

MITSUBISHI ELECTRIC CORPORATION
PUBLIC RELATIONS DIVISION
7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo, 100-8310 Japan

FOR IMMEDIATE RELEASE

No. 3206

Investor Relations Inquiries

Media Inquiries

Investor Relations Group, Corporate Finance Division
Mitsubishi Electric Corporation
Cad.Irg@rk.MitsubishiElectric.co.jp

Public Relations Division
Mitsubishi Electric Corporation
prd.gnews@nk.MitsubishiElectric.co.jp
www.MitsubishiElectric.com/news/

Mitsubishi Electric Announces Consolidated Financial Results for the First Quarter of Fiscal 2019

TOKYO, July 30, 2018 – [Mitsubishi Electric Corporation](http://www.MitsubishiElectric.com) (TOKYO: 6503) announced today its consolidated financial results for the first quarter, ended June 30, 2018, of the current fiscal year ending March 31, 2019 (fiscal 2019).

Consolidated Financial Results

Net sales:	1,050.9	billion yen	(2% increase from the same quarter last year)
Operating income:	61.5	billion yen	(18% decrease from the same quarter last year)
Income before income taxes:	68.7	billion yen	(15% decrease from the same quarter last year)
Net income attributable to Mitsubishi Electric Corp. stockholders:	47.5	billion yen	(17% decrease from the same quarter last year)

The global economy in the first quarter, from April through June 2018, of fiscal 2019 saw a slight slowdown in China, a buoyant expansion in the U.S. and gradual trends of recovery in Japan and Europe. In addition, the yen appreciated against the U.S. dollar and weakened against the euro compared to the same period of the previous fiscal year.

Under these circumstances, consolidated net sales in the first quarter increased by 2% compared to the same period of the previous fiscal year to 1,050.9 billion yen with increased sales in the Industrial Automation Systems, Electronic Devices and Home Appliances segments. Consolidated operating income decreased by 18% compared to the same period of the previous fiscal year to 61.5 billion yen, due to decreased profits in all segments.

Income before income taxes decreased by 15% compared to the same period of the previous fiscal year to 68.7 billion yen.

Net income attributable to Mitsubishi Electric Corporation stockholders decreased by 17% compared to the same period of the previous fiscal year to 47.5 billion yen.

Consolidated Financial Results by Business Segment

Energy and Electric Systems

Total sales:	267.3 billion yen	(substantially unchanged from the same quarter last year which recorded 268.5 billion yen)
Operating income:	5.9 billion yen	(0.7 billion yen decrease from the same quarter last year which recorded 6.7 billion yen)

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

The building systems business saw increases in both orders and sales compared to the same period of the previous fiscal year due primarily to buoyancies in the renewal business in Japan and the new installation of elevators and escalators outside Japan.

As a result, total sales for this segment remained substantially unchanged from the same period of the previous fiscal year. Operating income decreased by 0.7 billion yen from the same period of the previous fiscal year mainly due to a shift in project portfolios.

Industrial Automation Systems

Total sales:	360.9 billion yen	(3% increase from the same quarter last year which recorded 350.8 billion yen)
Operating income:	44.8 billion yen	(5.8 billion yen decrease from the same quarter last year which recorded 50.7 billion yen)

The factory automation systems business saw decreases in both orders and sales from the same period of the previous fiscal year due primarily to a temporary slowdown in capital expenditures in the fields of organic light emitting diodes (OLED) and smartphones outside Japan, despite buoyant demand for exports mainly by machinery and semiconductor-related equipment manufacturers in Japan.

The automotive equipment business saw increases in both orders and sales from the same period of the previous fiscal year due primarily to increases in Japan and other markets in Asia, as well as increased sales in electric-vehicle related equipment in response to market growth worldwide.

As a result, total sales for this segment increased by 3% from the same period of the previous fiscal year. Operating income decreased by 5.8 billion yen from the same period of the previous fiscal year due primarily to increases in material prices and upfront investment for growth drivers.

Information and Communication Systems

Total sales:	79.7 billion yen	(11% decrease from the same quarter last year which recorded 90.0 billion yen)
Operating income (loss):	(1.8 billion yen)	(substantially unchanged from the same quarter last year which recorded a loss of 1.7 billion yen)

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

The information systems and service business saw decreases in both orders and sales compared to the same period of the previous fiscal year, mainly due to a shift in projects for the system integrations business.

The electronic systems business saw an increase in orders compared to the same period of the previous fiscal year mainly due to an increase in large-scale projects in the defense systems business, while sales experienced a decrease compared to the same period of the previous fiscal year due primarily to a shift in project portfolios in the defense systems business.

As a result, total sales for this segment decreased by 11% compared to the same period of the previous fiscal year. Operating income remained substantially unchanged from the same period of the previous fiscal year due primarily to a shift in project portfolios.

Electronic Devices

Total sales:	51.4 billion yen	(7% increase from the same quarter last year which recorded 48.1 billion yen)
Operating income:	1.4 billion yen	(1.5 billion yen decrease from the same quarter last year which recorded 3.0 billion yen)

The electronic devices business saw orders substantially unchanged, while sales rose by 7% from the same period of the previous fiscal year due to an increase in demand mainly for power modules used in industrial, consumer and automotive applications, despite decreased demand for optical communication devices.

Operating income decreased by 1.5 billion yen compared to the same period of the previous fiscal year due primarily to a shift in product mix.

Home Appliances

Total sales:	280.3 billion yen	(4% increase from the same quarter last year which recorded 269.8 billion yen)
Operating income:	20.0 billion yen	(4.1 billion yen decrease from the same quarter last year which recorded 24.1 billion yen)

The home appliances business saw an increase in sales of 4% from the same period of the previous fiscal year due to an increase in sales of air conditioners for Europe, Japan, China and the U.S.A.

Operating income decreased by 4.1 billion yen compared to the same period of the previous fiscal year due primarily to increases in material prices.

Others

Total sales:	155.6 billion yen	(7% increase from the same quarter last year which recorded 144.9 billion yen)
Operating income:	1.1 billion yen	(0.8 billion yen decrease from the same quarter last year which recorded 2.0 billion yen)

Sales increased by 7% compared to the same period of the previous fiscal year due primarily to an increase in sales at affiliated companies involved in materials procurement.

Operating income decreased by 0.8 billion yen compared to the same period of the previous fiscal year due primarily to a shift in project portfolios.

Financial Standing

An analysis on the status of assets, liabilities and equity on a consolidated basis

Total assets as of the end of this fiscal quarter decreased from the end of the previous fiscal year by 99.4 billion yen to 4,206.1 billion yen. The change in balance of total assets is mainly attributable to increases in inventories by 63.6 billion yen as a result of work-in-process as recorded in commensurate with progress in job orders under pertinent contracts, while cash and cash equivalents decreased by 6.7 billion yen, and trade receivables and contract assets decreased by 162.0 billion yen primarily as a result of credit collection.

Total liabilities decreased from the end of the previous fiscal year by 94.3 billion yen to 1,814.0 billion yen. The outstanding balances of debts and corporate bonds decreased by 12.2 billion yen from the end of the previous fiscal year to 299.7 billion yen, resulting in a decline in the ratio of interest bearing debt to total assets to 7.1%, representing a 0.1 point decrease compared to the end of the previous fiscal year. Meanwhile, trade payables decreased by 38.5 billion yen, and other current liabilities decreased by 47.3 billion yen.

Mitsubishi Electric Corporation stockholders' equity decreased by 8.9 billion yen compared to the end of the previous fiscal year to 2,285.2 billion yen. The stockholders' equity ratio was recorded at 54.3%, representing a 1.0 point increase compared to the end of the previous fiscal year. These changes referred to above primarily result from a decrease in dividend payment of 55.8 billion yen, despite recording a net income attributable to Mitsubishi Electric Corporation stockholders of 47.5 billion yen.

An analysis on the status of cash flow on a consolidated basis

Cash flows from operating activities for this quarter decreased by 27.5 billion yen compared to the same period of the previous fiscal year to 97.2 billion yen (cash in), mainly due to an increase in inventories. Cash flows from investing activities increased by 16.4 billion yen compared to the same period of the previous fiscal year to 38.7 billion yen (cash out), due primarily to a decrease in proceeds from sale of short-term investments and investment securities. As a result, free cash flow was 58.5 billion yen (cash in). Cash flows from financing activities were 64.0 billion yen (cash out) mainly due to dividend payments.

Forecast for Fiscal 2019

The current consolidated earnings forecast for fiscal 2019, ending March 31, 2019, is unchanged from the announcement on April 27, 2018 as stated below.

Current consolidated forecast for fiscal 2019

Net sales	4,500.0	billion yen	(1% increase from fiscal 2018)
Operating income	315.0	billion yen	(4% decrease from fiscal 2018)
Income before income taxes	345.0	billion yen	(2% decrease from fiscal 2018)
Net income attributable to Mitsubishi Electric Corp. stockholders	245.0	billion yen	(4% decrease from fiscal 2018)

Note: *The results forecast above is based on assumptions deemed reasonable by the Company at the present time, and actual results may differ significantly from forecasts. Please refer to the cautionary statement at the end.*

Consolidated Financial Results Summary

(In billions of yen except where noted)

	FY '18 Q1 (A) (Apr. 1, 2017 – Jun. 30, 2017)	FY '19 Q1 (B) (Apr. 1, 2018 – Jun. 30, 2018)		
			B – A	B/A (%)
Net sales	1,033.9	1,050.9	17.0	102
Operating income	75.4	61.5	(13.9)	82
Income before income taxes	80.4	68.7	(11.7)	85
Net income attributable to Mitsubishi Electric Corp. stockholders	56.9	47.5	(9.4)	83
Basic net income per share attributable to Mitsubishi Electric Corp. stockholders	26. ⁵⁵ yen	22. ¹⁸ yen	(4. ³⁷ yen)	84

Notes:

- 1) Consolidated financial charts are made in accordance with International Financial Reporting Standards (IFRS).
- 2) The Company has 208 consolidated subsidiaries.

Condensed Quarterly Consolidated Financial Statements
Condensed Quarterly Consolidated Statements of Profit or Loss and
Condensed Quarterly Consolidated Statements of Comprehensive Income

(Condensed Quarterly Consolidated Statements of Profit or Loss)

(In millions of yen)

	FY '18 Q1 (Apr. 1, 2017 – Jun. 30, 2017)		FY '19 Q1 (Apr. 1, 2018 – Jun. 30, 2018)		B – A	B/A (%)
	(A)	% of total	(B)	% of total		
Net sales	1,033,936	100.0	1,050,982	100.0	17,046	102
Cost of sales	716,965	69.3	741,047	70.5	24,082	103
Selling, general and administrative expenses	241,610	23.4	250,206	23.8	8,596	104
Other profit (loss)	132	0.0	1,860	0.2	1,728	14-fold
Operating income	75,493	7.3	61,589	5.9	(13,904)	82
Financial income	3,587	0.4	4,758	0.4	1,171	133
Financial expenses	932	0.1	610	0.1	(322)	65
Share of profit of investments accounted for using the equity method	2,298	0.2	2,993	0.3	695	130
Income before income taxes	80,446	7.8	68,730	6.5	(11,716)	85
Income tax expenses	21,236	2.1	18,723	1.7	(2,513)	88
Net income	59,210	5.7	50,007	4.8	(9,203)	84
Net income attributable to:						
Mitsubishi Electric Corp. stockholders	56,985	5.5	47,578	4.5	(9,407)	83
Non-controlling interests	2,225	0.2	2,429	0.3	204	109

(Condensed Quarterly Consolidated Statements of Comprehensive Income)

(In millions of yen)

	FY '18 Q1 (A) (Apr. 1, 2017 – Jun. 30, 2017)	FY '19 Q1 (B) (Apr. 1, 2018 – Jun. 30, 2018)	B – A
Net income	59,210	50,007	(9,203)
(Other comprehensive income (loss), net of tax)			
Items that will not be reclassified to net income			
Financial assets measured at fair value through other comprehensive income	(9,134)	7,388	16,522
Share of other comprehensive income of investments accounted for using the equity method	287	131	(156)
Subtotal	(8,847)	7,519	16,366
Items that may be reclassified to net income			
Exchange differences on translating foreign operations	12,540	(9,152)	(21,692)
Net changes in the fair value of cash flow hedges	3	(18)	(21)
Share of other comprehensive income of investments accounted for using the equity method	(857)	(1,844)	(987)
Subtotal	11,686	(11,014)	(22,700)
Total other comprehensive income (loss)	2,839	(3,495)	(6,334)
Comprehensive income (loss)	62,049	46,512	(15,537)
Comprehensive income (loss) attributable to:			
Mitsubishi Electric Corp. stockholders	59,527	44,730	(14,797)
Non-controlling interests	2,522	1,782	(740)

Condensed Quarterly Consolidated Statements of Financial Position

(In millions of yen)

	FY '18 (A) (ended Mar. 31, 2018)	FY '19 Q1 (B) (ended Jun. 30, 2018)	B – A
(Assets)			
Current assets	2,582,735	2,495,610	(87,125)
Cash and cash equivalents	599,199	592,488	(6,711)
Trade receivables and Contract Assets	1,191,529	1,029,435	(162,094)
Inventories	646,262	709,929	63,667
Other current assets	145,745	163,758	18,013
Non-current assets	1,722,845	1,710,508	(12,337)
Investments accounted for using the equity method	194,308	182,429	(11,879)
Other financial assets	363,171	371,726	8,555
Net property, plant and equipment	724,257	726,490	2,233
Other non-current assets	441,109	429,863	(11,246)
Total assets	4,305,580	4,206,118	(99,462)
(Liabilities)			
Current liabilities	1,488,249	1,420,377	(67,872)
Bonds and borrowings	122,895	140,904	18,009
Trade payables	579,566	541,046	(38,520)
Other current liabilities	785,788	738,427	(47,361)
Non-current liabilities	420,112	393,672	(26,440)
Bonds and borrowings	189,055	158,805	(30,250)
Net defined benefit liabilities	171,520	175,751	4,231
Other non-current liabilities	59,537	59,116	(421)
Total liabilities	1,908,361	1,814,049	(94,312)
(Equity)			
Mitsubishi Electric Corp. stockholders' equity	2,294,174	2,285,231	(8,943)
Common stock	175,820	175,820	—
Capital surplus	199,442	202,639	3,197
Retained earnings	1,811,348	1,802,907	(8,441)
Accumulated other comprehensive income (loss)	109,492	106,847	(2,645)
Treasury stock at cost	(1,928)	(2,982)	(1,054)
Non-controlling interests	103,045	106,838	3,793
Total equity	2,397,219	2,392,069	(5,150)
Total liabilities and equity	4,305,580	4,206,118	(99,462)
Balance of Debt	311,950	299,709	(12,241)
Accumulated other comprehensive income (loss):			
Exchange differences on translating foreign operations	17,549	7,316	(10,233)
Remeasurements of defined benefit pension plans	—	—	—
Financial assets measured at fair value through other comprehensive income	91,952	99,561	7,609
Net changes in the fair value of cash flow hedges	(9)	(30)	(21)

Condensed Quarterly Consolidated Statements of Changes in Equity

(In millions of yen)

	Mitsubishi Electric Corp. stockholders' equity						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock at cost	Total		
Balance at April 1, 2017	175,820	198,745	1,593,660	101,166	(1,228)	2,068,163	98,800	2,166,963
Comprehensive income								
Net income			56,985			56,985	2,225	59,210
Other comprehensive income (loss)				2,542		2,542	297	2,839
Comprehensive income	—	—	56,985	2,542	—	59,527	2,522	62,049
Transfer to retained earnings			6,948	(6,948)		—		—
Dividends paid			(38,642)			(38,642)	(1,499)	(40,141)
Purchase of treasury stock					(697)	(697)		(697)
Reissuance of treasury stock						—		—
Transactions with non-controlling interests, etc.						—	79	79
Balance at June 30, 2017	175,820	198,745	1,618,951	96,760	(1,925)	2,088,351	99,902	2,188,253

	Mitsubishi Electric Corp. stockholders' equity						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock at cost	Total		
Balance at April 1, 2018	175,820	199,442	1,811,348	109,492	(1,928)	2,294,174	103,045	2,397,219
Comprehensive income								
Net income			47,578			47,578	2,429	50,007
Other comprehensive income (loss)				(2,848)		(2,848)	(647)	(3,495)
Comprehensive income	—	—	47,578	(2,848)	—	44,730	1,782	46,512
Transfer to retained earnings			(203)	203		—		—
Dividends paid			(55,816)			(55,816)	(2,585)	(58,401)
Purchase of treasury stock					(1,054)	(1,054)		(1,054)
Reissuance of treasury stock						—		—
Transactions with non-controlling interests, etc.		3,197				3,197	4,596	7,793
Balance at June 30, 2018	175,820	202,639	1,802,907	106,847	(2,982)	2,285,231	106,838	2,392,069

Condensed Quarterly Consolidated Statements of Cash Flows

(In millions of yen)

	FY '18 Q1 (Apr. 1, 2017 – Jun. 30, 2017) (A)	FY '19 Q1 (Apr. 1, 2018 – Jun. 30, 2018) (B)	B – A
I Cash flows from operating activities			
1 Net income	59,210	50,007	(9,203)
2 Adjustments to reconcile net income to net cash provided by operating activities			
(1) Depreciation and amortization	37,295	38,093	798
(2) Decrease in trade receivables and contract assets	157,910	164,962	7,052
(3) Decrease (increase) in inventories	(49,263)	(62,155)	(12,892)
(4) Increase (decrease) in trade payables	(30,910)	(39,220)	(8,310)
(5) Other, net	(49,485)	(54,451)	(4,966)
Cash flows from operating activities	124,757	97,236	(27,521)
II Cash flows from investing activities			
1 Purchase of property, plant and equipment	(42,711)	(36,350)	6,361
2 Proceeds from sale of property, plant and equipment	393	1,102	709
3 Purchase of short-term investments and investment securities	(3,201)	(4,129)	(928)
4 Proceeds from sale of short-term investments and investment securities	25,716	1,944	(23,772)
5 Other, net	(2,469)	(1,288)	1,181
Cash flows from investing activities	(22,272)	(38,721)	(16,449)
I + II Free cash flow	102,485	58,515	(43,970)
III Cash flows from financing activities			
1 Proceeds from long-term debt and repayment of long-term debt	(2,254)	(12,336)	(10,082)
2 Increase (decrease) in bank loans, net	(11,380)	(1,814)	9,566
3 Dividends paid	(38,642)	(55,816)	(17,174)
4 Purchase of treasury stock	(697)	(1,054)	(357)
5 Other, net	(2,085)	7,001	9,086
Cash flows from financing activities	(55,058)	(64,019)	(8,961)
IV Effect of exchange rate changes on cash and cash equivalents	3,004	(1,207)	(4,211)
V Net increase (decrease) in cash and cash equivalents	50,431	(6,711)	(57,142)
VI Cash and cash equivalents at beginning of period	662,469	599,199	(63,270)
VII Cash and cash equivalents at end of period	712,900	592,488	(120,412)

Consolidated Segment Information

1. Sales and Operating Income by Business Segment

(In millions of yen)

Business Segment	FY '18 Q1 (Apr. 1, 2017 – Jun. 30, 2017)		FY '19 Q1 (Apr. 1, 2018 – Jun. 30, 2018)		C – A	D – B	C/A (%)
	Sales (A)	Operating income (loss) (B)	Sales (C)	Operating income (loss) (D)			
Energy and Electric Systems	268,544	6,712	267,397	5,978	(1,147)	(734)	100
Industrial Automation Systems	350,817	50,746	360,999	44,873	10,182	(5,873)	103
Information and Communication Systems	90,046	(1,783)	79,782	(1,840)	(10,264)	(57)	89
Electronic Devices	48,122	3,056	51,462	1,486	3,340	(1,570)	107
Home Appliances	269,892	24,188	280,334	20,056	10,442	(4,132)	104
Others	144,904	2,013	155,657	1,160	10,753	(853)	107
Subtotal	1,172,325	84,932	1,195,631	71,713	23,306	(13,219)	102
Eliminations and other	(138,389)	(9,439)	(144,649)	(10,124)	(6,260)	(685)	–
Consolidated Total	1,033,936	75,493	1,050,982	61,589	17,046	(13,904)	102

*Notes: Inter-segment sales are included in the above chart.

2. Sales by Location of Customers

(In millions of yen)

Location of Customers	FY '18 Q1 (Apr. 1, 2017 – Jun. 30, 2017)		FY '19 Q1 (Apr. 1, 2018 – Jun. 30, 2018)		B – A	B/A (%)
	Sales (A)	% of total net sales	Sales (B)	% of total net sales		
Japan	527,472	51.0	541,434	51.5	13,962	103
North America	106,481	10.3	103,098	9.8	(3,383)	97
Asia (excluding Japan)	274,426	26.6	270,275	25.7	(4,151)	98
China	140,390	13.6	140,183	13.3	(207)	100
Europe	112,064	10.8	121,637	11.6	9,573	109
Others	13,493	1.3	14,538	1.4	1,045	108
Total overseas sales	506,464	49.0	509,548	48.5	3,084	101
Consolidated total	1,033,936	100.0	1,050,982	100.0	17,046	102

Notes to the Condensed Consolidated Financial Statements

(Notes regarding the going concern assumption)

Not applicable

(Notes if there is any significant change in Mitsubishi Electric Corp. stockholders' equity)

Not applicable

(Summary of key accounting policies)

(a) Disclosure of compliance with IFRS and matters regarding first-time adoption

The Mitsubishi Electric Group has applied IFRS from the first quarter in the current fiscal year. The date of transition to IFRS is April 1, 2017. "Disclosures of transition to IFRS" section describes how the transition to IFRS affected the Mitsubishi Electric Group's reported financial position, financial performance and cash flows at the date of transition to IFRS and in comparative fiscal years.

(b) Financial instruments

The Mitsubishi Electric Group classifies non-derivative financial assets as financial assets measured at amortized cost or financial assets measured at fair value through profit or loss for the year or other comprehensive income. This classification is determined on initial recognition.

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method and considering loss allowance for expected credit losses after initial recognition.

Financial assets that are not measured at amortized cost are measured at fair value. Changes after initial recognition in fair value of financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income. When these financial assets are derecognized, cumulative gains or losses previously recognized in other comprehensive income are reclassified to retained earnings.

Changes in fair value after initial recognition of financial assets measured at fair value through profit or loss for the year are recognized in profit or loss.

(c) Inventories

Inventories are measured at the lower of cost or net realizable value. In determining the cost, work-in-progress for build-to-order products are recorded under the specific identification method, make-to-stock products are recorded at the average production costs and raw material and finished product inventories are generally recorded using the average-cost method.

(d) Property, plant and equipment

Property, plant and equipment is measured at cost on initial recognition and depreciated primarily using the declining-balance method over the estimated useful life of each asset. Some assets are depreciated using the straight-line method.

It is determined for property, plant and equipment whether there is an indication of impairment of the asset or cash-generating unit. If there is an indication of impairment, the asset or cash-generating unit is tested for impairment by estimating its recoverable amounts and comparing its carrying amount with the recoverable amount.

(e) Goodwill and intangible assets

Goodwill is stated at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment at least annually.

Intangible assets acquired in a business combination are measured at fair value on initial recognition. Other intangible assets are measured at cost on initial recognition. Intangible assets with finite useful lives are depreciated on a straight-line basis over the estimated useful life of each asset.

It is determined for intangible assets with finite useful lives whether there is an indication of

impairment of the asset or cash-generating unit. If there is an indication of impairment, the asset or cash-generating unit is tested for impairment by estimating its recoverable amounts and comparing its carrying amount with the recoverable amount.

(f) Income taxes

Deferred tax assets and liabilities are recognized for temporary differences between the accounting carrying amounts of assets and liabilities and their tax bases, the carry forward of unused tax losses and unused tax credits at the end of a reporting period. In principle, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and liabilities are measured at the tax rates and in accordance with tax laws that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

(g) Post-employment benefits and pension

Net defined benefit liability or asset is determined at the present value of the defined benefit obligation less the fair value of the plan assets. The amount of change in fair value arising from remeasurement of the present value of defined benefit obligations and the fair value of plan assets is fully recognized in other comprehensive income in the periods in which it arises and immediately transferred to retained earnings. Past service costs arising from plan amendments are recognized in profit or loss for the period in which they arise. Contributions to a defined benefit plan are recognized as expenses for the period in which the employees render the related service.

Disclosures of Transition to IFRS

The Mitsubishi Electric Group has applied IFRS beginning with the consolidated financial statements for the first quarter of the current fiscal year. The most recent consolidated financial statements prepared in accordance with US GAAP are for the one-year period ended on March 31, 2018. The date of transition to IFRS was April 1, 2017.

(1) Exemptions and exceptions in IFRS 1

IFRS 1 requires entities adopting IFRS for the first time to retrospectively apply IFRS in principle; however, with regard to certain items, it allows exemption from, or prohibits, retrospective application of IFRS.

The Company and its consolidated subsidiaries use the following exemptions on retrospective application permitted by IFRS 1:

- Business combinations

The Company and its consolidated subsidiaries elected not to apply IFRS 3 Business Combinations retrospectively to past business combinations that occurred on or before December 22, 2015. Consequently, the amount of goodwill that arose from business combinations occurred on or before December 22, 2015 is recorded at the carrying value in accordance with US GAAP. This goodwill was tested for impairment at the transition date irrespective of whether there was any indication of impairment.

- Exchange differences on translating foreign operations

The Company and its consolidated subsidiaries elected to deem the cumulative translation differences for foreign operations at the transition date to be zero. Consequently, the cumulative translation differences for foreign operations at the transition date were transferred from accumulated other comprehensive income (loss) to retained earnings.

- Designation of financial instruments recognized before the date of transition to IFRS

The Company and its consolidated subsidiaries elected to determine the classification of financial instruments on the basis of the facts and circumstances that exist at the date of transition to IFRS.

(2) Reconciliations

Reconciliations for which disclosures are required on first time adoption of IFRS are as follows:

Items that do not affect retained earnings and comprehensive income are presented in "Reclassification," and items that affect retained earnings and comprehensive income are presented in "Recognition and measurement differences."

Reconciliation of Equity as at the Date of Transition to IFRS (April 1, 2017)
(Consolidated Statements of Financial Position)

(In millions of yen)

Presentation under US GAAP	US GAAP	Re- classification	Recognition and measurement differences	IFRS	Presentation under IFRS
(Assets)					(Assets)
Current assets	2,500,685	3,062	4,810	2,508,557	Current assets
Cash and cash equivalents	662,469	—	—	662,469	Cash and cash equivalents
Trade receivables	1,037,201	15,261	103,004	1,155,466	Trade receivables and contract assets
Inventories	643,040	—	(83,138)	559,902	Inventories
Prepaid expenses and other current assets	157,975	(12,199)	(15,056)	130,720	Other current assets
Long-term trade receivables	—	(3,062)	60,950	1,729,473	Non-current assets
Investments	2,815	(2,815)	—	—	
	618,935	(618,935)	—	—	
	—	181,724	5,634	187,358	Investments accounted for using the equity method
	—	362,869	27,710	390,579	Other financial assets
Net property, plant and equipment	732,611	—	(33,133)	699,478	Net property, plant and equipment
Other assets	317,224	74,095	60,739	452,058	Other non-current assets
Total assets	4,172,270	—	65,760	4,238,030	Total assets

(In millions of yen)

Presentation under US GAAP	US GAAP	Re-classification	Recognition and measurement differences	IFRS	Presentation under IFRS
(Liabilities)					(Liabilities)
Current liabilities	1,525,761	7,456	33,082	1,566,299	Current liabilities
Bank loans and current portion of long-term debt	124,368	—	21,987	146,355	Bonds and borrowings
Trade payables	780,202	(145,119)	—	635,083	Trade payables
Other current liabilities	621,191	152,575	11,095	784,861	Other current liabilities
	—	(7,456)	6,423	504,768	Non-current liabilities
Long-term debt	227,756	—	—	227,756	Bonds and borrowings
Retirement and severance benefits	194,990	—	8,044	203,034	Net defined benefit liabilities
Other fixed liabilities	83,055	(7,456)	(1,621)	73,978	Other non-current liabilities
Total liabilities	2,031,562	—	39,505	2,071,067	Total liabilities
(Equity)					(Equity)
Mitsubishi Electric Corp. shareholders' equity	2,039,627	—	28,536	2,068,163	Mitsubishi Electric Corp. stockholders' equity
Common stock	175,820	—	—	175,820	Common stock
Capital surplus	212,530	—	(13,785)	198,745	Capital surplus
Retained earnings	1,654,557	—	(60,897)	1,593,660	Retained earnings
Accumulated other comprehensive income (loss)	(2,052)	—	103,218	101,166	Accumulated other comprehensive income (loss)
Treasury stock at cost	(1,228)	—	—	(1,228)	Treasury stock at cost
Noncontrolling interests	101,081	—	(2,281)	98,800	Non-controlling interests
Total equity	2,140,708	—	26,255	2,166,963	Total equity
Total liabilities and equity	4,172,270	—	65,760	4,238,030	Total liabilities and equity

Balance of Debt	352,124	—	21,987	374,111	Balance of Debt
-----------------	---------	---	--------	---------	-----------------

Accumulated other comprehensive income (loss):

Foreign currency translation adjustments

18,535

(18,535)

Accumulated other comprehensive income (loss):

Exchange differences on translating foreign operations

Remeasurements of defined benefit pension plans

Pension liability adjustments (156,993)

156,993

Financial assets measured at fair value through other comprehensive income

Unrealized gains on securities

136,352

(35,223)

101,129

Unrealized gains (losses) on derivative instruments

54

(17)

Net changes in the fair value of cash flow hedges

37

**Reconciliation of Equity as at the End of the First Quarter of the Previous Fiscal Year
(June 30, 2017)**

(Condensed Quarterly Consolidated Statements of Financial Position)

(In millions of yen)

Presentation under US GAAP	US GAAP	Re- classification	Recognition and measurement differences	IFRS	Presentation under IFRS
(Assets)					(Assets)
Current assets	2,494,270	3,167	(2,102)	2,495,335	Current assets
Cash and cash equivalents	712,900	—	—	712,900	Cash and cash equivalents
Trade receivables	869,117	15,682	118,436	1,003,235	Trade receivables and contract assets
Inventories	723,340	—	(108,524)	614,816	Inventories
Prepaid expenses and other current assets	188,913	(12,515)	(12,014)	164,384	Other current assets
	—	(3,167)	67,398	1,687,334	Non-current assets
Long-term trade receivables	2,644	(2,644)	—	—	
Investments	578,353	(578,353)	—	—	
	—	167,341	5,332	172,673	Investments accounted for using the equity method
	—	326,496	27,872	354,368	Other financial assets
Net property, plant and equipment	745,257	—	(32,777)	712,480	Net property, plant and equipment
Other assets	296,849	83,993	66,971	447,813	Other non-current assets
Total assets	4,117,373	—	65,296	4,182,669	Total assets

(In millions of yen)

Presentation under US GAAP	US GAAP	Re-classification	Recognition and measurement differences	IFRS	Presentation under IFRS
(Liabilities)					(Liabilities)
Current liabilities	1,472,476	7,632	23,356	1,503,464	Current liabilities
Bank loans and current portion of long-term debt	134,310	—	10,819	145,129	Bonds and borrowings
Trade payables	723,525	(118,564)	—	604,961	Trade payables
Other current liabilities	614,641	126,196	12,537	753,374	Other current liabilities
—	—	(7,632)	19,137	490,952	Non-current liabilities
Long-term debt	217,516	—	—	217,516	Bonds and borrowings
Retirement and severance benefits	187,719	—	19,989	207,708	Net defined benefit liabilities
Other fixed liabilities	74,212	(7,632)	(852)	65,728	Other non-current liabilities
Total liabilities	1,951,923	—	42,493	1,994,416	Total liabilities
(Equity)					(Equity)
Mitsubishi Electric Corp. shareholders' equity	2,063,279	—	25,072	2,088,351	Mitsubishi Electric Corp. stockholders' equity
Common stock	175,820	—	—	175,820	Common stock
Capital surplus	212,530	—	(13,785)	198,745	Capital surplus
Retained earnings	1,683,659	—	(64,708)	1,618,951	Retained earnings
Accumulated other comprehensive income (loss)	(6,805)	—	103,565	96,760	Accumulated other comprehensive income (loss)
Treasury stock at cost	(1,925)	—	—	(1,925)	Treasury stock at cost
Noncontrolling interests	102,171	—	(2,269)	99,902	Noncontrolling interests
Total equity	2,165,450	—	22,803	2,188,253	Total equity
Total liabilities and equity	4,117,373	—	65,296	4,182,669	Total liabilities and equity
Balance of Debt	351,826	—	10,819	362,645	Balance of Debt
Accumulated other comprehensive income (loss):					Accumulated other comprehensive income (loss):
Foreign currency translation adjustments	23,023	—	(11,618)	11,405	Exchange differences on translating foreign operations
Pension liability adjustments	(144,517)	—	144,517	—	Remeasurements of defined benefit pension plans
Unrealized gains on securities	114,685	—	(29,380)	85,305	Financial assets measured at fair value through other comprehensive income
Unrealized gains (losses) on derivative instruments	4	—	46	50	Net changes in the fair value of cash flow hedges

Reconciliation of Equity as at the End of the Previous Fiscal Year (March 31, 2018)
(Consolidated Statements of Financial Position)

(In millions of yen)

Presentation under US GAAP	US GAAP	Re- classification	Recognition and measurement differences	IFRS	Presentation under IFRS
(Assets)					(Assets)
Current assets	2,606,493	(1,434)	(22,324)	2,582,735	Current assets
Cash and cash equivalents	599,199	—	—	599,199	Cash and cash equivalents
Trade receivables	1,087,593	14,225	89,711	1,191,529	Trade receivables and contract assets
Inventories	741,782	—	(95,520)	646,262	Inventories
Prepaid expenses and other current assets	177,919	(15,659)	(16,515)	145,745	Other current assets
Long-term trade receivables	—	1,434	63,345	1,722,845	Non-current assets
Investments	1,965	(1,965)	—	—	
	614,295	(614,295)	—	—	
	—	187,828	6,480	194,308	Investments accounted for using the equity method
	—	335,474	27,697	363,171	Other financial assets
Net property, plant and equipment	740,448	—	(16,191)	724,257	Net property, plant and equipment
Other assets	301,358	94,392	45,359	441,109	Other non-current assets
Total assets	4,264,559	—	41,021	4,305,580	Total assets

Presentation under US GAAP	US GAAP	Re-classification	Recognition and measurement differences	IFRS	Presentation under IFRS
(Liabilities)					(Liabilities)
Current liabilities	1,471,367	8,586	8,296	1,488,249	Current liabilities
Bank loans and current portion of long-term debt	122,430	—	465	122,895	Bonds and borrowings
Trade payables	719,404	(139,838)	—	579,566	Trade payables
Other current liabilities	629,533	148,424	7,831	785,788	Other current liabilities
Long-term debt	—	(8,586)	(349)	420,112	Non-current liabilities
Retirement and severance benefits	189,055	—	—	189,055	Bonds and borrowings
Other fixed liabilities	171,017	—	503	171,520	Net defined benefit liabilities
	68,975	(8,586)	(852)	59,537	Other non-current liabilities
Total liabilities	1,900,414	—	7,947	1,908,361	Total liabilities
(Equity)					(Equity)
Mitsubishi Electric Corp. shareholders' equity	2,259,355	—	34,819	2,294,174	Mitsubishi Electric Corp. stockholders' equity
Common stock	175,820	—	—	175,820	Common stock
Capital surplus	213,250	—	(13,808)	199,442	Capital surplus
Retained earnings	1,857,741	—	(46,393)	1,811,348	Retained earnings
Accumulated other comprehensive income (loss)	14,472	—	95,020	109,492	Accumulated other comprehensive income (loss)
Treasury stock at cost	(1,928)	—	—	(1,928)	Treasury stock at cost
Noncontrolling interests	104,790	—	(1,745)	103,045	Noncontrolling interests
Total equity	2,364,145	—	33,074	2,397,219	Total equity
Total liabilities and equity	4,264,559	—	41,021	4,305,580	Total liabilities and equity

Balance of Debt	311,485	—	465	311,950	Balance of Debt
-----------------	---------	---	-----	---------	-----------------

Accumulated other comprehensive income (loss):

Foreign currency translation adjustments

34,149

— (16,600)

17,549

Pension liability adjustments

(141,075)

— 141,075

—

Unrealized gains on securities

121,413

— (29,461)

91,952

Unrealized gains (losses) on derivative instruments

(15)

— 6

(9)

Accumulated other comprehensive income (loss):

Exchange differences on translating foreign operations

Remeasurements of defined benefit pension plans

Financial assets measured at fair value through other comprehensive income

Net changes in the fair value of cash flow hedges

Notes to reconciliation of equity

The principal effects of transition to IFRS in the reconciliation of equity above are as follows:

(1) Reclassification

The main elements of reclassification are as follows:

- (a) In accordance with the presentation provisions under IFRS, other financial assets are presented separately.
- (b) Part of trade receivables, prepaid expenses and other current assets and other assets, etc. are reclassified based on the definition and recognition criteria of IFRS.
- (c) Part of trade payables, other current liabilities and other fixed liabilities are reclassified based on the definition and recognition criteria of IFRS.

(2) Recognition and measurement differences

The main elements of recognition and measurement differences are as follows:

(a) Employee benefits

Under US GAAP, actuarial gains and losses and past service costs are deferred in accumulated other comprehensive income, subsequently amortized for a specified future period and recognized in profit or loss. Current service costs, interest costs and expected return on plan assets are recognized in profit or loss for the fiscal year.

Under IFRS, on the other hand, changes resulting from remeasurement of defined-benefit corporate pension plans, defined benefit obligation on lump-sum payment plans and plan assets required by IFRS are recognized in other comprehensive income, and reclassified from accumulated other comprehensive income directly to retained earnings, not through profit or loss. Past service costs arising from plan amendments are fully recognized immediately in profit or loss. Current service costs are recognized in profit or loss. Interest costs are recognized in profit or loss at the amount determined by multiplying the net amount of the defined benefit obligation and plan assets by the discount rate used to determine the present value of the obligation.

(b) Equity instruments

Under US GAAP, non-marketable equity instruments are recognized at their cost. If fair value of equity instruments has decreased and the decrease is considered not to be temporary, impairment loss is recognized for the amount of the cost of the equity instruments in excess of fair value. Gains or losses on the sale of these equity instruments are recognized in profit or loss.

Under IFRS, on the other hand, all equity instruments are recognized at fair value irrespective of whether there is an active market. Since it is permitted to recognize changes in fair value in other comprehensive income, the Company and its consolidated subsidiaries have elected to recognize changes in fair value of equity instruments in other comprehensive income. Accordingly, loss on impairment and gains or losses on the sale of equity instruments recognized in profit or loss under US GAAP are recognized in other comprehensive income as well.

(c) Income taxes

Under US GAAP, tax expenses incurred by sellers are deferred using the deferral method for differences arising from unrealized profits and losses from intercompany transactions.

Under IFRS, on the other hand, a difference between the carrying amount and the sale price of an asset sold is recognized as a future deductible temporary difference based on the asset-and-liability approach. A deferred tax asset is recognized for the future deductible temporary difference using purchaser's effective tax rate while taking its recoverability into consideration.

Under US GAAP, deferred tax liabilities for temporary differences associated with investments in equity investees are recognized using tax rates applicable on the premise that the temporary difference will be reversed at the time of sale of the equity investees even if a company intends to continue to hold the investments. In principle, deferred tax liabilities are recognized for the undistributed earnings of subsidiaries, etc.

Under IFRS, deferred tax liabilities are in principle recognized for all the taxable temporary differences using tax rates applied when the taxable temporary differences reverse, such as when receiving dividends or selling the investments. Deferred tax liabilities are recognized for the taxable temporary differences associated with investments in subsidiaries etc. which are probable to reverse in the foreseeable future.

(d) Exchange differences on translating foreign operations

Cumulative exchange differences on translating foreign operations are all deemed to be zero at the date of transition to IFRS. Consequently, exchange differences on translating foreign operations included in accumulated other comprehensive income as at the transition date were fully reclassified to retained earnings.

(e) Exclusion of equity investees

Under US GAAP, when an investee no longer qualifies as an equity investee, the difference between the sale price and the carrying amount of the interest sold is recognized in profit or loss. If an investor retains a residual interest, gains or losses recognized in prior periods remain included in the carrying amount of the residual interest.

Under IFRS, on the other hand, when an investee no longer qualifies as an equity investee, the residual interest is measured at fair value if an investor retains a residual interest. The sale price and the difference between the fair value and the carrying amount of the residual interest at the point when an investee no longer qualifies as an equity investee is recognized in profit or loss.

(f) Government grants

Under US GAAP, government grants related to acquisition of assets are not reflected in the carrying amounts of assets because there are no accounting standards for such government grants.

Under IFRS, on the other hand, government grants related to assets are recognized as reducing the carrying amount of the asset by the government grants received.

(g) Impairment of non-financial assets

Under US GAAP, if there is an indication that a fixed asset may be impaired, the carrying amount and the undiscounted estimated future cash flows of the asset is compared. If the carrying amount exceeds the estimated future cash flows, any excess of the carrying amount over the fair value is recognized as an impairment loss.

Under IFRS, on the other hand, if there is an indication that a fixed asset may be impaired, any excess of the carrying amount over the recoverable amount of the fixed asset (the higher of value in use or fair value less costs of disposal) is recognized as an impairment loss of the fixed asset.

(h) Business combinations

Under US GAAP, in business combinations, the acquirer measures the acquiree as a whole (including non-controlling interests) at fair value and goodwill is recognized including the portion of goodwill attributable to the non-controlling interests.

Under IFRS, on the other hand, in business combinations it is permitted to elect to apply either method: the acquirer measures the acquiree as a whole (including non-controlling interests) at fair value and goodwill is recognized including the portion of goodwill attributable to the non-controlling interests; or non-controlling interest is measured as a proportional interest in the fair value of the acquiree's net identifiable assets and goodwill is recognized only for the acquirer's share. The Company elected the method of measuring non-controlling interest as a proportional interest in the fair value of the acquiree's net identifiable assets and recognizing goodwill only for the acquirer's share. Capital surplus is recognized when non-controlling interests are additionally acquired after the date when control was obtained.

Reconciliation of Profit or Loss and Comprehensive Income for the First Quarter of the Previous Fiscal Year (from April 1, 2017 to June 30, 2017)

(Condensed Quarterly Consolidated Statements of Profit or Loss)

(In millions of yen)

Presentation under US GAAP	US GAAP	Re-classification	Recognition and measurement differences	IFRS	Presentation under IFRS
Net sales	1,005,599	—	28,337	1,033,936	Net sales
Cost of sales	681,232	(39)	35,772	716,965	Cost of sales
Selling, general and administrative expenses	250,121	461	(8,972)	241,610	Selling, general and administrative expenses
	—	143	(11)	132	Other profit (loss)
Operating income	74,246	(279)	1,526	75,493	Operating income
Other income	28,493	—	—	—	
Interest and Dividends	3,587	19,926	(19,926)	3,587	Financial income
Equity in earnings of affiliated companies	2,405	(2,405)	—	—	
Other	22,501	(22,501)	—	—	
Other expenses	3,491	—	—	—	
Interest	677	192	63	932	Financial expenses
Other	2,814	(2,814)	—	—	
	—	2,405	(107)	2,298	Share of profit of investments accounted for using the equity method
Income before income taxes	99,248	(232)	(18,570)	80,446	Income before income taxes
Income taxes	29,241	(232)	(7,773)	21,236	Income tax expenses
Net income	70,007	—	(10,797)	59,210	Net income
Net income attributable to the noncontrolling interests	2,263	—	(38)	2,225	Net income attributable to: Non-controlling interests
Net income attributable to Mitsubishi Electric Corp.	67,744	—	(10,759)	56,985	Mitsubishi Electric Corp. stockholders

(Condensed Quarterly Consolidated Statements of Comprehensive Income) (In millions of yen)

Presentation under US GAAP	US GAAP	Re-classification	Recognition and measurement differences	IFRS	Presentation under IFRS
Net income	70,007	—	(10,797)	59,210	Net income
Other comprehensive income (loss), net of tax					(Other comprehensive income (loss), net of tax) Items that will not be reclassified to net income
Unrealized gains (losses) on securities	(21,638)	(287)	12,791	(9,134)	Financial assets measured at fair value through other comprehensive income
Pension liability adjustments	12,477	(179)	(12,298)	—	Remeasurements of defined benefit pension plans
	—	466	(179)	287	Share of other comprehensive income of investments accounted for using the equity method
	—	—	314	(8,847)	Subtotal
Foreign currency translation adjustments	4,720	855	6,965	12,540	Items that may be reclassified to net income Exchange differences on translating foreign operations
Unrealized gains (losses) on derivative instruments	(63)	3	63	3	Net changes in the fair value of cash flow hedges
	—	(858)	1	(857)	Share of other comprehensive income of investments accounted for using the equity method
	—	—	7,029	11,686	Subtotal
Total	(4,504)	—	7,343	2,839	Total other comprehensive income (loss)
Comprehensive income (loss)	65,503	—	(3,454)	62,049	Comprehensive income (loss)
Comprehensive income (loss) attributable to the noncontrolling interests	2,512	—	10	2,522	Comprehensive income (loss) attributable to: Non-controlling interests
Comprehensive income (loss) attributable to Mitsubishi Electric Corp.	62,991	—	(3,464)	59,527	Mitsubishi Electric Corp. stockholders

**Reconciliation of Profit or Loss and Comprehensive Income for the Previous Fiscal Year
(from April 1, 2017 to March 31, 2018)**

(Consolidated Statements of Profit or Loss)

(In millions of yen)

Presentation under US GAAP	US GAAP	Re- classification	Recognition and measurement differences	IFRS	Presentation under IFRS
Net sales	4,431,198	—	13,226	4,444,424	Net sales
Cost of sales	3,030,902	—	53,024	3,083,926	Cost of sales
Selling, general and administrative expenses	1,061,778	729	(34,623)	1,027,884	Selling, general and administrative expenses
Loss on impairment of long-lived assets	19,881	(19,881)	—	—	
	—	(20,990)	15,820	(5,170)	Other profit (loss)
Operating income	318,637	(1,838)	10,645	327,444	Operating income
Other income	60,414	—	—	—	
Interest and Dividends	8,611	23,637	(23,637)	8,611	Financial income
Equity in earnings of affiliated companies	22,261	(22,261)	—	—	
Other	29,542	(29,542)	—	—	
Other expenses	14,473	—	—	—	
Interest	2,727	4,726	(657)	6,796	Financial expenses
Other	11,746	(11,746)	—	—	
	—	22,261	1,686	23,947	Share of profit of investments accounted for using the equity method
Income before income taxes	364,578	(723)	(10,649)	353,206	Income before income taxes
Income taxes	82,239	(723)	5,291	86,807	Income tax expenses
Net income	282,339	—	(15,940)	266,399	Net income
Net income attributable to the noncontrolling interests	10,459	—	185	10,644	Net income attributable to:
Net income attributable to Mitsubishi Electric Corp.	271,880	—	(16,125)	255,755	Non-controlling interests Mitsubishi Electric Corp. stockholders

(Consolidated Statements of Comprehensive Income)

(In millions of yen)

Presentation under US GAAP	US GAAP	Re- classification	Recognition and measurement differences	IFRS	Presentation under IFRS
Net income	282,339	—	(15,940)	266,399	Net income
Other comprehensive income (loss), net of tax					(Other comprehensive income (loss), net of tax) Items that will not be reclassified to net income
Unrealized gains (losses) on securities	(14,875)	392	14,431	(52)	Financial assets measured at fair value through other comprehensive income
Pension liability adjustments	15,857	(596)	6,062	21,323	Remeasurements of defined benefit pension plans
	—	204	(34)	170	Share of other comprehensive income of investments accounted for using the equity method
	—	—	20,459	21,441	Subtotal
Foreign currency translation adjustments	17,023	(1,908)	1,877	16,992	Items that may be reclassified to net income Exchange differences on translating foreign operations
Unrealized gains (losses) on derivative instruments	(88)	(6)	23	(71)	Net changes in the fair value of cash flow hedges
	—	1,914	(45)	1,869	Share of other comprehensive income of investments accounted for using the equity method
	—	—	1,855	18,790	Subtotal
Total	17,917	—	22,314	40,231	Total Other comprehensive income (loss)
Comprehensive income (loss)	300,256	—	6,374	306,630	Comprehensive income (loss)
Comprehensive income (loss) attributable to the noncontrolling interests	11,852	—	68	11,920	Comprehensive income (loss) attributable to: Non-controlling interests
Comprehensive income (loss) attributable to Mitsubishi Electric Corp.	288,404	—	6,306	294,710	Mitsubishi Electric Corp. stockholders

Notes to Reconciliation of Profit or Loss and Comprehensive Income

The principal effects of transition to IFRS in the reconciliation of profit or loss and comprehensive income above are as follows:

(1) Reclassification

The main elements of reclassification are as follows:

- (a) In accordance with the presentation provisions under IFRS, financial income and financial expenses are presented separately.
- (b) In accordance with the presentation provisions under IFRS, part of other income and other expenses, etc. is included and presented in operating profit.
- (c) Unrealized gains (losses) on securities, pension liability adjustments, foreign currency translation adjustments and unrealized gains (losses) on derivative instruments in other comprehensive income that are attributable to equity investees are reclassified in accordance with the presentation provisions under IFRS.

(2) Recognition and measurement differences

The main elements of recognition and measurement differences are as follows:

(a) Reconciliation of sales and cost of sales

Under US GAAP, if amounts of construction contracts cannot be reliably estimated, all construction costs and construction revenue are recognized when the construction is complete.

Under IFRS, on the other hand, revenue from a performance obligation satisfied over time is recognized using the cost recovery method if the outcome cannot be reliably estimated. Revenues using the cost recovery method are only recognized for costs incurred to the extent that it is probable that the cost will be recovered and costs are recognized as expenses in the period in which they are incurred.

(b) Equity instruments

Non-marketable equity instruments are recognized at their cost under US GAAP. If fair value of equity instruments has decreased and the decrease is considered not to be temporary, impairment loss is recognized for the amount of the cost of the equity instruments in excess of fair value. Gains or losses on the sale of these equity instruments are recognized in profit or loss.

Under IFRS, on the other hand, equity instruments are recognized at fair value irrespective of whether there is an active market. Because it is permitted to recognize changes in fair value in other comprehensive income, the Company and its consolidated subsidiaries have elected to recognize changes in fair value of equity instruments in other comprehensive income. Accordingly, loss on impairment and gains or losses on the sale of equity instruments recognized in profit or loss under US GAAP are recognized in other comprehensive income as well.

Notes to Reconciliation of Cash Flows

There are no significant differences in the statement of cash flows resulting from transition from US GAAP to IFRS.

Cautionary Statement

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

(1) Important trends

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

- (2) Foreign currency exchange rates
Fluctuations in foreign currency markets may affect the Group's sales of exported products and purchases of imported materials that are denominated in U.S. dollars or euros, as well as its Asian production bases' sales of exported products and purchases of imported materials that are denominated in foreign currencies.
- (3) Stock markets
A fall in stock market prices may cause a decline in value of the Group's marketable securities and pension assets.
- (4) Supply/demand balance for products and procurement conditions for materials and components
A decline in prices and shipments due to changes in the supply/demand balance, as well as an increase in material prices due to a worsening of material and component procurement conditions, may adversely affect the Group's performance.
- (5) Fund raising
An increase in interest rates, the yen interest rate in particular, would increase the Group's interest expenses.
- (6) Significant patent matters
Important patent filings, licensing, copyrights and patent-related disputes may adversely affect related businesses.
- (7) Environmental legislation or relevant issues
The Group may incur losses or expenses owing to changes in environmental legislation or the occurrence of environmental issues. Such changes in legislation or the occurrence of environmental issues may also impact manufacturing and all corporate activities of the Group.
- (8) Flaws or defects in products or services
The Group may incur losses or expenses resulting out of flaws or defects in products or services, and the lowered reputation of the quality of all its products and services may affect the entire Group.
- (9) Litigation and other legal proceedings
The Group's operations may be affected by lawsuits or other legal proceedings against Mitsubishi Electric, its subsidiaries and/or equity-method affiliated companies.
- (10) Disruptive changes
Disruptive changes in technology, development of products using new technology, timing of production and market introduction may adversely affect the Group's performance.
- (11) Business restructuring
The Group may record losses due to restructuring measures.
- (12) Information security
The performance of the Group may be affected by computer virus infections, unauthorized access and other unpredictable incidents that lead to the loss or leakage of personal information held by the Group or confidential information regarding the Group's business such as its technology, sales and other operations.
- (13) Natural disasters
The Group's operations, particularly manufacturing activities, may be affected by the occurrence of earthquakes, typhoons, tsunamis, fires and other large-scale disasters.
- (14) Other significant factors
The Group's operations may be affected by the outbreak of social or political upheaval due to terrorism, war, pandemic by new strains of influenza and other diseases, or other factors.

###

About Mitsubishi Electric Corporation

With nearly 100 years of experience in providing reliable, high-quality products, Mitsubishi Electric Corporation (TOKYO: 6503) is a recognized world leader in the manufacture, marketing and sales of electrical and electronic equipment used in information processing and communications, space development and satellite communications, consumer electronics, industrial technology, energy, transportation and building equipment. Embracing the spirit of its corporate statement, Changes for the Better, and its environmental statement, Eco Changes, Mitsubishi Electric endeavors to be a global, leading green company, enriching society with technology. The company recorded consolidated group sales of 4,444.4 billion yen (in accordance with IFRS; US\$ 41.9 billion*) in the fiscal year ended March 31, 2018. For more information visit: www.MitsubishiElectric.com

*At an exchange rate of 106 yen to the US dollar, the rate given by the Tokyo Foreign Exchange Market on March 31, 2018

Fiscal 2019 First-quarter Consolidated Results

1. Financial Results
2. Net Sales and Operating Income by Segment
3. Overseas Net Sales by Segment
4. Orders by Segment
5. Foreign Exchange Rates for Recording Net Sales and
Impact of Exchange Rate Fluctuations on Net Sales

<Reference>

Difference between US GAAP and IFRS

FY '18: Apr. 1, 2017 – Mar. 31, 2018

FY '19: Apr. 1, 2018 – Mar. 31, 2019

1. Financial Results

(Consolidated)

(Billions of yen, year-on-year % change)

	FY '18		FY '19	
	Q1 (Actual)	Full Year (Actual)	Q1 (Actual)	Full Year (Forecast)
Net sales	1,033.9	4,444.4	1,050.9 (+2)	4,500.0 (+1)
Operating income	75.4	327.4	61.5 (-18)	315.0 (-4)
Income before income taxes	80.4	353.2	68.7 (-15)	345.0 (-2)
Net income attributable to Mitsubishi Electric Corp. stockholders	56.9	255.7	47.5 (-17)	245.0 (-4)

*Figures in parentheses in the right column indicate change from the previous corresponding period.

2. Net Sales and Operating Income by Segment

(Billions of yen, year-on-year % change)

		FY '18		FY '19	
		Q1 (Actual)	Full Year (Actual)	Q1 (Actual)	Full Year (Forecast)
Energy and Electric Systems	Net Sales	268.5	1,253.0	267.3 (0)	1,290.0 (+3)
	Operating Income	6.7	65.4	5.9 (-11)	68.0 (+4)
Industrial Automation Systems	Net Sales	350.8	1,444.9	360.9 (+3)	1,450.0 (0)
	Operating Income	50.7	187.3	44.8 (-12)	184.0 (-2)
Information and Communication Systems	Net Sales	90.0	438.1	79.7 (-11)	430.0 (-2)
	Operating Income	-1.7	11.3	-1.8 (-)	10.0 (-12)
Electronic Devices	Net Sales	48.1	202.2	51.4 (+7)	220.0 (+9)
	Operating Income	3.0	14.1	1.4 (-51)	13.0 (-8)
Home Appliances	Net Sales	269.8	1,049.3	280.3 (+4)	1,060.0 (+1)
	Operating Income	24.1	55.4	20.0 (-17)	48.0 (-14)
Others	Net Sales	144.9	659.0	155.6 (+7)	670.0 (+2)
	Operating Income	2.0	24.0	1.1 (-42)	24.0 (0)
Subtotal	Net Sales	1,172.3	5,046.8	1,195.6 (+2)	5,120.0 (+1)
	Operating Income	84.9	357.8	71.7 (-16)	347.0 (-3)
Eliminations and other	Net Sales	-138.3	-602.4	-144.6	-620.0
	Operating Income	-9.4	-30.3	-10.1	-32.0
Consolidated total	Net Sales	1,033.9	4,444.4	1,050.9 (+2)	4,500.0 (+1)
	Operating Income	75.4	327.4	61.5 (-18)	315.0 (-4)

3. Overseas Net Sales by Segment

(Billions of yen, year-on-year % change)

	FY '18		FY '19
	Q1 (Actual)	Full Year (Actual)	Q1 (Actual)
Energy and Electric Systems	96.9	422.1	95.7 (-1)
Industrial Automation Systems	221.0	865.8	216.9 (-2)
Information and Communication Systems	1.6	13.1	2.0 (+24)
Electronic Devices	27.6	115.8	28.8 (+4)
Home Appliances	154.7	568.7	161.4 (+4)
Others	4.3	19.7	4.4 (+3)
Consolidated total	506.4	2,005.4	509.5 (+1)
Ratio of overseas net sales to total sales	49.0%	45.1%	48.5%

4. Orders by Segment

(Consolidated) (Billions of yen, year-on-year % change)

	FY '19	
	Q1 (Actual)	
Energy and Electric Systems	275.9	(-7)
Industrial Automation Systems	356.6	(+1)
Information and Communication Systems	71.5	(-4)
Electronic Devices	50.1	(0)

*Home Appliances and Others segments have few products made on order, thus not included in the chart above.

5. Foreign Exchange Rates for Recording Net Sales and Impact of Exchange Rate Fluctuations on Net Sales

		FY '18		FY '19	
		Q1 (Actual)	Full Year (Actual)	Q1 (Actual)	Full Year * (Forecast)
Average exchange rate	US\$	¥111	¥111	¥110	¥100
	Euro	¥124	¥130	¥129	¥125
	CNY	¥16.3	¥16.8	¥17.0	¥16.5
Impact of exchange rate fluctuations on net sales	Consolidated total	About ¥11.0 billion increase	About ¥75.0 billion increase	About ¥3.0 billion increase	
	US\$	About ¥3.0 billion increase	About ¥9.0 billion increase	About ¥2.0 billion decrease	
	Euro	About ¥2.0 billion increase	About ¥26.0 billion increase	About ¥4.0 billion increase	
	CNY	About ¥1.0 billion decrease	About ¥11.0 billion increase	About ¥3.0 billion increase	

*The forecast for fiscal 2019 is unchanged from the announcement on April 27, 2018.

<Reference>

Difference between US GAAP and IFRS

1) Financial Results

(Consolidated)

(Billions of yen)

	FY '18					
	Q1 (Actual)			Full Year (Actual)		
	US GAAP	IFRS	Difference	US GAAP	IFRS	Difference
Net sales	1,005.5	1,033.9	28.3	4,431.1	4,444.4	13.2
Operating income	74.2	75.4	1.2	318.6	327.4	8.8
Income before income taxes	99.2	80.4	-18.8	364.5	353.2	-11.3
Net income attributable to Mitsubishi Electric Corp. stockholders	67.7	56.9	-10.7	271.8	255.7	-16.1

* "Net income attributable to Mitsubishi Electric Corp. stockholders" is described as "Net income attributable to Mitsubishi Electric Corp." under US GAAP.

2) Net Sales and Operating Income by Segment

(Billions of yen)

		FY '18					
		Q1 (Actual)			Full Year (Actual)		
		US GAAP	IFRS	Difference	US GAAP	IFRS	Difference
Energy and Electric Systems	Net Sales	250.0	268.5	18.4	1,241.9	1,253.0	11.1
	Operating Income	6.7	6.7	-0.0	51.7	65.4	13.7
Industrial Automation Systems	Net Sales	350.8	350.8	—	1,444.9	1,444.9	—
	Operating Income	49.8	50.7	0.9	190.8	187.3	-3.4
Information and Communication Systems	Net Sales	80.1	90.0	9.8	436.0	438.1	2.1
	Operating Income	-2.2	-1.7	0.4	11.9	11.3	-0.6
Electronic Devices	Net Sales	48.1	48.1	—	202.2	202.2	—
	Operating Income	3.0	3.0	0.0	14.5	14.1	-0.3
Home Appliances	Net Sales	269.8	269.8	—	1,049.3	1,049.3	—
	Operating Income	24.1	24.1	0.0	56.0	55.4	-0.5
Others	Net Sales	170.6	144.9	-25.7	764.3	659.0	-105.2
	Operating Income	2.1	2.0	-0.0	23.9	24.0	0.1
Subtotal	Net Sales	1,169.7	1,172.3	2.6	5,138.9	5,046.8	-92.0
	Operating Income	83.6	84.9	1.2	349.0	357.8	8.8
Eliminations and other	Net Sales	-164.1	-138.3	25.7	-707.7	-602.4	105.2
	Operating Income	-9.4	-9.4	—	-30.3	-30.3	—
Consolidated total	Net Sales	1,005.5	1,033.9	28.3	4,431.1	4,444.4	13.2
	Operating Income	74.2	75.4	1.2	318.6	327.4	8.8