizes highly precise identification and prediction according to the operating environment. Since servers and network facilities will no longer be required for this system, it can reduce the cost for installing AI, thereby enabling AI to be used in more diverse fields.

*Artificial intelligence that can be installed in embedded systems by using Mitsubishi Electric's proprietary technology to reduce computational volume.



Enables embedded systems to perform rapid learning and precise identification and prediction

### ● Development of World's Smallest SiC Inverter for HEVs

Mitsubishi Electric Corporation has developed an ultra-compact silicon carbide (SiC) inverter for hybrid electrical vehicles (HEVs) with the world's smallest volume* at just five liters, using full-SiC power semiconductor modules and a superior heat dissipation structure.

Demand for EVs and HEVs has increased in recent years as fuel efficiency regulations have grown increasingly stringent in the automotive market. EVs and HEVs, however, require space for installing electrical apparatus for the purpose of electric conversion, thus inverters must be miniaturized in order to secure the amount of on-board space.

This development will contribute to an expanded on-board space and more freedom for inverter placement, as well as improved fuel economy of EVs and HEVs.

*As of March 9, 2017. World's smallest SiC inverter with a two-inverter and one-converter unit configuration compatible with two-motor HEVs (survey conducted by Mitsubishi Electric Corporation).

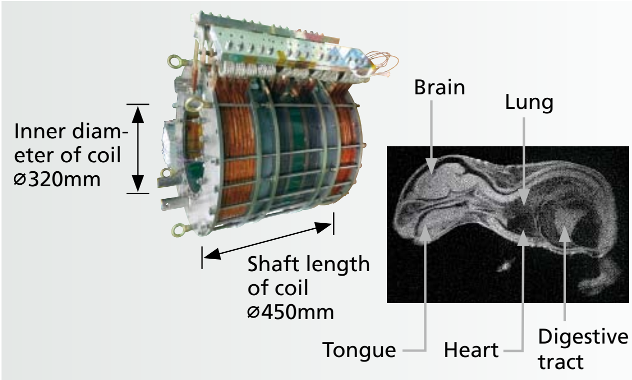
Helps EVs and HEVs secure more on-board space and improve their fuel efficiency

### Success in the World's First 3 Tesla Magnetic Resonance Imaging with High-temperature Superconducting Coils*1

Mitsubishi Electric Corporation has succeeded in the world's first*2 3 tesla*3 Magnetic Resonance Imaging (MRI) with high-temperature superconducting coils installed in a small model MRI. The high-quality images made possible at this magnetic field strength will contribute to earlier detection of illnesses.

High-temperature superconducting coils do not require cooling with liquid helium, depletion of which has been a concern, and are able to generate the same magnetic field with smaller coils compared with conventional systems, which allows for the size of electrical instruments to be reduced. Therefore, this technology is expected to have applications in practice. Although advanced design and manufacturing technology is required to make these coils, Mitsubishi Electric Corporation has produced high-temperature superconducting coils that can be installed in small model MRIs by developing high-precision winding technology necessary for coil production.

Mitsubishi Electric Corporation will proceed with research and development aimed at practical application, with the goal of early commercialization.




Greater magnetic field strength means higher resolution and the improvement of diagnostic accuracy

*1 This new technology was the result of joint development with Kyoto University and Tohoku University with the support of the Ministry of Economy, Trade and Industry's (METI) "Fundamental Technology Development for High Temperature Superconducting Coils" and Japan Agency for Medical Research and Development's (AMED) "Project for Research and Development of Medical Devices and Systems to Realize Future Medical Care: Research and Development of High Stability Magnetic Field Coil System Foundation Technology."

*2 As of May 24, 2016. World's first for instruments equipped with high-temperature superconducting coils (survey conducted by Mitsubishi Electric Corporation)

*3 Tesla: A unit representing magnetic field strength

## Intellectual Property

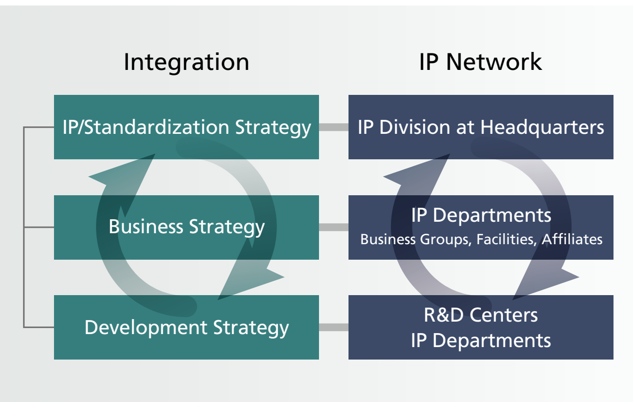
### Mitsubishi Electric Group's Intellectual Property Activities

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

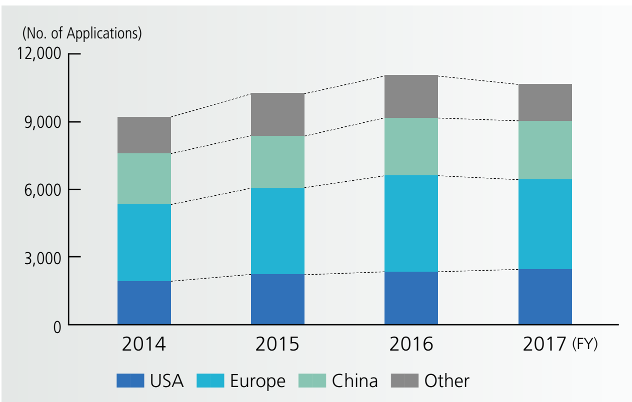
### Structure of the Intellectual Property Division

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

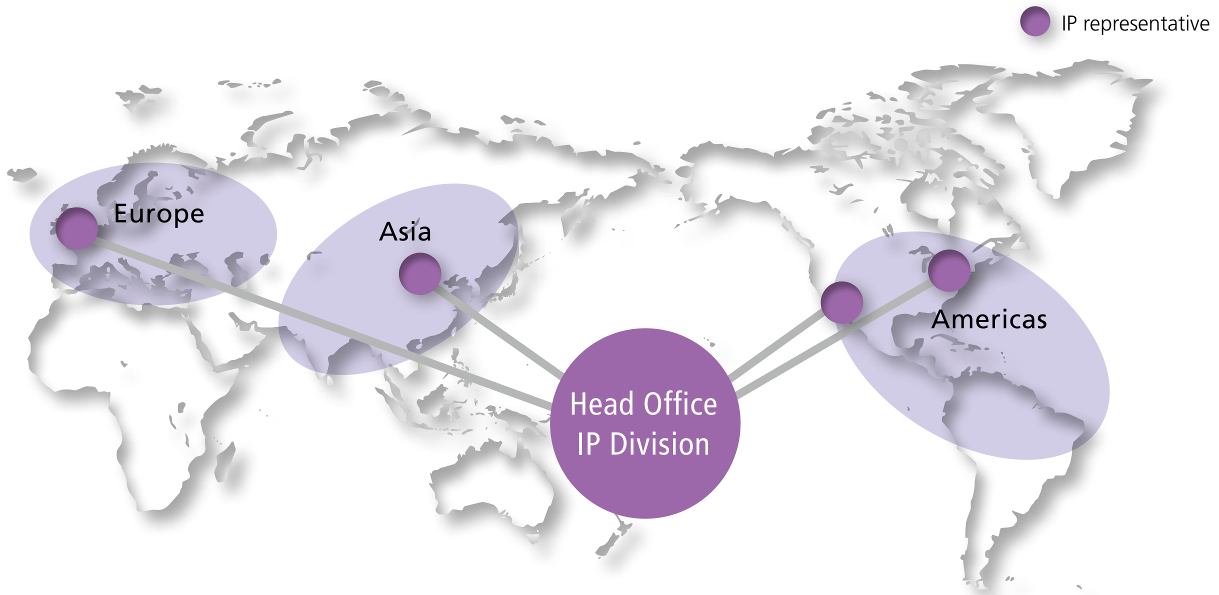
**Integrating Business, R&D and IP Activities**




**Annual Trends in Overseas Patent Applications by the Mitsubishi Electric Group**



## Further Strengthening Global IP Capabilities




- Protecting products through IP rights
- Acquiring international standard-related patents
- Counterfeit product countermeasures

### Global IP Strategy

The Mitsubishi Electric Group identifies critical IP-related themes based on its mainstay businesses and important R&D projects, and is accelerating the globalization of IP activities also by filing patents prior to undertaking business development in emerging countries where an expansion of business opportunities is expected. Furthermore, resident officers are assigned to Mitsubishi Electric sites in the United States, Europe, and China to take charge of IP activities and strengthen the IP capabilities of business offices, R&D centers, and affiliated companies in each country. Through these initiatives, we strive to create a robust global patent network.

### IP Strategy for International Standardization

In order to expand business in global markets, the Mitsubishi Electric Group is actively promoting international standardization. Activities to acquire patents that support international standards (e.g., standard essential patents) are openly promoted. As the member of an organization in which patent pools for Digital Broadcasting, MPEG, HEVC and Blu-ray Disc™* collectively control standard essential patents, the IP revenues obtained through the organization are contributing to improvement and growth in business earnings. The Group is also working to increase activities for acquiring patents in competitive fields involving international standards, and promoting IP activities that contribute to increasing product competitiveness and expanding market share.

*Blu-ray Disc™ is a trademark of the Blu-ray Disc Association.

### Activities Aimed at Preventing Infringement of the Group's IP Rights

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

### Respecting the IP Rights of Others

The Mitsubishi Electric Group recognizes that the infringement of another company's IP rights has the potential to significantly impair its continued viability as a going concern. The resulting potential impairments include being obliged to pay significant licensing fees, being forced to discontinue manufacturing of a certain product, or other related actions. To prevent the infringement of another company's IP rights, the Group provides education and training—centering on engineers and employees responsible for IP affairs—to raise awareness and instill the utmost respect said rights. At the same time, the Group has put in place a set of rules to facilitate appropriate actions, such as surveying other companies' patent rights at every stage from product development to sales, and ensuring strict adherence to these rules.

# Corporate Social Responsibility

The Mitsubishi Electric Group promotes its corporate social responsibility (CSR) activities based on the conviction that all business activities must take CSR into consideration. The Group's Corporate Mission and Seven Guiding Principles form its basic CSR policies. It is vigilant in its enforcement of corporate ethics and compliance and constantly works to improve educational programs and strengthen its internal control system. At the same time, it pursues initiatives related to quality management, global environmental conservation, philanthropy, and improved communication with all stakeholders.

### Corporate Mission

The Mitsubishi Electric Group will continually improve its technologies and services by applying creativity to all aspects of its business. By doing so, we enhance the quality of life in our society. To this end, all members of the Group will pursue the following Seven Guiding Principles.

### Seven Guiding Principles

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

## The Mitsubishi Electric Group's Corporate Social Responsibility

The Mitsubishi Electric Group's commitment to CSR was first articulated in the Keys to Management (in Japanese, *Keiei no Yotei*), which was drawn up at the time of Mitsubishi Electric's founding in 1921. The spirit of this document, which states the Group's commitment to contribution in areas such as the prosperity of society, product quality, and customer satisfaction, lives on today in its Corporate Mission and Seven Guiding Principles. With these tenets as its core principles, the Group promotes various initiatives in order to fulfill its corporate social responsibilities.

In recent years, the Group has adopted a more CSR-centric management approach, redefining CSR as an integral component of corporate management activities with a long-term arc of execution. Putting this approach into practice, the Mitsubishi Electric Group has identified the challenges that society now faces and, by referring to such resources as international standards, it has clarified what needs to be done by the Group as a global company. Among items needing to be addressed, the Group has prioritized the following CSR materialities, taking into account its corporate strategies and the expectations of its stakeholders.

**Mitsubishi Electric Group's Four CSR Materialities**

- Realize a sustainable society
- Provide safety, security, and comfort
- Respect human rights and promote the active participation of diverse human resources
- Strengthen corporate governance and compliance on a continuous basis

Based on a decision at the CSR Committee—chaired by an executive officer in charge of general affairs—the Group started to address these materialities in partnership with entities in the supply chain, and it is now implementing ongoing improvement activities based on the PDCA (Plan-Do-Check-Action) approach.

In addition, to facilitate customers' understanding of the Group's CSR initiatives, efforts are now under way to better communicate the environmental, social, and governance (ESG) aspects of these initiatives to the general public.

Among the challenges society now faces, the Group focuses on environmental, resource, and energy issues while delivering products, systems, and services capable of resolving such problems on a global basis. In short, the Mitsubishi Electric Group intends to become a global, leading green company trusted by the general public by helping to ensure the level of safety, security, and comfort essential to the realization of a sustainable and prosperous society.

## Philanthropic Activities

**Philosophy and Policies on Philanthropic Activities**

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

Philosophy

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

Policies

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

A class aimed at helping children experience the fun of science (Mitsubishi Electric Corporation)

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

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

**Foundations**

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

An employee volunteer working with a student on Disability Mentoring Day (United States)

Local Mitsubishi Electric Companies in joint tree planting activity (Thailand)

## Environmental Activities

**Promoting the 8th Environmental Plan**

The Mitsubishi Electric Group defines a "global leading green company" to be one that fully utilizes its advanced technologies in business activities around the world—including environmental issues—in order to contribute to the realization of a prosperous society where both a "sustainable society" and "safe, secure, and comfortable lifestyles" are simultaneously achieved. In 2007, the Group established Environmental Vision 2021, a long-term vision for environmental management. To realize this vision, the Group is striving to fulfill its responsibilities to society from an environmental perspective by developing and promoting the widespread use of products and services that boast outstanding resource and energy efficiency across all business fields, and advancing efforts to reduce the environmental burdens deriving from its business activities, which range from procurement through production to logistics.

In order to incorporate a PDCA cycle into its environmental activities in a systematic and definitive manner, the Group has identified specific activity targets as a part of its latest medium-term environmental plan, which has been renewed every three years since 1993. Currently, the Group is executing its 8th Environmental Plan, which covers fiscal 2016 through fiscal 2018.

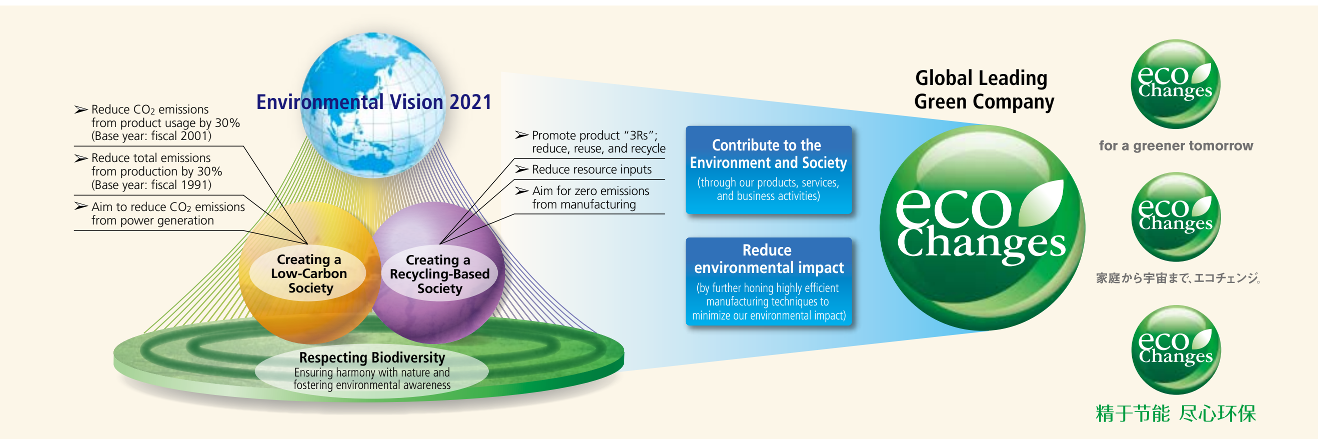
**● Activity Items of the 8th Environmental Plan**

1. Initiatives aimed at realizing a low-carbon society
   Increase the level of contribution to society by reducing $CO_2$. Specifically, (1) reduce $CO_2$ from production, and (2) reduce $CO_2$ from product usage.
2. Initiatives aimed at forming a low-carbon society
   (1) Promote the effective use of resources utilizing the final disposal ratio as a key indicator, (2) reduce resource inputs, and (3) strengthen partnerships with resource recycling businesses.
3. Initiatives aimed at realizing a symbiotic society
   (1) Hold various events, including the Mitsubishi Electric Outdoor Classroom and the Satoyama Woodland Preservation Project, and (2) foster environmental awareness by promoting online environmental education on a global scale.
4. Efforts toward strengthening the environmental management platform
   (1) Improve the execution of quantitative assessment of environmental risk and management at factories in Japan and overseas, and (2) adhere strictly to environmental rules and regulations.

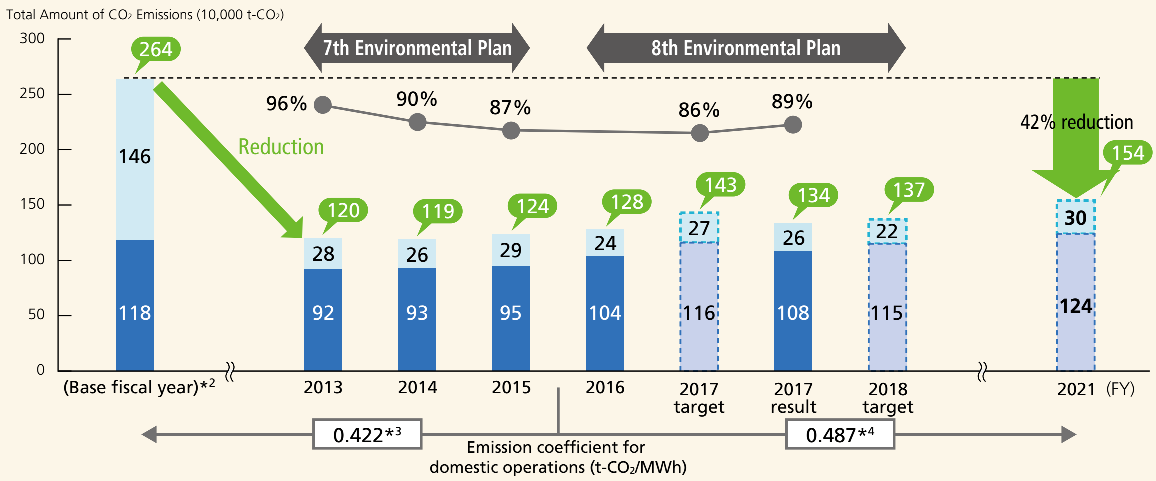
**● Major Activity Item 1:**
**Reducing $CO_2$ Emissions from Production**

Under its 8th Environmental Plan, the Mitsubishi Electric Group will integrate and promote the reduction of $CO_2$ from energy sources and the management of efforts aimed at reducing greenhouse gases other than $CO_2$*[1], activities that were previously undertaken on an individual basis, in order to comprehensively evaluate and manage the impact of greenhouse gases on the goal of realizing a low-carbon society. The plan, ending in fiscal 2018, calls for the total of $CO_2$ from energy sources and greenhouse gases other than $CO_2$ to be kept below 1,370,000 tons on an annual $CO_2$ equivalent emission basis, considerably lower than the base fiscal year figure of 2,640,000 tons.

*1 Emissions of such substances as $SF_6$, PFC, and HFC



## Plan to Reduce $CO_2$ Emissions from Production across the Mitsubishi Electric Group




*2 $CO_2$ from energy sources: Mitsubishi Electric (non-consolidated) 1991; affiliates in Japan 2001; overseas affiliates 2006
Greenhouse gases other than $CO_2$: Mitsubishi Electric (non-consolidated) and affiliates in Japan 2001; overseas affiliates 2006
*3 "The Japan Electrical Manufacturers' Association"(1997)
*4 "Federation of Electric Power Companies of Japan"(2013 During 8th Environmental Plan was preparing, 2 Nuclear Power Plants were running)
*5 Quoted overseas "$CO_2$ emission factors" published by "The Japan Electrical Manufacturers' Association"(2006).
*6 Quoted "global warming potentials" published by "IPCC Second Assessment Report: Climate Change 1995".

In an effort to reduce the emission of $CO_2$ from energy sources, the Mitsubishi Electric Group is introducing high-efficiency air conditioners and other equipment while shifting to LED lighting. The Group is also striving to understand energy consumption at the point of production. To eliminate waste, the Group is looking at improving heat loss while reducing standby power. Working to reduce such greenhouse gases as $SF_6$, HFC, and PFC, the Group is shifting to the use of refrigerant gases with low global warming potential. Other ongoing initiatives include the building of a handling scheme that extends from gas recovery through recycling to eventual destruction; efforts to reinforce countermeasures aimed at preventing leaking; and the early introduction of treatment systems.

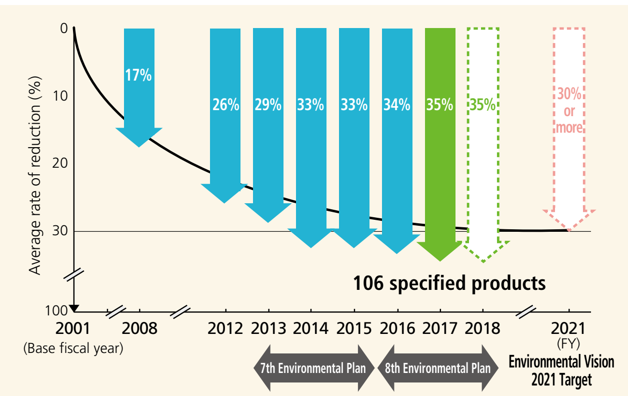
In fiscal 2017, the Mitsubishi Electric Group reduced its total annual greenhouse gas emissions to 1.34 million tons, a 90 thousand ton improvement on the target of 1.43 million tons. While the scale of production is projected to rise during the period of the 8th Environmental Plan, the Mitsubishi Electric Group expects to achieve the aforementioned target by steadfastly implementing the previously identified measures.

### ● Major Activity Item 2: Reducing $CO_2$ Emissions from Product Usage through Improved Energy Efficiency Performance

Regarding greenhouse gas emissions outside the scope of the Mitsubishi Electric Group's business activities, a principal source is the $CO_2$ derived from electric power consumption during the period that products are used. When the amount of $CO_2$ emitted during product use is calculated, the levels during product use can be several dozen times the amount emitted during production.

Therefore, the development and widespread use of highly energy-efficient products can contribute significantly to the reduction of $CO_2$ emissions. Under the 8th Environmental Plan, the Mitsubishi Electric Group is aiming for an average $CO_2$ reduction ratio of 35% or more compared with fiscal 2001 for specific products where the Group can take the initiative regarding design and development and where the reduction of $CO_2$ emissions during product use is deemed important from an environmental perspective. The number of specified products in fiscal 2017 was 106. The average rate of $CO_2$ emissions reduction among these products was 35%. Based on this result, the Group is making steady progress toward achieving its target. Looking ahead, the Group will continue to promote improvements.

## Plan for Reducing $CO_2$ from Product Usage through Improved Energy Efficiency




More information about the Mitsubishi Electric Group's environmental and CSR initiatives is available on the following websites:
**http://www.MitsubishiElectric.com/company/csr/**
**http://www.MitsubishiElectric.co.jp/corporate/environment/**

## Basic Corporate Governance Policy

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

- IR Library
  http://www.MitsubishiElectric.com/company/ir/library/

## Corporate Management and Governance Structure

**Corporate Management Structure**

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

The present Board is comprised of twelve members (five of whom are Outside Directors, one of whom is a woman), who objectively supervise and advise the Company's management. The Board of Directors has three internal bodies: the Audit, Nomination and Compensation committees. Each body has five members, the majority of whom are outside directors. The Audit Committee is supported by dedicated independent staff.

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

**Internal Control System**

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

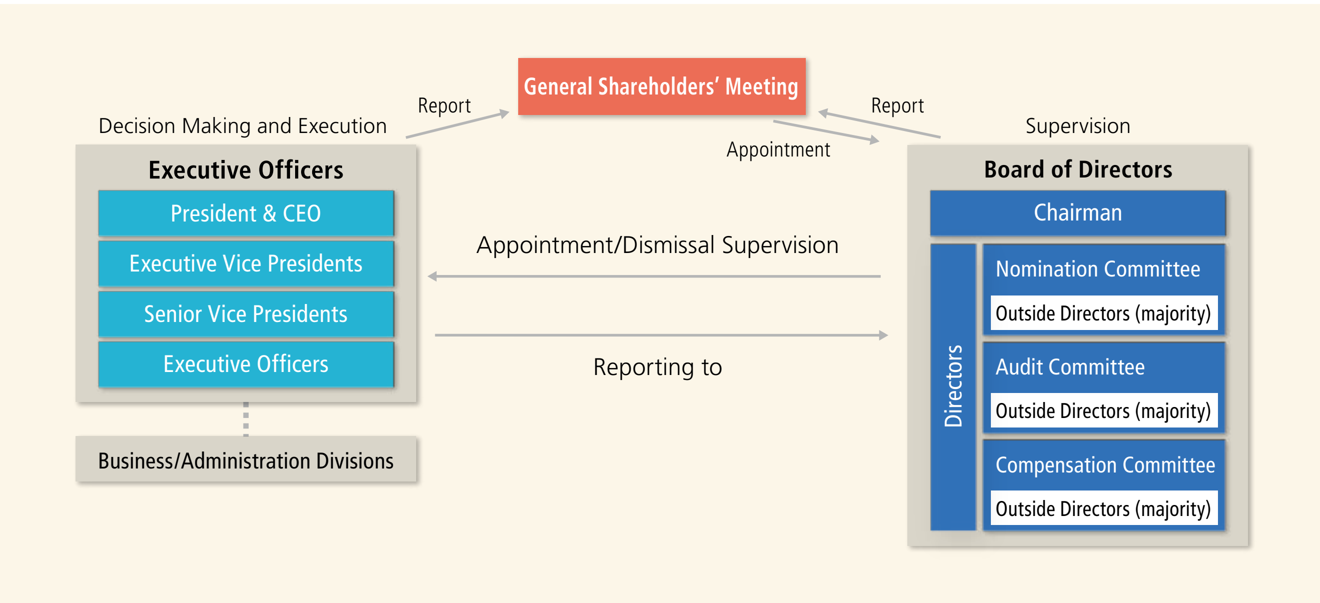
A framework is also in place for reporting to the Audit Committee. The Internal Control Department keeps the Audit Committee informed of information about Mitsubishi Electric and affiliate companies, and an internal reporting system is used to report that information to audit committee members.

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

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

Executive officers themselves make periodic inspections of the operational status of the system, and the Internal Control Department inspects the design and operation of the internal control framework and regulations, and the status of internal reporting system and then report the result to audit committee members.

### Corporate Governance Framework



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

**Corporate Auditing Division and Audit Committee**

Acting independently, Mitsubishi Electric's Corporate Auditing Division conducts internal audits of the Company from a fair and impartial standpoint. In addition, the division's activities are supported by auditors with profound knowledge of their particular fields, assigned from certain business units.

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

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

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

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

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

- Frequency, scheduling, and time spent on the meetings
- The information supplied in relation to discussions at the meetings (quality and quantity) and the method of its provision
- Materials, details and methods of explanation, question-and-answer guidelines, time apportioned for each proposal on the meetings
- Other mechanisms for improving the functioning of the Board of Directors, etc.
- Best practices for delegating authority from the Board of Directors to executive officers

As a result of these reviews, the Company's practices in delegating authority from the Board of Directors to executive officers were basically evaluated as valid, and the Board of Directors was evaluated as serving its function, from the perspective of ensuring the separation of supervisory and executive functions and securing flexibility of management. Nevertheless, the Company is working to further enhance the timely and appropriate provision of management-related information to the Board of Directors itself in order to further improve its capacity to supervise management.

## Policies regarding decisions on compensation, etc.

**Compensation scheme for Directors and Executive Officers**

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

Compensation scheme for Directors

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

Compensation scheme for Executive Officers

1. The compensation scheme for the Executive Officers focuses on incentives for the realization of management policies and the improvement of business performance, and performance-based compensation will be paid in addition to the payment of fixed-amount compensation and the retirement benefit upon resignation.
2. Fixed-amount compensation will be set at a level considered reasonable taking into account the contents of the Executive Officers duties and the Company's conditions.
3. The level of performance-based compensation will be decided while taking into account the consolidated business performance and the performance of the business to which the respective Executive Officer is assigned, etc. With the purposes of meshing the interest of shareholders with the Executive Officers and further raising management awareness that places importance on the interest of shareholders, and increasing the incentives for the improvement of business performance from the mid- and long-term perspectives, 50% of performance-based

compensation will be paid in the form of shares. The Company sets a rule that, when the Executive Officers acquire the Company shares as a part of compensation, they are required to continue the shareholding until 1 year has passed from resignation.

4. The amount of the retirement benefit will be decided on the basis of the monthly amount of compensation and the number of service years, etc.

*For the amount of compensation given to directors and executive officers, please refer to our financial statements. (Japanese only)
http://www.MitsubishiElectric.co.jp/ir/data/negotiable_securities/

## Outside Directors

**Effective Utilization of Outside Directors**

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

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

**Criteria for Judgment of the Independence of Independent Outside Directors**

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

**<Independency Guideline for Outside Directors>**

Mitsubishi Electric Corporation nominates persons with experience in company management in the business world, attorneys and academics, among other specialists, who are appropriate to oversee the Company's business operations and not falling under any of the following cases, as candidates for Outside Directors.

Note that each of the following 1), 2), 4) and 5) includes a case in any fiscal year during the past three fiscal years.

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

# Directors and Executive Officers

## Directors (As of June 29, 2017)

Kenichiro Yamanishi ......... Chairman
Masaki Sakuyama
Hiroki Yoshimatsu ............ Chairman of the Audit Committee
Nobuyuki Okuma ............. Member of the Nomination Committee, Chairman of the Compensation Committee
Akihiro Matsuyama .......... Member of the Compensation Committee
Masayuki Ichige ................ Member of the Audit Committee
Yutaka Ohashi
Mitoji Yabunaka ................ Member of the Nomination Committee, Member of the Compensation Committee, Advisor, Nomura Research Institute, Ltd.
Hiroshi Obayashi ............... Chairman of the Nomination Committee, Member of the Audit Committee, Attorney-at-Law
Kazunori Watanabe .......... Member of the Audit Committee, Member of the Compensation Committee, Certified Public Accountant, Registered Tax Accountant
Katsunori Nagayasu .......... Member of the Nomination Committee, Member of the Audit Committee, Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Hiroko Koide ..................... Member of the Nomination Committee, Member of the Compensation Committee, Senior Vice President, Global Marketing, Newell Brands Inc.

## Representative Executive Officers (As of April 1, 2017)

Masaki Sakuyama
Yutaka Ohashi
Takeshi Sugiyama

## Executive Officers (As of April 1, 2017)

**President & CEO:**

Masaki Sakuyama

**Executive Vice Presidents:**

Yutaka Ohashi .................. In charge of Corporate Strategic Planning, Operations of Associated Companies and Export Control
Takeshi Sugiyama ............. In charge of Living Environment & Digital Media Equipment

**Senior Vice Presidents:**

Isao Iguchi .......................... In charge of Automotive Equipment
Nobuyuki Okuma ............. In charge of Auditing, General Affairs, Human Resources and Legal Affairs & Compliance
Akihiro Matsuyama ........... In charge of Accounting and Finance
Takashi Sakamoto ............. In charge of Purchasing
Nobuyuki Abe .................... In charge of Building Systems
Yasuyuki Ito ....................... In charge of Energy & Industrial Systems

**Executive Officers:**

Nobushi Morooka ............. In charge of Government & External Relations, Public Relations and Export Control
Hideaki Nagatomo ............ In charge of Living Environment & Digital Media Equipment
Toru Sanada ....................... In charge of Semiconductor & Device
Takashi Nishimura ............. In charge of Communication Systems
Shinya Fushimi ................... In charge of Information Systems & Network Service
Kei Uruma .......................... In charge of Public Utility Systems
Hisashi Kato ....................... In charge of Intellectual Property
Minoru Hagiwara ............... In charge of Advertising and Domestic Marketing
Masamitsu Okamura ......... In charge of Electronic Systems
Masahiro Fujita .................. In charge of IT and Research & Development
Satoshi Matsushita ............ In charge of Global Strategic Planning & Marketing
Hiroshi Onishi .................... In charge of Total Productivity Management & Environmental Programs
Yoshikazu Miyata .............. In charge of Factory Automation Systems

# Organization (As of April 1, 2017)

- Board of Directors
  - Chairman
  - Nomination Committee
  - Audit Committee
  - Compensation Committee
- Audit Committee Office

- Executive Officers' Meeting
  - President & CEO
  - Senior Vice Presidents
  - Executive Officers

- Corporate Auditing Div.
- Corporate Strategic Planning Div.
- Corporate IT Strategy Div.
- Associated Companies Div.
- Government & External Relations Div.
- Corporate Administration Div.
- Corporate Human Resources Div.
- Corporate Accounting Div.
- Corporate Finance Div.
- Corporate Purchasing Div.
- Public Relations Div.
- Corporate Advertising Div.
- Corporate Legal & Compliance Div.
- Corporate Export Control Div.
- Corporate Licensing Div.
- Corporate Intellectual Property Div.

- Corporate Marketing Group
  - Business Planning Office
  - Market Planning & Administration Dept.
  - Compliance Dept.
  - Marketing Research & Business Development Dept.
  - Olympic and Paralympic Promotion Dept.
  - Branch Offices (Hokkaido, Tohoku, Kanetsu, Kanagawa, Hokuriku, Chubu, Kansai, Chugoku, Shikoku, Kyushu)
- Global Strategic Planning & Marketing Group
  - Global Planning & Administration Div.
  - Compliance Dept.
  - Regional Marketing Div.
  - Regional Strategic Development Div.
  - Regional Corporate Offices
    - Americas (U.S.A.)
    - Europe (U.K.)
    - Asia (Singapore)
    - China
    - Taiwan
- Corporate Total Productivity Management & Environmental Programs Group
  - Corporate Productivity Engineering Dept.
  - Compliance Dept.
  - Corporate Quality Assurance Planning Dept.
  - Corporate Environmental Sustainability Group
  - Corporate Logistics Dept.
  - Design Systems Engineering Center
  - Manufacturing Engineering Center
  - Component Production Engineering Center
- Corporate Research and Development Group
  - Planning & Administration Dept.
  - Compliance Dept.
  - Advanced Technology R&D Center
  - Information Technology R&D Center
  - Industrial Design Center
- Information Systems & Network Service Group
  - Planning & Administration Dept.
  - Compliance Dept.
  - Information Systems & Network Service Div.
- Public Utility Systems Group
  - Planning & Administration Dept.
  - Compliance Dept.
  - Engineering Planning Dept.
  - ITS Business Development Group
  - Public-Use Systems Marketing Div.
  - Transportation Systems Div.
  - Overseas Marketing Div.
  - Plant Engineering & Construction Div.
  - Branch Offices
  - Kobe Works, Itami Works, Nagasaki Works
- Energy & Industrial Systems Group
  - Planning & Administration Dept.
  - Compliance Dept.
  - Engineering Planning Dept.
  - Nuclear Power Plant Technical Supervisory Office
  - Business Development & Strategic Planning Div.
  - Transmission & Distribution Systems Marketing Div.
  - Power & Energy Systems Marketing Div.
  - Nuclear Energy, Advanced Magnetic & Medical Systems Marketing Div.
  - Power Plant Engineering & Construction Center
  - Branch Offices
  - Energy Systems Center, Transmission & Distribution Systems Center, Power Distribution Systems Center
- Building Systems Group
  - Planning & Administration Dept.
  - Compliance Dept.
  - Engineering Planning Dept.
  - Domestic Marketing Div.
  - Overseas Marketing Div.
  - Building Systems Field Operation Div.
  - Branch Offices
  - Inazawa Works
- Electronic Systems Group
  - Electronic Systems Compliance Dept.
  - Planning & Administration Dept.
  - High-precision Positioning Systems Dept.
  - Defense Systems Div.
  - Space Systems Div.
  - IT Space Solutions Div.
  - Branch Offices
  - Communication Systems Center, Kamakura Works
- Communication Systems Group
  - Planning & Administration Dept.
  - Compliance Dept.
  - Communication Systems Engineering Center
  - Telecommunication Systems Sales & Marketing Div.
  - Branch Offices
  - Communication Networks Center
- Living Environment & Digital Media Equipment Group
  - Planning & Administration Dept.
  - Compliance Dept.
  - Engineering Dept.
  - Branding Strategy Dept.
  - External Relations Dept.
  - Customer Satisfaction Promotion Dept.
  - Marketing & Operations Strategic Planning Dept.
  - Eco-Facility Systems Marketing Dept.
  - Air-Conditioning & Refrigeration Systems Div.
  - Overseas Air-Conditioning & Refrigeration Systems Div.
  - Lighting, Ventilation, Home Equipment and Photovoltaic Systems Div.
  - Home Appliances & Digital Media Equipment Div.
  - Living Environment Systems Laboratory
  - Branch Offices
  - Nakatsugawa Works, Air-Conditioning & Refrigeration Systems Works, Shizuoka Works, Kyoto Works, Gunma Works
- Factory Automation Systems Group
  - Planning & Administration Dept.
  - Compliance Dept.
  - Solution Business Strategy Div.
  - Industrial Products Marketing Div.
  - Industrial Automation Marketing Div.
  - Overseas Marketing Div.
  - Branch Offices
  - Nagoya Works, Fukuyama Works
- Automotive Equipment Group
  - Planning & Administration Dept.
  - Automotive Equipment Compliance Dept.
  - Automotive Equipment Marketing Div.
  - Automotive Electronics Development Center
  - Branch Offices
  - Himeji Works, Sanda Works
- Semiconductor & Device Group
  - Planning & Administration Div.
  - Compliance Dept.
  - Semiconductor & Device Marketing Div. A
  - Semiconductor & Device Marketing Div. B
  - LCD Div.
  - Branch Offices
  - Power Device Works, High Frequency & Optical Device Works

# Major Subsidiaries and Affiliates (As of March 31, 2017)

| | Manufacturing | Sales/Installation/Services | Comprehensive Sales Companies |
|---|---|---|---|
| Energy and Electric Systems | Toyo Electric Corporation<br>Mitsubishi Electric Power Products, Inc.<br>Mitsubishi Electric Shanghai Electric Elevator Co., Ltd.<br>Mitsubishi Elevator Asia Co., Ltd.<br>Mitsubishi Elevator Korea Co., Ltd.<br>Taiwan Mitsubishi Elevator Co., Ltd.<br><br>Toshiba Mitsubishi-Electric Industrial Systems Corporation<br>Mitsubishi Hitachi Home Elevator Corporation<br>Shanghai Mitsubishi Elevator Co., Ltd.<br>Zhuzhou Shiling Transportation Equipment Company Limited | Mitsubishi Electric Building Techno-Service Co., Ltd.<br>Mitsubishi Electric Plant Engineering Corporation<br>Mitsubishi Electric Control Software Corporation<br>Ryoden Elevator Construction, Ltd.<br>Ryoko Co., Ltd.<br>RYO-SA BUILWARE Co., Ltd.<br>Mitsubishi Elevator Hong Kong Co., Ltd.<br>Mitsubishi Electric Saudi Ltd.<br><br>Hitachi Mitsubishi Hydro Corporation<br>ETA-Melco Elevator Co. L.L.C. | |
| Industrial Automation Systems | DB Seiko Co., Ltd.<br>Mitsubishi Electric Automotive America, Inc.<br>Mitsubishi Electric Thai Auto-Parts Co., Ltd.<br>Mitsubishi Electric Automotive (China) Co., Ltd.<br>Mitsubishi Electric Automotive de Mexico, S.A. de C.V.<br>Mitsubishi Electric Automation Manufacturing (Changshu) Co., Ltd.<br>Mitsubishi Electric Dalian Industrial Products Co., Ltd.<br><br>Shizuki Electric Co., Inc.<br>Nippon Injector Corporation<br>Shihlin Electric & Engineering Corporation | Setsuyo Astec Corporation<br>Ryowa Corporation<br>Mitsubishi Electric Mechatronics Engineering Corporation<br>Meldas System Engineering Corporation<br>Mitsubishi Electric Mechatronics Software Corporation<br>Mitsubishi Electric Automation (Hong Kong) Ltd.<br>Mitsubishi Electric Automation Korea Co., Ltd.<br>SETSUYO ENTERPRISE CO., LTD. | |
| Information and Communication Systems | Mitsubishi Electric TOKKI Systems Corporation<br>Mitsubishi Precision Co., Ltd.<br>SPC Electronics Corporation<br><br>Seiryo Electric Co., Ltd.<br>Miyoshi Electronics Corporation | Mitsubishi Electric Information Systems Corporation<br>Mitsubishi Electric Information Network Corporation<br>Mitsubishi Space Software Co., Ltd.<br>Mitsubishi Electric Business Systems Co., Ltd.<br>Mitsubishi Electric Micro-Computer Application Software Co., Ltd.<br><br>Itec Hankyu Hanshin Co., Ltd. | Chiyoda Mitsubishi Electric Co., Ltd. and other regional comprehensive sales companies (9 companies)<br>Mitsubishi Electric Europe B.V.<br>Mitsubishi Electric US, Inc.<br>Mitsubishi Electric & Electronics (Shanghai) Co., Ltd.<br>Mitsubishi Electric (H.K.) Ltd.<br>Mitsubishi Electric Taiwan Co., Ltd.<br>Mitsubishi Electric Asia Pte. Ltd.<br>Mitsubishi Electric Australia Pty. Ltd. |
| Electronic Devices | Melco Power Device Corporation<br>Melco Display Technology Inc.<br>Vincotech Holdings S.à r.l.<br><br>Powerex, Inc. | Melco Semiconductor Engineering Corporation | Ryoden Trading Co., Ltd.<br>Kanaden Corporation<br>Mansei Corporation |
| Home Appliances | Mitsubishi Electric Lighting Corporation<br>Mitsubishi Electric Home Appliance Co., Ltd.<br>Mitsubishi Electric Consumer Products (Thailand) Co., Ltd.<br>Shanghai Mitsubishi Electric & Shangling Air-Conditioner and Electric Appliance Co., Ltd.<br>Mitsubishi Electric Hydronics & IT Cooling Systems S.p.A.<br>Siam Compressor Industry Co., Ltd.<br>Mitsubishi Electric Air Conditioning Systems Europe Ltd.<br><br>Kang Yong Electric Public Co., Ltd. | Mitsubishi Electric Living Environment Systems Corporation<br>Mitsubishi Electric Life Network Co., Ltd.<br>Mitsubishi Electric Air Conditioning & Refrigeration Equipment Sales Co., Ltd.<br>Mitsubishi Electric Air Conditioning & Refrigeration Systems Co., Ltd.<br>Melco Facilities Corporation<br>Mitsubishi Electric Kang Yong Watana Co., Ltd.<br>Mitsubishi Electric Air-Conditioning & Visual Information Systems (Shanghai) Ltd. | |
| Others | | Mitsubishi Electric Trading Corporation<br>Mitsubishi Electric Engineering Co., Ltd.<br>Mitsubishi Electric Logistics Corporation<br>Mitsubishi Electric System & Service Co., Ltd.<br>Mitsubishi Electric Life Service Corporation<br>The Kodensha Co., Ltd.<br>iPLANET Inc.<br>Melco Trading (Thailand) Co.,Ltd.<br><br>Mitsubishi Electric Credit Corporation<br>KITA KOUDENSHA Corporation | |

Notes:
1. Comprehensive sales companies include several companies that are responsible for selling products from a number of businesses, and therefore these are placed into their own separate category rather than grouped by business segment.
2. Companies shaded in gray are consolidated subsidiaries, while others are equity-method affiliate companies.

# Financial Section

Contents

# Five-Year Summary

Mitsubishi Electric Corporation and Subsidiaries

| Years ended March 31 | 2017 | 2016 | 2015 | 2014 | 2013 | 2017 |
|---|---|---|---|---|---|---|
| | Yen (millions) | | | | | U.S. dollars (thousands) |
| **Summary of Operations** | | | | | | |
| Net sales | **¥4,238,666** | ¥4,394,353 | ¥4,323,041 | ¥4,054,359 | ¥3,567,184 | **$37,845,232** |
| Cost of sales | **2,950,729** | 3,071,435 | 3,032,161 | 2,914,589 | 2,604,360 | **26,345,795** |
| Selling, general, administrative and R&D expenses | **1,014,389** | 1,013,264 | 970,191 | 900,807 | 806,412 | **9,057,044** |
| Loss on impairment of long-lived assets | **3,444** | 8,482 | 3,085 | 3,791 | 4,317 | **30,750** |
| Operating costs | **3,968,562** | 4,093,181 | 4,005,437 | 3,819,187 | 3,415,089 | **35,433,589** |
| Operating income | **270,104** | 301,172 | 317,604 | 235,172 | 152,095 | **2,411,643** |
| Income before income taxes | **296,249** | 318,476 | 322,968 | 248,990 | 65,141 | **2,645,080** |
| Net income attributable to Mitsubishi Electric Corp. | **¥ 210,493** | ¥ 228,494 | ¥ 234,694 | ¥ 153,473 | ¥ 69,517 | **$ 1,879,402** |
| **Financial Ratios** | | | | | | |
| Return on sales (%) | **4.97** | 5.20 | 5.43 | 3.79 | 1.95 | — |
| Return on equity (%) | **10.85** | 12.41 | 13.94 | 10.87 | 5.72 | — |
| Return on assets (%) | **5.11** | 5.63 | 6.12 | 4.37 | 2.04 | — |
| Equity ratio (%) | **48.79** | 45.29 | 45.38 | 42.19 | 38.12 | — |
| **Per-Share Amounts** | | | | | | |
| Net income attributable to Mitsubishi Electric Corp. (yen/U.S. dollars) | | | | | | |
| Basic | **¥ 98.07** | ¥ 106.43 | ¥ 109.32 | ¥ 71.49 | ¥ 32.38 | **$ 0.876** |
| Diluted | — | — | — | — | — | — |
| Cash dividends declared (yen/U.S. dollars) | **¥ 27** | ¥ 27 | ¥ 27 | ¥ 17 | ¥ 11 | **$ 0.241** |
| **Statistical Information** | | | | | | |
| Current assets | **¥2,623,596** | ¥2,551,863 | ¥2,633,445 | ¥2,290,007 | ¥2,129,395 | **$23,424,964** |
| Current liabilities | **1,525,761** | 1,507,943 | 1,612,582 | 1,494,243 | 1,386,067 | **13,622,866** |
| Working capital | **1,097,835** | 1,043,920 | 1,020,863 | 795,764 | 743,328 | **9,802,098** |
| Mitsubishi Electric Corp. shareholders' equity | **2,039,627** | 1,838,773 | 1,842,203 | 1,524,322 | 1,300,070 | **18,210,955** |
| Cash dividends paid | **57,963** | 57,963 | 42,936 | 25,762 | 23,616 | **517,528** |
| Total assets | **4,180,024** | 4,059,941 | 4,059,451 | 3,612,966 | 3,410,410 | **37,321,643** |
| Capital expenditure (Based on the recognized value of property, plant and equipment) | **175,542** | 177,801 | 194,458 | 173,968 | 164,626 | **1,567,339** |
| R&D expenditures | **201,330** | 202,922 | 195,314 | 178,945 | 172,222 | **1,797,589** |
| Depreciation | **¥ 141,584** | ¥ 145,249 | ¥ 156,205 | ¥ 132,956 | ¥ 127,942 | **$ 1,264,143** |
| Employees (at the end of the year) | **138,700** | 135,160 | 129,249 | 124,305 | 120,958 | — |

Notes: 1. The Company prepares consolidated financial statements with procedures, accounting terms, forms, and preparation that are in conformity with accounting principles generally accepted in the United States of America based on the rules and regulations applicable in Japan.
2. Operating income is presented as net sales less cost of sales, selling, general, administrative and R&D expenses, and loss on impairment of long-lived assets. Total operating income for each segment conforms to above mentioned operating income. Business restructuring expenses are shown as non-operating expenses.
3. R&D expenditures include elements spent on quality improvements, which constitute manufacturing costs.
4. U.S. dollar amounts are translated from yen at the rate of ¥112=U.S.$1, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2017.
5. The Company has 213 consolidated subsidiaries and 37 equity-method companies as of March 31, 2017.
6. Diluted net income per share attributable to Mitsubishi Electric Corp. is not included in the above table as no dilutive securities existed.

## OVERVIEW

The business environment in the fiscal year ended March 31, 2017 (hereinafter, fiscal 2017) was buoyed by the expanding U.S. economy and gradual recoveries in Japan and Europe, as well as modest improvement in China's economic slowdown. In addition, the yen became stronger against foreign currencies compared to the previous year, but weakened after the U.S. presidential election in November.

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

As a result, in fiscal 2017, the Mitsubishi Electric Group recorded net sales of ¥4,238.6 billion and operating income of ¥270.1 billion. Income before income taxes came to ¥296.2 billion. Net income attributable to Mitsubishi Electric Corporation was ¥210.4 billion for the fiscal year.

### Net Sales

The Mitsubishi Electric Group recorded decreases in sales in the following segments: Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems and Electronic Devices. Consolidated net sales decreased by ¥155.6 billion year on year to ¥4,238.6 billion.

### Cost of Sales, Expenses and Operating Income

The cost of sales decreased by ¥120.7 billion compared to the previous fiscal year to ¥2,950.7 billion, representing 69.6% of total net sales, an improvement of 0.3 of a percentage point. Selling, general and administrative (SG&A) expenses together with research and development (R&D) expenses totaled ¥1,014.3 billion, up ¥1.1 billion year on year. As a result, the ratio of SG&A and R&D expenses to net sales deteriorated by 0.9 of a percentage point year on year to 23.9%. Loss on impairment of long-lived assets decreased by ¥5.0 billion year on year to ¥3.4 billion.

Accounting for the aforementioned factors, operating income amounted to ¥270.1 billion, a decrease of ¥31.0 billion compared to the previous fiscal year. This decrease was primarily attributable to decreases in income in Energy and Electric Systems, Industrial Automation Systems, Information and Communications Systems and Electronic Devices business segments.

### Non-Operating Income and Expenses

Financial income, the sum of interest and dividend income less interest expenses, amounted to ¥4.4 billion, a deterioration of ¥0.6 billion compared to the previous fiscal year. Equity in earnings of affiliated companies totaled ¥21.5 billion, a decrease of ¥7.9 billion compared to the previous fiscal year.

Other income increased by ¥9.2 billion to ¥31.8 billion year on year. Other expenses decreased by ¥8.1 billion year on year to ¥31.6 billion.

### Income before Income Taxes

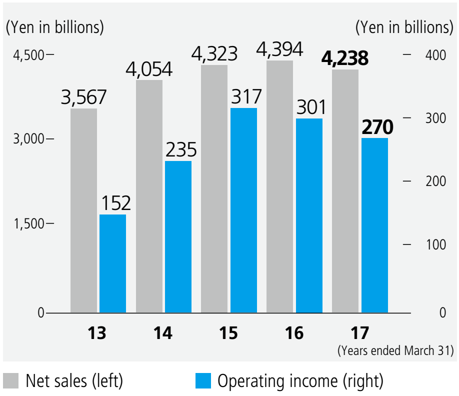
Income before income taxes decreased by ¥22.2 billion compared to the previous fiscal year to ¥296.2 billion, for a ratio to net sales of 7.0%.

This is largely attributable to the aforementioned decrease in operating income of ¥31.0 billion.

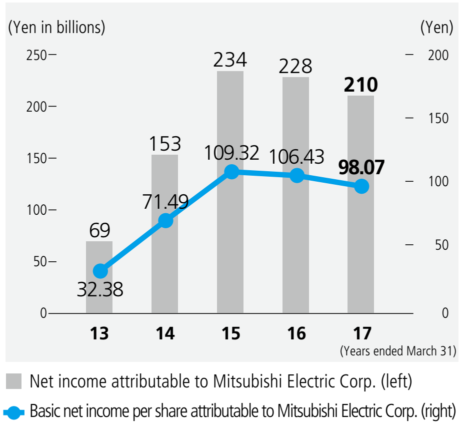
### Net Income Attributable to Mitsubishi Electric Corp.

Net income attributable to Mitsubishi Electric Corp. decreased by ¥18.0 billion year on year to ¥210.4 billion (a ratio to net sales of 5.0%) largely on the back of the decrease in income before income taxes.

**Net sales / Operating income**




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



## Business Risks

The Mitsubishi Electric Group (hereinafter "the Group") is involved in development, manufacturing and sales in a wide range of fields including Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, Electronic Devices and Home Appliances, and these operations extend globally, not only inside Japan, but also in North America, Europe, Asia and other regions. While the statements herein are based on certain assumptions and premises that the Group trusts and considers to be reasonable under the circumstances on the date of announcement, actual financial standings and operating results are subject to change due to any of the factors as contemplated hereunder and/or any additional factor unforeseeable as of the date of this announcement. Such factors materially affecting the expectations expressed herein shall include but are not limited to the following:

(1) Important trends

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

(2) Foreign currency exchange rates

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

(3) Stock markets

A fall in stock market prices may cause the Group to record devaluation losses on marketable securities, or cause an increase in retirement benefit obligations in accordance with a decline in the fair value of pension assets.

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

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

(5) Fund raising

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

(6) Significant patent matters

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

(7) Environmental legislation or relevant issues

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

(8) Flaws or defects in products or services

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

(9) Litigation and other legal proceedings

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

(10) Disruptive changes

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

(11) Business restructuring

The Group may record losses due to restructuring measures.

(12) Information security

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

(13) Natural disasters

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

(14) Other significant factors

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

## RESULTS BY BUSINESS SEGMENT

### Net Sales by Business Segment

| Years ended March 31 | Yen (millions) 2017 | 2016 | 2015 | 2014 | 2013 | U.S. dollars (thousands) 2017 |
|---|---|---|---|---|---|---|
| Energy and Electric Systems | **¥1,227,906** | ¥1,264,604 | ¥1,228,958 | ¥1,180,093 | ¥1,058,177 | **$10,963,446** |
| Industrial Automation Systems | **1,310,136** | 1,321,937 | 1,282,749 | 1,098,796 | 927,857 | **11,697,643** |
| Information and Communication Systems | **447,754** | 561,119 | 559,521 | 548,282 | 522,422 | **3,997,804** |
| Electronic Devices | **186,554** | 211,580 | 238,402 | 194,658 | 164,065 | **1,665,661** |
| Home Appliances | **1,004,415** | 982,064 | 944,830 | 944,351 | 821,298 | **8,967,991** |
| Others | **713,603** | 707,746 | 740,517 | 676,034 | 590,366 | **6,371,455** |
| Subtotal | **4,890,368** | 5,049,050 | 4,994,977 | 4,642,214 | 4,084,185 | **43,664,000** |
| Eliminations | **(651,702)** | (654,697) | (671,936) | (587,855) | (517,001) | **(5,818,768)** |
| Consolidated total | **¥4,238,666** | ¥4,394,353 | ¥4,323,041 | ¥4,054,359 | ¥3,567,184 | **$37,845,232** |

### Operating Income (Loss) by Business Segment

| Years ended March 31 | Yen (millions) 2017 | 2016 | 2015 | 2014 | 2013 | U.S. dollars (thousands) 2017 |
|---|---|---|---|---|---|---|
| Energy and Electric Systems | **¥ 44,319** | ¥ 50,342 | ¥ 72,448 | ¥ 76,324 | ¥ 85,140 | **$ 395,705** |
| Industrial Automation Systems | **140,073** | 159,160 | 145,982 | 98,079 | 60,592 | **1,250,652** |
| Information and Communication Systems | **12,700** | 14,999 | 18,934 | 5,529 | 1,591 | **113,393** |
| Electronic Devices | **8,382** | 16,870 | 30,163 | 10,050 | (5,580) | **74,839** |
| Home Appliances | **69,696** | 63,856 | 54,296 | 52,878 | 19,300 | **622,286** |
| Others | **23,214** | 23,620 | 23,742 | 19,801 | 18,790 | **207,268** |
| Subtotal | **298,384** | 328,847 | 345,565 | 262,661 | 179,833 | **2,664,143** |
| Eliminations and other | **(28,280)** | (27,675) | (27,961) | (27,489) | (27,738) | **(252,500)** |
| Consolidated total | **¥270,104** | ¥301,172 | ¥317,604 | ¥235,172 | ¥152,095 | **$2,411,643** |

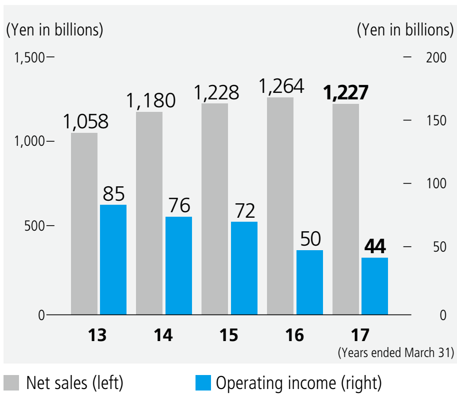
### Energy and Electric Systems

The social infrastructure systems business saw an increase in orders compared to the previous fiscal year due to increases in the transportation systems and the public utility systems businesses in Japan, while sales decreased compared to the previous fiscal year due to a decrease in the power systems business inside and outside Japan. In addition, the stronger yen had the negative influences.

The building systems business experienced decreases in both orders and sales compared to the previous fiscal year, due primarily to negative influences caused by the stronger yen, despite growth in the renewal business in Japan, as well as the installation business of new elevators and escalators outside Japan.

As a result, total sales for this segment decreased by 3% from the previous fiscal year to ¥1,227.9 billion. Operating income decreased by ¥6.0 billion from the previous fiscal year to ¥44.3 billion due primarily to the decrease in sales.

#### Net sales and Operating income of Energy and Electric Systems



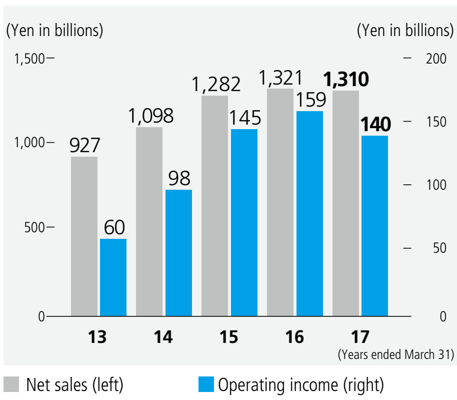

### Industrial Automation Systems

The factory automation systems business saw an increase in orders compared to the previous fiscal year due primarily to growth in capital expenditures in the fields of smartphones and electric cars in China and organic light emitting diodes (OLED) mainly in Korea, while sales remained unchanged compared to the previous fiscal year due primarily to negative influences caused by the stronger yen.

The automotive equipment business saw decreases in both orders and sales compared to the previous fiscal year due primarily to stagnation in light motor car sales in Japan and the negative influences caused by the stronger yen, despite a buoyancy in car sales mainly in Europe.

As a result, total sales for this segment decreased by 1% from the previous fiscal year to ¥1,310.1 billion. Operating income decreased by ¥19.0 billion from the previous fiscal year to ¥140.0 billion due primarily to the negative influence of the stronger yen.

#### Net sales and Operating income of Industrial Automation Systems



## Information and Communication Systems

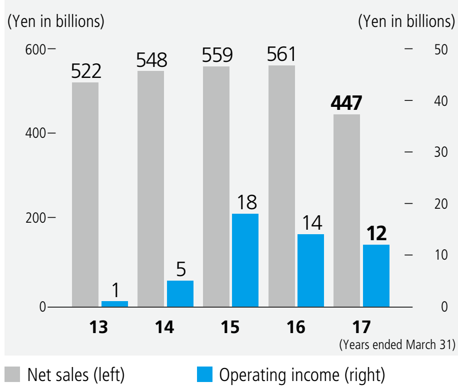
The telecommunications equipment business saw decreases in both orders and sales compared to the previous fiscal year due primarily to the sellout of an affiliated company in the beginning of the fiscal year and decreased sales of communications infrastructure equipment.

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

The electronic systems business saw no change in orders, while sales decreased compared to the previous fiscal year due to a decrease in large-scale projects in the space systems business.

As a result, total sales for this segment decreased by 20% from the previous fiscal year to ¥447.7 billion. Operating income decreased by ¥2.2 billion from the previous fiscal year to ¥12.7 billion due primarily to the decrease in sales.

**Net sales and Operating income of Information and Communication Systems**

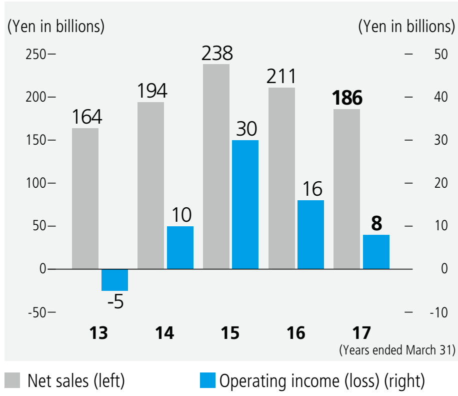



## Electronic Devices

The electronic devices business saw an increase in orders compared to the previous fiscal year due to an increase in demand for optical communication devices, while sales decreased by 12% from the previous fiscal year to ¥186.5 billion, due to a decrease in demand for power modules and TFT-LCD modules, along with the negative influences caused by the stronger yen.

Operating income decreased by ¥8.4 billion compared to the previous fiscal year to ¥8.3 billion due primarily to the decrease in sales.

**Net sales and Operating income (loss) of Electronic Devices**

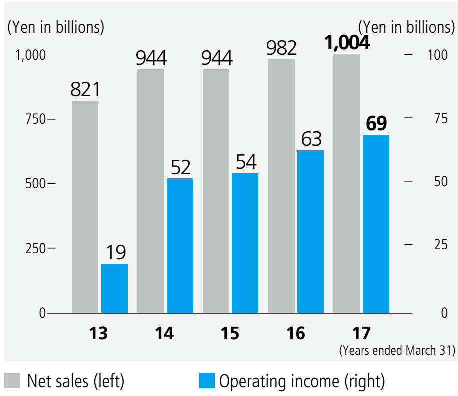



## Home Appliances

Sales of the home appliances business stood at ¥1,004.4 billion, an increase of 2% compared to the previous fiscal year, due to increases in sales of air conditioners in the European, Chinese and North American markets and in sales of residential and industrial air conditioners in Japan, despite the negative influence of the stronger yen.

Operating income increased by ¥5.8 billion compared to the previous fiscal year to ¥69.6 billion largely due to the increase in sales.

**Net sales and Operating income of Home Appliances**

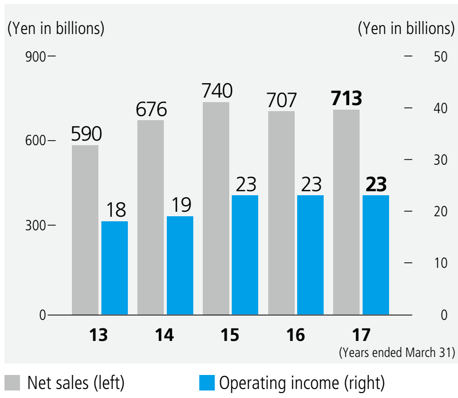



## Others

Sales increased by 1% compared to the previous fiscal year to ¥713.6 billion due to increases mainly at affiliated companies involved in materials procurement.

Operating income decreased by ¥0.4 billion to ¥23.2 billion from the previous fiscal year due primarily to the negative influence of the stronger yen.

**Net sales and Operating income of Others**



# RESULTS BY GEOGRAPHIC SEGMENT

## Net Sales by Geographic Segment

| Years ended March 31 | Yen (millions) 2017 | 2016 | 2015 | 2014 | 2013 | U.S. dollars (thousands) 2017 |
|---|---|---|---|---|---|---|
| Japan | **¥ 3,402,132** | ¥ 3,563,530 | ¥ 3,578,960 | ¥3,362,854 | ¥3,064,014 | **$30,376,179** |
| North America | **421,553** | 446,935 | 388,021 | 325,224 | 248,105 | **3,763,866** |
| Asia (excluding Japan) | **1,040,098** | 1,054,563 | 1,047,758 | 887,022 | 624,724 | **9,286,589** |
| Europe | **421,073** | 387,628 | 383,965 | 352,950 | 289,933 | **3,759,580** |
| Others | **46,854** | 50,260 | 49,495 | 47,824 | 40,255 | **418,339** |
| Eliminations | **(1,093,044)** | (1,108,563) | (1,125,158) | (921,515) | (699,847) | **(9,759,321)** |
| Consolidated total | **¥ 4,238,666** | ¥ 4,394,353 | ¥ 4,323,041 | ¥4,054,359 | ¥3,567,184 | **$37,845,232** |

## Operating Income (Loss) by Geographic Segment

| Years ended March 31 | Yen (millions) 2017 | 2016 | 2015 | 2014 | 2013 | U.S. dollars (thousands) 2017 |
|---|---|---|---|---|---|---|
| Japan | **¥152,027** | ¥173,383 | ¥226,199 | ¥177,315 | ¥116,923 | **$1,357,385** |
| North America | **9,002** | 9,421 | 5,178 | 1,679 | (1,744) | **80,375** |
| Asia (excluding Japan) | **93,318** | 91,006 | 82,419 | 59,023 | 36,172 | **833,196** |
| Europe | **12,828** | 14,806 | 11,803 | 4,768 | 4,527 | **114,536** |
| Others | **2,458** | 904 | 402 | 1,735 | 2,209 | **21,946** |
| Eliminations | **471** | 11,652 | (8,397) | (9,348) | (5,992) | **4,205** |
| Consolidated total | **¥270,104** | ¥301,172 | ¥317,604 | ¥235,172 | ¥152,095 | **$2,411,643** |

### Japan
Sales decreased by 5% year on year to ¥3,402.1 billion primarily due to decreases in sales in the automotive equipment, telecommunications equipment and electronic devices businesses. Operating income decreased by ¥21.3 billion to ¥152.0 billion.

### North America
Sales decreased by 6% year on year to ¥421.5 billion primarily due to decreases in sales in the transportation systems, power systems and automotive equipment businesses. Operating income decreased by ¥0.4 billion to ¥9.0 billion.

### Asia (excluding Japan)
Sales decreased by 1% year on year to ¥1,040.0 billion mainly because of a sales decline in the building systems business. Operating income increased by ¥2.3 billion to ¥93.3 billion, reflecting such factors as a shift in project portfolios.

### Europe
Sales increased by 9% year on year to ¥421.0 billion mainly because of higher sales in the automotive equipment and air conditioner businesses. Operating income decreased by ¥1.9 billion to ¥12.8 billion due mainly to a shift in project portfolios.

### Others
Sales in other regions, including figures for Mitsubishi Electric’s Australian subsidiary, amounted to ¥46.8 billion, while operating income was ¥2.4 billion.

# RESEARCH AND DEVELOPMENT

## R&D Expenditures

| Years ended March 31 | 2017 | 2016 | 2015 | 2014 | 2013 Yen (billions) | U.S. dollars (millions) 2017 |
|---|---|---|---|---|---|---|
| Energy and Electric Systems | **¥ 35.5** | ¥ 33.7 | ¥ 31.4 | ¥ 28.8 | ¥ 29.8 | **$ 317.0** |
| Industrial Automation Systems | **66.4** | 70.8 | 70.5 | 63.4 | 58.9 | **592.9** |
| Information and Communication Systems | **18.2** | 18.9 | 16.3 | 15.6 | 16.4 | **162.5** |
| Electronic Devices | **10.0** | 10.6 | 10.9 | 9.3 | 8.2 | **89.3** |
| Home Appliances | **41.1** | 39.8 | 37.3 | 34.1 | 30.8 | **367.0** |
| Others | **29.7** | 28.7 | 28.6 | 27.5 | 27.7 | **265.2** |
| Consolidated total | **¥201.3** | ¥202.9 | ¥195.3 | ¥178.9 | ¥172.2 | **$1,797.6** |

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

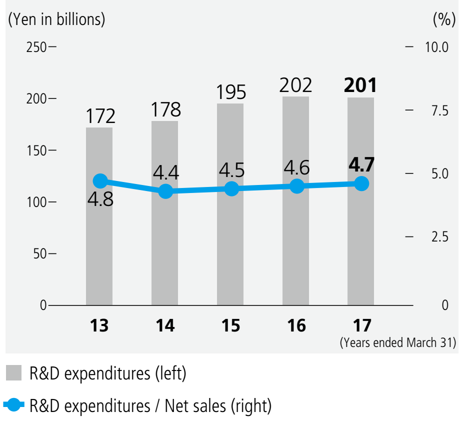
In fiscal 2017, total R&D expenditures, including quality improvement expenses constituting manufacturing costs, amounted to ¥201.3 billion. Mitsubishi Electric reports R&D activities by business segment according to purpose, type, result, and expenditure.

In the Energy and Electric Systems segment, our research is directed at boosting the competitiveness of core products, including such rotating machinery as generators and electric motors; such power transmission/distribution equipment and systems as switchgears and transformers; transportation systems; and elevators and escalators. Other R&D areas include IT-application systems for supervision and control, power information systems, building management systems, and visual information systems. Notable among Mitsubishi Electric's recent R&D achievements are an All-SiC power module based auxiliary power supply for AC electrified lines; Station Energy Saving Inverter(S-EIV) with energy-storage functions; the Mitsubishi Low Voltage Motor Control Center Type-D, the Ultra-thin Robot for Power Generator Inspection; high-speed direct-current (DC) circuit-interruption technology for railway power-supply systems; the world's fastest elevator, which has a speed of 1,230 meters per minute*; the overseas standard compact elevator "NEXIEZ-S" for low- to mid-rise offices and residential buildings; a hybrid elevator control panel that allows elevators to be used even when facility upgrades are under way; and the "Hands-Free IC Tag Reader" for access control systems. R&D expenditures in this segment totaled ¥35.5 billion.

In the Industrial Automation Systems segment, R&D activities are aimed at enhancing the competitiveness of our lineup, which includes FA control equipment and systems; drive products, such as AC servo motor systems; power distribution and control equipment; mechatronics equipment; industrial robots; automotive electric and electronic components, including electric power steering (EPS) and related products; car multimedia systems; and automated driving, accident avoidance, and driving assistance systems. Mitsubishi Electric's important R&D successes encompass a Redundant CPU version of the MELSEC iQ-R series control system; "MC Works64" SCADA software; a C-Language Controller with edge-computing functions; the MV D-CUBES series wire-cut electrical discharge machines; the MELSENSOR range of laser displacement sensors; MELFA FR series industrial robots; the DS-SA1000 in-vehicle DIATONE speaker; 2nd generation vehicle-mounted chargers incorporating a DCDC converter unit; 5th generation transmission control units (5G-TCUs); and an automated lane keeping assist system. R&D expenditures in this segment totaled ¥66.4 billion.

In the Information and Communication Systems segment, Mitsubishi Electric pursues research related to the development of information and communications infrastructure, network solutions equipment, and space systems. Notable R&D successes for Mitsubishi Electric include mobile mapping system (MMS-G220); technologies for automated mapping and extraction of transitions in mapping-landscape for high-precision 3D maps; an optical transceiver for use in access networks built using XG-PON networking standards; a 100Gbps digital coherent

### R&D expenditures / R&D expenditures ratio



transceiver in conformity with CFP MSA; Home Gateway for dual-band (2.4GHz/5GHz) wireless LAN; an intelligent HUB; the HM-7000 HD IP camera; the Value Platform on Demand private cloud service; and Package Plus Giraffee, an SaaS solution supporting application for e-Gov. R&D expenditures in this segment totaled ¥18.2 billion.

In the Electronic Devices segment, our R&D focuses on semiconductor and other electronic devices that are themselves vital components used in all our business segments. Major R&D achievements include the IPM G1 series with 7th generation IGBT; a super-mini full SiC DIPIPM; the 220W-output power GaN HEMT for 2.6GHz-band 4G mobile communication base transceiver stations; compact integrated 100Gbps APD-ROSA for high-speed optical fiber communications networks; and high-performance TFT-LCD modules for automotive and industrial use. R&D expenditures in this segment totaled ¥10.0 billion.

In the Home Appliances segment, Mitsubishi Electric is engaged in the development of products in such wide-ranging fields as air conditioning equipment, kitchen appliances, vacuum cleaners, lighting, visual information systems, electronic housing products, and photovoltaic systems. Major R&D achievements include new features for the KIRIGAMINE FZ and Z series room air conditioners, which distinguish children from adults and optimize room temperatures based on difference in their thermal sensitivities; the function "ASADORE YASAI SHITSU" which is newly equipped in WX, JX, and B series, increases Vitamin C in Vegetables and keeps them fresh; and the Accessory "ALLELE PUNCH FUTON CLEAN ATTACHMENT" of iNSTICK, the cordless stick cleaner, enables users to clean bed mattress much easier without feeling tired. R&D expenditures in this segment totaled ¥41.1 billion.

In the area of cutting-edge R&D, Mitsubishi Electric is developing cutting-edge technologies aimed at enriching society well into the future and, to this end, has identified four target categories: the Internet of Things, Smart Mobility, Comfortable Space, and Infrastructure for Safety and Relief. Major R&D achievements include an automated design deep learning algorithm, and a high-speed training algorithm for deep learning; and an ultra-compact SiC inverter for HEVs; 3D-model augmented reality (AR) Technology for Inspections; 3 tesla magnetic resonance imaging (MRI) with high-temperature superconducting coils; a Real-time Crowd-congestion Estimation System; and an ultra-wideband GaN Doherty power amplifier for next generation base stations. With regard to fundamental R&D that benefits the entire Group, our achievements included high-precision and high-speed alignment technologies; integrated design of airflow, heat transfer and refrigerant circuits; and automatization of insulation film forming and insertion into compressor motor. R&D expenditures in this area totaled ¥29.7 billion.

*Among elevators in operation as of November 1, 2016 (Based on a Mitsubishi Electric research)

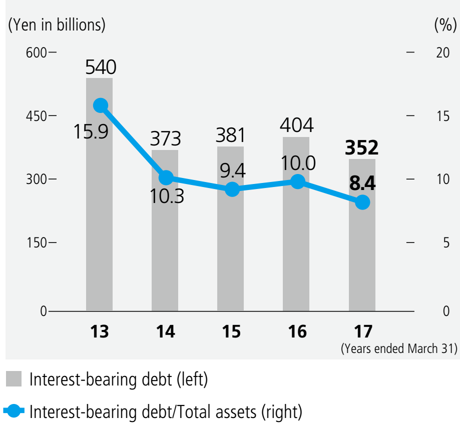
## FINANCIAL POSITION

Total assets amounted to ¥4,180.0 billion as of March 31, 2017, an increase of ¥120.0 billion compared to the end of the previous fiscal year. Positive factors contributing to this result included increases of ¥88.2 billion in cash and cash equivalents and ¥85.1 billion in investments in securities and other due to higher share prices.

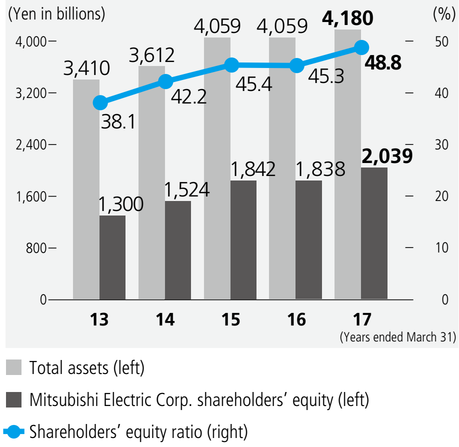
Under liabilities, the outstanding balance of debt and corporate bonds fell by ¥51.9 billion compared to the end of the previous fiscal year to ¥352.1 billion. As a result, the ratio of interest-bearing debt to total assets was 8.4%, a decrease of 1.6 percentage points year on year. While trade payables grew by ¥6.4 billion, retirement and severance benefits declined by ¥34.7 billion largely because of an increase in pension plan assets caused by higher share prices. As a result of these and other factors, total liabilities decreased by ¥83.1 billion to ¥2,039.3 billion.

Mitsubishi Electric Corp. shareholders' equity grew by ¥200.8 billion compared to the end of the previous fiscal year to ¥2,039.6 billion and the ratio of Mitsubishi Electric Corp. shareholders' equity to total assets was 48.8%, up 3.5 of a percentage point year on year. Despite a decrease attributable to the payment of cash dividends totaling ¥57.9 billion, an increase due to the posting of net income attributable to Mitsubishi Electric Corp. amounting ¥210.4 billion for the fiscal year and a rise in accumulated other comprehensive income of ¥48.6 billion reflecting higher share prices, led to the overall growth in shareholders' equity.

### Interest-bearing debt / Debt ratio




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



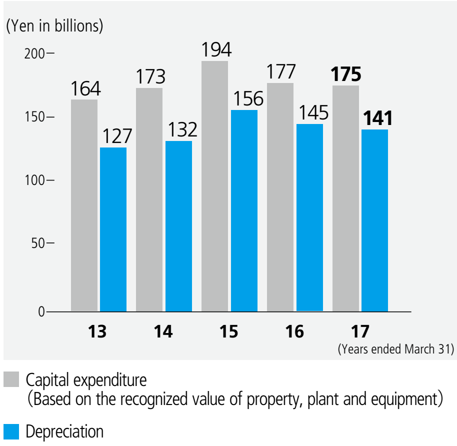
## CAPITAL EXPENDITURES

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

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

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

### Capital expenditures / Depreciation




## CASH FLOWS

In the year ended March 31, 2017, net cash provided by operating activities amounted to ¥365.9 billion, while net cash used in investing activities was ¥148.6 billion. As a result, free cash flow was an inflow of ¥217.3 billion, up ¥106.0 billion compared to the previous fiscal year. Taking this into account along with other factors, including net cash used in financing activities of ¥123.4 billion, fiscal year-end cash and cash equivalents amounted to ¥662.4 billion, an increase of ¥88.2 billion year on year.

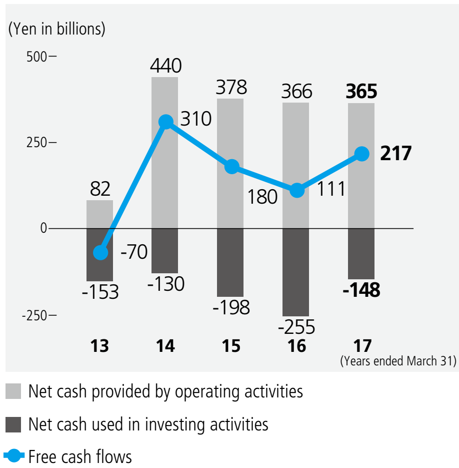
Net cash provided by operating activities decreased by ¥0.7 billion compared to the previous fiscal year. Despite a decrease in trade payables, this downturn was largely attributable to an increase in inventories.

Net cash used in investing activities decreased by ¥106.8 billion year on year, due mainly to the absence of cash outflows resulting from the acquisition of shares of MELCO Hydronics & IT Cooling S.p.A. (net of cash acquired) in the previous fiscal year.

Net cash used in financing activities increased by ¥41.3 billion year on year, due mainly to cash outflows attributable to repayments of debt in excess of proceeds from debt.

Note: The name of MELCO Hydronics & IT Cooling S.p.A. was changed and is MEHIT Holding S.r.l. as of March 31, 2017.

### Cash flows



# Consolidated Balance Sheets

Mitsubishi Electric Corporation and Subsidiaries
March 31, 2017 and 2016

| | Yen (millions) 2017 | 2016 | U.S. dollars (thousands) (note 2) 2017 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | **¥ 662,469** | ¥ 574,170 | **$ 5,914,902** |
| Trade receivables (notes 4, 6 and 16) | **1,037,201** | 1,035,168 | **9,260,723** |
| Inventories (note 5) | **643,040** | 644,127 | **5,741,429** |
| Prepaid expenses and other current assets (notes 10, 15 and 19) | **280,886** | 298,398 | **2,507,910** |
| Total current assets | **2,623,596** | 2,551,863 | **23,424,964** |
| **Long-term receivables and investments:** | | | |
| Long-term trade receivables (note 18) | **2,815** | 4,661 | **25,134** |
| Investments in securities and other (notes 3, 11, 18 and 19) | **421,455** | 336,328 | **3,762,991** |
| Investments in affiliated companies (note 6) | **197,480** | 201,378 | **1,763,214** |
| Total long-term receivables and investments | **621,750** | 542,367 | **5,551,339** |
| **Property, plant and equipment** (notes 19, 20 and 21)**:** | | | |
| Land | **113,241** | 113,564 | **1,011,080** |
| Buildings | **807,201** | 777,792 | **7,207,152** |
| Machinery and equipment | **1,891,377** | 1,843,309 | **16,887,295** |
| Construction in progress | **56,160** | 47,772 | **501,428** |
| | **2,867,979** | 2,782,437 | **25,606,955** |
| Less accumulated depreciation | **2,135,368** | 2,069,838 | **19,065,785** |
| Net property, plant and equipment | **732,611** | 712,599 | **6,541,170** |
| **Other assets** (notes 8, 10, 19 and 20) | **202,067** | 253,112 | **1,804,170** |
| Total assets | **¥4,180,024** | ¥4,059,941 | **$37,321,643** |

See accompanying notes to consolidated financial statements.

| | Yen (millions) 2017 | Yen (millions) 2016 | U.S. dollars (thousands) (note 2) 2017 |
|---|---|---|---|
| **Liabilities and Equity** | | | |
| **Current liabilities:** | | | |
| Bank loans (note 7) | **¥ 60,868** | ¥ 61,873 | **$ 543,464** |
| Current portion of long-term debt (notes 7, 18 and 21) | **63,500** | 54,659 | **566,964** |
| Trade payables (notes 6 and 9) | **780,202** | 773,714 | **6,966,089** |
| Accrued expenses (note 17) | **363,849** | 359,089 | **3,248,652** |
| Accrued income taxes (note 10) | **26,295** | 22,962 | **234,777** |
| Other current liabilities (notes 11, 15 and 19) | **231,047** | 235,646 | **2,062,920** |
| Total current liabilities | **1,525,761** | 1,507,943 | **13,622,866** |
| **Long-term debt** (notes 7, 18 and 21) | **227,756** | 287,507 | **2,033,536** |
| **Retirement and severance benefits** (note 11) | **194,990** | 229,750 | **1,740,982** |
| **Other liabilities** (notes 10 and 17) | **90,809** | 97,238 | **810,795** |
| Total liabilities | **2,039,316** | 2,122,438 | **18,208,179** |
| **Mitsubishi Electric Corp. shareholders' equity** | | | |
| Common stock (note 12): | | | |
| Authorized 8,000,000,000 shares; | | | |
| issued 2,147,201,551 shares in 2017 and in 2016 | **175,820** | 175,820 | **1,569,821** |
| Capital surplus (note 12) | **212,530** | 211,999 | **1,897,589** |
| Legal reserve | **68,482** | 65,652 | **611,446** |
| Retained earnings | **1,586,075** | 1,436,375 | **14,161,384** |
| Accumulated other comprehensive income (loss) (notes 3, 10, 11, 13 and 15) | **(2,052)** | (50,699) | **(18,321)** |
| Treasury stock, at cost | | | |
| 1,059,870 shares in 2017 and | | | |
| 415,396 shares in 2016 | **(1,228)** | (374) | **(10,964)** |
| Total Mitsubishi Electric Corp. shareholders' equity | **2,039,627** | 1,838,773 | **18,210,955** |
| **Noncontrolling interests** | **101,081** | 98,730 | **902,509** |
| Total equity | **2,140,708** | 1,937,503 | **19,113,464** |
| **Commitments and contingent liabilities** (note 17) | | | |
| Total liabilities and equity | **¥4,180,024** | ¥4,059,941 | **$37,321,643** |

## Consolidated Statements of Income

Mitsubishi Electric Corporation and Subsidiaries
Years ended March 31, 2017, 2016 and 2015

| | Yen (millions) | | | U.S. dollars (thousands) (note 2) |
|---|---|---|---|---|
| | **2017** | 2016 | 2015 | **2017** |
| **Revenues:** | | | | |
| Net sales (note 6) | **¥4,238,666** | ¥4,394,353 | ¥4,323,041 | **$37,845,232** |
| Interest and dividends (note 6) | **7,653** | 8,573 | 7,365 | **68,330** |
| Equity in earnings of affiliated companies (note 6) | **21,508** | 29,433 | 27,725 | **192,036** |
| Other (notes 3, 13, 15 and 20) | **31,824** | 22,570 | 43,304 | **284,143** |
| Total revenues | **4,299,651** | 4,454,929 | 4,401,435 | **38,389,741** |
| **Costs and expenses:** | | | | |
| Cost of sales (notes 11 and 21) | **2,950,729** | 3,071,435 | 3,032,161 | **26,345,795** |
| Selling, general and administrative (notes 11, 20 and 21) | **829,425** | 826,232 | 790,563 | **7,405,580** |
| Research and development | **184,964** | 187,032 | 179,628 | **1,651,464** |
| Loss on impairment of long-lived assets (notes 19 and 20) | **3,444** | 8,482 | 3,085 | **30,750** |
| Interest | **3,225** | 3,495 | 4,023 | **28,795** |
| Other (notes 13, 15, 16, 17 and 20) | **31,615** | 39,777 | 69,007 | **282,277** |
| Total costs and expenses | **4,003,402** | 4,136,453 | 4,078,467 | **35,744,661** |
| Income before income taxes | **296,249** | 318,476 | 322,968 | **2,645,080** |
| **Income taxes** (note 10)**:** | | | | |
| Current | **55,518** | 52,691 | 60,183 | **495,696** |
| Deferred | **17,966** | 24,355 | 14,730 | **160,411** |
| | **73,484** | 77,046 | 74,913 | **656,107** |
| Net income | **222,765** | 241,430 | 248,055 | **1,988,973** |
| **Net income attributable to noncontrolling interests** | **12,272** | 12,936 | 13,361 | **109,571** |
| Net income attributable to Mitsubishi Electric Corp. | **¥ 210,493** | ¥ 228,494 | ¥ 234,694 | **$ 1,879,402** |

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

| | Yen | | | U.S. dollars (note 2) |
|---|---|---|---|---|
| Basic | **¥98.07** | ¥106.43 | ¥109.32 | **$0.876** |
| Diluted | **—** | — | — | **—** |

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Comprehensive Income

Mitsubishi Electric Corporation and Subsidiaries
Years ended March 31, 2017, 2016 and 2015

| | Yen (millions) | | | U.S. dollars (thousands) (note 2) |
|---|---|---|---|---|
| | **2017** | 2016 | 2015 | **2017** |
| Net income | **¥222,765** | ¥ 241,430 | ¥248,055 | **$1,988,973** |
| **Other comprehensive income (loss), net of tax** (note 13)**:** | | | | |
| Foreign currency translation adjustments | **(22,968)** | (70,881) | 72,583 | **(205,070)** |
| Pension liability adjustments (note 11) | **26,096** | (86,516) | 21,171 | **233,001** |
| Unrealized gains (losses) on securities (note 3) | **42,684** | (25,498) | 36,710 | **381,107** |
| Unrealized gains (losses) on derivative instruments (note 15) | **136** | (8) | 7 | **1,213** |
| Total | **45,948** | (182,903) | 130,471 | **410,251** |
| Comprehensive income | **268,713** | 58,527 | 378,526 | **2,399,224** |
| **Comprehensive income attributable to noncontrolling interests** | **9,573** | 4,796 | 21,725 | **85,473** |
| Comprehensive income attributable to Mitsubishi Electric Corp. | **¥259,140** | ¥ 53,731 | ¥356,801 | **$2,313,751** |

See accompanying notes to consolidated financial statements.

Mitsubishi Electric Corporation and Subsidiaries
Years ended March 31, 2017, 2016 and 2015

Yen (millions)

| | Common stock | Capital surplus | Legal reserve | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock | Total Mitsubishi Electric Corp. shareholders' equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at March 31, 2014** | ¥175,820 | ¥207,089 | ¥62,739 | ¥1,076,999 | ¥ 1,957 | ¥ (282) | ¥1,524,322 | ¥ 76,029 | ¥1,600,351 |
| Comprehensive income (loss): | | | | | | | | | |
| Net income attributable to Mitsubishi Electric Corp. | | | | 234,694 | | | 234,694 | | 234,694 |
| Net income attributable to noncontrolling interests | | | | | | | | 13,361 | 13,361 |
| Other comprehensive income (loss), net of tax (note 13): | | | | | | | | | |
| Foreign currency translation adjustments | | | | | 64,307 | | 64,307 | 8,276 | 72,583 |
| Pension liability adjustments (note 11) | | | | | 21,171 | | 21,171 | | 21,171 |
| Unrealized gains (losses) on securities (note 3) | | | | | 36,616 | | 36,616 | 94 | 36,710 |
| Unrealized gains (losses) on derivative instruments (note 15) | | | | | 13 | | 13 | (6) | 7 |
| | | | | | | | 356,801 | 21,725 | 378,526 |
| Transfer to legal reserve | | | 1,319 | (1,319) | | | — | | — |
| Equity transactions with noncontrolling interests and other | | 4,066 | | | | | 4,066 | (9,790) | (5,724) |
| Dividends paid to Mitsubishi Electric Corp. shareholders' equity | | | | (42,936) | | | (42,936) | | (42,936) |
| Purchase of treasury stock | | | | | | (50) | (50) | | (50) |
| Reissuance of treasury stock | | 0 | | | | 0 | 0 | | 0 |
| **Balance at March 31, 2015** | ¥175,820 | ¥211,155 | ¥64,058 | ¥1,267,438 | ¥124,064 | ¥ (332) | ¥1,842,203 | ¥ 87,964 | ¥1,930,167 |
| Comprehensive income (loss): | | | | | | | | | |
| Net income attributable to Mitsubishi Electric Corp. | | | | 228,494 | | | 228,494 | | 228,494 |
| Net income attributable to noncontrolling interests | | | | | | | | 12,936 | 12,936 |
| Other comprehensive income (loss), net of tax (note 13): | | | | | | | | | |
| Foreign currency translation adjustments | | | | | (63,112) | | (63,112) | (7,769) | (70,881) |
| Pension liability adjustments (note 11) | | | | | (86,123) | | (86,123) | (393) | (86,516) |
| Unrealized gains (losses) on securities (note 3) | | | | | (25,510) | | (25,510) | 12 | (25,498) |
| Unrealized gains (losses) on derivative instruments (note 15) | | | | | (18) | | (18) | 10 | (8) |
| | | | | | | | 53,731 | 4,796 | 58,527 |
| Transfer to legal reserve | | | 1,594 | (1,594) | | | — | | — |
| Acquisition of subsidiary | | | | | | | — | 33,439 | 33,439 |
| Equity transactions with noncontrolling interests and other | | 844 | | | | | 844 | (27,469) | (26,625) |
| Dividends paid to Mitsubishi Electric Corp. shareholders' equity | | | | (57,963) | | | (57,963) | | (57,963) |
| Purchase of treasury stock | | | | | | (43) | (43) | | (43) |
| Reissuance of treasury stock | | 0 | | | | 1 | 1 | | 1 |
| **Balance at March 31, 2016** | ¥175,820 | ¥211,999 | ¥65,652 | ¥1,436,375 | ¥ (50,699) | ¥ (374) | ¥1,838,773 | ¥ 98,730 | ¥1,937,503 |
| Comprehensive income (loss): | | | | | | | | | |
| Net income attributable to Mitsubishi Electric Corp. | | | | 210,493 | | | 210,493 | | 210,493 |
| Net income attributable to noncontrolling interests | | | | | | | | 12,272 | 12,272 |
| Other comprehensive income (loss), net of tax (note 13): | | | | | | | | | |
| Foreign currency translation adjustments | | | | | (21,312) | | (21,312) | (1,656) | (22,968) |
| Pension liability adjustments (note 11) | | | | | 27,238 | | 27,238 | (1,142) | 26,096 |
| Unrealized gains (losses) on securities (note 3) | | | | | 42,610 | | 42,610 | 74 | 42,684 |
| Unrealized gains (losses) on derivative instruments (note 15) | | | | | 111 | | 111 | 25 | 136 |
| | | | | | | | 259,140 | 9,573 | 268,713 |
| Transfer to legal reserve | | | 2,830 | (2,830) | | | — | | — |
| Equity transactions with noncontrolling interests and other | | 531 | | | | | 531 | (7,222) | (6,691) |
| Dividends paid to Mitsubishi Electric Corp. shareholders' equity | | | | (57,963) | | | (57,963) | | (57,963) |
| Purchase of treasury stock | | | | | | (854) | (854) | | (854) |
| Reissuance of treasury stock | | 0 | | | | 0 | 0 | | 0 |
| **Balance at March 31, 2017** | **¥175,820** | **¥212,530** | **¥68,482** | **¥1,586,075** | **¥ (2,052)** | **¥(1,228)** | **¥2,039,627** | **¥101,081** | **¥2,140,708** |

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

| | Common stock | Capital surplus | Legal reserve | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock | Total Mitsubishi Electric Corp. shareholders' equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at March 31, 2016** | $1,569,821 | $1,892,848 | $586,179 | $12,824,777 | $(452,670) | $ (3,339) | $16,417,616 | $881,518 | $17,299,134 |
| Comprehensive income (loss): | | | | | | | | | |
| Net income attributable to Mitsubishi Electric Corp. | | | | 1,879,402 | | | 1,879,402 | | 1,879,402 |
| Net income attributable to noncontrolling interests | | | | | | | | 109,571 | 109,571 |
| Other comprehensive income (loss), net of tax (note 13): | | | | | | | | | |
| Foreign currency translation adjustments | | | | | (190,284) | | (190,284) | (14,786) | (205,070) |
| Pension liability adjustments (note 11) | | | | | 243,197 | | 243,197 | (10,196) | 233,001 |
| Unrealized gains (losses) on securities (note 3) | | | | | 380,446 | | 380,446 | 661 | 381,107 |
| Unrealized gains (losses) on derivative instruments (note 15) | | | | | 990 | | 990 | 223 | 1,213 |
| | | | | | | | 2,313,751 | 85,473 | 2,399,224 |
| Transfer to legal reserve | | | 25,267 | (25,267) | | | — | | — |
| Equity transactions with noncontrolling interests and other | | 4,741 | | | | | 4,741 | (64,482) | (59,741) |
| Dividends paid to Mitsubishi Electric Corp. shareholders' equity | | | | (517,528) | | | (517,528) | | (517,528) |
| Purchase of treasury stock | | | | | | (7,625) | (7,625) | | (7,625) |
| Reissuance of treasury stock | | 0 | | | | 0 | 0 | | 0 |
| **Balance at March 31, 2017** | **$1,569,821** | **$1,897,589** | **$611,446** | **$14,161,384** | **$ (18,321)** | **$(10,964)** | **$18,210,955** | **$902,509** | **$19,113,464** |

See accompanying notes to consolidated financial statements.

Mitsubishi Electric Corporation and Subsidiaries
Years ended March 31, 2017, 2016 and 2015

| | Yen (millions) | | | U.S. dollars (thousands) (note 2) |
|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2017 |
| **Cash flows from operating activities:** | | | | |
| Net income | **¥222,765** | ¥241,430 | ¥248,055 | **$1,988,973** |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation | **141,584** | 145,249 | 156,205 | **1,264,143** |
| Impairment losses of property, plant and equipment | **3,344** | 5,766 | 2,751 | **29,857** |
| Loss (gain) from sales and disposal of property, plant and equipment, net | **(542)** | 2,159 | (1,950) | **(4,839)** |
| Deferred income taxes | **17,966** | 24,355 | 14,730 | **160,411** |
| Loss (gain) from sales of securities and other, net | **(2,243)** | (1,511) | (383) | **(20,027)** |
| Gain from sale of subsidiary | **(14,569)** | — | — | **(130,080)** |
| Devaluation losses of securities and other, net | **1,216** | 1,110 | 1,148 | **10,857** |
| Equity in earnings of affiliated companies | **(21,508)** | (29,433) | (27,725) | **(192,036)** |
| Decrease (increase) in trade receivables | **(21,580)** | 1,583 | (42,044) | **(192,679)** |
| Decrease (increase) in inventories | **(7,576)** | 39,220 | (75,829) | **(67,643)** |
| Decrease (increase) in other assets | **19,239** | 7,612 | (6,966) | **171,777** |
| Increase (decrease) in trade payables | **20,853** | (21,754) | 47,948 | **186,188** |
| Increase (decrease) in accrued expenses and retirement and severance benefits | **(31,590)** | (53,706) | (18,772) | **(282,054)** |
| Increase (decrease) in other liabilities | **(6,253)** | (39,104) | 60,595 | **(55,830)** |
| Other, net | **44,844** | 43,701 | 20,550 | **400,393** |
| Net cash provided by operating activities | **365,950** | 366,677 | 378,313 | **3,267,411** |
| **Cash flows from investing activities:** | | | | |
| Capital expenditure | **(167,165)** | (182,251) | (199,758) | **(1,492,545)** |
| Proceeds from sale of property, plant and equipment | **9,049** | 2,400 | 6,768 | **80,795** |
| Purchase of short-term investments and investment securities (net of cash acquired) | **(6,007)** | (13,285) | (5,608) | **(53,634)** |
| Purchase of shares of MELCO Hydronics & IT Cooling S.p.A. (net of cash acquired) | **—** | (50,587) | — | **—** |
| Proceeds from sale of short-term investments and investment securities | **10,774** | 8,511 | 10,722 | **96,196** |
| Proceed from sale of subsidiary (net of cash disposed) | **12,786** | — | — | **114,161** |
| Decrease (increase) in loans receivable | **13,878** | (854) | 24 | **123,911** |
| Other, net | **(21,947)** | (19,377) | (10,311) | **(195,955)** |
| Net cash used in investing activities | **(148,632)** | (255,443) | (198,163) | **(1,327,071)** |
| **Cash flows from financing activities:** | | | | |
| Proceeds from long-term debt | **145** | 110,108 | 90,598 | **1,295** |
| Repayment of long-term debt | **(58,489)** | (93,163) | (103,497) | **(522,223)** |
| Increase (decrease) in short-term debt, net | **350** | (13,912) | 11,392 | **3,125** |
| Dividends paid | **(57,963)** | (57,963) | (42,936) | **(517,528)** |
| Purchase of treasury stock | **(854)** | (43) | (50) | **(7,625)** |
| Reissuance of treasury stock | **0** | 1 | 0 | **0** |
| Purchase of MELCO Hydronics & IT Cooling S.p.A.'s noncontrolling interests | **—** | (21,825) | — | **—** |
| Other, net | **(6,684)** | (5,347) | (5,130) | **(59,678)** |
| Net cash provided by (used in) financing activities | **(123,495)** | (82,144) | (49,623) | **(1,102,634)** |
| Effect of exchange rate changes on cash and cash equivalents | **(5,524)** | (23,437) | 19,941 | **(49,322)** |
| Net increase in cash and cash equivalents | **88,299** | 5,653 | 150,468 | **788,384** |
| Cash and cash equivalents at beginning of year | **574,170** | 568,517 | 418,049 | **5,126,518** |
| Cash and cash equivalents at end of year | **¥662,469** | ¥574,170 | ¥568,517 | **$5,914,902** |

Note: The name of MELCO Hydronics & IT Cooling S.p.A. was changed and is MEHIT Holding S.r.l. as of March 31, 2017.
See accompanying notes to consolidated financial statements.

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

### (a) Description of Business

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

The Company and its subsidiaries' principal lines of business are: (1) Energy and Electric Systems, (2) Industrial Automation Systems, (3) Information and Communication Systems, (4) Electronic Devices, (5) Home Appliances and (6) Others.

Each line's sales as a percentage of total consolidated sales, before elimination of internal sales, for the year ended March 31, 2017 are as follows: Energy and Electric Systems – 25%, Industrial Automation Systems – 27%, Information and Communication Systems – 9%, Electronic Devices – 4%, Home Appliances – 20% and Others – 15%.

The operations of the Company and its subsidiaries is mainly conducted in Japan. Net sales for the year ended March 31, 2017 comprises of the following geographical locations: Japan – 57%, North America – 10%, Asia (excluding Japan) – 22%, Europe – 9% and Others – 2%.

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

### (b) Basis of Presentation

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

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

### (c) Consolidation

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

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

The Company evaluates Variable Interest Entities (VIEs) whether it has a controlling financial interest in an entity through means other than voting rights and whether it should consolidate the entity as the primary beneficiary when the Company has a controlling financial interest.

### (d) Use of Estimates

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

### (e) Cash and Cash Equivalents

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

### (f) Short-Term Investments and Investment Securities

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

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

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

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

To determine whether an impairment of equity security is other-than-temporary, the Company considers whether it has the ability and intent to hold the security until a market price recovery and considers whether evidence indicating the market price of the security is recoverable to the carrying amount outweighs the counter evidence. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, and forecasted performance of the investee.

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

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

### (g) Allowance for Doubtful Receivables

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

### (h) Inventories

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

### (i) Property, Plant and Equipment

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

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

### (j) Leases

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

### (k) Income Taxes

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

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

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

### (l) Product Warranties

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

### (m) Retirement and Severance Benefits

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

### (n) Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement including title transfer exists, delivery has occurred, the sales price is fixed or determinable, and collectability is probable. These criteria are met for mass-merchandising products such as consumer products and semiconductors at the time when the product is received by the customer, and for products with acceptance provisions such as heavy machinery and industrial products at the time when the product is received by the customer and the specific criteria of the product are demonstrated by the Company with only certain inconsequential or perfunctory work left to be performed by the customer. Revenue from maintenance agreements is recognized over the contract term when the maintenance is provided and the cost is incurred. Also, the Company applies the percentage of completion method for long-term construction contracts. The Company measures the percentage of completion by comparing expenses recognized through the current year to the aggregate amount of estimated cost. Any anticipated losses on fixed price contracts are charged to operations when such losses can be estimated. Provisions are made for contingencies in the period when they become known pursuant to specific contract terms and conditions and are estimable.

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

### (o) Research and Development and Advertising

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

### (p) Shipping and Handling Costs

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

### (q) Net Income per Share

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

### (r) Foreign Currency Translation

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

### (s) Derivatives

The Company recognizes all derivatives as either assets or liabilities in the consolidated financial statements and measures them at fair value. For derivatives designated as fair value hedges, changes in fair value of the hedged item and the derivative are recognized in current earnings. For derivatives designated as cash flow hedges, fair value changes of the effective portion of the hedging instruments are recognized as a component of other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of all hedges is recognized in earnings immediately.

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

### (t) Securitizations

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

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

### (u) Impairment of Long-Lived Assets

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

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

### (v) Goodwill and Other Intangible Assets

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

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

### (w) Cost Associated with Exit or Disposal Activities

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

### (x) Guarantees

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

### (y) Asset Retirement Obligations

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

### (z) Reclassifications

The Company has made certain reclassifications of the previous fiscal years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2017.

### (aa) Future Application of New Accounting Standards

In May 2015, the FASB issued Accounting Standards Update (ASU) 2015-07 "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" (an amendment of ASC Topic 820 "Fair Value Measurement"). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The company has adopted ASU 2015-07 from the year ended March 31, 2017. The adoption of ASU 2015-07 does not have a material effect on the Company's consolidated financial position and results of operations.

In November 2015, the FASB issued ASU 2015-17 "Balance Sheet Classification of Deferred Taxes" (an amendment of ASC Topic 740 "Income Taxes"). ASU 2015-17 requires deferred tax assets and liabilities to be classified as noncurrent in a classified balance sheet. The Company will adopt ASU 2015-17 on April 1, 2017 retrospectively. As of March 31, 2017, deferred tax assets classified as current assets are ¥139,871 million ($1,248,848 thousand).

In January 2017, the FASB issued ASU 2017-04 "Simplifying the Test for Goodwill Impairment" (an amendment of ASC Topic 350 "Intangibles-Goodwill and Other"). ASU 2017-04 simplifies the goodwill impairment test by eliminating Step 2, and requires to recognize impairment loss by comparing the fair value of a reporting unit with its carrying amount, up to the carrying amount of goodwill allocated to the reporting unit. The Company has early adopted ASU 2017-04 from the year ended March 31, 2017. The adoption of ASU2017-04 does not have a material effect on the Company's consolidated financial position and results of operations.

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

## (2) U.S. DOLLAR AMOUNTS

The Company has presented the consolidated financial statements in Japanese yen, and solely for the convenience of the reader, has provided translated amounts in United States dollars at the rate of ¥112=U.S.$1, which was the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market at the end of March 2017. This translation should not be construed as a representation that the amounts shown could be converted into United States dollars at such rate.

## (3) SECURITIES

Marketable securities included in investments in securities and other consists of available-for-sale securities. The cost, gross unrealized holding gains, gross unrealized holding losses and fair value for such securities by equity securities and debt securities at March 31, 2017 and 2016 were as follows:

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

| | Yen (millions) | | | |
|---|---|---|---|---|
| | Cost | Gross unrealized holding gains | Gross unrealized holding losses | Fair value |
| 2016: | | | | |
| Available-for-sale: | | | | |
| Equity securities | ¥92,736 | ¥142,998 | ¥763 | ¥234,971 |
| Debt securities | 200 | — | 1 | 199 |
| | ¥92,936 | ¥142,998 | ¥764 | ¥235,170 |

| | U.S. dollars (thousands) | | | |
|---|---|---|---|---|
| | Cost | Gross unrealized holding gains | Gross unrealized holding losses | Fair value |
| **2017:** | | | | |
| Available-for-sale: | | | | |
| Equity securities | **$817,375** | **$1,782,625** | **$8,063** | **$2,591,937** |
| Debt securities | **1,786** | **—** | **18** | **1,768** |
| | **$819,161** | **$1,782,625** | **$8,081** | **$2,593,705** |

Debt securities consist of investment trusts.

In the years ended March 31, 2017 and 2015, net unrealized gains on available-for-sale securities, net of taxes and noncontrolling interests, increased by ¥42,610 million ($380,446 thousand), and ¥36,616 million, respectively, and in the year ended March 31, 2016, decreased by ¥25,510 million.

As of March 31, 2017 and 2016, the cost of non-marketable equity securities were ¥15,162 million ($135,375 thousand) and ¥15,738 million, respectively.

Maturities of marketable securities classified as available-for-sale at March 31, 2017 were as follows:

| | Yen (millions) | | U.S. dollars (thousands) | |
|---|---|---|---|---|
| | Cost | Fair value | Cost | Fair value |
| Due after one year through five years | ¥ 200 | ¥ 198 | $ 1,786 | $ 1,768 |
| Marketable equity securities | 91,546 | 290,297 | 817,375 | 2,591,937 |
| | ¥91,746 | ¥290,495 | $819,161 | $2,593,705 |

Gross unrealized losses on available-for-sale securities and the fair value of the related securities, aggregated by length of time that individual securities has been in continuous unrealized loss positions, at March 31, 2017 were as follows:

| | | | | | | Yen (millions) |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| | Fair value | Unrealized losses | Fair value | Unrealized losses | Fair value | Unrealized losses |
| Available-for-sale: | | | | | | |
| Equity securities | ¥3,230 | ¥280 | ¥1,696 | ¥623 | ¥4,926 | ¥903 |
| Debt securities | — | — | 198 | 2 | 198 | 2 |
| | ¥3,230 | ¥280 | ¥1,894 | ¥625 | ¥5,124 | ¥905 |

| | | | | | | U.S. dollars (thousands) |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| | Fair value | Unrealized losses | Fair value | Unrealized losses | Fair value | Unrealized losses |
| Available-for-sale: | | | | | | |
| Equity securities | $28,839 | $2,500 | $15,143 | $5,563 | $43,982 | $8,063 |
| Debt securities | — | — | 1,768 | 18 | 1,768 | 18 |
| | $28,839 | $2,500 | $16,911 | $5,581 | $45,750 | $8,081 |

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

Proceeds from the sale of available-for-sale securities and gross realized gains and losses on those sales in the years ended March 31, 2017, 2016 and 2015 were as follows:

| | Yen (millions) | | | U.S. dollars (thousands) |
|---|---|---|---|---|
| | **2017** | 2016 | 2015 | **2017** |
| Proceeds | **¥5,037** | ¥3,834 | ¥3,034 | **$44,973** |
| Gross realized gains | **2,681** | 1,488 | 111 | **23,938** |
| Gross realized losses | **593** | 3 | 74 | **5,294** |

For the years ended March 31, 2017, 2016 and 2015, the Company did not recognize any material losses on impairment of marketable securities due to other-than-temporary declines in fair value.

## (4) TRADE RECEIVABLES

Trade receivables are summarized as follows:

| | Yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | **2017** | 2016 | **2017** |
| Notes receivable | **¥ 93,612** | ¥ 78,124 | **$ 835,821** |
| Accounts receivable | **951,962** | 967,631 | **8,499,661** |
| Allowance for doubtful receivables | **(8,373)** | (10,587) | **(74,759)** |
| | **¥1,037,201** | ¥1,035,168 | **$9,260,723** |

## (5) INVENTORIES

Inventories are comprised of the following:

| | Yen (millions) 2017 | 2016 | U.S. dollars (thousands) 2017 |
|---|---|---|---|
| Work in process | **¥278,237** | ¥265,779 | **$2,484,259** |
| Less accumulated billings on long-term contracts | **24,708** | 19,082 | **220,607** |
| | **253,529** | 246,697 | **2,263,652** |
| Raw materials | **111,641** | 110,889 | **996,795** |
| Finished products | **277,870** | 286,541 | **2,480,982** |
| | **¥643,040** | ¥644,127 | **$5,741,429** |

## (6) INVESTMENTS IN AFFILIATED COMPANIES

A summary of the combined financial information relating to affiliated companies accounted for by the equity method of accounting (Toshiba Mitsubishi-Electric Industrial Systems Corporation, Shanghai Mitsubishi Elevator Co., Ltd, etc.) as of March 31, 2017 and 2016, and for the years ended March 31, 2017, 2016 and 2015 is as follows:

| | Yen (millions) 2017 | 2016 | U.S. dollars (thousands) 2017 |
|---|---|---|---|
| **Financial Position** | | | |
| Current assets | **¥1,315,785** | ¥1,320,753 | **$11,748,081** |
| Property, plant and equipment | **119,389** | 121,211 | **1,065,973** |
| Other assets | **122,806** | 117,243 | **1,096,482** |
| Total assets | **¥1,557,980** | ¥1,559,207 | **$13,910,536** |
| Current liabilities | **¥885,086** | ¥ 890,608 | **$7,902,554** |
| Long-term debt | **127,017** | 124,689 | **1,134,080** |
| Total liabilities | **1,012,103** | 1,015,297 | **9,036,634** |
| Shareholders' equity | **545,877** | 543,910 | **4,873,902** |
| Total liabilities and shareholders' equity | **¥1,557,980** | ¥1,559,207 | **$13,910,536** |

| | Yen (millions) 2017 | 2016 | 2015 | U.S. dollars (thousands) 2017 |
|---|---|---|---|---|
| **Results of Operations** | | | | |
| Sales | **¥1,290,406** | ¥1,363,861 | ¥1,255,026 | **$11,521,482** |
| Net income attributable to affiliated companies | **58,124** | 76,158 | 70,429 | **518,964** |

The balances and transactions with affiliated companies accounted for by the equity method of accounting as of March 31, 2017 and 2016, and for the years ended March 31, 2017, 2016 and 2015 are as follows:

| | Yen (millions) 2017 | 2016 | U.S. dollars (thousands) 2017 |
|---|---|---|---|
| Trade receivables | **¥58,497** | ¥62,119 | **$522,295** |
| Trade payables | **47,648** | 51,366 | **425,429** |

| | Yen (millions) 2017 | 2016 | 2015 | U.S. dollars (thousands) 2017 |
|---|---|---|---|---|
| Sales | **¥294,027** | ¥300,524 | ¥307,841 | **$2,625,241** |
| Purchases | **141,545** | 139,666 | 143,904 | **1,263,795** |
| Dividends | **18,538** | 18,084 | 16,886 | **165,518** |

Investments in affiliated companies accounted for by the equity method of accounting include the shares of 8 publicly quoted affiliates (9 publicly quoted affiliates existed for the year ended March 31, 2016), which are summarized as follows:

| | Yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Investments at equity | **¥39,379** | ¥40,646 | **$351,598** |
| Quoted market value | **57,923** | 48,761 | **517,170** |

## (7) BANK LOANS AND LONG-TERM DEBT

Bank loans consisted of the following:

| | Yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Borrowings from banks and others | **¥60,868** | ¥61,873 | **$543,464** |

The weighted average interest rates on borrowings from banks and others outstanding as of March 31, 2017 and 2016 were 0.82% and 0.81%, respectively.

At March 31, 2017, the Company and its subsidiaries had unused committed lines of credit that can provide short-term funds from subscribing financial institutions amounting to ¥81,400 million ($726,786 thousand).

Long-term debt consisted of the following:

| | Yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Borrowings from banks and other companies, due2017 to 2025 with bearing interest rate ranging from 0.15% to 5.42% at March 31, 2017: due2016 to 2025 with bearing interest rate ranging from 0.15% to 5.42% at March 31, 2016: | | | |
| Unsecured | **¥228,910** | ¥278,504 | **$2,043,839** |
| 0.27% Japanese yen bonds due 2019 | **20,000** | 20,000 | **178,571** |
| 0.43% Japanese yen bonds due 2021 | **20,000** | 20,000 | **178,571** |
| Capital lease obligations | **22,346** | 23,662 | **199,519** |
| | **291,256** | 342,166 | **2,600,500** |
| Less amount due within one year | **63,500** | 54,659 | **566,964** |
| | **¥227,756** | ¥287,507 | **$2,033,536** |

The aggregate annual maturities of long-term debt outstanding at March 31, 2017 were as follows:

| Year ending March 31: | Yen (millions) | U.S. dollars (thousands) |
|---|---|---|
| 2018 | ¥ 63,500 | $ 566,964 |
| 2019 | 65,534 | 585,125 |
| 2020 | 45,450 | 405,804 |
| 2021 | 39,349 | 351,330 |
| 2022 | 35,369 | 315,795 |
| Thereafter | 42,054 | 375,482 |
| Total | ¥291,256 | $2,600,500 |

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

## (8) GOODWILL AND OTHER INTANGIBLE ASSETS

The gross carrying amount, accumulated amortization and net carrying amount of intangible assets other than goodwill as of March 31, 2017 and 2016 were as follows:

Yen (millions)

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

Yen (millions)

| | Gross carrying amount | Accumulated amortization | Net carrying amount |
|---|---|---|---|
| 2016: | | | |
| Finite-lived intangible assets | | | |
| Software | ¥ 99,472 | ¥63,356 | ¥36,116 |
| Customer relationship | 29,500 | 1,156 | 28,344 |
| Others | 35,800 | 13,609 | 22,191 |
| Sub total | 164,772 | 78,121 | 86,651 |
| Indefinite-lived intangible assets | 2,983 | — | 2,983 |
| Total | ¥167,755 | ¥78,121 | ¥89,634 |

U.S. dollars (thousands)

| | Gross carrying amount | Accumulated amortization | Net carrying amount |
|---|---|---|---|
| **2017:** | | | |
| Finite-lived intangible assets | | | |
| Software | **$ 966,848** | **$628,205** | **$338,643** |
| Customer relationship | **246,679** | **28,393** | **218,286** |
| Others | **302,384** | **143,688** | **158,696** |
| Sub total | **1,515,911** | **800,286** | **715,625** |
| Indefinite-lived intangible assets | **24,920** | **—** | **24,920** |
| Total | **$1,540,831** | **$800,286** | **$740,545** |

Finite-lived intangible assets acquired during the year ended March 31, 2017 were ¥19,250 million ($171,875 thousand), mainly acquisition of softwares. Finite-lived intangible assets acquired during the year ended March 31, 2016 were ¥64,745 million, mainly related to assets acquired as part of the acquisition of MELCO Hydronics & IT Cooling S.p.A. (currently MEHIT Holding S.r.l.).

Amortization expenses of intangible assets for the years ended March 31, 2017, 2016 and 2015 were ¥22,663 million ($202,348 thousand), ¥19,006 million and ¥15,998 million, respectively.

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

| Year ending March 31: | Yen (millions) | U.S. dollars (thousands) |
|---|---|---|
| 2018 | ¥19,493 | $174,045 |
| 2019 | 14,919 | 133,205 |
| 2020 | 10,139 | 90,527 |
| 2021 | 6,428 | 57,393 |
| 2022 | 4,940 | 44,107 |

Changes in the carrying amount of goodwill for the years ended March 31, 2017 and 2016 are as follows:

| | Yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | **2017** | 2016 | **2017** |
| Balance at beginning of year | **¥63,979** | ¥ 8,017 | **$571,241** |
| Acquisition | **—** | 58,034 | **—** |
| Foreign currency translation adjustments, etc | **(4,089)** | (2,072) | **(36,509)** |
| Balance at end of year | **¥59,890** | ¥63,979 | **$534,732** |

Goodwill is mainly allocated to the Home Appliances segment by ¥55,840 million ($498,571 thousand) as of March 31, 2017 and ¥59,929 million as of March 31, 2016.

## (9) TRADE PAYABLES

Trade payables are summarized as follows:

| | Yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | **2017** | 2016 | **2017** |
| Notes payable | **¥127,585** | ¥117,629 | **$1,139,152** |
| Accounts payable | **652,617** | 656,085 | **5,826,937** |
| | **¥780,202** | ¥773,714 | **$6,966,089** |

## (10) INCOME TAXES

Total income taxes were allocated as follows:

| | Yen (millions) | | | U.S. dollars (thousands) |
|---|---|---|---|---|
| | **2017** | 2016 | 2015 | **2017** |
| Income before income taxes | **¥73,484** | ¥77,046 | ¥ 74,913 | **$656,107** |
| Shareholders' equity - accumulated other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | **(3,690)** | (5,551) | 9,096 | **(32,946)** |
| Pension liability adjustments | **12,542** | (40,390) | 12,595 | **111,982** |
| Unrealized gains (losses) on securities | **15,229** | (8,558) | 14,316 | **135,973** |
| Unrealized gains (losses) on derivative instruments | **38** | (20) | 7 | **340** |
| | **¥97,603** | ¥22,527 | ¥110,927 | **$871,456** |

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

| | Yen (millions) | | | U.S. dollars (thousands) |
|---|---|---|---|---|
| | **2017** | 2016 | 2015 | **2017** |
| Change in valuation allowance related to deferred tax assets | **¥ (5,925)** | ¥ (5,130) | ¥(14,531) | **$ (52,902)** |
| Other | **23,891** | 29,485 | 29,261 | **213,313** |
| | **¥17,966** | ¥24,355 | ¥ 14,730 | **$160,411** |

The Company is subjected to a number of income taxes. The statutory tax rate is approximately 31.0% for the year ended March 31, 2017, approximately 33.0% for the year ended March 31, 2016, approximately 35.5% for the year ended March 31, 2015.

The effective tax rate for the years ended March 31, 2017, 2016 and 2015 is reconciled with the Japanese statutory tax rate in the following table:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Japanese statutory tax rate | **31.0%** | 33.0% | 35.5% |
| Change in valuation allowance | **(2.0)** | (4.3) | (1.6) |
| Adjustment for unrealized profit on intercompany transactions | **(1.1)** | (0.5) | (4.3) |
| Expenses permanently not deductible for tax purposes | **0.6** | 1.1 | 0.5 |
| International tax rate difference | **(6.2)** | (6.6) | (7.3) |
| Tax credits | **(2.4)** | (2.5) | (4.1) |
| Tax effect attributable to undistributed earnings | **2.8** | 1.6 | 2.9 |
| Effect of income tax rate change | **0.0** | 4.4 | 4.6 |
| Other | **2.1** | (2.0) | (3.0) |
| Effective tax rate | **24.8%** | 24.2% | 23.2% |

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2017 and 2016 are as follows:

| | Yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Deferred tax assets: | | | |
| Retirement and severance benefits | **¥ 9,610** | ¥ 23,008 | **$ 85,804** |
| Accrued expenses | **90,683** | 85,356 | **809,670** |
| Property, plant and equipment | **39,510** | 32,975 | **352,768** |
| Inventories | **38,236** | 37,317 | **341,393** |
| Pension liability adjustments | **85,928** | 98,470 | **767,214** |
| Tax loss carryforwards | **18,480** | 18,293 | **165,000** |
| Other | **59,693** | 80,540 | **532,973** |
| Total gross deferred tax assets | **342,140** | 375,959 | **3,054,822** |
| Valuation allowance | **(38,961)** | (44,886) | **(347,866)** |
| Deferred tax assets, less valuation allowance | **303,179** | 331,073 | **2,706,956** |
| Deferred tax liabilities: | | | |
| Securities contributed to employee retirement benefit trust | **26,122** | 26,122 | **233,232** |
| Property, plant and equipment | **5,556** | 5,239 | **49,607** |
| Net unrealized gains on securities | **38,122** | 23,145 | **340,375** |
| Other | **68,733** | 72,769 | **613,688** |
| Total gross deferred tax liabilities | **138,533** | 127,275 | **1,236,902** |
| Net deferred tax assets | **¥164,646** | ¥203,798 | **$1,470,054** |

The valuation allowance for deferred tax assets as of April 1, 2015 was ¥50,016 million. The net change in the total valuation allowance for the years ended March 31, 2017 and 2016 was a decrease of ¥5,925 million ($52,902 thousand) and ¥5,130 million, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

At March 31, 2017, the Company and certain subsidiaries had net operating loss carryforwards of ¥70,058 million ($625,518 thousand) and ¥92,598 million ($826,768 thousand) for corporate and local income tax purposes, respectively, which were available to offset future taxable income, if any. A part of the net operating loss carryforwards will never expire. The rest of the net operating loss carryforwards will expire mainly in the years ending March 31, 2020 and 2024.

Net deferred tax assets and liabilities at March 31, 2017 and 2016 are reflected in the accompanying consolidated balance sheets under the following captions:

| | Yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Prepaid expenses and other current assets | ¥139,871 | ¥130,569 | $1,248,848 |
| Other assets | 47,012 | 89,701 | 419,750 |
| Other liabilities | (22,237) | (16,472) | (198,544) |
| | ¥164,646 | ¥203,798 | $1,470,054 |

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

Although the Company believes that there are no significant unrecognized tax benefits as of March 31, 2017 and 2016, future determination by tax authorities could affect the effective tax rate in the future periods.

The Company records interest and penalties related to additional income tax, etc. in Income taxes in the Consolidated Statements of Income. Both interest and penalties accrued as of March 31, 2017 and 2016, and interest and penalties for the years ended March 31, 2017, 2016 and 2015 are not material.

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

| Location | Open tax years |
|---|---|
| Japan | 2010–2017 |
| United States | 2014–2017 |
| Thailand | 2012–2017 |
| Europe | 2012–2017 |

## (11) RETIREMENT AND SEVERANCE BENEFITS

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

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

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

The domestic consolidated subsidiaries sponsor various pension plans, which are partially or entirely employees' pension fund plan, and/or corporate pension fund plan, based on each subsidiary's respective pension policies.

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

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

**Obligations and funded status**

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

| | Yen (millions) 2017 | 2016 | U.S. dollars (thousands) 2017 |
|---|---|---|---|
| Change in projected benefit obligations: | | | |
| Projected benefit obligations at beginning of year | **¥1,167,468** | ¥1,119,133 | **$10,423,821** |
| Service cost | **35,939** | 32,947 | **320,884** |
| Interest cost | **5,835** | 11,403 | **52,098** |
| Plan participants' contributions | **1,019** | 1,033 | **9,098** |
| Actuarial loss (gain) | **(5,969)** | 75,541 | **(53,295)** |
| Benefits paid | **(66,616)** | (70,866) | **(594,785)** |
| Acquisitions and divestitures, etc. | **2,237** | (1,723) | **19,974** |
| Projected benefit obligations at end of year | **1,139,913** | 1,167,468 | **10,177,795** |
| Change in plan assets: | | | |
| Fair value of plan assets at beginning of year | **964,489** | 986,514 | **8,611,509** |
| Actual return on plan assets | **44,942** | (34,166) | **401,268** |
| Employer contributions | **49,504** | 47,920 | **442,000** |
| Plan participants' contributions | **825** | 929 | **7,366** |
| Benefits paid | **(45,948)** | (35,113) | **(410,250)** |
| Acquisitions and divestitures, etc. | **1,361** | (1,595) | **12,152** |
| Fair value of plan assets at end of year | **1,015,173** | 964,489 | **9,064,045** |
| Funded status at end of year | **¥ (124,740)** | ¥ (202,979) | **$ (1,113,750)** |

Amounts recognized in the consolidated balance sheets at March 31, 2017 and 2016 consist of:

| | Yen (millions) 2017 | 2016 | U.S. dollars (thousands) 2017 |
|---|---|---|---|
| Investments in securities and other | **¥ 73,705** | ¥ 32,153 | **$ 658,080** |
| Other current liabilities | **(3,455)** | (5,382) | **(30,848)** |
| Retirement and severance benefits | **(194,990)** | (229,750) | **(1,740,982)** |
| | **¥(124,740)** | ¥(202,979) | **$(1,113,750)** |

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2017 and 2016 consist of:

| | Yen (millions) 2017 | 2016 | U.S. dollars (thousands) 2017 |
|---|---|---|---|
| Actuarial loss | **¥305,590** | ¥355,092 | **$2,728,482** |
| Prior service cost | **(20,197)** | (30,793) | **(180,330)** |
| | **¥285,393** | ¥324,299 | **$2,548,152** |

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

| | Yen (millions) 2017 | 2016 | U.S. dollars (thousands) 2017 |
|---|---|---|---|
| Accumulated benefit obligations | **¥1,132,807** | ¥1,160,546 | **$10,114,348** |

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

Net periodic retirement and severance costs for the years ended March 31, 2017, 2016 and 2015 consisted of the following components:

| | Yen (millions) | | | U.S. dollars (thousands) |
|---|---|---|---|---|
| | **2017** | 2016 | 2015 | **2017** |
| Service cost | **¥ 36,958** | ¥ 33,980 | ¥ 31,331 | **$ 329,982** |
| Interest cost on projected benefit obligations | **5,835** | 11,403 | 15,205 | **52,098** |
| Expected return on plan assets | **(16,593)** | (16,482) | (15,123) | **(148,152)** |
| Amortization of prior service cost | **(10,596)** | (12,044) | (12,122) | **(94,607)** |
| Amortization of actuarial loss | **17,551** | 12,077 | 20,721 | **156,706** |
| | **33,155** | 28,934 | 40,012 | **296,027** |
| Plan participants' contributions | **(1,019)** | (1,033) | (1,047) | **(9,098)** |
| Net periodic retirement and severance costs | **¥ 32,136** | ¥ 27,901 | ¥ 38,965 | **$ 286,929** |

Other changes in plan assets and projected benefit obligations recognized in other comprehensive income (loss) for the years ended March 31, 2017, 2016 and 2015 were summarized as follows:

| | Yen (millions) | | | U.S. dollars (thousands) |
|---|---|---|---|---|
| | **2017** | 2016 | 2015 | **2017** |
| Actuarial loss (gain) | **¥(31,951)** | ¥126,876 | ¥(25,207) | **$(285,276)** |
| Amortization of actuarial loss | **(17,551)** | (12,077) | (20,721) | **(156,706)** |
| Amortization of prior service cost | **10,596** | 12,044 | 12,122 | **94,607** |
| | **¥(38,906)** | ¥126,843 | ¥(33,806) | **$(347,375)** |

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

| | Yen (millions) | U.S. dollars (thousands) |
|---|---|---|
| Actuarial loss | ¥ 13,704 | $122,357 |
| Prior service cost | (10,117) | (90,330) |

**Actuarial assumptions**

Actuarial assumptions used to determine benefit obligations at March 31, 2017 and 2016 were as follows:

| | **2017** | 2016 |
|---|---|---|
| Discount rate | **0.7%** | 0.5% |
| Assumed rate of increase in future compensation levels | **1.7%** | 1.7% |

Actuarial assumptions used to determine net periodic retirement and severance costs for the years ended March 31, 2017, 2016 and 2015 were as follows:

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Discount rate | **0.5%** | 1.0% | 1.5% |
| Assumed rate of increase in future compensation levels | **1.7%** | 1.7% | 1.7% |
| Expected long-term rate of return on plan assets | **2.5%** | 2.5% | 2.5% |

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

**Plan Assets:**

The fair values of the Company's pension plan assets at March 31, 2017 and 2016 were as follows:

Yen (millions)

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

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

Yen (millions)

| | 2016 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured by other than net asset value | | | | |
| Equity securities | | | | |
| Marketable equity securities | ¥194,023 | ¥ — | ¥ — | ¥194,023 |
| Debt securities | | | | |
| Government , municipal and corporate debt securities | 4,193 | 14,920 | — | 19,113 |
| Other assets | | | | |
| Life insurance company general accounts | — | 99,067 | — | 99,067 |
| Other | — | 50,183 | — | 50,183 |
| Assets measured by net asset value | | | | |
| Equity securities | | | | |
| Pooled funds | — | — | — | 170,658 |
| Debt securities | | | | |
| Pooled funds | — | — | — | 358,670 |
| Other assets | | | | |
| Other | — | — | — | 72,775 |
| Total plan assets | ¥198,216 | ¥164,170 | ¥ — | ¥964,489 |

Notes: 1 Assets that measure fair value by the net asset value are not categorized in the fair value hierarchy.
2 Marketable equity securities include mainly domestic stocks.
3 Pooled funds of equity securities include approximately 20% domestic stocks and 80% foreign stocks.
4 Pooled funds of debt securities include approximately 70% domestic bonds and 30% foreign bonds.
5 Government, municipal and corporate debt securities of level1 include government debt securities.

| | | | U.S. dollars (thousands) | |
|---|---|---|---|---|
| | 2017 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured by other than net asset value | | | | |
| Equity securities | | | | |
| Marketable equity securities | $1,889,795 | $ — | $ — | $1,889,795 |
| Debt securities | | | | |
| Government , municipal and corporate debt securities | 48,339 | 132,179 | — | 180,518 |
| Other assets | | | | |
| Life insurance company general accounts | — | 902,679 | — | 902,679 |
| Other | — | 424,866 | — | 424,866 |
| Assets measured by net asset value | | | | |
| Equity securities | | | | |
| Pooled funds | — | — | — | 1,601,500 |
| Debt securities | | | | |
| Pooled funds | — | — | — | 3,337,955 |
| Other assets | | | | |
| Other | — | — | — | 726,732 |
| Total plan assets | $1,938,134 | $1,459,724 | $ — | $9,064,045 |

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

The Company's investment portfolio consists of three major components. The Company's target asset allocation percentage is that approximately 25% is invested in equity securities, approximately 65% is invested in debt securities and investments in life insurance company general accounts, approximately 10% is invested in hedge funds. As for selection of plan assets, the Company has examined the contents of investment, and appropriately diversified investments.

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

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

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

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

**Cash Flows**

The Company expects to contribute ¥27,022 million ($241,268 thousand) to its pension plan in the year ending March 31, 2018.

Estimated future benefit payments are as follows:

| Year ending March 31: | Yen (millions) | U.S. dollars (thousands) |
|---|---|---|
| 2018 | ¥ 60,395 | $ 539,241 |
| 2019 | 60,570 | 540,804 |
| 2020 | 59,136 | 528,000 |
| 2021 | 58,962 | 526,446 |
| 2022 | 58,252 | 520,107 |
| 2023-2027 | 271,783 | 2,426,634 |

The amount of cost recognized for the Company and certain subsidiaries' defined contribution plans for the years ended

March 31, 2017, 2016 and 2015 were ¥10,155 million ($90,670 thousand), ¥10,265 million and ¥9,469 million, respectively.

## (12) SHAREHOLDERS' EQUITY

Changes in common stock for the years ended March 31, 2017 and 2016 were as follows:

Shares

| | 2017 | 2016 |
|---|---|---|
| Number of common shares issued: | | |
| Balance at beginning of year | **2,147,201,551** | 2,147,201,551 |
| Balance at end of year | **2,147,201,551** | 2,147,201,551 |

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

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

The amount available for dividends under the Japanese Corporate Law is based on the amount recorded in the Company's books of account in accordance with accounting standards of Japan. The adjustments included in the accompanying consolidated financial statements to have them conform with accounting principles generally accepted in the United States of America, but not recorded in the books of account, have no effect on the determination of retained earnings available for dividends under the Japanese Corporate Law. Retained earnings available for dividends shown in the Company's books of account amounted to ¥564,326 million ($5,038,625 thousand) at March 31, 2017.

Cash dividends and appropriations to the legal reserve charged to retained earnings during the years ended March 31, 2017, 2016 and 2015 represent dividends paid out during the years and the related appropriations to the legal reserve.

## (13) OTHER COMPREHENSIVE INCOME (LOSS)

Changes in accumulated other comprehensive income (loss) for the years ended March 31, 2017, 2016 and 2015 are as follows:

Yen (millions)

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

Yen (millions)

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

Yen (millions)

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Foreign currency translation adjustments | Pension liability adjustments | Unrealized gains (losses) on securities | Unrealized gains (losses) on derivative instruments | Total |
| Balance at beginning of year | ¥ 38,652 | ¥(119,279) | ¥ 82,636 | ¥(52) | ¥ 1,957 |
| Other comprehensive income before reclassifications | 65,788 | 15,625 | 36,452 | 22 | 117,887 |
| Amounts reclassified from accumulated other comprehensive income | (1,481) | 5,546 | 164 | (9) | 4,220 |
| Net change during the year | 64,307 | 21,171 | 36,616 | 13 | 122,107 |
| Balance at end of year | ¥102,959 | ¥ (98,108) | ¥119,252 | ¥(39) | ¥124,064 |

U.S. dollars (thousands)

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Foreign currency translation adjustments | Pension liability adjustments | Unrealized gains (losses) on securities | Unrealized gains (losses) on derivative instruments | Total |
| Balance at beginning of year | **$ 355,777** | **$(1,644,920)** | **$ 836,982** | **$ (509)** | **$(452,670)** |
| Other comprehensive income before reclassifications | **(190,284)** | **200,348** | **393,402** | **2,303** | **405,769** |
| Amounts reclassified from accumulated other comprehensive income | **—** | **42,849** | **(12,956)** | **(1,313)** | **28,580** |
| Net change during the year | **(190,284)** | **243,197** | **380,446** | **990** | **434,349** |
| Balance at end of year | **$ 165,493** | **$(1,401,723)** | **$1,217,428** | **$ 481** | **$ (18,321)** |

Reclassifications out of accumulated other comprehensive income (loss) for the years ended March 31, 2017, 2016 and 2015 are as follows:

| | 2017 | | |
|---|---|---|---|
| Details about Accumulated other comprehensive income components | Amounts reclassified from accumulated other comprehensive income | | Affected line items in consolidated statements of income |
| | Yen (millions) | U.S. dollars (thousands) | |
| Pension liability adjustments | | | |
| Amortization of prior service cost | **¥(10,596)** | **$ (94,607)** | See Note |
| Amortization of actuarial loss | **17,551** | **156,706** | See Note |
| | **6,955** | **62,099** | Total before tax |
| | **(2,156)** | **(19,250)** | Income tax |
| | **4,799** | **42,849** | Net of tax |
| Unrealized gains (losses) on securities | | | |
| Realized losses on sales | **(2,088)** | **(18,644)** | Other revenues |
| | **(2,088)** | **(18,644)** | Total before tax |
| | **637** | **5,688** | Income tax |
| | **(1,451)** | **(12,956)** | Net of tax |
| Unrealized gains (losses) on derivative instruments | | | |
| | **(200)** | **(1,786)** | Other revenues |
| | **(200)** | **(1,786)** | Total before tax |
| | **53** | **473** | Income tax |
| | **(147)** | **(1,313)** | Net of tax |
| Total amounts reclassified | **¥ 3,201** | **$ 28,580** | Net of tax |

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

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

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

| | 2015 | |
|---|---|---|
| Details about Accumulated other comprehensive income components | Amounts reclassified from accumulated other comprehensive income<br>Yen (millions) | Affected line items in consolidated statements of income |
| Foreign currency translation adjustments | | |
| | ¥ (1,481) | Other revenues |
| | (1,481) | Total before tax |
| | — | Income tax |
| | (1,481) | Net of tax |
| Pension liability adjustments | | |
| Amortization of prior service cost | (12,122) | See Note |
| Amortization of actuarial loss | 20,721 | See Note |
| | 8,599 | Total before tax |
| | (3,053) | Income tax |
| | 5,546 | Net of tax |
| Unrealized gains (losses) on securities | | |
| Realized losses on sales | (37) | Other revenues |
| Other | 189 | Other costs and expenses |
| | 152 | Total before tax |
| | 12 | Income tax |
| | 164 | Net of tax |
| Unrealized gains (losses) on derivative instruments | | |
| | (15) | Other revenues |
| | (15) | Total before tax |
| | 6 | Income tax |
| | (9) | Net of tax |
| Total amounts reclassified | ¥ 4,220 | Net of tax |

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

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the years ended March 31, 2017, 2016 and 2015 are as follows:

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

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

| | Yen (millions) | | |
|---|---|---|---|
| | Before-tax amount | Tax (expense) or benefit | Net-of-tax amount |
| 2015: | | | |
| Foreign currency translation adjustments: | | | |
| Amount arising during the year on investments in foreign entities held at end of year | ¥ 74,884 | ¥ (9,096) | ¥ 65,788 |
| Less reclassification adjustments for gains (losses) realized in net income | (1,481) | — | (1,481) |
| Net change in foreign currency translation adjustments during the year | 73,403 | (9,096) | 64,307 |
| Pension liability adjustments: | | | |
| Amount arising during the year on pension liability adjustments | 25,167 | (9,542) | 15,625 |
| Less reclassification adjustments for gains (losses) realized in net income | 8,599 | (3,053) | 5,546 |
| Net change in pension liability adjustment | 33,766 | (12,595) | 21,171 |
| Unrealized gains (losses) on securities: | | | |
| Unrealized holding gains (losses) arising during the year | 50,780 | (14,328) | 36,452 |
| Less reclassification adjustments for gains (losses) realized in net income | 152 | 12 | 164 |
| Net change in unrealized gains (losses) on securities | 50,932 | (14,316) | 36,616 |
| Unrealized gains (losses) on derivative instruments: | | | |
| Unrealized holding gains (losses) arising during the year | 35 | (13) | 22 |
| Less reclassification adjustments for gains (losses) realized in net income | (15) | 6 | (9) |
| Net change in unrealized gains (losses) on derivative instruments | 20 | (7) | 13 |
| Other comprehensive income (loss) | ¥158,121 | ¥(36,014) | ¥122,107 |

| | U.S. dollars (thousands) | | |
|---|---|---|---|
| | Before-tax amount | Tax (expense) or benefit | Net-of-tax amount |
| **2017:** | | | |
| Foreign currency translation adjustments: | | | |
| Amount arising during the year on investments in foreign entities held at end of year | **$(223,230)** | **$ 32,946** | **$(190,284)** |
| Less reclassification adjustments for gains (losses) realized in net income | **—** | **—** | **—** |
| Net change in foreign currency translation adjustments during the year | **(223,230)** | **32,946** | **(190,284)** |
| Pension liability adjustments: | | | |
| Amount arising during the year on pension liability adjustments | **293,080** | **(92,732)** | **200,348** |
| Less reclassification adjustments for gains (losses) realized in net income | **62,099** | **(19,250)** | **42,849** |
| Net change in pension liability adjustment | **355,179** | **(111,982)** | **243,197** |
| Unrealized gains (losses) on securities: | | | |
| Unrealized holding gains (losses) arising during the year | **535,063** | **(141,661)** | **393,402** |
| Less reclassification adjustments for gains (losses) realized in net income | **(18,644)** | **5,688** | **(12,956)** |
| Net change in unrealized gains (losses) on securities | **516,419** | **(135,973)** | **380,446** |
| Unrealized gains (losses) on derivative instruments: | | | |
| Unrealized holding gains (losses) arising during the year | **3,116** | **(813)** | **2,303** |
| Less reclassification adjustments for gains (losses) realized in net income | **(1,786)** | **473** | **(1,313)** |
| Net change in unrealized gains (losses) on derivative instruments | **1,330** | **(340)** | **990** |
| Other comprehensive income (loss) | **$ 649,698** | **$(215,349)** | **$ 434,349** |

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

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

| | Yen (millions) | | | U.S. dollars (thousands) |
|---|---|---|---|---|
| | **2017** | 2016 | 2015 | **2017** |
| Net income attributable to Mitsubishi Electric Corp. | **¥210,493** | ¥228,494 | ¥234,694 | **$1,879,402** |
| Effect of dilutive securities | **—** | — | — | **—** |
| Diluted net income attributable to Mitsubishi Electric Corp. | **¥210,493** | ¥228,494 | ¥234,694 | **$1,879,402** |

| | Shares | | |
|---|---|---|---|
| | **2017** | 2016 | 2015 |
| Average common shares outstanding | **2,146,291,296** | 2,146,799,336 | 2,146,835,581 |
| Effect of dilutive securities | **—** | — | — |
| Diluted common shares outstanding | **2,146,291,296** | 2,146,799,336 | 2,146,835,581 |

| | Yen | | | U.S. dollars |
|---|---|---|---|---|
| | **2017** | 2016 | 2015 | **2017** |
| Net income per share attributable to Mitsubishi Electric Corp.: | | | | |
| Basic | **¥98.07** | ¥106.43 | ¥109.32 | **$0.876** |
| Diluted | **—** | — | — | **—** |

Diluted net income per share attributable to Mitsubishi Electric Corp. is not presented as no dilutive securities existed as of and for the years ended March 31, 2017, 2016 and 2015.

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

## (15) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

### Foreign Exchange Risk Management and Interest Rate Risk Management

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

### Contract Amounts, Notional Principal Amounts and Credit Risk

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

### Information with Respect to Fair Value Hedges

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

### Information with Respect to Cash Flow Hedges

The Company and certain of its subsidiaries have entered into forward foreign exchange contracts mainly with forecasted transactions to hedge against market risks from changes in foreign currencies and interest rate swap agreements to modify the interest rate characteristics of a portion of its long-term debt from a variable to a fixed rate. The Company and certain of its subsidiaries designate them as cash flow hedges. The maximum period for cash flow hedges is 19 months. The Company expects that the amounts of net gain of ¥73 million ($652 thousand) in accumulated other comprehensive income (loss) will be reclassified into earnings over the next 12 months with transactions such as collection of foreign currency receivables and payment of foreign currency payables and interests on long-term debt.

### Derivatives not Designated as Hedging Instruments

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

Contract amounts of foreign exchange contracts and foreign currency swaps and notional principal amounts of interest rate swaps at March 31, 2017 and 2016 are as follows:

| | Yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Foreign exchange contracts: | | | |
| Forwards to sell foreign currencies | ¥311,630 | ¥214,525 | $2,782,410 |
| Forwards to buy foreign currencies | 123,655 | 131,564 | 1,104,063 |
| Foreign currency swaps | 127,763 | 41,891 | 1,140,741 |
| Interest rate swaps | — | 1,606 | — |

The estimated fair values of foreign exchange contracts and foreign currency swaps at March 31, 2017 and 2016 are as follows:

| | | Asset derivatives | | |
|---|---|---|---|---|
| Derivatives designated as hedging instruments | Consolidated balance sheet line item | Estimated fair value | | |
| | | Yen (millions) | | U.S. dollars (thousands) |
| | | 2017 | 2016 | 2017 |
| Foreign exchange contracts | Prepaid expenses and other current assets | ¥103 | ¥63 | $920 |

| | | Liability derivatives | | |
|---|---|---|---|---|
| Derivatives designated as hedging instruments | Consolidated balance sheet line item | Estimated fair value | | |
| | | Yen (millions) | | U.S. dollars (thousands) |
| | | 2017 | 2016 | 2017 |
| Foreign exchange contracts | Other current liabilities | ¥49 | ¥120 | $438 |

| | | Asset derivatives | | |
|---|---|---|---|---|
| Derivatives not designated as hedging instruments | Consolidated balance sheet line item | Estimated fair value | | |
| | | Yen (millions) | | U.S. dollars (thousands) |
| | | 2017 | 2016 | 2017 |
| Foreign exchange contracts | Prepaid expenses and other current assets | ¥1,485 | ¥6,457 | $13,259 |
| Foreign currency swaps | Prepaid expenses and other current assets | 14 | 242 | 125 |
| Total | | ¥1,499 | ¥6,699 | $13,384 |

| | | Liability derivatives | | |
|---|---|---|---|---|
| Derivatives not designated as hedging instruments | Consolidated balance sheet line item | Estimated fair value | | |
| | | Yen (millions) | | U.S. dollars (thousands) |
| | | 2017 | 2016 | 2017 |
| Foreign exchange contracts | Other current liabilities | ¥2,920 | ¥2,330 | $26,071 |
| Foreign currency swaps | Other current liabilities | 1,414 | 20 | 12,625 |
| Total | | ¥4,334 | ¥2,350 | $38,696 |

The effect of foreign exchange contracts designated as cash flow hedges on the consolidated statements of income for the years ended March 31, 2017, 2016 and 2015 are as follows:

| Derivatives designated as cash flow hedging instruments | Amount of gain or (loss) recognized in OCI on derivative (effective portion) | | | |
|---|---|---|---|---|
| | Yen (millions) | | | U.S. dollars (thousands) |
| | 2017 | 2016 | 2015 | 2017 |
| Foreign exchange contracts | ¥349 | ¥(38) | ¥20 | $3,116 |

| Derivatives designated as cash flow hedging instruments | Line item of gain or (loss) recognized from accumulated OCI into income | Amount of gain or (loss) recognized from accumulated OCI into income (effective portion) | | | |
|---|---|---|---|---|---|
| | | Yen (millions) | | | U.S. dollars (thousands) |
| | | 2017 | 2016 | 2015 | 2017 |
| Foreign exchange contracts | Other revenues | ¥200 | ¥18 | ¥15 | $1,786 |

The effect of foreign exchange contracts, foreign currency swaps and interest rate swaps not designated as hedging instruments on the consolidated statements of income for the years ended March 31, 2017, 2016 and 2015 are set forth below:

| Derivatives not designated as hedging instruments | Line item of gain or (loss) recognized in income on derivative | Amount of gain or (loss) recognized in income on derivative | | | |
|---|---|---|---|---|---|
| | | Yen (millions) | | | U.S. dollars (thousands) |
| | | **2017** | 2016 | 2015 | **2017** |
| Foreign exchange contracts | Other revenues (costs and expenses) | **¥ 2,451** | ¥(2,090) | ¥(12,324) | **$ 21,884** |
| Foreign currency swaps | Other revenues (costs and expenses) | **(2,422)** | 278 | (1,779) | **(21,625)** |
| Interest rate swaps | Other revenues (costs and expenses) | **—** | (32) | (39) | **—** |
| Total | | **¥ 29** | ¥(1,844) | ¥(14,142) | **$ 259** |

## (16) SECURITIZATIONS

The Company sells its accounts receivable under several securitization programs.

When the Company retains subordinated interests in the certain accounts receivables after the sale of these receivables, a portion of these, where the Company retains subordinated interests, is not taken off from the balance sheet and is recorded at their fair value. Such carrying value is adjusted to reflect the portion that is not expected to be collectible. As of March 31, 2017, the Company did not retain subordinated interests in the certain accounts receivables after the sale of these receivables.

The Company recognized losses of ¥237 million ($2,116 thousand), ¥389 million and ¥541 million on the securitizations of receivables for the years ended March 31, 2017, 2016 and 2015, respectively.

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

Certain cash flows received from special purpose entities (SPEs) and banks on the above transactions for the years ended March 31, 2017, 2016 and 2015 are as follows:

| | Yen (millions) | | | U.S. dollars (thousands) |
|---|---|---|---|---|
| | **2017** | 2016 | 2015 | **2017** |
| Proceeds from new securitizations | **¥336,092** | ¥381,429 | ¥441,395 | **$3,000,821** |

Quantitative information about trade receivables including securitized receivables as of March 31, 2017 and 2016 are as follows:

| | Yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | **2017** | 2016 | **2017** |
| Trade receivables | **¥1,131,407** | ¥1,143,536 | **$10,101,848** |
| Less: Securitized receivables | **94,206** | 108,368 | **841,125** |
| Total receivables | **¥1,037,201** | ¥1,035,168 | **$ 9,260,723** |

As of March 31, 2017 and 2016, delinquencies and credit losses of trade receivables including securitized receivables are immaterial.

## (17) COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2017, commitments outstanding for the purchase of property, plant and equipment were ¥27,915 million ($249,241 thousand).

It is common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in settlement of accounts receivable and to subsequently discount such notes at banks. At March 31, 2017, certain subsidiaries were contingently liable to trade notes discounted in the amount of ¥485 million ($4,330 thousand). Certain subsidiaries account for the discounted notes as sale of receivables.

As of March 31, 2017, the Company has no significant concentrations of credit risk.

While the Company and certain of its subsidiaries are defendants and co-defendants in various lawsuits and legal actions, based upon the advice of legal counsel, the Company's management is of the opinion that damages, if any, would not have a material effect on the Company's consolidated financial position and results of operations, except for the following cases.

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

As of March 31, 2017, the Company recorded an estimated amount of ¥8,010 million ($71,518 thousand) as a reserve for possible losses of competition-law-related expenses in "Other liabilities" relating to certain automotive parts cases mainly in the United States of America.

The following table provides the undiscounted maximum amount of potential future payments for each major group of guarantees at March 31, 2017:

| | Yen (millions) | U.S. dollars (thousands) |
|---|---|---|
| Guarantees of bank loan: | | |
| Employees | ¥1,886 | $16,839 |
| Affiliated and other companies | 549 | 4,902 |
| Other | 5,187 | 46,313 |
| Total | ¥7,622 | $68,054 |

The guarantees for the employees are principally made for their housing loans, and the term of guarantees is 1 year to 12 years. The guarantees for the affiliated and other companies are made to enhance their credit, and the term of guarantees is 1 year to 3 years.

Change in accrued product warranty for the years ended March 31, 2017 and 2016 is summarized as follows:

| | Yen (millions) | | U.S. dollars (thousands) |
|---|---|---|---|
| | **2017** | 2016 | **2017** |
| Balance at beginning of year | **¥55,834** | ¥55,483 | **$498,518** |
| Addition | **49,956** | 48,378 | **446,036** |
| Utilization | **47,627** | 47,609 | **425,241** |
| Foreign currency translation adjustments | **(173)** | (418) | **(1,545)** |
| Balance at end of year | **¥57,990** | ¥55,834 | **$517,768** |

## (18) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

### (b) Investments in securities and other

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

### (c) Long-term trade receivables

The fair value of the Company's long-term trade receivables is calculated under income approach using market interest rates, therefore, it is classified in level 2.

### (d) Long-term debt

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

### (e) Derivative financial instruments

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

The estimated fair values of the Company's financial instruments at March 31, 2017 and 2016 are summarized as follows:

| | Yen (millions) | | | | U.S. dollars (thousands) | |
|---|---|---|---|---|---|---|
| | **2017** | | 2016 | | **2017** | |
| | Carrying amount | Estimated fair value | Carrying amount | Estimated fair value | Carrying amount | Estimated fair value |
| Nonderivatives: | | | | | | |
| Assets: | | | | | | |
| Marketable securities and other | **¥290,495** | **¥290,495** | ¥235,170 | ¥235,170 | **$2,593,705** | **$2,593,705** |
| Long-term trade receivables | **2,815** | **2,784** | 4,661 | 4,627 | **25,134** | **24,857** |
| Liabilities: | | | | | | |
| Long-term debt, including current portion | **268,910** | **266,961** | 318,504 | 316,570 | **2,400,982** | **2,383,580** |

### Limitations

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

## (19) FAIR VALUE MEASUREMENTS

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

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

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

**Level 3:** Unobservable inputs for the asset or liability.

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

The following tables present the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of March 31, 2017 and 2016. The Company measures the fair value of those assets and liabilities in accordance with the requirements of FASB ASC for those assets and liabilities.

Yen (millions)

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

Yen (millions)

| | 2016 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets and liabilities measured by other than net asset value | | | | |
| Assets: | | | | |
| Equity securities | | | | |
| Marketable equity securities | ¥234,971 | ¥ — | ¥ — | ¥234,971 |
| Derivatives | — | 6,762 | — | 6,762 |
| Liabilities: | | | | |
| Derivatives | — | 2,470 | — | 2,470 |
| Assets measured by net asset value | | | | |
| Assets: | | | | |
| Debt securities | | | | |
| Investment trusts | — | — | — | 199 |

U.S. dollars (thousands)

| | 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets and liabilities measured by other than net asset value | | | | |
| Assets: | | | | |
| Equity securities | | | | |
| Marketable equity securities | **$2,591,937** | **$ —** | **$ —** | **$2,591,937** |
| Derivatives | **—** | **14,304** | **—** | **14,304** |
| Liabilities: | | | | |
| Derivatives | **—** | **39,134** | **—** | **39,134** |
| Assets measured by net asset value | | | | |
| Assets: | | | | |
| Debt securities | | | | |
| Investment trusts | **—** | **—** | **—** | **1,768** |

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

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

**Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis**

At March 31, 2017, a portion of long-lived assets was written down to their fair value of ¥6,475 million ($57,813 thousand), resulting in an impairment charge of ¥3,444 million ($30,750 thousand), which was included in loss on impairment of long-lived assets for the year ended March 31, 2017. The impaired long-lived assets are classified as Level 3 assets, because they are measured based on the unobservable inputs such as estimated future cash flows under income approach or net sale price under market approach.

At March 31, 2016, a portion of long-lived assets was written down to their fair value of ¥8,037 million, resulting in an impairment charge of ¥8,482 million, which was included in loss on impairment of long-lived assets for the year ended March 31, 2016. The impaired long-lived assets are classified as Level 3 assets, because they are measured based on the unobservable inputs such as estimated future cash flows under income approach or net sale price under market approach.

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

## (20) SUPPLEMENTARY INCOME AND EXPENSE INFORMATION

| | Yen (millions) | | | U.S. dollars (thousands) |
|---|---|---|---|---|
| | **2017** | 2016 | 2015 | **2017** |
| Advertising expenses | **¥(32,544)** | ¥(30,498) | ¥(28,101) | **$(290,571)** |
| Shipping and handling costs | **(86,990)** | (86,963) | (87,610) | **(776,696)** |
| Exchange gains (losses) | **(9,932)** | (14,269) | 7,749 | **(88,679)** |
| Gain from sale of subsidiary | **14,569** | — | — | **130,080** |
| Loss on disaster | **(8,326)** | — | — | **(74,339)** |
| Business restructuring costs | **—** | — | (4,804) | **—** |
| Loss on impairment of long-lived assets | **(3,444)** | (8,482) | (3,085) | **(30,750)** |

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

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

Exchange gains (losses) are included in "Revenues – Other" and "Costs and expenses – Other".

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

For the year ended March 31, 2017, the Company recognized a gain of ¥14,569 million ($130,080 thousand) which is attributable to the sellout of a domestic subsidiary with mobile phone sales as its main business at ¥17,400 million ($155,357 thousand).

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

For the year ended March 31, 2017, the Company recognized loss on disaster of ¥8,326 million ($74,339 thousand) for the repair and removal of facilities, the disposal and inspection of inventories and fixed costs during the low operating period which are associated with the recovery from damage suffered from the 2016 Kumamoto earthquake.

Business restructuring costs are included in "Costs and expenses – Other".

For the year ended March 31, 2015, the Company recognized business restructuring costs of ¥4,804 million related to the loss associated with inventories under sales contracts, the removal and disposal of facilities and the retirement benefits resulting from the Company's decision to discontinue the copper alloy business.

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

For the year ended March 31, 2017, the Company and certain of its subsidiaries recognized impairment losses of ¥3,344 million ($29,857 thousand) on tangible assets such as buildings and tools, and ¥100 million ($893 thousand) on intangible assets and others. The impairment losses included ¥1,214 million ($10,839 thousand) for Information and Communication Systems business related assets and ¥1,338 million ($11,946 thousand) for Home Appliances business related assets due to a decline in profitability. The impairment losses were mainly measured based on the fair value less cost to sell.

For the year ended March 31, 2016, the Company and certain of its subsidiaries recognized impairment losses of ¥5,766 million on tangible assets such as buildings and machineries, and ¥2,716 million on intangible assets and others. The impairment losses included ¥2,428 million for Energy and Electric Systems business related assets and ¥2,418 million for Information and Communication Systems business related assets due to a decline in profitability. The impairment losses were mainly measured based on the fair value less cost to sell.

For the year ended March 31, 2015, the Company and certain of its subsidiaries recognized impairment losses of ¥2,751 million on tangible assets such as buildings and tools, and ¥334 million on intangible assets. The impairment losses included ¥562 million for Energy and Electric Systems business related assets and ¥1,740 million for Home Appliances business related assets due to a decline in profitability. The impairment losses were mainly measured based on the fair value less costs to sell.

## (21) LEASES

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

The Company and certain of its subsidiaries lease buildings, machineries and equipments. At March 31, 2017, the aggregated cost and accumulated depreciation of leased assets under capital leases amounted to ¥30,728 million ($274,357 thousand) and ¥15,785 million ($140,938 thousand), respectively.

Future minimum lease payments under capital and non-cancelable operating leases as of March 31, 2017 are as follows:

| | Yen (millions) | | U.S. dollars (thousands) | |
|---|---|---|---|---|
| | Capital leases | Operating leases | Capital leases | Operating leases |
| Year ending March 31: | | | | |
| 2018 | ¥ 8,539 | ¥13,094 | $ 76,241 | $116,911 |
| 2019 | 7,729 | 11,803 | 69,009 | 105,384 |
| 2020 | 4,890 | 9,816 | 43,661 | 87,643 |
| 2021 | 2,576 | 8,268 | 23,000 | 73,821 |
| 2022 | 731 | 7,001 | 6,527 | 62,509 |
| Thereafter | 47 | 8,595 | 420 | 76,741 |
| Total minimum lease payments | 24,512 | ¥58,577 | 218,858 | $523,009 |
| Less: Estimated executory costs | 1,436 | | 12,821 | |
| Net minimum lease payments | 23,076 | | 206,037 | |
| Less: Amount representing interest | 730 | | 6,518 | |
| Present value of net minimum capital lease payments | 22,346 | | 199,519 | |
| Less: Current portion of obligations under capital leases | 7,822 | | 69,839 | |
| Obligations under capital leases, excluding current portion | ¥14,524 | | $129,680 | |

Rental expenses related to operating leases for the years ended March 31, 2017, 2016 and 2015 amounted to ¥50,435 million ($450,313 thousand), ¥48,786 million and ¥47,670 million, respectively. These operating leases are for office space, warehouses, employee facilities and computer equipment, and are customarily renewed.

## (22) SUPPLEMENTARY CASH FLOW INFORMATION

| | Yen (millions) | | | U.S. dollars (thousands) |
|---|---|---|---|---|
| | **2017** | 2016 | 2015 | **2017** |
| Cash paid during the year for: | | | | |
| Interest | **¥ 2,552** | ¥ 3,038 | ¥ 3,816 | **$ 22,786** |
| Income taxes | **56,686** | 69,981 | 53,712 | **506,125** |

## (23) SEGMENT INFORMATION

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

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

Principal businesses of each segment are as follows:

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

Intersegment transactions are conducted generally at the price that the Company's management recognizes as approximate arm's length price. Operating income (loss) in Segment Information is presented as net sales less cost of sales, selling, general, administrative and R&D expenses, and loss on impairment of long-lived assets.

## Segment Information

Segment information for the years ended March 31, 2017, 2016 and 2015 are as follows:

**As of and for the year ended March 31, 2017** — Yen (millions)

| | Energy and Electric Systems | Industrial Automation Systems | Information and Communication Systems | Electronic Devices | Home Appliances | Others | Subtotal | Eliminations and other | Total |
|---|---|---|---|---|---|---|---|---|---|
| I Net sales and operating income | | | | | | | | | |
| Sales: | | | | | | | | | |
| (1)External customers | **¥1,219,087** | **¥1,297,646** | **¥410,599** | **¥151,256** | **¥ 986,693** | **¥173,385** | **¥4,238,666** | **¥ —** | **¥4,238,666** |
| (2)Intersegment | **8,819** | **12,490** | **37,155** | **35,298** | **17,722** | **540,218** | **651,702** | **(651,702)** | **—** |
| Net sales | **1,227,906** | **1,310,136** | **447,754** | **186,554** | **1,004,415** | **713,603** | **4,890,368** | **(651,702)** | **4,238,666** |
| Operating costs | **1,183,587** | **1,170,063** | **435,054** | **178,172** | **934,719** | **690,389** | **4,591,984** | **(623,422)** | **3,968,562** |
| Operating income | **¥ 44,319** | **¥ 140,073** | **¥ 12,700** | **¥ 8,382** | **¥ 69,696** | **¥ 23,214** | **¥ 298,384** | **¥ (28,280)** | **¥ 270,104** |
| II Assets, depreciation and amortization, loss on impairment of long-lived assets, and capital expenditures | | | | | | | | | |
| Assets | **¥1,327,904** | **¥1,148,370** | **¥354,224** | **¥165,285** | **¥ 873,945** | **¥256,625** | **¥4,126,353** | **¥ 53,671** | **¥4,180,024** |
| Depreciation and amortization | **28,476** | **62,880** | **18,252** | **14,371** | **34,640** | **6,432** | **165,051** | **—** | **165,051** |
| Loss on impairment of long-lived assets | **63** | **—** | **1,214** | **643** | **1,338** | **186** | **3,444** | **—** | **3,444** |
| Capital expenditures | **35,948** | **64,931** | **17,412** | **9,493** | **43,266** | **15,481** | **186,531** | **—** | **186,531** |

As of and for the year ended March 31, 2016 — Yen (millions)

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

As of and for the year ended March 31, 2015 — Yen (millions)

| | Energy and Electric Systems | Industrial Automation Systems | Information and Communication Systems | Electronic Devices | Home Appliances | Others | Subtotal | Eliminations and other | Total |
|---|---|---|---|---|---|---|---|---|---|
| I Net sales and operating income | | | | | | | | | |
| Sales: | | | | | | | | | |
| (1)External customers | ¥1,219,983 | ¥1,268,858 | ¥520,853 | ¥209,235 | ¥925,004 | ¥179,108 | ¥4,323,041 | ¥ — | ¥4,323,041 |
| (2)Intersegment | 8,975 | 13,891 | 38,668 | 29,167 | 19,826 | 561,409 | 671,936 | (671,936) | — |
| Net sales | 1,228,958 | 1,282,749 | 559,521 | 238,402 | 944,830 | 740,517 | 4,994,977 | (671,936) | 4,323,041 |
| Operating costs | 1,156,510 | 1,136,767 | 540,587 | 208,239 | 890,534 | 716,775 | 4,649,412 | (643,975) | 4,005,437 |
| Operating income | ¥ 72,448 | ¥ 145,982 | ¥ 18,934 | ¥ 30,163 | ¥ 54,296 | ¥ 23,742 | ¥ 345,565 | ¥ (27,961) | ¥ 317,604 |
| II Assets, depreciation and amortization, loss on impairment of long-lived assets, and capital expenditures | | | | | | | | | |
| Assets | ¥1,300,581 | ¥1,064,560 | ¥383,692 | ¥206,981 | ¥769,899 | ¥246,136 | ¥3,971,849 | ¥ 87,602 | ¥4,059,451 |
| Depreciation and amortization | 29,056 | 56,842 | 23,814 | 26,055 | 30,605 | 6,241 | 172,613 | — | 172,613 |
| Loss on impairment of long-lived assets | 562 | 26 | 2 | 203 | 1,740 | 552 | 3,085 | — | 3,085 |
| Capital expenditures | 35,500 | 67,943 | 18,383 | 38,406 | 46,598 | 8,382 | 215,212 | — | 215,212 |

**As of and for the year ended March 31, 2017** U.S. dollars (thousands)

| | Energy and Electric Systems | Industrial Automation Systems | Information and Communication Systems | Electronic Devices | Home Appliances | Others | Subtotal | Eliminations and other | Total |
|---|---|---|---|---|---|---|---|---|---|
| I Net sales and operating income | | | | | | | | | |
| Sales: | | | | | | | | | |
| (1)External customers | $10,884,705 | $11,586,125 | $3,666,063 | $1,350,500 | $8,809,759 | $1,548,080 | $37,845,232 | $ — | $37,845,232 |
| (2)Intersegment | 78,741 | 111,518 | 331,741 | 315,161 | 158,232 | 4,823,375 | 5,818,768 | (5,818,768) | — |
| Net sales | 10,963,446 | 11,697,643 | 3,997,804 | 1,665,661 | 8,967,991 | 6,371,455 | 43,664,000 | (5,818,768) | 37,845,232 |
| Operating costs | 10,567,741 | 10,446,991 | 3,884,411 | 1,590,822 | 8,345,705 | 6,164,187 | 40,999,857 | (5,566,268) | 35,433,589 |
| Operating income | $ 395,705 | $ 1,250,652 | $ 113,393 | $ 74,839 | $ 622,286 | $ 207,268 | $ 2,664,143 | $ (252,500) | $ 2,411,643 |
| II Assets, depreciation and amortization, loss on impairment of long-lived assets, and capital expenditures | | | | | | | | | |
| Assets | $11,856,286 | $10,253,304 | $3,162,714 | $1,475,759 | $7,803,080 | $2,291,295 | $36,842,438 | $ 479,205 | $37,321,643 |
| Depreciation and amortization | 254,250 | 561,429 | 162,964 | 128,313 | 309,286 | 57,428 | 1,473,670 | — | 1,473,670 |
| Loss on impairment of long-lived assets | 563 | — | 10,839 | 5,741 | 11,946 | 1,661 | 30,750 | — | 30,750 |
| Capital expenditures | 320,964 | 579,741 | 155,464 | 84,759 | 386,304 | 138,223 | 1,665,455 | — | 1,665,455 |

Notes: 1 The amount of unallocatable R&D expenditure included in "Eliminations and other" on "Operating costs" for the years ended March 31, 2017, 2016 and 2015 are ¥28,280 million ($252,500 thousand), ¥27,675 million and¥27,961 million, respectively.

2 The amount of company-wide shared assets included in "Eliminations and other" on "Assets" for the years ended March 31, 2017, 2016 and 2015 are ¥301,522 million ($2,692,161 thousand), ¥266,378 million and ¥309,521 million, respectively, and those amounts are mainly the Company's deposit in bank.

## Geographical Information

Sales to external customers by the location of customers, and long-lived assets by the location of the Company and its subsidiaries as of and for the years ended March 31, 2017, 2016 and 2015 are as follows:

**As of and for the year ended March 31, 2017** Yen (millions)

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

As of and for the year ended March 31, 2016 Yen (millions)

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

As of and for the year ended March 31, 2015 Yen (millions)

| | | Overseas | | | | | |
|---|---|---|---|---|---|---|---|
| | Japan | North America | Asia (excluding Japan) | Europe | Others | Overseas total | Consolidated total |
| Sales to external customers | ¥2,512,357 | ¥398,501 | ¥959,540 | ¥360,668 | ¥91,975 | ¥1,810,684 | ¥4,323,041 |
| % of total net sales | 58.1% | 9.2% | 22.2% | 8.4% | 2.1% | 41.9% | 100.0% |
| Long-lived assets | 542,524 | 55,757 | 144,669 | 24,391 | 3,611 | 228,428 | 770,952 |

**As of and for the year ended March 31, 2017** U.S. dollars (thousands)

| | | Overseas | | | | | |
|---|---|---|---|---|---|---|---|
| | Japan | North America | Asia (excluding Japan) | Europe | Others | Overseas total | Consolidated total |
| Sales to external customers | $21,478,143 | $3,770,170 | $8,394,196 | $3,429,241 | $773,482 | $16,367,089 | $37,845,232 |
| % of total net sales | 56.8% | 10.0% | 22.2% | 9.0% | 2.0% | 43.2% | 100.0% |
| Long-lived assets | 5,085,661 | 453,313 | 1,270,643 | 539,348 | 23,223 | 2,286,527 | 7,372,188 |

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

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

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

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

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

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

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

**As of and for the year ended March 31, 2017** — Yen (millions)

| | Japan | North America | Asia (excluding Japan) | Europe | Others | Subtotal | Eliminations and other | Total |
|---|---|---|---|---|---|---|---|---|
| I Net sales and operating income | | | | | | | | |
| Sales: | | | | | | | | |
| (1)External customers | **¥2,617,074** | **¥401,578** | **¥ 765,696** | **¥407,502** | **¥46,816** | **¥4,238,666** | **¥ —** | **¥4,238,666** |
| (2)Intersegment | **785,058** | **19,975** | **274,402** | **13,571** | **38** | **1,093,044** | **(1,093,044)** | **—** |
| Net sales | **3,402,132** | **421,553** | **1,040,098** | **421,073** | **46,854** | **5,331,710** | **(1,093,044)** | **4,238,666** |
| Operating costs | **3,250,105** | **412,551** | **946,780** | **408,245** | **44,396** | **5,062,077** | **(1,093,515)** | **3,968,562** |
| Operating income | **¥ 152,027** | **¥ 9,002** | **¥ 93,318** | **¥ 12,828** | **¥ 2,458** | **¥ 269,633** | **¥ 471** | **¥ 270,104** |
| II Assets | **¥2,797,229** | **¥300,493** | **¥ 903,290** | **¥374,081** | **¥39,498** | **¥4,414,591** | **¥ (234,567)** | **¥4,180,024** |

As of and for the year ended March 31, 2016 — Yen (millions)

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

As of and for the year ended March 31, 2015 — Yen (millions)

| | Japan | North America | Asia (excluding Japan) | Europe | Others | Subtotal | Eliminations and other | Total |
|---|---|---|---|---|---|---|---|---|
| I Net sales and operating income | | | | | | | | |
| Sales: | | | | | | | | |
| (1)External customers | ¥2,782,686 | ¥364,686 | ¥ 755,081 | ¥371,235 | ¥49,353 | ¥4,323,041 | ¥ — | ¥4,323,041 |
| (2)Intersegment | 796,274 | 23,335 | 292,677 | 12,730 | 142 | 1,125,158 | (1,125,158) | — |
| Net sales | 3,578,960 | 388,021 | 1,047,758 | 383,965 | 49,495 | 5,448,199 | (1,125,158) | 4,323,041 |
| Operating costs | 3,352,761 | 382,843 | 965,339 | 372,162 | 49,093 | 5,122,198 | (1,116,761) | 4,005,437 |
| Operating income | ¥ 226,199 | ¥ 5,178 | ¥ 82,419 | ¥ 11,803 | ¥ 402 | ¥ 326,001 | ¥ (8,397) | ¥ 317,604 |
| II Assets | ¥2,809,868 | ¥304,311 | ¥ 872,163 | ¥248,599 | ¥45,607 | ¥4,280,548 | ¥ (221,097) | ¥4,059,451 |

**As of and for the year ended March 31, 2017** — U.S. dollars (thousands)

| | Japan | North America | Asia (excluding Japan) | Europe | Others | Subtotal | Eliminations and other | Total |
|---|---|---|---|---|---|---|---|---|
| I Net sales and operating income | | | | | | | | |
| Sales: | | | | | | | | |
| (1)External customers | **$23,366,732** | **$3,585,518** | **$6,836,571** | **$3,638,411** | **$418,000** | **$37,845,232** | **$ —** | **$37,845,232** |
| (2)Intersegment | **7,009,447** | **178,348** | **2,450,018** | **121,169** | **339** | **9,759,321** | **(9,759,321)** | **—** |
| Net sales | **30,376,179** | **3,763,866** | **9,286,589** | **3,759,580** | **418,339** | **47,604,553** | **(9,759,321)** | **37,845,232** |
| Operating costs | **29,018,794** | **3,683,491** | **8,453,393** | **3,645,044** | **396,393** | **45,197,115** | **(9,763,526)** | **35,433,589** |
| Operating income | **$ 1,357,385** | **$ 80,375** | **$ 833,196** | **$ 114,536** | **$ 21,946** | **$ 2,407,438** | **$ 4,205** | **$ 2,411,643** |
| II Assets | **$24,975,259** | **$2,682,973** | **$8,065,089** | **$3,340,009** | **$352,661** | **$39,415,991** | **$(2,094,348)** | **$37,321,643** |

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

2 The major countries and regions included in each segments are as follows:

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

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

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

3 The amount of company-wide shared assets included in "Eliminations and other" on "Assets" for the years ended March 31, 2017, 2016 and 2015 are ¥361,412 million ($3,226,893 thousand), ¥330,357 million and ¥309,521 million, respectively, and those amounts are mainly the Company's deposit in bank and goodwill.

## (24) SUBSEQUENT EVENT

On June 29, 2017, the date the consolidated financial statements were issued, there are no incidence of subsequent events that would have material effects on the Company's consolidated financial position and results of operations.

KPMG

## Independent Auditors' Report

The Board of Directors
Mitsubishi Electric Corporation:

We have audited the accompanying consolidated financial statements of Mitsubishi Electric Corporation and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended March 31, 2017, and the related notes to the consolidated financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Mitsubishi Electric Corporation and its subsidiaries as of March 31, 2017 and 2016, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2017, in accordance with U.S. generally accepted accounting principles.

***Convenience Translation***

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AZSA LLC.

Tokyo, Japan
June 29, 2017

## Corporate Data

**Mitsubishi Electric Corporation**

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

Established: January 15, 1921
Paid-in Capital: ¥175,820 million
Shares issued: 2,147,201,551 shares
Employees: 138,700

## Annual Meeting

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

## Stock Exchange Listings

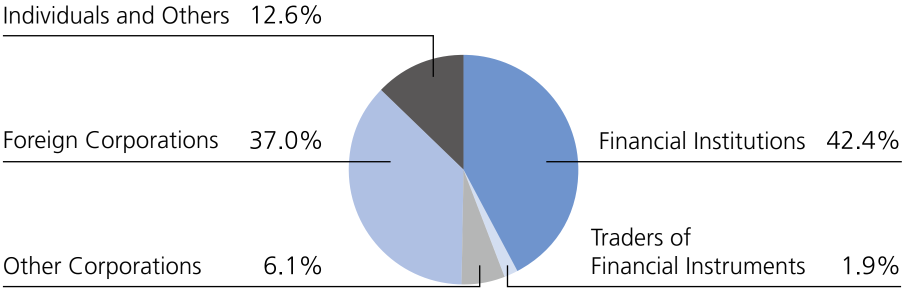
Japan: Tokyo
Europe: London

## Major Shareholders

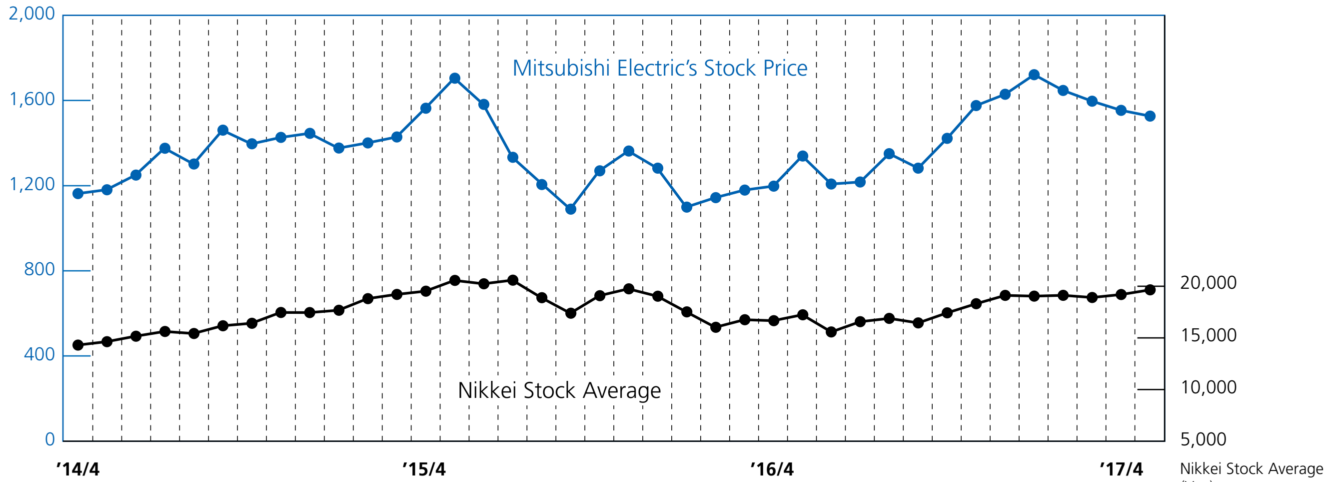
| | Number of Shares (thousands) | Percentage of Ownership |
|---|---|---|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 151,129 | 7.0% |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 117,726 | 5.5% |
| State Street Bank and Trust Company | 88,345 | 4.1% |
| Meiji Yasuda Life Insurance Company | 81,862 | 3.8% |
| Nippon Life Insurance Company | 61,639 | 2.9% |
| JP Morgan Chase Bank 380055 | 44,552 | 2.1% |
| Mitsubishi Electric Group Employees Shareholding Union | 42,709 | 2.0% |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 39,189 | 1.8% |
| JP Morgan Chase Bank 385632 | 37,429 | 1.7% |
| Japan Trustee Services Bank, Ltd. (Trust Account 4) | 35,486 | 1.7% |

Note: Shareholder ratio calculations deduct 422,870 company-owned shares.

## Distribution of Shareholders




## Stock Price (Yen)




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

**MITSUBISHI ELECTRIC CORPORATION**

http://www.MitsubishiElectric.com

eco Changes

for a greener tomorrow

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

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

X-X01-7-CA024-A　HQ 1707〈IP〉