MinebeaMitsumi
Passion to Create Value through Difference

Business Results

First Quarter of Fiscal Year Ending March 31, 2021

MinebeaMitsumi Inc.

August 4, 2020

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, 2021, and then Mr. Kainuma, Representative Director, CEO & COO, will explain the highlight including business updates.

Summary of Consolidated Business Results for 1Q

1Q operating income was up 61% YoY

(Millions of yen)	FY3/20		FY3/21	Change	
	1Q *	4Q	1Q *	YoY	QoQ
Net sales	204,425	226,897	187,463	-8.3%	-17.4%
Operating income	3,324	12,401	5,364	+61.4%	-56.7%
Profit before taxes	3,341	11,870	5,274	+57.9%	-55.6%
Profit for the period attributable to owners of the parent	2,173	10,428	3,573	+64.4%	-65.7%
Earnings per share, basic (yen)	5.23	25.44	8.75	+67.3%	-65.6%

Foreign Exchange Rates	FY3/20 1Q	FY3/20 4Q	FY3/21 1Q
US$	¥110.73	¥109.35	¥107.74
Euro	¥123.56	¥121.05	¥118.23
Thai Baht	¥3.47	¥3.54	¥3.34
Chinese RMB	¥16.28	¥15.63	¥15.12

*1Q FY3/21 Operating Income
COVID-19 related expense Approx. ¥4.0bn
*1Q FY3/20 Operating Income
1 Special factors ¥4.0bn
2 Revised by the impact of U-Shin PPA

Consolidated net sales for the first quarter of the fiscal year ending March 31, 2021, was down 8.3% year on year and 17.4% quarter on quarter to total 187,463 million yen.

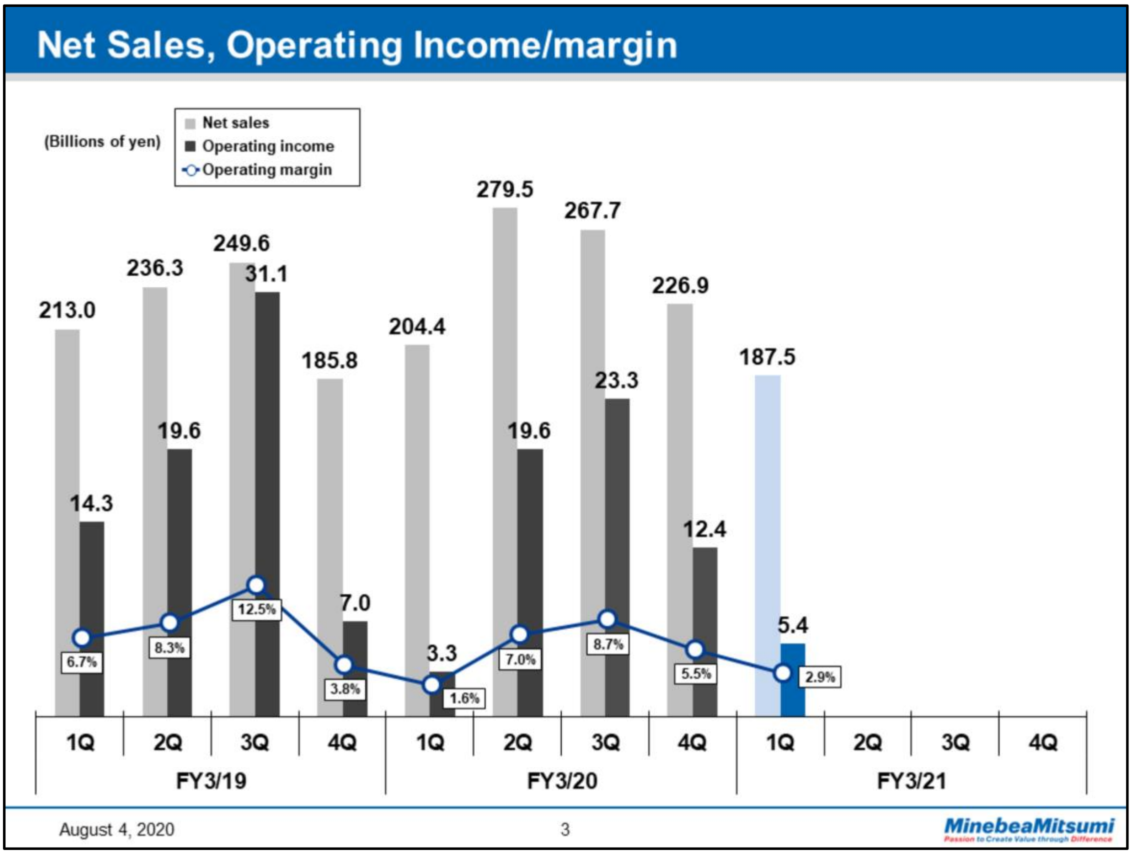
Operating income was up 61.4% year on year and down 56.7% quarter on quarter to total 5,364 million yen.

Profit for the period attributable to owners of the parent was up 64.4% year on year and down 65.7% quarter on quarter to total 3,573 million yen.

Operating income for this quarter includes special expense totaling approx. 4.0 billion yen incurred due to impact of the coronavirus, etc.

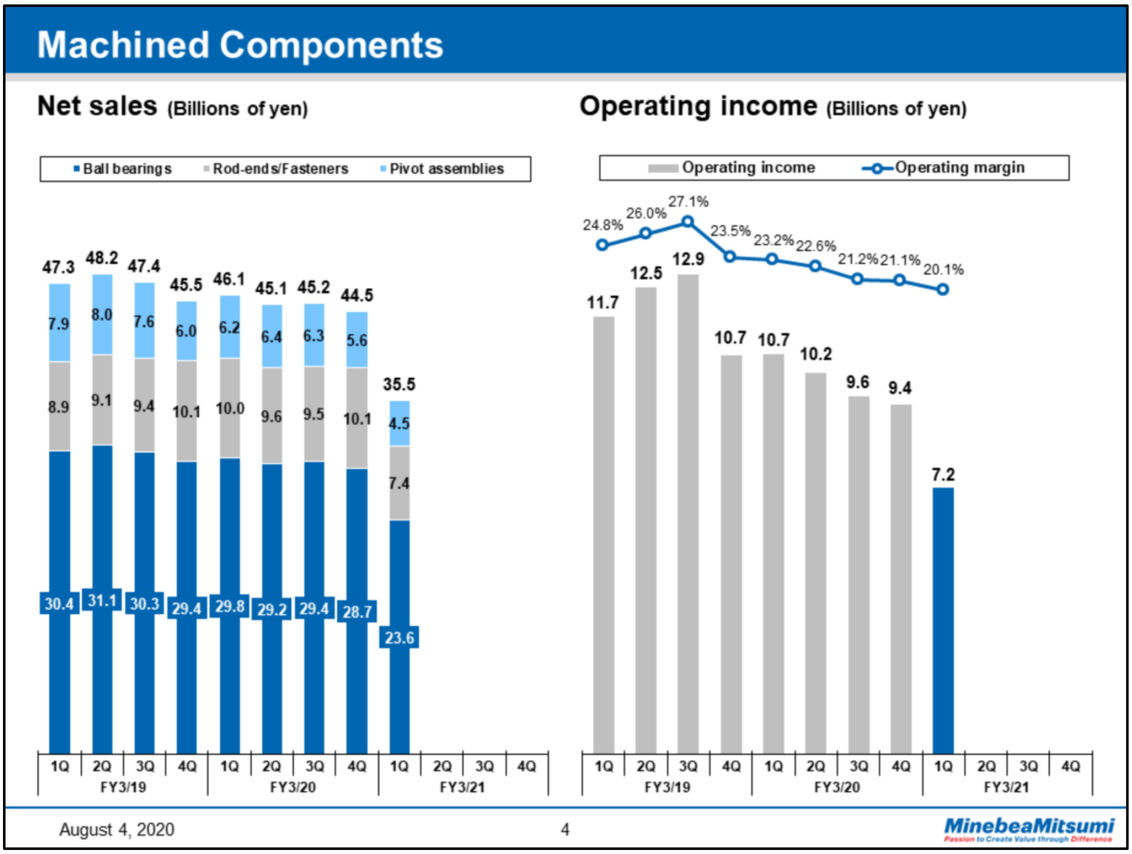
We estimate that foreign currency translations have a year-on-year impact of minus 5.9 billion yen in net sales and minus 0.4 billion yen in operating income. Quarter on quarter impact was minus 3.4 billion yen in net sales and plus 0.8 billion yen in operating income.

We made slight retrospective changes to last fiscal year's financial statements due to the PPA for U-Shin. Please note that the figures on the following pages are revised figures.



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

The operating margin for the fourth quarter was 2.9%, up 1.3 percentage point year on year and down 2.6 percentage points quarter on quarter.



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.

First quarter net sales decreased 20.1% quarter on quarter to total 35.5 billion yen.

Sales of ball bearings decreased 18.0% quarter on quarter to total 23.6 billion yen. The monthly external shipment volume fell 9% quarter-on-quarter for an average of 172 million units. While sales of ball bearings used in fan motors remained strong, those used for other applications, especially automobiles, were down substantially. Sales of bearings for aircraft were impacted by the sharp market slowdown.

Sales of rod-ends and fasteners, totaling 7.4 billion yen, were down 26.4% over the previous quarter. Aircraft manufacturing has slowed significantly, and lagging production is expected to continue through this fiscal year.

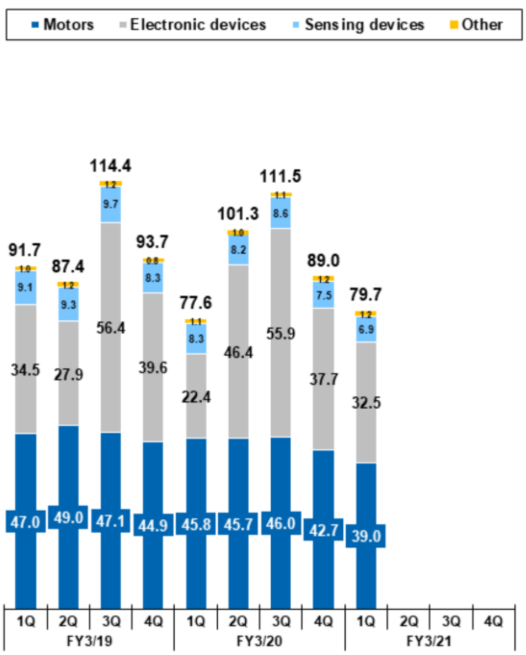
Sales of pivot assemblies decreased 19.8% quarter on quarter to total 4.5 billion yen.

This is due to the production cutbacks in some supply chains due to lockdowns in Southeast Asia.

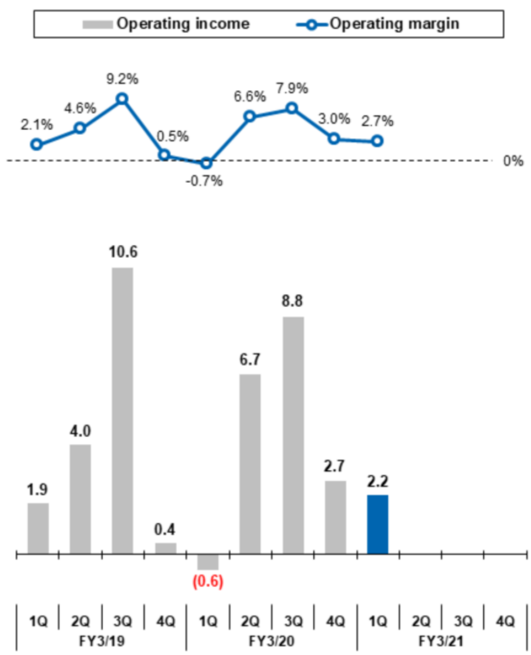
Operating income for the quarter totaled 7.2 billion yen, and the operating margin was 20.1%. On a quarter-on-quarter basis, operating income fell 23.7% while the operating margin dropped 1.0 percentage points. Looking at the results by product, we see that operating income was down quarter on quarter for ball bearings, rod-ends and fasteners and pivot assemblies.

Electronic Devices & Components

Net sales (Billions of yen)



Operating income (Billions of yen)



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

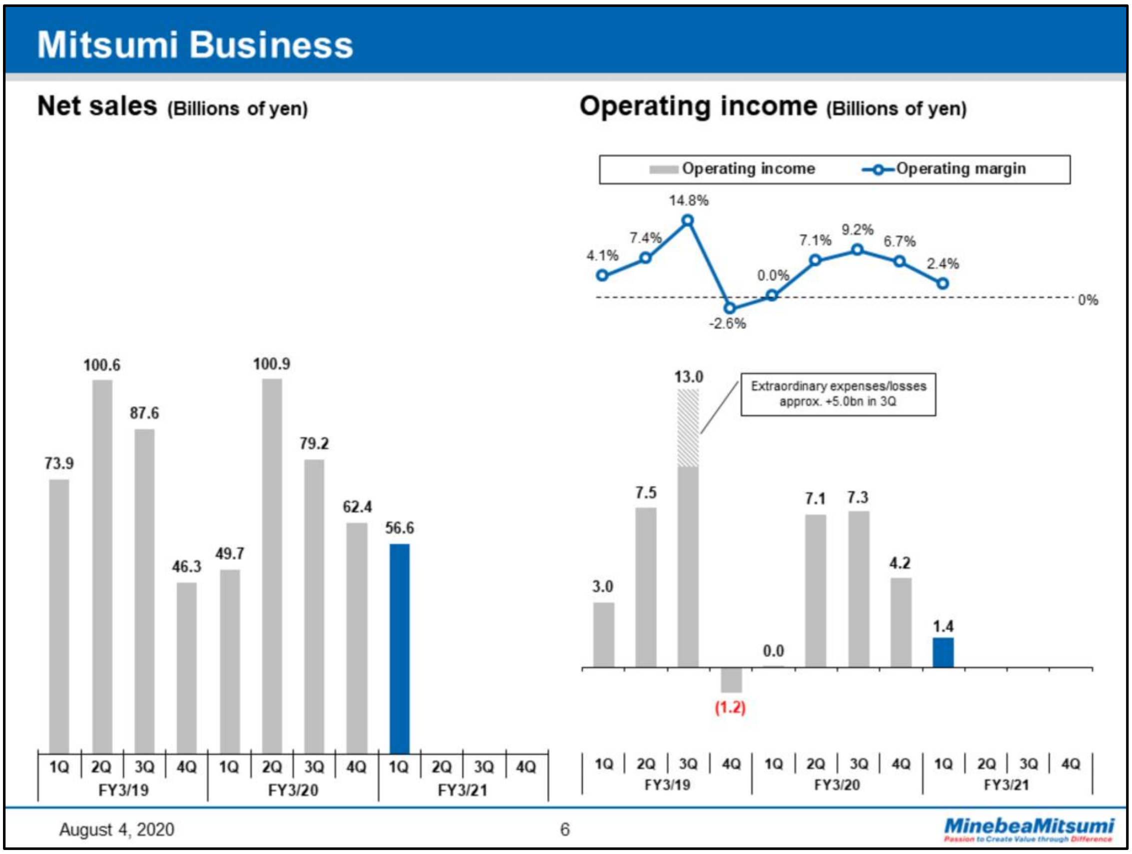
Net sales decreased 10.5% quarter on quarter to hit 79.7 billion yen.

Looking at the results by product, we see that sales of motors decreased 8.6% quarter on quarter to reach 39.0 billion yen. This is due primarily to the slump in the automobile market.

Net Sales of electronic devices decreased 13.7% from the previous quarter to total 32.5 billion yen. Sales to the automobile industry declined, but for smartphones, our major customers' smartphone models that use our LED backlights were steady.

Net sales of sensing devices totaled 6.9 billion yen, decreasing 7.5% quarter on quarter.

Operating income hit 2.2 billion yen to put the operating margin at 2.7%. Operating income decreased 19.3% and the operating margin declined 0.3 percentage points quarter on quarter. Operating margin by product has not changed significantly.

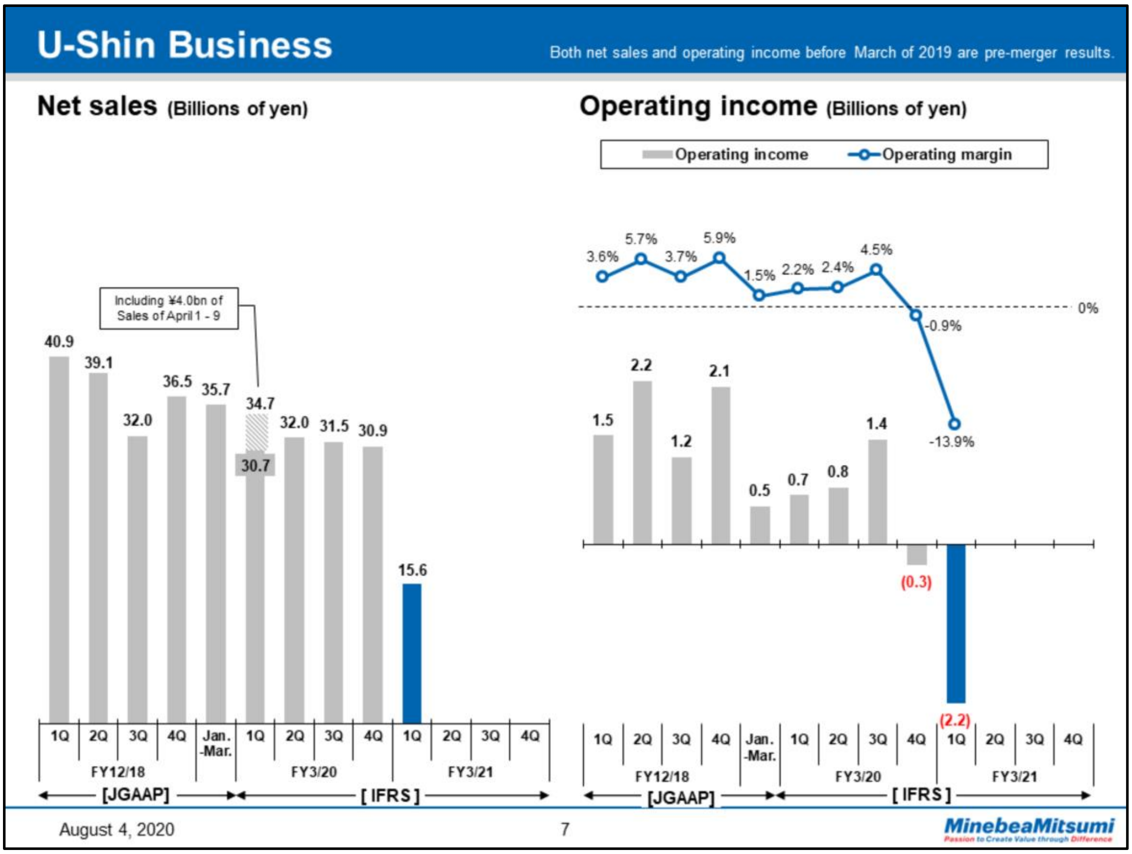


Let’s look at the performance for the Mitsumi business segment.

In this first quarter, ABLIC, which was merged with MinebeaMitsumi as of April 30, was included in the scope of consolidation.

Net sales decreased 9.3% quarter on quarter to total 56.6 billion yen. Mechanical components sales were up thanks to growing demand as more people around the world avoid going out, but sales of other products declined.

Operating income totaled 1.4 billion yen while the operating margin reached 2.4%. Operating income decreased 67.4% and the operating margin declined 4.3 percentage points quarter on quarter. Looking at the results by product, we see that profits were up for mechanical components and analog semiconductors including ABLIC but down for other products.

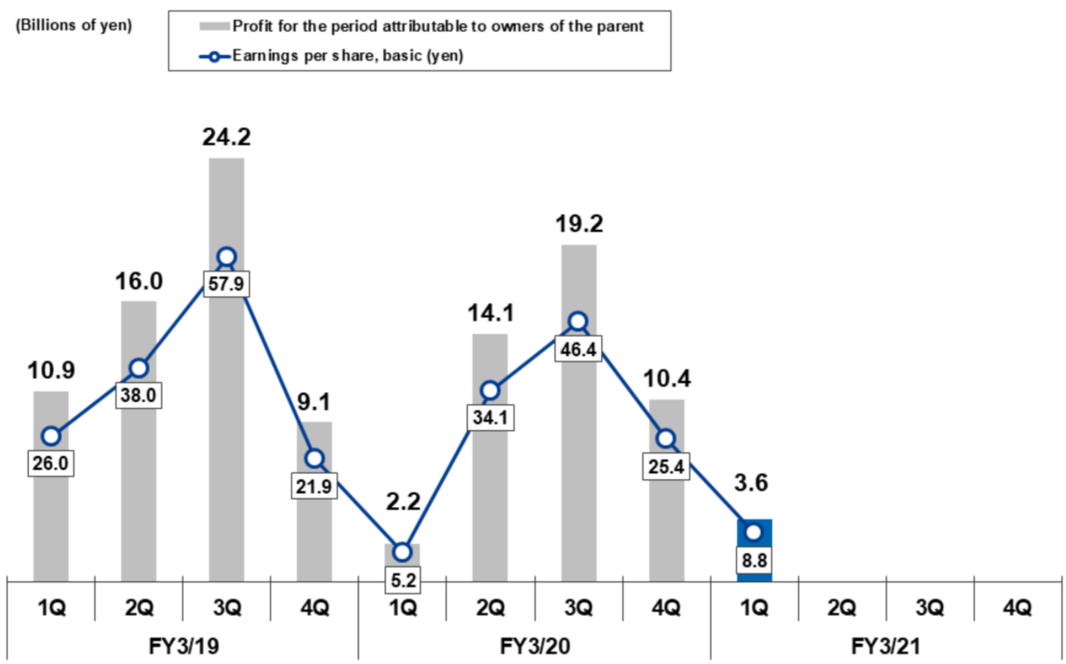


Finally, let's look at the U-Shin business segment.

Fourth quarter net sales decreased 49.5% quarter on quarter to total 15.6 billion yen. The business was hit hard by the restrictions imposed on operations in Europe and the U.S. due to lockdowns as well as production cutbacks by major customers. In the second quarter and onward, we will see an uneven recovery, with some areas bouncing back significantly and others still stagnating, but overall the business is expected to be on a recovery track.

The segment recorded an operating loss of 2.2 billion yen.

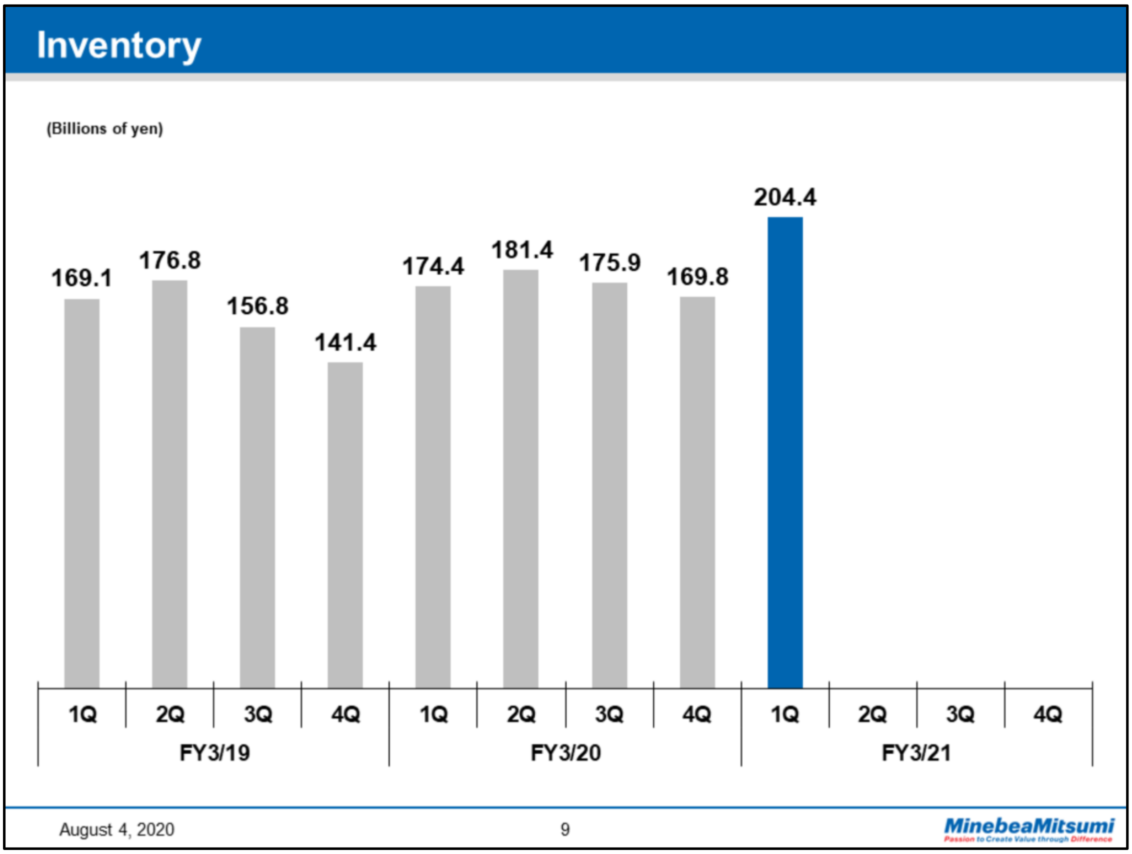
Profit attributable to owners of the parent / EPS



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

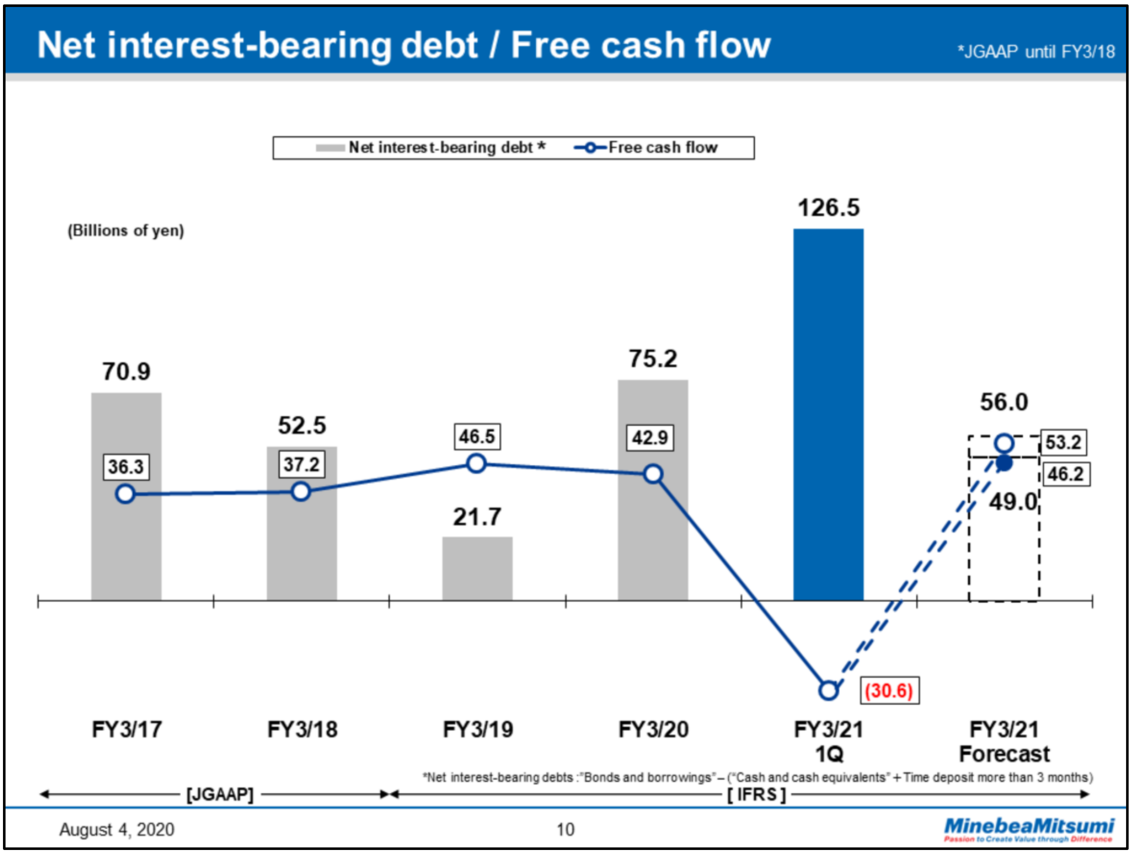
The profit for the period was 3.6 billion yen.

Earnings per share was 8.8 yen.



Next we have the quarterly inventory trend.

At the end of first quarter, inventories totaled 204.4 billion yen, which is up 34.6 billion yen from what it was three months ago. Inventory increased for some OEM products ahead of peaking demand on top of an increase resulting from the consolidation of ABLIC.



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 126.5 billion yen, was up 51.3 billion yen from what it was at the end of the previous fiscal year. This figure includes the cost of acquiring shares in ABLIC (33.9 billion yen) and the cost of additional acquiring shares in C&A (4.6 billion yen).

Forecast for Fiscal Year Ending March 31, 2021

Keep our expectation unchanged in upper and lower end

(Millions of yen)	FY3/20	FY3/21			
		Upper End		Lower End	
	Full Year	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

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This is a summary of the forecast for the fiscal year ending March 31, 2021.

The full-year forecasts for the fiscal year ending March 31, 2021 are unchanged, remaining in the ranges announced at the beginning of this fiscal year. We are still trying to figure out how things might and have decided to leave our initial projections as they were.

The exchange rate assumption is assumed to be 107 yen to the U.S. dollar, both for upper and lower end.

Forecast for Business Segment

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

This slide shows the forecast by business segment.

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

Today's highlights

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- Overall: Q1 operating profit was up 61% YoY despite the coronavirus pandemic.
  H1 operating profit is expected to be on a par with last year.
  Diversified portfolio keeps revenues up and disperses risk.
- Full-year earnings guidance remains in high to low ranges due to the uncertainty for H2.
- Machined components: External ball bearing shipment volumes remain uncertain but should start to gradually recover in Q3.
  No change in sales of commercial aircraft-related products.
- Electronics & Mitsumi: Smartphone and game-related businesses keep revenues up. Analog semiconductors made a solid contribution to our bottom line as core business.
- U-Shin: Some factories are back in full operation.
  The business should start to pick up after bottoming out in Q2.

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Hello, I’m Yoshihisa Kainuma. I'd like to start off by giving you four updates.

First of all we saw a year-on-year drop in the first quarter operating income for the machined components business but managed to make up for the loss with the profit increases in the electronic devices and components business and Mitsumi business segments. These profit increases, however, did not fully offset the slowdown in the U-Shin business. Considering the 4 billion yen loss due to special factors in the first quarter of the last fiscal year, this fiscal year's operating income was down year on year.

Secondly, sales are gradually getting back on track. We expect that our second-quarter sales will exceed 270 billion yen and that operating income for the first fiscal half will be on a par with last year. While we are making good progress in reaching the earnings forecast announced this past May, we will keep the forecast with ranges since the outlook for the second fiscal half is still uncertain.

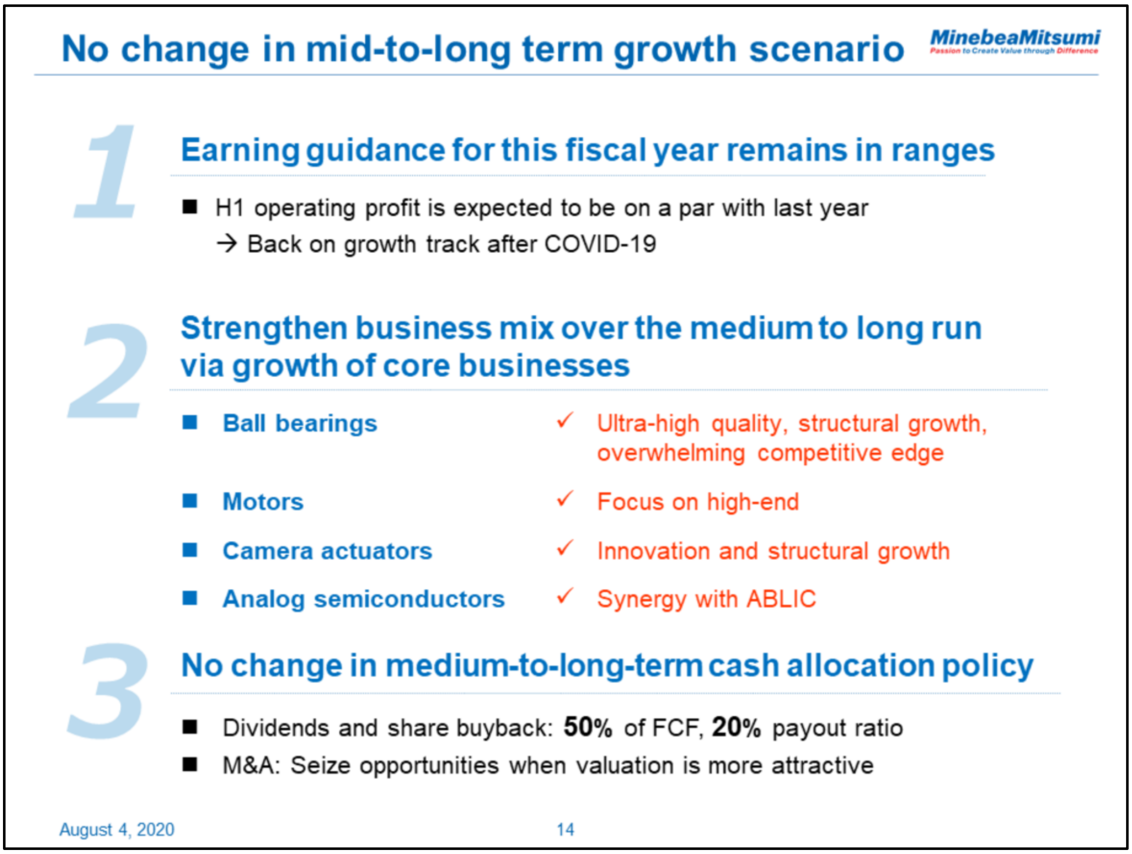
The third update is for LED backlights. About a month ago, a front page newspaper article suggested that manufacturers would stop making smartphones using LED backlights. The same newspaper later published an article related to Taiwan, implying that they would still be making them. These kinds of stories have always affected our share price and, though it doesn't fluctuate as much as it used to, there is no denying that it has had a negative impact. Remember, my comment “LED backlights won’t disappear right now” remains unchanged.

Finally, concerning our current status, there are two factors behind the decline in the machined components business segment's performance for the first quarter, namely the automobile and aircraft industries. Sales of civil aircraft-related products, in particular, have been hit hard by the major market slowdown, but thanks to sales to the defense industry and others, we’ve managed to stay out of the red.

There has been a slight change in the ball bearing product mix, with an increase in those used in 5G-related fan motors and a sharp decrease in automotive bearings, but sales in the automobile market are picking up. In the Japanese market, monthly sales of 10 million automotive bearings are considered outstanding, and our sales for this month and the next are expected to hit 10 million units. On top of that, sales are growing in Europe and the U.S. Overall sales to the automobile industry are currently a little over 50 million units, compared to our all-time monthly high of 65 million units. Since sales will gradually pick up, I see our product mix looking pretty good.

Production of fan motors by our Chinese customers has slowed down a little due to tensions between China and the U.S. Eventually, we may see 5G-related orders from other customers, so at any rate, there should still be demand for our bearings. Although there is some slowdown, everything should get back on track.

The external sales volume was 183 million units in July, and we can finally see it reaching 190–200 million units in September and October. I often say that ball bearings are a leading economic indicator, and in that sense, the market is regaining its strength.



The message on this slide is simple. Products for which we have a large market share will inevitably be affected by the global economy, including the impact of COVID-19, but our medium- to long-term growth scenario remains unchanged. Profitability is sure to bounce back stronger than ever along with the economy, and I don't see any change in this correlation between the two.

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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.

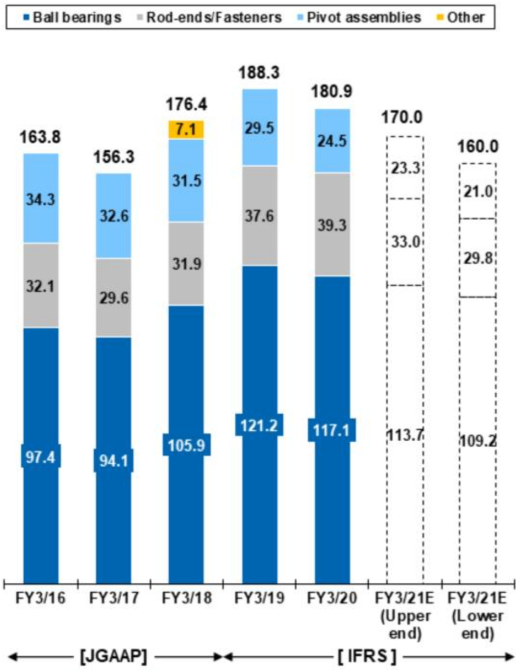
Factors affecting our actual performance include but are not limited to: (i) changes in economic conditions or demand trends related to MinebeaMitsumi's business operations; (ii) fluctuation of foreign exchange rates or interest rates; and (iii) our ability to continue R&D, manufacturing and marketing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

Reference

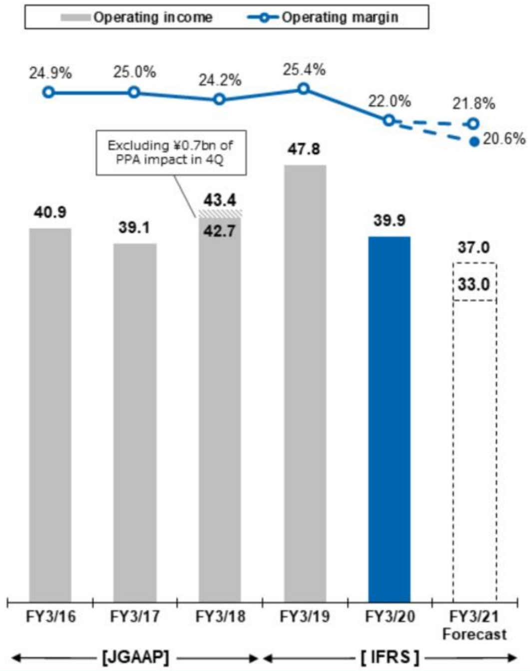
Machined Components

*JGAAP until FY3/18

Net sales (Billions of yen)



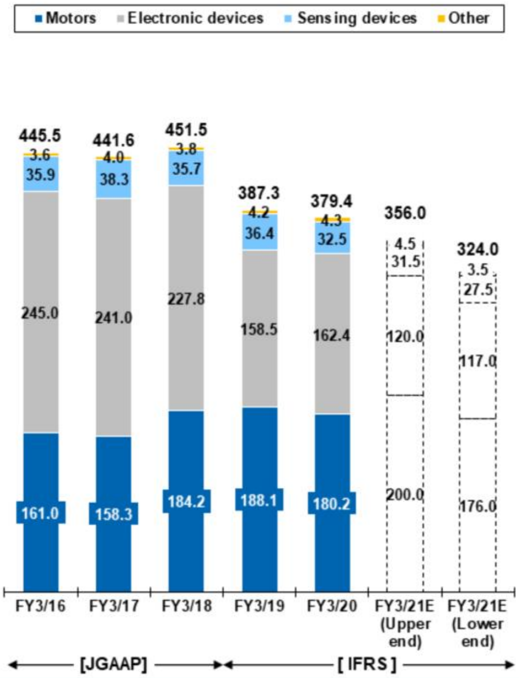
Operating income (Billions of yen)



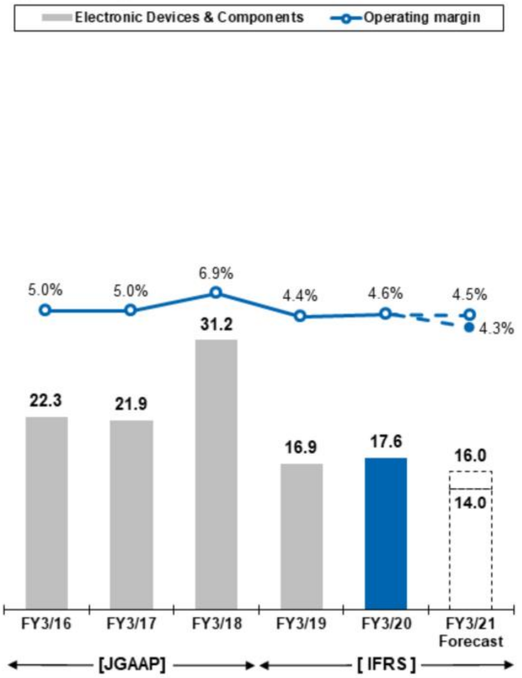
Electronic Devices & Components

*JGAAP until FY3/18

Net sales (Billions of yen)



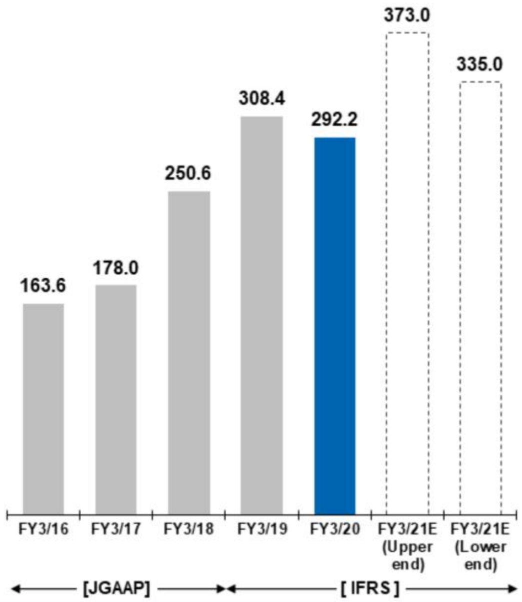
Operating income (Billions of yen)



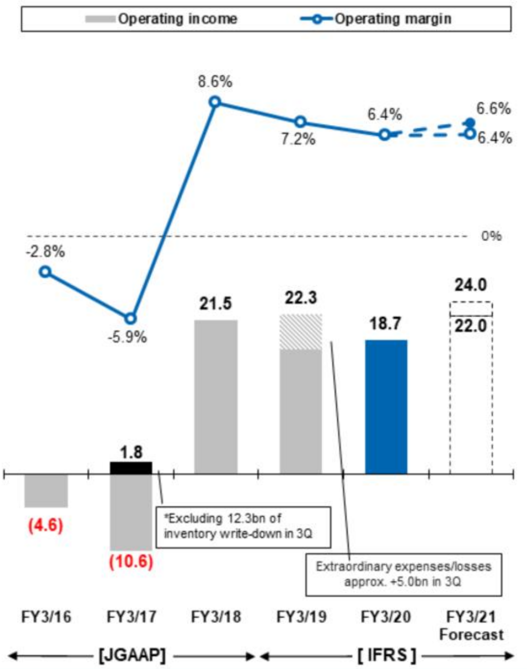
Mitsumi Business

Both net sales and operating income in and before 3Q FY3/17 are premerger results. 4Q FY3/17 results are based on managerial accounting for the three months. JGAAP until FY3/18.

Net sales (Billions of yen)



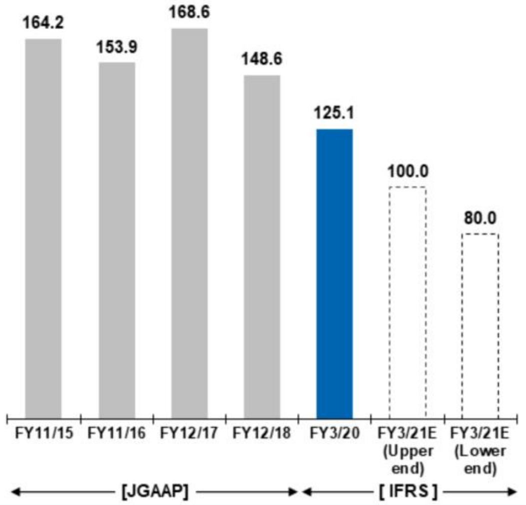
Operating income (Billions of yen)



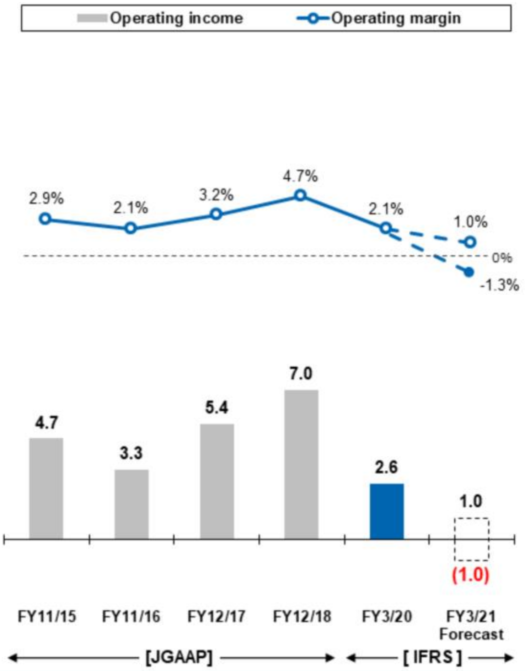
U-Shin Business

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

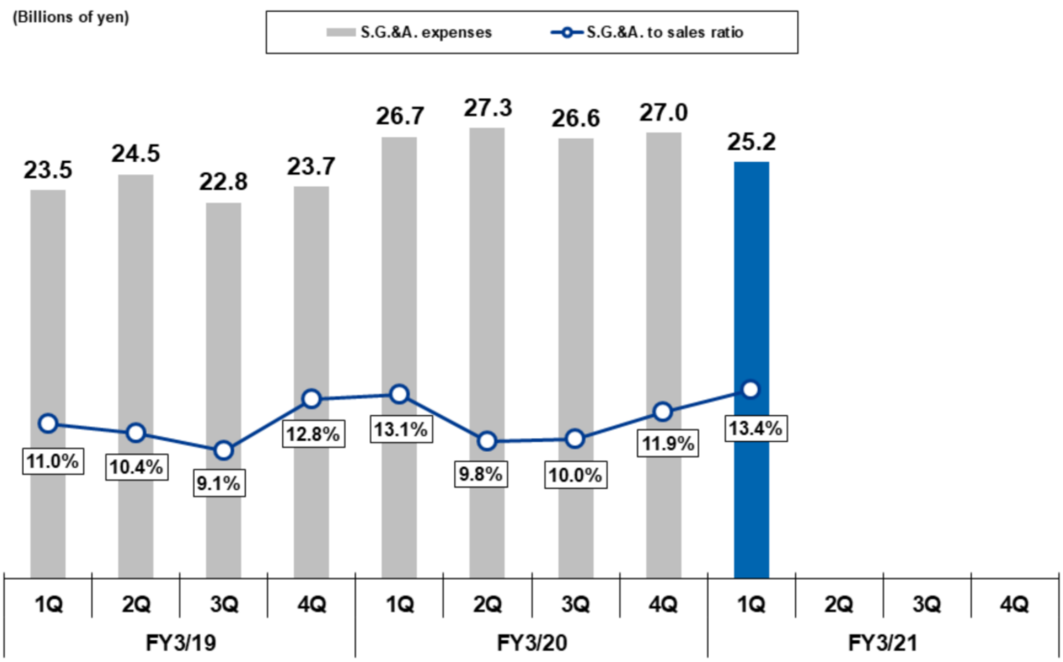
Net sales (Billions of yen)



Operating income (Billions of yen)

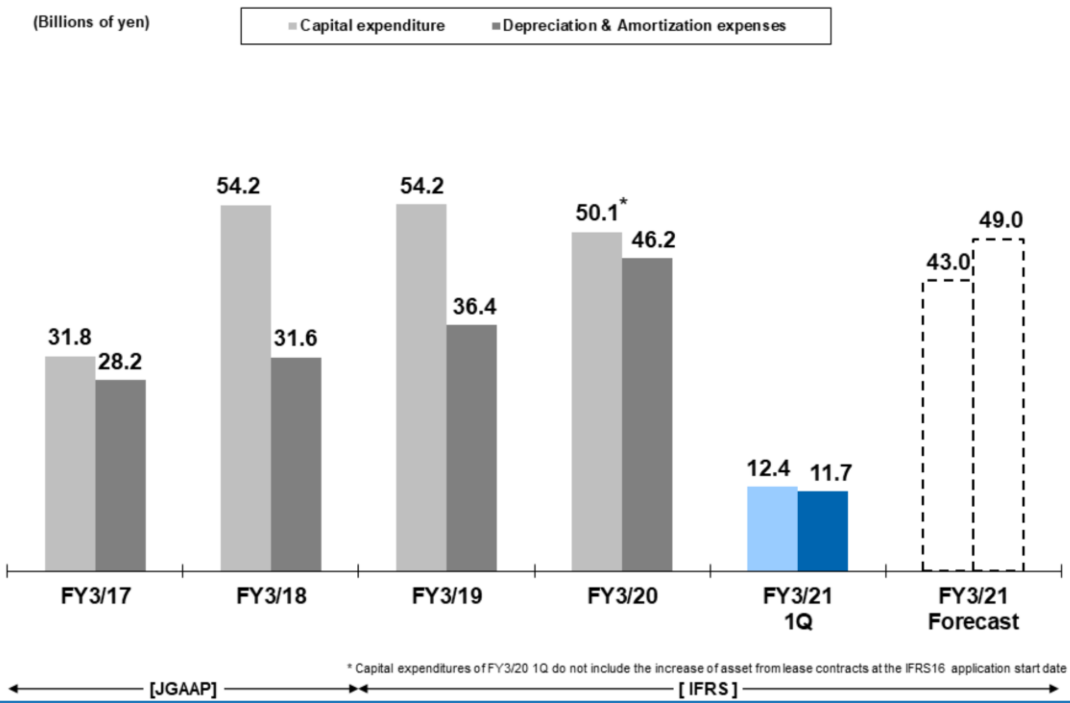


S.G.&A. expense / ratio



Capital Expenditure / D&A Expense

*JGAAP until FY3/18



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

MinebeaMitsumi ROIC = **NOPAT** (Operating income + extraordinary profit/loss) x (1-tax rate) / **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