

# Business Results

Fiscal Year Ended March 31, 2020

**MinebeaMitsumi Inc.**

**May 8, 2020**

1. Financial Results

2. Management Policy & Business Strategy

# Financial Results

Katsuhiko Yoshida

Senior Managing Executive Officer

## Despite the sharp slowdown in 4Q, YoY OP increased excluding the impact of foreign currency and special factors

(Millions of yen)	FY3/19	FY3/20	Change YoY	FY3/20 Forecast (February 2020 Forecast)	
	Full Year	Full Year		Full Year	VS. Forecast
Net sales	884,723	978,445	+10.6%	1,000,000	97.8%
Operating income	72,033	58,647	-18.6%	67,000	87.5%
Profit before taxes	71,321	58,089	-18.6%	66,000	88.0%
Profit for the period attributable to owners of the parent	60,142	45,975	-23.6%	52,000	88.4%
Earnings per share, basic (yen)	143.90	111.11	-22.8%	125.31	88.7%

Foreign Exchange Rates	FY3/19 Full Year	FY3/20 Full Year
US\$	¥110.67	¥109.12
Euro	¥128.75	¥121.27
Thai Baht	¥3.42	¥3.52
Chinese RMB	¥16.52	¥15.68

### FY3/20 Main Special Factors (Operating Income)

1Q △¥4.0bn Retirement benefits/ Business integration of U-Shin  
 2Q △¥0.8bn Business integration of U-Shin etc.  
 3Q △¥0.5bn Business integration of U-Shin etc.  
 4Q △¥9.4bn Impact of Covid-19 etc.  
**Total △¥14.6bn**

## Operating income was as expected excluding the impact of Covid-19

(Millions of yen)	FY3/19	FY3/20		Change	
	4Q	3Q	4Q	YoY	QoQ
Net sales	185,785	267,650	226,897	+22.1%	-15.2%
Operating income	6,994	23,058	12,554	+79.5%	-45.6%
Profit before taxes	6,712	23,005	12,023	+79.1%	-47.7%
Profit for the period attributable to owners of the parent	9,109	18,991	10,771	+18.2%	-43.3%
Earnings per share, basic (yen)	21.94	45.77	26.28	+19.8%	-42.6%

Foreign Exchange Rates	FY3/19 4Q	FY3/20 3Q	FY3/20 4Q
US\$	¥110.28	¥108.79	¥109.35
Euro	¥126.08	¥120.02	¥121.05
Thai Baht	¥3.47	¥3.59	¥3.54
Chinese RMB	¥16.33	¥15.37	¥15.63

### 4Q Special factors

#### Net Sales

About ¥30bn, related to Covid-19

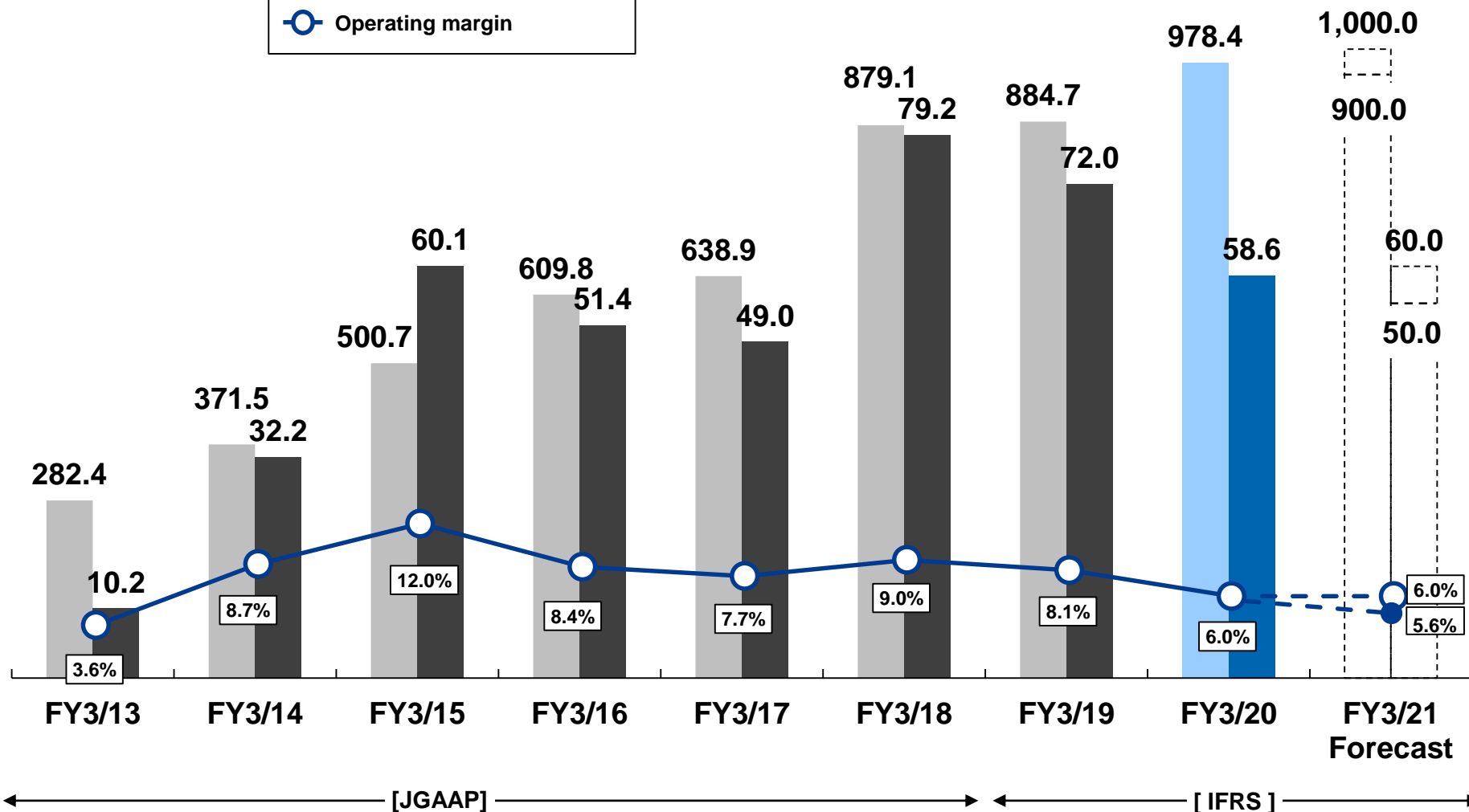
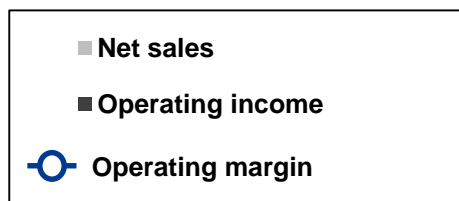
#### Operating Income

¥9.4bn(¥9bn, related to Covid-19)

# Net Sales, Operating Income/margin

\*JGAAP until FY3/18

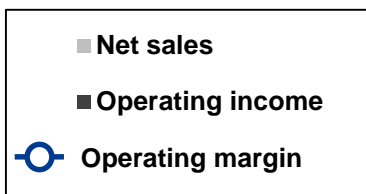
(Billions of yen)



# Net Sales, Operating Income/margin

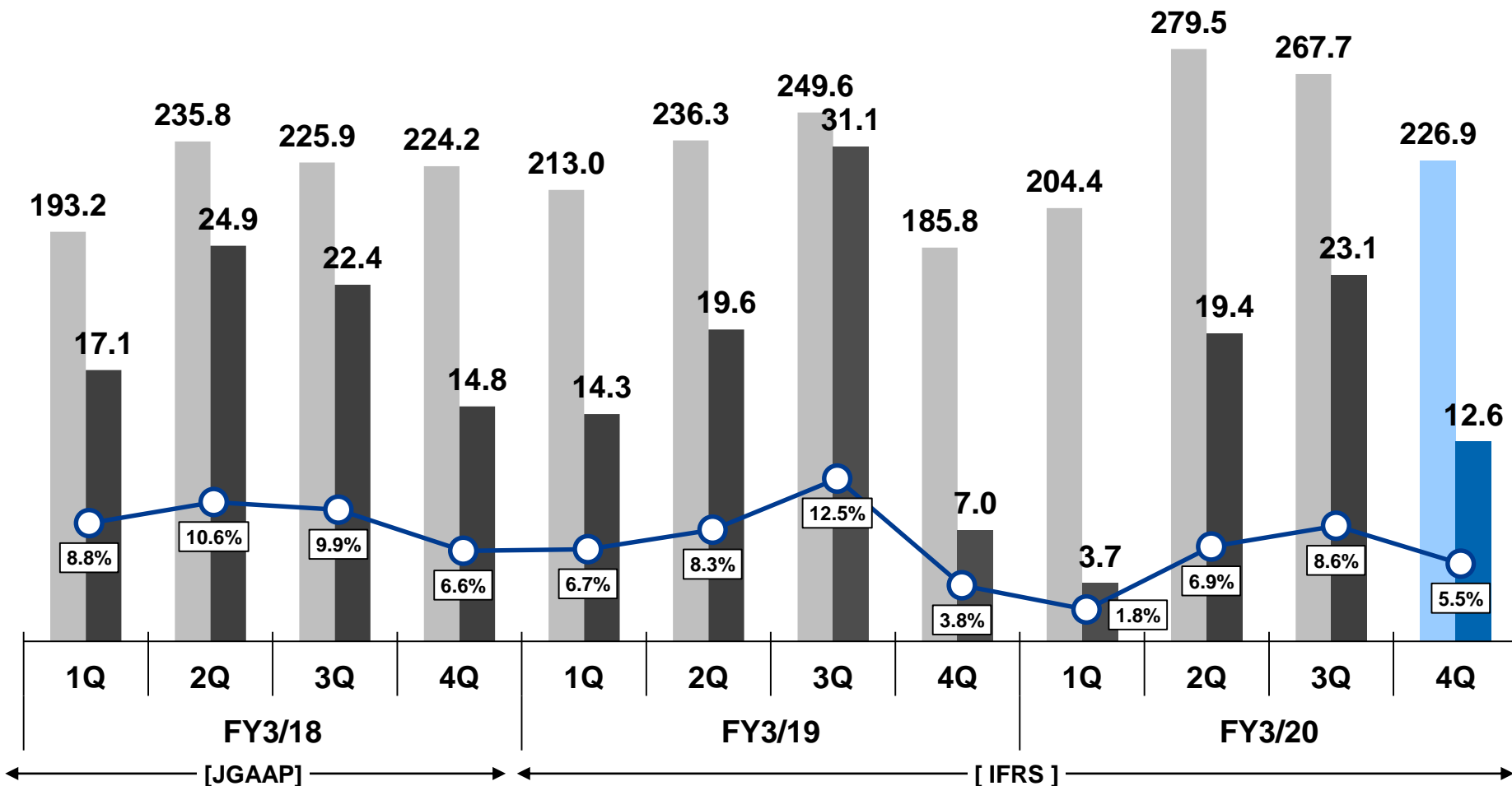
\*JGAAP for FY3/18

(Billions of yen)



## FY3/20 Main Special Factors (Operating Income)

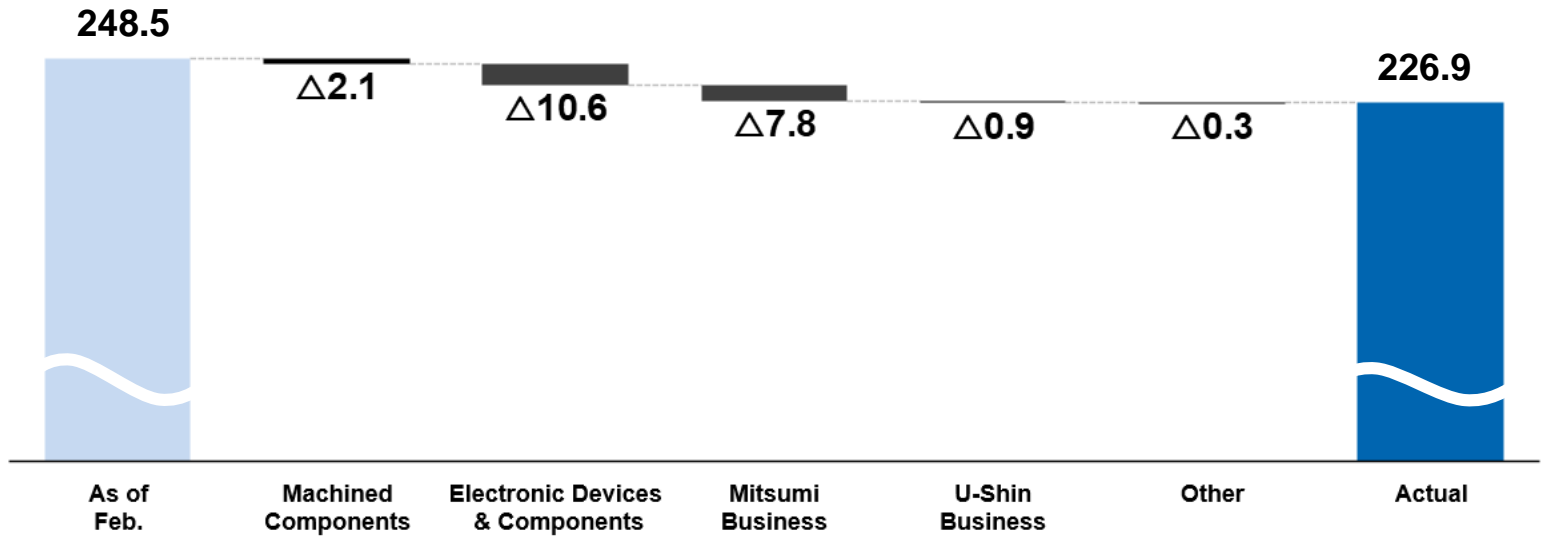
- 1Q △¥4.0bn Retirement benefits/ Business integration of U-Shin
- 2Q △¥0.8bn Business integration of U-Shin etc.
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- 4Q △¥9.4bn Impact of Covid-19 etc.



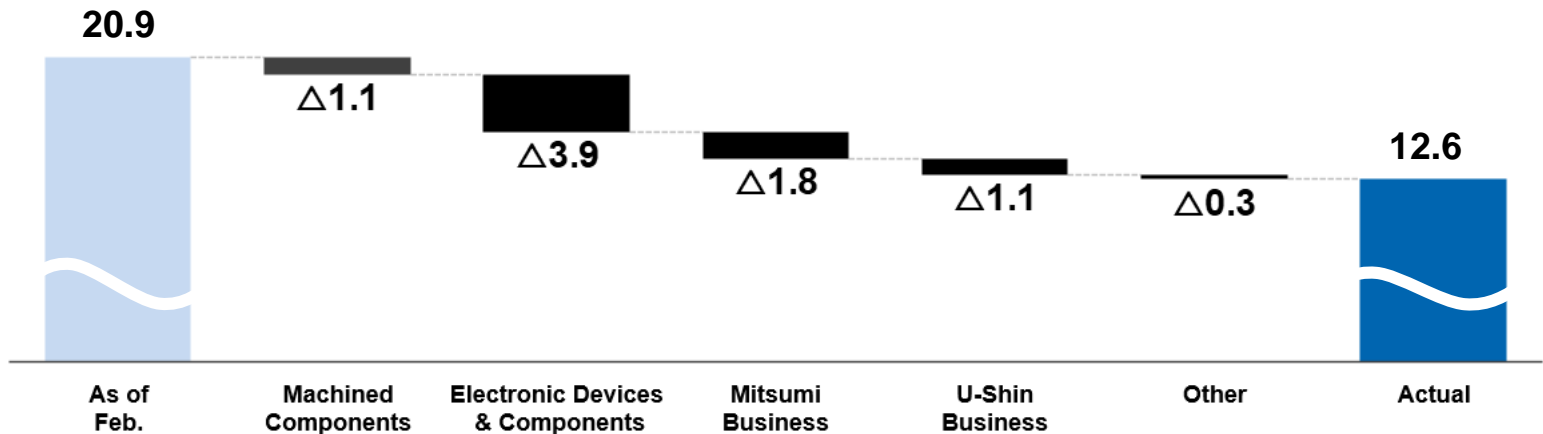
# 4Q Actual: Differences from the Forecast as of February

(Billions of yen)

## Net Sales

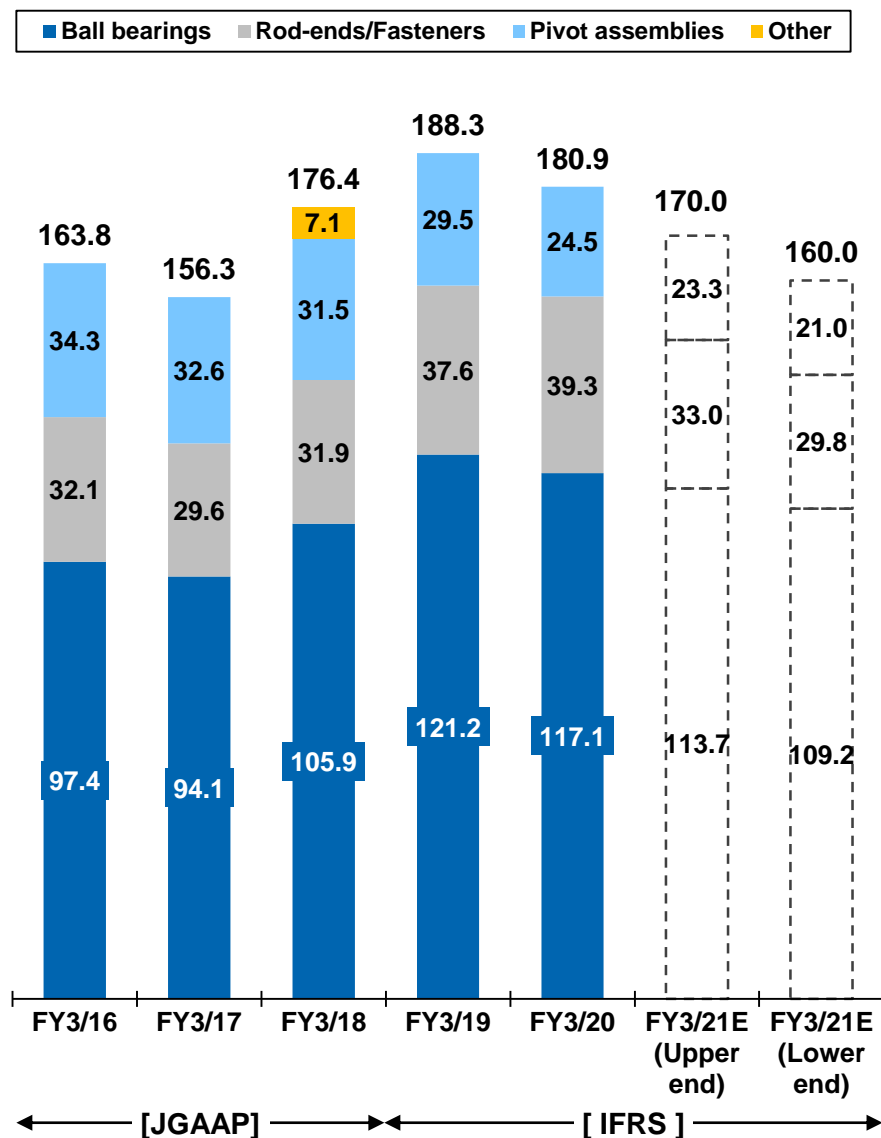


## Operating Income

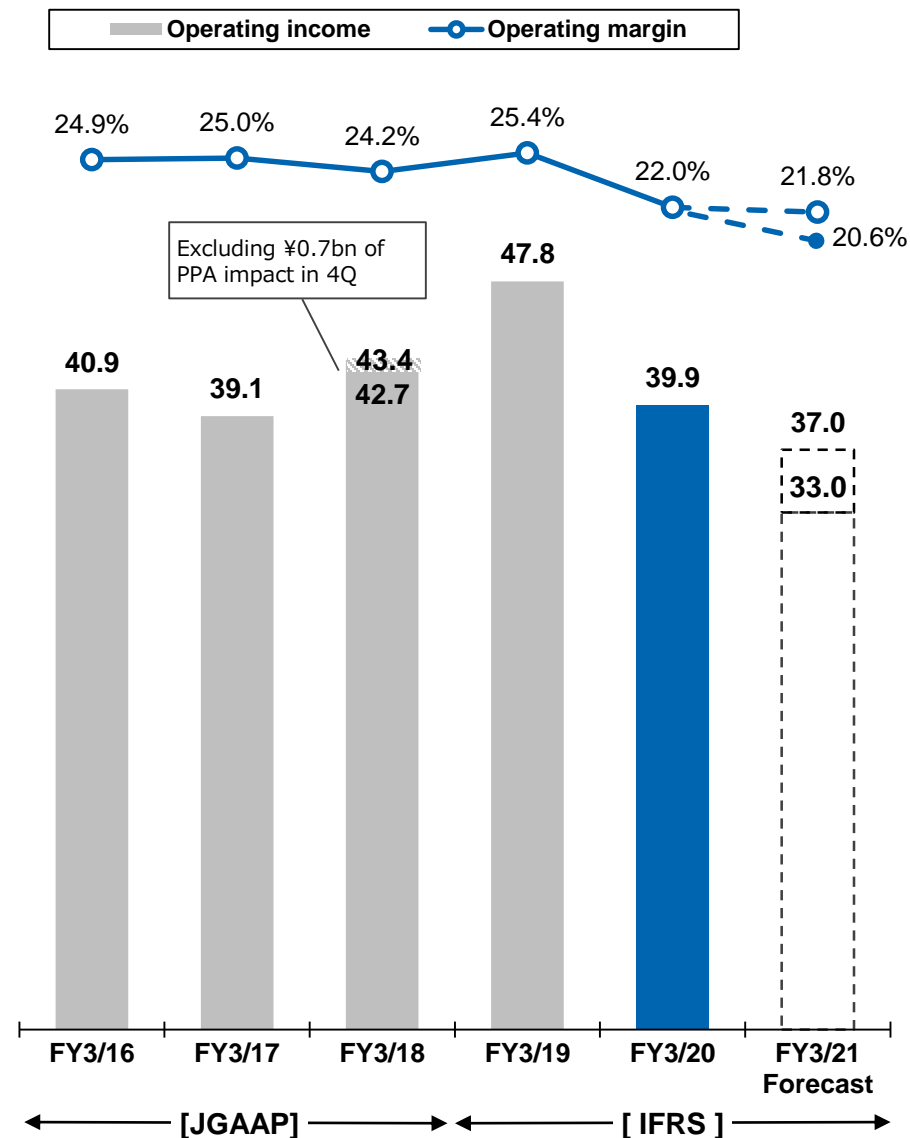




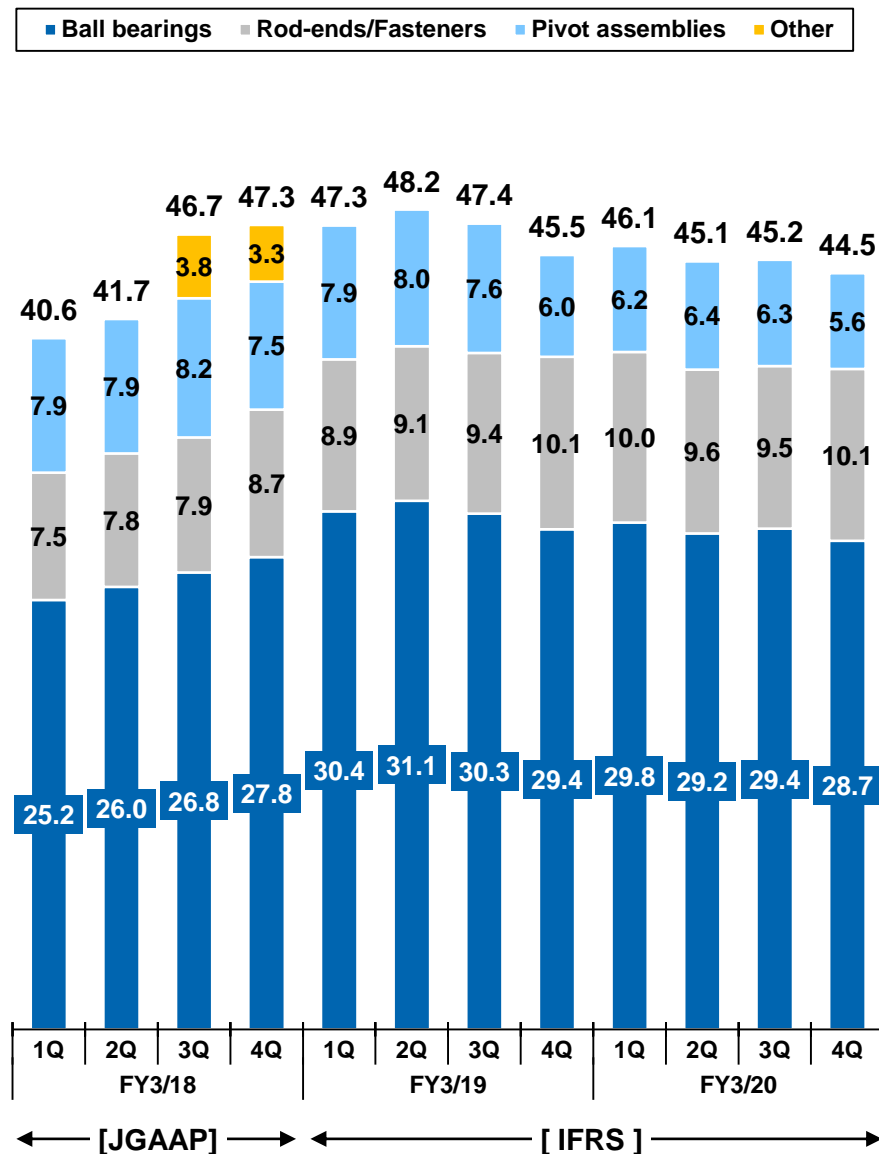
## Net sales (Billions of yen)



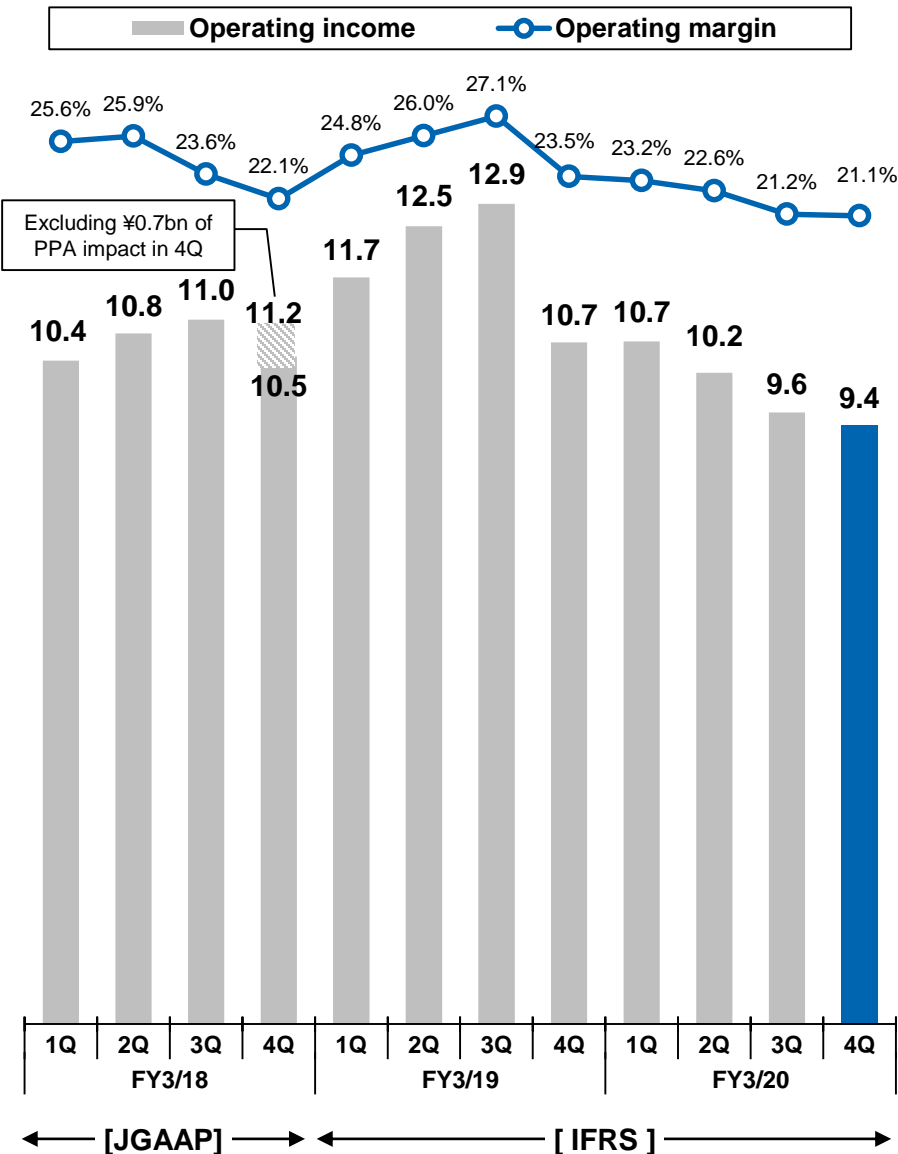
## Operating income (Billions of yen)



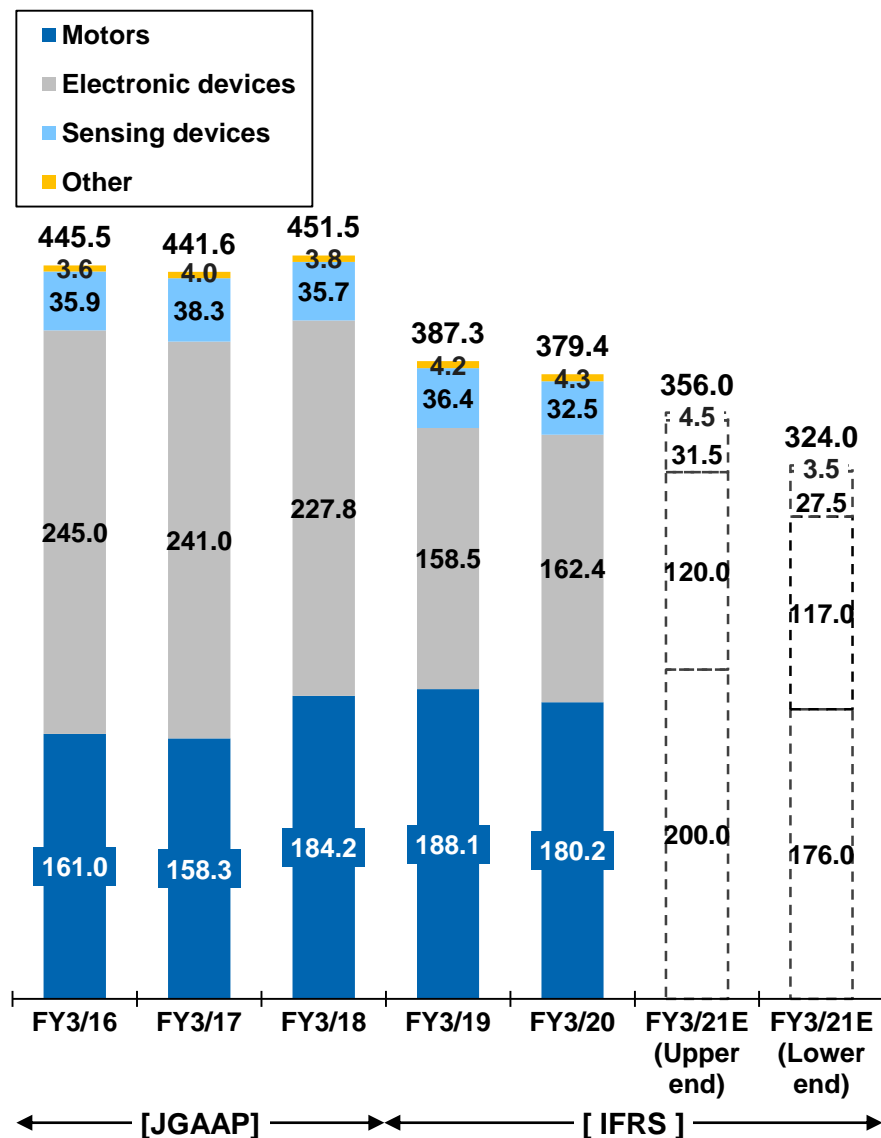
## Net sales (Billions of yen)



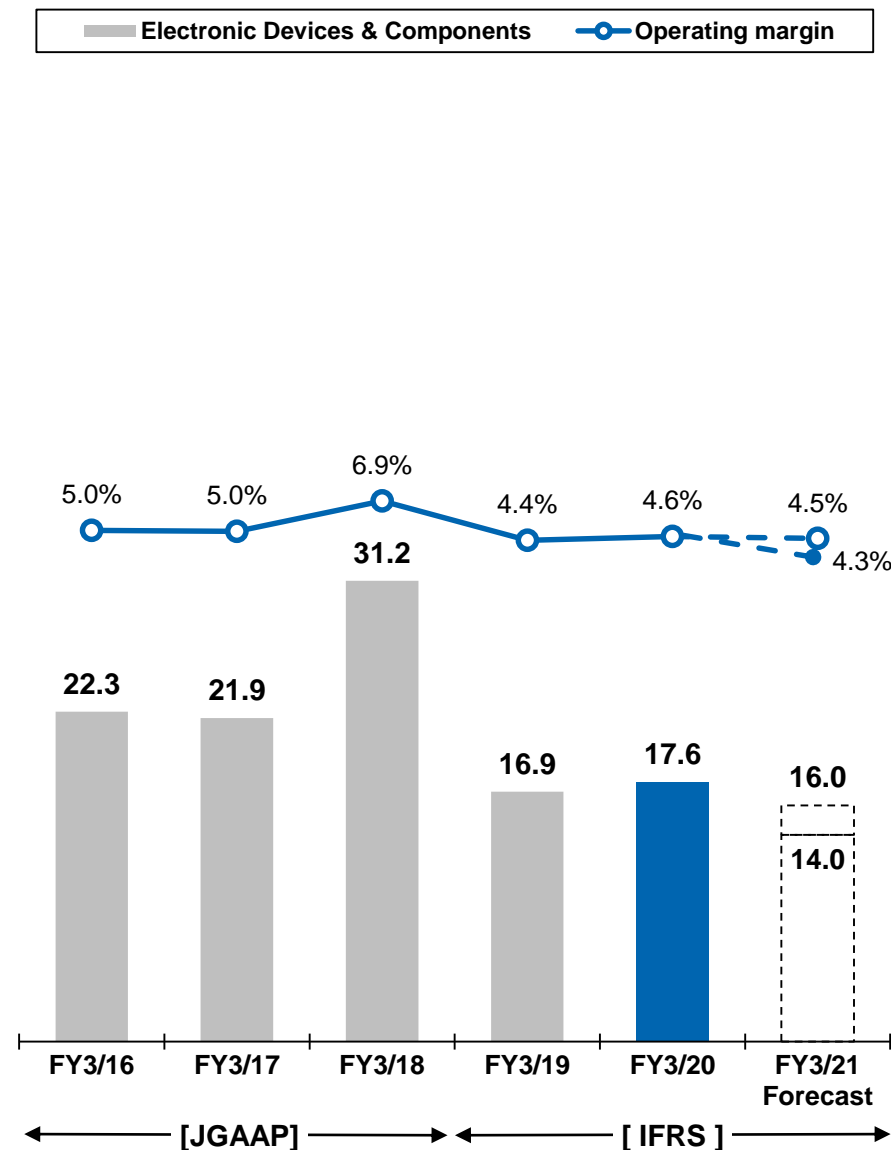
## Operating income (Billions of yen)



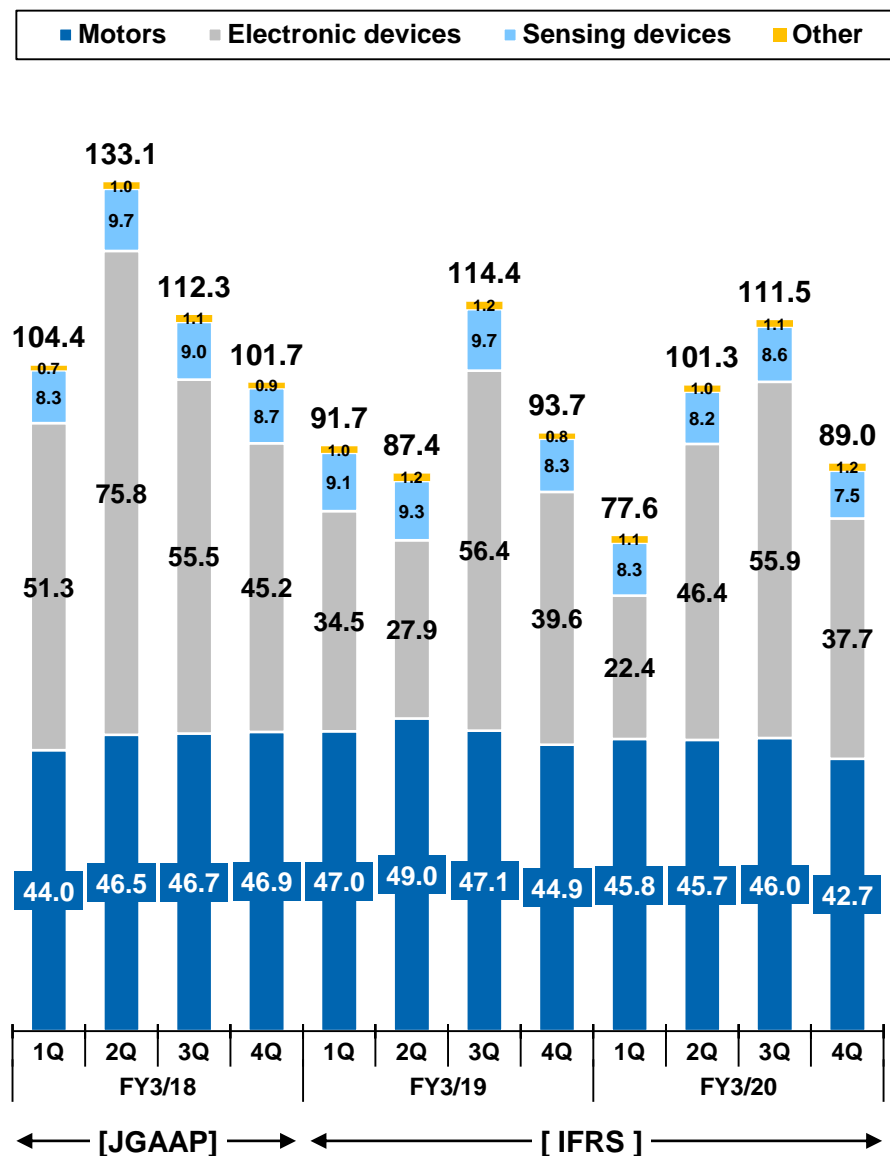
## Net sales (Billions of yen)



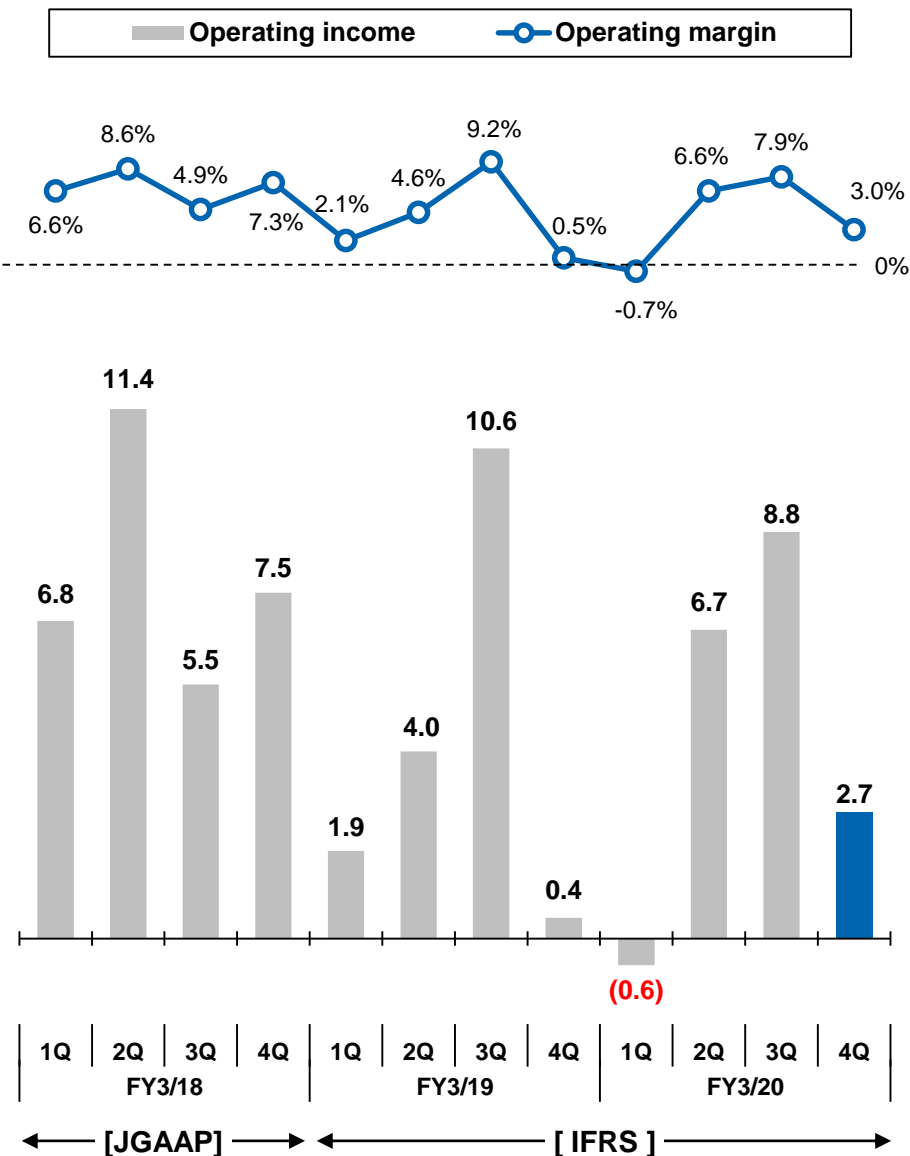
## Operating income (Billions of yen)



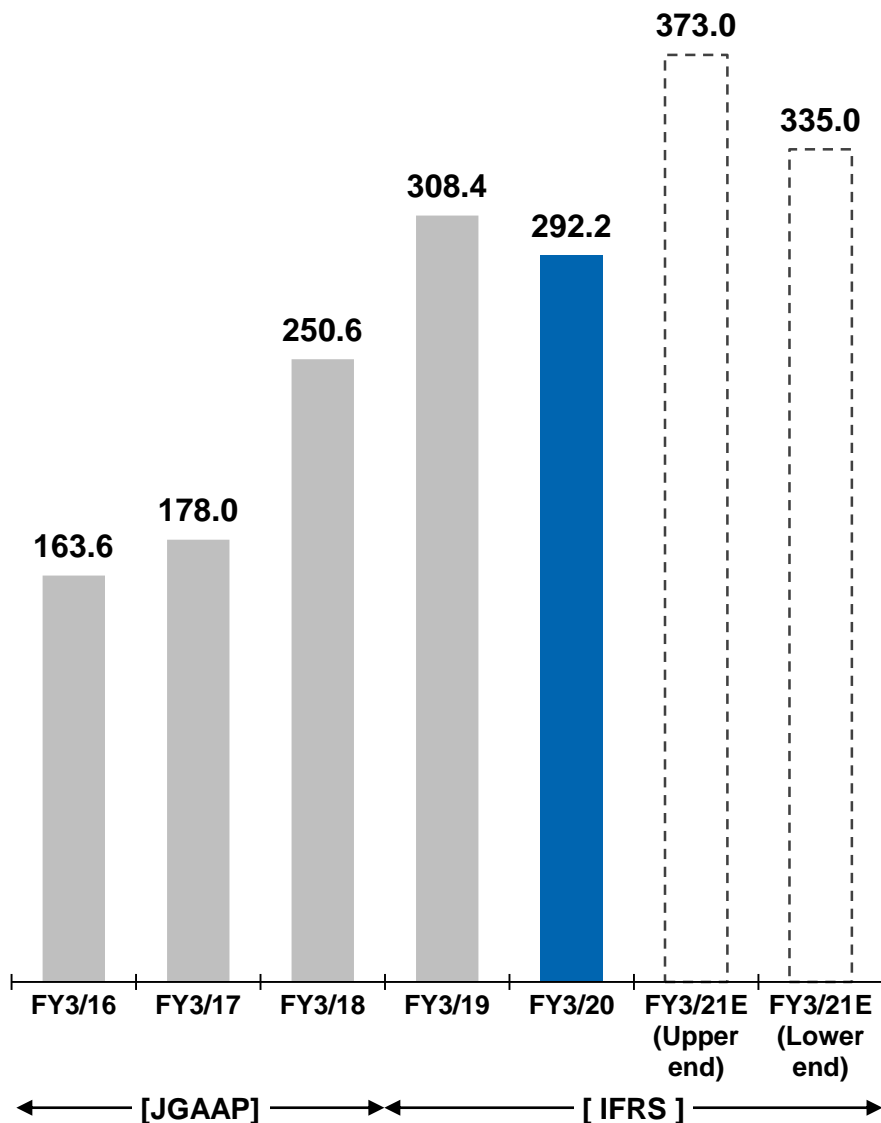
## Net sales (Billions of yen)



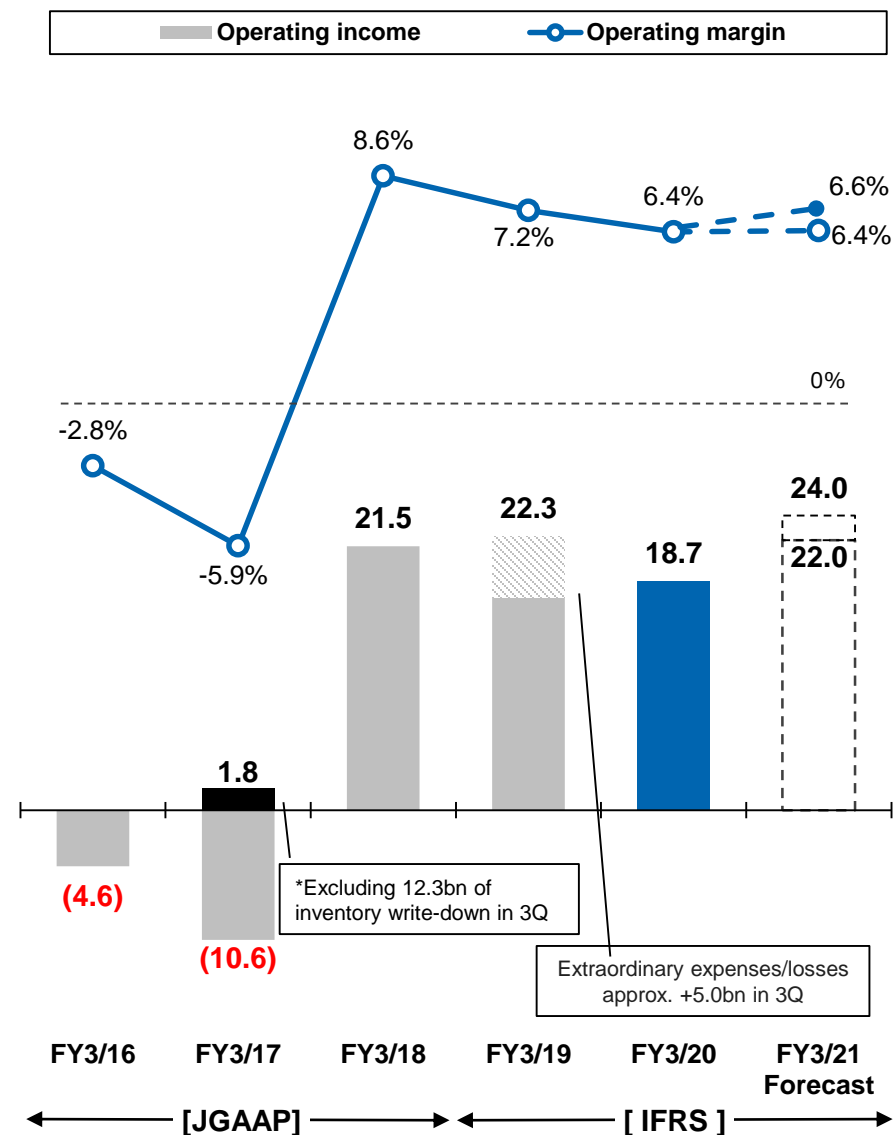
## Operating income (Billions of yen)



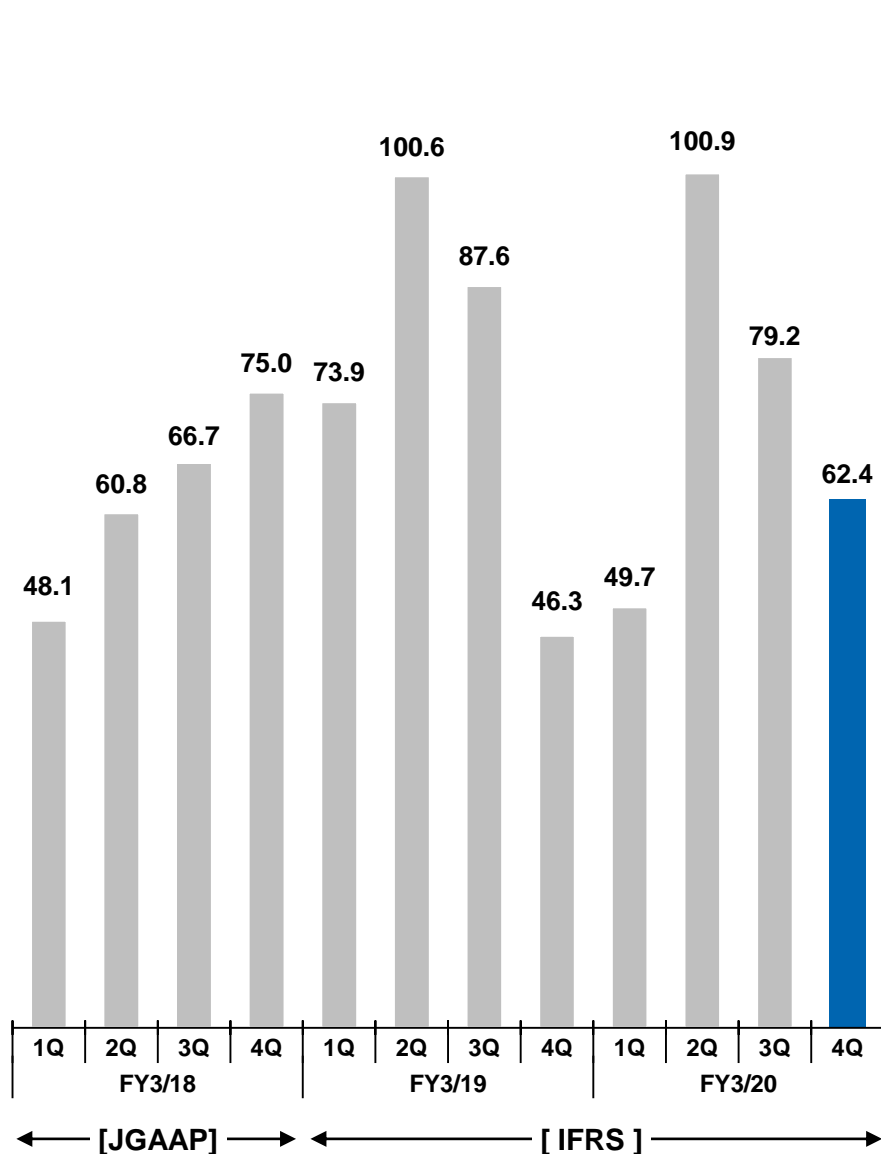
## Net sales (Billions of yen)



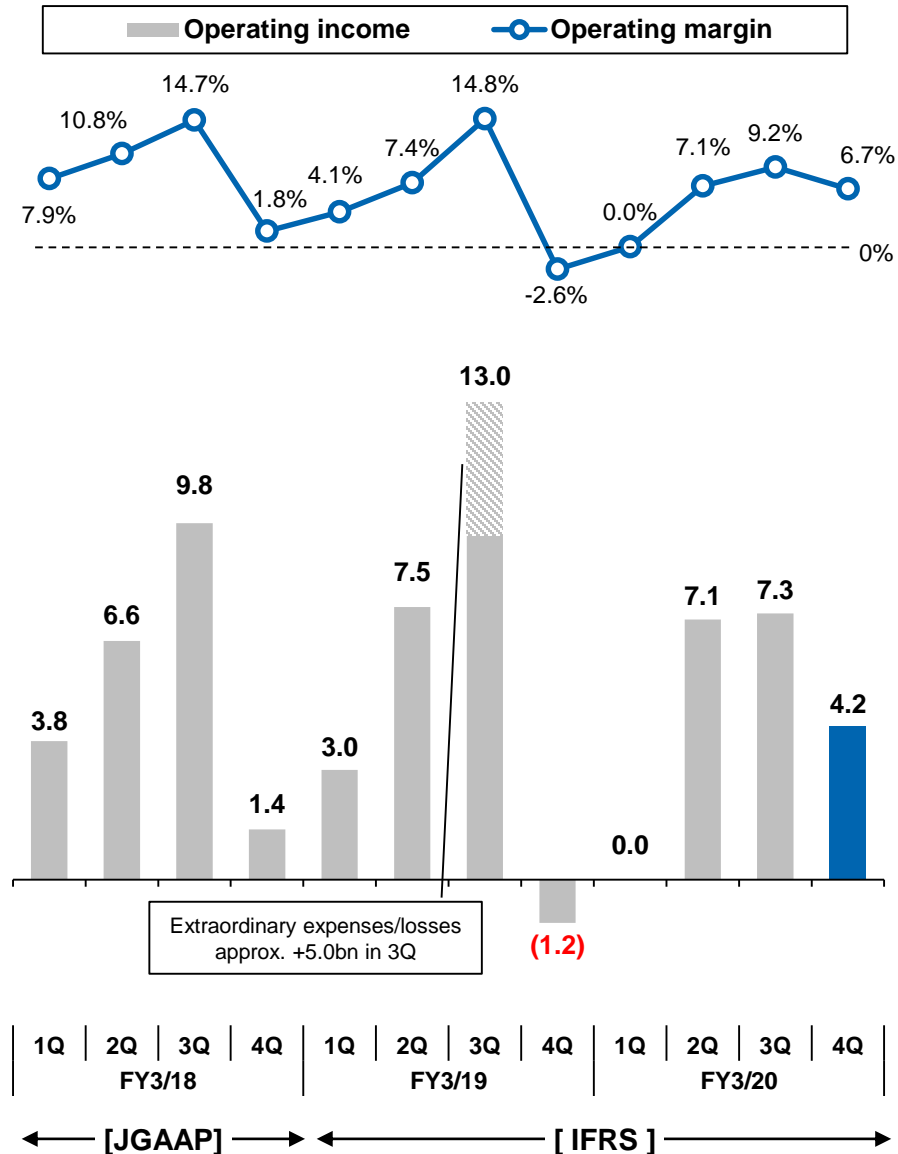
## Operating income (Billions of yen)



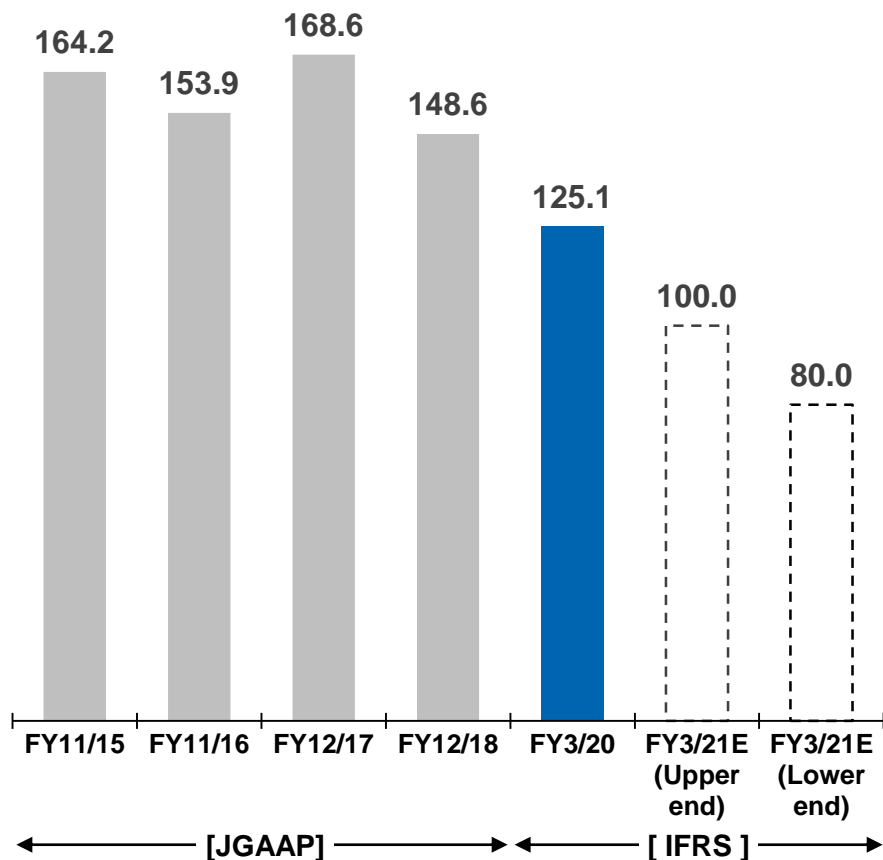
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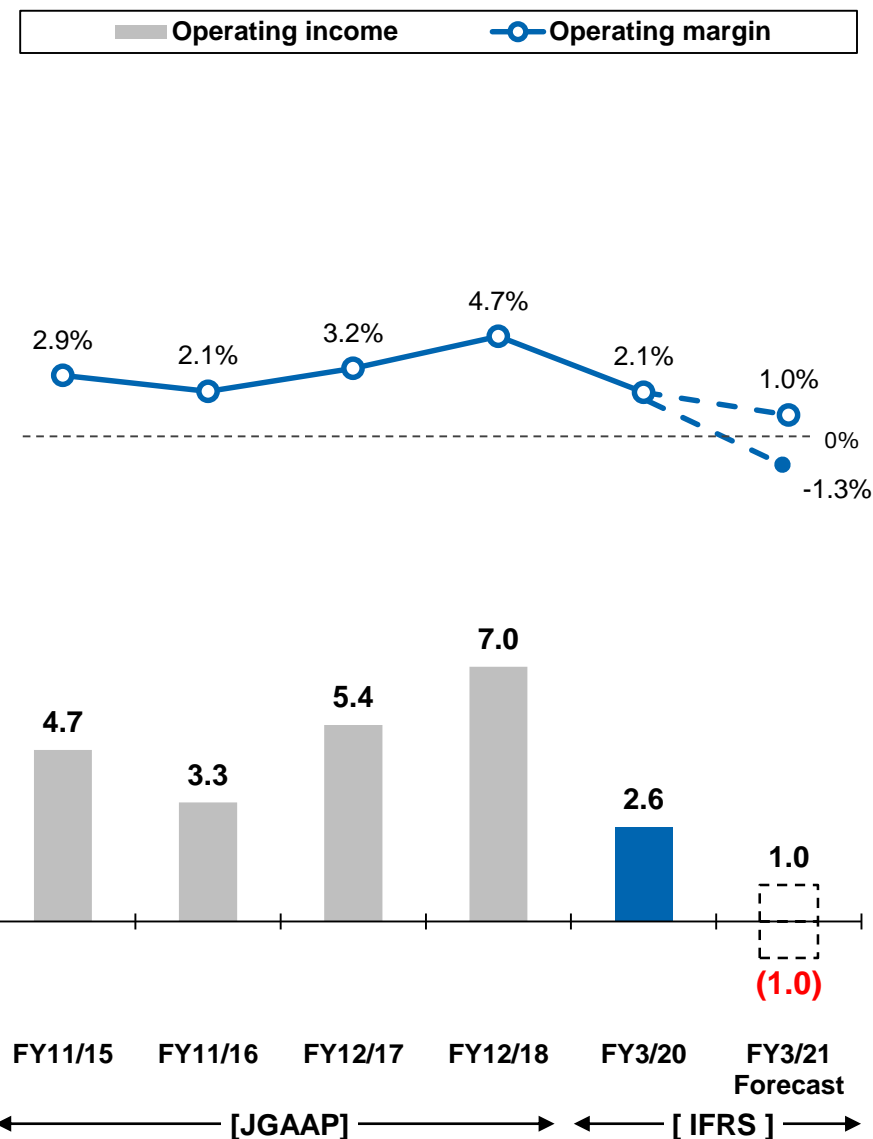
## Operating income (Billions of yen)



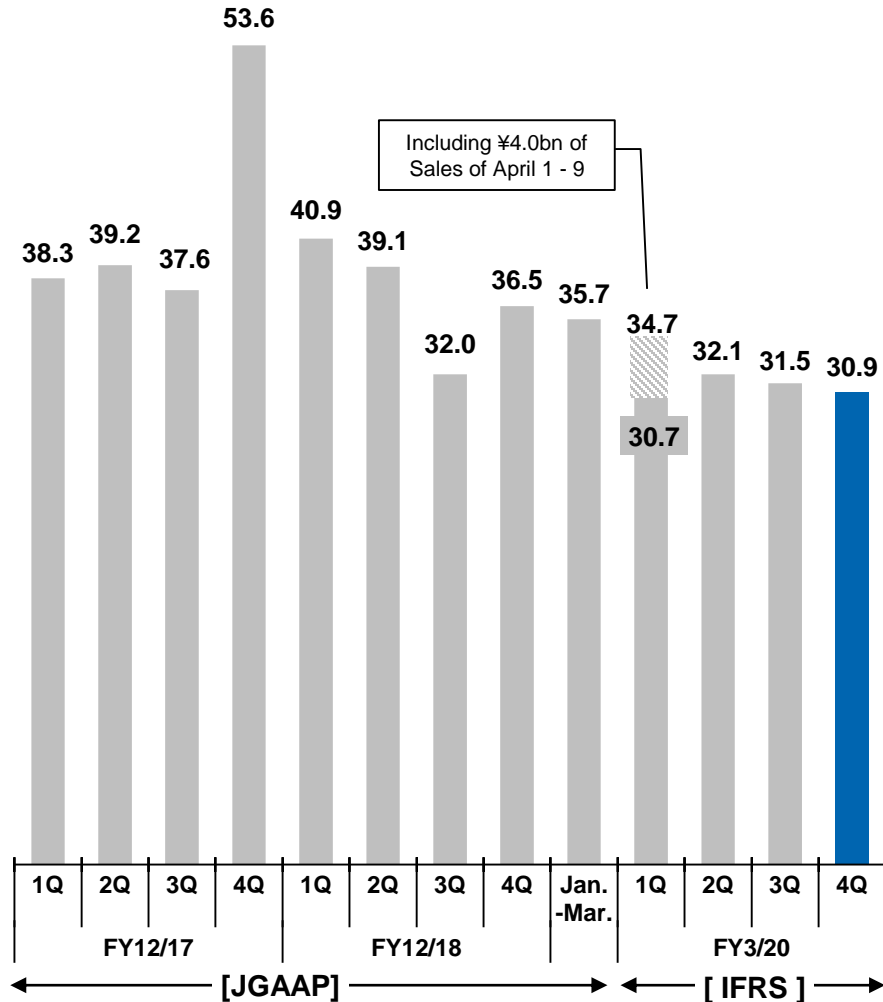
## Net sales (Billions of yen)



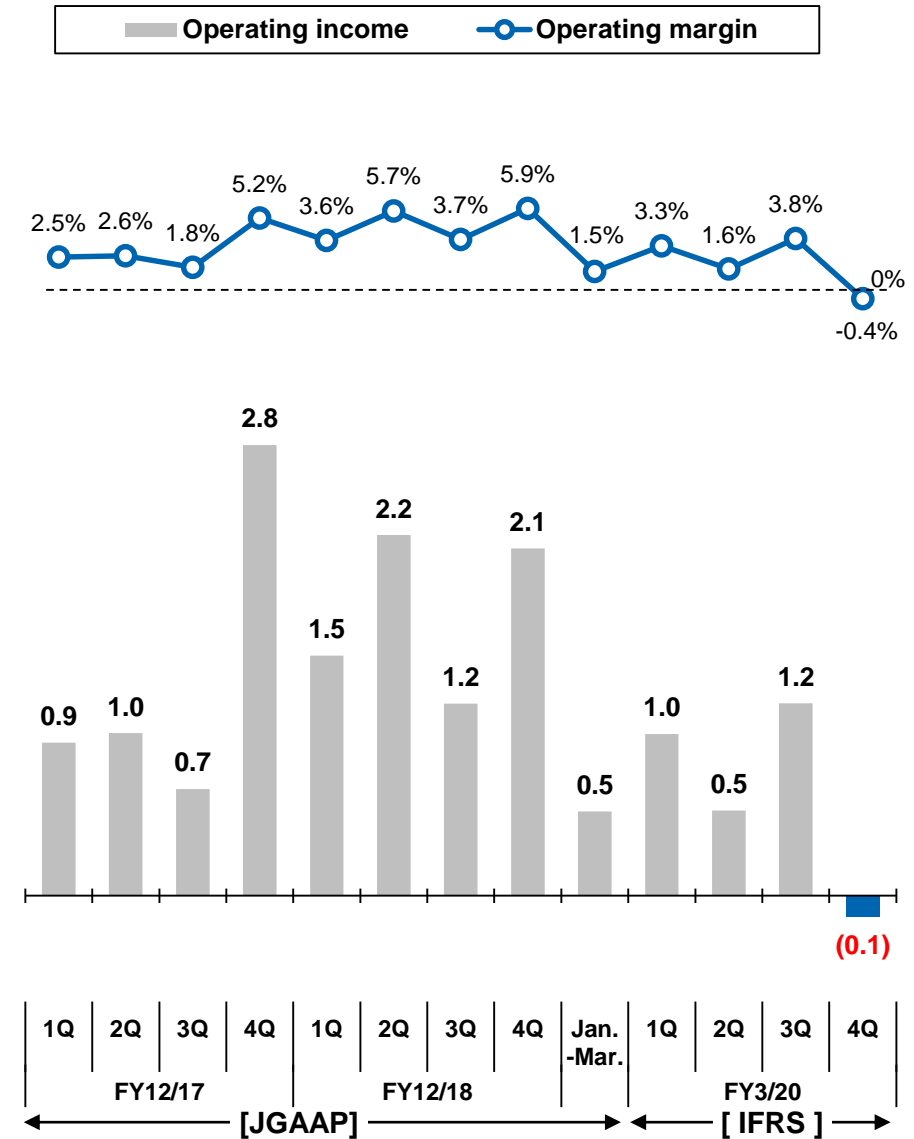
## Operating income (Billions of yen)



## Net sales (Billions of yen)



## Operating income (Billions of yen)





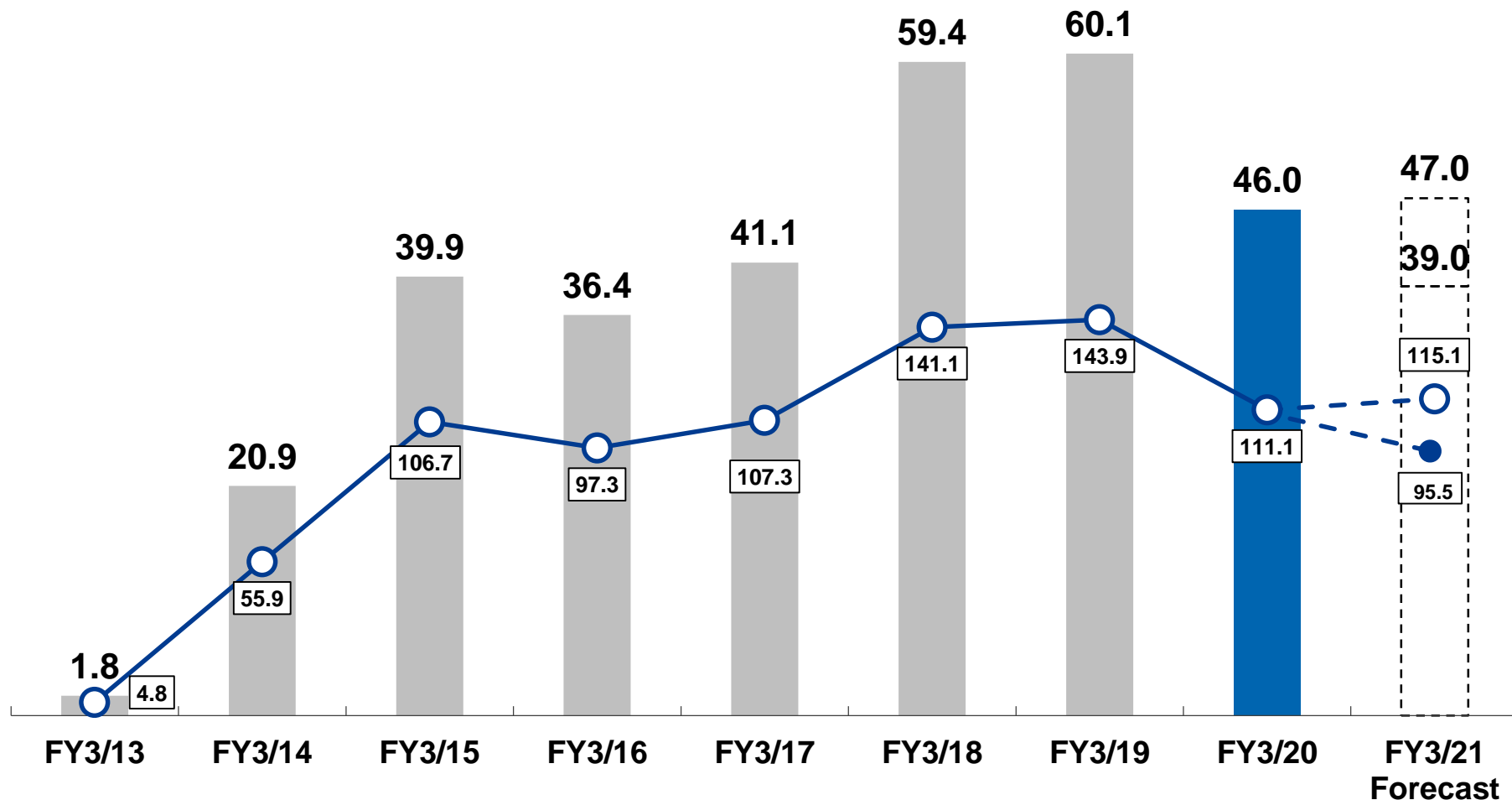
# Profit attributable to owners of the parent / EPS

\*JGAAP until FY3/18

(Billions of yen)

Profit for the period attributable to owners of the parent

Earnings per share, basic (yen)



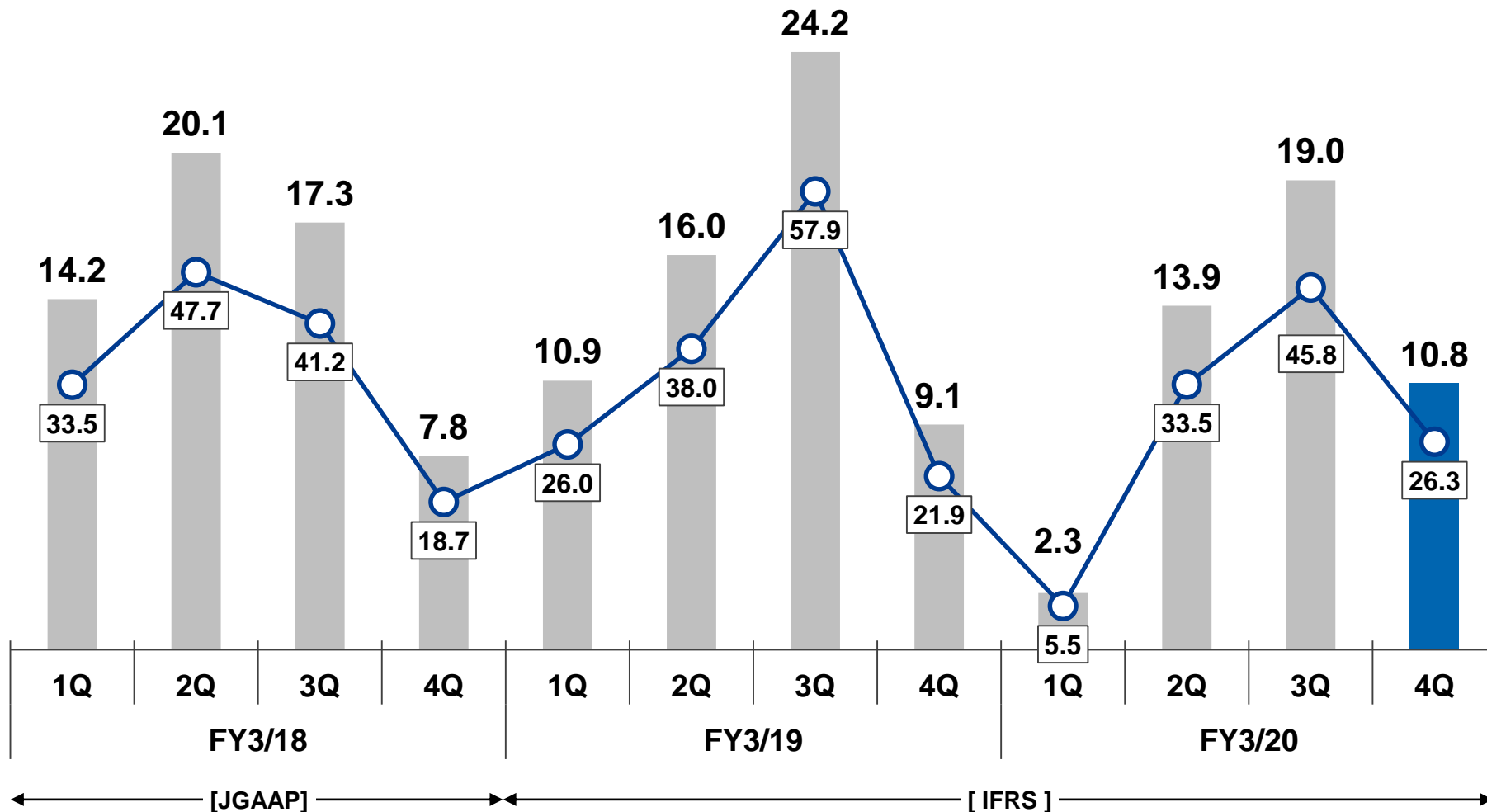
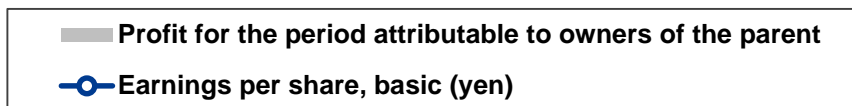
[JGAAP]

[IFRS]

# Profit attributable to owners of the parent / EPS

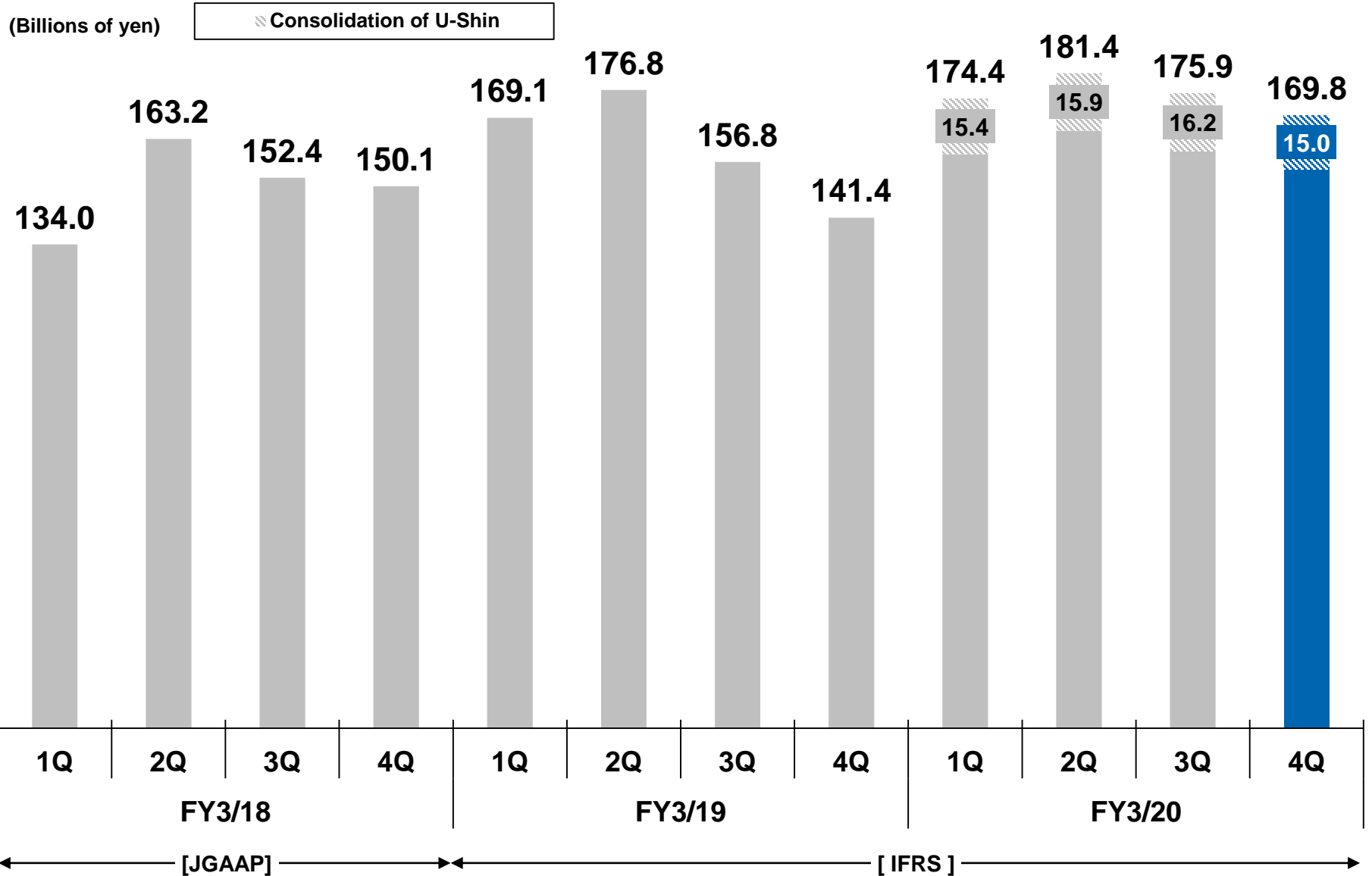
\*JGAAP for FY3/18

(Billions of yen)



# Inventory

\*JGAAP for FY3/18

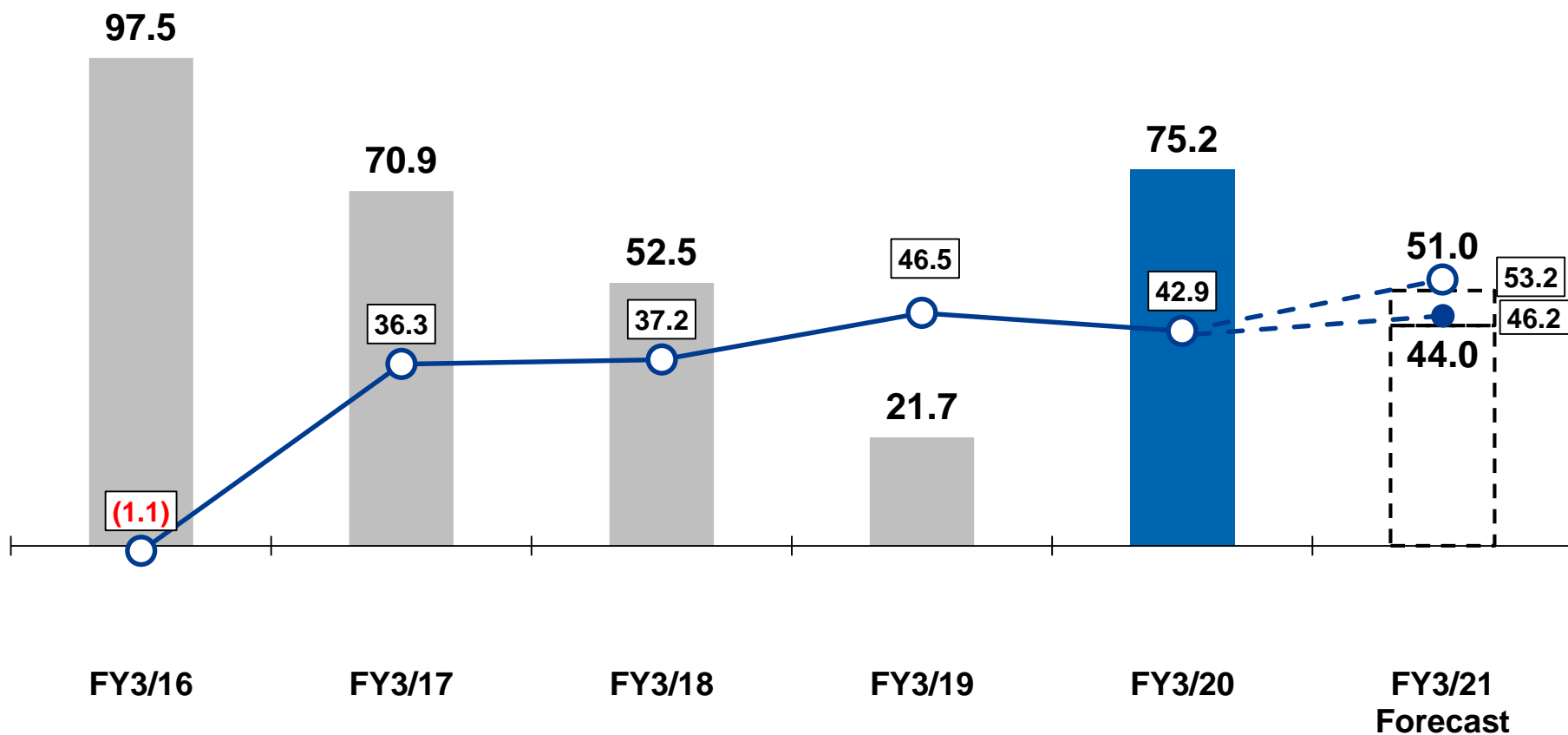


# Net interest-bearing debt / Free cash flow

\*JGAAP until FY3/18



(Billions of yen)



\*Net interest-bearing debts : "Bonds and borrowings" - ("Cash and cash equivalents" + Time deposit more than 3 months)

[JGAAP]

[IFRS]

**We assumed a different scenario for each business,  
at the beginning of the fiscal year**

(Millions of yen)	FY3/20	FY3/21			
		Upper End		Lower End	
		Full Year	YoY	Full Year	YoY
Net sales	978,445	1,000,000	+2.2%	900,000	-8.0%
Operating income	58,647	60,000	+2.3%	50,000	-14.7%
Profit before taxes	58,089	59,000	+1.6%	49,000	-15.6%
Profit for the period attributable to owners of the parent	45,975	47,000	+2.2%	39,000	-15.2%
Earnings per share, basic (yen)	111.11	115.08	+3.6%	95.49	-14.1%

Foreign Exchange Rates	FY3/20 Full Year	FY3/21 Assumptions
US\$	¥109.12	¥107.00
Euro	¥121.27	¥115.00
Thai Baht	¥3.52	¥3.30
Chinese RMB	¥15.68	¥15.00

# Forecast for Business Segment

\*Based on IFRS

(Millions of yen)	FY3/20	FY3/21			
		Upper End		Lower End	
	Full Year	Full Year	YoY	Full Year	YoY
<b>Net sales</b>	<b>978,445</b>	<b>1,000,000</b>	<b>+2.2%</b>	<b>900,000</b>	<b>-8.0%</b>
<b>Machined components</b>	<b>180,885</b>	<b>170,000</b>	<b>-6.0%</b>	<b>160,000</b>	<b>-11.5%</b>
<b>Electronic devices and components</b>	<b>379,422</b>	<b>356,000</b>	<b>-6.2%</b>	<b>324,000</b>	<b>-14.6%</b>
<b>Mitsumi business</b>	<b>292,243</b>	<b>373,000</b>	<b>+27.6%</b>	<b>335,000</b>	<b>+14.6%</b>
<b>U-Shin business</b>	<b>125,145</b>	<b>100,000</b>	<b>-20.1%</b>	<b>80,000</b>	<b>-36.1%</b>
<b>Other</b>	<b>750</b>	<b>1,000</b>	<b>+33.3%</b>	<b>1,000</b>	<b>+33.3%</b>
<b>Operating income</b>	<b>58,647</b>	<b>60,000</b>	<b>+2.3%</b>	<b>50,000</b>	<b>-14.7%</b>
<b>Machined components</b>	<b>39,874</b>	<b>37,000</b>	<b>-7.2%</b>	<b>33,000</b>	<b>-17.2%</b>
<b>Electronic devices and components</b>	<b>17,552</b>	<b>16,000</b>	<b>-8.8%</b>	<b>14,000</b>	<b>-20.2%</b>
<b>Mitsumi business</b>	<b>18,656</b>	<b>24,000</b>	<b>+28.6%</b>	<b>22,000</b>	<b>+17.9%</b>
<b>U-Shin business</b>	<b>2,598</b>	<b>1,000</b>	<b>-61.5%</b>	<b>△ 1,000</b>	<b>-</b>
<b>Other</b>	<b>△ 1,502</b>	<b>△ 2,500</b>	<b>+66.4%</b>	<b>△ 2,500</b>	<b>+66.4%</b>
<b>Adjustment</b>	<b>△ 18,531</b>	<b>△ 15,500</b>	<b>-16.4%</b>	<b>△ 15,500</b>	<b>-16.4%</b>

# Management Policy & Business Strategy

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May 8, 2020

Yoshihisa Kainuma

Representative Director, CEO & COO



- Overall: Reaffirmed our ability to diversify risk with an effective product mix and global production sites that create the kind of synergy needed to boost our bottom line despite a significant slowdown due to the US-China trade war in H1 and the novel coronavirus in Q4. Also, Southeast Asian currencies were strong and they pushed down profits to some extent.
- Machined components: External ball bearing shipment volume hit 200 million plus units in March despite the global coronavirus pandemic in mid-March and onward. Demand for ball bearings for data centers clearly picked up and new demand for various medical equipment also increased. We will be keeping a wary eye on the automobile and commercial aircraft markets.
- Electronic devices and components/Mitsumi: Smartphones and games kept revenues up.
- U-Shin: The business was hit hard by restrictions imposed on operations mainly in Europe due to the novel coronavirus pandemic as well as the slump in the automobile market.
- M&A: Announced M&As of 2 companies including ABLIC. Started PMI with an eye to creating synergy.
- Shareholder return: Dividend ratio was 25%. Total return ratio reached 58% including the share buyback. We are determined to maintain a sustainable and stable dividend and will make early payments.



## Projections with range assuming strength and weakness of economy

### Key Points

- Supply chains will return to normal after the coronavirus passes, but the outlook may depend on the controlling form of infectious disease.
- Automobile/commercial aircraft industries will be hit by the market slowdown.
- As an industry staple, ball bearings are always in demand across the board, but we assume that the production volume for H1 of FY3/21 will decrease 10%+ year on year.
- Markets for Indoor items such as smartphone and game expected to broadly recover.
- New consolidation of ABLIC will contribute to the bottom line.

(Millions of yen)	FY3/20	FY3/21 Plan			
		Upper End	YoY	Lower End	YoY
Net sales	978,445	<b>1,000,000</b>	+2.2%	<b>900,000</b>	-8.0%
Operating income	58,647	<b>60,000</b>	+2.3%	<b>50,000</b>	-14.7%
Profit for the period attributable to owners of the parent	45,975	<b>47,000</b>	+2.2%	<b>39,000</b>	-15.2%
Earnings per share, basic (yen)	111.11	<b>115.08</b>	+3.6%	<b>95.49</b>	-14.1%

Operating income excluding all special factors

**¥81 bn**



**Stresses applied**

**Machined Components**

**LED Backlights**

**U-Shin Business**

**Others**

**- ¥25bn**



**Highly possible factors  
for profit increase**

**Game**

**Analog Semiconductors**

**OIS**

**+ ¥4bn plus**

**Further set downside risk in the range of ¥10bn**

**(The forecast for operating income was announced at ¥10bn – ¥14bn following the financial crisis in 2008: “the Lehman crisis”)**

# OP Rank within Electronic Component Sector

## Transition of MinebeaMitsumi OP rank within Electronic components sector

No	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20
1											
2											
3											
4											
5											
6											
7											MinebeaMitsumi
8									MinebeaMitsumi	MinebeaMitsumi	
9						Minebea		MinebeaMitsumi			
10					Minebea		Minebea				
11											
12		Minebea									
13	Minebea										
14				Minebea							
15											
16			Minebea								

(MinebeaMitsumi research)

## Impact on performance in FY3/20

- Impact on net sales: **Approx. ¥30.0bn**
- Impact on operating income: **¥9.0bn**

(¥2.6bn from operational losses/control measure expenses, ¥6.4bn due to declined sales)

## Impact on Production in FY3/21 (as of early May)

(figures in parentheses are the production ratios in FY3/20)

### Europe (8%)

- Medical/aircraft: At reduced utilization.
- Automobile: Operations have partially started since April. Full utilization in late May.  
(France, Italy, Germany, Spain, Slovakia, Hungary, Russia, etc.)

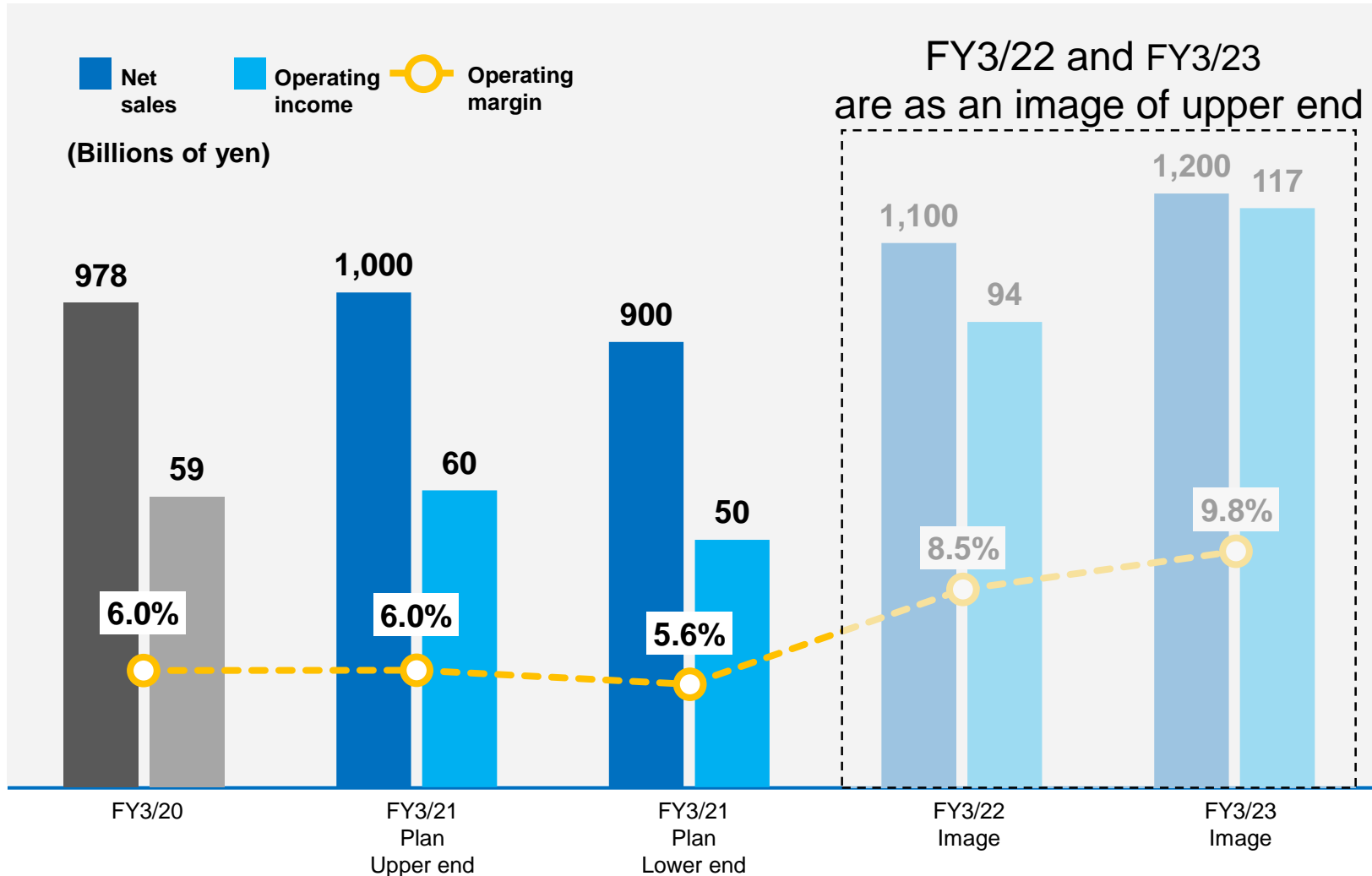
### North America (5%)

- In operation as usual.

### Asia (74%)

- China: In operation as usual since April.
- Thailand: In operation as usual.
- Cambodia: In operation as usual.
- Philippines: Continued operations at reduced utilization in Luzon but operations remained normal in Cebu.
- Malaysia: In operation as usual.

**Due to the current uncertainties  
the 3-year plan is shown as an image**



Apply stress, mainly on commercial aircraft in this FY

## Key Points

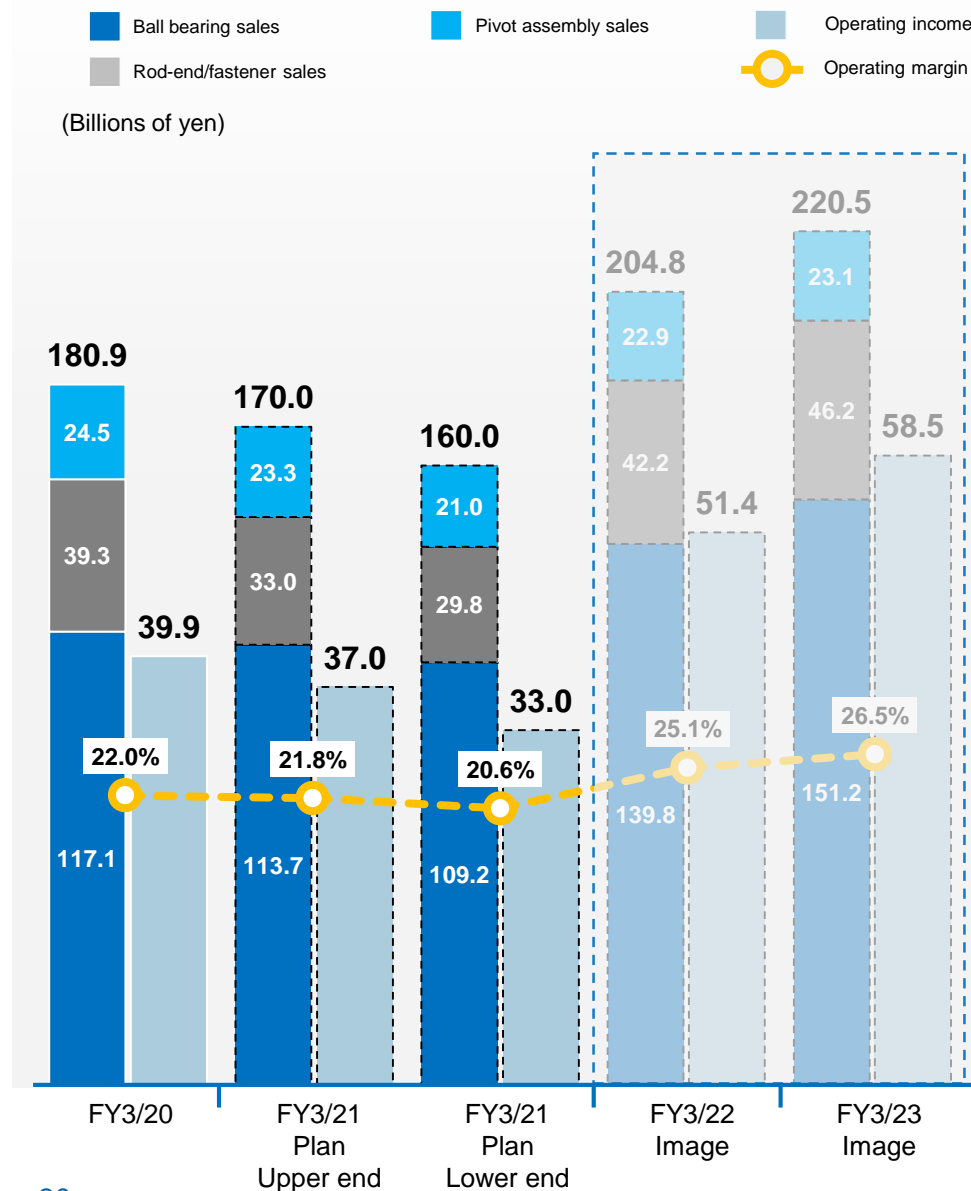
- 1 Ball bearings external sales
  - ✓ Clearly picked up for data center
  - ✓ Automobile affected by demand decline, but to recover gradually

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- 2 Ball bearings production
  - ✓ Focus on building a start-up system when demand recovers, as well as reducing fixed costs

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- 3 Rod-ends & fasteners
  - ✓ Production adjustment is expected for commercial aircraft



# Electronic Devices and Components Targets

We expect various products will more than cover the decrease in LED backlight

## Key Points

- 1 Motors for automobiles  
✓ **Structural demand growth due to “CASE”**

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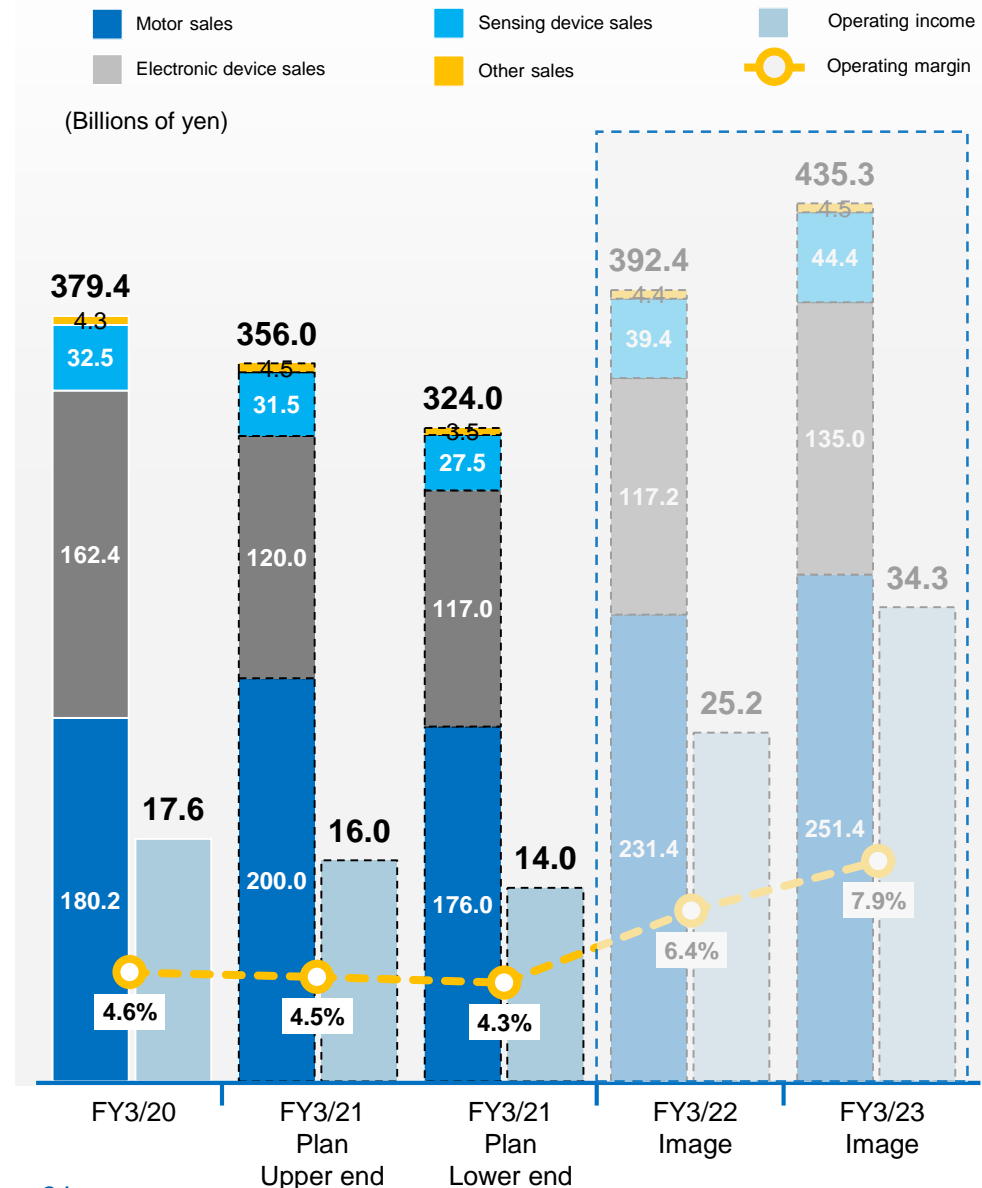
- 2 Stealth products  
✓ **Mostly suspended due to the novel coronavirus pandemic**

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- 3 Game related products (motors etc. )  
✓ **No particular problems with launching new products at this time**

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- 4 LED backlights  
✓ **Fixed costs are reduced**  
✓ **Customer notices are firmer tone**



Finally a new core business is created with **INTEGRATION with ABLIC**

## Key Points

- 1** Optical devices

  - ✓ Increase added value through innovation
  - ✓ Freeze New factory in Philippines for now

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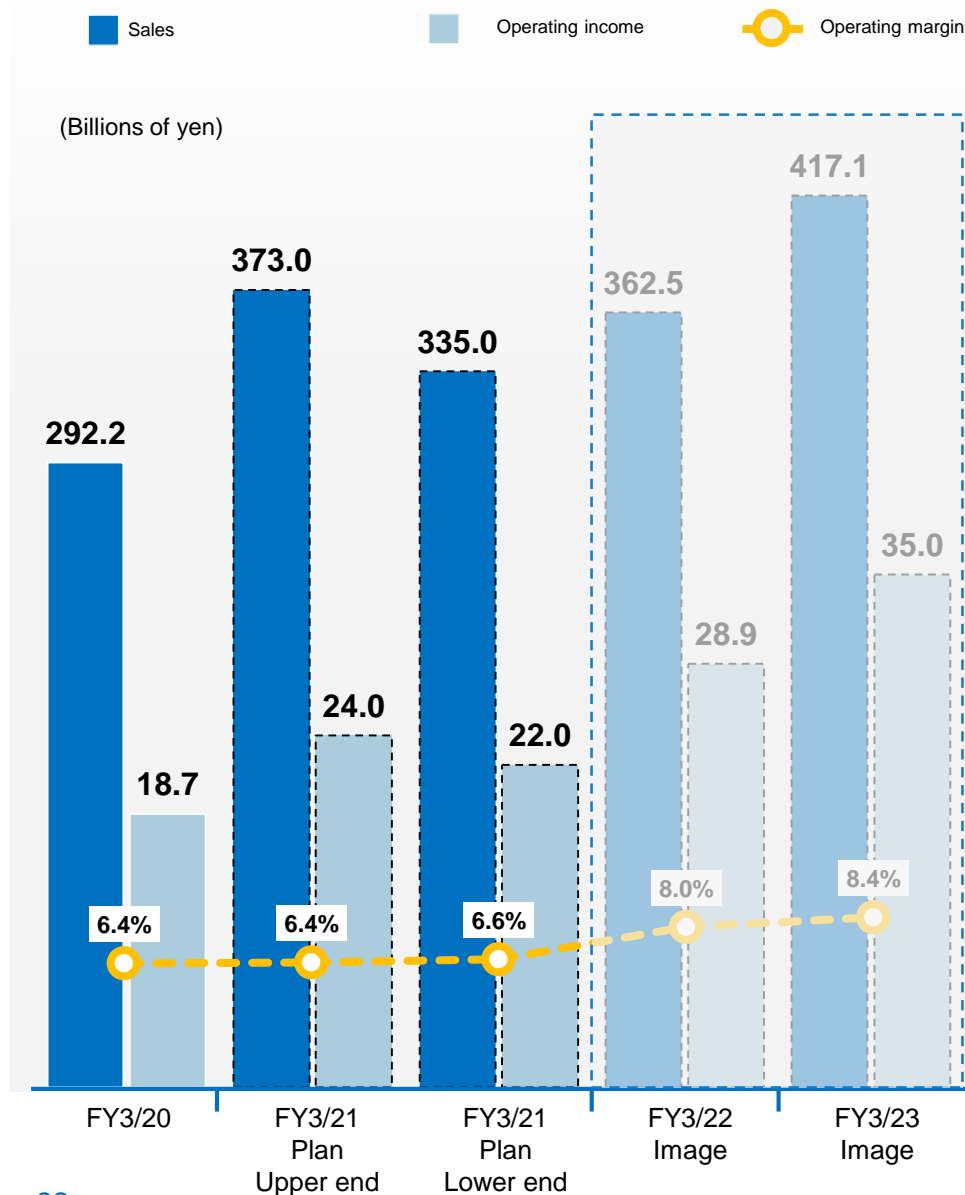
- 2** Mechanical components

  - ✓ Flexible response to strong customer demand
  - ✓ Prepare to new OEM businesses in the future

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- 3** Analog semiconductors

  - ✓ Pillar established as a “core business”
  - ✓ Strong growth based on both synergies with ABLIC and organic growth



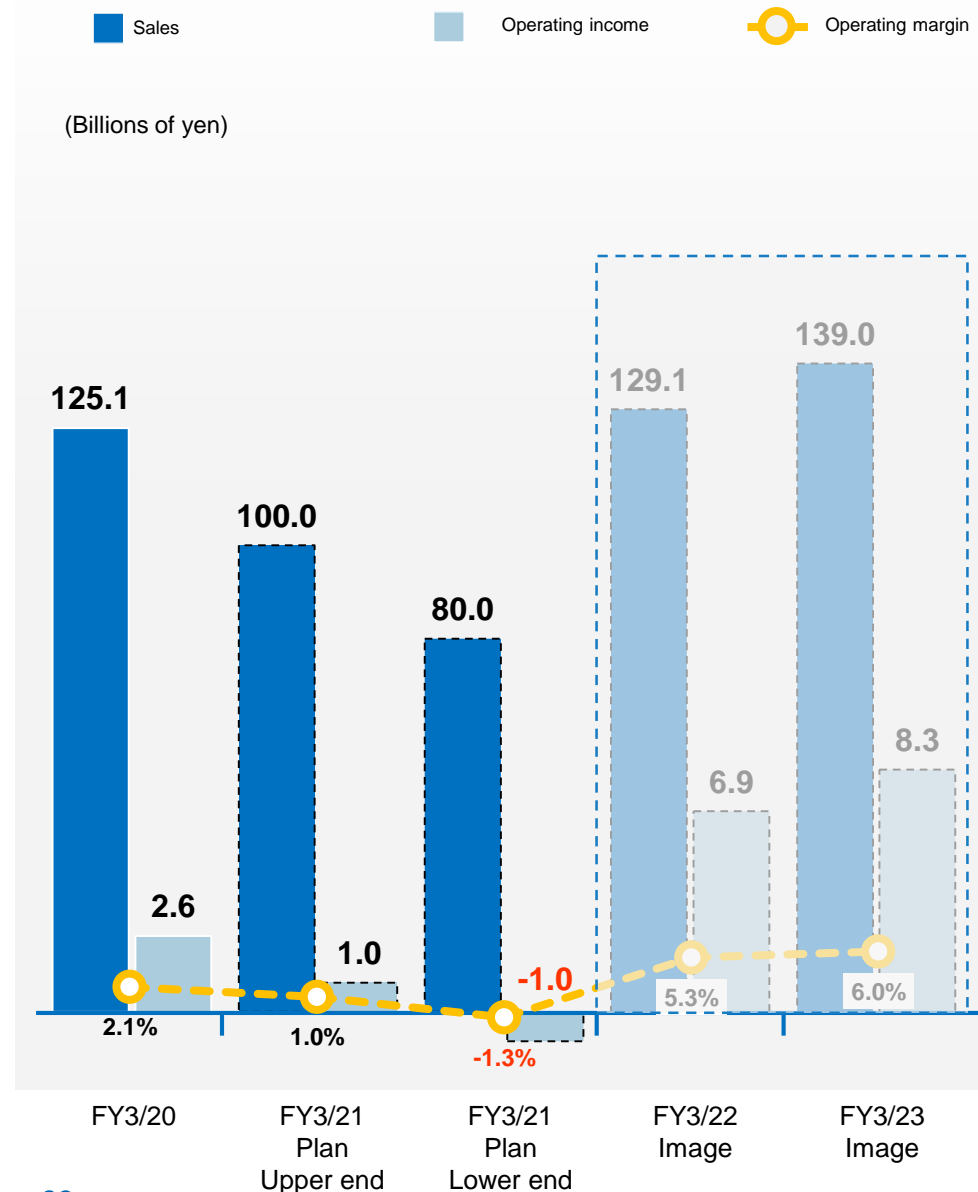


**Market decline impact is unavoidable.  
Focus on cost control**

## Key Points

- 1 Automotive
  - ✓ Sales in H1 are expected to be halved, and flat in H2 year-on-year
  - ✓ In Europe, production will recover from lockdowns in each country, but keep eyes on demand trends
  - ✓ Focus on measures to improve production and reduce fixed costs

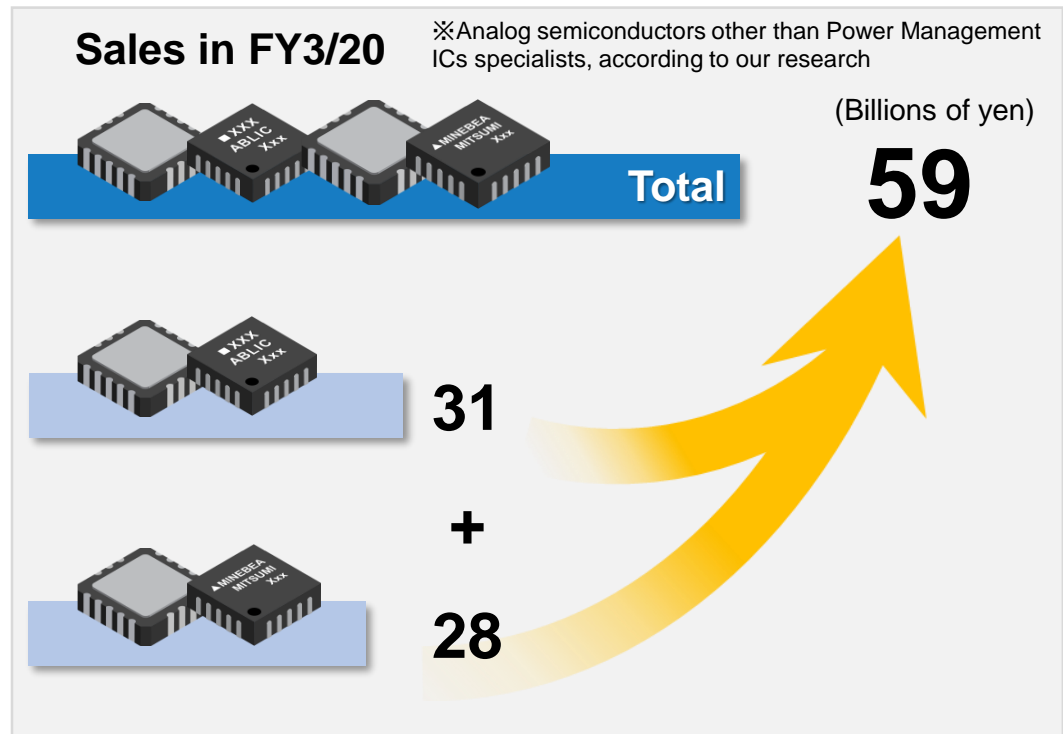
- 2 Home Security Units
  - ✓ New products will be launched



## Completion of Acquisition of ABLIC Inc. on April 30, 2020

### Realized upgrade in the analog semiconductor market in Japan

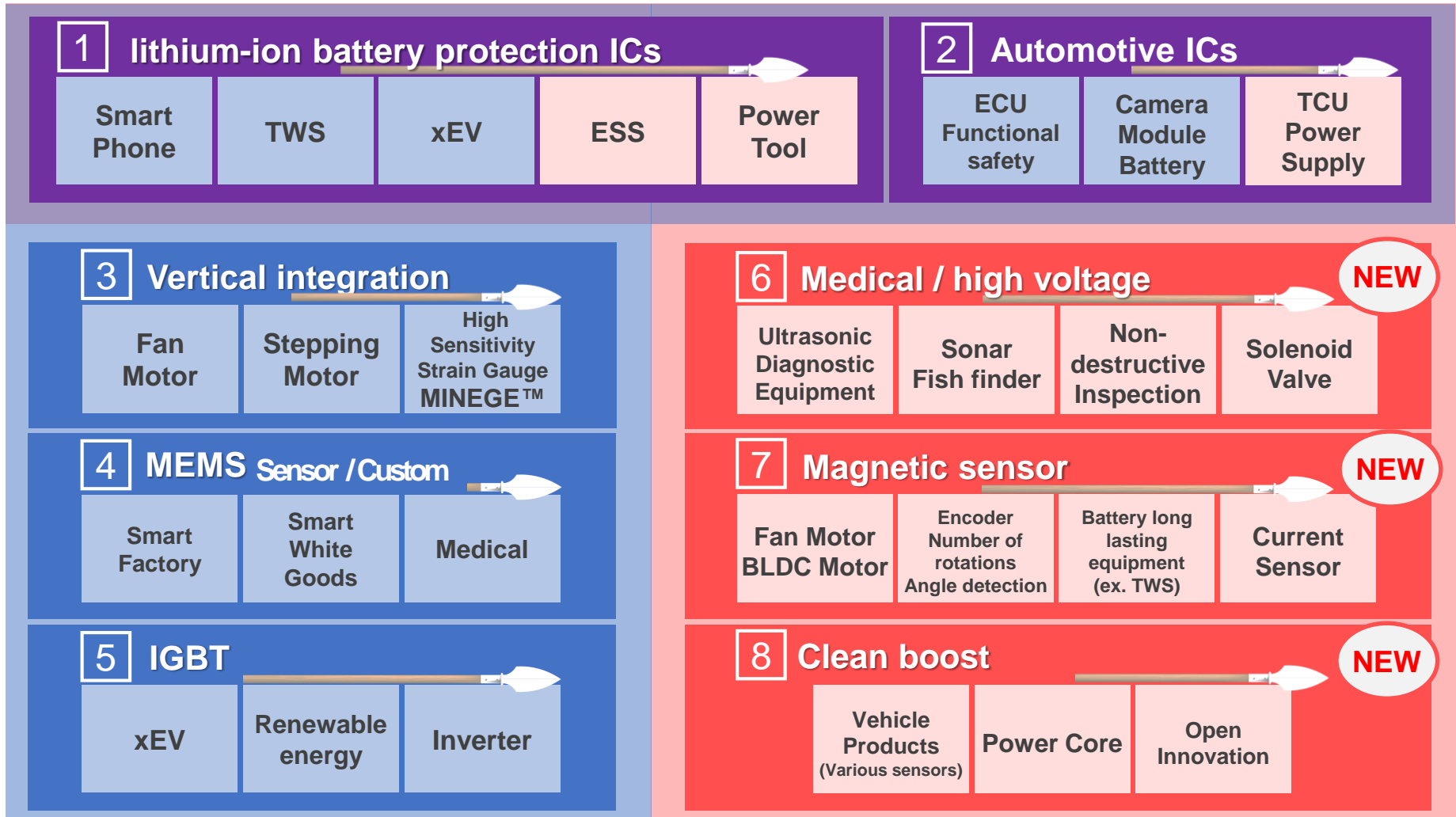
1	Company A
2	Company B
3	MinebeaMitsumi + ABLIC
4	Company C
5	Company D
6	ABLIC
7	Company E
8	Company F
9	MinebeaMitsumi SC
10	Company G



Through the integration of ABLIC, further enhance the quality of INTEGRATION activities and deepen and expand the range of activities

**Aim for annual sales of ¥100bn as the immediate goal**

## Add ABLIC's 3 spears to Mitsumi Semiconductor's 5 spears (focused development field)



Analog semiconductors can demonstrate the strength of Japan

## Great opportunity to target the world!

### Attractive market

IoT 5G ADAS AI Medical expansion

Analog is a must-have product

Cannot copy

High added value can be pursued

### Use Japanese Core Power

On-site strength, craftsmanship

Management ability, Team spirit

Design and manufacturing technology  
is a block of know-how

Precision, care, diligence

INTEGRATION activities between  
analog semiconductor new 8 spears  
and each business

Analog semiconductor is now 4th!  
Strengthen MinebeaMitsumi's  
Eight Spear products

Aim for the **strongest** analog semiconductor company in Japan!

**Sweep the niche market** with attractive analog products with high added value!

# Ranking Changed in Eight Spears Strategy

The foundation of growth for analog semiconductors is complete  
Ranking rose from 8<sup>th</sup> to 4<sup>th</sup> in the Eight spears

	Bearings	Motors	Access products	Analog semiconductors	Sensors	Connectors/switches	Power supply components	Wireless/communications/software
Bearings		●	●		●			
Motors	●		●	●	●	●	●	●
Access products	●	●		●	●	●	●	●
Analog semiconductors		●	●		●		●	●
Sensors	●	●	●	●			●	●
Connectors/switches		●	●				●	●
Power supply components		●	●	●	●	●		●
Wireless/communications/software		●	●	●	●	●	●	

## Established a early operation restart system

In China, we rapidly got licenses to start operations at all sites.

The quarantine control system at each factory was highly evaluated by the local government, and it was also introduced as "model factory" on various media and government-related websites.

- ✓ Our Shanghai Plant's infection control measures received high marks and got a lot of media coverage as a leading company in the Qingpu District.  
→ Xinmin Evening News, Oriental Daily News, Shanghai's SMG Radio News, etc.
- ✓ High-level government officials including Zhuhai City CPC Secretary visited Zhuhai Mitsumi Electric.  
→ It was selected as a model factory and received TV coverage.

[Link to video of Zhuhai TV \(In Chinese, external website\)](#)

## For external stakeholders

Donated 220,000 N95 masks and other medical supplies such as goggles, faceguards, clean suits, hoods, nitrile gloves, gauze, etc. to 150 organizations.



Donation of N95 masks to German medical institutions



Certificate of Appreciation (Cambodian Prime Minister's Office)

## For internal stakeholders

Started producing masks and through hygiene education etc. to fulfill our supply responsibility with preventing external infection damage and ensuring employee safety.



Masks for external sales from June



In-house hygiene education

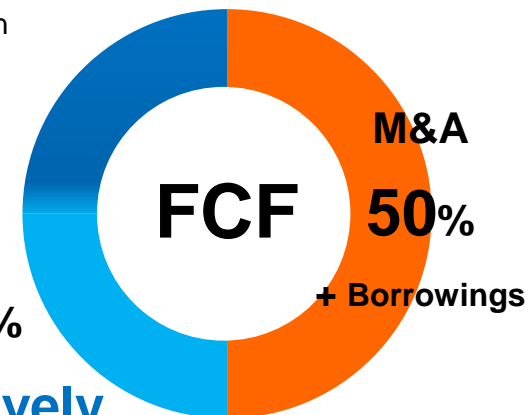
**While sticking to the same policy, take proactive measures to prepare for worst case scenarios**

## 1 No change in medium-to-long-term cash allocation policy

- ✓ M&A: **50%** of FCF + **borrowings**
- ✓ Dividends and share buyback: **50%** of FCF

(dependent on stock price)

Share buyback  
+  
Dividend  
**50%**



## 2 Already took short-term measures proactively

- ✓ Reduced capital expenditures
- ✓ Long-term financing of ¥100bn with 10 years/at a fixed interest rate

**Current cash position can fully support current operations**

**FY3/20**

Year-end **14** yen/share    Annual **28** yen/share

**We will make early payments**

**FY3/21  
Plan**

We determine the annual dividend with a target consolidated payout ratio of around 20% in principle. Also, we will maintain a sustainable and stable dividend in total consideration of business environment.





Any statements in this presentation which are not historical are future projections based on certain assumptions and executive judgments drawn from currently available information.

Please note that actual performance may vary significantly from any particular projection due to various factors.

Factors affecting our actual performance include but are not limited to: (i) changes in economic conditions or demand trends related to MinebeaMitsumi's business operations; (ii) fluctuation of foreign exchange rates or interest rates; and (iii) our ability to continue R&D, manufacturing and marketing in a timely manner in the electronics business sector, where technological innovations are rapid and new products are launched continuously.

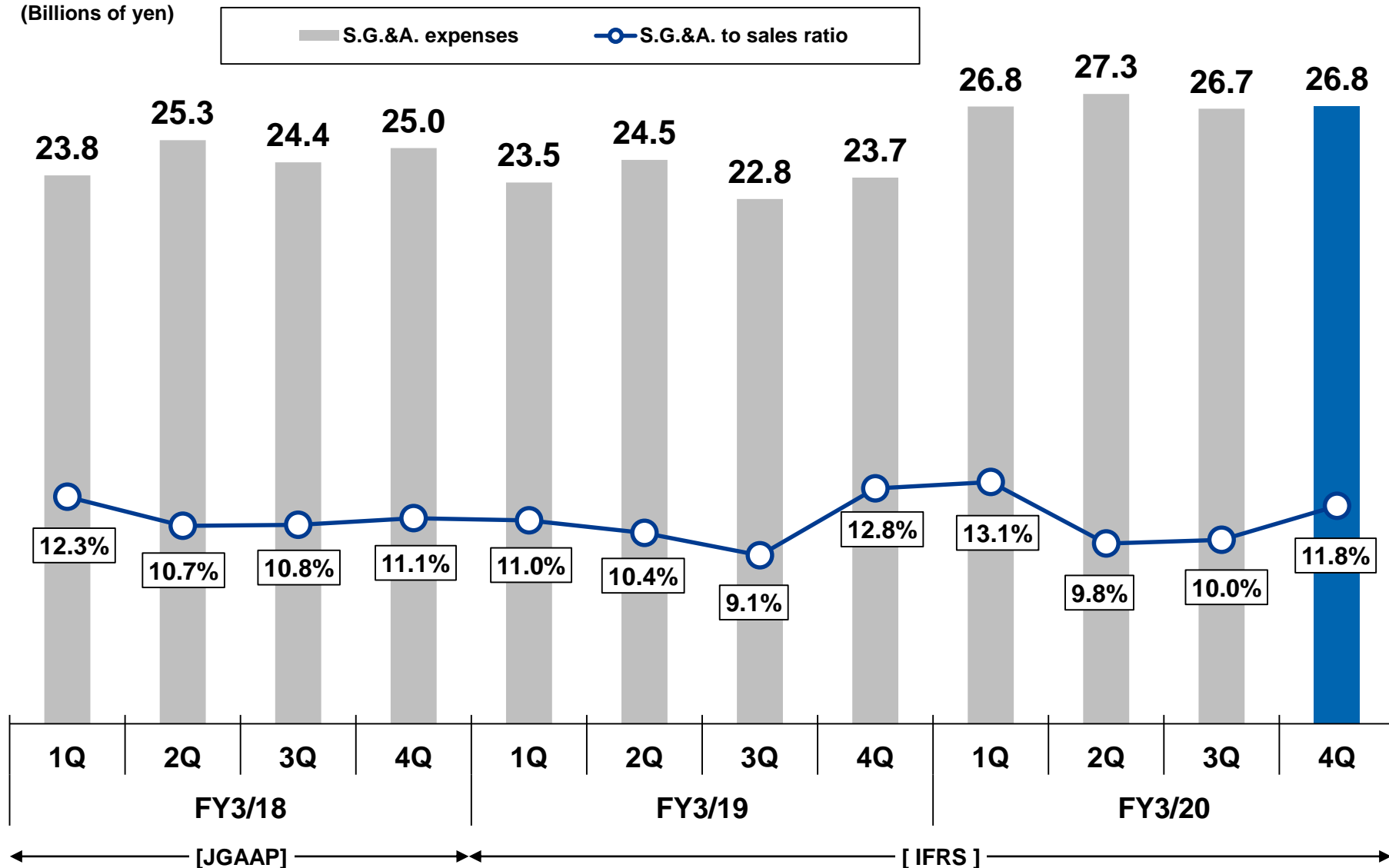
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# Reference

# S.G.&A. expense/ratio

\*JGAAP for FY3/18

(Billions of yen)

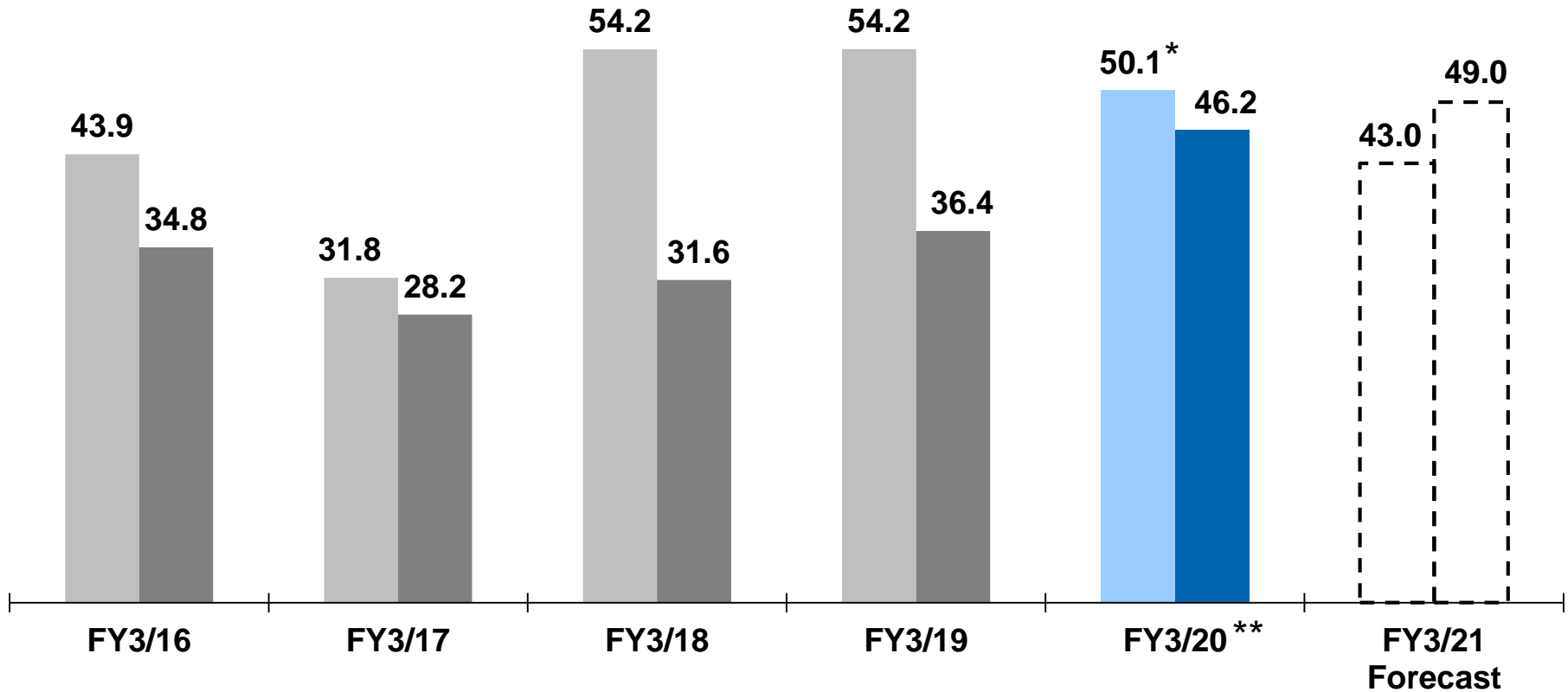


# Capital Expenditure / D&A Expense

\*JGAAP until FY3/18

(Billions of yen)

■ Capital expenditure ■ Depreciation & Amortization expenses



\* Capital expenditures do not include the increase of asset from lease contracts at the IFRS16 application start date

\*\* FY3/20 includes 4.6bn of CAPEX and 4.6bn of D&A expenses for U-Shin

[JGAAP]

[IFRS]

# ROIC (Return On Invested Capital)

ROIC for U-Shin business are pre-merger result and based on CY / JGAAP, and are not included in the Total. JGAAP until FY3/18

$$\text{MinebeaMitsumi ROIC} = \frac{\text{NOPAT (Operating income + extraordinary profit/loss) x (1-tax rate)}}{\text{Invested capital (Notes receivable/accounts receivable + inventories + non-current assets - notes payable/accounts payable)}}$$

Calculated using business assets (trade receivable/payable, inventories, non-current assets) by segment

