

Nomura Investment Forum 2018

**MinebeaMitsumi**  
*Passion to Create Value through Difference*

# Business Update & Management Strategy

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## 1. 2Q Financial Results

(Presentation Material for 2Q Investor Meeting)

## 2. Management Strategy based on the Recent External Environment

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# **2Q Financial Results**

**(Presentation at 2Q Investor Meeting)**

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- 2Q overall: Mostly in line with forecasts despite **timing issue and one-time costs** for some businesses.
- Machined components: **Sales and production volume** of ball bearings hit **quarterly record highs**. OP of ¥50 billion is expected to be achieved **two years ahead of the initial target (FY3/21)**.
- Electronic devices and components: LED backlights saw timing issue. Ramp up of new model is in good shape. Motor sales are expected to reach **¥200 billion** in the current fiscal year as initially planned.
- Mitsumi Business: Mechanical components secures forecasted profit. Camera actuators to be in full swing in 2H.
- Despite the LED backlight loss, overall OP hit ¥34 billion in 1H!
- M&A paves the way to further growth. Strengthening portfolio of next-generation products.
- Tariff issue is a **great business opportunity**. **China +1** strategy and a **25% tariff on Chinese-made bearings** exported to the United States.

## Core businesses keep driving growth

### Points

- Machined components sure to continue growing.
- Steady demand for ball bearings.
- Ramp up of components for new smartphone is in good shape.  
(LED backlights, camera actuators)
- Top-line growth and profit improvement to continue for motors.
- Steady earnings are expected in mechanical components.
- FX rate estimate: 1 USD = 110 JPY

(Millions of yen)	FY3/18 Full Year	FY3/19 Plan			
		1st Half	2nd Half	Full Year	YoY
Net sales	881,413	449,368	490,632	940,000	+6.6%
Operating income	68,902	33,915	51,085	85,000	+23.4%
Profit for the period attributable to owners of the parent	50,326	26,856	40,144	67,000	+33.1%
Earnings per share, basic (yen)	119.61	64.00	95.64	159.64	+33.5%

## Targeting OP of ¥50 billion via strengthening profitability

### Ball bearings

- 2Q external shipment and production volume increased both YoY and QoQ
- Although demand may see temporary adjustment for some applications from 3Q onwards, **CASE of automobile, IoE and 5G infrastructure will drive growth** in mid-to-long term

**NO change in mid-to-long term demand outlook**

- **Profitability improves** even if demand sees adjustment

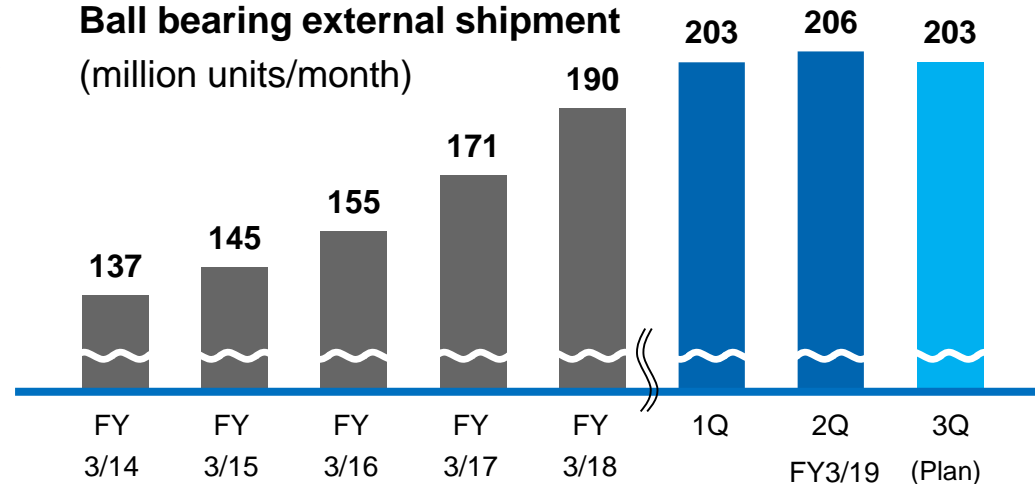
- ✓ Optimization of inventory level
- ✓ Reduction in shipment costs
- ✓ Effect of price adjustment

**Opportunity to optimize profit structure**

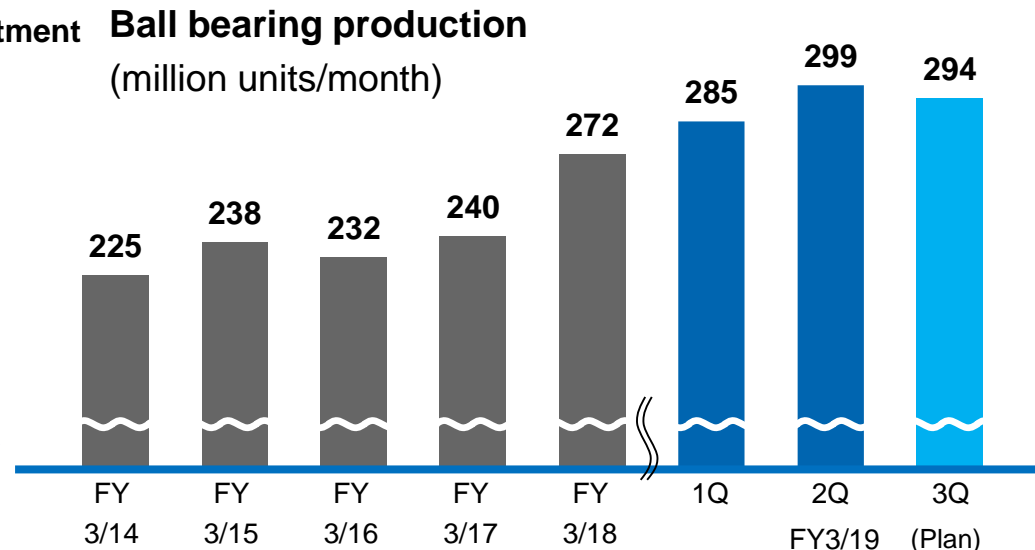
### Rod-ends & fasteners

- **Fasteners totally turned around**

Ball bearing external shipment  
(million units/month)



Ball bearing production  
(million units/month)



## LED backlights ramped up in good shape Motors remain steady

### LED backlights

- **Timing issue occurred in 2Q**
- **Ramp up of new model is in good shape.**
- **Developing anti-OLED panels with supply chain partners**

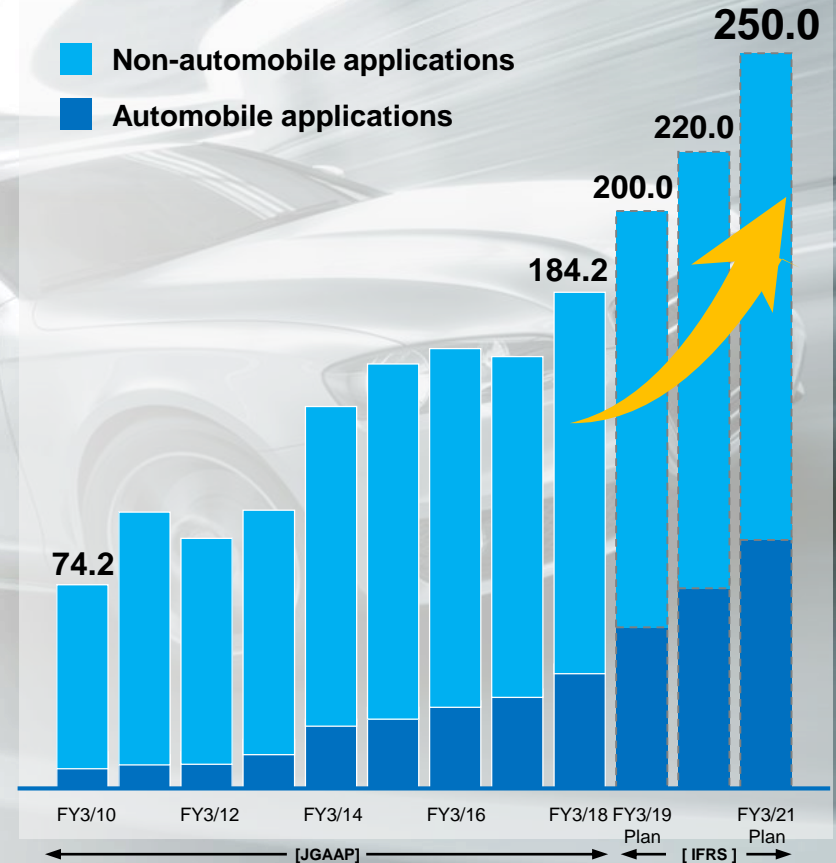
### Motors

- **Sales of motors remain up, mainly for automobiles**
- **Aiming for ¥200 billion in sales this current fiscal year**

### Motor Business Sales Targets

(Billions of yen)

- Non-automobile applications
- Automobile applications



## Big increase in production from 3Q onwards despite timing issue and one-time costs in 2Q

### Optical devices

- Significant increase in production from 3Q despite time lag for some new products in 2Q  
(No big difference in quality and yield from projection)
- Expecting good business opportunities for Chinese smartphones with better specs

### Mechanical components

- Earnings for the fiscal year remain mostly on track

### Other businesses

- Semiconductors booked **one-time costs** due to the Hokkaido Earthquake, but production **resumed without any hitches**



- US-China tariff issue driving **US companies to China +1**
- **Opportunities to use 64 global manufacturing sites, including Cambodia factory, are rapidly expanding.**  
E.g. a 25% tariff on Chinese-made bearings  
-->Reduction of price difference with Chinese competitors
- RFQs flowing into various businesses

# TOB of U-Shin toward Business Integration



Target company	U-Shin Ltd. (ticker: 6985)
Tender offer period	TBD *Targeting at the end of January 2019
Tender offer price	JPY 985 per common stock
Tender offer funds	JPY 32,622 million
Number of shares to be purchased	Maximum: none Minimum: 22,079,500 shares (66.67% of the shares outstanding)

## Expected synergies

- 1. To expand presence in the automotive industry**  
Ability to develop and propose new products that meet customer needs
- 2. Enhance Tier1 sales force and global manufacturing sites**  
Realizing cross-selling and "Time to Market"
- 3. Exploiting technological synergies**  
To create new economic value through new products and services that INTEGRATE core technologies
- 4. Introduction of high functional safety and quality control methods**  
Master of know-how on the quality of automotive parts
- 5. Strengthening competitiveness by mutually promoting vertical integration**  
E.g. Application of U-Shin's molding, painting, and color adjustment technologies to a variety of automotive parts in MinebeaMitsumi.
- 6. Utilizing automotive technologies to housing**  
Creation of new solutions in IoE-related businesses

### Automotive division



ESCL  
(Electronic Steering Column Lock)

### Industrial equipment division



Various fuel pumps

### Home security unit division



Electric door frame lock

## Significant business expansion via strengthening portfolio through M&A and synergies from INTEGRATION

◆ New business opportunities from synergy between our CASE business and U-Shin

### Connectivity

- Leverage Mitsumi business to make network devices, such as Car2Car and Car2X
- Expand product portfolio, including key sets and switches

### Autonomous

- ADAS devices such as BLDC for LiDAR and high-frequency modules
- Strengthen sensing solutions, including millimeter-wave radar using proprietary algorithms

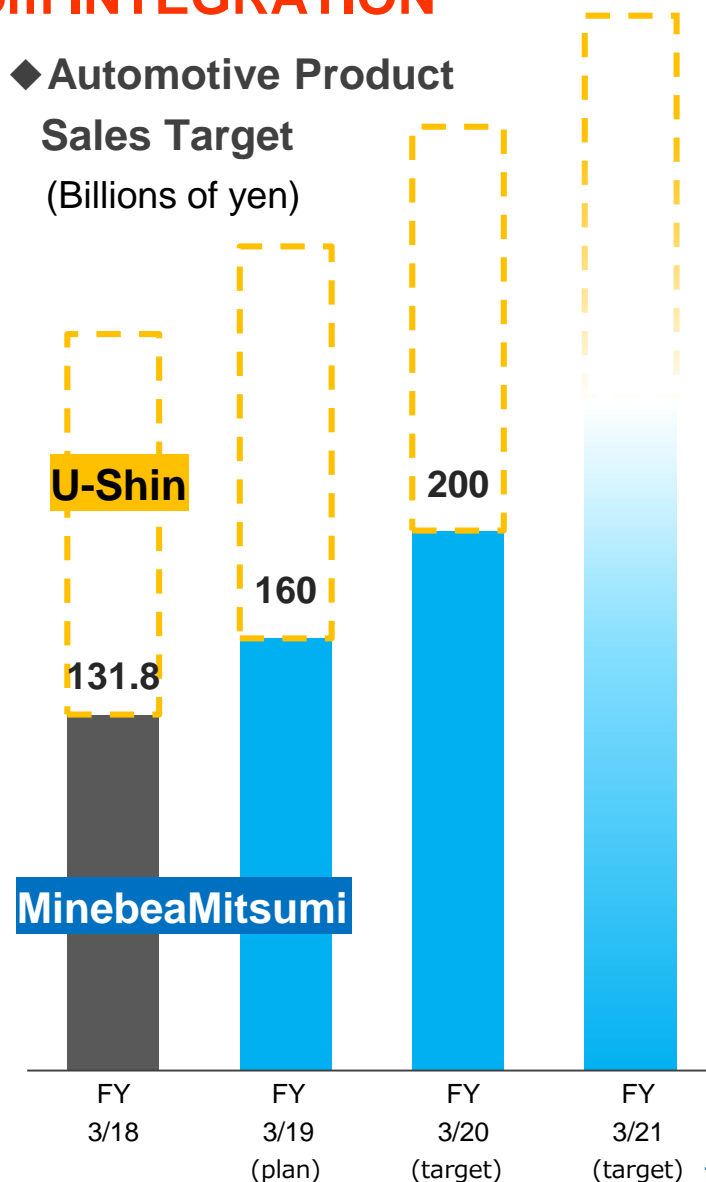
### Shared & Services

- Demand for our energy-saving products is riding high on soaring car utilization rates fueled by the spread of carsharing and ridesharing
- Strengthen ties with OEMs as a Tier 1 manufacturer

### Electric

- Expanding existing products for EV such as ball bearings for various cooling fans, resolvers, and so on.
- Motorization of lock and gate system, and enhancing competitiveness through the INTEGRATION with MinebeaMitsumi products

◆ Automotive Product Sales Target (Billions of yen)



## SALIOT

**Soaring inquiries /  
Various events**

*acoya with lights by SALIOT*

## Bed Sensor System

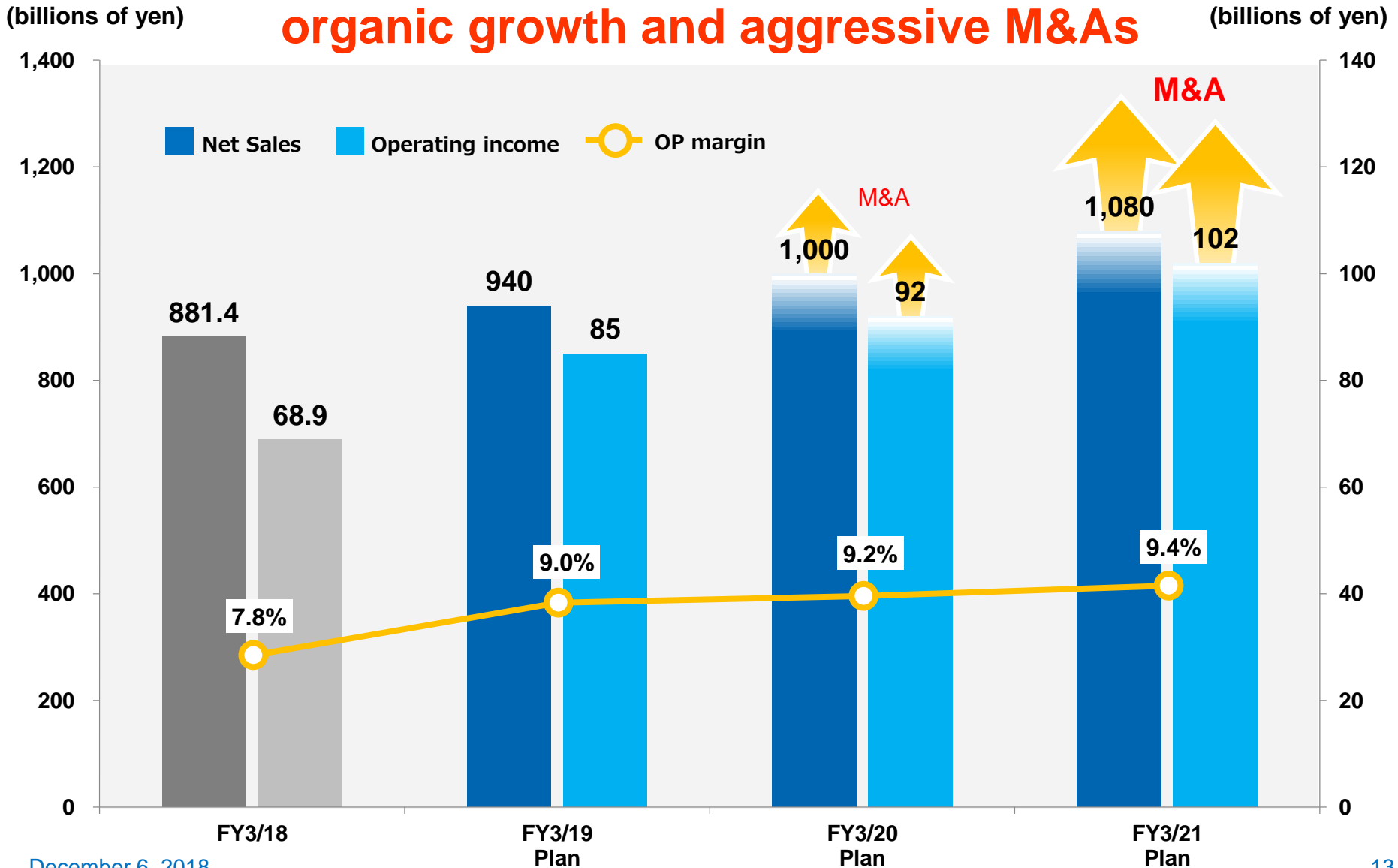
**Sales activity  
launched by Ricoh**

## Smart City

**Strengthening product  
development**

Nodes, gateways, environmental sensors, parking sensors, etc.

## Hit ¥1 trillion / ¥100 billion targets via organic growth and aggressive M&As



## Increase dividends reflecting business forecast

	FY3/18 Actual		FY3/19 Actual/Forecast
Interim dividend	13 yen/share	→	14 yen/share
Year-end dividend	13 yen/share	→	14* yen/share
Total	26 yen/share	→	28* yen/share

\* Dividend for FY3/19 will be decided on business performance at payout ratio of around 20%

**Using all means possible to hit  
¥1 trillion / ¥100 billion targets  
next fiscal year!**

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# **Management Strategy based on the Recent External Environment**

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- 1 Ball bearing: growth of external shipment volume and increase in ASP**
- 2 Motor: Various motors for auto, brushless motors for high-end home appliance, and DC brush motors**
- 3 Sensor to grow further including MINEGE™**
- 4 U-Shin improvement and synergy creation through various products such as antennas**
- 5 Launching new products & IoT related products**

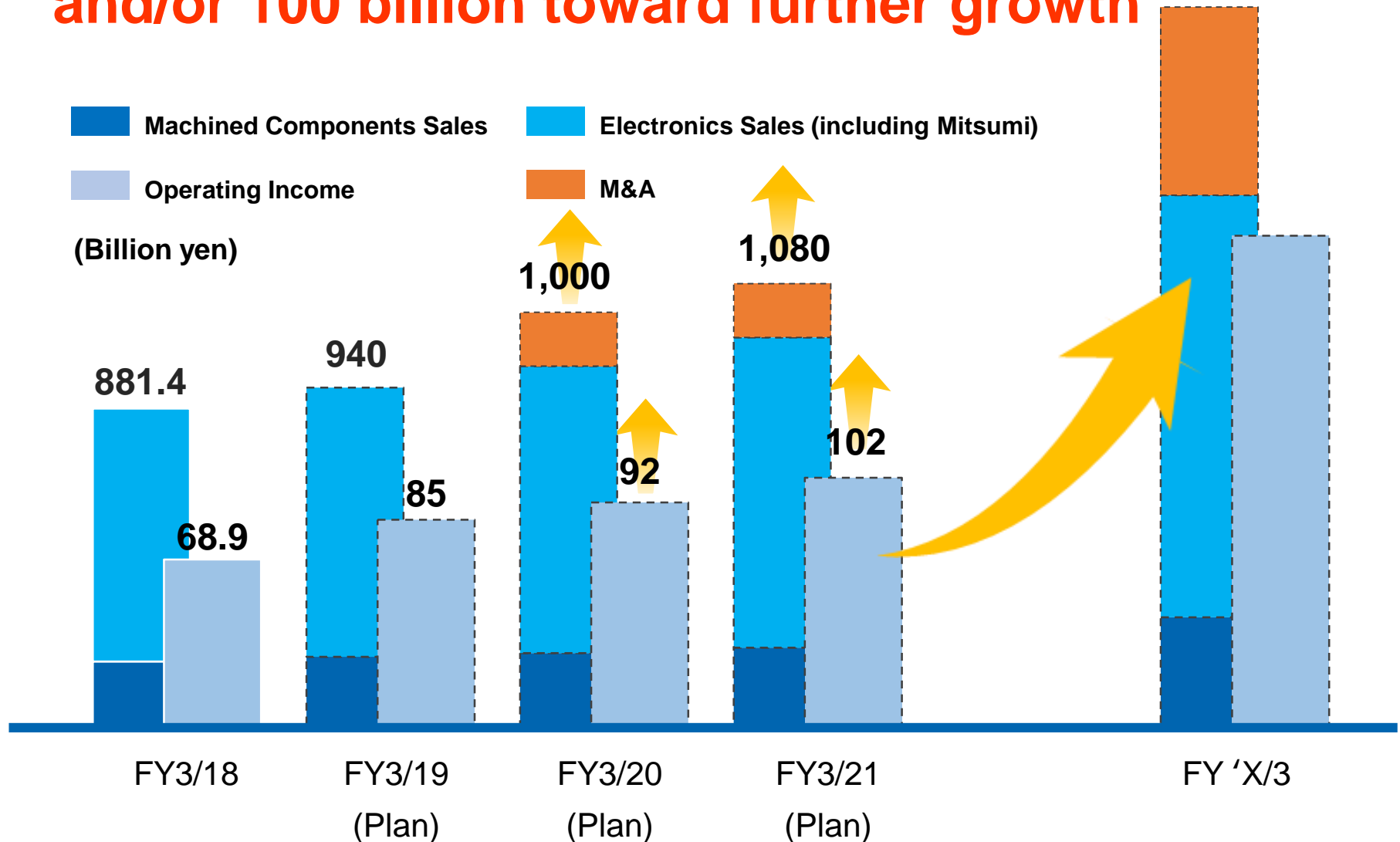
- 1 Accelerate growth by both M&A and organic through INTEGRATION of existing products**
- 2 Gain a firm foothold on the basis of ¥1 trillion sales (¥1 trillion + ¥100-200 billion)**
- 3 Clarify the growth driver via launching new products through INTEGRATION**
- 4 Flexible share buyback**



## **Resolution of share buyback (November 20, 2018)**

- Number of shares: Up to **6.3 million shares**  
(equal to 1.49% of total issued shares excluding treasury shares)
- Amount: Up to **11,655 million yen**
- Period: From November 21, 2018 to December 20, 2018

## Quickly establish firm basis of ¥1 trillion and/or 100 billion toward further growth





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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