

# Business Results

First Quarter of Fiscal Year  
Ending March 31, 2020

**MinebeaMitsumi Inc.**

August 2, 2019

My name is Yoshida.

Today I would first like to explain the consolidated financial results for the first quarter of the fiscal year ending March 31, 2020, and then Mr. Kainuma, Representative Director, CEO & COO, will explain the highlight including business updates.

## Continuing slowdown in 1Q due to the US and China trade issue

(Millions of yen)	FY3/19		FY3/20	Change	
	1Q	4Q	1Q	YoY	QoQ
Net sales	213,038	185,785	204,425	-4.0%	+10.0%
Operating income	14,291	6,994	3,663	-74.4%	-47.6%
Profit before taxes	14,170	6,712	3,680	-74.0%	-45.2%
Profit for the period attributable to owners of the parent	10,886	9,109	2,297	-78.9%	-74.8%
Earnings per share, basic (yen)	25.95	21.94	5.53	-78.7%	-74.8%

Foreign Exchange Rates	FY3/19 1Q	FY3/19 4Q	FY3/20 1Q
US\$	¥108.10	¥110.28	¥110.73
Euro	¥129.88	¥126.08	¥123.56
Thai Baht	¥3.42	¥3.47	¥3.47
Chinese RMB	¥17.02	¥16.33	¥16.28

Includes one-time extraordinary impact

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Consolidated net sales for the first quarter of the fiscal year ending March 31, 2020, totaled 204,425 million yen, decreased 4.0% year on year but increased 10.0% quarter on quarter.

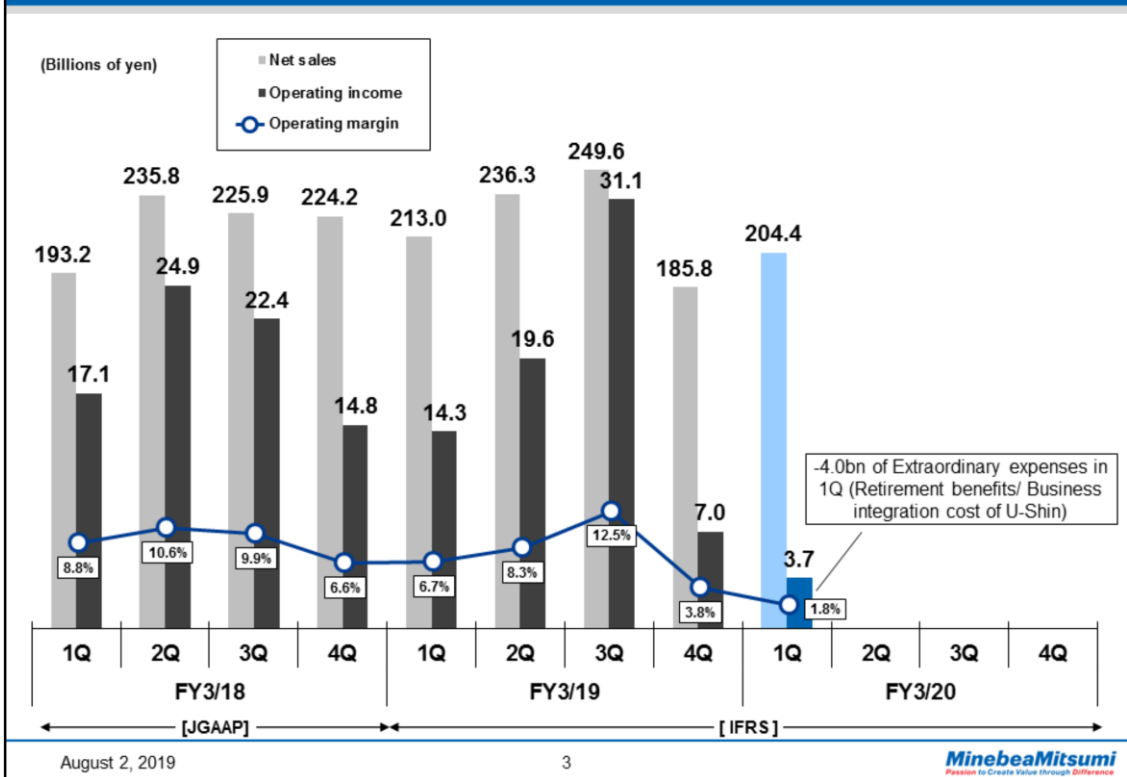
Operating income was down 74.4% year on year and 47.6% quarter on quarter to total 3,663 million yen. Profit for the period attributable to owners of the parent decreased 78.9% year on year and 74.8% quarter on quarter to total 2,297 million yen.

Currency fluctuations brought net sales down an estimated 0.1 billion yen quarter on quarter and up 1.0 billion yen year on year. It also brought operating income up 0.1 billion yen quarter on quarter and 0.6 billion yen year on year.

Also, on April 10 we acquired a 76.2% controlling interest in U-Shin Ltd., making it our subsidiary. Since we included U-Shin in the scope of consolidation as of that day, we added the U-Shin business to our reporting segments.

# Net Sales, Operating Income/margin

\*JGAAP for FY3/18



This is the quarterly trend in net sales, operating income and operating margin.

The bar graph on the left is net sales, and the one on the right is operating income along with a line chart for the operating margin.

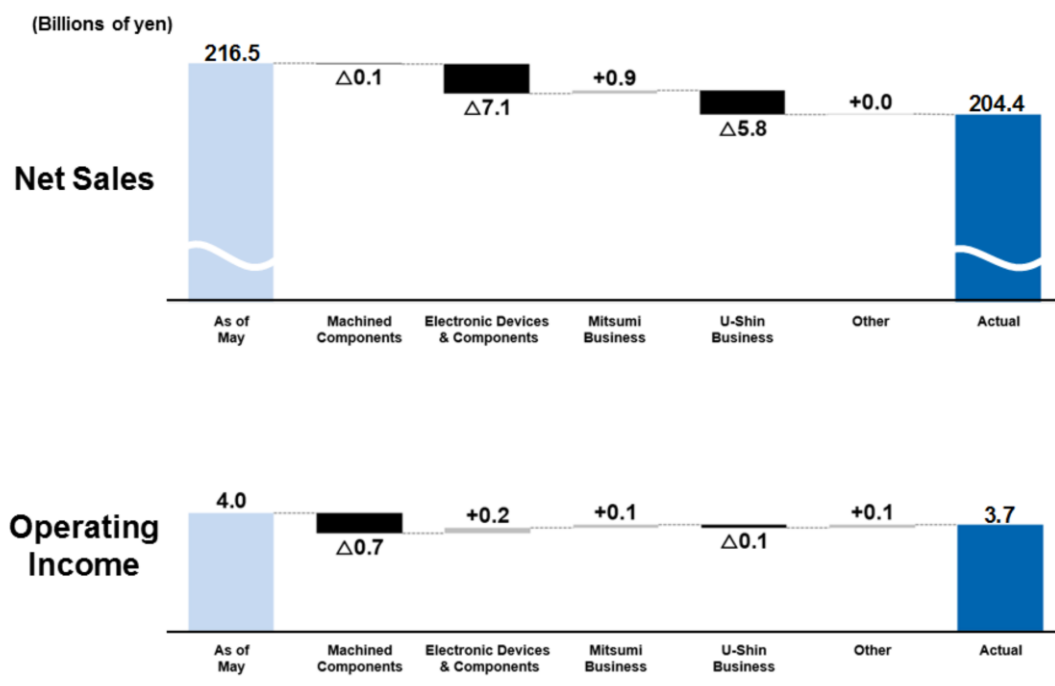
The operating margin for the first quarter was down 4.9 percentage point year on year and 2.0 percentage point quarter on quarter to reach 1.8%.

However, expenses related to retirement benefits and business integration cost of U-Shin totaling approximately 4.0 billion yen are accounted for as a special factor in the first quarter, otherwise the operating margin would be 3.8% if these expenses were excluded.

Also, please note that figures of the fiscal year ended March 2018 are based on JGAAP and are provided for your reference so that you can look at past figures.

The same applies hereinafter.

## 1Q Actual: Differences from the Forecast as of May



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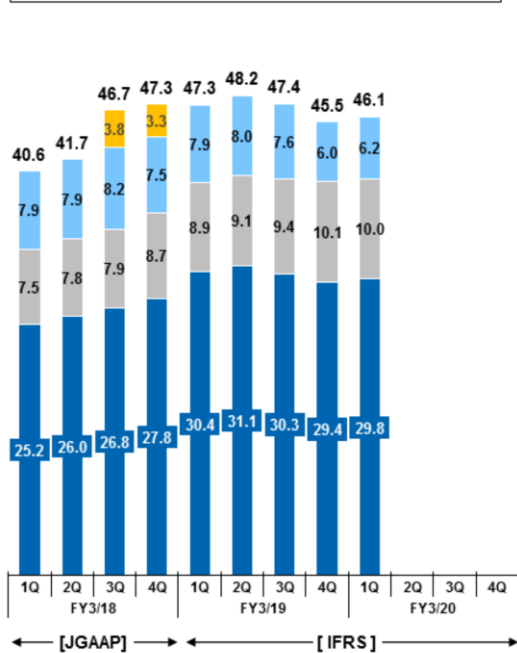
Here shows the difference between the initial forecast as of May and actual results for net sales and operating income by business segment for the first quarter.

While net sales for the machined components business segment were almost on a par with the forecast, sales for the electronic devices and components business segment, mainly electronic devices, were lower than forecasted. The Mitsumi business' sales were higher than projected mainly due to increased shipments of smartphone-related parts. The U-Shin business saw lower-than-expected sales due to a slowdown in automobile production worldwide.

While operating income for the machined components business segment was lower than projected due largely to the declined sales volume of ball bearings for fan motors, operating income for other segments was about the same as projected.

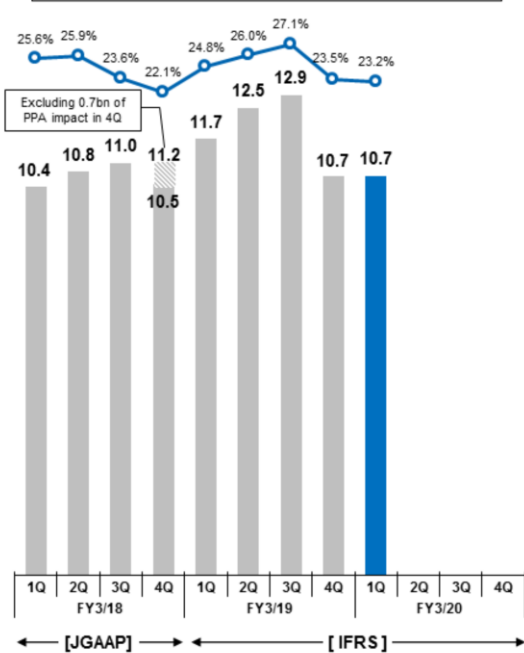
## Net sales (Billions of yen)

■ Ball bearings ■ Rod-ends/Fasteners ■ Pivot assemblies ■ Other



## Operating income (Billions of yen)

■ Operating income ● Operating margin



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Now let's take a look at the results by segment, starting with machined components business segment.

On the left is a graph indicating quarterly net sales trends and on the right is a graph with a bar chart quarterly operating income trends along with a line chart for operating margins.

Net sales for the first quarter rose 1% quarter on quarter to total 46.1 billion yen.

Ball bearing sales rose 1% quarter on quarter to total 29.8 billion yen. External shipments of ball bearings totaled 179 million units per month on average. While demand for ball bearings used in fan motors slowed down, it remained solid in the automobile market.

Sales of rod-ends and fasteners, totaling 10.0 billion yen, were down 1% over the previous quarter. Business for the aircraft industry, especially small and medium-sized aircraft, remained steady.

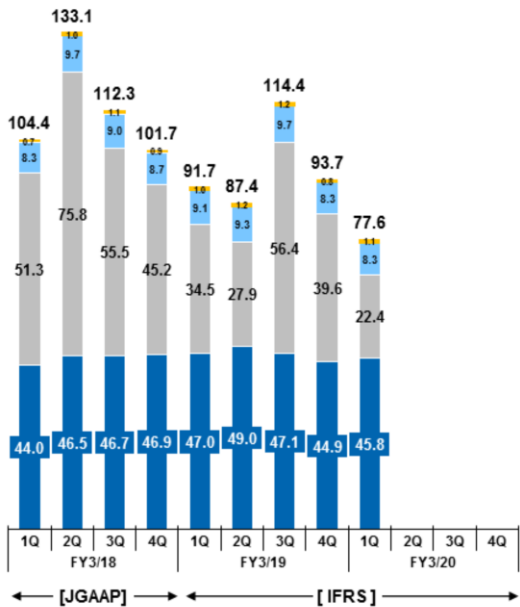
Sales of pivot assemblies increased 4% quarter on quarter to reach 6.2 billion yen. Pivot assemblies steadily contributed to our bottom line as we held on to an 80% plus market share.

Operating income for the quarter totaled 10.7 billion yen, and the operating margin was 23.2%. While this represents a 0.3-percentage point decrease in the operating margin, there was little quarter-on-quarter change in operating income.

Looking at the results by product, we see that profits for ball bearings, rod-ends/fasteners and pivot assemblies remained almost unchanged quarter on quarter.

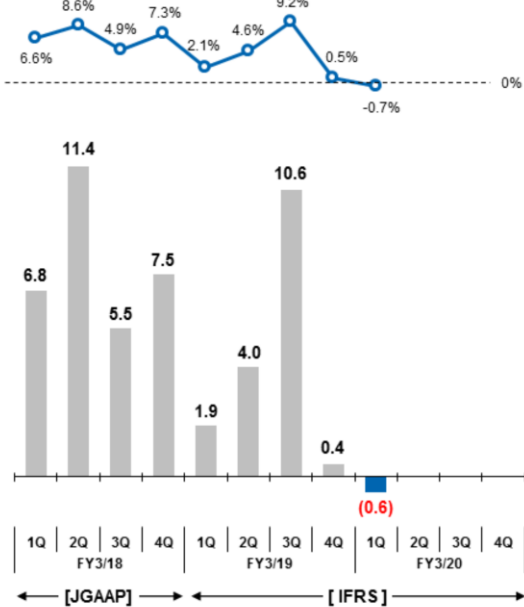
## Net sales (Billions of yen)

■ Motors ■ Electronic devices ■ Sensing devices ■ Other



## Operating income (Billions of yen)

■ Operating income ● Operating margin



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Now let's look at the electronic devices & components segment.

Net sales decreased 17% quarter on quarter to reach 77.6 billion yen.

By product, motor sales increased 2% quarter on quarter to hit 45.8 billion yen while electronic devices were down 43% quarter on quarter at 22.4 billion yen. This decline was primarily due to the seasonality of smartphone market.

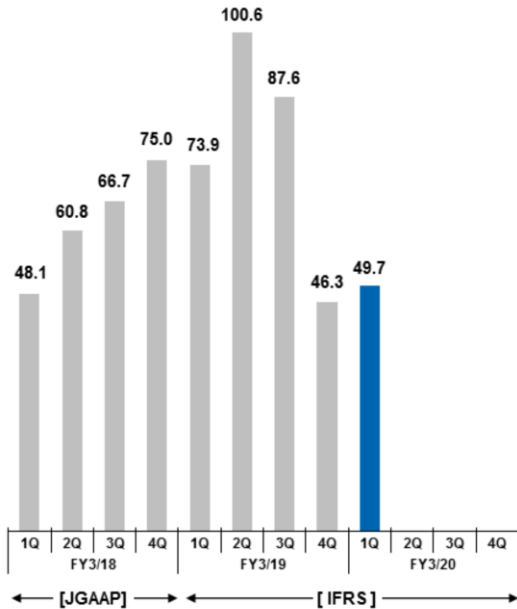
Sales of sensing devices were about the same as what they were last quarter, at 8.3 billion yen.

The segment recorded an operating loss of 0.6 billion yen.

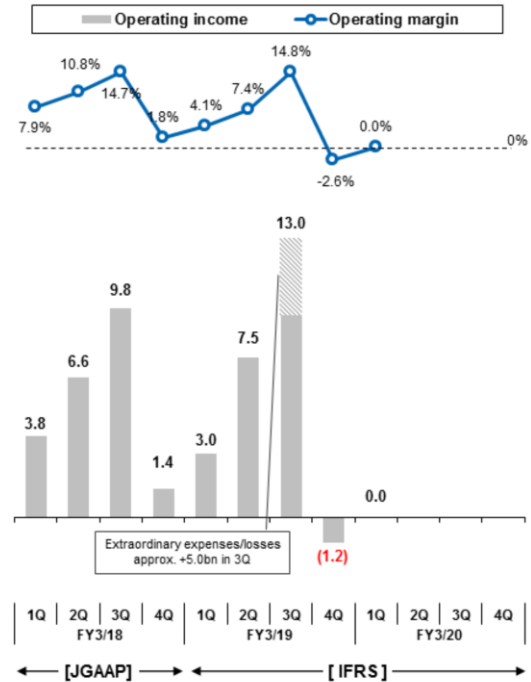
Looking at the results by product, we see that operating income for motors and sensing devices remained steady despite an operating loss incurred for electronic devices.

Since the first quarter of the fiscal year ending March 2020, the battery module products that were included under the Mitsumi business were transferred to the Electronic devices and components business. With this transfer, we have changed our business segment classification between Electronic devices and components and Mitsumi business. For your reference, figures of the fiscal year ended March 2019 and before are presented based on the classification before the change. The same applies hereinafter.

Net sales (Billions of yen)



Operating income (Billions of yen)



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Let's look at the performance for the Mitsumi business segment.

Net sales increased 7% quarter on quarter to total 49.7 billion yen.

This was a result of increases in net sales of mechanical components, camera actuators, and semiconductors despite a decrease in automotive product sales due to the transfer of the battery module products businesses.

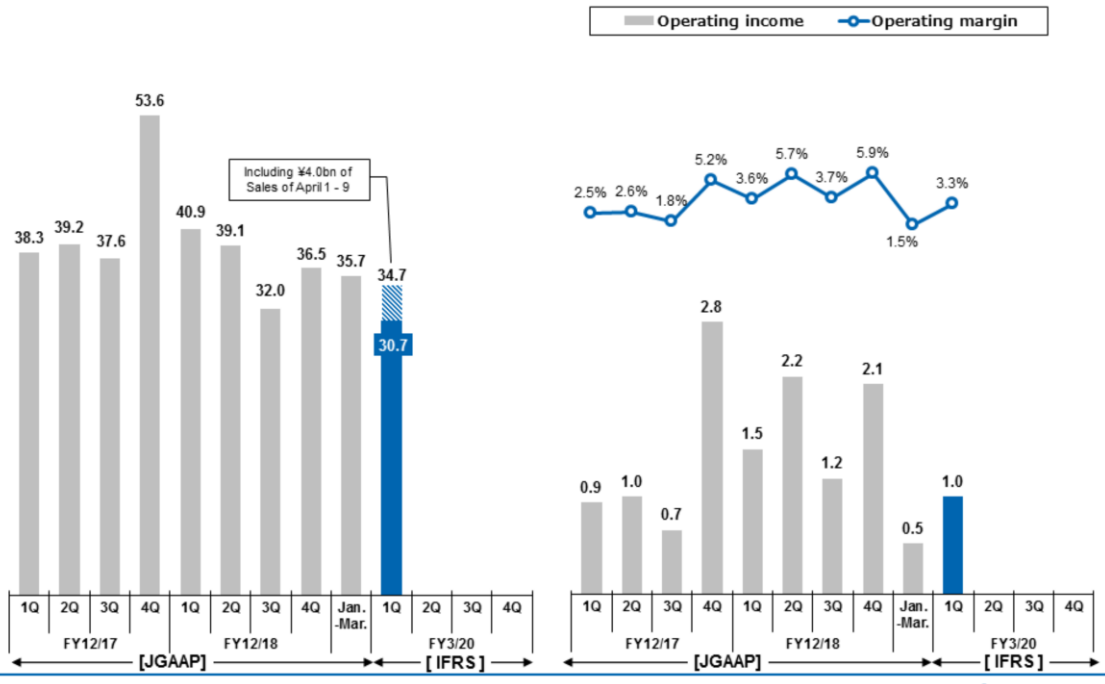
We almost broke even on operating income.

# U-Shin Business

As a result of change of the fiscal year end, 4Q of FY12/17 consists of 4 months.  
Both net sales and operating income until Mar. 2019 are pre-merger results.  
JGAAP until Mar. 2019, IFRS for FY3/20

**Net sales** (Billions of yen)

**Operating income** (Billions of yen)



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Finally, let's look at the U-Shin business segment, including its pre-merger performance.

Net sales totaled 30.7 billion yen. Operating income hit 1.0 billion yen, putting the operating margin at 3.3%. That means operating income doubled while the operating margin grew 1.8 percentage points on a quarter-on-quarter basis.

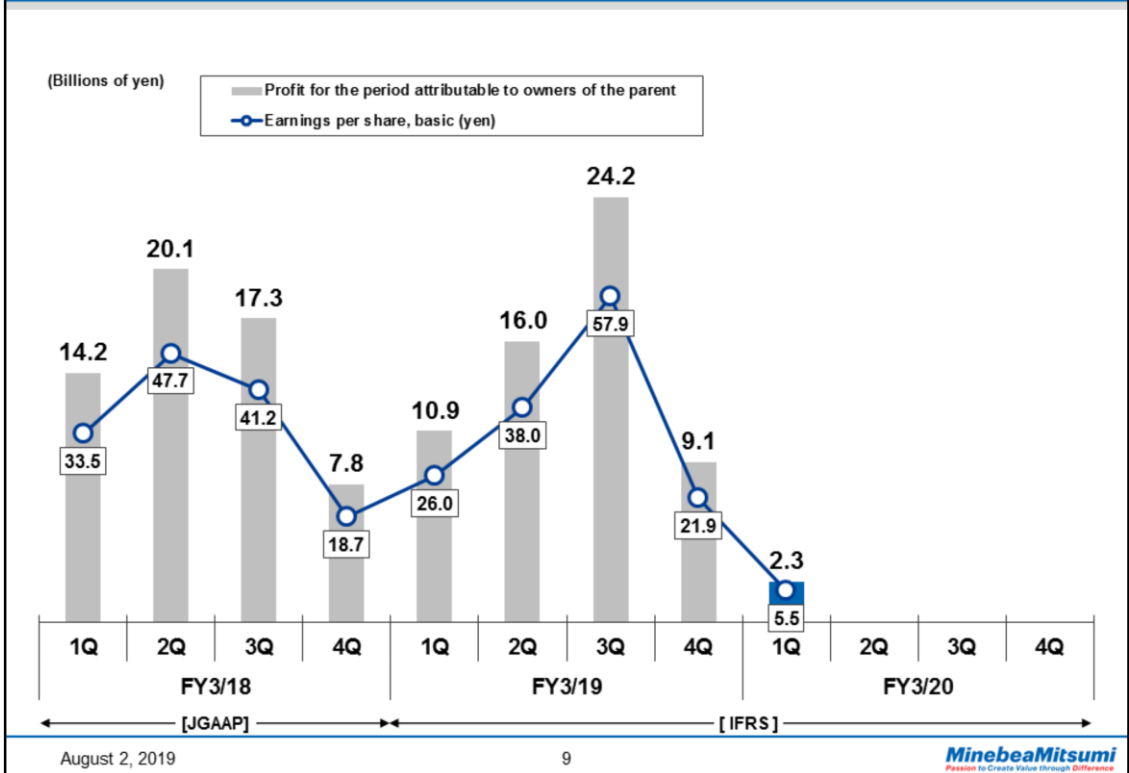
U-Shin was included in the scope of consolidation on April 10.

For nine days from April 1 to 9, net sales totaled 4.0 billion yen and operating income was break-even.



# Profit attributable to owners of the parent / EPS

\*JGAAP for FY3/18

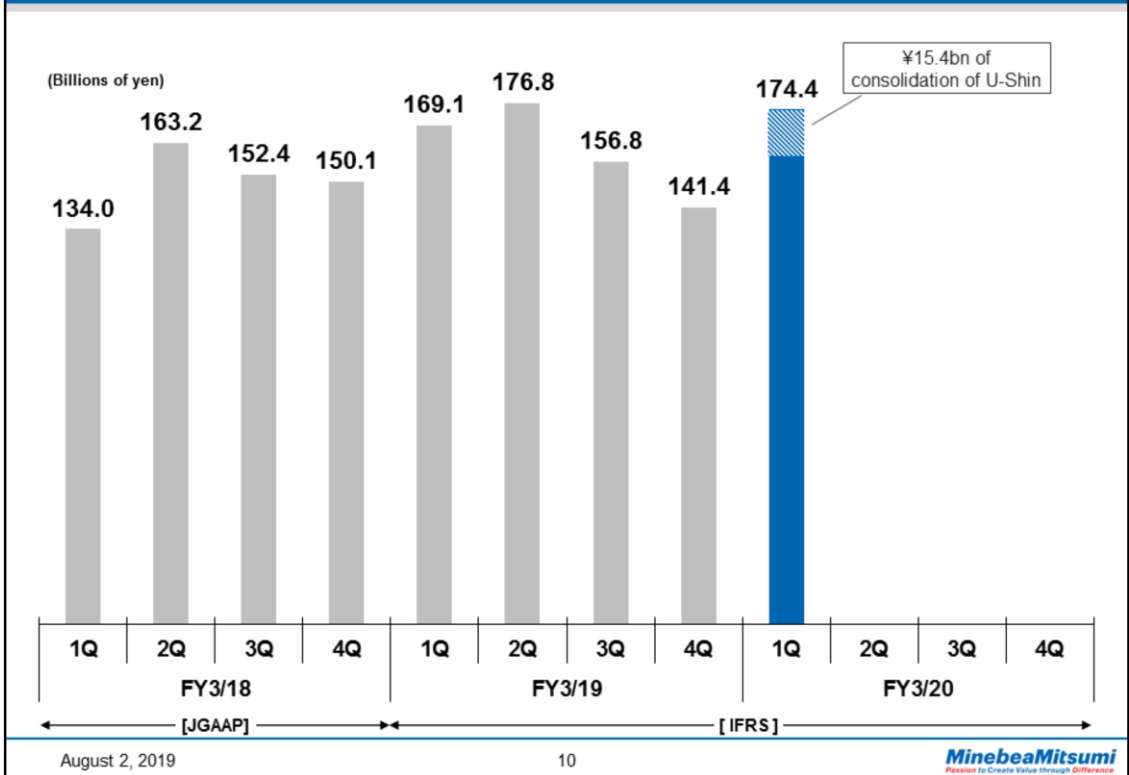


The bar graph here shows trends in profit attributable to owners of the parent while the line graph charts changes in the profit for the period per share.

The profit for the period was 2.3 billion yen. Earnings per share was 5.5 yen.

# Inventory

\*JGAAP for FY3/18



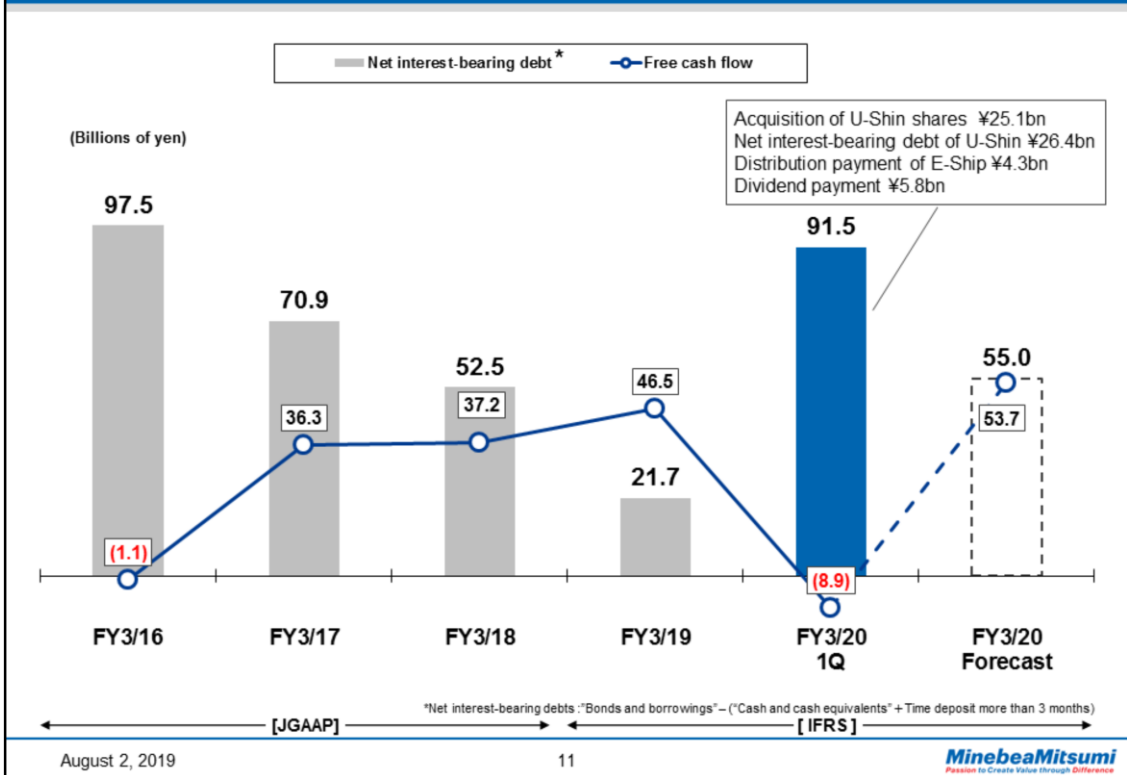
Next we have the quarterly inventory trend.

At the end of first quarter, inventories totaled 174.4 billion yen, which is 33.0 billion yen more than what it was three months ago.

Inventory of 15.4 billion yen was included from the consolidation of U-Shin.

# Net interest bearing debt / Free cash flow

\*JGAAP for FY3/18



This graph contains a bar chart showing trends in net interest-bearing debt, which is total interest-bearing debt minus cash and cash equivalents, and a line chart indicating free cash flows.

At the end of the first quarter, net interest-bearing debt, totaling 91.5 billion yen, was up 69.8 billion yen from what it was at the end of the previous fiscal year.

This is mainly attributable to the payment for TOB of U-Shin(25.1 billion yen), net interest-bearing debt of U-Shin(26.4 billion yen) and distribution payment of E-Ship(4.3 billion yen), in addition to the payment of dividend and bonus.

**Keep forecast unchanged**

[ IFRS ]

(Millions of yen)	FY3/19	FY3/20			
	Full Year	1st Half	2nd Half	Full Year	YoY
Net sales	884,723	496,500	533,500	1,030,000	+16.4%
Operating income	72,033	27,000	50,000	77,000	+6.9%
Profit before taxes	71,321	26,500	49,500	76,000	+6.6%
Profit for the period attributable to owners of the parent	60,142	21,400	40,600	62,000	+3.1%
Earnings per share, basic (yen)	143.90	51.55	97.80	149.35	+3.8%

Foreign Exchange Rates	FY3/19 Full Year	FY3/20 Assumptions
US\$	¥110.67	¥110.00
Euro	¥128.75	¥125.00
Thai Baht	¥3.42	¥3.45
Chinese RMB	¥16.52	¥16.50

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This is a summary of the forecast for the fiscal year ending March 31, 2020.

While the first quarter results were slightly below our forecast, we expect net sales in the second quarter to increase due to the seasonality of products.

However, in light of market uncertainties caused by trade frictions, currency movements, and other factors, we decided not to change the initial first half and full year forecasts.

The exchange rate is assumed to be 110 yen to the U.S. dollar.

# Forecast for Business Segment

\*Based on IFRS

[ IFRS ]

(Millions of yen)	FY3/19	FY3/20			YoY
	Full Year	1st Half	2nd Half	Full Year	
<b>Net sales</b>	884,723	496,500	533,500	1,030,000	+16.4%
Machined components	188,324	93,400	96,600	190,000	+0.9%
Electronic devices and components	387,293	189,700	214,300	404,000	+4.3%
Mitsumi business	308,423	140,900	149,100	290,000	-6.0%
U-Shin business	-	72,000	73,000	145,000	-
Other	683	500	500	1,000	+46.4%
<b>Operating income</b>	72,033	27,000	50,000	77,000	+6.9%
Machined components	47,750	24,500	26,500	51,000	+6.8%
Electronic devices and components	16,922	5,300	15,700	21,000	+24.1%
Mitsumi business	22,282	5,900	9,100	15,000	-32.7%
U-Shin business	-	3,100	4,900	8,000	-
Other	△ 386	△ 1,000	△ 1,000	△ 2,000	X5.2
Adjustment	△ 14,535	△ 10,800	△ 5,200	△ 16,000	+10.1%

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This slide shows the forecast by business segment.

We did not make any changes to our initial overall forecast by business segment also.

This is all for my presentation.

- **Overall: Macroeconomic slowdown will continue longer than initially expected. However, expecting huge recovery from 2Q onwards mainly in Electronic devices and components/Mitsumi business.**
- **Machined components: Current ball bearing sales are weaker than projected while sales in the aircraft market remain steady.**
- **Electronic devices and components/Mitsumi business: Despite the impact from US-China trade issue, a diversified portfolio (by market and by product) sustains performance as well as contributes to risk diversification.**
- **U-Shin business: Affected by slowdown in worldwide automobile market especially in China.**

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Hello, I'm Yoshihisa Kainuma, and I'd like to go over the highlights of today's presentation.

We expect a huge recovery mainly in the electronic components and devices as well as Mitsumi business segments beginning in the second quarter, although the macroeconomic slowdown is likely to continue longer than initially expected.

July sales exceeded 89 billion yen. Despite the 11-billion-yen increase due to the integration of U-Shin operations, we were still able to reap an 8-billion-yen year-on-year increase over last year's 70 billion yen in sales. While sales seem to have bottomed out, we're keeping a close eye on future developments.

In the machined components business, sales of products for aircraft continued to be firm and profits increased more than anticipated. However, I feel that ball bearings, which are the products with the highest market share and which are easiest to grasp the economic trends among our products, are weaker than anticipated at present.

While the electronic devices and components as well as Mitsumi business segments are affected by the current US-China trade friction, we expect their products will drive the segments' performance up in the second quarter as originally aimed at diversifying portfolios and spreading risks.

U-Shin, which was integrated into our operations this year, is affected by the worldwide slump in the automobile market. Automobile sales have gone down about 20% in China and are also weak in Europe. On the upside, the quality of U-Shin products has been quickly improving since we provided U-Shin Europe with assistance in enhancing operations. A representative from a top automaker recently praised us for the quick quality leap, saying it happened at a speed he could have never imagined. Although the overall conditions of the automobile market are beyond our control, we are making progress in improving U-Shin performance and quality as planned.

### Steady progress in measures to enhance corporate value

#### 1 Organic growth

##### Ball bearing

- Automobile remain solid, but fan motor slowing down.
- Medium- to long-term growth outlook remain unchanged for automobile, data center, high-end home appliance (HA), labor saving & automation (medical robots etc.)
- Expect growth in HA towards next fiscal year driven by energy saving regulations in China.

##### Stealth product going well

#### 2 Various M&As of all sizes under consideration

#### 3 No progress on share buy back

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Other topics are as shown on the slide.

Sales of ball bearings for automobiles either rose slightly or remained flat year on year while sales of ball bearings for fan motors / data centers dropped sharply. Sales for high-end home appliance applications have slowed down a little.

I said during the last investor meeting that we would aim for 2.5 trillion yen in sales over the next ten years, and out of that, 500-800 billion yen would come from M&As. Since then, we have received a lot of interest from across a wide range of industries. Although I can't go into any details now, this is the major reason for not being able to buy back shares in a timely manner, and why we made no progress on share buyback.

This concludes my briefing for today.

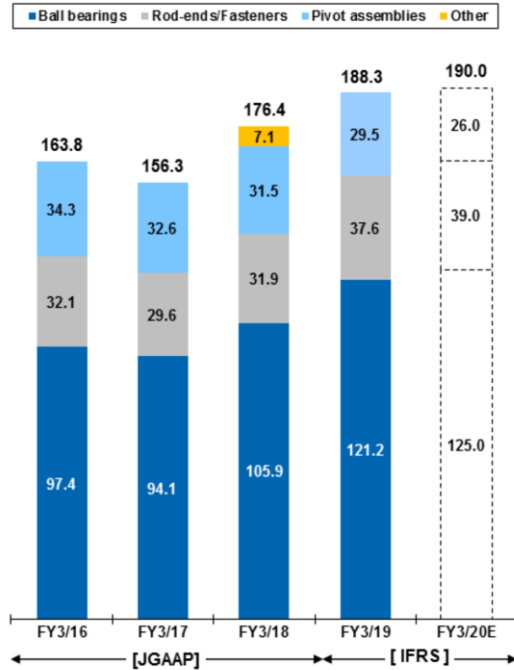
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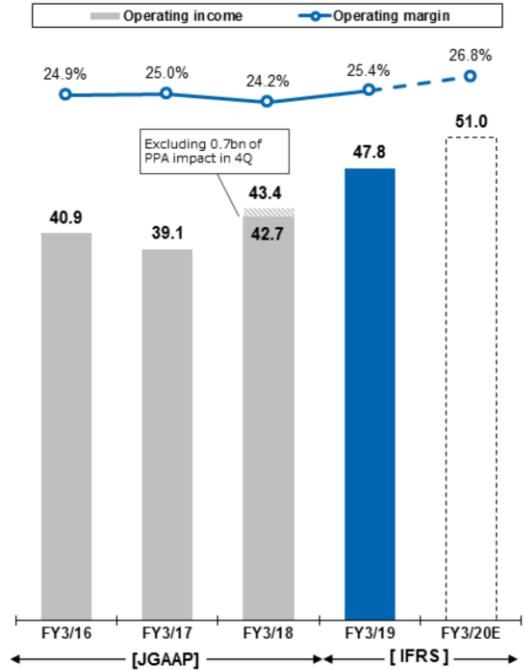
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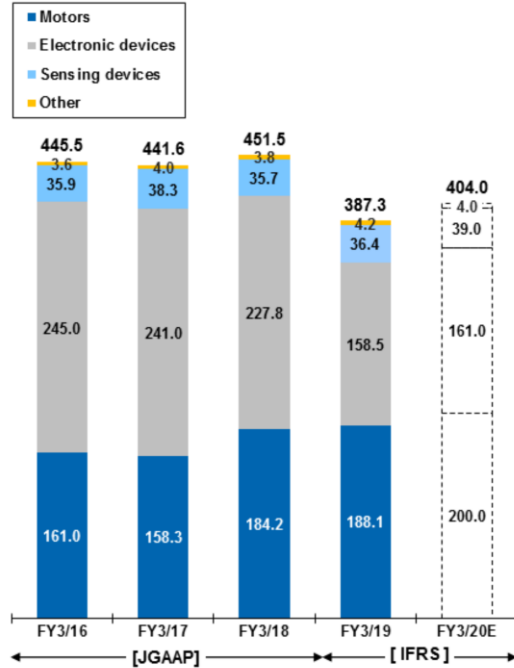
## Net sales (Billions of yen)



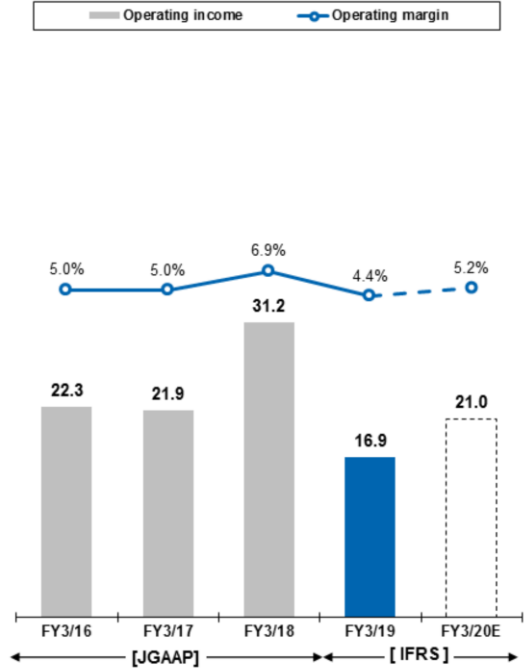
## Operating income (Billions of yen)



## Net sales (Billions of yen)



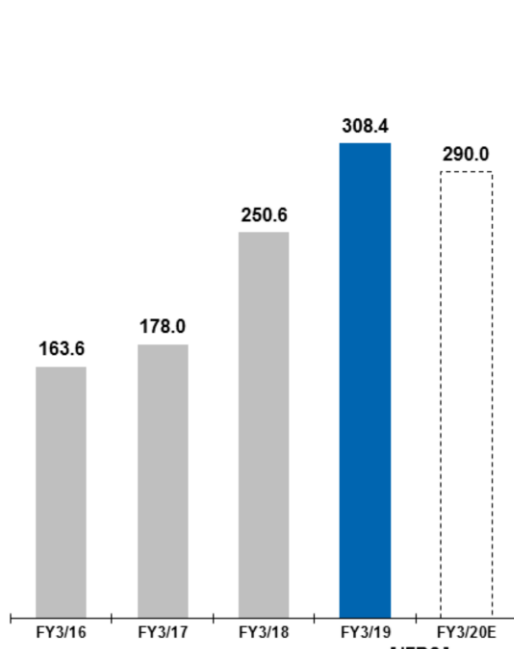
## Operating income (Billions of yen)



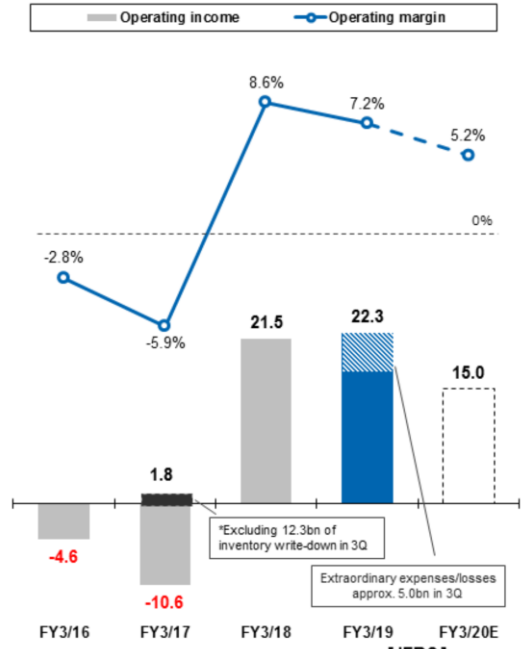
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## Net sales (Billions of yen)



## Operating income (Billions of yen)



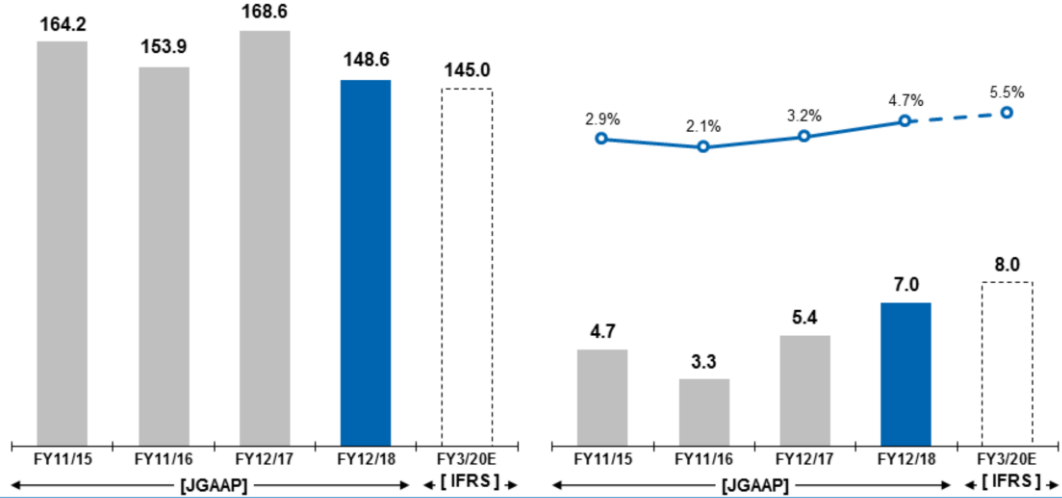
# U-Shin Business

As a result of change of the fiscal year end, FY12/17 consists of 13 months.  
 Both net sales and operating income until FY12/18 are pre-merger results.  
 FY3/20 does not include Jan.-Mar. results. JGAAP until FY12/18

## Net sales (Billions of yen)

## Operating income (Billions of yen)

Operating income    Operating margin



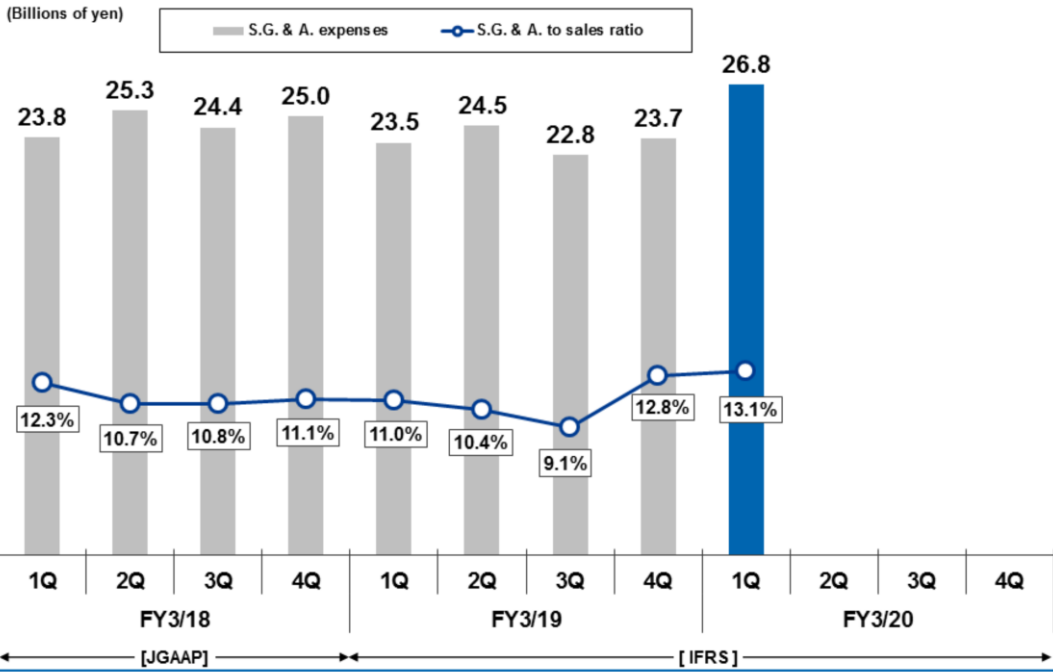
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# S.G.&A. expense/ratio

\*JGAAP for FY3/18



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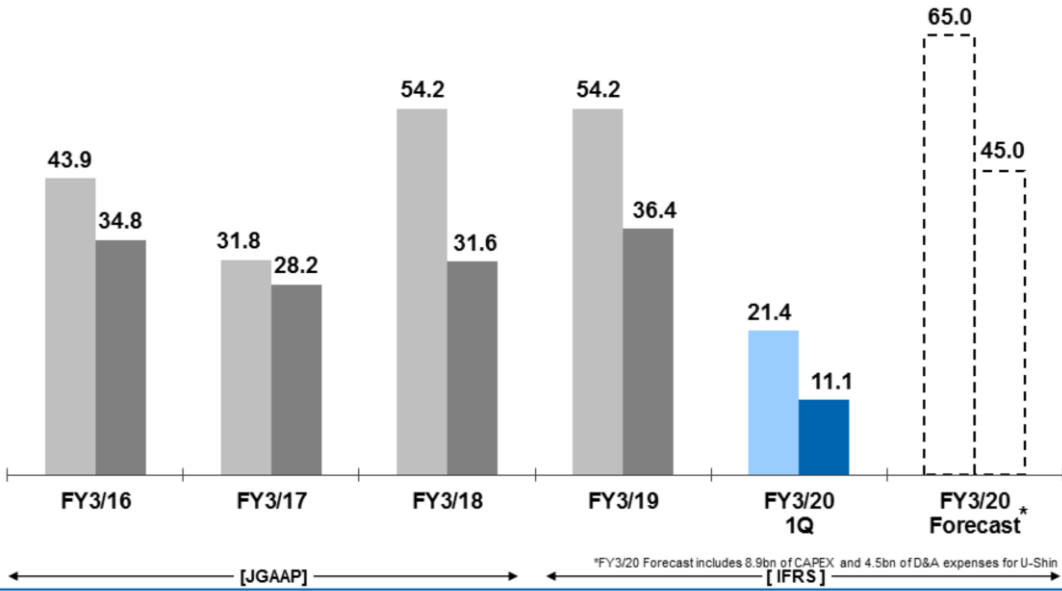
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# Capital Expenditure / D&A Expense

\*JGAAP until FY3/18

(Billions of yen)

■ Capital expenditure ■ Depreciation & Amortization expenses



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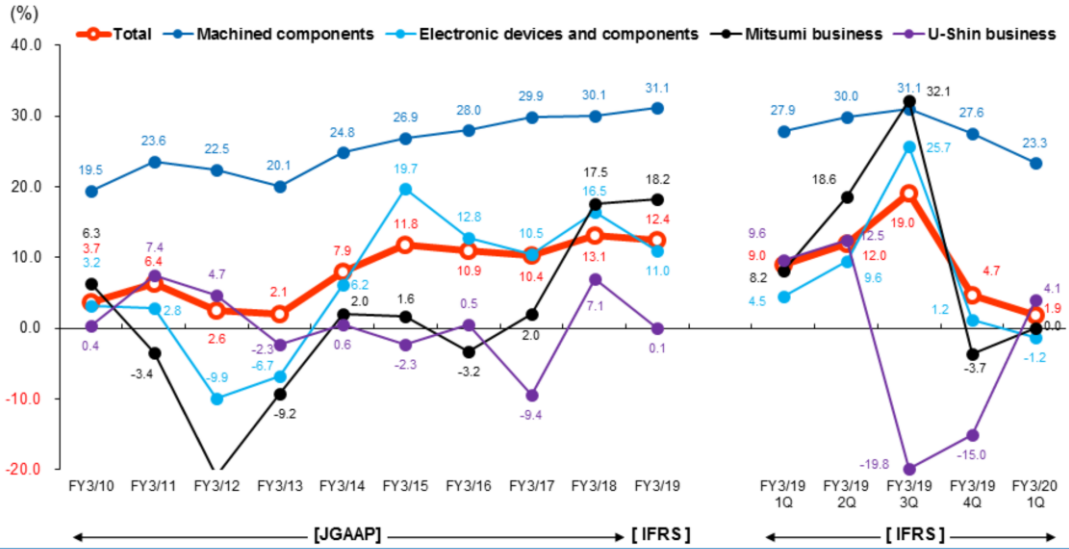
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# ROIC (Return On Invested Capital)

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



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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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