for a greener tomorrow eco Changes

2014 ANNUAL REPORT

MITSUBISHI ELECTRIC

Changes for the Better

A Global, Leading Green Company That Enriches Society with Technology.

Contents

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

By "enriching 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

Looking back on the economic situation during the fiscal year ended March 31, 2014 (hereinafter fiscal 2014), the Japanese domestic economy recovered due to factors such as an improvement in business confidence following the further weakening of the yen. Outside Japan as well, economies in general continued to gradually expand.

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 efforts to boost its competitiveness and strengthen its management structure.

As a result, the Mitsubishi Electric Group recorded consolidated net sales of ¥4,054.3 billion in the fiscal year ended March 31, 2014, an increase of 14% compared with the previous fiscal year. Operating income increased 55% year on year to ¥235.1 billion, for a Group operating income ratio of 5.8%. Meanwhile, net income increased 121% to ¥153.4 billion. Accordingly, we reached our management targets of establishing a return on equity (ROE) above 10% and keeping interest-bearing debt to total assets below 15%. Moving forward, we have revised our growth targets and will carry out a variety of measures in order to achieve consolidated net sales of ¥5 trillion or more and an operating income ratio of 8% or more by fiscal 2021.

The Mitsubishi Electric Group is taking steps to strengthen its initiatives in growing market fields. To that end, we are engaging in growth strategies that include: promoting environment-related business strategies; expanding business activities in China, India, and other emerging economies; bolstering the social infrastructure systems business; and developing the solutions business by combining a wide array of technologies with expertise gained in the security business and other fields.

Furthermore, regarding our aspiration to realize a higher level of growth, we aim to enhance corporate value by promoting robust growth strategies based on renewed and meticulous efforts to bolster operations in the area of Soundness—one of the three key viewpoints of Balanced Corporate Management—with particular consideration also being given to corporate ethics and compliance. The promotion of such growth strategies is underpinned by a management foundation realigned to be even stronger.

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

July 2014
President & CEO

M. Sakuyama

Masaki Sakuyama

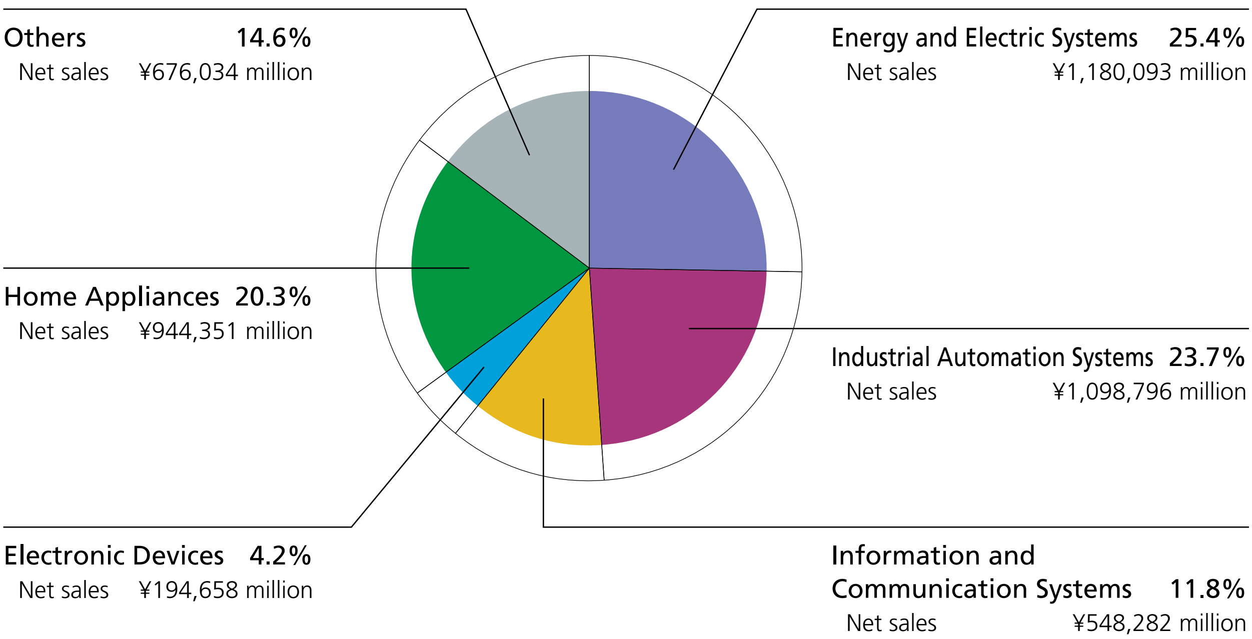
Performance for the Year Ended March 31, 2014

Years ended March 31	2014	2013	2012	2014
	Yen (millions)			U.S. dollars (thousands)
Net sales	**¥4,054,359**	¥3,567,184	¥3,639,468	**$39,362,709**
Operating income	**235,172**	152,095	225,444	**2,283,223**
Net income attributable to Mitsubishi Electric Corp.	**153,473**	69,517	112,063	**1,490,029**
Total assets	**3,612,966**	3,410,410	3,391,651	**35,077,340**
Interest-bearing debt	**373,478**	540,572	542,291	**3,626,000**
Mitsubishi Electric Corp. shareholders' equity	**1,524,322**	1,300,070	1,132,465	**14,799,243**
Capital expenditures	**151,840**	150,425	159,346	**1,474,175**
R&D expenditures	**178,945**	172,222	169,686	**1,737,330**
	Yen			U.S.dollars
Per-Share Amounts				
Net income attributable to Mitsubishi Electric Corp.				
Basic	**¥71.49**	¥32.38	¥52.20	**$0.694**
Diluted	—	—	—	—
Cash dividends declared	**17**	11	12	**0.165**
	%			
Statistical Information				
Operating income ratio	**5.8%**	4.3%	6.2%	—
Return on equity (ROE)	**10.9**	5.7	10.3	—
Interest-bearing debt to total assets	**10.3**	15.9	16.0	—

See accompanying Notes to Consolidated Financial Statements on page 39.

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 translated from yen at the rate of ¥103=U.S.$1, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2014.

Net Sales Breakdown by Business Segment



Management Policy

The Mitsubishi Electric Group, based on its Corporate Mission and Seven Guiding Principles, has positioned corporate social responsibility (CSR) initiatives as the pillar of its corporate management. It seeks to become a corporation that is trusted by society, customers, shareholders, and employees and that earns their satisfaction through its business activities. Concerning corporate social responsibility, in particular corporate ethics and compliance, the entire Mitsubishi Electric Group will continue to strengthen its internal control systems and thoroughly implement education and training.

Since fiscal 2002, the Mitsubishi Electric Group has continued to pursue sustainable growth by undertaking balanced management initiatives that stem from the three perspectives of growth, profitability and efficiency, and soundness. Looking ahead, the Group will carry out these initiatives while accelerating the global expansion of its environment-and-energy-related and social-infrastructure-related systems businesses, as a global, leading green company that is committed to the creation of a prosperous society. Along with its efforts to secure business growth, the Group will work diligently to increase corporate value.

Toward a Higher Level of Growth

The Mitsubishi Electric Group has established three management targets to be continuously and stably achieved: an operating income ratio of 5% or more, an ROE of 10% or more, and a ratio of interest-bearing debt to total assets of 15% or less. In fiscal 2014, the Group achieved an operating income ratio, ROE, and ratio of interest-bearing debt to total assets of 5.8%, 10.9%, and 10.3% respectively, meaning that it was able to simultaneously achieve these three management targets for the first time in three years. Building on these results, the Group has positioned fiscal 2015 as a year in which it will work toward an even higher level of growth. In addition to a continued focus on balanced management initiatives, the Group will endeavor to expand sales while concurrently increasing profitability. Making efforts to ensure the health of its businesses by constantly reviewing and refreshing its business portfolio, the Group will work toward the realization of true, sound growth.

Management Targets

In fiscal 2014, the Mitsubishi Electric Group recuperated consolidated net sales above ¥4.0 trillion as well as an operating income ratio of 5% or more. Taking these positive results into consideration, it 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. Looking ahead, the Group will also continue with efforts to achieve the following management targets continuously and stably: to secure an ROE of 10% or more, and to secure an interest-bearing debt to total assets ratio of 15% or less.

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

Bolstering Growth Strategies

The Mitsubishi Electric Group's strength lies in its solid technology platform, which encompasses a wide range of technologies, such as control technologies as well as power electronics. In addition, the Group possesses a solid business platform encompassing material procurement, production, quality assurance, and sales and services, in all of which a culture of improvement is firmly entrenched. The Mitsubishi Electric Group's growth strategies are built on its efforts to create technological and operating synergies by coordinating and combining operations between these platforms consistently.

Aiming for a higher level of growth, the Group has positioned the eight businesses as drivers of global growth: power systems, transportation systems, building systems, factory automation (FA) systems, automotive equipment, space systems, power devices, and air conditioning (AC) systems.

Making Strong Businesses Stronger

The Mitsubishi Electric Group is responding flexibly to changes in customer needs, market trends, and business conditions in order to strengthen the competitive edge of individual businesses. At the same time, it is bolstering its technology platform through a variety of measures, including research and development tie-ups with external institutions. Moreover, the Group is strengthening its business platform—which encompasses material procurement, production, quality assurance, and sales and services—even further as a part of its efforts to increase profitability. Through these means, it is advancing growth strategies across the Group as a whole.

Continuous Creation of New Strong Businesses

To realize sustainable growth, the Mitsubishi Electric Group is also committed to actively creating new robust businesses that will support future expansion. To this end, it is strengthening its technology and business platforms while promoting wide-ranging measures such as the coordination and consolidation of existing businesses and technologies.

Reinforcing Solutions Business Centered on Strong Businesses

Going beyond promoting the development of products and systems on an individual business basis, the Mitsubishi Electric Group works diligently to ensure collaboration among business divisions. By combining individual products and systems, it is advancing operations in energy and security solutions businesses across a wide range of residential, building, factory, and transportation fields.

The Group's efforts to develop each of these businesses enable it to create and deliver new added value at the community level. By moving forward with its smart community solutions, the Group is contributing to the creation of an even more prosperous society.

Further Global Business Expansion

The Mitsubishi Electric Group works actively to achieve stable growth and greater profitability in the Japanese market. At the same time, it is currently making preparations to strengthen the competitiveness of its operations and expand its business scale in Europe and the United States as well as China, which are the nucleus of its global business development endeavors.

Furthermore, in order to realize an even higher level of growth, the Group is making efforts to promote the cultivation of new markets by establishing business structures in emerging nations such as Turkey, India, Vietnam, Thailand, Indonesia, Mexico, and Brazil.

Strengthening the Group's Management Foundation

The Mitsubishi Electric Group reported an interest-bearing debt to total assets ratio of 10.3% on a balance of outstanding debt and corporate bonds of ¥373.4 billion as of the end of fiscal 2014. It was successful in securing a positive free cash flow for the first time in three years. As a result, the Group's equity ratio improved to 42.2%, substantially enhancing its financial position.

Moving forward, the Mitsubishi Electric Group will continue to build a solid management structure while generating stable cash flows. It will actively channel these cash flows into growth fields, including research and development, capital investment, and M&A. Moreover, the Group will pursue the balanced distribution of profits to shareholders through the payment of dividends and work diligently to increase its corporate value.

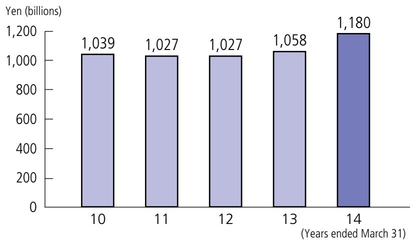
Continuous Innovation

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.

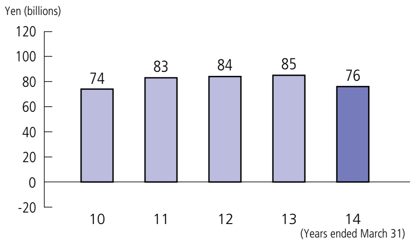
At a Glance

Energy and Electric Systems

Net sales



Operating income

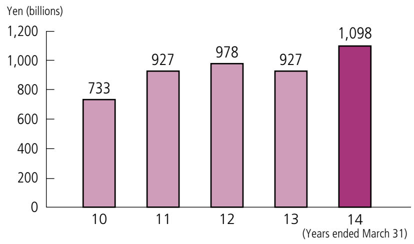


MAIN PRODUCTS AND BUSINESS LINES

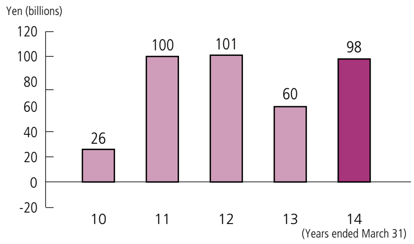
Turbine generators, hydraulic turbine generators, nuclear power plant equipment, motors, transformers, power electronics equipment, circuit breakers, gas insulated switches, switch control devices, surveillance-system control and security systems, large display devices, electrical equipment for locomotives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

Industrial Automation Systems

Net sales



Operating income

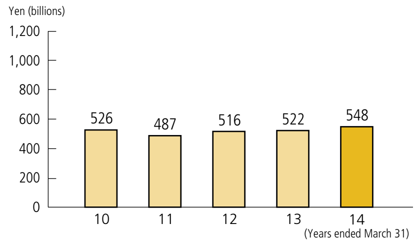


MAIN PRODUCTS AND BUSINESS LINES

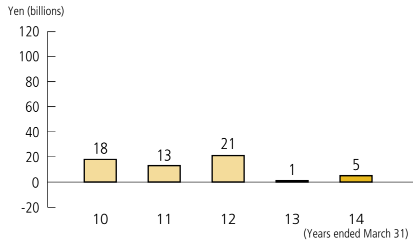
Programmable logic controllers, inverters, servomotors, human-machine interface, motors, hoists, magnetic switches, no-fuse circuit breakers, short-circuit breakers, transformers for electricity distribution, time and power meters, uninterruptible power supply, industrial fans, computerized numerical 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, surveillance cameras, 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 2014 Overview

2013

April

- Established new FA center to strengthen services for factory automation products in Mexico
- Opened a new office building as the headquarters of Mitsubishi Electric US, Inc.'s Cooling & Heating Division
- Commenced operations at a new transformer factory in Memphis, Tennessee
- Commenced operations at a digital instrumentation and control (I&C) system for nuclear power plants in China

New Cooling & Heating Facility in Georgia, USA

Mitsubishi Electric Power Products, Inc. Memphis Factory

May

- Launched three types of silicon carbide (SiC) power modules for home appliances, industrial equipment, and railcar traction systems
- Enhanced business relating to smart meters, the advanced electricity meters with communication functions, in collaboration with partner Echelon Corporation (NASDAQ: ELON)

June

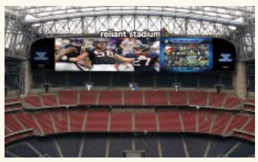
- Established new FA center at Jakarta to provide enhanced services in Indonesia

July

- Established a mock-house facility to test heating, ventilating, and air conditioning (HVAC) products in Scotland, U.K.
- Announced the acquisition of F.A. TECH CO.,LTD. (F.A. TECH), a factory automation product distributor and long-time partner in Thailand

August

- Established new FA centers at Hanoi and Ho Chi Minh
- Installed two 3,385-inch Diamond Vision displays, both 1,352m², at Reliant Stadium in Houston, Texas



Diamond Vision displays at Reliant Stadium

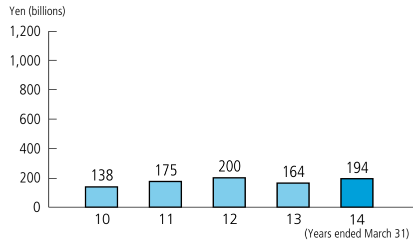
September

- Entered Brazilian elevator and escalator market
- Established Mitsubishi Electric Power & Electrical Infrastructure Systems (Beijing) Co., Ltd. (MEPIC) in Beijing, China
- Announced that the Company had been awarded a contract to install 38 elevators and escalators to MAHANAKHON, a commercial complex under construction in Bangkok, Thailand

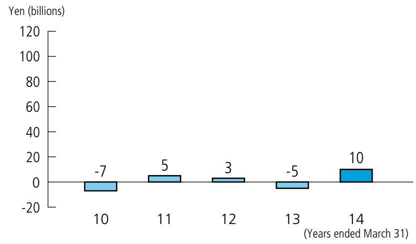
MELCO ELEVADORES DO BRASIL S.A.

Electronic Devices

Net sales



Operating income (loss)

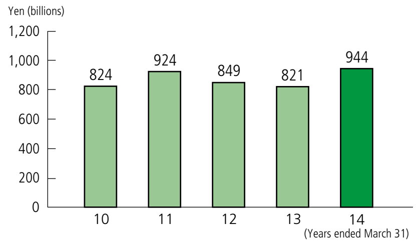


MAIN PRODUCTS AND BUSINESS LINES

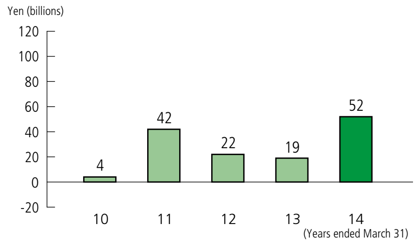
Power modules, high-frequency devices, optical devices, LCD devices, and others

Home Appliances

Net sales



Operating income

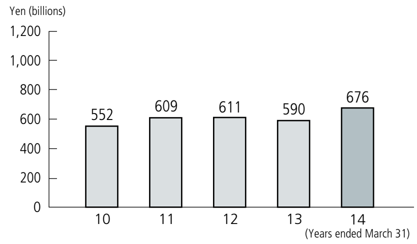


MAIN PRODUCTS AND BUSINESS LINES

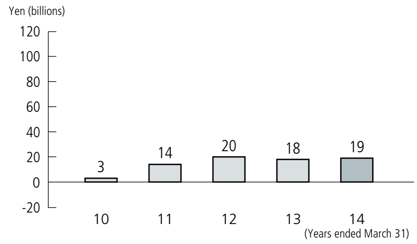
LCD televisions, room air conditioners, package air conditioners, air-to-water heat pump boilers, refrigerators, electric fans, ventilators, photovoltaic systems, hot water supply systems, LED lamps, fluorescent lamps, indoor lighting, compressors, chillers, dehumidifiers, air purifiers, showcases, cleaners,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

Others

Net sales



Operating income



MAIN PRODUCTS AND BUSINESS LINES

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

October

- Established a new FA center in the Ümraniye district of Istanbul
- Awarded contract to deliver proton therapy systems for cancer treatment to Tsuyama Chuo Hospital in Okayama and Hakuhokai Group Osaka Proton Therapy Clinic
- Commenced production of indoor units for commercial air conditioners at Mitsubishi Electric US

November

- Announced that the Company had been awarded a contract to install 85 elevators and escalators, including two elevators capable of climbing 600 meters per minute, to the Wuhan Center, Hubei Province, China

Wuhan Center (CG rendition)

January

- Expanded assembly lines for automotive equipment at Mitsubishi Electric Automotive America, Inc. in the United States and commenced production of high-efficiency alternators

Mitsubishi Electric Automotive America, Inc.

February

- Successfully launched the TURKSAT-4A satellite under a turnkey contract awarded by Turksat Satellite Communication, Cable TV and Operation Inc. Co. (Turksat A.S.)
- Agreed to acquire Turkish air conditioning distributor Klima Plus through local subsidiary Mitsubishi Electric Turkey A.Ş.

Successfully Launched TURKSAT-4A Satellite

2014

December

- Commenced sales of Mitsubishi home energy management systems (HEMs); entered the smart house business in earnest
- Awarded contract to supply the Japan Aerospace Exploration Agency (JAXA) with the Greenhouse gases Observing SATellite-2 (GOSAT-2) satellite system
- Announced an agreement that will see 80% of Klimat-Fer's shares incorporated into Mitsubishi Electric's railcar business in Europe
- Launched a railcar traction inverter system for 1,500V DC catenaries that incorporates the world's first all-silicon carbide (SiC) power modules made with SiC transistors and SiC diodes

GOSAT-2 (CG rendition)

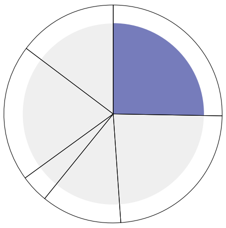
March

- Commenced operations at a design and technology facility located in the Power Device Works in Japan
- Installed elevators and escalators to the Abeno Harukas Building in Japan
- Produced one millionth medium-voltage circuit breaker at Power Distribution Systems Center (PDSC) in Marugame (Kagawa, Japan)
- Surpassed one billion yen in cumulative donations over the 22-year life of the Mitsubishi Electric SOCIO-ROOTS Fund

Design and Technology Facility

Energy and Electric Systems

Net Sales Breakdown by Business Segment



25.4%

Net Sales

¥1,180.0billion

up 12% year on year

Operating Income

¥76.3billion

down ¥8.8 billion year on year

The social infrastructure systems business saw increases in both orders and sales compared to the previous fiscal year due primarily to increases in the public utility systems business in Japan and the power generation and rolling-stock businesses outside Japan, in addition to the weaker yen.

The building systems business experienced increases in both orders and sales compared to the previous fiscal year, owing to growth in elevators and escalators for new installations and renewals in Japan as well as for new installations overseas mainly in China, in addition to the weaker yen.

As a result, total sales for this segment increased by 12% from the previous fiscal year to 1,180.0 billion yen. Operating income decreased by 8.8 billion yen from the previous fiscal year to 76.3 billion yen due primarily to a shift in project portfolio and other factors.

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.

Digital Signage System at Narita International Airport

Mitsubishi Electric has successfully installed Japan's largest digital signage system[1] at Narita International Airport. This system comprises 100 display units made up of a total of 336 display panels, including a unit consisting of 27 46-inch LCD multi-display screens. As a part of efforts to ensure the presentation of information in an appropriate and timely manner, a wide range of content, including airport news and entertainment, is delivered according to the location of each display.

1. Based on Mitsubishi Electric research as of June 2012.

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.

AXIEZ Machine-room-less Elevators

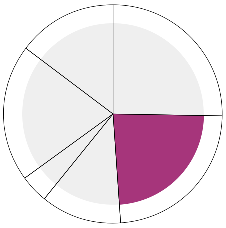
Along with enhanced energy-saving functions, including lighting that is entirely LED, AXIEZ machine-room-less elevators offer outstanding function and design. Furthermore, Mitsubishi Electric has added a new large-capacity model to the AXIEZ lineup, thereby extending the range of target buildings to include large-scale office buildings, commercial facilities, and hospitals.

Facima BA-System, an Open Integrated Management System for Building Facilities

The Facima BA-system provides a variety of functions which help save energy and make building management more efficient. In order to target buildings of a wider range of sizes and purposes, Mitsubishi Electric has launched a new wall-mounted model with an LCD touch panel as part of its Facima lineup.

Industrial Automation Systems

Net Sales Breakdown by Business Segment



23.7%

Net Sales

¥1,098.7 billion

up 18% year on year

Operating Income

¥98.0 billion

up ¥37.4 billion year on year

The factory automation systems business saw increases in both orders and sales from the previous fiscal year mainly due to an increase in capital expenditures relating to smartphone and semiconductor as well as facility replacements by manufacturers in Japan, in addition to the weaker yen.

The automotive equipment business saw increases in both orders and sales from the previous fiscal year due primarily to strength in the North American and Japanese car sales markets and increased sales in China by Japanese automotive manufacturers, as well as the weaker yen.

As a result, total sales for this segment increased by 18% from the previous fiscal year to 1,098.7 billion yen. Operating income increased by 37.4 billion yen from the previous fiscal year to 98.0 billion yen due primarily to an increase in sales.

Programmable Logic Controllers

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

AC Servos

The MELSERVO-J4 series features the world's highest level of performance and functionality. Its advanced design allows "one touch" auto-tuning and vibration suppression that enhances the speed, precision and overall performance of production equipment and manufacturing devices. The MELSERVO-J4 series has applications in numerous fields, including semiconductors, FPD (Flat Panel Display) production, packaging systems and industrial machinery.

Low-voltage Circuit Breakers

Low-voltage Circuit Breakers are used for wiring protection and short-circuit protection in low-voltage circuits. Since 1933, Mitsubishi Electric has been continuously designing and developing such breakers, the latest of which is the new WS-V "World" series. The lineup is ideal for both power distribution and OEM markets.

Electrical Discharge Machines (EDMs)

Beginning with the newly launched MV series, a strategic product globally, 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)

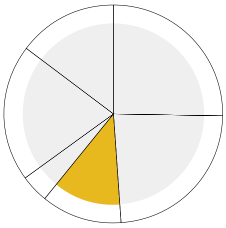
Mitsubishi Electric was the first company in the world to mass produce motors and controllers for electric power steering to assist driver steering in line with driving conditions. Over the years, Mitsubishi Electric has helped to improve steering feel, response and stability while delivering compact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

Memory Car Navigation System

Mitsubishi Electric's DIATONE SOUND.NAVI is a car navigation system that incorporates acoustic technology cultivated during the development of DIATONE to offer improved sound quality. The NR-MZ80 Series boasts the high-definition technology of the Company's REAL LCD TV along with a variety of simple, user-friendly navigation functions.

Information and Communication Systems

Net Sales Breakdown by Business Segment



11.8%

Net Sales

¥548.2 billion

up 5% year on year

Operating Income

¥5.5 billion

up ¥3.9 billion year on year

The telecommunications equipment business saw increases in both orders and sales from the previous fiscal year owing primarily to an increase in the communications infrastructures business.

The information systems and services business saw an increase in sales compared to the previous fiscal year mainly due to growth in the system integration business.

The electronic systems business saw a decrease in orders from the previous fiscal year due primarily to decreases in large-scale projects in the electronics and space systems businesses, while sales increased from the previous fiscal year due to progress in orders already received for projects in the space systems business.

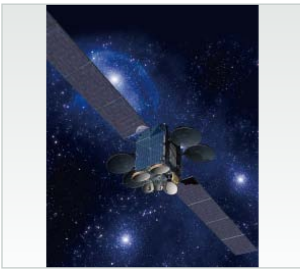
As a result, total sales for this segment increased by 5% from the previous fiscal year to 548.2 billion yen. Operating income increased by 3.9 billion yen from the previous fiscal year to 5.5 billion yen due to an increase in sales and other factors.

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 Technology Corporation)



DS2000 Standard Satellite Platform

The DS2000 is a standard satellite platform modeled after JAXA's ETS-VIII platform, which was designed to meet the need for high-quality, low-cost satellites with shortened delivery times. The DS2000 has maintained a competitive edge internationally, and is employed in such satellites as Himawari-7, 8, 9, Superbird-C2, ST-2 and Türksat-4A/4B.

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 have achieved Japan's highest market share in this field, and are employed by Japanese broadcasters, the public sector and infrastructure companies such as gas and electricity utilities.

Broadband Optical Access Systems

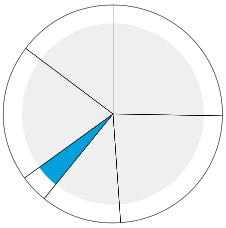
Mitsubishi Electric is progressively installing Gigabit Ethernet Passive Optical Network (GE-PON) systems, which play a central role in broadband services. The need for GE-PON systems is steadily expanding due to high-capacity broadband content, including the increased use of visual services.

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



4.2%

Net Sales

¥194.6billion

up 19% year on year

Operating Income

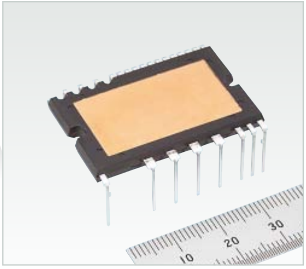
¥10.0billion

up ¥15.6 billion year on year, turning into profit

The semiconductor business saw increases in both orders and sales from the previous fiscal year due to a growth in demand mainly for power modules used in consumer, industrial, automotive and railcar applications, as well as the weaker yen.

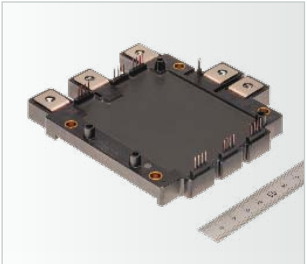
The LCD module business saw increases both in orders and sales due to growth in demand for automotive-use products.

As a result, total sales for this segment increased by 19% from the previous fiscal year to 194.6 billion yen. Operating income improved by 15.6 billion yen from the previous fiscal year, turning into a profit 10.0 billion yen, mainly due to an increase in sales.



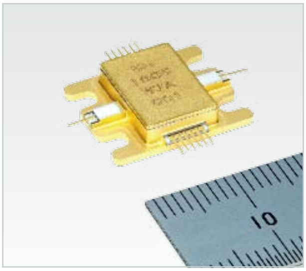
Super mini DIPIPM™ Ver. 6 with Built-in Seventh-generation IGBT

Equipped with a seventh-generation IGBT that serves to reduce the static and turn-off loss during periods of low current, the Ver. 6 Series transfer-molded super-mini dual in-line package intelligent power module (DIPIPM™) delivers industry-leading low power consumption. This module contributes significantly to reducing the power consumption of white goods as well as the inverter drive systems of industrial motors.



J1-series Power Modules for Automotive Inverters

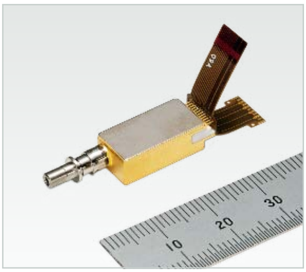
Mitsubishi Electric has developed a new power module series "J1-Series" for use mainly in the inverters of electric and hybrid vehicles. The J1-Series power modules feature a compact, high-reliability package structure with an integrated direct cooling fin.



Ku-band[1] GaN[2] HEMT[3] MMIC[4] with Integrated Linearizer

Mitsubishi Electric has launched the MGFG5H1503, a Ku-band MMIC amplifier that features the world's first[5] GaN HEMT MMIC with an integrated linearizer to compensate for distortion. In combination with our GaN HEMT, the MGFG5H1503 contributes to the downsizing, high performance, and faster development of power transmitters while enabling Ku-band satellite earth station power transmitters to be configured for a wide range of output power.

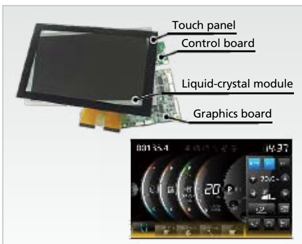
1. Microwave band ranging from 12-18 GHz
2. Gallium Nitride
3. High Electron Mobility Transistor
4. Monolithic Microwave Integrated Circuit
5. Based on Mitsubishi Electric research as of January 20, 2014. GaN HEMT for use in satellite earth stations.



Four-wavelength Integrated 100Gbps EML[1]-TOSA[2]

Mitsubishi Electric has developed a laser diode-transmitter optical subassembly that enables 100Gbps optical transmission over a single fiber using four-channel wavelength-division multiplexing. Not only is this unit compact, but it also enables optical transceiver modules to operate at lower power.

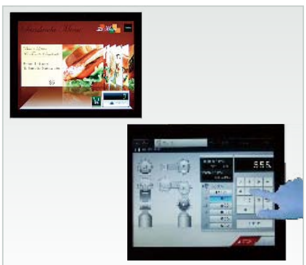
1. Electro-absorption Modulated Laser diode
2. Transmitter Optical Sub Assembly



Display screen (meter display)

Industrial-use Color TFT LCD Module with Built-in Intelligent GUI

A liquid-crystal module with a touch panel that realizes a high level of operability and a graphics board that easily incorporates high-quality graphic displays are provided as a single set. As a result, there is no need for intensive software development, production equipment development costs are drastically reduced, and high-quality graphics can be easily displayed.

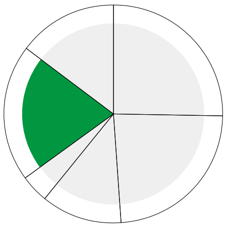


Color TFT-LCD Modules with Touch Panels for Industrial Applications

Mitsubishi Electric's lineup of color thin-film transistor liquid crystal display (TFT-LCD) modules with touch panels provide superior visibility and durability and can be operated intuitively even by users wearing gloves. In addition to upgrading and expanding the lineup of products, which boast a variety of screen sizes, the company is making every effort to provide total support, including touch panels, in order to make the user interface with industrial equipment more sophisticated.

Home Appliances

Net Sales Breakdown by Business Segment



20.3%

Net Sales

¥944.3 billion
up 15% year on year

Operating Income

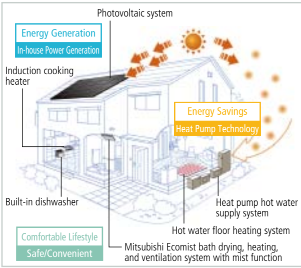
¥52.8 billion
up ¥33.5 billion year on year

The home appliances business saw a 15% increase in sales from the previous fiscal year to 944.3 billion yen due primarily to expansion in sales for air conditioners in Asian, European and North American markets, as well as increases in air conditioners and photovoltaic systems in Japan, which experienced a last-minute surge prior to the consumption tax raise, in addition to the weaker yen.

Operating income rose by 33.5 billion yen from the previous fiscal year to 52.8 billion yen due primarily to an increase in sales.

Room Air Conditioners

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.



Smart All-electric Homes

To ensure the comfort and convenience of all-electric-powered homes, Mitsubishi Electric is proposing "smart all-electric home" lifestyle ideas that improve energy creation via photovoltaic generation and effective energy usage through high-efficiency technologies such as heat pumps.

Home Appliances

The home appliances business strives to deliver technologies and products that bring convenience, comfort and enjoyment to everyday life. Focusing on keywords such as "delicious," "delightful" and "soothing," every effort is made to further enhance people's quality of life through intelligent, connected, and economical—or, in short, "smart"—technologies.

LED Lighting

Currently under rapid development, LEDs possess outstanding features that expand lighting possibilities, including longevity, low power consumption, absence of mercury and the enabling of more compact fixtures. LEDs also significantly contribute to power conservation efforts.

Digital Signage

Mitsubishi Electric offers a full lineup of visual display products, including multiple large-screen systems. The lineup is easy to use—digital content can be accessed simply by inserting an SD card into a display unit—while offering solutions for logistics, retail stores, and other industry sectors as well as a host of applications.

Visual Equipment for Public and Business Applications

Our high-quality image processing technologies deliver exceptionally sharp color reproduction. Mitsubishi Electric offers a range of products developed to suit a variety of application needs. These systems are being used in Japan and abroad for large-screen applications that display images, data and information.

Research and Development

R&D Initiatives

The Mitsubishi Electric Group, in conformity with its growth strategies, accelerated R&D efforts in the environment/energy and social infrastructure fields, in which increased business opportunities are expected on a global scale. In addition, the Group focused on developing new technologies and new products that will fortify its position in the future, making its competitiveness in key operating fields even stronger. Representative achievements for the consolidated fiscal year under review are as follows.

R&D Achievements in Fiscal 2014

Developing Micro Glass-Processing Technology That Employs a Pulsed CO_2 Laser[1]

Mitsubishi Electric Corporation has developed a new glass substrate processing technology for drilling holes with diameters as tiny as 25 microns[2], a size that makes them the smallest[3] in the world. Employing a pulsed CO_2 laser, this technology enables drilling at a pace of 200 holes per second, a speed that makes the technology practicable for use in mass-production machining processes.

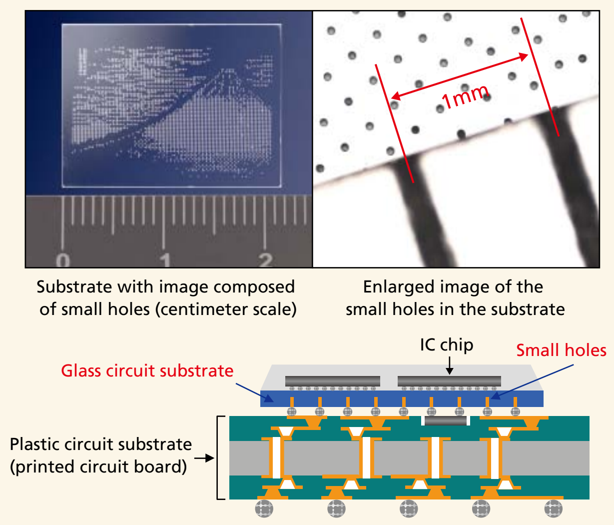
Glass is brittle and difficult to process. On the other hand, its physical hardness and minimal deformation at high temperatures are characteristics that have resulted in glass being considered superior to resin—the current mainstay material for electric circuit substrates—when creating extremely small circuits. Drawing on this achievement, Mitsubishi Electric Corporation will accelerate its efforts to commercialize electric circuit substrates made with glass, thereby helping to create electronic devices with even greater processing abilities and functionalities in the fields of smartphones and other mobile terminals.

1. A high-energy laser beam created through electrical discharge in carbon dioxide gas
2. 1 micron is equal to 1/1000 millimeter
3. As of February 13, 2014 (survey conducted by Mitsubishi Electric Corporation)

Establishing House-Type HVACs Evaluation Facilities in Scotland

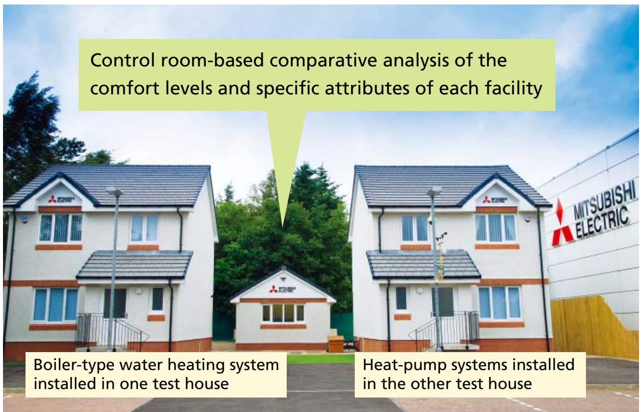
The Group subsidiary Mitsubishi Electric Air Conditioning Systems Europe Ltd. has established house-type HVACs evaluation facilities in Scotland, U.K., to test its heating, ventilating and air conditioning (HVAC) systems, with the aim of developing HVAC products best tailored to cold climate zones in Europe. This move will facilitate the Group's penetration of the European market in step with growing demand for heat pump-related HVAC systems, which boast energy-saving properties as well as environment friendliness.

With the installation of a total of more than 1,400 sensors to monitor indoor conditions, the facility enables the precise testing of the effect of air conditioning systems on indoor environments. Employing this facility, the Mitsubishi Electric Group will step up product development targeting the European market, creating HVAC solutions capable of contributing to "zero-emission housing."



Cross section of an advanced electronic package

Helping to Deliver Electronic Devices, Including Smartphones That Offer Increased Speed and Performance

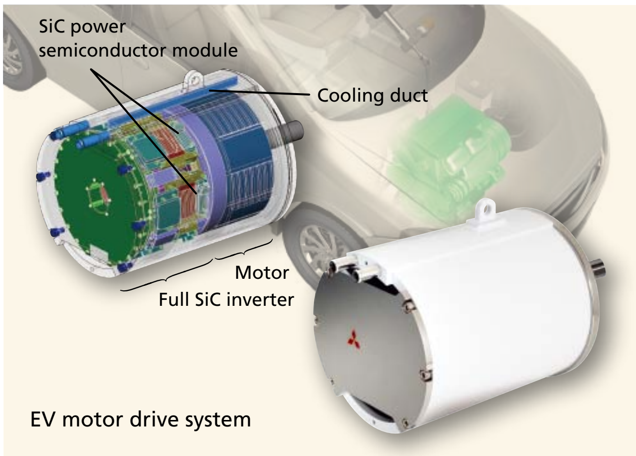


Detailed Analysis of Air-Conditioning and Refrigeration System Operations as well as Air-Conditioning and Ventilation Environments

Unveiling an Innovative EV Motor Drive System Prototype

Mitsubishi Electric Corporation has developed a 60kW electric vehicle (EV) motor drive system prototype with a reduced cubic volume of 14.1 liters, thereby realizing the smallest EV motor drive in this category.[1] In addition to incorporating a built-in silicon-carbide (SiC) inverter—one example of the Company's R&D accomplishments aimed at reducing EV motor size—the system employs a unique structure to improve cooling, optimizing the allocation of power modules so that paths of motor coolant and inverter coolant run parallel on the outer periphery of the casing. With these features, the new EV motor drive system is designed to contribute to the downsizing, weight cutbacks and energy efficiency of EV motors. Accordingly, this system is expected to realize a longer driving range compared with current drive systems when using the same size batteries.

1. As of February 13, 2014 (survey conducted by Mitsubishi Electric Corporation)



Smallest of Its Kind in the Industry

Intellectual Property

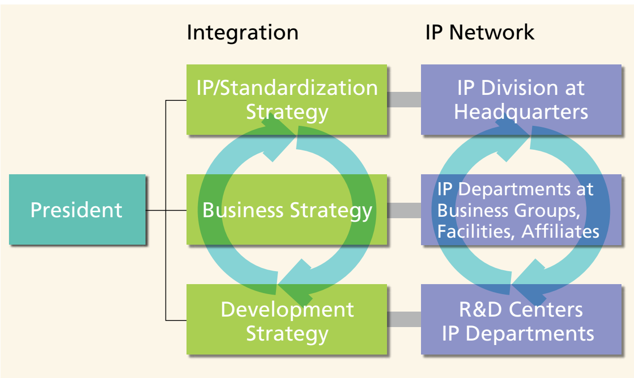
Basic Policy

The Mitsubishi Electric Group recognizes that intellectual property (IP) rights represent a vital management resource essential to its future. Therefore, every effort is made to integrate the Group's business, R&D and IP activities. Moving forward, the Mitsubishi Electric Group will further strengthen its IP capabilities while promoting its growth strategy.

Structure of the Intellectual Property Division

The Mitsubishi Electric Group's IP-related operations are the direct responsibility of the president and are overseen by the Head Office IP Division under an appointed IP executive officer. Day-to-day issues are handled by IP departments at relevant facilities, R&D centers and affiliated companies. The Head Office IP Division formulates strategies for the entire Group, promotes critical IP-related projects and coordinates interaction with the patent office. At the manufacturing facility, R&D center and affiliated company levels, IP departments pursue specific objectives in line with the Group's overall IP strategies.

Integrating Business, R&D and IP Activities

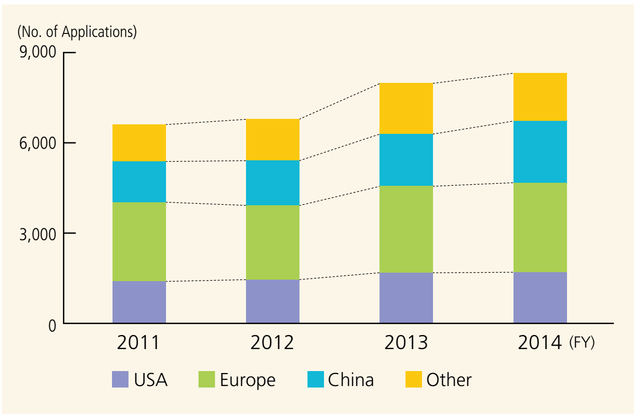


Global IP Strategy

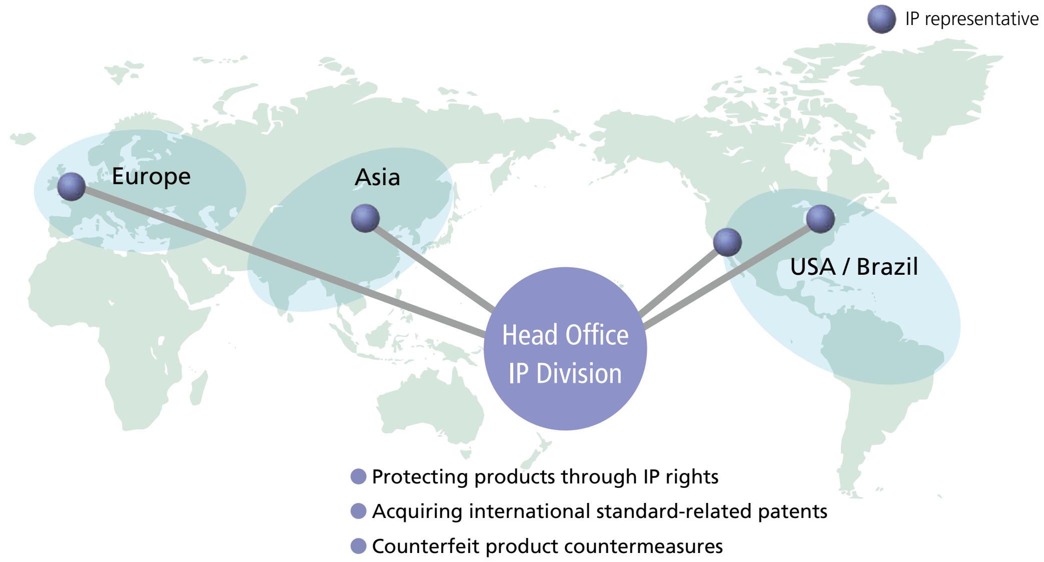
The Mitsubishi Electric Group identifies critical IP-related themes in connection with mainstay businesses and important R&D projects. At the same time, the Group channels its energies toward the globalization of its robust patent portfolio by promoting patent filing activities. With regard to its overseas operations, the Group is accelerating the globalization of its IP activities through actions such as working to increase the number of patent applications it files prior to undertaking business development in emerging countries, including India and Brazil.

Moreover, the Mitsubishi Electric Group is actively engaging in activities aimed at acquiring design rights in Japan and overseas to further enhance its robust patent portfolio. These efforts are intended to specifically protect proprietary assets in both technology and design areas.

Annual Trends in Overseas Patent Applications by the Mitsubishi Electric Group



Further Strengthening Global IP Capabilities



The Mitsubishi Electric Group has assigned IP representatives to each of its bases in the United States, Europe and China. Every effort is being made to strengthen IP capabilities at Group facilities, R&D centers and affiliated companies in each country.

Standardization Strategy

As companies continue to globalize their business activities, the international standardization of technologies that contribute to global market growth is significantly impacting business strategies. For this reason, the importance of promoting IP strategies in consideration of international standards is increasing. In response to this situation, the Mitsubishi Electric Group is placing emphasis on activities to standardize its development technologies and acquire related IP rights. The Group is paying particular attention to the acquisition of international standard patents, while patent pools, including those for MPEG and Blu-ray Disc™*, are proving to be a wellspring for IP revenues. These revenues are contributing to improvement and growth in business earnings.
Furthermore, the Mitsubishi Electric Group is working to reinforce its activities to acquire rights for international standard-related technologies. The Group is looking to utilize these patents to help increase the market share of its products.

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

Activities Aimed at Preventing Infringement on the Group's IP Rights

The Mitsubishi Electric Group works diligently to prevent any infringement on 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 both in Japan and overseas as a part of a wide range of measures to prevent the counterfeiting of its products.

Respecting the IP Rights of Others

The Mitsubishi Electric Group recognizes that any infringement on the IP rights of another company has the potential to significantly impair the Group's continued viability as a going concern. The resulting potential impairments include being obliged to pay significant licensing fees or being forced to discontinue the manufacture of a certain product. In order to prevent any infringement on the IP rights of other companies, the Group provides education and training to raise employee awareness and promote greater respect for the IP rights of others. 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 development to production. The Mitsubishi Electric Group works diligently to ensure 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, Environment, Growth

The Mitsubishi Electric Group's Corporate Social Responsibility

The operating environment continues to undergo dramatic changes, reflecting advances in globalization, revisions to legislation and other factors. What must continue regardless of how the times may change is a respect for corporate ethics and compliance and a commitment to never compromise on environmental issues and product quality. This commitment of the Mitsubishi Electric Group 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 contributions 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 particular, the Group's commitment to corporate ethics and compliance has underpinned corporate management while forming the core of the Group's efforts to strengthen its internal control system and implement employee training programs. Looking ahead, the Group will continue to strictly adhere to a policy of compliance. It will also redouble its efforts to bolster activities and to establish relationships built of robust mutual trust with all stakeholders.

As a member of society, the Mitsubishi Electric Group is responsible for upholding corporate ethics and compliance as well as contributing to society. The Group recognizes its responsibility to contribute to society through the technologies it has built up over the years.

A sincere concern for the environment permeates every facet of the Mitsubishi Electric Group's operations. Thus, it can be said that each facet of the Group's business activities is geared toward contributing to the environment. The technologies and products that comprise its portfolio support environmental protection, energy conservation and social infrastructure while being gentle to humankind and the earth, thereby enriching society. Looking ahead, the Group will help create a more prosperous and sustainable society by harnessing the strengths of its wide-ranging technological capabilities.

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.

Promoting Activities Deeply Rooted in Local Communities and Activities that Develop the Next Generation

Emphasizing the three categories of social welfare, global environmental conservation, and the promotion of science and technology, the Group's philanthropic activities in Japan are underpinned primarily by the Mitsubishi Electric SOCIO-ROOTS Fund, a gift program in which the Company matches any donation made by an employee to social welfare facilities; the "Satoyama" Woodland Preservation Project, which involves employee volunteers participating in environmental restoration activities in the areas surrounding the Group's offices and production facilities; and science workshops that foster the development of the engineers of tomorrow by encouraging children to experience for themselves the appeal of science.

Focusing on philanthropic activities overseas, the Group implements a broad range of initiatives, including undertaking nature conservation activities with the help of employee volunteers, funding social welfare organizations, and offering support for young musicians and sports teams.

Satoyama Woodland Preservation Project participants (Japan)

A Science Class that helps communicate the appeal of science to children (Japan)

Supporting the El Primer Palau music festival (Spain)

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 in recent years 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)

Recipients of university scholarships and Foundation representatives (Thailand)

Environmental Activities

The 7th Environmental Plan

The Mitsubishi Electric Group has set the goal of becoming a global, leading green company. Guided by its growth strategies and Environmental Vision 2021, the Group is working diligently to realize a sustainable society in which the people of the world can enjoy safe and comfortable lifestyles in harmonious coexistence with all living creatures. In 2007, the Group announced the details of Environmental Vision 2021, its long-term vision for environmental management. Under this vision, the Group launched its 7th Environmental Plan, which covers the period from fiscal 2013 to fiscal 2015. In carrying out this plan, the Group is pursuing the efficient use of energy across all of its businesses, promoting the development and widespread use of innovative products and services that boast outstanding resource efficiency, and advancing efforts to reduce the environmental impact of all of its business activities from procurement through production to logistics.

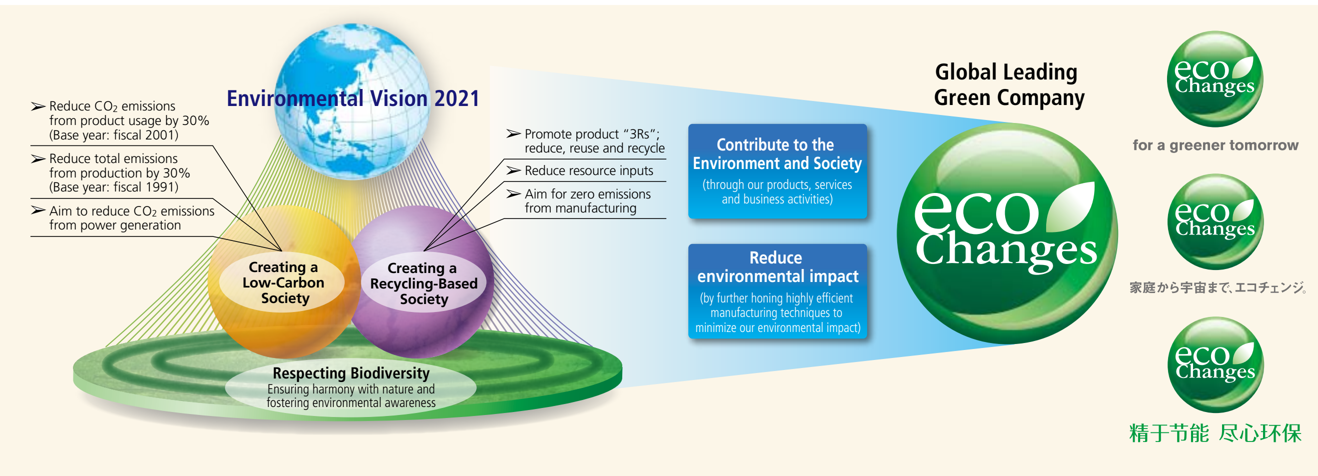
The Mitsubishi Electric Group is evaluating priorities from the perspectives of both society and the Group. At the same time, it is examining the progress and results of its environmental activities as well as pending issues. Drawing on each of these evaluations and examinations, it is putting in place environmental plans on a three-year basis.

• Reducing CO_2 Emissions from Production

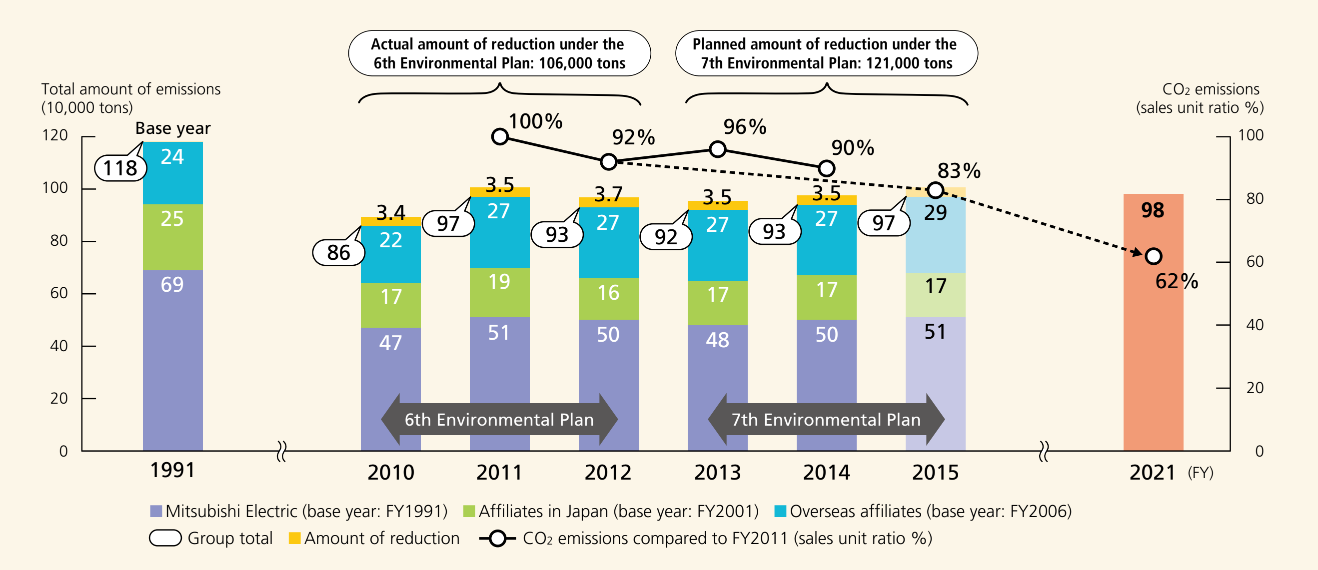
Under its 7th Environmental Plan, which covers the period from fiscal 2013 to fiscal 2015, the Mitsubishi Electric Group is taking steps to reduce its CO_2 emissions during production as a part of efforts to help create a low-carbon society. The Group has set and manages CO_2 emission reduction targets in terms of sales unit ratio.* Doing so ensures that its efforts to reduce emissions can be properly evaluated regardless of increases or decreases in the volume of production. The Group has identified the fiscal 2015 target of reducing the sales unit ratio of CO_2 emissions to 83% of the level recorded in fiscal 2011. In order to achieve this target, a variety of initiatives are being implemented. In an effort to reduce CO_2 emissions from the production line, steps are being taken to visualize and remove the energy waste inherent in the production process. At the same time, the Group is focusing on increasing the efficiency and management of utilities, including air conditioners and lighting. Furthermore, in response to the appeal for a reduction of energy usage in Japan due to the aftermath of the Great East Japan Earthquake, attention is being paid to managing and controlling the use of electric power during peak periods through the introduction of monitoring systems with the aim of realizing a reduction through the use of demand management. Complementing these initiatives, the Mitsubishi Electric Group has also actively promoted the introduction of photovoltaic power generation systems.

The improvement rate of CO_2 emissions in terms of sales unit ratio was 90% in fiscal 2014 against the fiscal year target of 86%. This was, however, a six percentage point improvement over the 96% result in fiscal 2013. While conditions make it difficult to achieve per unit targets due mainly to changes in the social environment that have occurred since the 7th Environmental Plan was formulated and the shortfall between projected and actual net sales, the Group will look to make improvements that exceed the previous fiscal year and continue to engage in reduction activities with the aim of achieving initial targets.

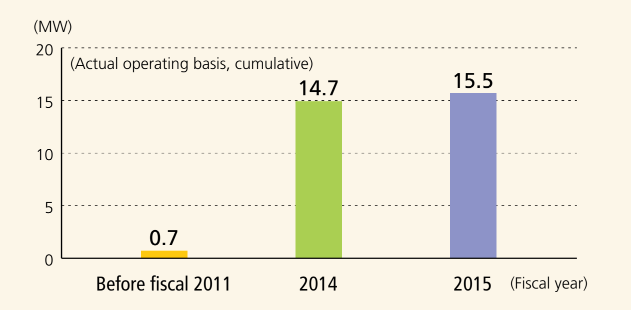
*The amount of CO_2 emitted per unit of sales.



Group-wide Plan to Reduce CO_2 Emissions from Production



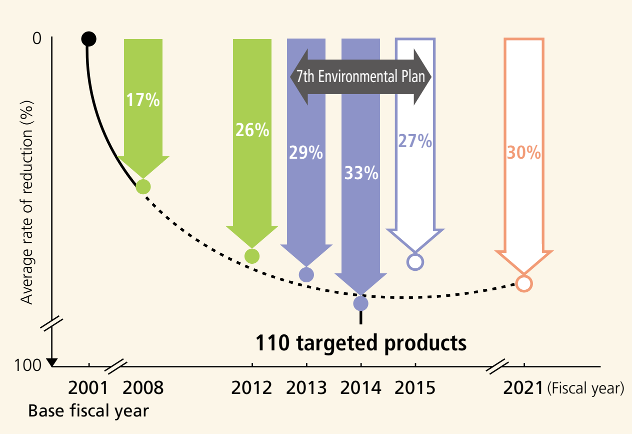
Photovoltaic power generation capacity



• Reducing CO_2 Emissions from Product Usage

In looking at 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. According to in-house calculations, the amount of CO_2 emitted during product use can be several dozen to several hundred times the amount emitted during production. Therefore, the development and widespread use of highly energy-efficient products has a direct impact on efforts to reduce CO_2 emissions. Under the 7th Environmental Plan, the Mitsubishi Electric Group has identified the average rate of reduction in CO_2 emissions from product usage as an important index. The Mitsubishi Electric Group is aiming to achieve an average reduction rate of 27%, with fiscal 2001 as the baseline, through the manufacture of specified products with designs that prioritize lowered emissions during use. Based on extensive analysis, the Group has positioned reduced CO_2 emissions as an important environmental aspect of product design. The number of specified products in fiscal 2014 was 110 (97 end products and 13 intermediate products). The average rate of CO_2 emissions reduction among these products was 33%, which is in excess of the target for the final fiscal year of the plan. In particular, notable reductions were recorded in consumer- and railcar-use power devices as well as indoor lighting. In fiscal 2015, the Group will work to maintain and increase rates of reduction.

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, Mitsubishi Electric 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.

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 directors (five of whom are outside directors), 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, three of whom are outside directors. The Audit Committee is supported by dedicated independent staff.

Internal Control System

Further ensuring effective corporate governance, the roles of Chairman and President & CEO are clearly defined and exclusive. The Chairman heads the board of directors and the President & CEO heads the Company's executive officers. Neither the Chairman nor the President & CEO is a member of the Nomination or Compensation Committees. This allows for the clear division of executive and supervisory functions, thereby enabling Mitsubishi Electric to ensure effective corporate governance.

Executive officers are responsible for ensuring compliance and management efficiency in their assigned areas of operations. Internal auditors monitor executive officers' performance of duties. Internal auditors report on the results of such monitoring to the executive officer in charge of auditing, and the executive officer in charge of auditing and accounting auditors report on the results of such monitoring to the Audit Committee.

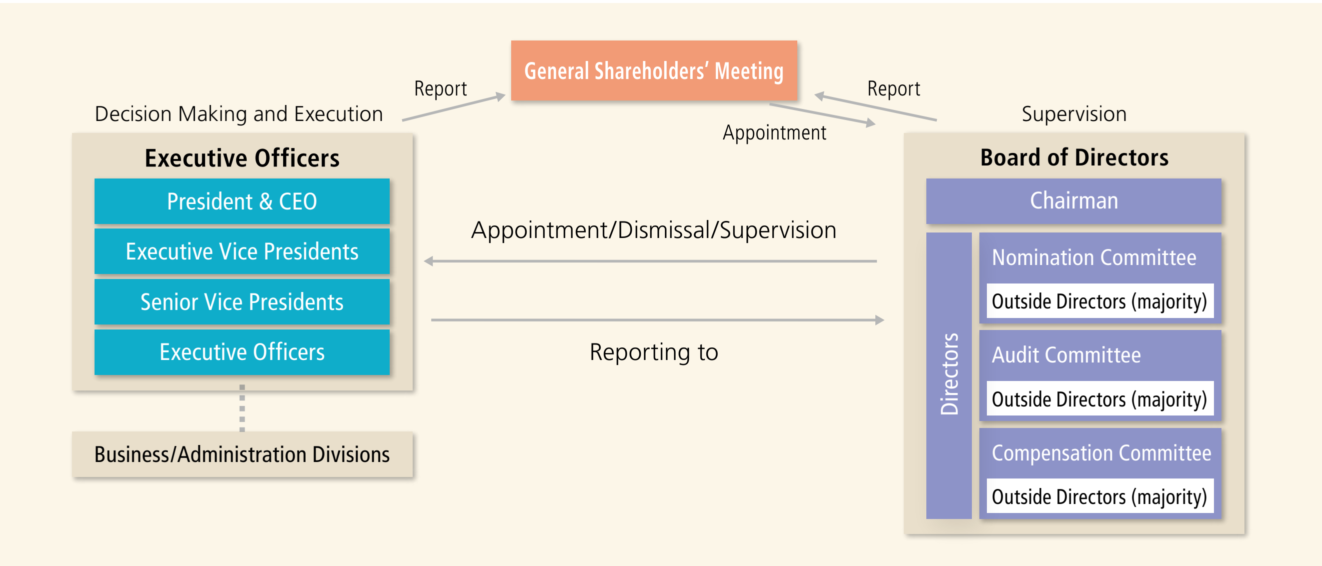
Mitsubishi Electric maintains a multi-dimensional risk management system in which all executive officers participate. Under this system, executive officers are responsible for risk management in their assigned areas of operation. In addition, executive officers exchange information and participate in important management initiatives and decisions through regularly scheduled executive officers' meetings.

The 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.



Directors (As of June 27, 2014)

Kenichiro Yamanishi	Chairman
Masaki Sakuyama	Representative Executive Officer, President & CEO
Hiroki Yoshimatsu	Chairman of the Audit Committee
Noritomo Hashimoto	Member of the Nomination Committee, Senior Vice President
Nobuyuki Okuma	Chairman of the Nomination Committee, Chairman of the Compensation Committee, Executive Officer
Akihiro Matsuyama	Member of the Compensation Committee, Executive Officer
Takashi Sasakawa	Member of the Audit Committee
Mikio Sasaki	Member of the Compensation Committee, Senior Corporate Advisor, Mitsubishi Corporation
Shigemitsu Miki	Member of the Nomination Committee, Member of the Audit Committee, Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Fujiatsu Makino	Member of the Audit Committee, Member of the Compensation Committee, Certified Public Accountant, Registered Tax Accountant
Mitoji Yabunaka	Member of the Nomination Committee, Member of the Compensation Committee, Advisor, Nomura Research Institute, Ltd.
Hiroshi Obayashi	Member of the Nomination Committee, Member of the Audit Committee, Attorney-at-Law

Representative Executive Officers (As of April 1, 2014)

Masaki Sakuyama
Hideyuki Okubo
Yutaka Ohashi

Executive Officers (As of April 1, 2014)

President & CEO:

Masaki Sakuyama

Senior Vice Presidents:

Hideyuki Okubo	In charge of Export Control and Factory Automation Systems
Yutaka Ohashi	In charge of Automotive Equipment
Noritomo Hashimoto	In charge of Corporate Strategic Planning and Operations of Associated Companies
Yoshiaki Nakatani	In charge of Electronic Systems
Yasuyuki Nakanishi	In charge of Communication Systems
Masayuki Ichige	In charge of Auditing, Government & External Relations and Public Relations

Executive Officers:

Masaharu Moriyasu	In charge of Total Productivity Management & Environmental Programs
Isao Iguchi	In charge of Advertising and Domestic Marketing
Toru Yoshinaga	In charge of Information Systems & Network Service
Nobuyuki Okuma	In charge of General Affairs and Human Resources
Akihiro Matsuyama	In charge of Accounting and Finance
Takashi Sakamoto	In charge of Purchasing
Takahiro Kikuchi	In charge of Public Utility Systems
Kenji Kondo	In charge of IT and Research & Development
Nobuyuki Abe	In charge of Building Systems
Katsuya Takamiya	In charge of Global Strategic Planning & Marketing
Takaaki Kukita	In charge of Global Strategic Planning & Marketing
Takeshi Sugiyama	In charge of Living Environment & Digital Media Equipment
Nobushi Morooka	In charge of Legal Affairs & Compliance, Export Control and Intellectual Property
Yasuyuki Ito	In charge of Energy & Industrial Systems
Hideaki Nagatomo	In charge of Living Environment & Digital Media Equipment
Toru Sanada	In charge of Semiconductor & Device

Organization

(As of June 27, 2014)

- **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.
  - 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.
  - Information Technology Center
  - Design Systems Engineering Center
  - Manufacturing 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
  - Transmission & Distribution Systems Marketing Div.
  - Power & Energy Systems Marketing Div.
  - Nuclear Energy, Advanced Magnetic & Medical Systems Marketing Div.
  - Capital Region 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.
  - Total Security Systems 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.
  - 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.
  - Telecommunications Carrier 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.
  - Lighting, Ventilation, Housing Systems & PV 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.
  - Industrial Products Marketing Div.
  - Industrial Automation Marketing Div.
  - Overseas Marketing Div.
  - Global Account Management Div.
  - Branch Offices
  - Nagoya Works, Fukuyama Works
- **Automotive Equipment Group**
  - Planning & Administration Dept.
  - Automotive Equipment Compliance Dept.
  - Automotive Equipment Marketing Div.
  - Automotive Equipment Overseas 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, 2014)

	Manufacturing	Sales/Installation/Services	Comprehensive Sales Companies
Energy and Electric Systems	Toyo Electric Corporation Tada Electric Co., Ltd. Mitsubishi Electric Power Products, Inc. Mitsubishi Electric Shanghai Electric Elevator Co., Ltd. Mitsubishi Elevator Asia Co., Ltd. Taiwan Mitsubishi Elevator Co., Ltd. Toshiba Mitsubishi-Electric Industrial Systems Corporation Mitsubishi Hitachi Home Elevator Corporation Shanghai Mitsubishi Elevator Co., Ltd.	Mitsubishi Electric Building Techno-Service Co., Ltd. Mitsubishi Electric Plant Engineering Corporation Ryoden Elevator Construction, Ltd. Mitsubishi Electric Control Software Corporation Ryoko Co., Ltd. RYO-SA BUILWARE Co., Ltd. Mitsubishi Elevator Hong Kong Co., Ltd. Mitsubishi Elevator Korea Co., Ltd. Hitachi Mitsubishi Hydro Corporation ETA-Melco Elevator Co. L.L.C.	
Industrial Automation Systems	DB Seiko Co., Ltd. Mitsubishi Electric Automotive America, Inc. Mitsubishi Electric Thai Auto-Parts Co., Ltd. Mitsubishi Electric Dalian Industrial Products Co., Ltd. Mitsubishi Electric Automotive (China) Co., Ltd. Mitsubishi Electric Automation, Inc. Mitsubishi Electric Automotive Czech s.r.o. Shizuki Electric Co., Inc. Nippon Injector Corporation Shihlin Electric & Engineering Corporation	Ryowa Corporation Ryoden Koki Engineering Co., Ltd. Meldas System Engineering Corporation Mitsubishi Electric Mechatronics Software Corporation Mitsubishi Electric Automation (Hong Kong) Ltd. Mitsubishi Electric Automation Korea Co., Ltd. Setsuyo Astec Corporation	
Information and Communication Systems	Mitsubishi Electric TOKKI Systems Corporation Mitsubishi Precision Co., Ltd. SPC Electronics Corporation Seiryo Electric Co., Ltd. Miyoshi Electronics Corporation Oi Electric Co., Ltd.	Diamond Telecommunication Co., Ltd. Mitsubishi Electric Information Systems Corporation Mitsubishi Electric Information Network Corporation Mitsubishi Electric Information Technology Corporation Mitsubishi Space Software Co., Ltd. Mitsubishi Electric Business Systems Co., Ltd. Mitsubishi Electric Micro-Computer Application Software Co., Ltd. Itec Hankyu Hanshin Co., Ltd.	Chiyoda Mitsubishi Electric Co., Ltd. and other regional comprehensive sales companies (10 companies) Mitsubishi Electric Europe B.V. Mitsubishi Electric US, Inc. Mitsubishi Electric Taiwan Co., Ltd. Mitsubishi Electric & Electronics (Shanghai) Co., Ltd. Mitsubishi Electric Asia Pte. Ltd. Mitsubishi Electric Australia Pty. Ltd. Mitsubishi Electric (H.K.) Ltd.
Electronic Devices	Melco Display Technology Inc. Melco Power Device Corporation Mitsubishi Electric Metecs Co., Ltd. Vincotech Holdings S.à r.l. Powerex, Inc.	Melco Semiconductor Engineering Corporation	Ryoden Trading Co., Ltd. Kanaden Corporation Mansei Corporation
Home Appliances	Mitsubishi Electric Lighting Corporation Mitsubishi Electric Home Appliance Co., Ltd. Mitsubishi Electric Consumer Products (Thailand) Co., Ltd. Shanghai Mitsubishi Electric & Shangling Air-Conditioner and Electric Appliance Co., Ltd. Mitsubishi Electric (Guangzhou) Compressor Co., Ltd. Siam Compressor Industry Co., Ltd. Mitsubishi Electric Air Conditioning Systems Europe Ltd. Kang Yong Electric Public Co., Ltd.	Mitsubishi Electric Living Environment Systems Corporation Mitsubishi Electric Life Network Co., Ltd. Mitsubishi Electric Air Conditioning & Refrigeration Equipment Sales Co., Ltd. Mitsubishi Electric Air Conditioning & Refrigeration Systems Co., Ltd. Melco Facilities Corporation Mitsubishi Electric Kang Yong Watana Co., Ltd. Mitsubishi Electric Air-Conditioning & Visual Information Systems (Shanghai) Ltd.	
Others		Mitsubishi Electric Trading Corporation Mitsubishi Electric Engineering Co., Ltd. Mitsubishi Electric Logistics Corporation Mitsubishi Electric System & Service Co., Ltd. The Kodensha Co., Ltd. Mitsubishi Electric Life Service Corporation iPLANET Inc. Melco Trading (Thailand) Co.,Ltd. Mitsubishi Electric Credit Corporation 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	2014	2013	2012	2011	2010	2014
	Yen (millions)					U.S. dollars (thousands)
Summary of Operations						
Net sales	**¥4,054,359**	¥3,567,184	¥3,639,468	¥3,645,331	¥3,353,298	**$39,362,709**
Cost of sales	**2,914,589**	2,604,360	2,628,964	2,622,959	2,505,095	**28,296,981**
Selling, general, administrative and R&D expenses	**900,807**	806,412	781,278	784,606	736,959	**8,745,699**
Loss on impairment of long-lived assets	**3,791**	4,317	3,782	4,005	16,942	**36,806**
Operating costs	**3,819,187**	3,415,089	3,414,024	3,411,570	3,258,996	**37,079,486**
Operating income	**235,172**	152,095	225,444	233,761	94,302	**2,283,223**
Income before income taxes	**248,990**	65,141	224,080	210,237	64,259	**2,417,379**
Net income attributable to Mitsubishi Electric Corp.	**¥ 153,473**	¥ 69,517	¥ 112,063	¥ 124,525	¥ 28,278	**$ 1,490,029**
Financial Ratios						
Return on sales (%)	**3.79**	1.95	3.08	3.42	0.84	—
Return on equity (%)	**10.87**	5.72	10.27	12.36	3.12	—
Return on assets (%)	**4.37**	2.04	3.33	3.80	0.86	—
Equity ratio (%)	**42.19**	38.12	33.39	31.52	30.00	—
Per-Share Amounts						
Net income attributable to Mitsubishi Electric Corp. (yen/U.S. dollars)						
Basic	**¥71.49**	¥32.38	¥52.20	¥58.00	¥13.18	**$0.694**
Diluted	—	—	—	—	13.18	—
Cash dividends declared (yen/U.S. dollars)	**¥ 17**	¥ 11	¥ 12	¥ 12	¥ 4	**$0.165**
Statistical Information						
Current assets	**¥2,290,007**	¥2,129,395	¥2,180,362	¥2,052,887	¥1,905,852	**$22,233,077**
Current liabilities	**1,494,243**	1,386,067	1,387,744	1,421,174	1,214,176	**14,507,214**
Working capital	**795,764**	743,328	792,618	631,713	691,676	**7,725,863**
Mitsubishi Electric Corp. shareholders' equity	**1,524,322**	1,300,070	1,132,465	1,050,340	964,584	**14,799,243**
Cash dividends paid	**25,762**	23,616	27,910	19,315	—	**250,117**
Total assets	**3,612,966**	3,410,410	3,391,651	3,332,679	3,215,094	**35,077,340**
Capital expenditures	**151,840**	150,425	159,346	107,638	109,069	**1,474,175**
R&D expenditures	**178,945**	172,222	169,686	151,779	133,781	**1,737,330**
Depreciation	**¥ 132,956**	¥ 127,942	¥ 127,244	¥ 105,280	¥ 119,762	**$ 1,290,835**
Employees (at the end of the year)	**124,305**	120,958	117,314	114,443	109,565	—

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 ¥103=U.S.$1, the approximate rate on the Tokyo Foreign Exchange Market on March 31, 2014.
5. The Company has 167 consolidated subsidiaries and 37 equity-method companies as of March 31, 2014.
6. For the years ended March 31, 2014, 2013, 2012 and 2011, data for diluted net income per share attributable to Mitsubishi Electric Corp. is not included in the above table as no dilutive securities existed.

Financial Review

OVERVIEW

The business environment in the fiscal year ended March 31, 2014 (hereinafter, fiscal 2014) generally showed gradual expansion in economies outside Japan in addition to recovery in Japan, where corporate sentiments improved due to the weaker yen and other factors.

Under these circumstances, the Mitsubishi Electric Group placed greater emphasis than ever before on promoting growth strategies rooted in its own advantages as well as on Group efforts undertaken to date to boost its competitiveness and on strengthening its business structure.

As a result, in fiscal 2014, the Mitsubishi Electric Group recorded net sales of ¥4,054.3 billion and operating income of ¥235.1 billion. Income before income taxes came to ¥248.9 billion. Net income attributable to Mitsubishi Electric Corporation was ¥153.4 billion for the fiscal year.

Net Sales

The Mitsubishi Electric Group recorded increases in sales in all its business segments, namely, Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, Electronic Devices, Home Appliances and Others. In the fiscal year, consolidated net sales climbed by ¥487.1 billion year on year to ¥4,054.3 billion.

Cost of Sales, Expenses and Operating Income

The cost of sales increased by ¥310.2 billion compared with the previous fiscal year to ¥2,914.5 billion, representing 71.9% of total net sales, an improvement of 1.1 percentage points. Selling, general and administrative (SG&A) expenses together with research and development (R&D) expenses totaled ¥900.8 billion, up ¥94.3 billion year on year. As a result, the ratio of SG&A and R&D expenses to net sales improved by 0.4 of a percentage point year on year to 22.2%. Loss on impairment of long-lived assets decreased by ¥0.5 billion year on year to ¥3.7 billion.

Accounting for the aforementioned factors, operating income amounted to ¥235.1 billion, an increase of ¥83.0 billion compared with the previous fiscal year. This increase was primarily attributable to higher income in the Industrial Automation Systems, Information and Communications Systems, Electronic Devices, Home Appliances, and Other business segments.

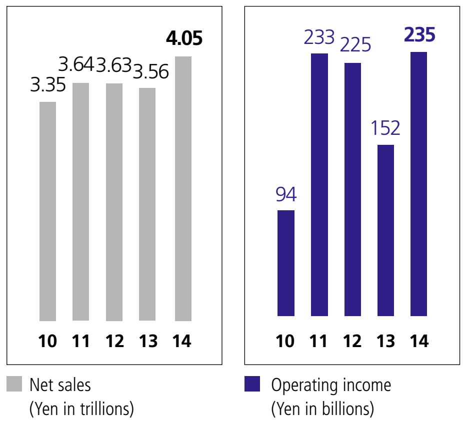
Non-Operating Income and Expenses

Financial income, the sum of interest and dividend income less interest expenses, amounted to ¥3.2 billion, an improvement of ¥2.0 billion year on year.

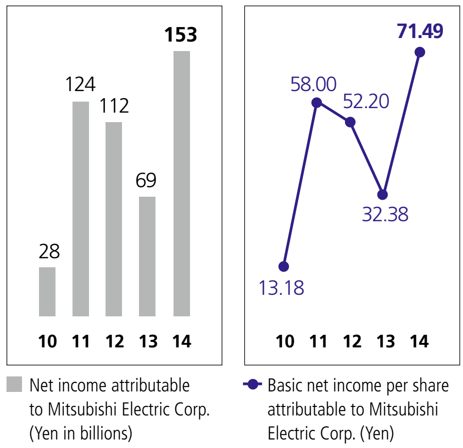
Equity in earnings of affiliated companies totaled ¥23.1 billion, an improvement of ¥37.7 billion compared with the previous fiscal year.

Other income declined by ¥0.8 billion to ¥24.5 billion year on year due primarily to the decrease in gains on the sale of assets. Other expenses fell by ¥61.7 billion year on year to ¥37.1 billion because of such factors as the absence of non-operating expenses, including the refund payment for overcharged expenses in the electronic systems business recorded in the previous fiscal year.

Net sales / Operating income



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



Income before Income Taxes

Income before income taxes increased by ¥183.8 billion compared with the previous fiscal year to ¥248.9 billion, for a ratio to net sales of 6.1%. As previously mentioned, this is largely attributable to the aforementioned upswing in operating income of ¥83.0 billion and a ¥100.7 billion improvement in non-operating income and expenses.

Net Income Attributable to Mitsubishi Electric Corp.

Net income attributable to Mitsubishi Electric Corp. grew by ¥83.9 billion year on year to ¥153.4 billion (a ratio to net sales of 3.8%) largely on the back of the increase in income before income taxes.

Business Risks

The Mitsubishi Electric Group engages in the development, manufacture and sale of products in the Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, Electronic Devices, Home Appliances and Other business fields in Japan as well as North America, Europe, Asia and other overseas regions. As a result, the Group's financial standing and business performance may be affected by a variety of factors.

Factors that may affect the financial standing and business performance of the Mitsubishi Electric Group include but are not limited to the following. As such, additional factors may arise at any given time.

(1) Important trends
The Mitsubishi Electric 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 Mitsubishi Electric'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 Mitsubishi Electric 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 costs due to a worsening of material and component procurement conditions may adversely affect the Mitsubishi Electric Group's performance.

(5) Fund raising
An increase in interest rates, the yen interest rate in particular, would increase Mitsubishi Electric's interest expenses.

(6) Significant intellectual property matters
Important patent filings, licensing, copyrights and patent-related disputes may adversely affect related businesses.

(7) Environmental legislation or relevant issues
Mitsubishi Electric 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 affect the Group's overall operations, including manufacturing activities.

(8) Flaws or defects in products or services
Mitsubishi Electric may incur losses or expenses relating to flaws or defects in products or services. A decrease in the general assessment of the quality of Group products and services may also impact overall operations.

(9) Lawsuits and other legal proceedings
Lawsuits and/or other legal proceedings against the Mitsubishi Electric Group may affect its overall operations.

(10) Disruptive changes
Disruptive changes in the technology, development and manufacturing of products using new technology and timing of market introduction may adversely affect the Mitsubishi Electric Group's performance.

(11) Business restructuring
The Mitsubishi Electric Group may record losses due to restructuring measures.

(12) Incidents related to information security
The performance of the Mitsubishi Electric 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 Mitsubishi Electric 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 Mitsubishi Electric 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	2014	2013	2012	2011	2010	2014
	Yen (millions)					U.S. dollars (thousands)
Energy and Electric Systems	**¥1,180,093**	¥1,058,177	¥1,027,115	¥1,027,749	¥1,039,669	**$11,457,214**
Industrial Automation Systems	**1,098,796**	927,857	978,380	927,002	733,132	**10,667,922**
Information and Communication Systems	**548,282**	522,422	516,354	487,915	526,161	**5,323,126**
Electronic Devices	**194,658**	164,065	200,799	175,910	138,985	**1,889,884**
Home Appliances	**944,351**	821,298	849,274	924,478	824,679	**9,168,456**
Others	**676,034**	590,366	611,619	609,416	552,981	**6,563,437**
Subtotal	**4,642,214**	4,084,185	4,183,541	4,152,470	3,815,607	**45,070,039**
Eliminations	**(587,855)**	(517,001)	(544,073)	(507,139)	(462,309)	**(5,707,330)**
Consolidated total	**¥4,054,359**	¥3,567,184	¥3,639,468	¥3,645,331	¥3,353,298	**$39,362,709**

Operating Income (Loss) by Business Segment

Years ended March 31	2014	2013	2012	2011	2010	2014
	Yen (millions)					U.S. dollars (thousands)
Energy and Electric Systems	**¥ 76,324**	¥ 85,140	¥ 84,920	¥ 83,055	¥ 74,727	**$ 741,010**
Industrial Automation Systems	**98,079**	60,592	101,192	100,089	26,138	**952,223**
Information and Communication Systems	**5,529**	1,591	21,312	13,743	18,672	**53,679**
Electronic Devices	**10,050**	(5,580)	3,585	5,901	(7,141)	**97,573**
Home Appliances	**52,878**	19,300	22,358	42,008	4,809	**513,379**
Others	**19,801**	18,790	20,348	14,475	3,204	**192,243**
Subtotal	**262,661**	179,833	253,715	259,271	120,409	**2,550,107**
Eliminations	**(27,489)**	(27,738)	(28,271)	(25,510)	(26,107)	**(266,884)**
Consolidated total	**¥235,172**	¥152,095	¥225,444	¥233,761	¥ 94,302	**$2,283,223**

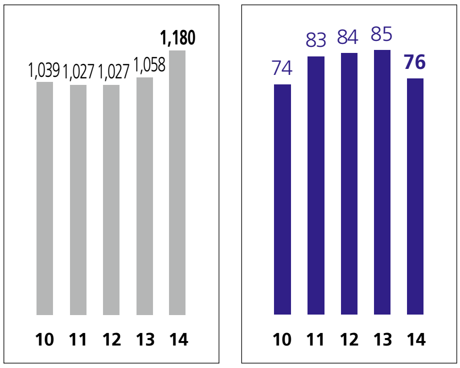
Energy and Electric Systems

The social infrastructure systems business saw increases in both orders and sales compared to the previous fiscal year due primarily to increases in the public utility systems business in Japan and the power generation and rolling-stock businesses outside Japan, in addition to the weaker yen.

The building systems business experienced increases in both orders and sales compared to the previous fiscal year, owing to growth in elevators and escalators for new installations and renewals in Japan as well as for new installations overseas mainly in China, in addition to the weaker yen.

As a result, total sales for this segment increased by 12% from the previous fiscal year to 1,180.0 billion yen. Operating income decreased by 8.8 billion yen from the previous fiscal year to 76.3 billion yen due primarily to a shift in project portfolio and other factors.

Net sales and Operating income of Energy and Electric Systems



Net sales (Yen in billions) Operating income (Yen in billions)

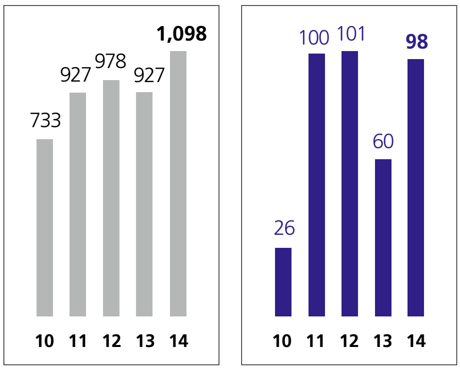
Industrial Automation Systems

The factory automation systems business saw increases in both orders and sales from the previous fiscal year mainly due to an increase in capital expenditures relating to smartphone and semiconductor as well as facility replacements by manufacturers in Japan, in addition to the weaker yen.

The automotive equipment business saw increases in both orders and sales from the previous fiscal year due primarily to strength in the North American and Japanese car sales markets and increased sales in China by Japanese automotive manufacturers, as well as the weaker yen.

As a result, total sales for this segment increased by 18% from the previous fiscal year to 1,098.7 billion yen. Operating income increased by 37.4 billion yen from the previous fiscal year to 98.0 billion yen due primarily to an increase in sales.

Net sales and Operating income of Industrial Automation Systems



Net sales (Yen in billions) Operating income (Yen in billions)

Information and Communication Systems

The telecommunications equipment business saw increases in both orders and sales from the previous fiscal year owing primarily to an increase in the communications infrastructures business.

The information systems and services business saw an increase in sales compared to the previous fiscal year mainly due to growth in the system integration business.

The electronic systems business saw a decrease in orders from the previous fiscal year due primarily to decreases in large-scale projects in the electronics and space systems businesses, while sales increased from the previous fiscal year due to progress in orders already received for projects in the space systems business.

As a result, total sales for this segment increased by 5% from the previous fiscal year to 548.2 billion yen. Operating income increased by 3.9 billion yen from the previous fiscal year to 5.5 billion yen due to an increase in sales and other factors.

Electronic Devices

The semiconductor business saw increases in both orders and sales from the previous fiscal year due to a growth in demand mainly for power modules used in consumer, industrial, automotive and railcar applications, as well as the weaker yen.

The LCD module business saw increases both in orders and sales due to growth in demand for automotive-use products.

As a result, total sales for this segment increased by 19% from the previous fiscal year to 194.6 billion yen. Operating income improved by 15.6 billion yen from the previous fiscal year, turning into a profit 10.0 billion yen, mainly due to an increase in sales

Home Appliances

The home appliances business saw a 15% increase in sales from the previous fiscal year to 944.3 billion yen due primarily to expansion in sales for air conditioners in Asian, European and North American markets, as well as increases in air conditioners and photovoltaic systems in Japan, which experienced a last-minute surge prior to the consumption tax raise, in addition to the weaker yen.

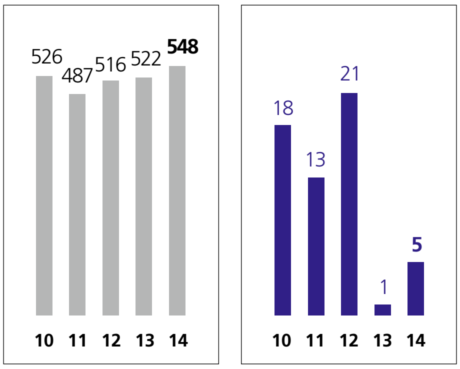
Operating income rose by 33.5 billion yen from the previous fiscal year to 52.8 billion yen due primarily to an increase in sales.

Others

Sales increased by 15% from the previous fiscal year to 676.0 billion yen. This was mainly due to contributions from affiliated companies involved in materials procurement.

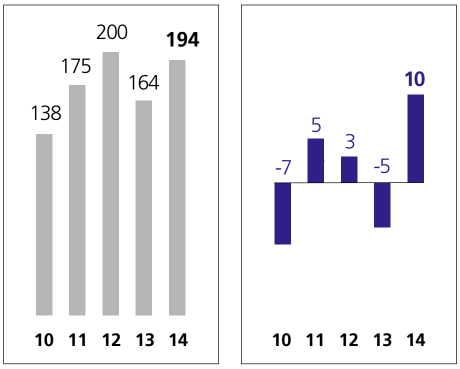
Operating income increased by 1.0 billion yen from the previous fiscal year to 19.8 billion yen due primarily to an increase in sales.

Net sales and Operating income of Information and Communication Systems



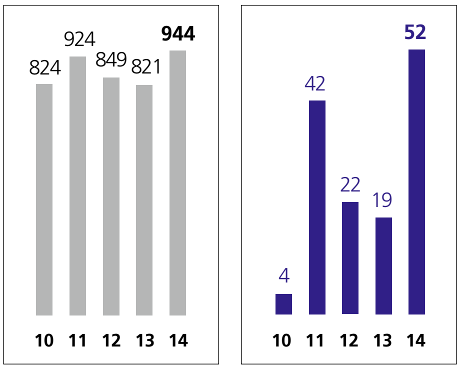
Net sales (Yen in billions)
Operating income (Yen in billions)

Net sales and Operating income (loss) of Electronic Devices



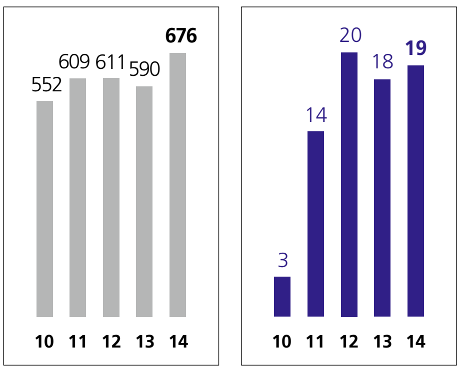
Net sales (Yen in billions)
Operating income (loss) (Yen in billions)

Net sales and Operating income of Home Appliances



Net sales (Yen in billions)
Operating income (Yen in billions)

Net sales and Operating income of Others



Net sales (Yen in billions)
Operating income (Yen in billions)

RESULTS BY GEOGRAPHIC SEGMENT

Net Sales by Geographic Segment

Years ended March 31	2014	2013	2012	2011	2010	2014
	Yen (millions)					U.S. dollars (thousands)
Japan	**¥3,362,854**	¥3,064,014	¥3,186,719	¥3,176,605	¥2,886,502	**$32,649,068**
North America	**325,224**	248,105	222,543	229,958	205,713	**3,157,515**
Asia (excluding Japan)	**887,022**	624,724	582,888	583,827	445,722	**8,611,864**
Europe	**352,950**	289,933	309,997	293,952	282,822	**3,426,699**
Others	**47,824**	40,255	40,184	38,200	33,140	**464,311**
Eliminations	**(921,515)**	(699,847)	(702,863)	(677,211)	(500,601)	**(8,946,748)**
Consolidated total	**¥4,054,359**	¥3,567,184	¥3,639,468	¥3,645,331	¥3,353,298	**$39,362,709**

Operating Income (Loss) by Geographic Segment

Years ended March 31	2014	2013	2012	2011	2010	2014
	Yen (millions)					U.S. dollars (thousands)
Japan	**¥177,315**	¥116,923	¥179,452	¥177,354	¥49,673	**$1,721,505**
North America	**1,679**	(1,744)	3,339	1,363	5,531	**16,301**
Asia (excluding Japan)	**59,023**	36,172	34,220	43,734	27,337	**573,039**
Europe	**4,768**	4,527	6,319	7,830	3,091	**46,291**
Others	**1,735**	2,209	3,905	4,329	1,949	**16,844**
Eliminations	**(9,348)**	(5,992)	(1,791)	(849)	6,721	**(90,757)**
Consolidated total	**¥235,172**	¥152,095	¥225,444	¥233,761	¥94,302	**$2,283,223**

Japan

Sales totaled ¥3,362.8 billion, up 10% compared with the previous fiscal year. This largely reflected the upswing in sales in the factory automation systems, automotive equipment and air conditioners businesses. Operating income increased by ¥60.3 billion to ¥177.3 billion.

North America

Sales increased by 31% year on year to ¥325.2 billion primarily due to higher sales in the power systems, automotive equipment and air conditioners businesses. Mitsubishi Electric reported operating income in its operations in North America totaling ¥1.6 billion. This was an improvement of ¥3.4 billion compared with the previous fiscal year, turning into profit.

Asia (excluding Japan)

Sales totaled ¥887.0 billion, up 42% compared with the previous fiscal year mainly because of higher sales in the building systems, factory automation systems and air conditioners businesses. Operating income increased by ¥22.8 billion to ¥59.0 billion.

Europe

Sales increased by 22% year on year to ¥352.9 billion mainly because of higher sales in the factory automation systems, automotive equipment and air conditioners businesses. Operating income increased by ¥0.2 billion to ¥4.7 billion.

Others

Sales in other regions, including figures for Mitsubishi Electric's Australian subsidiary, amounted to ¥47.8 billion, while operating income was ¥1.7 billion.

RESEARCH AND DEVELOPMENT

R&D Expenditures

Years ended March 31	2014	2013	2012	2011	2010 Yen (billions)	2014 U.S. dollars (millions)
Energy and Electric Systems	**¥ 28.8**	**¥ 29.8**	¥ 30.5	¥ 27.0	¥ 23.4	**$ 280.4**
Industrial Automation Systems	**63.4**	**58.9**	54.9	44.9	34.7	**616.0**
Information and Communication Systems	**15.6**	**16.4**	16.1	14.9	12.5	**151.6**
Electronic Devices	**9.3**	**8.2**	9.3	8.5	7.3	**90.6**
Home Appliances	**34.1**	**30.8**	30.4	30.7	29.6	**331.5**
Others	**27.5**	**27.7**	28.2	25.5	26.1	**267.0**
Consolidated total	**¥178.9**	**¥172.2**	¥169.6	¥151.7	¥133.7	**$1,737.3**

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.

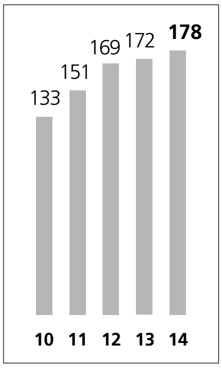
In fiscal 2014, total R&D expenditures, including quality improvement expenses constituting manufacturing costs, amounted to ¥178.9 billion. Mitsubishi Electric reports R&D activities by business segment according to purpose, type, result and expenditure.

In the Energy and Electric Systems segment, our research is directed at boosting the competitiveness of such core products as rotating machines for generators, electric motors and other machinery, switches and transformers; other power transmission/distribution/reception equipment and systems; transportation systems; elevators and escalators; and particle therapy systems. 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 traction inverters with all-SiC power modules for the rolling stocks; Diamond Vision high-resolution technology; movable steps for platform screen gates; proton-type particle therapy systems; smart meter systems; the addition of large-capacity models to the lineup of standard elevators AXIEZ; a destination oriented allocation system compatible with double-deck elevators; and enhancements to management support functions in building energy management systems. R&D expenditures in this segment totaled ¥28.8 billion.

In the Industrial Automation Systems segment, R&D activities are aimed at enhancing the competitiveness of our lineup, which includes motors and related products; CNC systems; electrical discharge machines & laser processing machines; FA control equipment and systems; automotive electric and electronic components, including electric power steering (EPS) and related products; and car multimedia systems. Mitsubishi Electric's important R&D successes encompass the Top runner transformers R-series; the GT27 model of the GOT2000 series of programmable display equipment; the FREQROL-A800 series of general-purpose inverters; the GTW4 series of laser drilling machines; the HV2-R series of carbon dioxide 2D laser processing machines; the EMIRAI 2 EV concept car; the DIATONE SOUND.NAVI car audio and navigation system; an electric supercharger for automobiles; high power starter for heavy-duty diesel engine; and eco driving assistance technologies for in-vehicle information system. R&D expenditures in this segment totaled ¥63.4 billion.

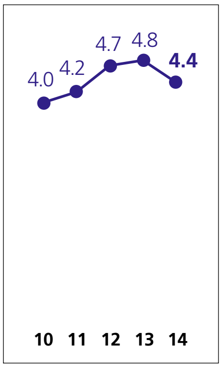
In the Information and Communication Systems segment, Mitsubishi Electric pursues research related to the development of information and communication technology (ICT) systems, which include network systems for telecommunication operators and network solutions equipment, as well as space systems, including satellites, ground systems and large telescopes. Notable R&D successes for Mitsubishi Electric include the Prime Focus Unit of the Hyper Suprime-Cam (HSC) newly installed in the Subaru Telescope; 100Gbps digital coherent transponders for submarine cable systems; 100Gbps WDM transmission systems for metro networks; IPTV set-top box AM900; high-speed digital watermarking generation technology for video content delivery; AnalyticMart®*1 on Demand, the cloud-based data analysis service; NECAROKU 4.0, the recording and delivering

R&D expenditures



R&D expenditures (Yen in billions)

R&D expenditures ratio



R&D expenditures / Net sales (%)

server for surveillance camera; DIACERT®*2, the electronic certificate issuing service with new encryption algorithms; and ALIVE SOLUTION®*3 Version 5.0, integrated system for the accounting, personnel and general affairs department. R&D expenditures in this segment totaled ¥15.6 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 SiC power semiconductor modules; the super-mini DIPIPM Version 6 series; the J1-Series of power semiconductor modules for automobiles; a 4-wavelength integrated 100Gbps EML-TOSA; a Ku-band 80W GaN HEMT amplifier for satellite earth stations; and TFT-LCD modules with intelligent GUI. R&D expenditures in this segment totaled ¥9.3 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 the KIRIGAMINE room air conditioners with Move Eye Kiwami and Takumi Flap functions; SMART CUBE (Energy conservation & Large capacity); the TC-FXC series Be-K dust bag vacuum cleaners (Lightweight & Compact); the LSR6 series red laser backlight LCD TV; the MILCO.S®*4 automated dimming system for LED lighting; and Mitsubishi HEMS(Home Energy Management System), enable to connect up to seven products. R&D expenditures in this segment totaled ¥34.1 billion.

In Others, fundamental technology R&D that benefits the entire Group is carried out at the Corporate Research and Development Group and the Corporate Total Productivity Management & Environmental Programs Group research centers, which strive to enhance global business competitiveness and create new businesses. In our main areas of R&D we have developed micro glass-processing technology incorporating pulsed CO_2 laser; technologies for Smart Grid & Smart Community and its demonstration system; EV Motor Drive System; HEVC encoder for 8K Super Hi-Vision*5; Ultra-simple Human Machine Interface for in-car device operation, high-speed algorithms for optimization; brushless DC motor for ventilation fans; and high voltage and high frequency inverter of laser drilling machine for printed circuit board. R&D expenditures in this area amounted to ¥27.5 billion.

*1. AnalyticMart is a registered trademark of Mitsubishi Electric Information Technology Corporation
*2. DIACERT is a registered trademark of Japan Net Corporation
*3. ALIVE SOLUTION is a registered trademark of Mitsubishi Electric Business Systems Co., Ltd.
*4. MILCO.S is a registered trademark of Mitsubishi Electric Lighting Corporation
*5. Joint development with Japan Broadcasting Corporation

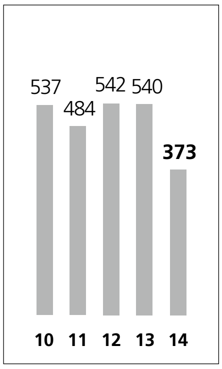
FINANCIAL POSITION

Total assets amounted to ¥3,612.9 billion as of March 31, 2014, an increase of ¥202.5 billion compared with the end of previous fiscal year. The change in the balance of total assets is mainly attributable to increases of ¥119.1 billion in cash and cash equivalents; ¥71.7 billion in investments in securities and other on the back of such factors as the upswing in share prices; ¥46.3 billion in tangible fixed assets; ¥11.6 billion in inventories; and ¥11.2 billion in trade receivables and long-term trade receivables.

Under liabilities, the outstanding balance of debt and corporate bonds fell by ¥167.0 billion compared with the end of the previous fiscal year to ¥373.4 billion. As a result, the ratio of interest-bearing debt to total assets was 10.3%, a decrease of 5.6 percentage points year on year. While trade payables and accrued expenses increased by ¥106.1 billion and ¥44.5 billion, respectively, retirement and severance benefits fell by ¥42.3 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 dropped by ¥30.8 billion to ¥2,012.6 billion.

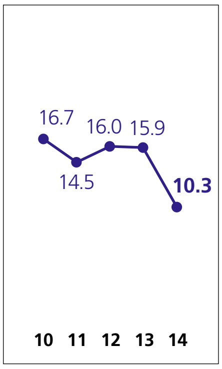
Mitsubishi Electric Corp. shareholders' equity rose by ¥224.2 billion compared with the end of previous fiscal year to ¥1,524.3 billion and the ratio of Mitsubishi Electric Corp. shareholders' equity to total assets was 42.2%, up 4.1 percentage points year on year. Despite the decrease attributable to the payment of cash dividends totaling ¥25.7 billion, this increase was largely the result of the net income attributable to Mitsubishi Electric Corp. amounting to ¥153.4 billion for the fiscal year and the increase in accumulated other comprehensive income of ¥95.4 billion reflecting such factors as the upswing in share prices and weak yen.

Interest-bearing debt



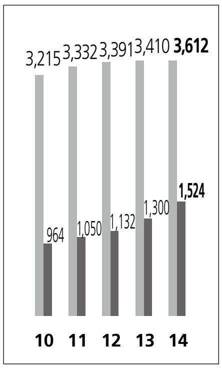
Interest-bearing debt (Yen in billions)

Debt ratio



Interest-bearing debt / Total assets (%)

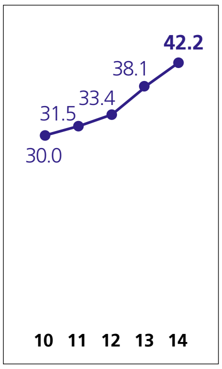
Total assets / Mitsubishi Electric Corp. shareholders' equity



Total assets (Yen in billions)

Mitsubishi Electric Corp. shareholders' equity (Yen in billions)

Shareholders' equity ratio



Shareholders' equity ratio (%)

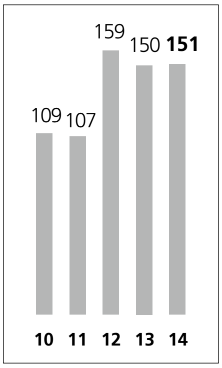
CAPITAL EXPENDITURES

In line with its policy of improving performance by implementing the Balanced Corporate Management Policy while pursuing further 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 products, 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 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.

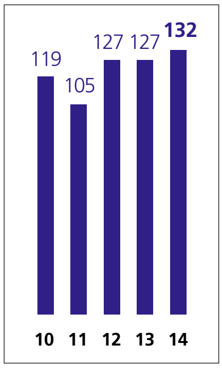
Capital expenditures are derived from cash on hand and funds from operations. For this fiscal year, production capacity was not materially affected by the sale, disposal, damage or loss due to natural disaster of property, plant and equipment.

Capital expenditures



Capital expenditures (Yen in billions)

Depreciation



Depreciation (Yen in billions)

CASH FLOWS

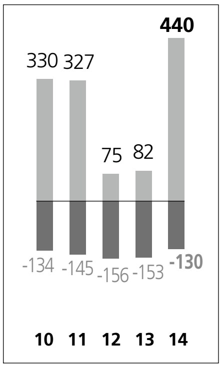
In the year ended March 31, 2014, net cash provided by operating activities amounted to ¥440.4 billion, while net cash used in investing activities was ¥130.2 billion. As a result, free cash flow was an inflow of ¥310.2 billion, a positive turnaround of ¥381.2 billion from the outflow recorded in the previous fiscal year. Taking this into account along with net cash used in financing activities of ¥209.0 billion, the end of fiscal year cash and cash equivalents amounted to ¥418.0 billion, an increase of ¥119.1 billion year on year.

Net cash provided by operating activities increased by ¥357.7 billion compared with the previous fiscal year to ¥440.4 billion. This increase was largely due to higher net income and deferred income taxes as well as an increase in trade payables.

Net cash used in investing activities decreased by ¥23.4 billion year on year to ¥130.2 billion. During the period, proceeds from sale of short-term investments and investment securities increased while loans receivable decreased.

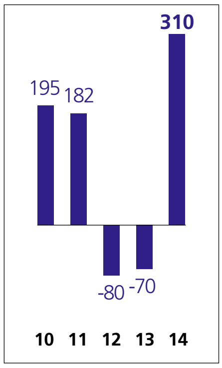
Net cash used in financing activities was ¥209.0 billion, up ¥167.8 billion year on year. This largely represented the repayment of long-term debt.

Cash flows



Net cash provided by operating activities (Yen in billions)

Net cash used in investing activities (Yen in billions)



Free cash flows (Yen in billions)

Consolidated Balance Sheets

Mitsubishi Electric Corporation and Subsidiaries
March 31, 2014 and 2013

	Yen (millions)		U.S. dollars (thousands) (note 2)
	2014	2013	**2014**
Assets			
Current assets:			
Cash and cash equivalents	**¥ 418,049**	¥ 298,881	**$ 4,058,728**
Short-term investments (notes 3, 17 and 18)	**51**	812	**495**
Trade receivables (notes 4, 6 and 15)	**983,468**	974,505	**9,548,233**
Inventories (note 5)	**602,341**	590,735	**5,847,971**
Prepaid expenses and other current assets (notes 9, 14 and 18)	**286,098**	279,327	**2,777,650**
Total current assets	**2,290,007**	2,129,395	**22,233,077**
Long-term receivables and investments:			
Long-term trade receivables (note 17)	**4,813**	2,521	**46,728**
Investments in securities and other (notes 3, 6, 14, 17 and 18)	**314,047**	242,271	**3,049,000**
Investments in and advances to affiliated companies (note 6)	**183,463**	181,285	**1,781,194**
Total long-term receivables and investments	**502,323**	426,077	**4,876,922**
Property, plant and equipment (notes 7, 18, 19 and 20)**:**			
Land	**104,272**	105,449	**1,012,350**
Buildings	**703,223**	659,411	**6,827,407**
Machinery and equipment	**1,712,632**	1,637,682	**16,627,495**
Construction in progress	**54,632**	50,813	**530,408**
	2,574,759	2,453,355	**24,997,660**
Less accumulated depreciation	**1,925,374**	1,850,355	**18,692,951**
Net property, plant and equipment	**649,385**	603,000	**6,304,709**
Other assets (notes 9, 10 and 18)	**171,251**	251,938	**1,662,632**
Total assets	**¥3,612,966**	¥3,410,410	**$35,077,340**

See accompanying notes to consolidated financial statements.

	Yen (millions) 2014	2013	U.S. dollars (thousands) (note 2) 2014
Liabilities and Equity			
Current liabilities:			
Bank loans (note 7)	**¥ 60,275**	¥ 131,837	**$ 585,194**
Current portion of long-term debt (notes 7, 17 and 20)	**101,777**	103,081	**988,126**
Trade payables (notes 6 and 8)	**758,913**	652,718	**7,368,087**
Accrued expenses (note 16)	**337,571**	292,990	**3,277,388**
Accrued income taxes (note 9)	**17,151**	11,919	**166,515**
Other current liabilities (notes 10, 14 and 18)	**218,556**	193,522	**2,121,904**
Total current liabilities	**1,494,243**	1,386,067	**14,507,214**
Long-term debt (notes 7, 17 and 20)	**211,426**	305,654	**2,052,680**
Retirement and severance benefits (note 10)	**212,638**	254,977	**2,064,447**
Other liabilities (notes 9, 14, 16 and 18)	**94,308**	96,721	**915,611**
Total liabilities	**2,012,615**	2,043,419	**19,539,952**
Mitsubishi Electric Corp. shareholders' equity			
Common stock (note 11):			
Authorized 8,000,000,000 shares;			
issued 2,147,201,551 shares in 2014 and in 2013	**175,820**	175,820	**1,706,990**
Capital surplus (note 11)	**207,089**	205,945	**2,010,573**
Legal reserve	**62,739**	61,406	**609,117**
Retained earnings	**1,076,999**	950,621	**10,456,301**
Accumulated other comprehensive income (loss) (notes 3, 9, 10, 12 and 14)	**1,957**	(93,487)	**19,000**
Treasury stock, at cost 348,999 shares in 2014 and 306,490 shares in 2013	**(282)**	(235)	**(2,738)**
Total Mitsubishi Electric Corp. shareholders' equity	**1,524,322**	1,300,070	**14,799,243**
Noncontrolling interests	**76,029**	66,921	**738,145**
Total equity	**1,600,351**	1,366,991	**15,537,388**
Commitments and contingent liabilities (note 16)			
Total liabilities and equity	**¥3,612,966**	¥3,410,410	**$35,077,340**

Consolidated Statements of Income

Mitsubishi Electric Corporation and Subsidiaries
Years ended March 31, 2014, 2013 and 2012

	Yen (millions)			U.S. dollars (thousands) (note 2)
	2014	2013	2012	**2014**
Revenues:				
Net sales (note 6)	**¥4,054,359**	¥3,567,184	¥3,639,468	**$39,362,709**
Interest and dividends (note 6)	**7,799**	7,742	8,332	**75,718**
Equity in earnings of affiliated companies (note 6)	**23,153**	—	—	**224,786**
Other (notes 3, 12, 14 and 19)	**24,554**	25,361	22,196	**238,389**
Total revenues	**4,109,865**	3,600,287	3,669,996	**39,901,602**
Costs and expenses:				
Cost of sales (notes 10 and 20)	**2,914,589**	2,604,360	2,628,964	**28,296,981**
Selling, general and administrative (notes 10, 19 and 20)	**737,042**	648,890	625,283	**7,155,748**
Research and development	**163,765**	157,522	155,995	**1,589,951**
Loss on impairment of long-lived assets (notes 18 and 19)	**3,791**	4,317	3,782	**36,806**
Interest	**4,539**	6,507	6,818	**44,068**
Equity in losses of affiliated companies (note 6)	**—**	14,619	3,366	**—**
Other (notes 3, 6, 12, 14, 15, 16 and 19)	**37,149**	98,931	21,708	**360,669**
Total costs and expenses	**3,860,875**	3,535,146	3,445,916	**37,484,223**
Income before income taxes	**248,990**	65,141	224,080	**2,417,379**
Income taxes (note 9)**:**				
Current	**34,241**	23,490	42,187	**332,437**
Deferred	**51,957**	(32,999)	63,628	**504,437**
	86,198	(9,509)	105,815	**836,874**
Net income	**162,792**	74,650	118,265	**1,580,505**
Net income attributable to noncontrolling interests	**9,319**	5,133	6,202	**90,476**
Net income attributable to Mitsubishi Electric Corp.	**¥ 153,473**	¥ 69,517	¥ 112,063	**$ 1,490,029**

Net income per share attributable to Mitsubishi Electric Corp. (note 13)**:**

	Yen			U.S. dollars (note 2)
Basic	**¥71.49**	¥32.38	¥52.20	**$0.694**
Diluted	**—**	—	—	**—**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi Electric Corporation and Subsidiaries
Years ended March 31, 2014, 2013 and 2012

	Yen (millions)			U.S. dollars (thousands) (note 2)
	2014	2013	2012	**2014**
Net income	**¥162,792**	¥ 74,650	¥118,265	**$1,580,505**
Other comprehensive income (loss), net of tax (note 12)**:**				
Foreign currency translation adjustments	**51,769**	66,592	(8,843)	**502,612**
Pension liability adjustments (note 10)	**(6,756)**	47,633	2,234	**(65,593)**
Unrealized gains (losses) on securities (note 3)	**55,556**	14,845	6,298	**539,379**
Unrealized gains (losses) on derivative instruments (note 14)	**(80)**	43	54	**(777)**
Total	**100,489**	129,113	(257)	**975,621**
Comprehensive income	**263,281**	203,763	118,008	**2,556,126**
Comprehensive income attributable to noncontrolling interests	**14,364**	12,130	5,629	**139,456**
Comprehensive income attributable to Mitsubishi Electric Corp.	**¥248,917**	¥191,633	¥112,379	**$2,416,670**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Equity

Mitsubishi Electric Corporation and Subsidiaries
Years ended March 31, 2014, 2013 and 2012

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, 2011	¥175,820	¥208,669	¥59,223	¥822,750	¥(215,919)	¥ (203)	¥1,050,340	¥56,685	¥1,109,025
Comprehensive income (loss):									
Net income attributable to Mitsubishi Electric Corp.				112,063			112,063		112,063
Net income attributable to noncontrolling interests								6,202	6,202
Other comprehensive income (loss), net of tax (note 12):									
Foreign currency translation adjustments					(8,254)		(8,254)	(589)	(8,843)
Pension liability adjustments (note 10)					2,234		2,234		2,234
Unrealized gains (losses) on securities (note 3)					6,285		6,285	13	6,298
Unrealized gains (losses) on derivative instruments (note 14)					51		51	3	54
							112,379	5,629	118,008
Transfer to legal reserve			1, 817	(1,817)			—		—
Equity transactions with noncontrolling interests and other		(2,326)					(2,326)	(5,759)	(8,085)
Dividends paid to Mitsubishi Electric Corp. shareholders' equity				(27,910)			(27,910)		(27,910)
Purchase of treasury stock						(20)	(20)		(20)
Reissuance of treasury stock						2	2		2
Balance at March 31, 2012	¥175,820	¥206,343	¥61,040	¥905,086	¥(215,603)	¥ (221)	¥1,132,465	¥58,555	¥1,191,020
Comprehensive income (loss):									
Net income attributable to Mitsubishi Electric Corp.				69,517			69,517		69,517
Net income attributable to noncontrolling interests								5,133	5,133
Other comprehensive income (loss), net of tax (note 12):									
Foreign currency translation adjustments					59,631		59,631	6,961	66,592
Pension liability adjustments (note 10)					47,633		47,633		47,633
Unrealized gains (losses) on securities (note 3)					14,803		14,803	42	14,845
Unrealized gains (losses) on derivative instruments (note 14)					49		49	(6)	43
							191,633	12,130	203,763
Transfer to legal reserve			366	(366)			—		—
Equity transactions with noncontrolling interests and other		(398)					(398)	(3,764)	(4,162)
Dividends paid to Mitsubishi Electric Corp. shareholders' equity				(23,616)			(23,616)		(23,616)
Purchase of treasury stock						(16)	(16)		(16)
Reissuance of treasury stock						2	2		2
Balance at March 31, 2013	¥175,820	¥205,945	¥61,406	¥ 950,621	¥ (93,487)	¥ (235)	¥1,300,070	¥66,921	¥1,366,991
Comprehensive income (loss):									
Net income attributable to Mitsubishi Electric Corp.				153,473			153,473		153,473
Net income attributable to noncontrolling interests								9,319	9,319
Other comprehensive income (loss), net of tax (note 12):									
Foreign currency translation adjustments					46,675		46,675	5,094	51,769
Pension liability adjustments (note 10)					(6,756)		(6,756)		(6,756)
Unrealized gains (losses) on securities (note 3)					55,591		55,591	(35)	55,556
Unrealized gains (losses) on derivative instruments (note 14)					(66)		(66)	(14)	(80)
							248,917	14,364	263,281
Transfer to legal reserve			1, 333	(1,333)			—		—
Equity transactions with noncontrolling interests and other		1.144					1,144	(5,256)	(4,112)
Dividends paid to Mitsubishi Electric Corp. shareholders' equity				(25,762)			(25,762)		(25,762)
Purchase of treasury stock						(48)	(48)		(48)
Reissuance of treasury stock						1	1		1
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**

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, 2013	$1,706,990	$1,999,466	$596,175	$ 9,229,331	$(907,641)	$(2,282)	$12,622,039	$649,718	$13,271,757
Comprehensive income (loss):									
Net income attributable to Mitsubishi Electric Corp.				1,490,029			1,490,029		1,490,029
Net income attributable to noncontrolling interests								90,476	90,476
Other comprehensive income (loss), net of tax (note 12):									
Foreign currency translation adjustments					453,157		453,157	49,455	502,612
Pension liability adjustments (note 10)					(65,593)		(65,593)		(65,593)
Unrealized gains (losses) on securities (note 3)					539,718		539,718	(339)	539,379
Unrealized gains (losses) on derivative instruments (note 14)					(641)		(641)	(136)	(777)
							2,416,670	139,456	2,556,126
Transfer to legal reserve			12,942	(12,942)			—		—
Equity transactions with noncontrolling interests and other		11,107					11,107	(51,029)	(39,922)
Dividends paid to Mitsubishi Electric Corp. shareholders' equity				(250,117)			(250,117)		(250,117)
Purchase of treasury stock						(466)	(466)		(466)
Reissuance of treasury stock						10	10		10
Balance at March 31, 2014	**$1,706,990**	**$2,010,573**	**$609,117**	**$10,456,301**	**$ 19,000**	**$(2,738)**	**$14,799,243**	**$738,145**	**$15,537,388**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Mitsubishi Electric Corporation and Subsidiaries
Years ended March 31, 2014, 2013 and 2012

	Yen (millions)			U.S. dollars (thousands) (note 2)
	2014	2013	2012	**2014**
Cash flows from operating activities:				
Net income	**¥ 162,792**	¥ 74,650	¥ 118,265	**$ 1,580,505**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	**132,956**	127,942	127,244	**1,290,835**
Impairment losses of property, plant and equipment	**3,627**	4,014	3,367	**35,214**
Loss (gain) from sales and disposal of property, plant and equipment, net	**67**	(296)	834	**650**
Deferred income taxes	**51,957**	(32,999)	63,628	**504,437**
Loss (gain) from sales of securities and other, net	**1,108**	(2,480)	(1,682)	**10,757**
Devaluation losses of securities and other, net	**607**	4,828	6,961	**5,893**
Equity in losses (earnings) of affiliated companies	**(23,153)**	14,619	3,366	**(224,786)**
Decrease (increase) in trade receivables	**14,812**	(49)	(166,091)	**143,806**
Decrease (increase) in inventories	**18,141**	16,706	(55,737)	**176,126**
Decrease (increase) in other assets	**(12,580)**	(21,241)	(17,553)	**(122,136)**
Increase (decrease) in trade payables	**83,179**	(62,549)	9,113	**807,563**
Increase (decrease) in accrued expenses and retirement and severance benefits	**(10,756)**	(63,638)	(61,108)	**(104,427)**
Increase (decrease) in other liabilities	**21,494**	16,787	(7,311)	**208,680**
Other, net	**(3,764)**	6,458	51,884	**(36,544)**
Net cash provided by operating activities	**440,487**	82,752	75,180	**4,276,573**
Cash flows from investing activities:				
Capital expenditure	**(151,840)**	(150,425)	(159,346)	**(1,474,174)**
Proceeds from sale of property, plant and equipment	**4,930**	4,792	5,085	**47,864**
Purchase of short-term investments and investment securities	**(21,312)**	(13,036)	(11,766)	**(206,913)**
Proceeds from sale of short-term investments and investment securities	**44,134**	29,088	15,961	**428,485**
Decrease (increase) in loans receivable	**1,882**	(14,398)	90	**18,272**
Other, net	**(8,015)**	(9,722)	(6,198)	**(77,816)**
Net cash used in investing activities	**(130,221)**	(153,701)	(156,174)	**(1,264,282)**
Cash flows from financing activities:				
Proceeds from long-term debt	**193**	57,003	138,283	**1,874**
Repayment of long-term debt	**(105,445)**	(90,786)	(139,775)	**(1,023,738)**
Increase (decrease) in short-term debt, net	**(73,266)**	19,237	46,630	**(711,320)**
Dividends paid	**(25,762)**	(23,616)	(27,910)	**(250,117)**
Purchase of treasury stock	**(48)**	(16)	(20)	**(466)**
Reissuance of treasury stock	**1**	2	2	**10**
Other, net	**(4,694)**	(2,977)	(10,182)	**(45,573)**
Net cash provided by (used in) financing activities	**(209,021)**	(41,153)	7,028	**(2,029,330)**
Effect of exchange rate changes on cash and cash equivalents	**17,923**	18,802	(5,920)	**174,010**
Net increase (decrease) in cash and cash equivalents	**119,168**	(93,300)	(79,886)	**1,156,971**
Cash and cash equivalents at beginning of year	**298,881**	392,181	472,067	**2,901,757**
Cash and cash equivalents at end of year	**¥ 418,049**	¥ 298,881	¥ 392,181	**$ 4,058,728**

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, 2014 are as follows: Energy and Electric Systems – 25%, Industrial Automation Systems – 24%, Information and Communication Systems – 12%, Electronic Devices – 4%, Home Appliances – 20% and Others – 15%.

Majority of the operations of the Company and its subsidiaries is mainly conducted in Japan. Net sales for the year ended March 31, 2014 comprises of the following geographical locations: Japan – 61%, North America – 8%, Asia (excluding Japan) – 20%, Europe – 9% and Others – 2%.

Our manufacturing operations are conducted principally at the Parent company with 22 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; 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.

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 cost basis 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 equity investment and 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 amortization 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 collectibility 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 consists 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 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. divided 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 consolidating 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 but tests it for impairment at least annually. Also other intangible assets with indefinite useful life are not amortized, but instead tested for impairment until its useful life is determined. On the other hand, other intangible assets determined to have useful life are amortized over their respective estimated useful life and tested for impairment.

(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, 2014.

(aa) Future Application of New Accounting Standards

In March 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU) 2013-05 "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (a consensus of the FASB Emerging Issues Task Force)" (An Amendment of Accounting Standards Codification (ASC) Topic 830 "Foreign Currency Matters"). ASU 2013-05 addresses the accounting for the cumulative translation adjustment when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. ASU 2013-05 requires entities to apply the guidance in ASC 830-30 to release any related cumulative translation adjustment into net income. The Company is required to adopt ASU 2013-05 on April 1, 2014. The adoption of ASU 2013-05 will not have a material effect on the Company's consolidated financial position and results of operations.

In April 2013, the FASB issued ASU 2013-07 "Liquidation Basis of Accounting" (An Amendment of ASC Topic 205 "Presentation of Financial Statements"). ASU 2013-07 clarifies when an entity should apply the liquidation basis of accounting and provides guidance on principles for the recognition and measurement of assets and liabilities and requirements for financial statements prepared using the liquidation basis of accounting. ASU 2013-07 requires entities to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent and to present relevant information about an entity's expected resources in liquidation by measuring and presenting assets at the amount of the expected cash proceeds from liquidation that include any items that it had not previously recognized under U.S. GAAP but that it expects to either sell in liquidation or use in settling liabilities. The Company is required to adopt ASU 2013-07 on April 1, 2014. The adoption of ASU 2013-07 will not have a material effect on the Company's consolidated financial position and results of operations.

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers" (A Creation of ASC Topic 606 "Revenue from Contracts with Customers"). ASU 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company is required to adopt ASU 2014-09 on April 1, 2017 retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially adopting this update recognized at the date of initial adoption. The Company has not yet determined which method it will apply and is currently evaluating the effects on the Company's consolidated financial position and results of operations upon adoption of ASU 2014-09.

(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 ¥103=U.S.$1, which was the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market at the end of March 2014. 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 short-term investments and investments in securities and other consist 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, 2014 and 2013 were as follows:

	Yen (millions)			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
2014:				
Available-for-sale:				
Equity securities	**¥ 96,587**	**¥127,931**	**¥1,345**	**¥223,173**
Debt securities	**3,861**	**—**	**49**	**3,812**
	¥100,448	**¥127,931**	**¥1,394**	**¥226,985**

	Yen (millions)			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
2013:				
Available-for-sale:				
Equity securities	¥ 77,663	¥ 44,736	¥1,512	¥120,887
Debt securities	37,348	1,113	2,442	36,019
	¥115,011	¥ 45,849	¥3,954	¥156,906

	U.S. dollars (thousands)			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
2014:				
Available-for-sale:				
Equity securities	**$937,738**	**$1,242,049**	**$13,058**	**$2,166,729**
Debt securities	**37,485**	**—**	**476**	**37,009**
	$975,223	**$1,242,049**	**$13,534**	**$2,203,738**

Debt securities consist of Japanese government debt securities, corporate debt securities and others.

In the years ended March 31, 2014, 2013 and 2012, net unrealized gains on available-for-sale securities, net of taxes and noncontrolling interests, increased by ¥55,591 million ($539,718 thousand) , ¥14,803 million and ¥6,285 million, respectively.

As of March 31, 2014 and 2013, the cost of non-marketable equity securities were ¥14,550 million ($141,262 thousand) and ¥15,033 million, respectively.

Maturities of marketable securities classified as available-for-sale at March 31, 2014 were as follows:

	Yen (millions)		U.S. dollars (thousands)	
	Cost	Fair value	Cost	Fair value
Due within one year	¥ 51	¥ 51	$ 495	$ 495
Due after one year through five years	210	210	2,039	2,039
Due after five years	3,600	3,551	34,951	34,475
Marketable equity securities	96,587	223,173	937,738	2,166,729
	¥100,448	¥226,985	$975,223	$2,203,738

Gross unrealized losses on available-for-sale securities and the fair value of the related securities, aggregated by length of time that individual securities have been in a continuous unrealized loss positions, at March 31, 2014 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	¥5,557	¥ 997	¥ 603	¥348	¥6,160	¥1,345
Debt securities	492	8	2,459	41	2,951	49
	¥6,049	¥1,005	¥3,062	¥389	¥9,111	¥1,394

	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	$53,951	$9,679	$ 5,855	$3,379	$59,806	$13,058
Debt securities	4,777	78	23,873	398	28,650	476
	$58,728	$9,757	$29,728	$3,777	$88,456	$13,534

The Company did not recognize an impairment loss from the decline in the fair value of the marketable securities including the unrealized losses. Based on that evaluation and the Company's ability and intent to hold those securities for a reasonable period of time sufficient for a 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, 2014, 2013 and 2012 were as follows:

	Yen (millions)			U.S. dollars (thousands)
	2014	2013	2012	**2014**
Proceeds	**¥26,964**	¥22,287	¥1,460	**$261,786**
Gross realized gains	**161**	2,527	486	**1,563**
Gross realized losses	**1,327**	47	5	**12,883**

For the year ended March 31, 2014, the Company did not recognize any material losses on impairment of marketable securities due to other-than-temporary declines in fair value.

For the years ended March 31, 2013 and 2012, the Company recognized loss on impairment of marketable securities of ¥3,860 million and ¥6,912 million, respectively due to other-than-temporary declines in fair value.

(4) TRADE RECEIVABLES

Trade receivables are summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2014	2013	**2014**
Notes receivable	**¥ 68,335**	¥ 56,284	**$ 663,446**
Accounts receivable	**925,181**	926,511	**8,982,340**
Allowance for doubtful receivables	**(10,048)**	(8,290)	**(97,553)**
	¥983,468	¥974,505	**$9,548,233**

(5) INVENTORIES

Inventories are comprised of the following:

	Yen (millions) 2014	2013	U.S. dollars (thousands) 2014
Work in process	**¥262,466**	¥271,574	**$2,548,214**
Less accumulated billings on long-term contracts	**14,955**	13,166	**145,195**
	247,511	258,408	**2,403,019**
Raw materials	**100,150**	90,477	**972,331**
Finished products	**254,680**	241,850	**2,472,621**
	¥602,341	¥590,735	**$5,847,971**

(6) INVESTMENTS IN AFFILIATED COMPANIES

For the fiscal year ended March 31, 2013, the Company recorded an amount of ¥13,785 million, the portion of the costs of investments in affiliated companies accounted for by the equity method of accounting at date of acquisition that exceeds the amounts of net assets attributable to the Company, included in investments in affiliated companies as goodwill related to equity investments on its consolidated balance sheets. At the year ended March 31, 2013, the Company did not recognize any goodwill impairment loss.

On September 30, 2013, Renesas Electric Corporation (Renesas) issued additional shares to third parties. As a result, the Company's ownership interest in Renesas decreased from 25.05% to 6.27% such that the Company no longer has the ability to exercise significant influence over Renesas. Therefore, the Company excluded Renesas from an affiliate of the Company accounted for by the equity method of accounting, and reclassified the amounts of investment in Renesas from "Investment in and advances to affiliated companies" to "Investment in securities and other" and recognized a loss resulting from the share issuance. The Company recorded the loss resulting from the share issuance of ¥4,355 million ($42,282 thousand) in "Costs and expenses - Other" for the year ended March 31, 2014.

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, 2014 and 2013, and for the years ended March 31, 2014, 2013 and 2012 is as follows:

The Financial Position as of March 31, 2013 and Results of Operations for the years ended March 31, 2014, 2013 and 2012 include the financial information of Renesas.

	Yen (millions) 2014	2013	U.S. dollars (thousands) 2014
Financial Position			
Current assets	**¥1,240,376**	¥1,395,527	**$12,042,486**
Property, plant and equipment	**109,668**	343,725	**1,064,738**
Other assets	**105,591**	192,039	**1,025,155**
Total assets	**¥1,455,635**	¥1,931,291	**$14,132,379**
Current liabilities	**¥ 830,046**	¥ 948,324	**$ 8,058,699**
Long-term debt	**133,766**	517,159	**1,298,699**
Total liabilities	**963,812**	1,465,483	**9,357,398**
Shareholders' equity	**491,823**	465,808	**4,774,981**
Total liabilities and shareholders' equity	**¥1,455,635**	¥1,931,291	**$14,132,379**

	2014	2013	2012 Yen (millions)	U.S. dollars (thousands) 2014
Results of Operations				
Sales	**¥1,648,617**	¥1,869,079	¥1,956,596	**$16,005,990**
Net income (loss) attributable to affiliated companies	**54,383**	(84,953)	(36,010)	**527,990**

The balances and transactions with affiliated companies accounted for by the equity method of accounting as of March 31, 2014 and 2013, and for the years ended March 31, 2014, 2013 and 2012 are as follows:

The balances as of March 31, 2013 and transactions for the years ended March 31, 2014, 2013 and 2012 include those with Renesas.

	2014	2013 Yen (millions)	U.S. dollars (thousands) 2014
Trade receivables	**¥ 71,578**	¥ 74,470	**$ 694,932**
Trade payables	**149,964**	129,123	**1,455,961**

	2014	2013	2012 Yen (millions)	U.S. dollars (thousands) 2014
Sales	**¥313,119**	¥298,033	¥314,740	**$3,039,990**
Purchases	**173,897**	166,633	184,766	**1,688,320**
Dividends	**12,418**	10,174	6,945	**120,563**

Investments in affiliated companies accounted for by the equity method of accounting include the shares of 9 publicly quoted affiliates (10 publicly quoted affiliates existed in 2013), which are summarized as follows:

	2014	2013 Yen (millions)	U.S. dollars (thousands) 2014
Investments at equity	**¥35,378**	¥52,720	**$343,476**
Quoted market value	**45,595**	65,751	**442,670**

(7) BANK LOANS AND LONG-TERM DEBT

Bank loans consisted of the following:

	2014	2013 Yen (millions)	U.S. dollars (thousands) 2014
Borrowings from banks and others	**¥60,275**	¥101,617	**$585,194**
Commercial paper	**—**	30,220	**—**
	¥60,275	¥131,837	**$585,194**

The weighted average interest rates on borrowings from banks and others outstanding as of March 31, 2014 and 2013 were 0.51% and 0.71%, respectively.

At March 31, 2014, the Company and its subsidiaries had unused committed lines of credit that can provide short-term funds from subscribing financial institutions amounting to ¥115,500 million ($1,121,359 thousand).

Long-term debt consisted of the following:

	Yen (millions) 2014	2013	U.S. dollars (thousands) 2014
Borrowings from banks and other companies, due 2014 to 2022 with bearing interest rate ranging from 0.29% to 3.20% at March 31, 2014: due 2013 to 2022 with bearing interest rate ranging from 0.35% to 3.00% at March 31, 2013:			
Secured	**¥ 403**	¥ 821	**$ 3,913**
Unsecured	**256,877**	319,527	**2,493,951**
1.17% Japanese yen bonds due 2014	**30,000**	30,000	**291,262**
0.58% Japanese yen bonds due 2013	**—**	30,000	**—**
Capital lease obligations	**25,923**	28,387	**251,680**
	313,203	408,735	**3,040,806**
Less amount due within one year	**101,777**	103,081	**988,126**
	¥211,426	¥305,654	**$2,052,680**

The aggregate annual maturities of long-term debt outstanding at March 31, 2014 were as follows:

Year ending March 31:	Yen (millions)	U.S. dollars (thousands)
2015	¥101,777	$ 988,126
2016	90,573	879,350
2017	49,258	478,233
2018	22,678	220,175
2019	24,174	234,699
Thereafter	24,743	240,223
Total	¥313,203	$3,040,806

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.

Certain of the secured loan agreements contain provisions that permit the lenders to require additional collateral, and substantially all of the unsecured loan agreements permit the lenders to require collateral or guarantors. Property, plant and equipment carried at ¥891 million ($8,650 thousand) are pledged as security for long-term loans from banks and others.

(8) TRADE PAYABLES

Trade payables are summarized as follows:

	Yen (millions) 2014	2013	U.S. dollars (thousands) 2014
Notes payable	**¥ 15,029**	¥ 16,868	**$ 145,912**
Accounts payable	**743,884**	635,850	**7,222,175**
	¥758,913	¥652,718	**$7,368,087**

(9) INCOME TAXES

Total income taxes were allocated as follows:

	Yen (millions)			U.S. dollars (thousands)
	2014	2013	2012	**2014**
Income before income taxes	**¥ 86,198**	¥(9,509)	¥105,815	**$ 836,874**
Shareholders' equity—accumulated other comprehensive income (loss):				
Foreign currency translation adjustments	**4,280**	5,037	(135)	**41,552**
Pension liability adjustments	**(2,151)**	26,637	(144)	**(20,882)**
Unrealized gains (losses) on securities	**30,818**	7,230	2,777	**299,204**
Unrealized gains (losses) on derivative instruments	**(24)**	38	37	**(233)**
	¥119,121	¥29,433	¥108,350	**$1,156,515**

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

	Yen (millions)			U.S. dollars (thousands)
	2014	2013	2012	**2014**
Change in valuation allowance related to deferred tax assets	**¥ (4,129)**	¥(40,029)	¥ (6,915)	**$ (40,087)**
Other	**56,086**	7,030	70,543	**544,524**
	¥51,957	¥(32,999)	¥63,628	**$504,437**

The Company is subjected to a number of income taxes. The statutory tax rate is approximately 38% for the years ended March 31, 2014 and 2013, approximately 41% for the year ended March 31, 2012.

The "Act to Partially Revise the Income Tax Act" (Act No. 10 of 2014) was enacted and promulgated in March 2014, resulting in a reduction of the corporation tax rate effective for fiscal years beginning after April 1, 2014, and the "Local Corporate Tax Act" (Act No. 11 of 2014) was enacted and promulgated in March 2014, resulting in a newly imposed Local Corporate Tax effective for fiscal years beginning after April 1, 2015. As a result, the Company adjusted the statutory tax rates to be applied in the calculation of deferred tax assets and liabilities arising from temporary differences expected to be recovered or settled after April 1, 2014. Before the adjustment, the statutory tax rates applied were approximately 38% for temporary differences expected to be recovered or settled through March 31, 2015 and approximately 35.5% for temporary differences expected to be recovered or settled for the subsequent fiscal years after April 1, 2015. After the adjustment, the statutory tax rate applied is approximately 35.5% for temporary differences expected to be recovered or settled for the subsequent fiscal years after April 1, 2014.

For the year ended March 31, 2014, ¥7,856 million ($76,272 thousand) of income tax expense is included in "Income taxes – Deferred" in the Consolidated Statements of Income, as a result of the adjustment of deferred tax assets and liabilities.

The effective tax rate for the years ended March 31, 2014, 2013 and 2012 is reconciled with the Japanese statutory tax rate in the following table:

	2014	2013	2012
Japanese statutory tax rate	**38.0%**	38.0%	41.0%
Change in valuation allowance	**(1.9)**	(60.1)	3.6
Adjustment for unrealized profit on intercompany transactions	**2.4**	21.4	(0.4)
Expenses permanently not deductible for tax purposes	**4.2**	2.8	1.0
International tax rate difference	**(8.4)**	(17.9)	(5.1)
Tax credits	**(0.1)**	(0.3)	(3.3)
Tax effect attributable to investments at equity	**(2.1)**	(10.4)	(2.6)
Effect of income tax rate change	**3.2**	7.6	14.3
Other	**(0.7)**	4.3	(1.3)
Effective tax rate	**34.6%**	(14.6)%	47.2%

For the year ended March 31, 2013, because it was expected that certain investments in affiliated companies would no longer be accounted for by the equity method of accounting during the following year, the Company concluded that it was more likely than not that the temporary differences related to its investment in affiliated companies would be realized. The effects were included in Change in valuation allowance.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2014 and 2013 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2014	2013	**2014**
Deferred tax assets:			
Retirement and severance benefits	**¥ 60,624**	¥ 77,846	**$ 588,583**
Accrued expenses	**88,148**	77,609	**855,806**
Property, plant and equipment	**32,566**	34,815	**316,175**
Inventories	**21,779**	23,998	**211,447**
Pension liability adjustments	**81,317**	79,533	**789,485**
Tax loss carryforwards	**35,506**	18,484	**344,718**
Other	**78,569**	155,207	**762,805**
Total gross deferred tax assets	**398,509**	467,492	**3,869,019**
Valuation allowance	**(64,547)**	(68,676)	**(626,669)**
Deferred tax assets, less valuation allowance	**333,962**	398,816	**3,242,350**
Deferred tax liabilities:			
Securities contributed to employee retirement benefit trust	**30,404**	30,404	**295,184**
Property, plant and equipment	**10,252**	10,939	**99,534**
Net unrealized gains on securities	**25,385**	14,637	**246,456**
Other	**39,298**	33,162	**381,535**
Total gross deferred tax liabilities	**105,339**	89,142	**1,022,709**
Net deferred tax assets	**¥228,623**	¥309,674	**$2,219,641**

The valuation allowance for deferred tax assets as of April 1, 2012 was ¥108,705 million. The net change in the total valuation allowance for the year ended March 31, 2013 was a decrease of ¥40,029 million. The net change in the total valuation allowance for the year ended March 31, 2014 was a decrease of ¥4,129 million ($40,087 thousand). 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, 2014, the Company and certain subsidiaries had net operating loss carryforwards of ¥64,911 million ($630,204 thousand) and ¥181,917 million ($1,766,184 thousand) for corporate and local income tax purposes, respectively, which were available to offset future taxable income, if any. A significant portion of the net operating loss carryforwards will expire in the years ending March 31, 2023.

Net deferred tax assets and liabilities at March 31, 2014 and 2013 are reflected in the accompanying consolidated balance sheets under the following captions:

	Yen (millions)		U.S. dollars (thousands)
	2014	2013	**2014**
Prepaid expenses and other current assets	**¥120,413**	¥112,019	**$1,169,058**
Other assets	**113,773**	201,794	**1,104,592**
Other liabilities	**(5,563)**	(4,139)	**(54,009)**
	¥228,623	¥309,674	**$2,219,641**

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

Although the Company believes that there are no significant unrecognized tax benefits as of March 31, 2014 and 2013, 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 the consolidated statements of income. Both interest and penalties accrued as of March 31, 2014 and 2013, and interest and penalties for the years ended March 31, 2014, 2013 and 2012 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	2007-2014
United States	2011-2014
Thailand	2009-2014
Europe	2008-2014

(10) 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 sponsors defined contribution pension plan.

The Company measures the fair value of plan assets and the projected benefit obligation 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 benefit obligations and the fair value of the plan assets are as follows:

	Yen (millions) 2014	Yen (millions) 2013	U.S. dollars (thousands) 2014
Change in benefit obligations:			
Benefit obligations at beginning of year	**¥1,038,169**	¥1,052,970	**$10,079,311**
Service cost	**29,486**	29,433	**286,272**
Interest cost	**19,123**	21,562	**185,660**
Plan participants' contributions	**1,063**	1,077	**10,320**
Amendments	**339**	957	**3,291**
Actuarial loss	**50,408**	8,823	**489,398**
Benefits paid	**(74,167)**	(77,667)	**(720,068)**
Acquisitions and divestitures, etc.	**2,719**	1,014	**26,398**
Benefit obligations at end of year	**1,067,140**	1,038,169	**10,360,582**
Change in plan assets:			
Fair value of plan assets at beginning of year	**784,686**	683,258	**7,618,311**
Actual return on plan assets	**56,929**	90,710	**552,709**
Employer contributions	**48,280**	47,051	**468,738**
Plan participants' contributions	**1,063**	1,077	**10,320**
Benefits paid	**(35,477)**	(38,251)	**(344,437)**
Acquisitions and divestitures, etc.	**2,452**	841	**23,806**
Fair value of plan assets at end of year	**857,933**	784,686	**8,329,447**
Funded status at end of year	**¥ (209,207)**	¥ (253,483)	**$ (2,031,135)**

Amounts recognized in the consolidated balance sheets at March 31, 2014 and 2013 consist of:

	Yen (millions) 2014	Yen (millions) 2013	U.S. dollars (thousands) 2014
Other assets	**¥ 7,651**	¥ 7,353	**$ 74,282**
Other current liabilities	**(4,220)**	(5,859)	**(40,970)**
Retirement and severance benefits	**(212,638)**	(254,977)	**(2,064,447)**
	¥(209,207)	¥(253,483)	**$(2,031,135)**

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2014 and 2013 consist of:

	Yen (millions) 2014	Yen (millions) 2013	U.S. dollars (thousands) 2014
Actuarial gain or loss	**¥286,221**	¥300,091	**$2,778,845**
Prior service cost	**(54,959)**	(77,514)	**(533,583)**
	¥231,262	¥222,577	**$2,245,262**

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

	Yen (millions) 2014	Yen (millions) 2013	U.S. dollars (thousands) 2014
Accumulated benefit obligations	**¥1,050,423**	¥1,031,769	**$10,198,282**

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, 2014, 2013 and 2012 consisted of the following components:

	Yen (millions)			U.S. dollars (thousands)
	2014	2013	2012	**2014**
Service cost	**¥ 30,549**	¥ 30,510	¥ 30,330	**$ 296,592**
Interest cost on projected benefit obligation	**19,123**	21,562	21,838	**185,660**
Expected return on plan assets	**(13,911)**	(13,556)	(12,834)	**(135,058)**
Amortization of prior service cost	**(22,216)**	(21,748)	(17,044)	**(215,689)**
Amortization of actuarial loss	**21,544**	27,253	27,904	**209,165**
	35,089	44,021	50,194	**340,670**
Plan participants' contributions	**(1,063)**	(1,077)	(1,108)	**(10,320)**
Net periodic retirement and severance costs	**¥ 34,026**	¥ 42,944	¥ 49,086	**$ 330,350**

Other changes in plan assets and projected benefit obligations recognized in other comprehensive income (loss) for the years ended March 31, 2014 and 2013 were summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2014	2013	**2014**
Actuarial gain or loss	**¥ 7,674**	¥(68,295)	**$ 74,505**
Amortization of actuarial loss (gain)	**(21,544)**	(27,253)	**(209,165)**
Prior service cost	**339**	957	**3,291**
Amortization of prior service cost	**22,216**	21,748	**215,689**
	¥ 8,685	¥(72,843)	**$ 84,320**

The estimated actuarial gain or 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 gain or loss	¥ 15,119	$ 146,786
Prior service cost	(11,571)	(112,340)

Actuarial assumptions

Actuarial assumptions used to determine benefit obligations at March 31, 2014 and 2013 were as follows:

	2014	2013
Discount rate	**1.5%**	2.0%
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, 2014, 2013 and 2012 were as follows:

	2014	2013	2012
Discount rate	**2.0%**	2.0%	2.0%
Assumed rate of increase in future compensation levels	**1.7%**	1.7%	1.7%
Expected long-term rate of return on plan assets	**2.5%**	2.5%	2.5%

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

Plan Assets

The fair values of the Company's pension plan assets at March 31, 2014 and 2013 were as follows:

				Yen (millions)
	2014			
	Level 1	Level 2	Level 3	Total
Equity securities				
Marketable equity securities	**¥178,946**	**¥ —**	**¥ —**	**¥178,946**
Pooled funds	**—**	**179,921**	**—**	**179,921**
Debt securities				
Government, municipal and corporate debt securities	**5,111**	**21,727**	**—**	**26,838**
Pooled funds	**—**	**322,495**	**—**	**322,495**
Other assets				
Life insurance company general accounts	**—**	**91,567**	**—**	**91,567**
Other	**—**	**42,604**	**15,562**	**58,166**
	¥184,057	**¥658,314**	**¥15,562**	**¥857,933**

Notes: 1. Marketable equity securities include mainly domestic stocks.
2. Pooled funds of equity securities include approximately 20% domestic stocks and 80% foreign stocks.
3. Pooled funds of debt securities include approximately 70% domestic bonds and 30% foreign bonds.
4. Government, municipal and corporate debt securities of level 1 include government debt securities.

				Yen (millions)
	2013			
	Level 1	Level 2	Level 3	Total
Equity securities				
Marketable equity securities	¥172,899	¥ —	¥ —	¥172,899
Pooled funds	—	171,648	—	171,648
Debt securities				
Government, municipal and corporate debt securities	4,224	21,447	—	25,671
Pooled funds	—	276,469	—	276,469
Other assets				
Life insurance company general accounts	—	88,260	—	88,260
Other	—	34,601	15,138	49,739
	¥177,123	¥592,425	¥15,138	¥784,686

Notes: 1. Marketable equity securities include mainly domestic stocks.
2. Pooled funds of equity securities include approximately 20% domestic stocks and 80% foreign stocks.
3. Pooled funds of debt securities include approximately 70% domestic bonds and 30% foreign bonds.
4. Government, municipal and corporate debt securities of level 1 include government debt securities.

				U.S. dollars (thousands)
	2014			
	Level 1	Level 2	Level 3	Total
Equity securities				
Marketable equity securities	**$1,737,340**	**$ —**	**$ —**	**$1,737,340**
Pooled funds	**—**	**1,746,806**	**—**	**1,746,806**
Debt securities				
Government, municipal and corporate debt securities	**49,621**	**210,942**	**—**	**260,563**
Pooled funds	**—**	**3,131,019**	**—**	**3,131,019**
Other assets				
Life insurance company general accounts	**—**	**889,000**	**—**	**889,000**
Other	**—**	**413,631**	**151,088**	**564,719**
	$1,786,961	**$6,391,398**	**$151,088**	**$8,329,447**

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: approximately 30% is invested in equity securities, approximately 65% is invested in debt securities and investments in life insurance company general accounts, and approximately 5% 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 18 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 pooled funds that invest in equity and debt securities, corporate bonds and investments in life insurance company general accounts. Pooled funds are valued at their net asset values that are calculated by the sponsor of the fund. 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 life insurance company. Level 3 assets comprise hedge funds, which are valued based on unobservable inputs.

An analysis of the changes in Level 3 assets which comprise hedge funds measured at fair value for the years ended March 31, 2014 and 2013 is as follows:

	Yen (millions)		U.S. dollars (thousands)
	2014	2013	**2014**
Balance at beginning of year	**¥15,138**	¥15,151	**$146,971**
Actual return:			
Relating to assets sold	**(8)**	—	**(77)**
Relating to assets still held	**432**	(13)	**4,194**
Purchases, sales and settlements	**—**	—	**—**
Transfers in and/or out of Level 3	**—**	—	**—**
Balance at end of year	**¥15,562**	¥15,138	**$151,088**

Cash Flows

The Company expects to contribute ¥48,744 million ($473,243 thousand) to its pension plan in the year ending March 31, 2015. Estimated future benefit payments are as follows:

Year ending March 31:	Yen (millions)	U.S. dollars (thousands)
2015	¥ 67,643	$ 656,728
2016	67,474	655,087
2017	61,193	594,107
2018	55,897	542,689
2019	56,177	545,408
2020–2024	260,033	2,524,592

The amount of cost recognized for the Company and certain subsidiaries' defined contribution plans for the years ended March 31, 2014, 2013 and 2012 were ¥8,423 million ($81,777 thousand), ¥7,447 million and ¥6,938 million, respectively.

(11) SHAREHOLDERS' EQUITY

Changes in common stock for the years ended March 31, 2014 and 2013 were as follows:

Shares	2014	2013
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 ¥301,412 million ($2,926,330 thousand) at March 31, 2014.

Cash dividends and appropriations to the legal reserve charged to retained earnings during the years ended March 31, 2014, 2013 and 2012 represent dividends paid out during the years and the related appropriations to the legal reserve.

(12) OTHER COMPREHENSIVE INCOME (LOSS)

Starting year ended March 31, 2014, the Company adopts FASB ASU 2013-02 "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (An amendment of ASC Topic 220 "Comprehensive Income"). ASU 2013-02 requires entities to disclose items reclassified out of accumulated other comprehensive income and into net income. The adoption of ASU 2013-02 does not have a material effect on the Company's consolidated financial position and results of operations.

Change in accumulated other comprehensive income (loss) is as follows:

Yen (millions)

	2014				
	Foreign currency translation adjustments	Pension liability adjustments	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivative instruments	Total
Balance at beginning of year	¥ (8,023)	¥(112,523)	¥27,045	¥ 14	¥(93,487)
Other comprehensive income before reclassifications	46,675	(6,323)	54,831	(98)	95,085
Amounts reclassified from accumulated other comprehensive income	—	(433)	760	32	359
Net change during the year	46,675	(6,756)	55,591	(66)	95,444
Balance at end of year	¥38,652	¥(119,279)	¥82,636	¥(52)	¥ 1,957

Yen (millions)

	2013				
	Foreign currency translation adjustments	Pension liability adjustments	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivative instruments	Total
Balance at beginning of year	¥(67,654)	¥(160,156)	¥12,242	¥(35)	¥(215,603)
Net change during the year	59,631	47,633	14,803	49	122,116
Balance at end of year	¥ (8,023)	¥(112,523)	¥27,045	¥ 14	¥ (93,487)

Yen (millions)

	2012				
	Foreign currency translation adjustments	Pension liability adjustments	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivative instruments	Total
Balance at beginning of year	¥(59,400)	¥(162,390)	¥ 5,957	¥(86)	¥(215,919)
Net change during the year	(8,254)	2,234	6,285	51	316
Balance at end of year	¥(67,654)	¥(160,156)	¥12,242	¥(35)	¥(215,603)

U.S. dollars (thousands)

	2014				
	Foreign currency translation adjustments	Pension liability adjustments	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivative instruments	Total
Balance at beginning of year	$ (77,894)	$(1,092,456)	$262,573	$ 136	$(907,641)
Other comprehensive income before reclassifications	453,157	(61,389)	532,339	(952)	923,155
Amounts reclassified from accumulated other comprehensive income	—	(4,204)	7,379	311	3,486
Net change during the year	453,157	(65,593)	539,718	(641)	926,641
Balance at end of year	$375,263	$(1,158,049)	$802,291	$(505)	$ 19,000

Reclassifications out of accumulated other comprehensive income (loss) are as follows:

	2014		
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	¥(22,216)	$(215,689)	See Note
Amortization of actuarial loss	21,544	209,165	See Note
	(672)	(6,524)	Total before tax
	239	2,320	Income tax
	(433)	(4,204)	Net of tax
Unrealized gains (losses) on securities			
Realized losses on sales	1,166	11,320	Other costs and expenses
Other	13	127	Other costs and expenses
	1,179	11,447	Total before tax
	(419)	(4,068)	Income tax
	760	7,379	Net of tax
Unrealized gains (losses) on derivative instruments			
Other	42	408	Other costs and expenses
	42	408	Total before tax
	(10)	(97)	Income tax
	32	311	Net of tax
Total amounts reclassified	¥ 359	$ 3,486	Net of tax

Note: These accumulated other comprehensive income components are included in the computation of net periodic retirement and severance costs. See Note 10 “Retirement and Severance Benefits”.

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments are as follows:

	Yen (millions)		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
2014:			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of year	**¥ 50,955**	**¥ (4,280)**	**¥46,675**
Less reclassification adjustments for gains (losses) realized in net income	**—**	**—**	**—**
Net change in foreign currency translation adjustments during the year	**50,955**	**(4,280)**	**46,675**
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	**(8,235)**	**1,912**	**(6,323)**
Less reclassification adjustments for gains (losses) realized in net income	**(672)**	**239**	**(433)**
Net change in pension liability adjustment	**(8,907)**	**2,151**	**(6,756)**
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	**85,230**	**(30,399)**	**54,831**
Less reclassification adjustments for gains (losses) realized in net income	**1,179**	**(419)**	**760**
Net change in unrealized gains (losses) on securities	**86,409**	**(30,818)**	**55,591**
Unrealized gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	**(132)**	**34**	**(98)**
Less reclassification adjustments for gains (losses) realized in net income	**42**	**(10)**	**32**
Net change in unrealized gains (losses) on derivative instruments	**(90)**	**24**	**(66)**
Other comprehensive income (loss)	**¥128,367**	**¥(32,923)**	**¥95,444**

	Yen (millions)		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
2013:			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of year	¥ 64,668	¥ (5,037)	¥ 59,631
Less reclassification adjustments for gains (losses) realized in net income	—	—	—
Net change in foreign currency translation adjustments during the year	64,668	(5,037)	59,631
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	68,765	(24,545)	44,220
Less reclassification adjustments for gains (losses) realized in net income	5,505	(2,092)	3,413
Net change in pension liability adjustment	74,270	(26,637)	47,633
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	20,071	(6,489)	13,582
Less reclassification adjustments for gains (losses) realized in net income	1,962	(741)	1,221
Net change in unrealized gains (losses) on securities	22,033	(7,230)	14,803
Unrealized gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	134	(53)	81
Less reclassification adjustments for gains (losses) realized in net income	(47)	15	(32)
Net change in unrealized gains (losses) on derivative instruments	87	(38)	49
Other comprehensive income (loss)	¥161,058	¥(38,942)	¥122,116

	Yen (millions)		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
2012:			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of year	¥(8,379)	¥ 135	¥(8,244)
Less reclassification adjustments for gains (losses) realized in net income	(10)	—	(10)
Net change in foreign currency translation adjustments during the year	(8,389)	135	(8,254)
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	(8,770)	4,597	(4,173)
Less reclassification adjustments for gains (losses) realized in net income	10,860	(4,453)	6,407
Net change in pension liability adjustment	2,090	144	2,234
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	3,536	(654)	2,882
Less reclassification adjustments for gains (losses) realized in net income	5,526	(2,123)	3,403
Net change in unrealized gains (losses) on securities	9,062	(2,777)	6,285
Unrealized gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	72	(30)	42
Less reclassification adjustments for gains (losses) realized in net income	16	(7)	9
Net change in unrealized gains (losses) on derivative instruments	88	(37)	51
Other comprehensive income (loss)	¥ 2,851	¥(2,535)	¥ 316

	U.S. dollars (thousands)		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
2014:			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of year	**$ 494,709**	**$ (41,552)**	**$453,157**
Less reclassification adjustments for gains (losses) realized in net income	**—**	**—**	**—**
Net change in foreign currency translation adjustments during the year	**494,709**	**(41,552)**	**453,157**
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	**(79,951)**	**18,562**	**(61,389)**
Less reclassification adjustments for gains (losses) realized in net income	**(6,524)**	**2,320**	**(4,204)**
Net change in pension liability adjustment	**(86,475)**	**20,882**	**(65,593)**
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	**827,475**	**(295,136)**	**532,339**
Less reclassification adjustments for gains (losses) realized in net income	**11,447**	**(4,068)**	**7,379**
Net change in unrealized gains (losses) on securities	**838,922**	**(299,204)**	**539,718**
Unrealized gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	**(1,282)**	**330**	**(952)**
Less reclassification adjustments for gains (losses) realized in net income	**408**	**(97)**	**311**
Net change in unrealized gains (losses) on derivative instruments	**(874)**	**233**	**(641)**
Other comprehensive income (loss)	**$1,246,282**	**$(319,641)**	**$926,641**

(13) 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)
	2014	2013	2012	**2014**
Net income attributable to Mitsubishi Electric Corp.	**¥153,473**	¥69,517	¥112,063	**$1,490,029**
Effect of dilutive securities	**—**	—	—	**—**
Diluted net income attributable to Mitsubishi Electric Corp.	**¥153,473**	¥69,517	¥112,063	**$1,490,029**

	Shares		
	2014	2013	2012
Average common shares outstanding	**2,146,871,671**	2,146,906,220	2,146,926,221
Effect of dilutive securities:	**—**	—	—
Diluted common shares outstanding	**2,146,871,671**	2,146,906,220	2,146,926,221

	Yen			U.S. dollars
	2014	2013	2012	**2014**
Net income per share attributable to Mitsubishi Electric Corp.:				
Basic	**¥71.49**	¥32.38	¥52.20	**$0.694**
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, 2014, 2013 and 2012.

(14) 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.

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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. Other derivative instruments are debt securities that contain embedded derivatives with intention to hold for a certain period. The Company believes that no material risks exist on its debt securities because the principal of those debt securities are guaranteed.

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 26 months. The Company expects that the amounts of net gain of ¥15 million ($146 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 and other derivative instruments at March 31, 2014 and 2013 are as follows:

	Yen (millions) 2014	Yen (millions) 2013	U.S. dollars (thousands) 2014
Foreign exchange contracts:			
Forwards to sell foreign currencies	**¥208,775**	¥106,974	**$2,026,942**
Forwards to buy foreign currencies	**91,194**	66,586	**885,379**
Foreign currency swaps	**37,010**	17,196	**359,320**
Interest rate swaps	**2,000**	7,000	**19,417**
Other derivative instruments	**3,000**	28,300	**29,126**

The estimated fair values of foreign exchange contracts, foreign currency swaps, interest rate swaps and other derivative instruments at March 31, 2014 and 2013 are as follows:

Derivatives designated as hedging instruments	Consolidated balance sheet line item	Asset derivatives Estimated fair value Yen (millions) 2014	Yen (millions) 2013	U.S. dollars (thousands) 2014
Foreign exchange contracts	Prepaid expenses and other current assets	**¥27**	¥118	**$262**

Derivatives designated as hedging instruments	Consolidated balance sheet line item	Liability derivatives Estimated fair value Yen (millions) 2014	Yen (millions) 2013	U.S. dollars (thousands) 2014
Foreign exchange contracts	Other current liabilities	**¥115**	¥23	**$1,117**
Interest rate swaps	Other liabilities	**—**	61	**—**
Total		**¥115**	¥84	**$1,117**

Derivatives not designated as hedging instruments	Consolidated balance sheet line item	Asset derivatives Estimated fair value Yen (millions) 2014	Yen (millions) 2013	U.S. dollars (thousands) 2014
Foreign exchange contracts	Prepaid expenses and other current assets	**¥1,006**	¥6,686	**$ 9,767**
Foreign currency swaps	Prepaid expenses and other current assets	**70**	211	**680**
Interest rate swaps	Investments in securities and other	**60**	84	**583**
Total		**¥1,136**	¥6,981	**$11,030**

Derivatives not designated as hedging instruments	Consolidated balance sheet line item	Liability derivatives Estimated fair value Yen (millions) 2014	Yen (millions) 2013	U.S. dollars (thousands) 2014
Foreign exchange contracts	Other current liabilities	**¥1,993**	¥4,076	**$19,350**
Foreign currency swaps	Other current liabilities	**2**	197	**19**
Other derivative instruments	Other liabilities	**4**	1,819	**39**
Total		**¥1,999**	¥6,092	**$19,408**

The effect of foreign exchange contracts and interest rate swaps designated as cash flow hedges on the consolidated statements of income for the years ended March 31, 2014 and 2013 are as follows:

Derivatives in cash flow hedging relationships	Amount of gain or (loss) recognized in OCI on derivative (effective portion) Yen (millions) 2014	Yen (millions) 2013	U.S. dollars (thousands) 2014
Foreign exchange contracts	**¥(151)**	¥ 85	**$(1,466)**
Interest rate swaps	**61**	49	**592**
Total	**¥ (90)**	¥134	**$ (874)**

Derivatives in cash flow hedging relationships	Line item of gain or (loss) recognized from accumulated OCI into income (effective portion)	Amount of gain or (loss) recognized from accumulated OCI into income (effective portion)		
		Yen (millions)		U.S. dollars (thousands)
		2014	2013	**2014**
Foreign exchange contracts	Other revenues (cost and expenses)	**¥(42)**	¥47	**$(408)**

The effect of foreign exchange contracts, foreign currency swaps, interest rate swaps and other derivative instruments not designated as hedging instruments on the consolidated statements of income for the years ended March 31, 2014 and 2013 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)
		2014	2013	**2014**
Foreign exchange contracts	Other revenues (cost and expenses)	**¥(19,807)**	¥(8,302)	**$(192,301)**
Foreign currency swaps	Other revenues (cost and expenses)	**704**	(88)	**6,835**
Interest rate swaps	Other revenues (cost and expenses)	**(24)**	(24)	**(233)**
Other derivative instruments	Other revenues	**56**	2,090	**544**
Total		**¥(19,071)**	¥(6,324)	**$(185,155)**

(15) 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 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, 2014, the Company did not retain subordinated interests in the certain accounts receivables after the sale of these receivables.

The Company recognized losses of ¥485 million ($4,709 thousand), ¥492 million and ¥450 million on the securitizations of receivables for the years ended March 31, 2014, 2013 and 2012, 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, 2014, 2013 and 2012 are as follows:

	Yen (millions)			U.S. dollars (thousands)
	2014	2013	2012	**2014**
Proceeds from new securitizations	**¥424,556**	¥404,156	¥383,396	**$4,121,903**

Quantitative information about trade receivables including securitized receivables as of March 31, 2014 and 2013 are as follows:

	Yen (millions)		U.S. dollars (thousands)
	2014	2013	**2014**
Trade receivables	**¥1,106,139**	¥1,085,905	**$10,739,214**
Less: Securitized receivables	**122,671**	111,400	**1,190,981**
Total receivables	**¥ 983,468**	¥ 974,505	**$ 9,548,233**

As of March 31, 2014 and 2013, delinquencies and credit losses of trade receivables including securitized receivables are immaterial.

(16) COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2014, commitments outstanding for the purchase of property, plant and equipment were ¥23,998 million ($232,990 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, 2014, certain subsidiaries were contingently liable to trade notes discounted in the amount of ¥442 million ($4,291 thousand). Certain subsidiaries account for the discounted notes as sale of receivables.

As of March 31, 2014, 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.

In January 2007, the Company received a decision rendered by the European Commission imposing fines for an infringement of EU Competition Law in connection with its sales of certain gas-insulated switchgears in Europe. However, there was a significant inconsistency on recognition of the material underlying facts between the European Commission and the Company. Therefore, the Company appealed to the European General Court and challenged the decision. In July 2011, the Company received a judgment from the European General Court upholding the European Commission's decision on the underlying facts while annulling the fine imposed on the Company on the basis that the European Commission applied inconsistent methods of calculation to different companies.

In September 2011, since there was still a significant inconsistency on recognition of the material underlying facts between the European Commission and the Company, the Company appealed to the European Court of Justice.

In June 2012, the Company received the European Commission's decision presenting an amount of fine as payable by the Company after revision of the pertinent computations. In September 2012, the Company took another legal action with the European General Court seeking a revision of the current computation method presented by the European Commission, which would result in a downward modification of the fine. In December 2013, the Company received a judgment from the European Court of Justice upholding the European Commission's underlying facts. The legal action the Company filed in September 2012 with the European General Court is currently pending.

Since July 2011, the Company and certain of its subsidiaries have been subject to investigations and inquiries conducted by the United States Department of Justice in relation to United State Antitrust Laws regarding the sale of certain automotive parts in the United States of America. Consequently, in September 2013, the Company entered into a plea agreement with the United States Department of Justice in which the Company agreed to pay US$190,000 thousand (¥18,573 million based on the rate of exchange in effect at the date of the transaction) in fines for the infringement of United States Antitrust Laws.

For the year ended March 31, 2014, the Company recorded ¥7,738 million ($75,126 thousand), which is equivalent to the difference between the fines and its reserves as of the end of the previous fiscal year, in "Costs and expenses — Other". The actual payment of the fines was completed as of the end of this fiscal year.

Civil lawsuits relating to United States Antitrust Laws have also been raised in the United States of America. In addition, since July 2011, the Company has been cooperating with Competition Law investigations and inquiries conducted by the European Commission regarding the sales of certain automotive parts in Europe.

As of March 31, 2014, the Company recorded an estimated amount of ¥22,866 million ($222,000 thousand) as a reserve for these various competition-law-related expenses in "Other liabilities" relating to the gas-insulated switchgears case in Europe and certain automotive parts cases in the United States of America and Europe.

In addition, the Company and certain of its subsidiaries have moved towards reconciliation with some DRAM purchasers in relation to the possibility of violation of the Competition Law concerning DRAM sales. Considering the progress of the reconciliation, the Company believes that the DRAM case will not have a material effect on Company's consolidated financial position and results of operations.

The following table provides the undiscounted maximum amount of potential future payments for each major group of guarantees at March 31, 2014:

	Yen (millions)	U.S. dollars (thousands)
Guarantees of bank loan:		
Employees	¥ 4,150	$ 40,291
Affiliated and other companies	2,214	21,495
Other	6,561	63,699
Total	¥12,925	$125,485

The guarantees for the employees are principally made for their housing loans, and the term of guarantees is 1 year to 15 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, 2014 and 2013 is summarized as follows:

	Yen (millions)		U.S. dollars (thousands)
	2014	2013	**2014**
Balance at beginning of year	**¥46,920**	¥41,107	**$455,534**
Addition	**50,781**	39,935	**493,019**
Utilization	**40,091**	35,049	**389,233**
Foreign currency translation adjustments	**658**	927	**6,389**
Balance at end of year	**¥58,268**	¥46,920	**$565,709**

(17) 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) Short-term investments and Investments in securities and other

The fair values of most short-term investments and 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 14 about estimated fair value.)

The estimated fair values of the Company's financial instruments at March 31, 2014 and 2013 are summarized as follows:

	Yen (millions)				U.S. dollars (thousands)	
	2014		2013		**2014**	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Nonderivatives:						
Assets:						
Marketable securities and other	**¥226,985**	**¥226,985**	¥161,905	¥161,905	**$2,203,738**	**$2,203,738**
Long-term trade receivables	**4,813**	**4,865**	2,521	2,555	**46,728**	**47,233**
Liabilities:						
Long-term debt, including current portion	**287,280**	**287,852**	380,348	381,579	**2,789,126**	**2,794,680**

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.

(18) 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, 2014 and 2013. 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)

	2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity securities				
Marketable equity securities	**¥223,173**	**¥ —**	**¥—**	**¥223,173**
Debt securities				
Government, municipal and corporate debt securities, and others	**—**	**2,952**	**—**	**2,952**
Investment trusts	**—**	**860**	**—**	**860**
Derivatives	**—**	**1,163**	**—**	**1,163**
Liabilities:				
Derivatives	**—**	**2,114**	**—**	**2,114**

Yen (millions)

	2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity securities				
Marketable equity securities	¥120,887	¥ —	¥—	¥120,887
Debt securities				
Government, municipal and corporate debt securities, and others	—	38,824	—	38,824
Investment trusts	—	2,194	—	2,194
Derivatives	—	7,099	—	7,099
Liabilities:				
Derivatives	—	6,176	—	6,176

U.S. dollars (thousands)

	2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity securities				
Marketable equity securities	**$2,166,729**	**$ —**	**$—**	**$2,166,729**
Debt securities				
Government, municipal and corporate debt securities, and others	**—**	**28,660**	**—**	**28,660**
Investment trusts	**—**	**8,349**	**—**	**8,349**
Derivatives	**—**	**11,292**	**—**	**11,292**
Liabilities:				
Derivatives	**—**	**20,525**	**—**	**20,525**

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. Debt securities are comprised of government, municipal and corporate debt securities and others, and investment trusts. Level 1 debt securities are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions. Level 2 debt securities are valued based on market approach, using quoted prices for identical assets in markets that are not active. 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 and Liabilities Measured at Fair Value on a Nonrecurring Basis

At March 31, 2014, in accordance with the requirements of FASB ASC Topic 360 "Property, Plant and Equipment", a portion of long-lived assets was written down to their fair value of ¥4,162 million ($40,408 thousand), resulting in an impairment charge of ¥3,791 million ($36,806 thousand), which was included in loss on impairment of long-lived assets for the year ended March 31, 2014. 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, 2013, in accordance with the requirements of FASB ASC Topic 360 "Property, Plant and Equipment", a portion of long-lived assets was written down to their fair value of ¥4,226 million, resulting in an impairment charge of ¥4,317 million, which was included in loss on impairment of long-lived assets for the year ended March 31, 2013. 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".

(19) SUPPLEMENTARY INCOME AND EXPENSE INFORMATION

			Yen (millions)	U.S. dollars (thousands)
	2014	2013	2012	**2014**
Advertising expenses	**¥(23,847)**	¥(18,029)	¥(18,372)	**$(231,524)**
Shipping and handling costs	**(79,634)**	(71,613)	(73,283)	**(773,146)**
Exchange gains (losses)	**9,709**	8,034	(2,000)	**94,262**
Refund payment for overcharged expenses	**—**	(75,717)	—	**—**
Loss on impairment of long-lived assets	**(3,791)**	(4,317)	(3,782)	**(36,806)**

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".

Refund payment for overcharged expenses is included in "Costs and expenses — Other".

For the electronic systems business, it was revealed in January 2012 that the Company had been billing improperly overcharged project costs by transferring man-hours among different contracts which the Company entered into with the Japanese Ministry of Defense(MOD), Cabinet Satellite Intelligence Center, Japan Aerospace Exploration Agency, and National Institute of Information and Communications Technology. Also, similar incidents were identified concerning contracts between four of the Company's affiliates and MOD. As a result of investigation conducted by the entities, for the year ended March 31, 2013, the Company recorded a total of ¥75,717 million as a refund payment for overcharged expenses in "Costs and expenses — Other" that covered the refund of overcharged expenses, related penalties and interest arising from the series of incidents referred to herein.

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, 2014, the Company and certain of its subsidiaries recognized impairment losses of ¥3,627 million ($35,214 thousand) on tangible assets such as land, buildings and tools, and ¥164 million ($1,592 thousand) on intangible assets. The impairment losses included ¥1,217 million ($11,816 thousand) for Home Appliances business related assets due to a decline in profitability and ¥2,260 million ($21,942 thousand) for welfare related assets which are scheduled to be sold. The impairment losses were mainly measured based on the fair value less costs to sell.

For the year ended March 31, 2013, the Company and certain of its subsidiaries recognized impairment losses of ¥4,014 million on tangible assets such as buildings and machinery, and ¥303 million on intangible assets. The impairment losses included ¥2,404 million for Electronic Devices business related assets and ¥1,212 million for Home Appliances business related assets due to a decline in profitability. The impairment losses were mainly measured based on the fair value of the discounted present value of expected future cash flow.

For the year ended March 31, 2012, the Company and certain of its subsidiaries recognized impairment losses of ¥3,367 million on tangible assets such as buildings and machinery, and ¥415 million on intangible assets. The impairment losses included ¥2,429 million for Electronic Devices business related assets and ¥1,110 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.

(20) 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 machinery and equipments. At March 31, 2014, the aggregated cost and accumulated depreciation of leased assets under capital leases amounted to ¥42,520 million ($412,816 thousand) and ¥22,350 million ($216,990 thousand), respectively.

Future minimum lease payments under capital and non-cancelable operating leases as of March 31, 2014 are as follows:

	Yen (millions)		U.S. dollars (thousands)	
	Capital leases	Operating leases	Capital leases	Operating leases
Year ending March 31:				
2015	¥10,704	¥ 5,174	$103,922	$ 50,233
2016	8,333	3,944	80,903	38,291
2017	5,536	2,397	53,748	23,272
2018	2,911	1,523	28,262	14,786
2019	733	1,041	7,117	10,107
Thereafter	37	1,723	359	16,728
Total minimum lease payments	28,254	¥15,802	274,311	$153,417
Less: Estimated executory costs	1,421		13,796	
Net minimum lease payments	26,833		260,515	
Less: Amount representing interest	910		8,835	
Present value of net minimum capital lease payments	25,923		251,680	
Less: Current portion of obligations under capital leases	9,820		95,340	
Obligations under capital leases, excluding current portion	¥16,103		$156,340	

Rental expenses related to operating leases for the years ended March 31, 2014, 2013 and 2012 amounted to ¥45,246 million ($439,282 thousand), ¥42,587 million and ¥42,076 million, respectively. These operating leases are for office space, warehouses, employee facilities and computer equipment, and are customarily renewed.

(21) SUPPLEMENTARY CASH FLOW INFORMATION

	Yen (millions)			U.S. dollars (thousands)
	2014	2013	2012	**2014**
Cash paid during the year for:				
Interest	**¥ 4,795**	¥ 6,425	¥ 6,413	**$ 46,553**
Income taxes	**37,434**	41,022	65,901	**363,437**

(22) 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 switches, 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 beam treatment 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, surveillance cameras, 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	LCD televisions, room air conditioners, package air conditioners, air-to-water heat pump boilers, refrigerators, electric fans, ventilators, photovoltaic power generation systems, hot water supply systems, LED lamps, fluorescent lamps, indoor lighting, compressors, chillers, dehumidifiers, air purifiers, showcases, cleaners, rice cookers, microwave ovens, IH cooking heaters, 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 measured in a manner consistent with consolidated operating income.

Segment Information

Segment information for the years ended March 31, 2014, 2013 and 2012 are as follows:

As of and for the year ended March 31, 2014 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	¥1,171,292	¥1,089,109	¥513,712	¥174,082	¥927,868	¥178,296	¥4,054,359	¥ —	¥4,054,359
(2) Intersegment	8,801	9,687	34,570	20,576	16,483	497,738	587,855	(587,855)	—
Net sales	1,180,093	1,098,796	548,282	194,658	944,351	676,034	4,642,214	(587,855)	4,054,359
Operating costs	1,103,769	1,000,717	542,753	184,608	891,473	656,233	4,379,553	(560,366)	3,819,187
Operating income	¥ 76,324	¥ 98,079	¥ 5,529	¥ 10,050	¥ 52,878	¥ 19,801	¥ 262,661	¥ (27,489)	¥ 235,172
II Assets, depreciation and amortization, loss on impairment of long-lived assets, and capital expenditures									
Assets	¥1,161,790	¥932,857	¥399,215	¥172,925	¥706,833	¥242,496	¥3,616,116	¥(3,150)	¥3,612,966
Depreciation and amortization	27,852	52,381	21,289	11,638	28,748	6,000	147,908	—	147,908
Loss on impairment of long-lived assets	—	—	—	115	1,217	2,459	3,791	—	3,791
Capital expenditures	32,639	63,660	22,172	10,405	30,334	8,490	167,700	—	167,700

As of and for the year ended March 31, 2013 — 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	¥1,049,982	¥918,123	¥491,792	¥142,961	¥799,817	¥164,509	¥3,567,184	¥ —	¥3,567,184
(2) Intersegment	8,195	9,734	30,630	21,104	21,481	425,857	517,001	(517,001)	—
Net sales	1,058,177	927,857	522,422	164,065	821,298	590,366	4,084,185	(517,001)	3,567,184
Operating costs	973,037	867,265	520,831	169,645	801,998	571,576	3,904,352	(489,263)	3,415,089
Operating income (loss)	¥ 85,140	¥ 60,592	¥ 1,591	¥ (5,580)	¥ 19,300	¥ 18,790	¥ 179,833	¥ (27,738)	¥ 152,095
II Assets, depreciation and amortization, loss on impairment of long-lived assets, and capital expenditures									
Assets	¥1,134,443	¥863,477	¥486,183	¥132,793	¥668,313	¥213,989	¥3,499,198	¥ (88,788)	¥3,410,410
Depreciation and amortization	26,274	46,477	24,769	11,573	25,821	6,393	141,307	—	141,307
Loss on impairment of long-lived assets	143	—	—	2,404	1,212	558	4,317	—	4,317
Capital expenditures	39,449	55,824	19,706	13,732	27,869	6,913	163,493	—	163,493

As of and for the year ended March 31, 2012 — 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	¥1,018,949	¥967,779	¥489,824	¥170,412	¥821,270	¥171,234	¥3,639,468	¥ —	¥3,639,468
(2) Intersegment	8,166	10,601	26,530	30,387	28,004	440,385	544,073	(544,073)	—
Net sales	1,027,115	978,380	516,354	200,799	849,274	611,619	4,183,541	(544,073)	3,639,468
Operating costs	942,195	877,188	495,042	197,214	826,916	591,271	3,929,826	(515,802)	3,414,024
Operating income	¥ 84,920	¥101,192	¥ 21,312	¥ 3,585	¥ 22,358	¥ 20,348	¥ 253,715	¥ (28,271)	¥ 225,444
II Assets, depreciation and amortization, loss on impairment of long-lived assets, and capital expenditures									
Assets	¥1,064,369	¥855,710	¥477,646	¥147,926	¥636,835	¥191,056	¥3,373,542	¥ 18,109	¥3,391,651
Depreciation and amortization	24,365	43,380	29,036	11,207	26,678	5,480	140,146	—	140,146
Loss on impairment of long-lived assets	—	—	—	2,429	1,110	243	3,782	—	3,782
Capital expenditures	30,269	56,487	22,116	21,424	35,160	5,620	171,076	—	171,076

As of and for the year ended March 31, 2014 — 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	**$11,371,767**	**$10,573,874**	**$4,987,495**	**$1,690,117**	**$9,008,427**	**$1,731,029**	**$39,362,709**	**$ —**	**$39,362,709**
(2) Intersegment	**85,447**	**94,048**	**335,631**	**199,767**	**160,029**	**4,832,408**	**5,707,330**	**(5,707,330)**	**—**
Net sales	**11,457,214**	**10,667,922**	**5,323,126**	**1,889,884**	**9,168,456**	**6,563,437**	**45,070,039**	**(5,707,330)**	**39,362,709**
Operating costs	**10,716,204**	**9,715,699**	**5,269,447**	**1,792,311**	**8,655,077**	**6,371,194**	**42,519,932**	**(5,440,446)**	**37,079,486**
Operating income	**$ 741,010**	**$ 952,223**	**$ 53,679**	**$ 97,573**	**$ 513,379**	**$ 192,243**	**$ 2,550,107**	**$ (266,884)**	**$ 2,283,223**
II Assets, depreciation and amortization, loss on impairment of long-lived assets, and capital expenditures									
Assets	**$11,279,515**	**$9,056,864**	**$3,875,874**	**$1,678,883**	**$6,862,456**	**$2,354,330**	**$35,107,922**	**$(30,582)**	**$35,077,340**
Depreciation and amortization	**270,408**	**508,554**	**206,689**	**112,990**	**279,107**	**58,252**	**1,436,000**	**—**	**1,436,000**
Loss on impairment of long-lived assets	**—**	**—**	**—**	**1,117**	**11,815**	**23,874**	**36,806**	**—**	**36,806**
Capital expenditures	**316,884**	**618,058**	**215,262**	**101,019**	**294,505**	**82,427**	**1,628,155**	**—**	**1,628,155**

Notes: 1 The amount of unallocatable R&D expenditure included in "Eliminations and other" on "Operating costs" for the years ended March 31, 2014, 2013 and 2012 are ¥27,489 million ($266,884 thousand), ¥27,738 million and ¥28,271 million, respectively.

2 The amount of company-wide shared assets included in "Eliminations and other" on "Assets" for the years ended March 31, 2014, 2013 and 2012 are ¥197,227 million ($1,914,825 thousand), ¥126,212 million and ¥211,012 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, 2014, 2013 and 2012 are as follows:

As of and for the year ended March 31, 2014 — Yen (millions)

	Japan	Overseas: North America	Overseas: Asia (excluding Japan)	Overseas: Europe	Overseas: Others	Overseas: Overseas total	Consolidated total
Sales to external customers	**¥2,480,369**	**¥330,861**	**¥811,081**	**¥340,611**	**¥91,437**	**¥1,573,990**	**¥4,054,359**
% of total net sales	**61.2%**	**8.2%**	**20.0%**	**8.4%**	**2.2%**	**38.8%**	**100.0%**
Long-lived assets	**534,521**	**39,831**	**109,774**	**17,426**	**3,742**	**170,773**	**705,294**

As of and for the year ended March 31, 2013 — Yen (millions)

	Japan	Overseas: North America	Overseas: Asia (excluding Japan)	Overseas: Europe	Overseas: Others	Overseas: Overseas total	Consolidated total
Sales to external customers	¥2,335,713	¥262,706	¥604,335	¥280,126	¥84,304	¥1,231,471	¥3,567,184
% of total net sales	65.5%	7.4%	16.9%	7.8%	2.4%	34.5%	100.0%
Long-lived assets	516,568	27,663	90,798	14,160	2,692	135,313	651,881

As of and for the year ended March 31, 2012 — Yen (millions)

	Japan	Overseas: North America	Overseas: Asia (excluding Japan)	Overseas: Europe	Overseas: Others	Overseas: Overseas total	Consolidated total
Sales to external customers	¥2,419,275	¥239,566	¥590,890	¥304,233	¥85,504	¥1,220,193	¥3,639,468
% of total net sales	66.5%	6.6%	16.2%	8.4%	2.3%	33.5%	100.0%
Long-lived assets	505,529	12,550	66,488	13,127	2,235	94,400	599,929

As of and for the year ended March 31, 2014 — U.S. dollars (thousands)

	Japan	Overseas: North America	Overseas: Asia (excluding Japan)	Overseas: Europe	Overseas: Others	Overseas: Overseas total	Consolidated total
Sales to external customers	**$24,081,252**	**$3,212,243**	**$7,874,573**	**$3,306,903**	**$887,738**	**$15,281,457**	**$39,362,709**
% of total net sales	**61.2%**	**8.2%**	**20.0%**	**8.4%**	**2.2%**	**38.8%**	**100.0%**
Long-lived assets	**5,189,524**	**386,709**	**1,065,767**	**169,184**	**36,330**	**1,657,990**	**6,847,514**

Notes: The major countries and regions included in each segments are as follows:
(1) North America : United States, and Canada
(2) Asia (excluding Japan) : China, South Korea, Thailand, Malaysia, Singapore, and Indonesia
(3) Europe : United Kingdom, France, Germany, the Netherlands, Spain, and Italy

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, 2014 — Yen (millions)

	Japan	North America	Asia (excluding Japan)	Europe	Others	Subtotal	Eliminations	Total
I Net sales and operating income								
Sales:								
(1) External customers	**¥2,719,567**	**¥306,537**	**¥638,518**	**¥342,072**	**¥47,665**	**¥4,054,359**	**¥ —**	**¥4,054,359**
(2) Intersegment	**643,287**	**18,687**	**248,504**	**10,878**	**159**	**921,515**	**(921,515)**	**—**
Net sales	**3,362,854**	**325,224**	**887,022**	**352,950**	**47,824**	**4,975,874**	**(921,515)**	**4,054,359**
Operating costs	**3,185,539**	**323,545**	**827,999**	**348,182**	**46,089**	**4,731,354**	**(912,167)**	**3,819,187**
Operating income	**¥ 177,315**	**¥ 1,679**	**¥ 59,023**	**¥ 4,768**	**¥ 1,735**	**¥ 244,520**	**¥ (9,348)**	**¥ 235,172**
II Assets	**¥2,637,710**	**¥254,978**	**¥673,309**	**¥233,252**	**¥39,884**	**¥3,839,133**	**¥(226,167)**	**¥3,612,966**

As of and for the year ended March 31, 2013 — Yen (millions)

	Japan	North America	Asia (excluding Japan)	Europe	Others	Subtotal	Eliminations	Total
I Net sales and operating income								
Sales:								
(1) External customers	¥2,561,242	¥233,548	¥450,791	¥281,400	¥40,203	¥3,567,184	¥ —	¥3,567,184
(2) Intersegment	502,772	14,557	173,933	8,533	52	699,847	(699,847)	—
Net sales	3,064,014	248,105	624,724	289,933	40,255	4,267,031	(699,847)	3,567,184
Operating costs	2,947,091	249,849	588,552	285,406	38,046	4,108,944	(693,855)	3,415,089
Operating income (loss)	¥ 116,923	¥ (1,744)	¥ 36,172	¥ 4,527	¥ 2,209	¥ 158,087	¥ (5,992)	¥ 152,095
II Assets	¥2,594,608	¥210,356	¥559,138	¥184,872	¥34,043	¥3,583,017	¥(172,607)	¥3,410,410

As of and for the year ended March 31, 2012 — Yen (millions)

	Japan	North America	Asia (excluding Japan)	Europe	Others	Subtotal	Eliminations	Total
I Net sales and operating income								
Sales:								
(1) External customers	¥2,675,473	¥206,359	¥416,574	¥300,891	¥40,171	¥3,639,468	¥ —	¥3,639,468
(2) Intersegment	511,246	16,184	166,314	9,106	13	702,863	(702,863)	—
Net sales	3,186,719	222,543	582,888	309,997	40,184	4,342,331	(702,863)	3,639,468
Operating costs	3,007,267	219,204	548,668	303,678	36,279	4,115,096	(701,072)	3,414,024
Operating income	¥ 179,452	¥ 3,339	¥ 34,220	¥ 6,319	¥ 3,905	¥ 227,235	¥ (1,791)	¥ 225,444
II Assets	¥2,594,841	¥177,694	¥448,911	¥169,676	¥28,783	¥3,419,905	¥ (28,254)	¥3,391,651

As of and for the year ended March 31, 2014 — U.S. dollars (thousands)

	Japan	North America	Asia (excluding Japan)	Europe	Others	Subtotal	Eliminations	Total
I Net sales and operating income								
Sales:								
(1) External customers	**$26,403,563**	**$2,976,088**	**$6,199,204**	**$3,321,087**	**$462,767**	**$39,362,709**	**$ —**	**$39,362,709**
(2) Intersegment	**6,245,505**	**181,427**	**2,412,660**	**105,612**	**1,544**	**8,946,748**	**(8,946,748)**	**—**
Net sales	**32,649,068**	**3,157,515**	**8,611,864**	**3,426,699**	**464,311**	**48,309,457**	**(8,946,748)**	**39,362,709**
Operating costs	**30,927,563**	**3,141,214**	**8,038,825**	**3,380,408**	**447,467**	**45,935,477**	**(8,855,991)**	**37,079,486**
Operating income	**$ 1,721,505**	**$ 16,301**	**$ 573,039**	**$ 46,291**	**$ 16,844**	**$ 2,373,980**	**$ (90,757)**	**$ 2,283,223**
II Assets	**$25,608,835**	**$2,475,515**	**$6,536,981**	**$2,264,582**	**$387,223**	**$37,273,136**	**$(2,195,796)**	**$35,077,340**

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, and Canada
(2) Asia (excluding Japan) : China, South Korea, Thailand, Malaysia, Singapore, and Indonesia
(3) Europe : United Kingdom, France, Germany, the Netherlands, Spain, and Italy

3 The amount of company-wide shared assets included in "Eliminations and other" on "Assets" for the years ended March 31, 2014, 2013 and 2012 is ¥197,227 million ($1,914,825 thousand), ¥126,212 million and ¥211,012 million, respectively, and those amounts are mainly the Company's deposit in bank.

(23) SUBSEQUENT EVENT

The Company issued its 44th unsecured bonds and 45th unsecured bonds under approval of Officers' Meeting held on May 12, 2014.

44th Unsecured Bonds

(a) Total amount of issue	¥20,000 million
(b) Issue date	June 5, 2014
(c) Issue price	¥100 per face value of ¥100
(d) Stated interest rate	0.270%
(e) Collateral	None
(f) Repayment date	June 5, 2019
(g) Use of proceeds	Repayment of bonds and capital expenditures

45th Unsecured Bonds

(a) Total amount of issue	¥20,000 million
(b) Issue date	June 5, 2014
(c) Issue price	¥100 per face value of ¥100
(d) Stated interest rate	0.428%
(e) Collateral	None
(f) Repayment date	June 4, 2021
(g) Use of proceeds	Repayment of bonds and capital expenditures

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, 2014 and 2013, 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, 2014, 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, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2014, in accordance with U.S. generally accepted accounting principles.

KPMG Azsa LLC

Tokyo, Japan
June 27, 2014

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

(As of March 31, 2014)

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: 124,305

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.

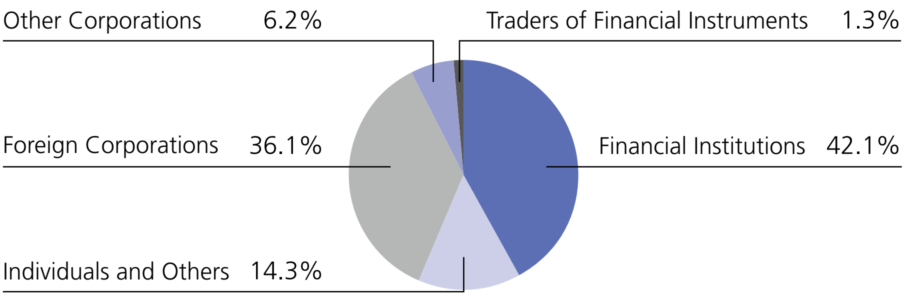
Stock Exchange Listings

Japan: Tokyo
Europe: London

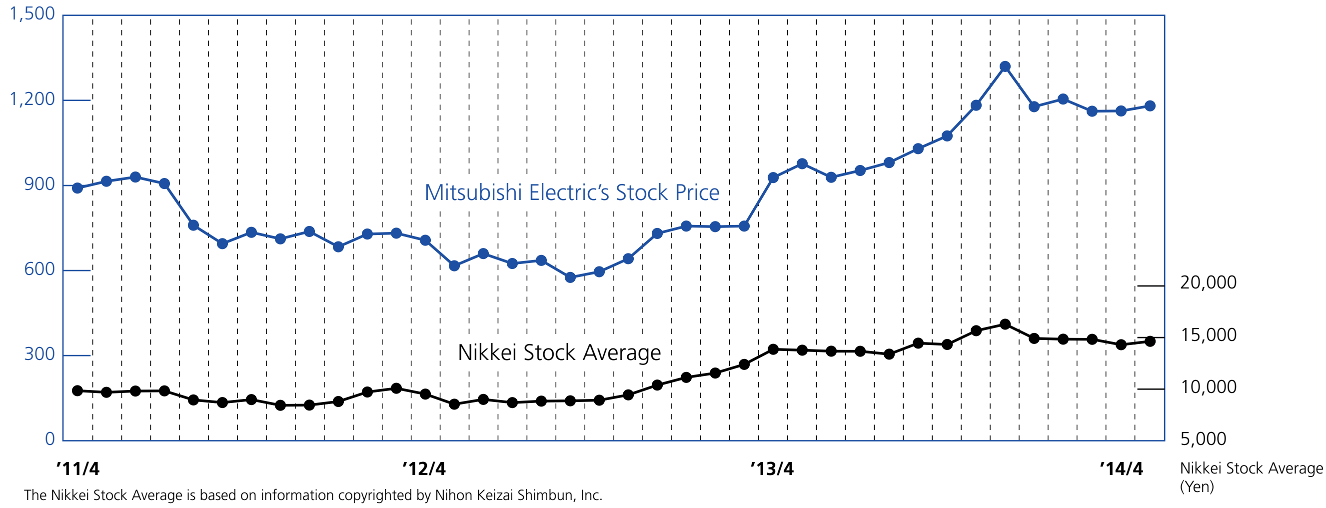
Major Shareholders

	Number of Shares (thousands)	Percentage of Ownership
The Master Trust Bank of Japan, Ltd. (Trust Account)	164,681	7.7%
State Street Bank and Trust Company	105,952	4.9%
Japan Trustee Services Bank, Ltd. (Trust Account)	99,436	4.6%
Meiji Yasuda Life Insurance Company	81,862	3.8%
Nippon Life Insurance Company	67,039	3.1%
Mitsubishi Electric Group Employees Shareholding Union	46,799	2.2%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	36,822	1.7%
Japan Trustee Services Bank, Ltd. (Trust Account 4)	32,708	1.5%
The Bank of New York Mellon SA/NV 10	31,114	1.4%
The Master Trust Bank of Japan, Ltd. (Mitsubishi Heavy Industries, Limited Account, Retirement Benefit Trust Account)	30,087	1.4%

Distribution of Shareholders



Stock Price (Yen)



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

MITSUBISHI ELECTRIC CORPORATION

http://www.MitsubishiElectric.com

for a greener tomorrow

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

Please address inquiries for further information to:
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Phone: 81-3-3218-2391

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