

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

November 7, 2019

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

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Quarterly report filing date: November 12, 2019 Phone: (03) 6758-6711

Expected date of payment for dividends: December 4, 2019

Preparation of supplementary explanation material for quarterly financial results : Yes

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

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

1. Business Performance (April 1, 2019 through September 30, 2019)

(1) Consolidated Results of Operations (Year-to-date) (%: Changes from corresponding period of previous fiscal year)

	Net sales (millions of yen)	% Change	Operating income (millions of yen)	% Change	Profit before income taxes (millions of yen)	% Change
Six months ended Sep. 30, 2019	483,898	7.7	23,035	(32.1)	23,061	(32.7)
Six months ended Sep. 30, 2018	449,368	3.8	33,915	(18.1)	34,276	(15.7)

	Profit for the period (millions of yen)	% Change	Profit for the period attributable to owners of the parent (millions of yen)	% Change	Comprehensive income for the period (millions of yen)	% Change
Six months ended Sep. 30, 2019	16,930	(37.4)	16,213	(39.6)	5,512	(84.8)
Six months ended Sep. 30, 2018	27,058	(14.3)	26,856	(14.8)	36,340	(15.9)

	Earnings per share, basic (yen)	Earnings per share, diluted (yen)
Six months ended Sep. 30, 2019	39.06	38.22
Six months ended Sep. 30, 2018	64.00	62.62

(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 (%)
As of Sep. 30, 2019	879,427	405,090	397,448	45.2
As of Mar. 31, 2019	742,127	407,260	399,703	53.9

2. Dividends

	Annual dividends				
	End of first quarter (yen)	End of second quarter (yen)	End of third quarter (yen)	Year-end (yen)	For the year (yen)
Year ended Mar. 31, 2019	—	14.00	—	14.00	28.00
Year ending Mar. 31, 2020	—	14.00			
Year ending Mar. 31, 2020 (Forecast)			—	—	—

(Notes) Changes from the latest dividend forecast: Yes

We will finalize the amount of the year-end dividend in light of our performance for this fiscal year with the aim of achieving a consolidated-basis dividend payout ratio of around 20%.

3. Prospect for Consolidated Forecast for the Fiscal Year (April 1, 2019 through March 31, 2020)

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

	Net sales (millions of yen)	% Change	Operating income (millions of yen)	% Change
Year ending Mar. 31, 2020	1,000,000	13.0	67,000	(7.0)

	Profit for the period attributable to owners of the parent (millions of yen)	% Change	Earnings per share, basic (yen)
Year ending Mar. 31, 2020	52,000	(13.5)	125.26

(Notes) Changes from the latest consolidated results forecast: Yes

* Notes

(1) Changes in significant subsidiaries during the period (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 policies other than 1: None

3. Changes in accounting estimates: None

(3) Number of shares outstanding (Common stock)

1. Number of shares outstanding at the end of each period (Including treasury stock)

As of September 30, 2019: 427,080,606 shares

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

2. Number of treasury shares at the end of each period

As of September 30, 2019: 11,949,629 shares

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

3. Average number of shares (Quarterly cumulative period)

Six months ended September 30, 2019: 415,131,173 shares

Six months ended September 30, 2018: 419,592,117 shares

* These quarterly financial results are not subject to quarterly review procedures 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. Qualitative information related to the financial results for the quarter,” “(3) Explanation of Consolidated Forecast and Other Forecasts” on page 5 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 Thursday, November 7, 2019.

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1. Qualitative information related to the financial results for the quarter

(1) Explanation of Operating Results

During the first half of the fiscal year (April 1, 2019 to September 30, 2019), the Japanese economy continued to slow as a result of such factors as sluggish exports caused by intensified trade friction between the United States and China and appreciation of the yen against major currencies. In the United States, despite strong employment and consumer spending, business confidence waned as a result of such factors as a decrease in external demand in response to China's launch of retaliatory tariffs. In Europe, economic conditions were sluggish, especially in the manufacturing sector, due to concern over a no-deal Brexit despite favorable consumer spending. As for the Asian region, government-led infrastructure investment accelerated in China, but the economy slowed as exports to the United States slumped due to tariff increases by the United States.

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 34,530 million yen (7.7%) year on year to 483,898 million yen. Operating income was down 10,880 million yen (-32.1%) year on year to 23,035 million yen, profit before income taxes was down 11,215 million yen (-32.7%) to 23,061 million yen, and profit for the period attributable to owners of the parent was down 10,643 million yen (-39.6%) to 16,213 million yen.

U-Shin Ltd. was made a subsidiary through a tender offer on April 10. 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 was as follows:

In conjunction with the acquisition of U-Shin Ltd., the U-Shin business is disclosed as a reporting segment as of 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 second quarter of 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 market. Rod-end bearing sales increased owing to favorable orders in the small and medium aircraft market. Pivot assembly sales were down both in volume and amount due to shrinking of the HDD market. The exchange rate also had an impact as the yen appreciated against major currencies compared to the previous year.

As a result, net sales were down 4,248 million yen (-4.5%) year on year to 91,187 million yen, and operating income was down 3,298 million yen (-13.6%) to 20,907 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. Sales of stepping motors and other motors were down due to decreased demand associated with sluggishness in the automobile market. Demand for our LED backlights for LCDs that offer a technological advantage in thin devices remained strong, resulting in an increase in sales. The exchange rate also had an impact as the yen appreciated against major currencies compared to the previous year.

As a result, net sales were down 5,939 million yen (-3.2%) year on year to 178,919 million yen, while operating income was up 18 million yen (0.3%) to 6,076 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, switches, protection IC, and other products performed well, sales were down due to the decrease in game consoles and other mechanical components. The exchange rate also had an impact as the yen appreciated against major currencies compared to the previous year.

As a result, net sales were down 18,188 million yen (-10.8%) year on year to 150,578 million yen, and operating income was down 3,191 million yen (-30.8%) to 7,149 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). Sales of automotive components were sluggish as operations were substantially reduced due to the impact of deceleration in the automotive market, primarily in China but also in Europe and other areas. Demand for industrial machinery components for use in agricultural and construction equipment was strong.

As a result, net sales were 62,792 million yen, and operating income was 1,542 million yen.

Machines produced in-house are the main products in our Other business segment. Net sales were up 113 million yen (36.6%) year on year to 422 million yen, and the operating loss increased 535 million yen year on year to total 694 million yen.

In addition to the figures noted above, 11,945 million yen in corporate expenses, etc. not belonging to any particular segment is indicated as adjustments. The total amount of adjustments was 6,529 million yen for the second quarter of the previous fiscal year.

(2) Explanation of Financial Position

1. Assets, liabilities and equity

Our Group sees “strengthening our financial position” as a top priority and is taking various steps, such as efficient controlling capital investments, asset management, and reducing interest-bearing debt.

Total assets at the end of the second quarter were 879,427 million yen, up 137,300 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 at the end of the second quarter were 474,337 million yen, up 139,470 million yen from the end of the previous fiscal year. The main reason for this was an increase in trade and other payables and bonds and borrowings.

Equity came to 405,090 million yen, bringing the equity ratio attributable to owners of the parent down 8.7 percentage points from the end of the previous fiscal year to 45.2%.

2. Cash flows

Cash and cash equivalents at the end of the second quarter were 102,656 million yen, down 19,776 million yen from the end of the previous fiscal year.

Cash flows from various business activities during of the first fiscal half and relevant factors were as follows:

Net cash provided by operating activities amounted to 13,892 million yen (compared to 23,075 million yen in the same period of the previous year). This was primarily due to increases and decreases in profit before income taxes, depreciation and amortization, trade and other receivables, and inventories. Net cash used in investing activities amounted to 27,017 million yen (compared to 31,909 million yen in the same period of the previous year). This was primarily due to purchase of property, plant and equipment, etc. Net cash used in financing activities amounted to 1,481 million yen (compared to 5,318 million yen in the same period of the previous year). This was primarily due to increases and decreases in short-term borrowings, repayments of long-term borrowings, and dividends paid, etc.

(3) Explanation of Consolidated Forecast and Other Forecasts

It is difficult to get a clear picture of where the global economy is headed from the third quarter of this fiscal year due to the trade policies of each country, fluctuating exchange rates, and geopolitical risks.

Given this backdrop, we have reviewed our consolidated full-year forecast and made the following revisions based on our best estimate of current market conditions as well as our performance during the first six-month period.

Full-year consolidated business forecast for the fiscal year ending March 31, 2020

(From April 1, 2019 to March 31, 2020)

	Net sales (millions of yen)	Operating income (millions of yen)	Profit for the period attributable to owners of the parent (millions of yen)
Previous forecast (A) (announced on August 2, 2019)	1,030,000	77,000	62,000
Revised forecast (B)	1,000,000	67,000	52,000
Difference (B-A)	(30,000)	(10,000)	(10,000)

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.

Working in line with our basic policy, we made the interim dividend 14 yen per share. We will finalize the amount of the year-end dividend in light of our performance for this fiscal year with the aim of achieving a consolidated-basis dividend payout ratio of around 20%.

2. Condensed Quarterly Consolidated Financial Statements and Major Notes

(1) Condensed Quarterly Consolidated Statements of Financial Position

(Amount: millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and cash equivalents	122,432	102,656
Trade and other receivables	151,349	201,042
Inventories	141,385	181,444
Other financial assets	21,045	19,389
Other current assets.....	9,343	15,811
Total current assets.....	445,554	520,342
Non-current assets		
Property, plant and equipment.....	244,388	288,164
Goodwill	8,284	15,297
Intangible assets	9,375	9,473
Other financial assets	14,635	21,654
Deferred tax assets.....	16,650	19,747
Other non-current assets.....	3,241	4,750
Total non-current assets.....	296,573	359,085
Total assets.....	742,127	879,427

(Amount: millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	109,344	157,814
Bonds and borrowings	86,642	139,255
Other financial liabilities	1,983	6,189
Income taxes payable	5,448	5,876
Provisions	200	4,367
Other current liabilities	31,848	42,386
Total current liabilities	235,465	355,887
Non-current liabilities		
Bonds and borrowings	75,400	78,512
Other financial liabilities	5,138	14,702
Net defined benefit liabilities	14,577	20,897
Provisions	1,196	982
Deferred tax liabilities	1,754	1,612
Other non-current liabilities	1,337	1,745
Total non-current liabilities	99,402	118,450
Total liabilities	334,867	474,337
Equity		
Common stock	68,259	68,259
Capital surplus	137,464	135,945
Treasury stock	(19,448)	(19,449)
Retained earnings	202,172	212,602
Other components of equity	11,256	91
Total equity attributable to owners of the parent	399,703	397,448
Non-controlling interests	7,557	7,642
Total equity	407,260	405,090
Total liabilities and equity	742,127	879,427

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

Six months ended September 30

(Amount: millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales.....	449,368	483,898
Cost of sales.....	368,342	408,221
Gross profit.....	81,026	75,677
Selling, general and administrative expenses	47,973	54,132
Other income.....	1,377	2,238
Other expenses.....	515	748
Operating income.....	33,915	23,035
Finance income	875	961
Finance expenses	514	935
Profit before income taxes.....	34,276	23,061
Income taxes.....	7,218	6,131
Profit for the period.....	27,058	16,930
Profit for the period attributable to:		
Owners of the parent.....	26,856	16,213
Non-controlling interests.....	202	717
Profit for the period.....	27,058	16,930
Earnings per share (EPS)		
Basic (Yen)	64.00	39.06
Diluted (Yen).....	62.62	38.22

Three months ended September 30

(Amount: millions of yen)

	Three months ended September 30, 2018	Three months ended September 30, 2019
Net sales.....	236,330	279,473
Cost of sales.....	192,679	233,130
Gross profit.....	43,651	46,343
Selling, general and administrative expenses	24,474	27,336
Other income.....	877	602
Other expenses.....	430	237
Operating income.....	19,624	19,372
Finance income	485	407
Finance expenses	3	398
Profit before income taxes.....	20,106	19,381
Income taxes.....	4,036	5,123
Profit for the period.....	16,070	14,258
Profit for the period attributable to:		
Owners of the parent.....	15,970	13,916
Non-controlling interests.....	100	342
Profit for the period.....	16,070	14,258
Earnings per share (EPS)		
Basic (Yen)	38.04	33.52
Diluted (Yen).....	37.21	32.79

(Condensed Quarterly Consolidated Statements of Comprehensive Income)

Six months ended September 30

(Amount: millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit for the period.....	27,058	16,930
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.....	(640)	(548)
Sub-total	(640)	(548)
Components of other comprehensive income that will be reclassified to profit or loss, net of tax:		
Foreign exchange differences on translation of foreign operations	9,979	(10,889)
Cash flow hedges	(57)	19
Sub-total	9,922	(10,870)
Other comprehensive income, net of tax	9,282	(11,418)
Comprehensive income for the period	36,340	5,512
Comprehensive income attributable to:		
Owners of the parent.....	35,855	5,077
Non-controlling interests.....	485	435
Comprehensive income for the period.....	36,340	5,512

Three months ended September 30

(Amount: millions of yen)

	Three months ended September 30, 2018	Three months ended September 30, 2019
Profit for the period.....	16,070	14,258
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.....	(130)	(165)
Sub-total	(130)	(165)
Components of other comprehensive income that will be reclassified to profit or loss, net of tax:		
Foreign exchange differences on translation of foreign operations	10,377	(2,405)
Cash flow hedges	359	4
Sub-total	10,736	(2,401)
Other comprehensive income, net of tax	10,606	(2,566)
Comprehensive income for the period	26,676	11,692
Comprehensive income attributable to:		
Owners of the parent.....	26,422	11,348
Non-controlling interests.....	254	344
Comprehensive income for the period.....	26,676	11,692

(3) Condensed Quarterly 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 currency translation	Cash flow hedge
Balance as of April 1, 2018	68,259	134,615	(9,496)	154,778	4,280	99
Profit for the period				26,856		
Other comprehensive income					9,696	(57)
Comprehensive income for the period	—	—	—	26,856	9,696	(57)
Purchase of treasury stock			(2)			
Disposal of treasury stock		739	143			
Dividends				(5,452)		
Share-based payment transactions		(13)	13			
Total transactions with owners	—	726	154	(5,452)	—	—
Balance as of September 30, 2018	68,259	135,341	(9,342)	176,182	13,976	42

	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	Subtotal			
Balance as of April 1, 2018	3,556	7,935	356,091	7,130	363,221
Profit for the period			26,856	202	27,058
Other comprehensive income	(640)	8,999	8,999	283	9,282
Comprehensive income for the period	(640)	8,999	35,855	485	36,340
Purchase of treasury stock			(2)		(2)
Disposal of treasury stock			882		882
Dividends			(5,452)	(32)	(5,484)
Share-based payment transactions			0		0
Total transactions with owners	—	—	(4,572)	(32)	(4,604)
Balance as of September 30, 2018	2,916	16,934	387,374	7,583	394,957

(Amount: millions of yen)

	Equity attributable to owners of the parent					
	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	
					Foreign currency translation	Cash flow hedge
Balance as of April 1, 2019	68,259	137,464	(19,448)	202,172	8,387	(76)
Profit for the period				16,213		
Other comprehensive income					(10,607)	19
Comprehensive income for the period	—	—	—	16,213	(10,607)	19
Purchase of treasury stock			(1)			
Dividends				(5,812)		
Increase of consolidated subsidiaries						
Transactions with non-controlling interests		(1,519)				
Transfer to retained earnings				29		
Total transactions with owners	—	(1,519)	(1)	(5,783)	—	—
Balance as of September 30, 2019	68,259	135,945	(19,449)	212,602	(2,220)	(57)

	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	Subtotal			
Balance as of April 1, 2019	2,945	11,256	399,703	7,557	407,260
Profit for the period			16,213	717	16,930
Other comprehensive income	(548)	(11,136)	(11,136)	(282)	(11,418)
Comprehensive income for the period	(548)	(11,136)	5,077	435	5,512
Purchase of treasury stock			(1)		(1)
Dividends			(5,812)		(5,812)
Increase of consolidated subsidiaries			—	5,906	5,906
Transactions with non-controlling interests			(1,519)	(6,256)	(7,775)
Transfer to retained earnings	(29)	(29)	—		—
Total transactions with owners	(29)	(29)	(7,332)	(350)	(7,682)
Balance as of September 30, 2019	2,368	91	397,448	7,642	405,090

(4) Condensed Quarterly Consolidated Statements of Cash Flows

(Amount: millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities:		
Profit before income taxes	34,276	23,061
Depreciation and amortization	16,631	23,237
Share-based payment expenses	113	—
Interest income and dividends income	(624)	(875)
Interest expenses	518	779
Loss (gain) on sale and disposal of property, plant and equipment	(583)	(616)
Decrease (increase) in trade and other receivables	(10,136)	(20,996)
Decrease (increase) in inventories	(22,768)	(26,522)
Increase (decrease) in trade and other payables	11,892	13,995
Other	(180)	7,214
Subtotal	29,139	19,277
Interest received	517	667
Dividends received	85	182
Interest paid	(564)	(603)
Income taxes paid	(6,102)	(5,631)
Net cash flows provided by operating activities	23,075	13,892
Cash flows from investing activities:		
Decrease (increase) in time deposits	(1,539)	(325)
Purchase of property, plant and equipment	(30,643)	(26,127)
Proceeds from sales of property, plant and equipment	1,038	1,556
Purchase of intangible assets	(510)	(578)
Purchase of securities	(635)	(1,141)
Proceeds from sale and redemption of securities	477	1,191
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	(97)	182
Net cash flows used in investing activities	(31,909)	(27,017)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	15,263	33,176
Proceeds from long-term borrowings	1,100	—
Repayments of long-term borrowings	(6,401)	(27,310)
Redemption of bonds	—	(100)
Proceeds from disposal of treasury stock	882	—
Purchase of treasury stock	(2)	(1)
Dividends paid	(5,452)	(5,812)
Dividends paid to non-controlling interests	(32)	—
Repayments of lease liabilities	(40)	(1,434)
Other	0	—
Net cash flows used in financing activities	5,318	(1,481)
Effect of exchange rate changes on cash and cash equivalents	1,464	(5,170)
Increase (decrease) in cash and cash equivalents	(2,052)	(19,776)
Cash and cash equivalents at beginning of period	88,777	122,432
Cash and cash equivalents at end of period	86,725	102,656

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

(Change in Accounting Policy)

The significant accounting policies applied by our Group in this condensed quarterly consolidated financial statements are the same as those for the previous fiscal year, except for the following.

Income tax related to the condensed quarterly consolidated financial statements is calculated based on the estimated average annual effective tax rate.

Our Group has applied the following standards since April 1, 2019.

	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.

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 condensed quarterly 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”

Accounting policies (leases) in accordance with this standard are as follows.

(Lessee side)

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.

(Lessor side)

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.

(Segment Information)

Information related to sales and income (loss) by reportable segments
(Six months ended September 30, 2018)

(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	95,435	184,858	168,766	—	309	—	449,368
Net sales to other segment	2,795	3,325	3,328	—	1,636	(11,084)	—
Total	98,230	188,183	172,094	—	1,945	(11,084)	449,368
Segment profit (loss)	24,205	6,058	10,340	—	(159)	(6,529)	33,915
Finance income	—	—	—	—	—	—	875
Finance expenses	—	—	—	—	—	—	514
Profit before income taxes	—	—	—	—	—	—	34,276

(Six months ended September 30, 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	91,187	178,919	150,578	62,792	422	—	483,898
Net sales to other segment	2,737	2,808	999	—	1,461	(8,005)	—
Total	93,924	181,727	151,577	62,792	1,883	(8,005)	483,898
Segment profit (loss)	20,907	6,076	7,149	1,542	(694)	(11,945)	23,035
Finance income	—	—	—	—	—	—	961
Finance expenses	—	—	—	—	—	—	935
Profit before income taxes	—	—	—	—	—	—	23,061

(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.

Adjustments to segment profit (loss) are corporate expenses such as general and administrative expenses in addition to research and development expenses that do not belong to the reportable segments. In the first half of the 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.

3. The changes of reportable segments are as follows.

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 first half of the previous year has been prepared based on the post-change reportable segments.