

BRIEF REPORT OF FINANCIAL RESULTS [IFRS] (Consolidated)
(Year ended March 31, 2020)

May 8, 2020

Registered

Company Name: MINEBEA MITSUMI Inc. Common Stock Listings: Tokyo and Nagoya

Code No: 6479 URL <https://www.minebeamitsumi.com/>

Representative: Yoshihisa Kainuma Representative Director, CEO & COO

Contact: Satoshi Yoneda Executive Officer, General Manager of Accounting Department

Date planned to hold ordinary general meeting of shareholders: June 26, 2020

Expected date of payment for dividends: June 3, 2020

Date planned to file report of securities: June 26, 2020

Phone: (03) 6758-6711

Preparation of supplementary explanation material for financial results : Yes

Holding of presentation meeting for financial results : Yes (For Analyst)

(Amounts less than one million yen have been rounded.)

1. Business Performance (April 1, 2019 through March 31, 2020)

(1) Consolidated Results of Operations

(%: Changes from previous fiscal year)

	Net sales (millions of yen)	% Change	Operating income (millions of yen)	% Change	Profit before income taxes (millions of yen)	% Change
Year ended March 31, 2020	978,445	10.6	58,647	(18.6)	58,089	(18.6)
Year ended March 31, 2019	884,723	0.4	72,033	4.5	71,321	6.7

	Profit for the year (millions of yen)	% Change	Profit for the year attributable to owners of the parent (millions of yen)	% Change	Comprehensive income for the year (millions of yen)	% Change
Year ended March 31, 2020	46,923	(22.7)	45,975	(23.6)	24,593	(60.8)
Year ended March 31, 2019	60,702	20.1	60,142	19.5	62,733	14.4

	Earnings per share, basic (yen)	Earnings per share, diluted (yen)	Profit to equity attributable to owners of the parent ratio (%)	Profit before income taxes to total assets ratio (%)	Operating income to net sales ratio (%)
Year ended March 31, 2020	111.11	108.68	11.6	7.2	6.0
Year ended March 31, 2019	143.90	140.75	15.9	9.9	8.1

(Reference) Share of profit (loss) of investments accounted for using the equity method:

Year ended March 31, 2020: — million yen

Year ended March 31, 2019: — million yen

(2) Consolidated Financial Position

	Total assets (millions of yen)	Total equity (millions of yen)	Total equity attributable to owners of the parent (millions of yen)	Equity ratio attributable to owners of the parent (%)	Equity attributable to owners of the parent per share (yen)
As of March 31, 2020	864,481	402,276	394,372	45.6	965.64
As of March 31, 2019	742,127	407,260	399,703	53.9	962.83

(3) Consolidated Cash Flows

	Cash flows from operating activities (millions of yen)	Cash flows from investing activities (millions of yen)	Cash flows from financing activities (millions of yen)	Year end balance of cash and cash equivalents (millions of yen)
Year ended March 31, 2020	86,486	(43,540)	(28,758)	130,746
Year ended March 31, 2019	100,722	(54,190)	(13,334)	122,432

2. Dividends

	Dividends per share					Total dividends (for the year) (millions of yen)	Dividends payout ratio (Consolidated)	Dividends on equity (total) (Consolidated)
	End of first quarter (yen)	End of second quarter (yen)	End of third quarter (yen)	Year-end (yen)	For the year (yen)			
Year ended March 31, 2019	—	14.00	—	14.00	28.00	11,712	19.5	3.1
Year ended March 31, 2020	—	14.00	—	14.00	28.00	11,529	25.2	2.9
Year ending March 31, 2021 (Forecast)	—	—	—	—	—		—	

3. Prospect for the Next Fiscal Year (April 1, 2020 through March 31, 2021)

(%: Changes from corresponding period of previous fiscal year)

	Net sales (millions of yen)		% Change		Operating income (millions of yen)		% Change	
	Year ending March 31, 2021	~	900,000 1,000,000	~	(8.0) 2.2	~	50,000 60,000	~

	Profit for the period attributable to owners of the parent (millions of yen)		% Change		Earnings per share, basic (yen)	
	Year ending March 31, 2021	~	39,000 47,000	~	(15.2) 2.2	~

*Notes

(1) Changes in significant subsidiaries during the year (Changes in certain subsidiaries resulting in change in the scope of consolidation): Yes

Anew: 2 companies U-Shin Ltd., U-Shin Slovakia s.r.o.

(2) Changes in accounting policies, or changes in accounting estimates

- ① Changes in accounting policies required by IFRS: Yes
- ② Changes in accounting policy other than I: None
- ③ Changes in accounting estimates: None

(3) Number of shares outstanding (Common stock)

① Number of shares outstanding at the end of year (Including treasury stock)

As of March 31, 2020: 427,080,606 shares

As of March 31, 2019: 427,080,606 shares

② Number of treasury shares at the end of year

As of March 31, 2020: 18,676,128 shares

As of March 31, 2019: 11,949,033 shares

③ Average number of shares

As of March 31, 2020: 413,788,647 shares

As of March 31, 2019: 417,943,833 shares

*Brief Report of Financial Results is not subject to an audit by a certified public accountant or an audit corporation.

* Explanation for appropriate use of financial forecasts and other special remarks

(Caution Concerning Forward-Looking Statements)

The aforementioned forecasts are based on the information available as of the date when this information is disclosed as well as on the assumptions as of the disclosing date of this information related to unpredictable parameters that will most likely affect our future business performance. As such, this is not intended for the Company to give assurance that the said forecast number would be achieved. In other words, our actual performances are likely to differ greatly from these estimates depending on a variety of factors that will take shape from now on. As for the assumptions used for these forecasts and other related items, please refer to “1. Analysis of Operating Performance and Financial Position,” “(1) Analysis of Operating Performance” on page 4 of the documents attached hereunder.

(Investor Briefing Materials for Analysts)

Investor briefing materials will be made available via our corporate website (<https://www.minebeamitsumi.com/>) on Friday, May 8, 2020.

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1. Analysis of Operating Performance and Financial Position

(1) Analysis of Operating Performance

① Overview of the year

During the fiscal year under review, the Japanese economy fell into decline. From the beginning of the fiscal year, overseas economies decelerated, and automobile sales fell both in Japan and abroad, while exports and capital investment decreased sharply in response to the spread of the new coronavirus from the fourth quarter. In the United States, the economy had been going strong with the stock market recording record highs in response to progress on trade negotiations with China, but the outlook is now highly uncertain due to the subsequent spread of the coronavirus. Meanwhile, in Europe, exports dropped in response to Brexit and the spread of the new coronavirus, and the economy slowed. In Asia, there were signs of bottoming out due to the support of economic policy in China and progress on trade negotiations between the United States and China, but economic activity ended up shrinking dramatically in response to the spread of the new coronavirus.

Working against this backdrop, the MinebeaMitsumi Group concentrated on cutting costs, creating high-value-added products, developing new technologies, and enhancing its marketing approach to boost profitability further.

As a result, net sales were up 93,722 million yen (10.6%) year on year to 978,445 million yen, the highest since our founding. Operating income was down 13,386 million yen (-18.6%) year on year to 58,647 million yen, profit before income taxes was down 13,232 million yen (-18.6%) to 58,089 million yen, and profit for the year attributable to owners of the parent was down 14,167 million yen (-23.6%) to 45,975 million yen.

U-Shin Ltd. was made a subsidiary through a tender offer on April 10, 2019. The company has been included in the scope of consolidation as of the date of the business integration. This includes the company's profits and losses from the date of the business integration on.

Performance by segment is as follows:

In conjunction with the acquisition of U-Shin Ltd., the U-Shin business is disclosed as a reporting segment from the first quarter. Additionally, the battery module products that were included under the MITSUMI business were transferred to the Electronic devices and components business. Accordingly, segment information has been updated to reflect this change in company organization.

The segment information disclosed for the previous year has been prepared based on the post-change reportable segments.

The main products in our Machined components segment include our anchor product line, ball bearings, in addition to mechanical components such as rod-end bearings used primarily in aircraft and hard disk drive (HDD) pivot assemblies, etc. as well as fasteners for aircraft. Sales of ball bearings were down both in volume and amount due to decreased demand from fan motors despite solid demand in the automobile and air conditioner market. Rod-end bearing sales increased owing to favorable orders in other aircraft and other products, despite the impact of reduced production in B737MAX. Pivot assembly sales were down both in volume and amount due to shrinking of the HDD market.

As a result, net sales were down 7,439 million yen (-4.0%) year on year to 180,885 million yen, and operating income was down 7,876 million yen (-16.5%) to 39,874 million yen.

The core products of our Electronic devices and components segment include electronic devices (devices such as LED backlights for LCDs, sensing devices (measuring components), etc.), HDD spindle motors, stepping motors, DC motors, air movers, and special devices. Demand for our LED backlights for LCDs that offer a technological advantage in thin devices remained strong. Sales of stepping motors and other motors were down due to decreased demand associated with sluggishness in the automobile market.

As a result, net sales were down 18,175 million yen (-4.6%) year on year to 379,422 million yen, and operating income was up 510 million yen (3.0%) to 17,552 million yen.

The main products in the MITSUMI business segment are semiconductor devices, optical devices, mechanical components, high frequency components and power supply components. Although camera actuators performed well, sales were down due to the decrease in game consoles and other mechanical components.

As a result, net sales were down 5,876 million yen (-2.0%) year on year to 292,243 million yen, and operating income was down 3,505 million yen (-15.8%) to 18,656 million yen.

The main products in the U-Shin business segment are key sets, door latches, door handles, and other automotive components as well as industrial machinery components and housing equipment components (such as building and house locks). Operations related to automotive components were reduced due to the impact of deceleration in the automotive market in China and Europe and the spread of the new coronavirus, etc.

As a result, net sales were 125,145 million yen, and operating income was 2,598 million yen.

Machines produced in-house are the main products in our Other business segment. Net sales were up 67 million yen (9.7%) year on year to 750 million yen, but the operating loss grew 1,117 million yen to 1,502 million yen.

In addition to the figures noted above, 18,531 million yen in corporate expenses, etc. not belonging to any particular segment is indicated as adjustments. Adjustments in the previous fiscal year came to 14,535 million yen.

② Outlook for the next fiscal year

The global economy is plagued by uncertainty, including trade policies in each country, exchange rate trends, geopolitical risks, and questions about when the new coronavirus pandemic will end.

We are currently examining the impact of the spread of the new coronavirus globally and the lockdown of each country. It is difficult to calculate it rationally at this stage, and therefore our business forecasts are based on a range of upper and lower limits for both sales and profits. On April 30, 2020, the Company completed the acquisition of shares of ABLIC Inc. and made it a subsidiary of the Company. The outlook below includes the impact of this integration.

(Amount: millions of yen)

Net sales	900,000 ~1,000,000
Operating income	50,000 ~60,000
Profit for the year attributable to owners of the parent	39,000 ~47,000

(2) Analysis of Financial Position

① Basic approach to financial strategy and capitalization

Our Group sees “strengthening our financial position” as a top priority and is taking various steps, such as efficient controlling of capital investments, asset management, and reducing interest-bearing debt. We will reform our portfolio to increase the weight of our highly profitable core businesses and engage in highly effective M&A, promoting an appropriate and flexible financial strategy.

Growth investments

The cash flow generated will first be applied to R&D and capital investment as funding for organic growth. We will also look into effective M&A using 50% of free cash flow and borrowings while maintaining fiscal discipline keeping the debt-to-equity ratio at 0.2.

Shareholder return

Prioritizing growth investments, we will purchase treasury shares according to the market price level and distribute dividends with a payout ratio of around 20% on a consolidated basis, aiming for around 50% of free cash flow in the medium to long term. We will return profits to shareholders at a level that reflects performance, our top priority being to enhance equity efficiency and improve shareholder return while maintaining a stable and continuous distribution of profits.

Financial base

Ensuring a stable financial base is of paramount importance so that we can provide continuous distribution of profits to shareholders. As far as our rating goes, we have earned high marks from both Rating and Investment Information, Inc. (R&I) and the Japan Credit Rating Agency (JCR), receiving ratings of A and A+, respectively. Our equity ratio fluctuates in the short term with M&A, but in the medium to long term, we keep it above 50% in the aim of maintaining a solid financial base.

The Group is also working to lengthen fund procurement, and as of March 31, 2020, long-term interest-bearing debt (excluding current portion of long-term loans payable) accounted for 57% of bonds and borrowings

② Assets, Liabilities, and Net Assets

Total assets at the end of the fiscal year under review were 864,481 million yen, up 122,354 million yen from the end of the previous fiscal year. The main reason for this uptick was an increase in trade and other receivables, inventories and property, plant and equipment.

Total liabilities were up 127,338 million yen year on year to 462,205 million yen. The main reason for this was an increase in trade and other payables and bonds and borrowings.

Equity came to 402,276 million yen, bringing the equity ratio attributable to owners of the parent down 8.3 percentage points from the end of the previous fiscal year to 45.6%.

③ Condition of cash flows

The balance of cash and cash equivalents at the end of the fiscal year under review was up 8,314 million yen year on year to 130,746 million yen.

Cash flows from various business activities during the fiscal year under review and other relevant factors are as follows:

Cash flows from operating activities came to 86,486 million yen (compared to 100,722 million yen in the previous fiscal year). This was primarily due to increases and decreases in profit before income taxes, depreciation and

amortization, trade and other receivables, and inventories. Cash flows from investing activities came to 43,540 million yen (compared to 54,190 million yen in the previous fiscal year). This was primarily due to purchase of property, plant and equipment, etc. Net cash used in financing activities came to 28,758 million yen (compared to 13,334 million yen in the previous fiscal year). This was primarily due to repayments of long-term borrowings, purchase of treasury stock and dividends paid, despite proceeds from long-term borrowings.

(3) Basic Policy for Profit Sharing and Dividends for the Current and the Next Fiscal Years

Sharing profits with our shareholders is job one at MinebeaMitsumi. That is why our basic dividend policy gives priority to enhancing equity efficiency and improving returns to our shareholders. Dividends, while reflecting performance, are determined in light of the overall business environment and with an eye to maintaining a stable and continuous distribution of profits.

We have also stipulated in our articles of incorporation that the Company may determine dividends of surplus by a resolution of the Board of Directors. Based on the basic policy above, we intend to make a proposal at this coming May's Board of Directors to pay a 14-yen-per-share year-end dividend for the fiscal year. As the Company has already paid an interim dividend of 14 yen per share, the annual dividends will be 28 yen per share.

(4) Risk Management

Our Group has established a Risk Management Committee to manage the risks involved in operations, defining risk as uncertain events that may directly or indirectly impact operations or business activities. The Risk Management Committee anticipates and categorizes specific risks, operates an emergency system by which information is transmitted promptly and appropriately in the event of an emergency, and reports to the Board of Directors on matters of risk management.

Our Group recognizes a variety of risks and uncertainties, both internal and external, that have the potential to affect its operating results and financial position. Future risks and responses to them mentioned in this document are those recognized by our Group as of the end of the current fiscal year. Not all risks are covered here. There may be some risks that are unforeseeable at this time.

(External environment)

① Risk related to natural and other disasters

If an earthquake, flood or other natural disaster, nuclear plant accident or outbreak of a new type of infectious disease were to affect the operational bases of the our Group or its suppliers, it could impact our operating results and financial position.

Impact of the new coronavirus

Our Group has launched a task force headed by the company president to address the spread of the new coronavirus. We have also established a global committee to address the virus and have rolled out measures from China to all plants and employees around the world.

Main measures in China

- Utilizing social media (WeChat) to check behavior histories and attendance of all employees
- Clarifying and thoroughly implementing stay home orders for those feeling ill
- Placing top priority on safe operations and working closely with local governments
- Thoroughly educating employees on public health, including the necessity of wearing masks
- Development of infrastructure to prevent the spread

Company-wide measures

- Business/sales offices: Staggered work hours, telecommuting, mask wearing (supplied by the company), avoiding contact with outside parties
- Production facilities: Redevelopment of infrastructure to prevent spread, educating employees on health management, etc.

From April 2020, to fulfill our supply and corporate social responsibility and for the purpose of ensuring safe operations, we have begun manufacturing masks for our roughly 100,000 employees and their families in house.

(Impact on finance)

Although the financial authorities in each country are actively supplying funds to the financial markets currently, and we recognize that there is a limited possibility that this will have a significant impact on our cash flow and financial stability, in the event of a major turmoil in the financial markets, there may be an increase in funding costs and an impact on new fund procurement.

(Impact on production activities)

In the event that the virus spreads and restrictions on business activities and actions are tightened by government order, such restrictions may have a significant impact on our production and sales activities, including suspension of plant operations.

As of May, the status of operations at our main production facilities is as follows (production ratio of fiscal year ended March 31, 2020 in parenthesis):

Region	Country	Status
Asia (74%)	China	Operations returned almost to normal in April.
	Thailand	Operating normally
	Cambodia	Operating normally
	Philippines	Operations reduced in Luzon. Operating normally in Cebu.
	Malaysia	Operating normally
Europe (8%)		Operations reduced for medical equipment/aircraft. Operating partially from April (Planning to operating all in late May) for automobiles
North America (5%)		Operating normally

The Company donated 220,000 N95 masks and other medical items stored for disaster relief to medical institutions, government agencies, and other organizations.

② Latent risk related to operations overseas

Our Group's manufacturing activities are conducted primarily in Thailand, China, Philippines and Cambodia. While we have been operating in these countries for quite some time, overseas operations are always subject to the following risks (any of which could have a negative impact on our operating results and financial position):

- (a) Unexpected changes to laws or regulations
- (b) Difficulty in attracting and securing qualified human resources
- (c) Acts of terrorism or war, or other occurrences that could disrupt social order.

Retirement benefit expenses of 2,790 million yen is recorded as a result of the amendment to the Labor Protection Act in Thailand in May 2019 this fiscal year.

③ Risk associated with exchange rate fluctuation

Since a significant portion of our consolidated net sales and production occur outside Japan, our business is vulnerable to risks associated with fluctuations in foreign currency exchange rates.

Because sudden, unpredictable fluctuations in the currencies in our production areas may impact our operating results and financial position, we have entered into currency exchange contracts as a measure to address future currency exchange risk.

④ Risk of shrinking of market and our share

The principal markets for our Group products, including those for PCs and peripheral equipment, information and telecommunications equipment and household electrical appliances, are intensely competitive both in and outside of the country and are subject to significant fluctuations in demand as well as price competition from low-priced products made overseas. Our operating results and financial position are vulnerable to these fluctuations.

For that reason, we have engaged in risk diversification by putting together a multidimensional business portfolio to address shrinking of the market and our share thereof.

⑤ Risk related to increased raw materials and logistics costs

We purchase a variety of materials from external suppliers. While we work with an eye to maintaining optimal inventory volumes along with access to a steady supply of materials at stable prices, rising material prices could affect our operating results and financial position.

⑥ Risk related to accrued post-retirement benefit and pension costs

Although our Group maintains multiple defined benefit pension plans, the fair value of pension assets may decrease due to a low rate of return on a pension fund, or pension costs may increase due to an increase in the pension obligation and a decline in the funded status following a change in preconditions such as the discount rate.

⑦ Legal risk

Although our Legal Department manages risk related to lawsuits and other legal actions brought in relation to our Group operations in Japan and overseas together with legal advisors, we are subject to the risk that lawsuits or other actions with the potential to affect our operating results and financial position may be brought against us in

the future.

⑧ Risk related to environmental laws and regulations

Our business is subject to various environmental laws and regulations that are in effect in the regions where we operate. Although we pay due attention to ensuring compliance with all such laws and regulations, we could be subject to losses in the event that an incident involving environmental contamination were to occur or in the event that the possibility of such an incident were to arise.

⑨ Risk related to M&As and alliances

While we are continually seeking M&A and alliance opportunities, M&As and alliances may not produce the results initially expected or an alliance may not be maintained due to a conflict of interest with respect to strategies, etc. We may provide an alliance partner with financial support if its financial health deteriorates or for other reasons which in turn could adversely affect our business performance and financial condition.

⑩ Risk related to price negotiations

We continue to face intense competition from lower-priced products made overseas. We are subject to the risk that we will be unable to maintain or increase our market share should market needs shift to low-priced products.

(Internal environment)

① Risk related to compliance and internal controls

We engage in a wide range of businesses all around the world and are subject to the laws and regulations that are in effect in each region. We have established and operate appropriate internal control systems needed to achieve our objectives. While these systems provide reasonable assurance that the methods used to prepare our financial statements are appropriate and in compliance with relevant laws, they cannot provide an absolute guarantee that all our objectives will be met. They are also not a guarantee that all potential risks we may face in the future, including legal violations, will be avoided. Changes in laws and regulations, including the interpretation or enforcement thereof, may make compliance more complex and could even incur higher costs related to compliance.

② Quality risk

Our products are used across a wide range of industries, especially for applications that require a high degree of precision (including end products that could affect human health and safety such as automobiles, aircraft, medical devices, etc.). We recognize the social responsibility we bear and have a system in place to ensure our products are of the highest quality. However, if any of our products were found to be defective and resulted in a serious accident, the suspension of our customers' manufacturing operations, or a product recall, we could incur significant expenses, or lose public confidence, any of which could result in a material adverse effect on our operating results and financial status. We consider customer satisfaction a management issue. Led by the Quality Management Committee, we are working to ensure quality.

③ Information management risk

Through the course of our business operations, we obtain large amounts of important information, including personal information. While we maintain information security policies that prevent the undesired disclosure as well as unintended use of information, a security breach could occur due to unforeseen circumstances. Addressing such an incident could incur huge losses and expose us to the risk of losing public confidence. For that reason, we conduct annual information security workshops as part of employee education under the leadership of the Information Security Committee and are working to strengthen information management within the Group.

④ R&D risk

While we focus on R&D to introduce a constant stream of new, high-quality products, we may not reap a financial reward from our R&D investments. There are no guarantees that our R&D efforts will come to fruition.

2. Condition of Group of Enterprises

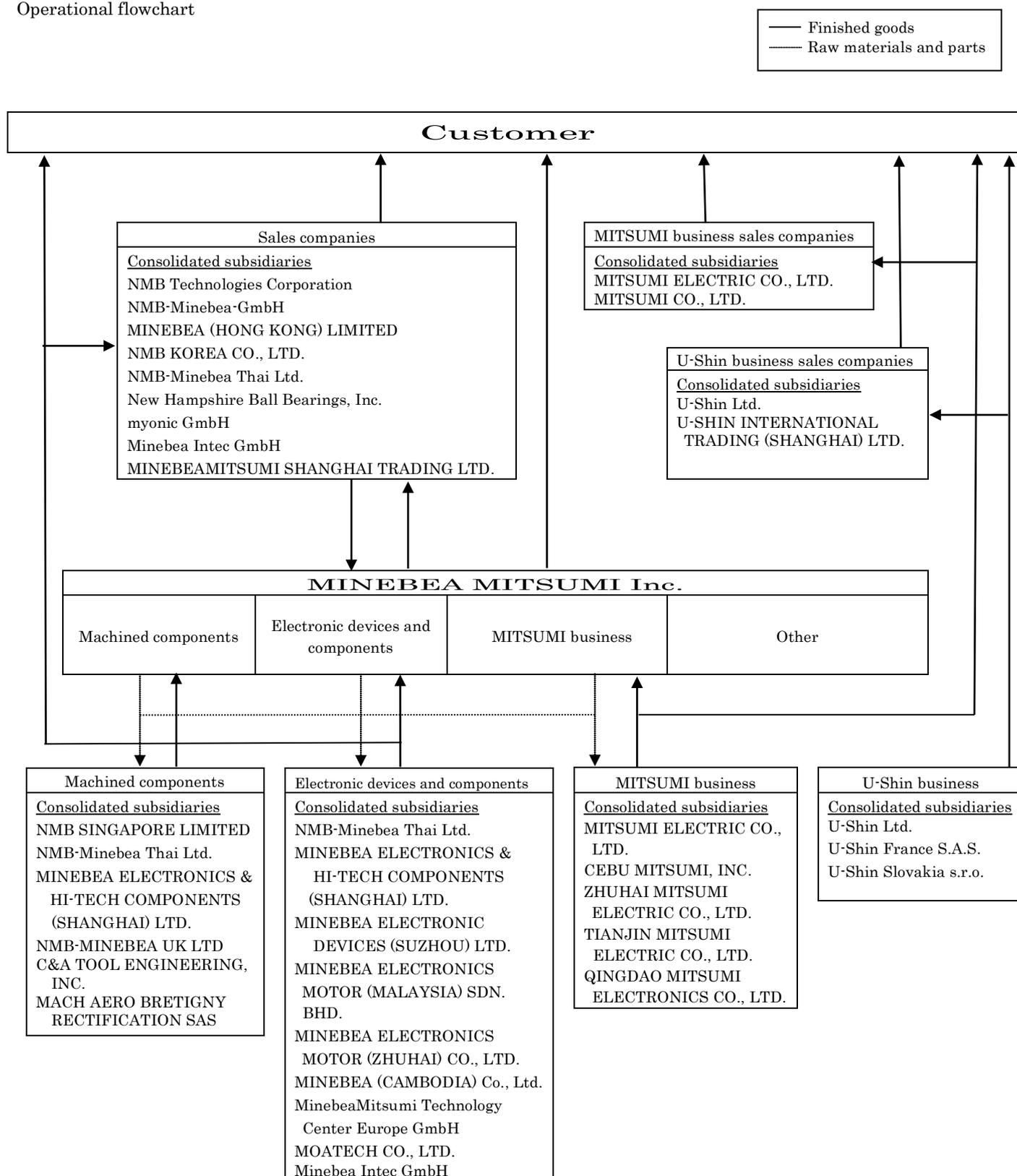
The MinebeaMitsumi Group consists of MINEBEA MITSUMI Inc. (the Company) and 118 subsidiaries. The MinebeaMitsumi Group produces and sells machined components, electronic devices and components and MITSUMI Business, and products of the U-Shin Business.

The Company along with its domestic consolidated subsidiaries as well as its consolidated subsidiaries in Asia such as China, Thailand, Philippines, Malaysia, Cambodia, South Korea and Singapore, the U.S. and Europe are responsible for production. The Company and its domestic consolidated subsidiaries markets its products directly to customers in Japan, while overseas marketing is handled through its subsidiaries and branches in Asia such as China, Thailand and South Korea, the U.S. and Europe.

Manufacturing and sales companies within each segment

Segments	Main products	Manufacturing companies	Sales companies
Machined components	Bearings Rod-end bearings and fasteners Mechanical components	MINEBEA MITSUMI Inc. NMB-Minebea Thai Ltd. MINEBEA ELECTRONICS & HI-TECH COMPONENTS (SHANGHAI) LTD. New Hampshire Ball Bearings, Inc. NMB SINGAPORE LIMITED myonic GmbH NMB-MINEBEA UK LTD C&A TOOL ENGINEERING, INC. MACH AERO BRETIGNY RECTIFICATION SAS	MINEBEA MITSUMI Inc. NMB Technologies Corporation NMB-Minebea-GmbH NMB-Minebea Thai Ltd. MINEBEA (HONG KONG) LIMITED NMB KOREA CO., LTD. New Hampshire Ball Bearings, Inc. Minebea Intec GmbH MINEBEAMITSUMI SHANGHAI TRADING LTD.
Electronic devices and components	Electronic devices Motors Sensing devices	MINEBEA MITSUMI Inc. NMB-Minebea Thai Ltd. MINEBEA ELECTRONICS & HI-TECH COMPONENTS (SHANGHAI) LTD. MINEBEA ELECTRONIC DEVICES (SUZHOU) LTD. MINEBEA ELECTRONICS MOTOR (MALAYSIA) SDN.BHD. MINEBEA ELECTRONICS MOTOR (ZHUHAI) CO., LTD. MINEBEA (CAMBODIA) Co., Ltd. MinebeaMitsumi Technology Center Europe GmbH MOATECH CO., LTD. Minebea Intec GmbH	
MITSUMI business	Semiconductor devices Optical devices Mechanical parts	MITSUMI ELECTRIC CO., LTD. CEBU MITSUMI, INC. ZHUHAI MITSUMI ELECTRIC CO., LTD. TIANJIN MITSUMI ELECTRIC CO., LTD. QINGDAO MITSUMI ELECTRONICS CO., LTD.	MINEBEA MITSUMI Inc. MITSUMI ELECTRIC CO., LTD. MITSUMI CO., LTD. NMB Technologies Corporation NMB-Minebea-GmbH
U-Shin business	Automotive components Industrial machinery components Housing equipment components	U-Shin Ltd. U-Shin France S.A.S. U-Shin Slovakia s.r.o.	U-Shin Ltd. U-Shin Slovakia s.r.o. U-SHIN INTERNATIONAL TRADING (SHANGHAI) LTD.

Operational flowchart



3. Basic Rationale for Selection of Accounting Standards

The Group has adopted International Financial Reporting Standard (IFRS) for the purpose of enhancing comparability with the financial information in the capital market and unification of accounting treatment across the Group.

4. Consolidated Financial Statements and Major Notes
(1) Consolidated Statements of Financial Position

(Amount: millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	122,432	130,746
Trade and other receivables	151,349	182,890
Inventories	141,385	169,803
Other financial assets	21,045	18,057
Other current assets.....	9,343	14,375
Total current assets.....	445,554	515,871
Non-current assets		
Property, plant, and equipment.....	244,388	275,064
Goodwill	8,284	18,626
Intangible assets	9,375	13,798
Other financial assets	14,635	18,896
Deferred tax assets.....	16,650	18,008
Other non-current assets.....	3,241	4,218
Total non-current assets.....	296,573	348,610
Total assets.....	742,127	864,481

(Amount: millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	109,344	143,964
Bonds and borrowings	86,642	95,268
Other financial liabilities	1,983	6,984
Income taxes payable	5,448	2,905
Provisions	200	4,353
Other current liabilities	31,848	42,209
Total current liabilities	235,465	295,683
Non-current liabilities		
Bonds and borrowings	75,400	126,444
Other financial liabilities	5,138	13,639
Net defined benefit liabilities	14,577	22,482
Provisions	1,196	579
Deferred tax liabilities	1,754	1,702
Other non-current liabilities	1,337	1,676
Total non-current liabilities	99,402	166,522
Total liabilities	334,867	462,205
Equity		
Common stock	68,259	68,259
Capital surplus	137,464	134,707
Treasury stock	(19,448)	(34,455)
Retained earnings	202,172	234,667
Other components of equity	11,256	(8,806)
Total equity attributable to owners of the parent	399,703	394,372
Non-controlling interests	7,557	7,904
Total equity	407,260	402,276
Total liabilities and equity	742,127	864,481

(2) Consolidated Statements of Income
and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(Amount: millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net sales.....	884,723	978,445
Cost of sales.....	718,125	811,859
Gross profit.....	166,598	166,586
Selling, general and administrative expenses	94,468	107,647
Other income.....	2,171	3,969
Other expenses	2,268	4,261
Operating income.....	72,033	58,647
Finance income	1,482	1,822
Finance expenses	2,194	2,380
Profit before income taxes	71,321	58,089
Income taxes.....	10,619	11,166
Profit for the year.....	60,702	46,923
Profit (loss) for the year attributable to:		
Owners of the parent	60,142	45,975
Non-controlling interests	560	948
Profit for the year.....	60,702	46,923
Earnings per share (EPS)		
Basic (Yen)	143.90	111.11
Diluted (Yen).....	140.75	108.68

(Consolidated Statements of Comprehensive Income)

(Amount: millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Profit for the year	60,702	46,923
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax:		
Net changes in revaluation of equity instruments measured at fair value through other comprehensive income.....	(611)	(1,860)
Remeasurement of defined benefit plans	(1,419)	(1,933)
Sub-total	(2,030)	(3,793)
Components of other comprehensive income that will be reclassified to profit or loss, net of tax:		
Foreign exchange differences on translation of foreign operations	4,236	(17,606)
Cash flow hedges	(175)	(931)
Sub-total	4,061	(18,537)
Other comprehensive income, net of tax	2,031	(22,330)
Comprehensive income for the year	62,733	24,593
Comprehensive income (loss) attributable to:		
Owners of the parent	62,044	24,057
Non-controlling interests	689	536
Comprehensive income for the year	62,733	24,593

(3) Consolidated Statements of Changes in Equity

(Amount: millions of yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	
					Foreign exchange differences on translation of foreign operations	Cash flow hedges
Balance as of April 1, 2018	68,259	134,615	(9,496)	154,778	4,280	99
Profit (loss) for the year				60,142		
Other comprehensive Income					4,107	(175)
Comprehensive income for the year	—	—	—	60,142	4,107	(175)
Purchase of treasury stock		(64)	(10,636)			
Disposal of treasury stock		2,801	671			
Dividends				(11,329)		
Transactions with non-controlling interests		125				
Share-based payment transactions		(13)	13			
Transfer to retained earnings				(1,419)		
Total transactions with owners	—	2,849	(9,952)	(12,748)	—	—
Balance as of March 31, 2019	68,259	137,464	(19,448)	202,172	8,387	(76)
Profit (loss) for the year				45,975		
Other comprehensive Income					(17,194)	(931)
Comprehensive income for the year	—	—	—	45,975	(17,194)	(931)
Purchase of treasury stock		(52)	(15,007)			
Dividends				(11,624)		
Increase of consolidated subsidiaries						
Transactions with non-controlling interests		(2,705)				
Transfer to retained earnings				(1,856)		
Total transactions with owners	—	(2,757)	(15,007)	(13,480)	—	—
Balance as of March 31, 2020	68,259	134,707	(34,455)	234,667	(8,807)	(1,007)

(Amount: millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Net changes in revaluation of equity instruments measured at fair value through other comprehensive income	Remeasurement of defined benefit plans	Subtotal			
Balance as of April 1, 2018	3,556	—	7,935	356,091	7,130	363,221
Profit (loss) for the year				60,142	560	60,702
Other comprehensive Income	(611)	(1,419)	1,902	1,902	129	2,031
Comprehensive income for the year	(611)	(1,419)	1,902	62,044	689	62,733
Purchase of treasury stock				(10,700)		(10,700)
Disposal of treasury stock				3,472		3,472
Dividends				(11,329)	(34)	(11,363)
Transactions with non-controlling interests				125	(228)	(103)
Share-based payment transactions				0		0
Transfer to retained earnings		1,419	1,419	—		—
Total transactions with owners	—	1,419	1,419	(18,432)	(262)	(18,694)
Balance as of March 31, 2019	2,945	—	11,256	399,703	7,557	407,260
Profit (loss) for the year				45,975	948	46,923
Other comprehensive Income	(1,860)	(1,933)	(21,918)	(21,918)	(412)	(22,330)
Comprehensive income for the year	(1,860)	(1,933)	(21,918)	24,057	536	24,593
Purchase of treasury stock				(15,059)		(15,059)
Dividends				(11,624)	(22)	(11,646)
Increase of consolidated subsidiaries				—	4,904	4,904
Transactions with non-controlling interests				(2,705)	(5,071)	(7,776)
Transfer to retained earnings	(77)	1,933	1,856	—		—
Total transactions with owners	(77)	1,933	1,856	(29,388)	(189)	(29,577)
Balance as of March 31, 2020	1,008	—	(8,806)	394,372	7,904	402,276

(4) Consolidated Statements of Cash Flows

(Amount: millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from operating activities:		
Profit before income taxes	71,321	58,089
Depreciation and amortization	36,398	46,245
Share-based payment expenses	(407)	—
Interest income and dividends income	(1,298)	(1,681)
Interest expenses	1,089	1,484
Loss (gain) on sale and disposal of property, plant and equipment	(421)	(988)
Decrease (increase) in trade and other receivables	10,353	(3,968)
Decrease (increase) in inventories	10,611	(16,612)
Increase (decrease) in trade and other payables	(5,786)	8,731
Other	(5,948)	8,502
Subtotal	115,912	99,802
Interest received	1,090	1,297
Dividends received	207	368
Interest paid	(1,540)	(1,389)
Income taxes paid	(14,947)	(13,592)
Net cash flows provided by operating activities	100,722	86,486
Cash flows from investing activities:		
Decrease (increase) in time deposits	(2,190)	1,262
Purchase of property, plant and equipment	(52,268)	(47,295)
Proceeds from sales of property, plant and equipment	1,587	5,938
Purchase of intangible assets	(1,122)	(1,072)
Purchase of securities	(1,866)	(1,764)
Proceeds from sale and redemption of securities	1,685	1,740
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	47
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(1,822)
Other	(16)	(574)
Net cash flows used in investing activities	(54,190)	(43,540)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	21,637	(9,829)
Proceeds from long-term borrowings	4,100	50,850
Repayments of long-term borrowings	(20,301)	(32,176)
Repayments of bonds	—	(100)
Acquisition of non-controlling interests	(103)	(7,693)
Proceeds from disposal of treasury stock	3,472	—
Purchase of treasury stock	(10,700)	(15,059)
Dividends paid	(11,329)	(11,624)
Dividends paid to non-controlling interests	(34)	(22)
Repayments of lease liabilities	(76)	(3,105)
Other	0	—
Net cash flows used in financing activities	(13,334)	(28,758)
Effect of exchange rate changes on cash and cash equivalents	457	(5,874)
Increase (decrease) in cash and cash equivalents	33,655	8,314
Cash and cash equivalents at beginning of year	88,777	122,432
Cash and cash equivalents at end of year	122,432	130,746

- (5) Notes on Consolidated Financial Statements
(Notes on Going Concern Assumptions)
Not applicable.

(Notes on Consolidated Financial Statements)

1. Reporting Entity

MINEBEA MITSUMI Inc. (the Company) is a public company domiciled in Japan.

The Company and its subsidiaries (the “Group”) produces and sells machined components, electronic devices and components and products of the MITSUMI business and U-Shin business. As for details of each product, please refer to Note (“6. Segment Information”).

The Company along with its domestic consolidated subsidiaries as well as its consolidated subsidiaries in China, Thailand, the Philippines, Malaysia, Cambodia, South Korea, Asia such as Singapore, the U.S. and Europe are responsible for production.

The Company and its domestic consolidated subsidiaries markets its products directly to customers in Japan, while overseas marketing is handled through its subsidiaries and branches in Asia such as China, Thailand and South Korea, the U.S. and Europe.

The Group’s consolidated financial statements were authorized by the Board of Directors on May 8, 2020.

2. Basis of Preparation

(1) Compliance with IFRS

The consolidated financial statements of our company have been prepared in accordance with IFRS pursuant to the provision of Article 93 of Regulations on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, as the Company meets the criteria of a “Designated IFRS Specified Company” defined in Article 1-2 of the Regulations.

(2) Basis of Measurements

Our group’s consolidated financial statements have been prepared on a historical cost basis, except for financial instruments, etc. as described in Note 3, Significant Accounting Policies.

(3) Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company and the presentation currency of the Group. Unless otherwise indicated, amounts are presented and rounded to the nearest millions of yen.

3. Significant Accounting Policies

Unless otherwise specified, the significant accounting policies applied by our Group to these consolidated financial statements apply to all periods referenced in the consolidated financial statements.

(1) Basis of consolidation

① Subsidiaries

Subsidiary refers to an entity controlled by our Group. The Group determines that it controls an entity when it is exposed to, or has rights to, variable returns arising from its involvement in the entity and also has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the scope of consolidation from the date that the Group acquires control, or the acquisition date, to the day that control is lost.

In the event that the accounting policies applied by a subsidiary differ from those applied by the Company, the financial statements of said subsidiary are adjusted as necessary. Additionally, debts and credits between consolidated companies, transactions between consolidated companies, and unrealized gains or losses arising from transactions within our Group are eliminated when preparing consolidated financial statements.

Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. Non-controlling interest consists of the initial amount of equity on the date of business combination and changes in non-controlling interest since the date of business combination. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration is recognized directly in equity as equity attributable to owners of parent.

When our Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related non-controlling interests or other components of equity. Gains or losses arising from loss of control are recognized as profit or loss.

② Associates

Associates are those entities in which our Group has significant influence, but not control, over the financial and operating policies. When our Group holds between 20% and 50% of another entity's voting rights, it is presumed to have significant influence over that entity.

Associates are accounted for using the equity method from the day that significant influence is acquired by the Company to the day that it is lost. Investments in associates include goodwill recognized when acquired.

(2) Business combinations

The Group accounts for business combinations using the acquisition method on the day that control is acquired. The historical cost is measured as the total fair value of the assets transferred in exchange for control of the acquiree, the liabilities incurred, all non-controlling interests in the acquiree, and the equity instruments issued by the Company as of the acquisition date. When the consideration exceeds the fair value of the identifiable assets and liabilities, it is recorded as goodwill on the consolidated statement of financial position. Conversely, if it is less than same, it is immediately recognized as profit or loss on the consolidated statement of income. Any acquisition-related costs are recognized as profit or loss.

Contingent consideration is classified as either capital or financial liability, and the amount that is classified as financial liability is remeasured later at fair value through profit or loss. If the business combination is a step acquisition, the acquisition-date carrying amount of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Profit or loss arising from this remeasurement is recognized as profit or loss.

(3) Segment information

A business segment is a component of business activities from which it earns revenues and incurs expenses, including transactions with other business segments. The business results of all business segments are subject to regular review by the Board of Directors of the Company in order to determine allocation of management resources to each segment and evaluate performance, and separate financial information is available for each.

(4) Foreign currency translation

① Translation of foreign currency transactions

Foreign currency transactions are translated into the functional currency of each group entity at the exchange rate or approximate exchange rate as of the transaction date.

Foreign currency monetary assets and liabilities are translated into the functional currency at the exchange rate as of the reporting date. Foreign exchange differences, except translation differences arising from cash flow hedges and net changes in revaluation of equity instruments measured through other comprehensive income, are recognized as profit or loss.

② Translation of a foreign operation

Translation of assets and liabilities of foreign operations in functional currencies other than the Japanese yen are translated into yen at the exchange rate as of the reporting date. Income and expenses are translated using the exchange rates as of the dates of the transactions, and unless the exchange rate fluctuates significantly, the average rate for the period is used. Translation differences arising from translation of the financial statements of foreign operations are recognized in other comprehensive income except when allocated to non-controlling interests. When control or significant influence is lost, the cumulative total of translation differences related to the foreign operation is recognized in profit or loss as partial gain or loss relating to disposition.

(5) Financial instruments

① Initial recognition and derecognition

Our Group recognizes financial assets and financial liabilities on the consolidated statements of financial position only when it becomes a party to the contractual provisions of the financial instrument.

The Group derecognizes a financial asset when the rights to receive cash flows from the asset expire, or it transfers the rights to receive the cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset. Any interest in such derecognized financial assets that is retained by the Group is recognized as a separate asset or liability. The Group derecognizes a financial liability when its contractual obligations are discharged or canceled, or expire. Trade receivables and other financial assets are written off when the Group considers that there are no realistic prospects of recovery of the balance. This is recognized when the Group has lost all reasonable means of recovering the receivable subject to impairment.

Purchases or sales of financial assets are recognized or derecognized using transaction date or settlement date accounting. The Group applies the following methods according to classification of the financial asset:

- Settlement date accounting for financial assets measured at amortized cost
- Transaction date accounting for financial assets measured at fair value through other comprehensive income (“FVOCI”)
- Transaction date accounting for financial assets measured at fair value through profit or loss (“FVPL”)

② Classification and measurement – Financial assets

The Group classifies financial assets into the following categories: at amortized cost, FVOCI, and FVPL.

(i) Financial assets measured at amortized cost

A financial asset is classified as at amortized cost if it meets the following two criteria:

- The financial asset is held within a business model with the objective of holding financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. The criteria for impairment in ⑤ below are also applied.

(ii) Financial assets measured at FVOCI

A financial asset is classified as FVOCI if it meets the following two criteria:

- The financial asset is held for a business model that is achieved by both collecting contractual cash flows and selling
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Additionally, on initial recognition, the Group may choose to recognize changes in fair value in other comprehensive income for equity instruments measured at FVPL (irrevocable).

These assets measured at FVOCI are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the measurements below are used.

• Equity instruments

Subsequent to initial recognition, these are measured at fair value without deducting costs of disposal. Except for dividend income, the related gains and losses (including the related foreign exchange portion) are recognized in other comprehensive income. The amount recognized in other comprehensive income is not transferred to profit or loss later.

• Liability instruments

Subsequent to initial recognition, these are measured at fair value without deducting from sales or deducting costs of disposal. Subsequent measurement includes the following criteria:

- Expected credit loss is recognized in profit or loss.
- Exchange difference is calculated on an amortized cost basis and recognized in profit or loss.
- Interest is calculated using the effective interest method and recognized in profit or loss.
- Other gains and losses associated with fair value are recognized in other comprehensive income.
- If an asset is derecognized, the past total gains or losses recognized in other comprehensive income are transferred from other comprehensive income to profit or loss.

(iii) Financial assets measured at FVPL

Financial assets not classified as financial assets measured at amortized cost or FVOCI are classified as financial assets measured at FVPL. Additionally, assets may be irrevocably designated as measured at FVPL on initial recognition. Transaction costs directly attributable to purchase of the financial asset are recognized as profit or loss as incurred. Subsequent to initial recognition, they are measured at fair value, and any gains or losses are recognized in profit or loss.

③ Classification and measurement – Financial liabilities

Financial liabilities are classified as subsequently measured at amortized cost or at FVPL. These classifications are determined on initial recognition.

(i) Financial liabilities measured at amortized cost

These financial liabilities are initially recognized at the amount less any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

(ii) Financial liabilities measured at FVPL

These financial liabilities include liabilities held with the objective of selling and liabilities designated on initial recognition as measured at FVPL and are initially recognized at fair value. Subsequent to initial recognition, these liabilities are measured at fair value and changes therein, including any interest expense, are recognized in profit or loss.

④ Compound financial instruments

The components of compound financial instruments issued by the Group (e.g. convertible bonds) are individually classified as financial liabilities or equity according to contractual arrangements and the respective definitions of financial liabilities and equity instruments.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity component. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. Interest related to the financial liability is recognized in profit or loss. When converted into shares, financial liabilities are transferred to equity and are not recognized in profit or loss. The equity component of a compound financial instrument is not remeasured.

⑤ Impairment of financial assets

The Group recognizes a loss allowance based on expected credit loss for debt instruments and lease receivables at amortized cost or FVOCI. An expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights. The credit loss is the difference between contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group assesses expected credit losses at each reporting date to determine whether the credit risk has increased significantly since initial recognition. In its assessment, the Group compares the risk of a default occurring as at the reporting date with the risk of a default occurring as at the date of initial recognition. The Group considers all related information that is reasonable and supportable on individual financial instruments, including historical information, to determine whether the credit risk has increased significantly since initial recognition.

For those financial assets for which credit risk has not increased significantly since initial recognition, a loss allowance at an amount equal to the 12-month expected credit loss is recognized. For those financial assets for which credit risk has increased significantly since initial recognition, a loss allowance at an amount equal to the lifetime expected credit loss is recognized. Regardless of the above, for those accounts receivable and lease receivables that do not include significant financial components, a loss allowance based on lifetime expected credit loss is recognized.

Measurement of expected credit loss reflects the following criteria:

- It reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- Time value of money
- Reasonable and supportable information available at the reporting date without undue cost or effort about past events, current conditions, and future economic conditions

⑥ Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

⑦ Derivatives and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially recognized at fair value on the date the contract is entered into. Subsequent to initial recognition, derivatives are remeasured at fair value on each reporting date. Subsequent to initial recognition, the method of recognizing changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

(i) Derivatives meeting criteria for hedge accounting

The Group designates derivatives as either of the following and documents the risk management objective and strategies for undertaking hedge transactions. The Group also conducts assessments, both at hedge inception and on an ongoing basis throughout each reporting period, of whether the hedging instrument, hedged items, nature of the hedge risks, and hedge relationship meet the criteria for hedge effectiveness. Changes in fair value after initial recognition are accounted for as described below.

Fair value hedge

(A hedge of the exposure to changes in fair value of a recognized asset or liability or unrecognized firm commitment that is attributable to a particular risk and could affect profit or loss)
Changes in the fair value of hedged items and hedging instruments are recognized in profit or loss.

Cash flow hedge

(A hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all or a component of a recognized asset or liability or a highly probable forecast transaction, and could affect profit or loss)

Changes in fair value associated with hedging instruments are recognized as cash flow hedge reserve in other equity components. The balance of the cash flow hedge reserve is transferred from other comprehensive income to profit or loss in the same item as the hedged item in the period when the cash flow of the hedged item affects profit or loss. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability or a hedged forecast transaction associated with a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the amount that has been accumulated in the cash flow hedge reserve is removed and included directly in the initial cost or other carrying amount of the asset or liability. The ineffective portion of the hedge is recognized in profit or loss.

For both fair value hedges and cash flow hedges, if the hedging instrument expires or is sold, terminated or exercised, or the hedge designation no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively.

The hedging relationship is rebalanced if the relationship still has an unchanged risk management objective but no longer meets the hedge effectiveness requirements regarding the hedge ratio. Rebalancing is a change made so that the hedge ratio reflects the anticipated changes in the relationship between the hedge item and hedging instrument and is effected by adjusting the weighting of either the hedged item or the hedging instrument.

(ii) Derivatives not meeting criteria for hedge accounting

Subsequent to initial recognition, changes in the fair value of derivative instruments that do not meet the criteria for hedge accounting are immediately recognized as profit or loss.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term investments that are readily convertible to cash and that are subject to an insignificant risk of changes in value, such as short-term deposits that have a maturity of three months or less.

(7) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories includes direct material costs, direct labor costs, and overhead based on normal production capacity and is mainly calculated using the moving average method. However, certain products and works in process are calculated using specific identification of cost. Trade discounts, rebates, and other similar items are deducted when calculating costs of purchase.

(8) Property, plant and equipment (excluding leased assets)

Subsequent to initial recognition, the cost model is applied to property, plant and equipment, and items are carried at their cost less any accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment includes borrowing costs and expenditures that are directly attributable to the acquisition as well as the present value of the estimated cost of dismantling and removing the item that meets the capitalization criteria.

Subsequent expenditure is added to the carrying amount of the asset only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and the amount can be measured reliably. When it becomes necessary to replace parts on certain items of property, plant and equipment of high importance, the Group records the asset and depreciates it according to its useful life. All other repair and maintenance expenses are accounted for as expenses when incurred.

The Group classifies items of property, plant and equipment into the asset categories below and depreciates them according to the listed useful life. Depreciation begins when the asset is available for use. Excluding some machinery used to manufacture LED backlights for LCDs products, the main method of depreciation used is the straight-line method.

- Buildings and structures 5 to 50 years
- Machinery and vehicles 2 to 15 years
- Tools and equipment 2 to 20 years

On disposal of an item of property, plant and equipment or when future economic benefits are no longer expected from its use, it is derecognized. Gains or losses arising from derecognition are included in profit or loss when the asset is derecognized. Gains or losses are calculated as the difference between the asset's net disposal proceeds and its carrying amount. Depreciation methods, estimated useful lives, and residual values are reviewed at each reporting date, and if there are any changes, they are applied prospectively as changes in accounting estimates.

(9) Goodwill and intangible assets

① Goodwill

Goodwill is presented as cost less any accumulated impairment losses and is not amortized. An impairment test is carried out annually or more frequently where an indication of impairment exists. Impairment of goodwill is recognized in profit or loss, and no subsequent reversals are carried out.

② Intangible assets (excluding leased assets)

Subsequent to initial recognition, the cost model is applied to intangible assets, and items are carried at their cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite useful lives are amortized using the straight-line method based on their estimated useful life. Amortization begins when the asset is available for use. Amortization methods, estimated useful lives, and residual values are reviewed at each reporting date, and if there are any changes, they are applied prospectively as changes in accounting estimates. The useful lives of intangible assets with finite useful lives are as follows:

- Software 2 to 10 years
- Patents 3 to 10 years
- Trademarks 7 to 10 years

(10) Leases

Our Group has applied IFRS 16 from this fiscal year.

① Lessee

Lease liabilities in a lease transaction are measured on the commencement day of the lease at the present value of remaining lease payments, discounted by the lessee's incremental borrowing rate. Initial measurement of right-of-use assets shall be performed by adjusting the initial measurement of the lease liability on the commencement date by initial direct costs, etc., and by adding costs associated with the obligation to restore the asset to its original condition, as required by the lease agreement. Right-of-use assets shall be depreciated systematically over the lease term. Our group shall determine the lease term as the non-cancelable period of a lease, together with the periods covered by an option to extend a lease if it is reasonably certain that the lessee will exercise that option, and the periods covered by an option to terminate a lease if it is reasonably certain that the lessee will not exercise that option.

Lease payments shall be allocated between finance costs and the repayable portion of the remaining balance of the lease liability, so as to produce a constant periodic rate of interest on the remaining balance of the lease liability. Finance costs shall be classified and shown on the consolidated statements of income as a depreciation charge for the right-of-use asset.

With regard to whether an agreement is, or contains, a lease, even if the agreement does not have the legal form of lease, our group arrives at a judgment based on the substance of the agreement.

Moreover, for leases in which the lease term ends within 12 months, or leases for which the underlying asset

is of low value, lease payments for the lease in question may be recognized as expenses on either a straight-line basis or some other systematic basis over the lease term.

② Lessor

Leases are classified as either operating leases or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and economic rewards associated with ownership of the underlying asset, and as an operating lease if it does not transfer substantially all the risks and economic rewards associated with ownership of the underlying asset. The assessment of whether a lease is a finance lease or an operating lease is dependent not on the form of the agreement, but on the substance of the transaction.

Furthermore, when classifying a sublease, the intermediate lessor shall perform the classification with reference to the right-of-use asset arising from the head lease.

The policy based on IAS 17 (previous fiscal year)

The determination of whether an arrangement is a lease or contains a lease is made at the inception of the lease based on the economic substance of the transaction regardless of the form of the lease arrangements.

① Lessee

Leases where substantially all risks and rewards incidental to ownership are transferred to the Group (the lessee) are classified as finance leases. Leased assets are initially recognized at fair value or, if lower, at the present value of the minimum lease payments. The liability is recognized at the same amount. Finance lease assets are amortized over their expected useful lives. The useful life of the asset is generally the lease term. Financial costs are allocated to each period of the lease term so as to produce a constant interest rate on the remaining balance of the liability.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the lease term.

② Lessor

The Group leases out property, plant and equipment as a lessor.

Net investment in a finance lease transaction is recognized as lease receivables and presented in other financial assets. Lease payments received are categorized into amounts equivalent to the principal and interest on lease receivables. Furthermore, when the primary objective of a finance lease is to sell a product and the finance lease is carried out according to the sales policy, the fair value of leased property or, if lower, the present value of the minimum lease payments is recognized as income, and the purchase price of the leased asset is recognized as cost of sales.

Lease revenue from operating leases is recognized using the straight-line method over the lease term.

(11) Impairment of assets

Goodwill is tested for impairment annually and is not amortized. An impairment test is also carried out when events or changes in circumstances indicate that impairment may be present. Impairment tests are performed on other assets when events or changes in circumstances indicate the carrying amount may not be recoverable.

An impairment loss is recognized if the impairment test shows that the carrying amount exceeds the recoverable amount of the asset. The recoverable amount refers to the higher of the fair value of the cash-generating unit less cost of disposal and its value in use. For impairment testing, assets are grouped together into the smallest group of identifiable assets (cash-generating units) that generates cash inflows that are largely independent of the cash flows of other assets or asset groups. For impairment losses recognized with respect to non-financial assets other than goodwill in previous periods, the Group considers reversing them on the last day of each reporting period.

(12) Employee benefits

① Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

② Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

③ Defined benefit plans

The Group's liabilities or assets associated with defined benefit plans are calculated by deducting the fair value of any plan assets from the present value of the defined benefit obligations.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. The discount rate is determined based on the market yield of the high-quality bonds issued by the Company at the last day of the reporting period corresponding to the estimated maturity of the retirement benefit obligation.

Net interest on defined benefit obligations is calculated by applying the discount rate to the net amount of defined benefit obligations. Net interest expense and other expenses related to defined benefit plans are

recognized in profit or loss. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of defined benefit plans are recognized as other components of equity in the period in which they arise and immediately transferred from other components of equity to retained earnings.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs, eliminating the legal or constructive obligation.

④ Other long-term employee benefits

The Group's net obligation with respect to long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

⑤ Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(13) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is likely that an outflow of economic resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value by discounting the expected future cash flows at a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for environmental remediation is recognized when the land of a business site is contaminated, etc. A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. A provision for warranties is recognized when a defective product is sold and discovered and an outflow of economic resources is likely to compensate the customer.

(14) Revenue recognition

Our Group recognizes revenue under the following five-step approach for contracts with customers, excluding interest and dividend income, etc. under IFRS 9 "Financial Instruments."

Step 1 : Identify the contract(s) with a customer

Step 2 : Identify the performance obligations in the contract

Step 3 : Determine the transaction price

Step 4 : Allocate transaction price to the performance obligations in the contract

Step 5 : Recognize revenue when (or as) the entity satisfies a performance obligation

Based on the approach above, our Group recognizes and measures revenue as set forth below.

① Sale of goods

Revenue is an increase in equity during the current period from an increase in economic benefits during the course of normal business activities and is measured at the amount of consideration the Group has earned the right to receive based on the transaction price allocated to the obligations that have already been fulfilled. Revenue is measured net of returns, trade discounts, volume rebates, and taxes on sales.

Revenue is recognized when the obligations are fulfilled by transferring control of the goods to the customer based on the arrangements with the customer. The timing of the transfer of control of goods varies depending on the individual terms of the sales agreement. In most cases, it is transferred when the goods are delivered to the customer's warehouse. However, in some cases, it is transferred when the customer's acceptance inspection is completed or when the goods are loaded at the port.

② Rendering of services

Our Group mainly provides maintenance services for sensing devices to customers. Maintenance services include inspection, process optimization, and improvement proposals. For maintenance services contracts, because obligations are fulfilled primarily over time, the contract amounts with customers are recognized as revenue over the relevant service period on a straight-line basis.

The amount of the promised consideration does not include important financial components. Consideration is generally paid within two months of fulfillment of obligations.

(15) Income taxes

Income tax expenses comprises current and deferred tax. It is recognized in profit or loss except for items recognized directly in equity or other comprehensive income.

Current tax is the estimated income taxes payable or income taxes receivable on the taxable income or loss for the year adjusted by the income taxes payable and income taxes receivable of previous years. It is measured using tax rates enacted or substantially enacted at the reporting date in the jurisdiction where the taxable income was generated by the Group and is recognized at the amount expected to be paid to (or received from) the taxation authority. Accrued income tax receivable and income tax payable are offset only if certain criteria are met.

When there is a possibility that uncertainty may arise with respect to the Group's tax position, the Group recognizes the impact of the tax position in the consolidated financial statements based on its assessment of various factors, including interpretation of tax law and past experience.

Deferred tax is recognized with respect to temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes, loss carried forward, and tax credits carried forward. Deferred tax assets and liabilities are not recorded for the following temporary differences:

- Temporary differences arising on the initial recognition of goodwill
- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- Taxable temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future
- Deductible temporary differences related to investments in subsidiaries and associates that the Group probably will not reverse in the foreseeable future

Excluding the temporary differences above, deferred tax liabilities are, in principle, recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable income will arise considering the timing of reversal of taxable temporary differences, tax planning, and other such factors.

Deferred tax assets and liabilities are measured using the statutory effective tax rate expected to be applied in the period that the assets or liabilities are settled based on the tax rate and tax law enacted or substantially enacted at the last day of the period.

Deferred tax assets and liabilities are offset only when a legally enforceable right of offset exists for the related accrued income tax receivable and income tax payable and the deferred tax assets and liabilities arose in the same tax jurisdiction and relate to the same taxable entity.

(16) Capital

① Common stock and capital surplus

Ordinary shares issued by the Group are classified as equity, and the issue price is recorded in common stock and capital surplus. Cost directly related to issuance of ordinary shares are deducted from equity.

② Treasury stock

When the Group repurchases ordinary shares, the amount of consideration paid is recognized as a deduction from equity. Repurchased shares are classified as treasury stocks. When treasury stocks are sold or reissued subsequently, the amount received is recognized as an increase in equity. The difference between the carrying amount and the amount received is recognized as capital surplus.

③ Dividends

The amount available for dividends is calculated based on the Companies Act of Japan. A liability is recognized for dividends that were properly approved before the last day of the fiscal year that were not yet distributed as of the end of the fiscal year.

(17) Share-based compensation

① Equity-settled share-based payment transactions

The grant-date fair value of equity-settled share-based payment awards is recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met. As such, the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

② Cash-settled share-based payment transactions

The fair value is recognized for cash-settled share-based payment awards. The fair value is measured at initial recognition, on each reporting date, and on the settlement date. Changes are recognized in profit or loss for the period.

(18) Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to owners of the parent by the adjusted weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. With regard to convertible bonds with warrants, consideration is given to the increase in profit attributable to owners of the parent arising from a decrease in

interest cost associated with an increase in the number of ordinary shares and a decrease in convertible bonds with warrants on redemption.

4. Significant Accounting Judgments, Estimates and Assumptions

Preparation of the consolidated financial statements requires management to make certain judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgments, estimates and underlying assumptions are reviewed on an ongoing basis, based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The areas involving assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are discussed below.

① Measurement of Fair Value of Non-listed Equity Securities

The fair value of equity securities that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date.

② Impairment Testing of Assets

The Group tests whether goodwill has suffered any impairment on an annual basis. Other assets with finite useful lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on a management approved budget for the following three-year or five-year period. Cash flows in excess of management approved budget period are extrapolated using the estimated growth rates. The growth rates are calculated based on long-term economic growth rates and inflation rates, and are consistent with forecasts specific to the industry in which each CGU operates.

Impairment testing of assets including intangible assets, excluding Property, Plant and Equipment and goodwill, uses certain estimates and assumptions for the useful lives and future cash flows of the assets, discount rates and long-term growth rates. The recoverable amount is calculated mainly based on a discounted cash flow model. These estimates and assumptions are based on all information and evidence available to management. However, there is a possibility that these assumptions may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements for the following consolidated fiscal year and afterwards.

③ Measurement of Defined Benefit Pension Obligations

The Group has various types of retirement benefit plans, including defined benefit plans. The present value of defined benefit obligations on each of these plans and the related service costs are calculated based on actuarial assumptions, which require estimates on variables, such as discount rates, rates of salary increase and inflation rates. The Group obtains advice from external pension actuaries with respect to the appropriateness of these actuarial assumptions including these variables. The actuarial assumptions are determined based on all information and evidence available to management. However, there is a possibility that these assumptions may be affected by changes in uncertain future economic conditions, or by the publication or the amendment of related laws, which may have a material impact on the consolidated financial statements for the following consolidated fiscal year and afterwards.

④ Accounting for Provisions and Contingencies

The Group recognizes various provisions in the consolidated statements of financial position. These provisions are recognized based on the best estimates of the expenditures required to settle the obligations taking risks and uncertainty related to the obligations into account as of each reporting date. Expenditures required to settle the obligations are calculated by taking the probability of possible outcomes into account comprehensively.

Primarily, the Group has recognized a provision for environmental remediation expenses as a result of the relevant authority (the Environmental Protection Agency in the U.S.) having issued an administrative order requiring the Group to perform remedial actions over a period of years. The provision was measured based on a feasibility study, remediation plans, and remediation cost projections prepared by an environmental expert and approved by the Environmental Protection Agency.

The estimates may be affected by the occurrence of unexpected events or changes in conditions which may have a material impact on the consolidated financial statements for the following consolidated fiscal year and afterwards.

With regard to contingencies, any items that may have a material impact on the Group's business in the future are disclosed in light of all the available evidence as of each reporting date and by taking into account the probability of these contingencies and their impact on financial reporting.

Other

The Group has made certain other estimates and assumptions that, while not involving the same degree of uncertainty as the estimates and assumptions described above, are important to an understanding of the Group's consolidated financial statements. These estimates are in the areas of measuring net realizable values of inventories and determining useful lives for certain items of property, plant and equipment.

5. Change in Accounting Policy

Our Group has applied the following standards since this fiscal year.

	IFRS	Outline of establishment and amendment
IFRS 16	Leases	Amendment of accounting for leases

This standard abolishes the classification into finance leases and operating leases that was prescribed in the previous standards document for leases, IAS 17 Leases, and requires the lessee to recognize right-of-use assets and lease liabilities from the commencement date of every lease. However, the standard also provides for exemptions to the recognition of short-term leases and leases of low-value assets, and our group has elected to apply these exemption provisions.

When applying the standard, our group has chosen an approach, approved as a transitional measure, whereby the cumulative impact of the application is recognized at the date of application. In addition, for the application of the standard, as a practical expedient our group is not required to reassess whether an agreement existing on the date of application contains a lease, and makes use of practical expedients permitted for leases that were previously classified as operating leases.

The difference between non-cancelable operating lease agreements (discounted at incremental borrowing rate) disclosed under IAS 17 at the end of the previous fiscal year and the lease liabilities recognized in the consolidated statements of financial position on the date of application is principally calculated by deducting minimum lease payments, such as short-term leases, from lease liabilities under operating leases agreement, such as buildings, whose periods exceed the non-cancelable period.

As a result of applying the standard, property, plant and equipment, other financial liabilities (current) and other financial liabilities (non-current) on the date of application increased by 9,142 million yen, 2,890 million yen and 9,510 million yen respectively.

In consolidated statements of cash flows, lease related cash flows had been classified as cash flows from operating activities. However, under the implementation of IFRS 16, lease transactions, except short-term and low value leases and including payments for lease liabilities which were presented as finance leases, are classified in cash flows from financing activities as “Repayments of lease liabilities”

As for the details, please refer to (“3. Significant Accounting Policies,” “(10) Leases”).

6. Segment Information

(1) Summary of reportable segments

Our group's reportable segments are segments which separate financial information is available and subject to periodical reviews and in order for the Company's Board of Directors to determine the distribution of management resources and evaluate performance.

The Company established business divisions by product in key business centers, therein Machined Component Manufacturing Headquarters supervises the production of machined components, while Electronic Device and Component Manufacturing Headquarters oversees the manufacture of small-sized motors, electronic devices and components, and optical products, etc., Mitsumi Business Headquarters is responsible for the production of semiconductor devices, optical devices, mechanical components, etc., and U-Shin business Headquarters is responsible for the production of automotive components, industrial machinery components and housing equipment components and formulates comprehensive business strategies to be implemented for both domestic and foreign operations. Therefore, we have four reportable segments consisting of "Machined components", "Electronic devices and components", "MITSUMI business" and "U-Shin business". There are no reportable segments that aggregate business segments.

Our core products in the "Machined components" are mechanical parts, such as ball bearings, rod-end bearings, pivot assemblies of HDDs, fastener for aircraft, etc. The "Electronic devices and components" includes electronic devices (devices such as LED backlights for LCDs, sensing devices (measuring components), etc.), HDD spindle motors, stepping motors, DC motors, air movers and special devices. The staple products of "MITSUMI business" include semiconductor devices, optical devices, mechanical parts, high frequency components, power supply components, etc. The main products of "U-Shin business" are key sets, door latches, door handles, and other automotive components as well as industrial machinery components and housing equipment components.

The U-Shin business is disclosed as a reporting segment due to acquisition of U-Shin Ltd. from the first quarter. Additionally, the battery module products that were included under the MITSUMI business were transferred to the Electronic devices and components business. Accordingly, segment information has been updated to reflect this change in company organization.

The segment information disclosed for the previous fiscal year has been prepared based on the post-change reportable segments.

(2) Reportable segments information

The accounting method for the reported business segments is almost the same as that explained in “3. Significant Accounting Policies”.

Reportable segment earnings are operating income-based figures.

Net sales to other segment are calculated based on invoice prices—the comprehensive judgment made after having considered factors including market prices and manufacturing costs.

(Year ended March 31, 2019)

(Amount: millions of yen)

	Reportable segment				Other *1	Adjustments *2	Consolidated
	Machined components	Electronic devices and components	MITSUMI business	U-Shin business			
Net sales							
Net sales to customers	188,324	397,597	298,119	—	683	—	884,723
Net sales to other segment	5,455	6,330	3,967	—	3,004	(18,756)	—
Total	193,779	403,927	302,086	—	3,687	(18,756)	884,723
Segment profit (loss)	47,750	17,042	22,161	—	(385)	(14,535)	72,033
Finance income	—	—	—	—	—	—	1,482
Finance expenses	—	—	—	—	—	—	2,194
Profit before income taxes	—	—	—	—	—	—	71,321
(Other income and expenses)							
Depreciation	9,650	14,411	6,745	—	95	5,497	36,398
Impairment loss	—	—	—	—	—	—	—
Segment assets	141,436	191,931	120,087	—	2,955	285,718	742,127
(Other assets)							
Capital expenditures	7,899	26,322	12,251	—	48	7,679	54,199

(Year ended March 31, 2020)

(Amount: millions of yen)

	Reportable segment				Other *1	Adjustments *2	Consolidated
	Machined components	Electronic devices and components	MITSUMI business	U-Shin business			
Net sales							
Net sales to customers	180,885	379,422	292,243	125,145	750	—	978,445
Net sales to other segment	5,467	5,459	1,772	—	2,937	(15,635)	—
Total	186,352	384,881	294,015	125,145	3,687	(15,635)	978,445
Segment profit (loss)	39,874	17,552	18,656	2,598	(1,502)	(18,531)	58,647
Finance income	—	—	—	—	—	—	1,822
Finance expenses	—	—	—	—	—	—	2,380
Profit before income taxes	—	—	—	—	—	—	58,089
(Other income and expenses)							
Depreciation	10,157	16,289	8,840	4,474	100	6,385	46,245
Impairment loss	—	—	—	—	—	—	—
Segment assets	143,505	196,590	138,906	88,012	1,962	295,506	864,481
(Other assets)							
Capital expenditures	12,811	21,130	12,169	4,662	121	8,392	59,285

(Notes) *1. The classification of "Other" refers to business units not included in the reportable segments.

Their products are mainly machines made in-house.

*2. The amount of the adjustment is as follows.

- ① Adjustments to segment income (loss) include corporate expenses such as selling, general & administrative expenses in addition to research and development costs that do not belong to the reportable segments (-14,535 million yen last fiscal year, -18,531 million this fiscal year). Retirement benefit expenses of 2,790 million yen is included as a result of the revision of the Labor Protection Act in Thailand this fiscal year.
- ② Adjustments to segment assets include assets of cash and cash equivalents, tangible fixed assets and deferred tax assets, etc. related to administrative divisions that do not belong to the reportable segments (285,718 million yen last fiscal year, 295,506 million yen this fiscal year).
- ③ The major part of the adjustments in depreciation is depreciation of equipment related to the administrative division, which does not belong to the reportable segments.
- ④ The major part of the adjustments related to capital expenditures is capital investments in equipment related to the administrative division, which does not belong to the reportable segments.

7. Share-based Payment

(1) Trust-type Employee Shareholding Incentive Plan

The Company has introduced the “Trust-type Employee Shareholding Incentive Plan” (the “Plan”), in order to provide the Company group’s employees with incentives to increase the enterprise value of the Company, and to promote the benefit and welfare of the employees of the Company group and others. The Plan is an incentive plan, in which all employees of the Company group who are members of the “MinebeaMitsumi Employee Stock Holding Partnership” (“Stock Holding Partnership”) (a Company group employee who is a member of the Stock Holding Partnership is hereinafter referred to as an “Employee”) may participate. Based on the Plan, as of May 10, 2012, Minebea entered into the MinebeaMitsumi Employee Stock Holding Partnership Exclusive Trust Agreement (the “Trust Agreement”) with the bank in which the Company is Trustor and the Bank is Trustee. As per the Plan and the Trust Agreement, the “MinebeaMitsumi Employee Stock Holding Partnership Exclusive Trust Account” (the “Trust”), which had been established for the purpose of securing the Company shares for the Stock Holding Partnership to effect purchases, has borrowed money from banks (the Company guarantees the Trust’s borrowings) for a considerable number of Company shares that were expected to be acquired by the Stock Holding Partnership by the end of May 2017, and acquired Company shares in a number equal to such borrowings from the market at the time the Plan was introduced in May 2012. Subsequently, the Trust is to continuously transfer the Company shares to the Stock Holding Partnership in accordance with certain plans (conditions and methods) and terminate, e.g. if all of the Company shares belonging to the trust assets of the Trust are transferred. If any capital gains, such as gains on sale of the Company shares, accumulate within the Trust by the time of its termination, and if any money remains within the Trust after repaying all the debts such as borrowings to be borne by the Trust, then such money is to be distributed as residual assets to those Employees that fulfill the requirements for eligible beneficiaries.

A trust administrator or an agent of the beneficiaries gives instructions to the trustee of the Trust with regard to preserving and exercising the rights (including the exercise of voting rights) relating to the Company shares held as the trust assets in the Trust, while eligible beneficiaries of the Trust will preserve and exercise their rights in accordance with such instructions. A trust administrator or an agent of the beneficiaries of the Trust shall follow the guidelines relating to the exercise of the voting rights stipulated in the Trust Agreement, in case of executing instructions regarding the exercise of voting rights on behalf of beneficiaries.

Based on the determination by the Stock Holding Partnership as of January 25, 2017 to approve the extension of the end date of the trust period, the Company has resolved, at its Board of Directors' meeting held on February 24, 2017, to enter into the amendment agreement with the trustee of the Trust which has been established under the Plan (i.e., The Nomura Trust and Banking Co., Ltd.) and the trust administrators who represent the employees' interests to extend the end date of the trust period from May 9, 2017 to December 27, 2018, and to appoint an attorney-at-law as an additional trust administrator.

The Trust for the Plan expired on December 27, 2018 and the Trust terminated on January 15, 2019.

Residual assets are evaluated at fair value as a liability at each reporting date and changes in fair value are recorded in cost of sales or selling, general and administrative expenses.

(2) Share-based payment and liabilities

Share-based payment included in cost of sales and selling, general and administrative expenses are as follow:

(Amount: millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Equity-settled	—	—
Cash-settled	(407)	—
Total	(407)	—

The carrying amounts of liabilities arising from cash-settled share-based payment is as follows:

In the previous consolidated fiscal year, this was recorded in trade and other payables.

(Amount: millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Trust-type Employee Shareholding Incentive Plan	5,780	—

8. Per Share Data

(1) Basic and diluted earnings per share

	Year ended March 31, 2019	Year ended March 31, 2020
Earnings per share, basic (yen)	143.90	111.11
Earnings per share, diluted (yen)	140.75	108.68

(2) Basis of calculation for basic and diluted earnings per share

	Year ended March 31, 2019	Year ended March 31, 2020
Profit for the year used for the calculation of basic and diluted earnings per share		
Profit for the year attributable to owners of the parent (millions of yen)	60,142	45,975
Amount not available for common shares of the parent (millions of yen)	—	—
Profit for the year used for the calculation of basic earnings per share (millions of yen)	60,142	45,975
Adjustments		
Interest expense, net of tax (millions of yen)	50	51
Profit for the year used for the calculation of diluted earnings per share (millions of yen)	60,192	46,026
Average number of common share used for the calculation of basic and diluted earnings per share		
Average number of common shares used for the calculation of basic earnings per share (shares)	417,943,833	413,788,647
Effect of dilutive potential common shares due to convertible bonds with warrants (shares)	9,671,179	9,671,179
Effect of dilutive potential common shares due to warrants (shares)	27,958	25,987
Average number of common shares used for the calculation of diluted earnings per share (shares)	427,642,970	423,485,813

9. Subsequent Events

Business Combination through Acquisition of ABLIC Inc.

On April 30, 2020, the Company acquired 100% of the voting rights of ABLIC Inc. (hereinafter " ABLIC ") and made ABLIC a subsidiary of the Company.

The Company's basic strategy is to identify the products as its core business called the "Eight Spears" in which the Company can demonstrate its strength, such as super-precision processing technologies and mass production technologies, and which would not be easily eliminated from the market and to provide the customers with new values by combining and integrating such products. Because analog semiconductors, one of the "Eight Spears", are important input-output components of IoT technologies, which is a business area that the Company is focusing on, the Company intends to further expand its analog semiconductor business by enhancing its product portfolio and entering new application markets.

ABLIC is a semiconductor manufacturer based on watch-related technologies with a large number of unique products that utilize low-current consumption, low-voltage operation and ultra-small packaging technologies, mainly analog ICs, such as voltage regulators / voltage detectors and lithium-ion battery protection ICs for consumer products, automotive EEPROM*1, and ultrasound imaging ICs for medical devices. In addition, in the growing markets such as those for automotive devices, medical devices, and IoT/wearable devices *2, ABLIC has realized a continuous design-win*3.

ABLIC and the Company have respective product portfolios which can be complemented each other, and the Acquisition of Shares will enable us to achieve multiple synergistic effects. In respect of research and development, the Acquisition of Shares will enable the Company to develop and manufacture products with even higher performance and quality by integrating both companies' advanced technologies. In addition, when it comes to manufacturing, the Company will be able to improve quality and productivity and strengthen both companies' BCP*4 responsiveness through joint production activities at the wafer process and assembly and testing process plants of both companies and by sharing industrial technologies and know-how seamlessly between the companies. Furthermore, the Company expects to generate synergies that are not limited to the semiconductor field, such as the mutual use of the sales channels of the Company's group and ABLIC, and the application by ABLIC of the knowledge possessed by other divisions of the Company to the development of new products. Through the Acquisition of Shares, the Company will strengthen its efforts to expand the sales of high value-added products targeting medical devices as well as products targeting the industrial/housing device market and enhance the expansion of its market share in the car infotainment*5 market.

Furthermore, the Company published its "Targets for the Next Decade" in May 2019, with target sales of ¥2.5 trillion and target operating profit of ¥250 billion for its group, and has been making company-wide efforts towards such targets. Specifically, for the semiconductor business, the present targets are sales of ¥100 billion and operating margin of 10%. Through the Acquisition of Shares, the Company has built a solid foundation for achieving these targets. The Company will contribute to the re-growth of the Japanese semiconductor industry by promptly expanding the scale of its semiconductor business and enhancing its position in the analog semiconductor market.

*1. "EEPROM" is a type of non-volatile memory whose recorded content is not deleted even after the power supply is disconnected and can be rewritten electronically.

*2. "Wearable devices" mean electronic devices that can be worn when in use.

*3. "Design-win" refers to cases where it has been determined that the company's own product will be adopted in a customer's new product.

*4. "BCP" is an abbreviation of Business Continuity Plan and means a plan to prevent the interruption of business activities in the event of natural disasters or other events, or to restore business operations at an early stage in case of such an interruption.

*5. "Car infotainment" means in-vehicle information and entertainment systems.

Fair value of the consideration paid as of the date of acquisition is as follows:

(Amount: millions of yen)	
	Amount
Fair value of consideration paid	33,889

The fair value of consideration received will be finalized based on the conditions of the share transfer agreement, including financial figures, etc., and may differ from the above amounts. Fair value of assets acquired and liabilities assumed, and the amount of non-controlling interests and goodwill are currently in the process of being calculated.