

[Translation]

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Quarterly Report

The First Quarter of 151st Business Term
From April 1, 2021 to June 30, 2021

Mitsubishi Electric Corporation

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

The First Quarter of 151st Business Term (from April 1, 2021 to June 30, 2021)

Quarterly Report

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

Mitsubishi Electric Corporation

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Cautionary Statement

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

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

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

I . Overview of the Company

1. Key Financial Data

(Millions of yen, unless otherwise stated)

	For the three months ended Jun. 30, 2020	For the three months ended Jun. 30, 2021	Year ended Mar. 31, 2021
Revenue	858,151	1,066,442	4,191,433
Profit before income taxes	27,109	89,513	258,754
Net profit attributable to Mitsubishi Electric Corp. stockholders	17,885	61,835	193,132
Comprehensive income attributable to Mitsubishi Electric Corp. stockholders	45,464	61,456	401,559
Mitsubishi Electric Corp. stockholders' equity	2,419,155	2,759,406	2,754,293
Total equity	2,529,482	2,877,721	2,870,611
Total assets	4,446,387	4,696,753	4,797,921
Basic earnings per share attributable to Mitsubishi Electric Corp. stockholders (yen)	8.34	28.82	90.03
Diluted earnings per share attributable to Mitsubishi Electric Corp. stockholders (yen)	8.34	28.82	90.03
Mitsubishi Electric Corp. stockholders' equity ratio (%)	54.4	58.8	57.4
Cash flows from operating activities	133,541	121,735	542,119
Cash flows from investing activities	(55,239)	(31,867)	(176,552)
Cash flows from financing activities	112,363	(93,525)	(157,352)
Cash and cash equivalents at end of period	730,352	765,849	767,406

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

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

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

2. Description of Business

The condensed quarterly consolidated financial statements of the Mitsubishi Electric Group are prepared in accordance with IFRS. The Mitsubishi Electric Group, which is composed of the Company, 204 consolidated subsidiaries and 39 equity method companies, engages in six business segments (Energy and Electric Systems, Industrial Automation Systems, Information and Communication Systems, Electronic Devices, Home Appliances, Others) and our products range from all types.

II . Business Overview

1. Business and Other Risks

For the three months ended June 30, 2021, the following are the changes in the Business and Other Risks stated in the Annual Securities Report for the fiscal year ended March 31, 2021, and the relevant changes and additions are underlined.

Forward-looking statements in this section are based on the judgment of the Company as of the date of submission of the Quarterly Report (August 6, 2021).

The item numbers correspond to “Part I Information on the Company, II . Business Overview, 2. Business and Other Risks” in the Annual Securities Report for the fiscal year ended March 31, 2021.

1) The impact of COVID-19

The Group is executing business in countries and regions affected by COVID-19. The Group is implementing countermeasures as it continues its business operations while taking adequate precautions against the spread of infections. However, if the disease continues to spread or the pandemic becomes further protracted, declines in demand and other factors may adversely affect the Group’s performance.

The global economy is expected to make progress in recovery in general as an effect of political measures particularly in the U.S. and China, in addition to the normalization of economic activities due to the widespread use of vaccines in various countries and regions, although the impact of COVID-19 on the economy remains uncertain. Nonetheless, the Group’s performance may be affected to a greater extent than currently expected, due to delays in the situation returning to normal, status changes in market recoveries thereafter, and changes in demand structure following sudden changes to societal values or behavior.

8) Improper testing of HVAC and other products for railcars

The Company announced that an internal investigation conducted by the Company revealed that inspections of certain HVAC (Heating, Ventilation and Air Conditioning systems) for railcars manufactured at its Nagasaki Works were different from the inspections represented in specification documents provided by customers, or that it had not actually conducted inspections or had used improper statements in its inspection reports. Through further investigation, the Company also discovered that for certain air compressor units for railcars it had previously shipped, inspections differing from those represented in specification documents had been conducted or that inspections had not actually been conducted.

The Company halted shipments of these products as soon as the issues were discovered and currently is only shipping products for which it has confirmed that the inspections were completed properly. It is currently notifying railway operators and other customers of the situation and discussing how to respond. The Company has confirmed that there are no issues with the safety, functionality or performance of the products already shipped. The Company is not aware of any accident or other incident attributable to this matter.

Taking this new discovery of improper inspections very seriously, the Company has established an emergency response division led by the Company president to investigate the facts surrounding the improper conduct, elucidate the causes and formulate measures for preventing any recurrence, as well as implement reforms in the Company’s quality culture. In addition, the Company has set up an investigative committee chaired by an external lawyer, aiming to incorporate external perspectives into the process of clarifying the current situation. The committee is conducting a company-wide investigation of the facts surrounding the improper conduct and elucidating the causes, based on which it will formulate recommendations for preventing any recurrence. The emergency response division will receive reports and recommendations from the investigative committee, based on which it will establish and implement reforms in the Company’s quality culture.

Depending on the progress of future discussions with customers and investigations, the Group may incur losses, including compensation costs to customers, increased costs to strengthen the quality control system, the impact on sales activities, and the need to take additional measures against the discovery of any other quality improper inspection. The Group’s business performance may be affected by such factors.

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

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

(1) Overview of business performance

The economy in the three months ended June 30, 2021 generally continued to see recovery in the corporate sector in Japan, the U.S. and Europe, while the paces of recovery in the household sector varied depending on the situation of the expansion of COVID-19. China also continued to see recovery primarily in export and manufacturing since the first half of the previous fiscal year.

As a result, the financial results for the three months ended June 30, 2021 improved significantly from the same period of the previous fiscal year that experienced a serious impact of COVID-19.

<Consolidated Performance>

(In billions of yen)

	For the three months ended Jun. 30, 2020	For the three months ended Jun. 30, 2021	Compared to the same period of the previous fiscal year
Revenue	858.1	1,066.4	up 208.2
Operating profit	20.2	82.7	up 62.5
Profit before income taxes	27.1	89.5	up 62.4
Net profit attributable to Mitsubishi Electric Corp. stockholders	17.8	61.8	up 43.9

1) Revenue

Revenue for the three months ended June 30, 2021 increased by 208.2 billion yen from the same period of the previous fiscal year to 1,066.4 billion yen due primarily to increased revenue in Industrial Automation Systems, Home Appliances and Electronic Devices segments. Industrial Automation Systems segment saw an increase in the factory automation systems business due mainly to an increase in demand relating to semiconductor, electronic components, smartphones and lithium-ion battery worldwide. The automotive equipment business also increased as demand for new cars recovered in all regions except for China, where demand had been recovering in the three months ended June 30, 2020. Home Appliances segment increased due mainly to an increase in air conditioners particularly in Europe and North America. Electronic Devices segment increased due primarily to recovery in demand for power modules.

<Impact of Exchange Rate Fluctuations on Revenue>

	Average exchange rate for the three months ended Jun. 30, 2020	Average exchange rate for the three months ended Jun. 30, 2021	Impact of exchange rate fluctuations on revenue for the three months ended Jun. 30, 2021
Consolidated total	—	—	About ¥37.0 billion increase
US\$	¥107	¥110	About ¥3.0 billion increase
EURO	¥119	¥132	About ¥11.0 billion increase
CNY	¥15.1	¥17.1	About ¥14.0 billion increase

2) Operating profit

Operating profit increased by 62.5 billion yen from the same period of the previous fiscal year to 82.7 billion yen due mainly to increased operating profit in Industrial Automation Systems and Home Appliances segments. Operating profit ratio improved by 5.4% from the same period of the previous fiscal year to 7.8%.

The cost ratio improved by 2.1% from the same period of the previous fiscal year due primarily to higher operating ratio caused by increased revenue of Industrial Automation Systems and Home Appliances segments in addition to the yen depreciating against other currencies. Selling, general and administrative expenses increased by 18.5 billion yen from the same period of the previous fiscal year, but selling, general and administrative expenses to revenue ratio improved by 3.2%. Other profit (loss) increased by 0.7 billion yen from the same period of the previous fiscal year, while other profit (loss) to revenue ratio improved by 0.1%.

3) Profit before income taxes

Profit before income taxes increased by 62.4 billion yen from the same period of the previous fiscal year to 89.5 billion yen due primarily to an increase in operating profit. Profit before income taxes to revenue ratio was 8.4%.

4) Net profit attributable to Mitsubishi Electric Corp. stockholders

Net profit attributable to Mitsubishi Electric Corporation stockholders increased by 43.9 billion yen from the same period of the previous fiscal year to 61.8 billion yen due mainly to increased profit before income taxes. Net profit attributable to Mitsubishi Electric Corporation stockholders to revenue ratio was 5.8%.

Consolidated Financial Results by Business Segment are as shown below.

1) Energy and Electric Systems

The market of the social infrastructure systems business saw a decrease in demand relating to power generation in Japan and the reconsideration of the capital expenditure plans by railway companies in Japan due to the impact of COVID-19. In this environment, the business saw a decrease in orders from the same period of the previous fiscal year due primarily to a decrease in the power systems business in Japan. Revenue also decreased due mainly to a decrease in the transportation systems business in Japan.

The market of the building systems business saw recovery from stagnation caused by the impact of COVID-19 primarily in China, while recovery is delayed in a part of regions including India. In this environment, the business saw increases in both orders and revenue from the same period of the previous fiscal year due primarily to an increase in China.

As a result, revenue for this segment decreased by 1% from the same period of the previous fiscal year to 263.6 billion yen.

Operating profit decreased by 6.7 billion yen from the same period of the previous fiscal year to 11.8 billion yen due mainly to decreased revenue and a shift in project portfolios.

2) Industrial Automation Systems

The market of the factory automation systems business saw an increase in demand relating to semiconductor, electronic components, smartphones and lithium-ion battery worldwide. In this environment, the business saw increases in both orders and revenue from the same period of the previous fiscal year.

The market of the automotive equipment business saw recovery in demand for new cars in all regions except for China, where demand had been recovering in the three months ended June 30, 2020. In this environment, the business saw increases in both orders and revenue from the same period of the previous fiscal year due mainly to increases in electrical components and electric vehicle-related equipment such as motors and inverters.

As a result, revenue for this segment increased by 51% from the same period of the previous fiscal year to 356.5 billion yen.

Operating profit improved by 38.4 billion yen from the same period of the previous fiscal year to 35.0 billion yen due mainly to increased revenue and the yen depreciating against other currencies.

3) Information and Communication Systems

The market of the information systems and service business saw a decrease in large-scale projects for the system integrations and the IT infrastructure service businesses, while delayed system development projects, particularly in the manufacturing industry, restarted. In this environment, the business saw decreases in both orders and revenue from the same period of the previous fiscal year.

The electronic systems business saw a decrease in orders from the same period of the previous fiscal year due primarily to a decrease in large-scale projects for the space systems business, while revenue increased from the same period of the previous fiscal year due to an increase in the defense systems business.

As a result, revenue for this segment increased by 1% from the same period of the previous fiscal year to 64.1 billion yen.

Operating profit improved by 0.5 billion yen from the same period of the previous fiscal year to 0.0 billion yen due mainly to increased revenue and a shift in project portfolios.

4) Electronic Devices

The market of the electronic devices business saw recovery in demand for power modules used in automotive and consumer applications. In this environment, the business saw an increase in orders from the previous fiscal year and revenue increased by 21% from the same period of the previous fiscal year to 60.3 billion yen due primarily to an increase in power modules used in automotive and consumer applications.

Operating profit increased by 0.1 billion yen from the same period of the previous fiscal year to 3.2 billion yen due mainly to increased revenue and a shift in product mix.

5) Home Appliances

The market of the home appliances business saw an increase in demand for residential air conditioners primarily in Europe and North America as working from home becomes common. Demand for industrial air conditioners also recovered gradually as capital expenditures started to recover from the impact of COVID-19. In this environment, the business saw an increase in revenue by 33% from the same period of the previous fiscal year to 315.3 billion yen due primarily to an increase in air conditioners primarily in Europe and North America.

Operating profit increased by 25.7 billion yen from the same period of the previous fiscal year to 39.3 billion yen due mainly to increased revenue and the yen depreciating against other currencies.

6) Others

Revenue increased by 22% from the same period of the previous fiscal year to 153.4 billion yen due primarily to increases in materials procurement and logistics.

Operating profit improved by 4.7 billion yen from the same period of the previous fiscal year to 3.3 billion yen due mainly to increased revenue.

(2) Analysis of financial position

Total assets as of the end of this fiscal quarter decreased from the end of the previous fiscal year by 101.1 billion yen to 4,696.7 billion yen. The change in balance of total assets was mainly attributable to decreases in trade receivables by 165.5 billion yen, while inventories increased by 68.6 billion yen.

Trade receivables decreased due mainly to credit collection for projects from the previous fiscal year. Inventories increased due primarily to recovery in demand for Industrial Automation Systems and Home Appliances segments.

Total liabilities decreased from the end of the previous fiscal year by 108.2 billion yen to 1,819.0 billion yen due primarily to decreases in accrued expenses by 50.1 billion yen, other financial liabilities by 44.7 billion yen and trade payables by 19.8 billion yen. Bonds and borrowings decreased by 20.6 billion yen from the end of the previous fiscal year to 228.1 billion yen, with the ratio of bonds and borrowings to total assets recording 4.9%, representing a 0.3 point decrease compared to the end of the previous fiscal year.

Mitsubishi Electric Corporation stockholders' equity increased by 5.1 billion yen compared to the end of the previous fiscal year to 2,759.4 billion yen. The stockholders' equity ratio was recorded at 58.8%, representing a 1.4 point increase compared to the end of the previous fiscal year. These changes primarily result from an increase from recording a net profit attributable to Mitsubishi Electric Corporation stockholders of 61.8 billion yen, despite a decrease due to dividend payment of 55.8 billion yen.

(3) Status of cash flows

Cash flows from operating activities for the three months ended June 30, 2021 was 121.7 billion yen (cash in), while cash flows from investing activities was 31.8 billion yen (cash out). As a result, free cash flow was 89.8 billion yen (cash in). Cash flows from financing activities was 93.5 billion yen (cash out), and cash and cash equivalents at end of period decreased from the end of the previous fiscal year by 1.5 billion yen to 765.8 billion yen.

Net cash provided by operating activities decreased by 11.8 billion yen from the same period of the previous fiscal year due primarily to the impact of credit collection despite increased profit.

Net cash used in investing activities decreased by 23.3 billion yen from the same period of the previous fiscal year due mainly to a decrease in purchase of property, plant and equipment in this quarter as a result of restricted capital expenditures in the previous fiscal year.

Net cash used in financing activities was 93.5 billion yen (cash out), while net cash provided by financing activities was 112.3 billion yen (cash in) in the same period of the previous fiscal year. The change was mainly attributable to an increase in expenditure for repayments of bonds and a decrease in proceeds of short term borrowings.

(4) Management Policy, Business Environment and Corporate Agenda

For the three months ended June 30, 2021, the following are the changes in the Management Policy, Business Environment and Corporate Agenda stated in the Annual Securities Report for the fiscal year ended March 31, 2021, and the relevant changes and additions are underlined.

(Omitted)

The global economy is expected to make progress in recovery in general as an effect of political measures, particularly the U.S. and China, in addition to the normalization of economic activities due to the widespread use of vaccines in various countries and regions, although the impact of the novel coronavirus diseases (COVID-19) on economy remains uncertain.

(...)

With regard to legal and ethical compliance, the Group takes its recent issues of product and service quality, work-related, and information security extremely seriously, and is promoting a number of initiatives to prevent recurrence as a top management priority. To date, Mitsubishi Electric has inspected its own company and subsidiaries in relation to improper conduct concerning quality on three occasions (FY2017, FY2018 and FY2019–2020). The company-wide inspection conducted between FY2019 and FY2020, in particular, was informed by past experiences and covered all of Mitsubishi Electric’s domestic business sites as well as 121 subsidiaries. The process involved on-site inspections of quality data by Mitsubishi Electric divisions and subsidiaries, and objective verifications by an internal inspection team formed from Mitsubishi Electric’s Corporate Auditing Division, Corporate Strategic Planning Division, Corporate Quality Assurance Planning Department, R&D Centers, and other related divisions. Accordingly, this new discovery that other product inspections were conducted improperly is cause for great concern and much regret, as previously announced, which is why the Company established the emergency response division led by the Company president. In addition, the Company set up an investigative committee chaired by an external lawyer, aiming to incorporate external perspectives into the process of clarifying the current situation. The committee is conducting a company-wide investigation of the facts surrounding the improper conduct and elucidating the causes, based on which it will formulate recommendations for preventing any recurrence. The emergency response division will receive reports and recommendations from the investigative committee, based on which it will establish and implement reforms in the Company’s quality culture.

(Omit the last part)

(5) Research and Development

For the three months ended June 30, 2021, the total R&D expenses for the entire Group have amounted to 45.7 billion yen (Including elements spent on quality improvements, which constitute manufacturing costs).

There were no significant changes in the research and development activities of the Group for the three months ended June 30, 2021.

(6) Production, orders and sales

For the three months ended June 30, 2021, production, orders and sales in Industrial Automation Systems segment, production and sales in Home Appliances segment, and orders in Electronic Devices segment increased significantly compared to the same period of the previous fiscal year.

Fluctuations in production in each segment are due to a recovery in demand, which has fallen sharply due to the impact of COVID-19. Please refer to “(1) Overview of business performance, Financial Results by Business Segment” for changes in orders and sales performance for each segment.

3. Material Agreements, etc.

In the three months ended June 30, 2021, there were no material agreements entered into, modified, or canceled.

III. Information on the Company

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

(1) Total number of shares, etc.

1) Total number of shares

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

2) Issued shares

Class	Number of shares issued as of the end of the quarter (shares) (June 30, 2021)	Number of shares issued as of the filing date (shares) (August 6, 2021)	Stock exchange on which the Company is listed	Description
Common stock	2,147,201,551	2,147,201,551	Japan: Tokyo (the first section) Overseas: London	The number of shares per one unit of shares is 100 shares.
Total	2,147,201,551	2,147,201,551	—	—

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

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

1) Details of stock option plans

Not applicable.

2) Details of other stock acquisition rights, etc.

Not applicable.

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

Not applicable.

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

Date	Change in the total number of issued shares (thousand shares)	Balance of the total number of issued shares (thousand shares)	Change in common stock (millions of yen)	Balance of common stock (millions of yen)	Change in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
From April 1, 2021 to June 30, 2021	—	2,147,201	—	175,820	—	181,140

(5) Principal shareholders

Not applicable.

(6) Information on voting rights

All details provided in this section “(6) Information of voting rights” are based on the register of shareholders as of March 31, 2021, since the register of shareholders as of June 30, 2021 cannot be confirmed.

1) Issued shares

(As of March 31, 2021)

Classification	Number of shares (shares)	Number of voting rights	Description
Shares without voting right	—	—	—
Shares with restricted voting right (treasury stock, etc.)	—	—	—
Shares with restricted voting right (others)	—	—	—
Shares with full voting right (treasury stock, etc.)	Common stock 1,207,400	—	Standard common stock of the Company without any restriction. Number of shares constituting one unit: 100 shares
Shares with full voting right (others)	Common stock 2,145,587,300	21,455,873	Same as above
Shares less than one unit	Common stock 406,851	—	Same as above
Number of shares issued	2,147,201,551	—	—
Total number of voting rights	—	21,455,873	—

Notes: 1. The number of shares included in “Shares less than one unit” are as follows: 21 shares as treasury stocks, 117 shares held by the Board Incentive Plan Trust, crossholding stocks registered under own name (Shonai Mitsubishi Electric Sales Corporation 25 shares), and 80 shares registered in the name of Japan Securities Depository Center, Inc.

2. The number of shares and the number of voting rights in “Shares with full voting right (others)” include 6,700 shares (67 voting rights) registered in the name of Japan Securities Depository Center, Inc. and 1,488,600 shares (14,886 voting rights) held through the Board Incentive Plan Trust.

2) Treasury stock, etc.

(As of March 31, 2021)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the name of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
Mitsubishi Electric Corporation	7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo	427,400	—	427,400	0.02
Ryoyo Electric Co., Ltd	6621, Oda, Yakage-cho, Oda-gun, Okayama	293,200	—	293,200	0.01
Shinryo Co., Ltd.	1-6, Komatsudori 5-chome, Hyogo-ku, Kobe-shi, Hyogo	238,700	—	238,700	0.01
Itec Hankyu Hanshin Co., Ltd.	1-31, Ebie 1-chome, Fukushima-ku, Osaka-shi, Osaka	223,000	—	223,000	0.01
Shonai Mitsubishi Electric Sales Corporation	5-22, Takarada 2-chome, Tsuruoka-shi, Yamagata	13,100	—	13,100	0.00
KITA KOUDENSHA Corporation	2-10, Kita 11-jo Nishi 23-chome, Chuo-ku, Sapporo-shi, Hokkaido	12,000	—	12,000	0.00
Total	—	1,207,400	—	1,207,400	0.06

Notes: In addition to 427,400 shares owned by the Company in the table above and 21 shares less than one unit owned by the Company, 1,488,717 shares of the Company held through the Board Incentive Plan Trust are included in the shares of treasury stock in the consolidated financial statements.

2. Directors and Executive Officers

There were no changes in directors and executive officers from the filing date of the Annual Securities Report for the fiscal year ended March 31, 2021 until June 30, 2021.

IV. Financial Information

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

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

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the condensed quarterly consolidated financial statements for the three months ended June 30, 2021, from April 1, 2021 to June 30, 2021 and the first quarter of the current fiscal year from April 1, 2021 to June 30, 2021 are reviewed by KPMG AZSA LLC.

1 【Condensed Quarterly Consolidated Financial Statements】

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

Yen (millions)

	Notes	As of Mar. 31, 2021	As of Jun. 30, 2021
(Assets)			
Cash and cash equivalents		767,406	765,849
Trade receivables		906,831	741,314
Contract assets		274,231	269,857
Other financial assets	9	51,657	72,669
Inventories		743,782	812,403
Other current assets		103,065	103,247
Current assets		2,846,972	2,765,339
Investments accounted for using the equity method		205,464	202,613
Other financial assets	9	353,624	350,082
Property, plant and equipment		857,645	860,578
Goodwill and intangible assets		153,512	152,611
Deferred tax assets		183,134	173,828
Other non-current assets		197,570	191,702
Non-current assets		1,950,949	1,931,414
Total assets		4,797,921	4,696,753

Yen (millions)

	Notes	As of Mar. 31, 2021	As of Jun. 30, 2021
(Liabilities)			
Bonds, borrowings and lease liabilities	9	152,657	133,021
Trade payables		541,774	521,972
Contract liabilities		174,666	180,157
Other financial liabilities	9	157,750	113,020
Accrued expenses		302,418	252,291
Accrued income taxes		30,959	20,499
Provisions		97,292	92,721
Other current liabilities		47,865	81,557
Current liabilities		1,505,381	1,395,238
Bonds, borrowings and lease liabilities	9	212,774	214,673
Net defined benefit liabilities		161,388	163,868
Provisions		5,435	4,654
Deferred tax liabilities		5,759	5,279
Other non-current liabilities		36,573	35,320
Non-current liabilities		421,929	423,794
Total liabilities		1,927,310	1,819,032
(Equity)			
Common stock		175,820	175,820
Capital surplus		202,777	201,723
Retained earnings		2,266,490	2,272,464
Accumulated other comprehensive income (loss)	9	111,801	111,467
Treasury stock, at cost		(2,595)	(2,068)
Mitsubishi Electric Corp. stockholders' equity		2,754,293	2,759,406
Non-controlling interests		116,318	118,315
Total equity		2,870,611	2,877,721
Total liabilities and equity		4,797,921	4,696,753

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

【Condensed Quarterly Consolidated Statement of Profit or Loss】

Yen (millions)

	Notes	For the three months ended Jun. 30, 2020	For the three months ended Jun. 30, 2021
Revenue	7	858,151	1,066,442
Cost of sales		620,418	748,309
Selling, general and administrative expenses		219,245	237,836
Other profit (loss)		1,712	2,471
Operating profit		20,200	82,768
Financial income		4,816	3,789
Financial expenses		720	1,138
Share of profit of investments accounted for using the equity method		2,813	4,094
Profit before income taxes		27,109	89,513
Income taxes		7,377	22,409
Net profit		19,732	67,104
Net profit attributable to:			
Mitsubishi Electric Corp. stockholders		17,885	61,835
Non-controlling interests		1,847	5,269

Yen

	Notes	For the three months ended Jun. 30, 2020	For the three months ended Jun. 30, 2021
Earnings per share (attributable to Mitsubishi Electric Corp. stockholders)			
Basic	8	8.34	28.82
Diluted	8	8.34	28.82

【Condensed Quarterly Consolidated Statement of Comprehensive Income】

Yen (millions)

	Notes	For the three months ended Jun. 30, 2020	For the three months ended Jun. 30, 2021
Net profit		19,732	67,104
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to net profit			
Changes in fair value of financial assets measured at fair value through other comprehensive income	9	17,322	(1,872)
Share of other comprehensive income of investments accounted for using the equity method		(162)	(62)
Total items that will not be reclassified to net profit		17,160	(1,934)
Items that may be reclassified to net profit			
Exchange differences on translating foreign operations		11,659	(944)
Net changes in the fair value of cash flow hedges		50	(4)
Share of other comprehensive income of investments accounted for using the equity method		(272)	2,478
Total items that may be reclassified to net profit		11,437	1,530
Total other comprehensive income (loss)		28,597	(404)
Comprehensive income		48,329	66,700
Comprehensive income attributable to:			
Mitsubishi Electric Corp. stockholders		45,464	61,456
Non-controlling interests		2,865	5,244

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

For the three months ended Jun. 30, 2020

Yen (millions)

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

For the three months ended Jun. 30, 2021

Yen (millions)

	Notes	Mitsubishi Electric Corp. stockholders' equity					Total	Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost			
Balance at beginning of year		175,820	202,777	2,266,490	111,801	(2,595)	2,754,293	116,318	2,870,611
Comprehensive income									
Net profit				61,835			61,835	5,269	67,104
Other comprehensive income (loss), net of tax					(379)		(379)	(25)	(404)
Comprehensive income		—	—	61,835	(379)	—	61,456	5,244	66,700
Reclassification to retained earnings				(45)	45		—		—
Dividends	6			(55,816)			(55,816)	(3,250)	(59,066)
Purchase of treasury stock						(526)	(526)		(526)
Disposal of treasury stock			(1,053)			1,053	—		—
Transactions with non-controlling interests and others			(1)				(1)	3	2
Balance at end of year		175,820	201,723	2,272,464	111,467	(2,068)	2,759,406	118,315	2,877,721

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

Yen (millions)

	For the three months ended Jun. 30, 2020	For the three months ended Jun. 30, 2021
Cash flows from operating activities		
Net profit	19,732	67,104
Adjustments to cash flows from operating activities		
Depreciation and amortization	48,992	46,061
Impairment losses	603	—
Loss (gain) on sales and disposal of property, plant and equipment, net	(685)	(115)
Income taxes	7,377	22,409
Share of profit of investments accounted for using the equity method	(2,813)	(4,094)
Financial income and financial expenses	(4,096)	(2,651)
Decrease in trade receivables	234,299	166,921
Decrease in contract assets	48,774	4,356
Decrease (increase) in inventories	(83,465)	(67,759)
Decrease (increase) in other assets	(20,955)	830
Increase (decrease) in trade payables	(95,155)	(20,116)
Increase in net defined benefit liabilities	9,444	8,452
Increase (decrease) in other liabilities	(27,855)	(71,838)
Others, net	7,632	(10,211)
Subtotal	141,829	139,349
Interest and dividends received	6,463	7,152
Interest paid	(520)	(552)
Income taxes paid	(14,231)	(24,214)
Cash flows from operating activities	133,541	121,735
Cash flows from investing activities		
Purchase of property, plant and equipment	(50,655)	(29,893)
Proceeds from sale of property, plant and equipment	1,976	540
Purchase of intangible assets	(3,262)	(4,170)
Purchase of investment securities and others	(4,130)	(1,092)
Proceeds from sale of investment securities and others, net of cash disposed	1,251	1,905
Others, net	(419)	843
Cash flows from investing activities	(55,239)	(31,867)
Cash flows from financing activities		
Proceeds from bonds and long-term borrowings	87	95
Repayments of bonds and long-term borrowings	(231)	(20,293)
Increase (decrease) in short-term borrowings, net	183,170	(1,608)
Repayments of lease liabilities	(12,737)	(13,775)
Dividends paid to Mitsubishi Electric Corp. stockholders	(55,816)	(55,816)
Purchase of treasury stock	(366)	(526)
Disposal of treasury stock	0	—
Dividends paid to non-controlling interests	(1,730)	(1,601)
Transactions with non-controlling interests	(14)	(1)
Cash flows from financing activities	112,363	(93,525)
Effect of exchange rate changes on cash and cash equivalents	2,128	2,100
Net increase (decrease) in cash and cash equivalents	192,793	(1,557)
Cash and cash equivalents at beginning of period	537,559	767,406
Cash and cash equivalents at end of period	730,352	765,849

【Notes to condensed quarterly consolidated financial statements】

1. Reporting entity

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

The Group is a multinational organization which develops, manufactures, sells and distributes a broad range of electrical and electronic equipment in the fields as diverse as home appliances to space electronics. The Company and its subsidiaries’ principal lines of business are: (1) Energy and Electric Systems, (2) Industrial Automation Systems, (3) Information and Communication Systems, (4) Electronic Devices, (5) Home Appliances and (6) Others. The Group’s manufacturing operations are conducted principally by the Company with 24 manufacturing sites located in Japan, as well as overseas manufacturing sites located in Thailand, China, the United States, Mexico, Italy and other countries.

2. Basis of preparation

(1) Statement of condensed quarterly consolidated financial statements in accordance with IAS 34

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

3. Significant accounting policies

Significant accounting policies adopted in preparation of the condensed quarterly consolidated financial statements are consistent with those used in the preparation of the Company’s annual consolidated financial statements for the year ended March 31, 2021.

4. Significant accounting estimates and judgments

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

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

Accounting estimates and assumptions that could have a material effect on the amounts in the condensed quarterly consolidated financial statements are the same as in the Company’s annual consolidated financial statements for the year ended March 31, 2021.

With regard to the impact of the novel coronavirus disease (COVID-19), the Company assumes that it may not have significant long-term impact on its accounting estimates such as the “Recoverable amount of property, plant and equipment, goodwill and intangible assets”, as the global economy is expected to make progress in recovery in general with the normalization of economic activities accompanying with vaccine dissemination in various countries and regions as well as the effect of political measures particularly in the U.S. and China, although the uncertainty still remains. The Group believes that the above assumption is the best estimate as of June 30, 2021. However, if the COVID-19 has a greater impact on future circumstances than expected, it may significantly affect the amounts in the consolidated financial statements. Regarding above the assumption, there are no significant changes from the conditions in the Company’s annual consolidated financial statements for the year ended March 31, 2021.

5. Segment information

(1) Overview of reportable segments

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

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

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

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

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

(2) Segment information by business categories

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

For the three months ended Jun. 30, 2020

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

For the three months ended Jun. 30, 2021

	Yen (millions)								
	Energy and Electric Systems	Industrial Automation Systems	Information and Communication Systems	Electronic Devices	Home Appliances	Others	Total	Eliminations and corporate	Consolidated total
Revenue and operating profit									
Revenue									
External customers	261,647	353,598	56,312	47,591	311,906	35,388	1,066,442	—	1,066,442
Intersegment	1,993	2,936	7,791	12,796	3,446	118,065	147,027	(147,027)	—
Total	263,640	356,534	64,103	60,387	315,352	153,453	1,213,469	(147,027)	1,066,442
Operating profit	11,863	35,027	0	3,269	39,303	3,398	92,860	(10,092)	82,768

6. Dividends

Dividends paid for the three months ended Jun. 30, 2020 and 2021 are as follows:

Resolution date	Total amount of dividends	Dividend per share	Record date	Effective date
	Yen (millions)	Yen		
May 11, 2020 Board of Directors Meeting	55,816	26	March 31, 2020	June 2, 2020
April 28, 2021 Board of Directors Meeting	55,816	26	March 31, 2021	June 2, 2021

7. Revenues

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

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

For the three months ended Jun. 30, 2020

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

For the three months ended Jun. 30, 2021

	Yen (millions)						Consolidated total
	Japan	Overseas				total	
		North America	Asia (excluding Japan)	Europe	Others		
Energy and Electric Systems	174,801	27,679	48,458	5,747	4,962	86,846	261,647
Industrial Automation Systems	131,096	39,584	142,341	38,185	2,392	222,502	353,598
Information and Communication Systems	54,126	1,092	757	283	54	2,186	56,312
Electronic Devices	15,207	2,278	22,507	7,546	53	32,384	47,591
Home Appliances	112,474	46,583	58,437	85,703	8,709	199,432	311,906
Others	30,495	239	4,510	141	3	4,893	35,388
Consolidated	518,199	117,455	277,010	137,605	16,173	548,243	1,066,442

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

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

Revenue recognition methods for each category are primarily as follows:

1) Energy and Electric Systems, Information and Communication Systems

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

Many contracts related to the production of products qualify as specific construction contracts meeting certain criteria, and revenue is recognized according to the progress of the construction if progress can be reasonably measured. Revenue is recognized only to the extent of the cost incurred if progress cannot be reasonably measured. The progress of construction is measured by comparing the cost incurred through the current year to the aggregate amount of estimated cost. The estimated total cost is calculated for each contract based on various information such as the contract details of the relevant construction contract, required specifications, the presence or absence of new technological development elements, and historical incurred cost results for similar contracts. Estimates and underlying assumptions for the aggregate amount of estimated cost are reviewed on an ongoing basis since there is a possibility that the cost incurred may change due to the progress of construction.

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

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

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

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

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

8. Earnings per share

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

	Yen (millions)	
	For the three months ended Jun. 30, 2020	For the three months ended Jun. 30, 2021
Net profit attributable to Mitsubishi Electric Corp. stockholders	17,885	61,835
	Shares	
	For the three months ended Jun. 30, 2020	For the three months ended Jun. 30, 2021
Basic average ordinary shares outstanding	2,145,151,996	2,145,374,959
	Yen	
	For the three months ended Jun. 30, 2020	For the three months ended Jun. 30, 2021
Basic earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders	8.34	28.82
Diluted earnings per share for net profit attributable to Mitsubishi Electric Corp. stockholders	8.34	28.82

Note : The number of the Company's shares held through the Board Incentive Plan Trust were included in the shares of treasury stock that were deducted from the average number of ordinary shares outstanding in the calculation of Earnings per share attributable to Mitsubishi Electric Corp. stockholders. (1,622,982 shares for the three months ended Jun. 30, 2020, and 1,399,147 shares for the three months ended Jun. 30, 2021).

9. Financial instruments

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

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

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

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

A determination is made at the end of each consolidated fiscal year as to whether there are financial instruments for which transfers between levels were carried out. There were no financial instruments with significant transfers between levels for the year ended Mar. 31, 2021 and the three months ended Jun. 30, 2021.

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

(1) Financial instruments measured at amortized cost

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

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

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

	Yen (millions)			
	As of Mar. 31, 2021		As of Jun. 30, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial instruments measured at amortized cost				
Bonds and borrowings	176,845	173,837	156,660	153,643

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

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

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

Equity instruments

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

Derivative assets and liabilities

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

As of Mar. 31, 2021

		Yen (millions)			
		Level 1	Level 2	Level 3	Total
Assets					
Financial assets measured at fair value through profit or loss					
	Derivative assets	—	3,971	—	3,971
Financial assets measured at fair value through other comprehensive income					
	Equity instruments	238,260	—	68,361	306,621
	Total	<u>238,260</u>	<u>3,971</u>	<u>68,361</u>	<u>310,592</u>
Liabilities					
Financial liabilities measured at fair value through profit or loss					
	Derivative liabilities	—	11,380	—	11,380
	Total	<u>—</u>	<u>11,380</u>	<u>—</u>	<u>11,380</u>

As of Jun. 30, 2021

		Yen (millions)			
		Level 1	Level 2	Level 3	Total
Assets					
Financial assets measured at fair value through profit or loss					
	Derivative assets	—	3,254	—	3,254
Financial assets measured at fair value through other comprehensive income					
	Equity instruments	233,851	—	69,149	303,000
	Total	<u>233,851</u>	<u>3,254</u>	<u>69,149</u>	<u>306,254</u>
Liabilities					
Financial liabilities measured at fair value through profit or loss					
	Derivative liabilities	—	6,883	—	6,883
	Total	<u>—</u>	<u>6,883</u>	<u>—</u>	<u>6,883</u>

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

		Yen (millions)	
		For the three months ended Jun. 30, 2020	For the three months ended Jun. 30, 2021
	Balance at beginning of year	63,478	68,361
	Gains (losses)	1,490	463
	Purchases	2,705	406
	Sale	(2)	(81)
	Balance at end of year	<u>67,671</u>	<u>69,149</u>

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

10. Contingent liabilities

There were no significant events as of June 30, 2021, except for the following.

The Company announced that an internal investigation conducted by the Company revealed that inspections of certain HVAC (Heating, Ventilation and Air Conditioning systems) and other products for railcars manufactured at its Nagasaki Works were different from the inspections represented in specification documents provided by customers, or that it had not actually conducted inspections or had used improper statements in its inspection reports in June 2021.

The Company is currently notifying customers of the situation and discussing how to respond. Also, it has set up an investigative committee chaired by an external lawyer in July 2021. The committee investigates the existence of inappropriate inspections concerning quality company-wide, not limited to HVAC and products for railcars, conducts an investigation of the facts surrounding the improper conduct and elucidates the causes, based on which it will formulate recommendations for preventing any recurrence.

The issues may affect future financial position or financial results of the Group, depending on the progress of future discussions with customers and investigations. At present, the Company cannot foresee the impact reasonably and has not incorporated it into its condensed quarterly consolidated financial statements.

11. Subsequent events

There were no significant subsequent events which should be disclosed as of the date of the approval of the condensed quarterly consolidated financial statements for the year ended June 30, 2021.

12. Approval of the condensed quarterly consolidated financial statements

The condensed quarterly consolidated financial statements were approved by Kei Uruma, President & CEO, on August 6, 2021.

2 【Other】

(1) The Company decided to pay the dividend of ¥26 per share (a total of ¥55,816,127,380) to the shareholders registered or recorded in the shareholder register as of March 31, 2021, by the resolution of the Board of Directors' meeting held on April 28, 2021.

(2) Other

Not applicable.