(Consolidated Statements of Comprehensive Income)

(Amount: millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Profit for the year	50,563	60,702
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	816	(611)
Remeasurement of defined benefit plans	210	(1,419)
Sub-total	1,026	(2,030)
Components of other comprehensive income that will be reclassified to profit or loss, net of tax:		
Foreign exchange differences on translation of foreign operations	4,121	4,236
Cash flow hedges	(869)	(175)
Sub-total	3,252	4,061
Other comprehensive income, net of tax	4,278	2,031
Comprehensive income for the year	54,841	62,733
Comprehensive income (loss) attributable to:		
Owners of the parent	54,450	62,044
Non-controlling interests	391	689
Comprehensive income for the year	54,841	62,733

(3) Consolidated Statements of Changes in Equity

(Amount: millions of yen)

	Equity attributable to owners of the parent					
					Other components of equity	
	Common stock	Capital surplus	Treasury stock	Retained earnings	Foreign exchange differences on translation of foreign operations	Cash flow hedges
Balance as of April 1, 2017	68,259	140,731	(1,345)	112,638	313	968
Profit (loss) for the year				50,326		
Other comprehensive Income					3,967	(869)
Comprehensive income for the year	—	—	—	50,326	3,967	(869)
Purchase of treasury stock			(8,378)			
Disposal of treasury stock		1,123	219			
Dividends				(8,411)		
Increase of consolidated subsidiaries						
Transactions with non-controlling interests		(7,231)				
Share-based payment transactions		(8)	8			
Transfer to retained earnings				225		
Total transactions with owners	—	(6,116)	(8,151)	(8,186)	—	—
Balance as of March 31, 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)		
Increase of consolidated subsidiaries						
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)

(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, 2017	2,755	—	4,036	324,319	5,029	329,348
Profit (loss) for the year				50,326	237	50,563
Other comprehensive Income	816	210	4,124	4,124	154	4,278
Comprehensive income for the year	816	210	4,124	54,450	391	54,841
Purchase of treasury stock				(8,378)		(8,378)
Disposal of treasury stock				1,342		1,342
Dividends				(8,411)	(33)	(8,444)
Increase of consolidated subsidiaries				—	3,339	3,339
Transactions with non-controlling interests				(7,231)	(1,596)	(8,827)
Share-based payment transactions				0		0
Transfer to retained earnings	(15)	(210)	(225)	—		—
Total transactions with owners	(15)	(210)	(225)	(22,678)	1,710	(20,968)
Balance as of March 31, 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)
Increase of consolidated subsidiaries				—		—
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

(4) Consolidated Statements of Cash Flows

(Amount: millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Cash flows from operating activities:		
Profit before income taxes	66,855	71,321
Depreciation and amortization	30,491	36,398
Impairment losses	6,222	—
Loss on litigation settlement	124	—
Share-based payment expenses	2,550	(407)
Interest income and dividends income	(1,168)	(1,298)
Interest expenses	1,360	1,089
Loss (gain) on sale and disposal of property, plant and equipment	1,132	(421)
Increase (decrease) in trade and other receivables	6,588	10,353
Decrease (increase) in inventories	(23,577)	10,611
Increase (decrease) in trade and other payables	7,633	(5,786)
Other	5,460	(5,948)
Subtotal	103,670	115,912
Interest received	937	1,090
Dividends received	200	207
Interest paid	(820)	(1,540)
Income taxes paid	(12,955)	(14,947)
Income taxes refund	1,169	—
Net cash flows provided by operating activities	92,201	100,722
Cash flows from investing activities:		
Decrease (increase) in time deposits	(1,524)	(2,190)
Purchase of property, plant and equipment	(46,174)	(52,268)
Proceeds from sales of property, plant and equipment	1,339	1,587
Purchase of intangible assets	(966)	(1,122)
Purchase of securities	(1,919)	(1,866)
Proceeds from sale and redemption of securities	1,946	1,685
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(7,718)	—
Other	163	(16)
Net cash flows used in investing activities	(54,853)	(54,190)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	10,254	21,637
Proceeds from long-term borrowings	1,000	4,100
Repayments of long-term borrowings	(18,560)	(20,301)
Acquisition of non-controlling interests	(4,111)	(103)
Proceeds from disposal of treasury stock	1,342	3,472
Purchase of treasury stock	(8,378)	(10,700)
Dividends paid	(8,411)	(11,329)
Dividends paid to non-controlling interests	(33)	(34)
Other	(129)	(76)
Net cash flows used in financing activities	(27,026)	(13,334)
Effect of exchange rate changes on cash and cash equivalents	(495)	457
Increase (decrease) in cash and cash equivalents	9,827	33,655
Cash and cash equivalents at beginning of year	78,950	88,777
Cash and cash equivalents at end of year	88,777	122,432

(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. 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, 2019.

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 acquire 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

An 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

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 15	Revenue from Contracts with Customers	Amendment of accounting procedures for revenue recognition

In applying IFRS 15, we have adopted the method of recognizing the cumulative effect of the adoption of this standard at the commencement date of adoption. Accordingly, no restatements have been made for the previous fiscal year. The effect of this adoption on our Group's performance and financial position is immaterial.

For details, please see "(14) Revenue recognition" under "3. Significant Accounting Policies".

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. and Mitsumi Business Headquarters is responsible for the production of semiconductor devices, optical devices, mechanical components, etc. and formulates comprehensive business strategies to be implemented for both domestic and foreign operations. Therefore, we have three reportable segments consisting of "Machined components", "Electronic devices and components" and "MITSUMI 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 (fan motors), precision motors, and special devices. The staple products of "MITSUMI business" include semiconductor devices, optical devices, mechanical parts, high frequency components, power supply components, etc.

(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, 2018) (Amount: millions of yen)

	Reportable segment			Other *1	Adjustments *2	Consolidated
	Machined components	Electronic devices and components	MITSUMI business			
Net sales						
Net sales to customers	176,427	451,879	252,415	692	—	881,413
Net sales to other segment	6,896	6,495	1,140	3,546	(18,077)	—
Total	183,323	458,374	253,555	4,238	(18,077)	881,413
Segment profit (loss)	41,007	24,096	20,069	(807)	(15,463)	68,902
Finance income	—	—	—	—	—	1,410
Finance expenses	—	—	—	—	—	3,457
Profit before income taxes	—	—	—	—	—	66,855
(Other income and expenses)						
Depreciation	8,938	13,151	2,794	217	5,391	30,491
Impairment loss	204	5,270	—	748	—	6,222
Segment assets	136,056	182,833	139,304	2,340	243,025	703,558
(Other assets)						
Capital expenditures	12,514	16,319	12,300	166	9,490	50,789

(Year ended March 31, 2019) (Amount: millions of yen)

	Reportable segment			Other *1	Adjustments *2	Consolidated
	Machined components	Electronic devices and components	MITSUMI business			
Net sales						
Net sales to customers	188,324	387,293	308,423	683	—	884,723
Net sales to other segment	5,455	8,981	1,316	3,004	(18,756)	—
Total	193,779	396,274	309,739	3,687	(18,756)	884,723
Segment profit (loss)	47,750	16,922	22,282	(386)	(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	14,361	6,795	95	5,497	36,398
Impairment loss	—	—	—	—	—	—
Segment assets	141,436	189,384	122,634	2,955	285,718	742,127
(Other assets)						
Capital expenditures	7,899	26,219	12,354	48	7,679	54,199

(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 (-15,463 million yen last fiscal year, -14,535 million 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 (243,025 million yen last fiscal year, 285,718 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 Truster 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 follows:

(Amount: millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Equity-settled	—	—
Cash-settled	2,550	(407)
Total	2,550	(407)

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

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

(Amount: millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Trust-type Employee Shareholding Incentive Plan	6,185	5,780

8. Per Share Data

(1) Basic and diluted earnings per share

	Year ended March 31, 2018	Year ended March 31, 2019
Earnings per share, basic (yen)	119.61	143.90
Earnings per share, diluted (yen)	117.02	140.75

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

	Year ended March 31, 2018	Year ended March 31, 2019
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)	50,326	60,142
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)	50,326	60,142
Adjustments		
Interest expense, net of tax (millions of yen)	48	50
Profit for the year used for the calculation of diluted earnings per share (millions of yen)	50,374	60,192
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)	420,747,526	417,943,833
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)	39,279	27,958
Average number of common shares used for the calculation of diluted earnings per share (shares)	430,457,984	427,642,970

9. Subsequent Events

Business Combination through Acquisition of U-Shin Ltd.

On April 10, 2019, our company acquired 76.2% of the voting rights of U-Shin Ltd. ("U-Shin ") and made it a subsidiary.

Our company considers the automotive related business to be a significantly growing domain. Specially, its main products such as ball bearings, LED backlights for LCDs and motors are increasingly used in automobiles. In the automotive industry, although there are trends that the demand in the U.S. and Japanese markets is decreasing, and the growth of the Chinese market is slowing, the demand in the emerging markets continues to expand and the global market continues to expand. In addition, because the automobile industry faces a momentous turning point represented by so-called CASE (Connected, Autonomous, Shared & Services, Electric) in which technical innovations promote changes in the market, the automotive manufacturers and automotive components manufacturers have the challenge to respond to that market innovation and technical innovation as soon as possible. Due to such business environmental change, our group considers that there is a significant change in the roles played by the automotive manufacturers and automotive components manufacturers in the future. Our group has supplied various products to many automotive components manufacturers as well as automotive manufacturers. In response to the changes described above, however, Our group is required to further strengthen a role in directly offering products and technologies that meet demands from the automotive manufacturers, which are its end customers. Our company considered it would make it possible to seek to make our company's products ones with high added value by utilizing the high level of automobile quality management knowhow of U-Shin, which is a leader in automotive components for its track record of functionality and safety based on international standards, as well as to enable further expansion of our company's product lineup by utilizing the customer base of U-Shin as a Tier 1 manufacturer (Tier 1 manufacturer means an automotive components manufacturer which directly supplies components to automotive manufacturers). Further, We reached the conclusion that integrating the management of our company and U-Shin and appropriately assigning new roles within the corporate group would be the best measure in order to generate synergies to the maximum extent and in order to contribute to sustained improvement of the corporate value of both companies particularly in the automotive related business. We expect that due to the Transaction it will specifically be able to expect the following synergy effects.

(i) Strengthening of automotive related business of our company
(ii) Strengthening of the automotive related business of U-Shin
(iii) Creation of new solutions in the IoE related business of our company and U-Shin
(iv) Realization of cross-selling and "Time to market" between our company and U-Shin

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

(Amount: millions of yen)

	Amount
Fair value of consideration paid	24,846

Fair value of assets acquired and liabilities assumed, and the amount of non-controlling interests and goodwill are currently being calculated.