



# MISUMI Group Inc.

FY2019 (ending March 2020)

First half year (1H) earnings report

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## FY19 1H earnings overview

FX rates (vs Yen)	FY18 1H actual	FY19 1H actual
USD	110.1 yen	109.0 yen
EUR	129.9 yen	121.4 yen
RMB	16.7 yen	15.8 yen

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### Differences to initial views taken on FY19 market conditions

Initial views taken on market conditions

China's economy continues to be opaque due to concerns over prolonged US-China trade conflict --- **Worsened**

Industry substituting smartphones that drove FA business had not yet appeared --- **As anticipated**

In the short term, concerns over global economic slowdown is likely to intensify --- **As anticipated**

For manufacturing industry

Market conditions worsened than initial views, **suffered greater economic loss than the last recessionary period**

MISUMI will:

Long-term : **investments** aimed towards business model innovation **will continue**

Short-term : **reviewing investment timing** in accordance with decline in "sales volume", and **accelerating profitability measures**

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## FY19 1H earnings overview

Plan was unreachd due to the sluggish economy in China and declining demand in Japan and Europe

Investments geared for growth were carefully selected and thorough cost reduction measures were taken, but could not compensate for sales decline

Million yen

Category	FY18 1H	FY19 1H			
	Actual	Plan	Actual	Percentage change	
				YoY	Vs plan
Net sales	166,668	168,100	157,133	-5.7%	-6.5%
Operating income (before amortization of goodwill, etc.)*	16,202	15,100	12,040	-25.7%	-20.3%
Margin	9.7%	9.0%	7.7%	-2.1pt	-1.3pt
Operating income	15,896	14,800	11,737	-26.2%	-20.7%
Margin	9.5%	8.8%	7.5%	-2.1pt	-1.3pt
Ordinary income	15,970	14,700	11,566	-27.6%	-21.3%
Net income	11,573	10,900	8,510	-26.5%	-21.9%

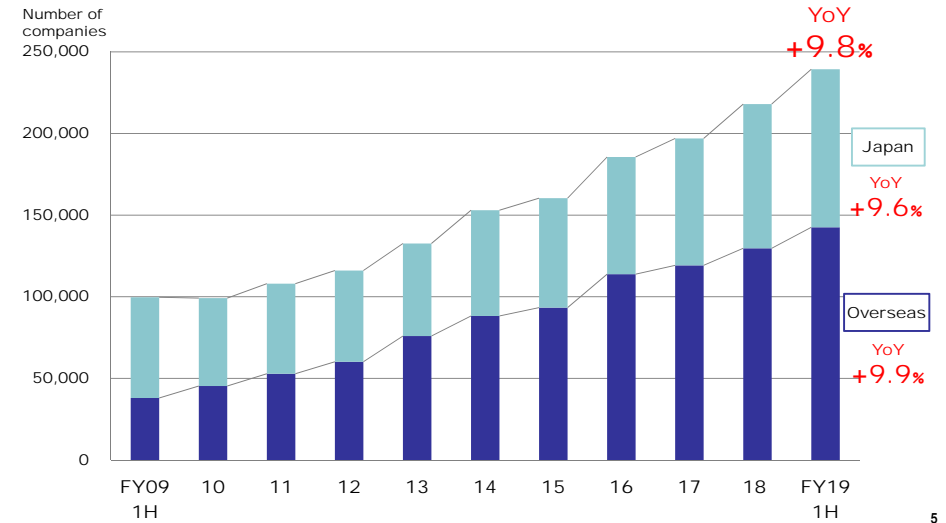
\* 1. Operating income before the amortization of goodwill and other intangible fixed assets associated with the acquisition of Dayton Lamina Corporation (DL)  
2. Amortization of goodwill completed in October 2017

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## FY19 1H transition of customer numbers

Initiatives to expand customer base continued globally, despite recessionary conditions

Steadily establishing a solid customer base, setting sights for high growth whence the economy recovers



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## FY19 1H sales by business segment

FA : -6% when excluding last year's one-off large volume order, stagnant capital investment demand continued

Die components : growth continues in Asia, but sales slightly declined on a local currency basis

VONA : secured growth in Europe, U.S. and Asia, but impacted by declining demand in China

Million yen

Category	FY18 1H	FY19 1H		
	Actual	Actual	YoY change	
			Yen basis	Local currency basis
Total	166,668	157,133	-5.7%	-3.9%
FA business	56,068	49,836	-11.1%	-9.2%
Die components business	38,494	37,257	-3.2%	-0.8%
VONA business	72,105	70,038	-2.9%	-1.4%

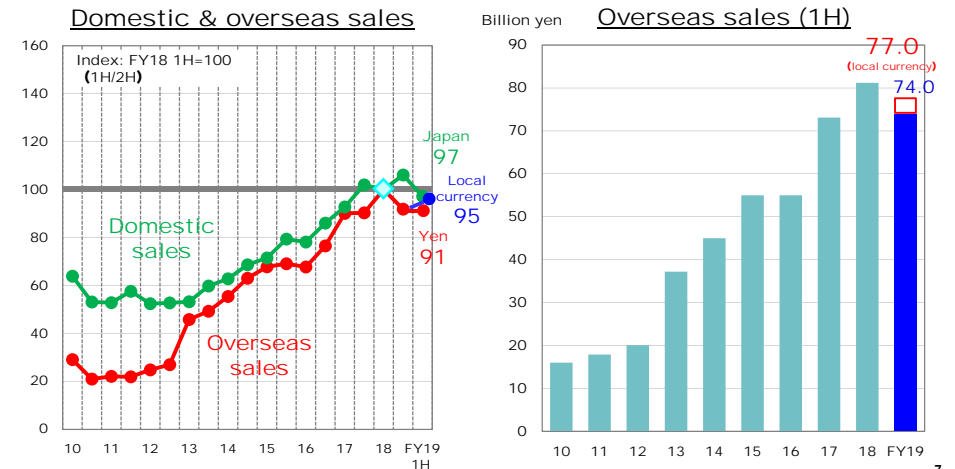
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## FY19 1H domestic & overseas sales

Japan : demand for capital investments declined as exports to China fell

Overseas : sluggishness continued in China and South Korea

Overseas sales decreased 5% on a local currency basis, overseas sales ratio at 47%



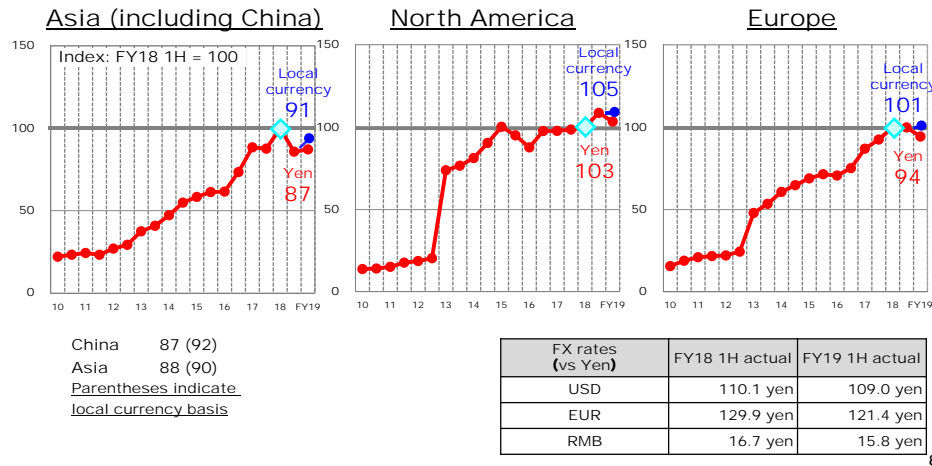
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## FY19 1H sales by region (local currency basis)

Asia : electrical equipment demand in China and South Korea was sluggish, while customer numbers increased in Southeast Asia by strengthening the reliable and quick delivery

North America : business climate decelerated, but new demand was acquired from having reinforced product lineup of FA and VONA

Europe : market conditions for automobile sector deteriorated, but sales increased slightly on a local currency basis from sales expansion of VONA



## FY19 1H operating income by business segment

FA and Die components: effect of cost reductions supplemented the investments deployed for future growth, however could not compensate the impact from sales decrease

VONA: profitability maintained through profit improvement measures, making up for investments deployed for future growth and impact from sales decrease

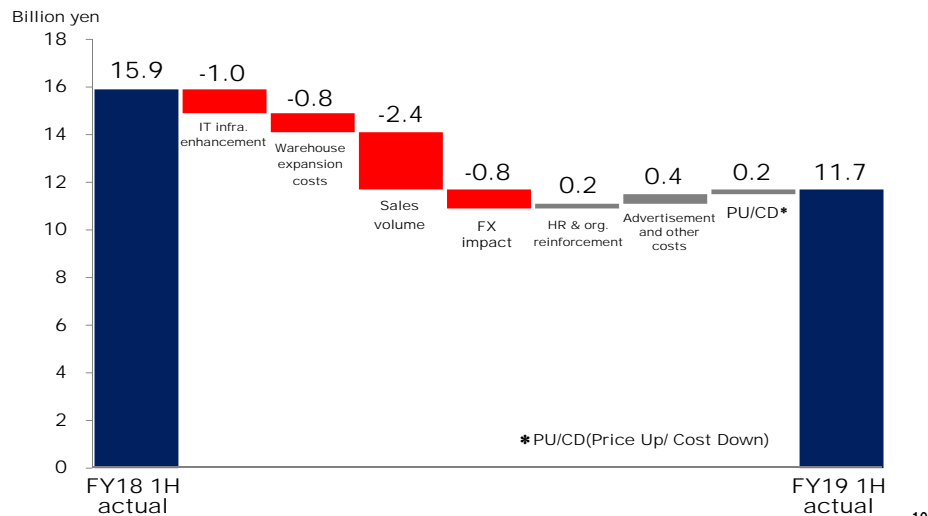
Million yen

Category	FY18 1H		FY19 1H			
	Actual		Actual		YoY	
		Margin		Margin	Yen basis	Local currency basis
Total	15,896	9.5%	11,737	7.5%	-26.2%	-20.8%
FA business	9,791	17.5%	6,242	12.5%	-36.3%	-32.9%
Die components business	3,231	8.4%	2,498	6.7%	-22.7%	-18.4%
Before amortization of goodwill, etc.	3,537	9.2%	2,801	7.5%	-20.8%	-16.9%
VONA business	3,117	4.3%	2,995	4.3%	-3.9%	+8.6%
Other factors and adjustments	-243	-	-	-	-	-

## FY19 1H operating income analysis (YoY)

Carefully selected investments aimed towards business model innovation continued, such as reinforcements made to IT and logistics

Despite taking suppressive measures for hiring and reducing advertising costs, the impact of sales decline was overwhelming



## FY19 full year consolidated earnings forecasts

FX rates (vs Yen)	FY18 actual	FY19 2H plan	FY19 full-year plan
USD	110.7 yen	107.0 yen	108.1 yen
EUR	128.4 yen	118.0 yen	119.9 yen
RMB	16.5 yen	15.0 yen	15.4 yen

## Outlook of FY19 going forward

The apprehension of a global economic slowdown caused by prolonged US-China trade conflict could not be eliminated

5G and EV-related demand began, but still too early to be a growth driver

The economy will likely to remain being sluggish without bottoming out

Long-term : investments aimed towards business model innovation will continue

Short-term : reviewing investment timing in accordance with decline in "sales volume", and accelerating profitability measures

Establish a strong business structure that is able to grow through self-aided efforts, even during a market downturn

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## FY19 full year earnings forecast (revised)

Revised plan based on demand trends, sales on a local currency basis will remain the same level year-on-year

Investments geared for growth were carefully selected and thorough cost reduction measures were taken, but could not compensate for sales decline

Million yen

Category	FY18		FY19			
	Actual	Initial plan	Revised forecast	YoY		Vs initial plan
				Yen	Local currency	
Net sales	331,936	355,000	326,500	-1.6%	+0.6%	-8.0%
Operating income (before amortization of goodwill, etc.)*	32,490	36,000	28,300	-12.9%	-5.7%	-21.4%
Margin	9.8%	10.1%	8.7%	-1.1pt	-0.6pt	-1.4pt
Operating income	31,874	35,400	27,700	-13.1%	-5.8%	-21.8%
Margin	9.6%	10.0%	8.5%	-1.1pt	-0.6pt	-1.5pt
Ordinary income	31,815	35,200	27,300	-14.2%	-	-22.4%
Net income	24,034	25,900	20,100	-16.4%	-	-22.4%

\*1. Operating income before the amortization of goodwill and other intangible fixed assets associated with the acquisition of Dayton Lamina Corporation (DL)  
 2. Amortization of goodwill completed in October 2017

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## FY19 2H earnings forecast (revised)

Net sales expected to increase slightly owing to growth through self-reliant efforts

Profit increase expected on a local currency basis, by carefully selecting investments geared for growth and thorough cost reduction

Million yen

Category	FY18 2H		FY19 2H			
	Actual	Initial plan	Revised forecast	YoY		Vs initial plan
				Yen	Local currency	
Net sales	165,268	186,900	169,367	+2.5%	+5.2%	-9.4%
Operating income (before amortization of goodwill, etc.)*	16,287	20,900	16,260	-0.2%	+8.8%	-22.2%
Margin	9.9%	11.2%	9.6%	-0.3pt	+0.3pt	-1.6pt
Operating income	15,977	20,600	15,963	-0.1%	+9.1%	-22.5%
Margin	9.7%	11.0%	9.4%	-0.3pt	+0.3pt	-1.6pt
Ordinary income	15,845	20,500	15,734	-0.7%	-	-23.2%
Net income	12,460	15,000	11,590	-7.0%	-	-22.7%

\*1. Operating income before the amortization of goodwill and other intangible fixed assets associated with the acquisition of Dayton Lamina Corporation (DL)  
 2. Amortization of goodwill completed in October 2017

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## FY19 sales forecasts by business segment

FA : sales increase expected in 2H owing to new product launches and 5G related orders

Die components : despite measures of expanding product lineup, automotive related demands are anticipated to be sluggish in principal countries

VONA : sales expected to expand due to continued growth in Southeast Asia, in addition to new product launches in Japan

Million yen

Category	FY17		FY18			
	Actual	Previous plan	Revised forecast	YoY		Vs initial plan
				Yen basis	Local currency basis	
Total	331,936	355,000	326,500	-1.6%	+0.6%	-8.0%
FA business	109,230	113,033	104,403	-4.4%	-2.1%	-7.6%
Die components business	76,443	79,089	74,434	-2.6%	+0.5%	-5.9%
VONA business	146,262	162,879	147,663	+1.0%	+2.7%	-9.3%

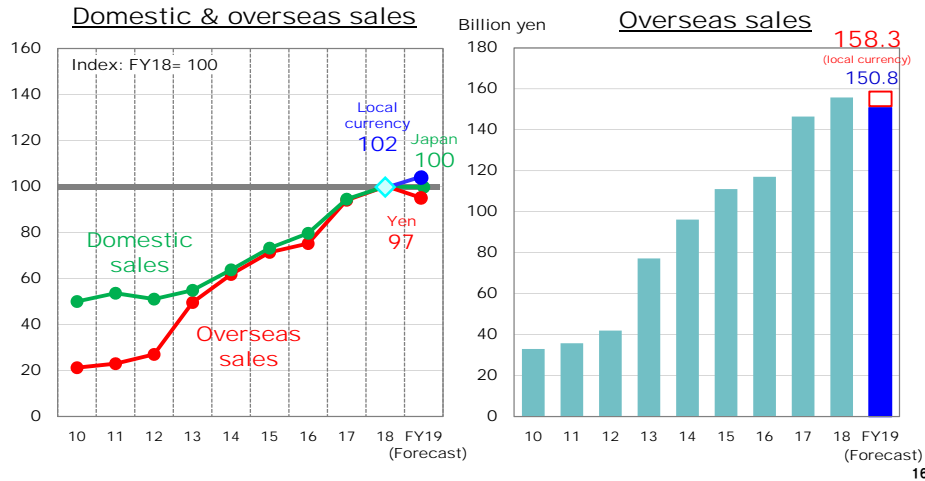
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## FY19 domestic & overseas sales forecasts

Japan : sales expected to increase in 2H owing to new FA product launches, 5G related sales expansion and increase in product lineup of VONA

Overseas : sluggish business climate expected to continue in China, South Korea and Europe, while growth is expected in Southeast Asia and the U.S.

Overseas sales expected to increase by 2% on a local currency basis, overseas ratio will become 46%

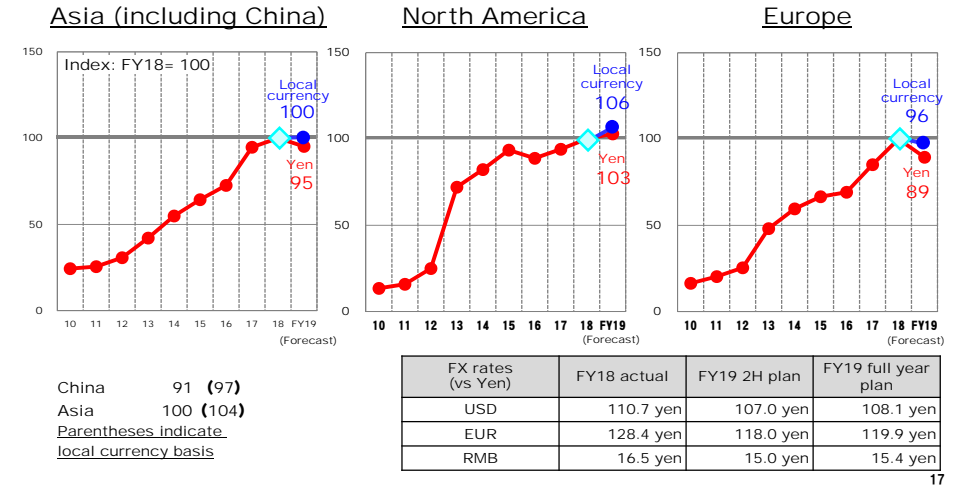


## FY19 sales forecasts by region (local currency basis)

Asia : sales expected to maintain the same level year-on-year on a local currency basis owing to sales expansion in Southeast Asia

North America : growth expected to continue by the expansion of FA and VONA product lineup and effect of market development in Mexico

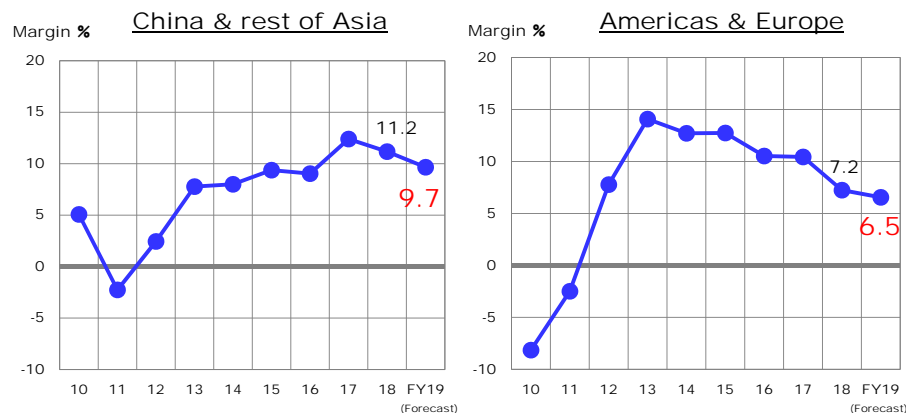
Europe : cultivation of new customers shall progress, but impact of the automobile industry's production decline is likely to continue



## FY19 operating income forecasts by region

Notwithstanding measures taken to improve profitability in all regions, China, Asia and Europe will be impacted by sales decline

Especially in Europe, margin declines due to significant impact of exchange rate fluctuations

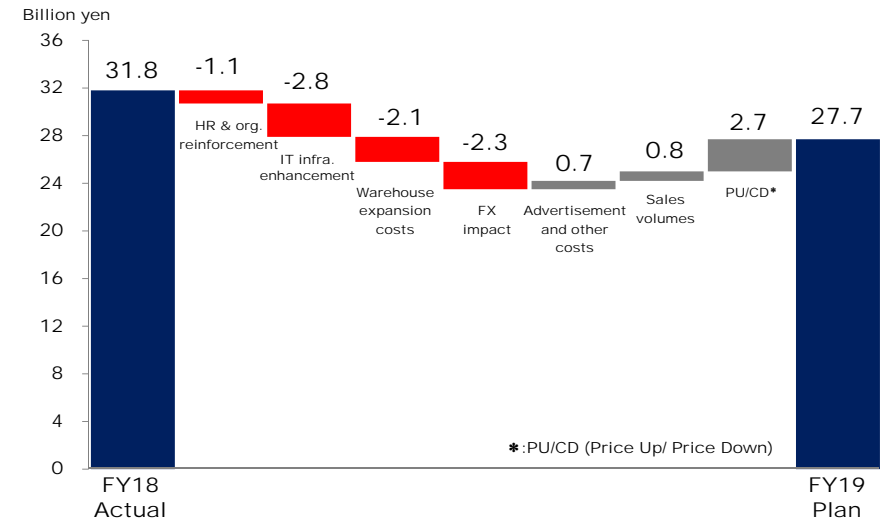


- Based on operating income by region
- Beginning with FY12, operating income (margin) is disclosed as two regions: Americas & Europe and China & rest of Asia
- Calculation based on operating income before the amortization of goodwill and other intangible fixed assets associated with the acquisition of Dayton Lamina Corporation (DL)

## FY19 operating income analysis (YoY)

Investments geared towards establishing competitive advantages shall continue in 2H, while carefully selecting investment themes

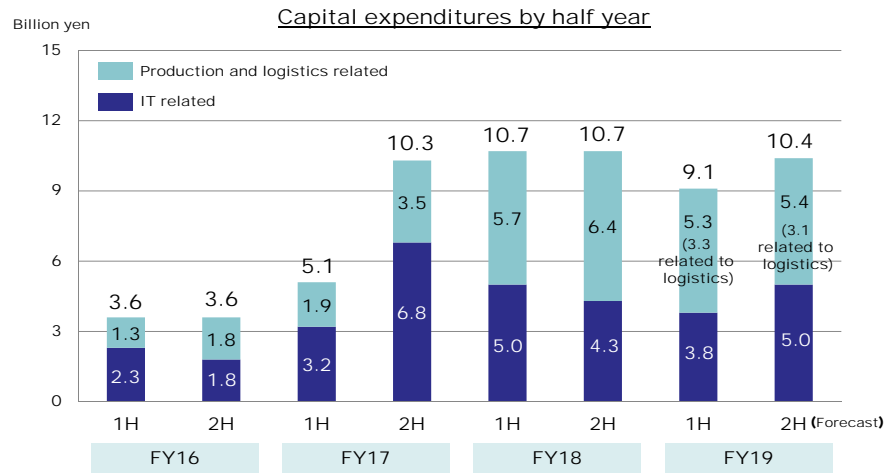
Decrease of operating income in 2H expected to arise from the impact of sales decrease only, profitability shall be maintained



## Investment plan

Investments geared towards growth, essential to business model innovation shall continue with careful selection of themes

Investment for increasing production in response to "volume" was postponed and suppressed further

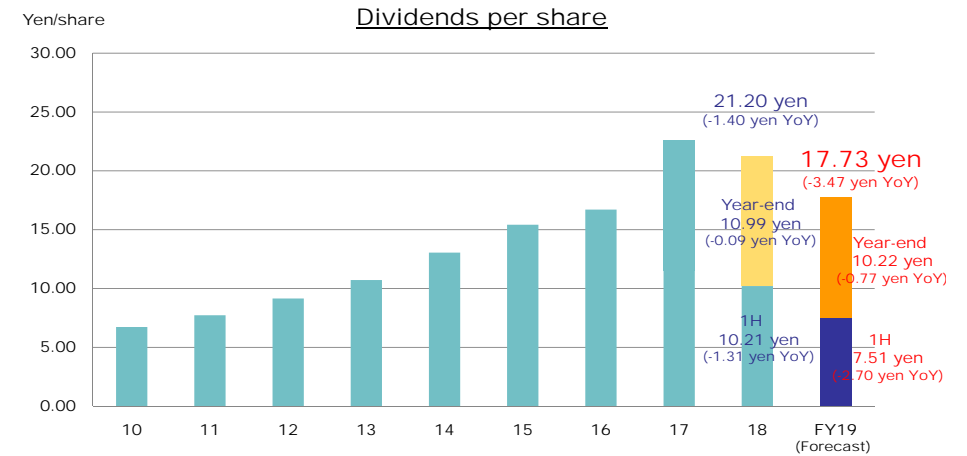


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## Shareholder return

FY19 1H dividend per share was 7.51 yen, a decrease of 2.70 yen year-on-year

The annual dividend is expected to be 17.73 yen, a decrease of 3.47 yen year-on-year

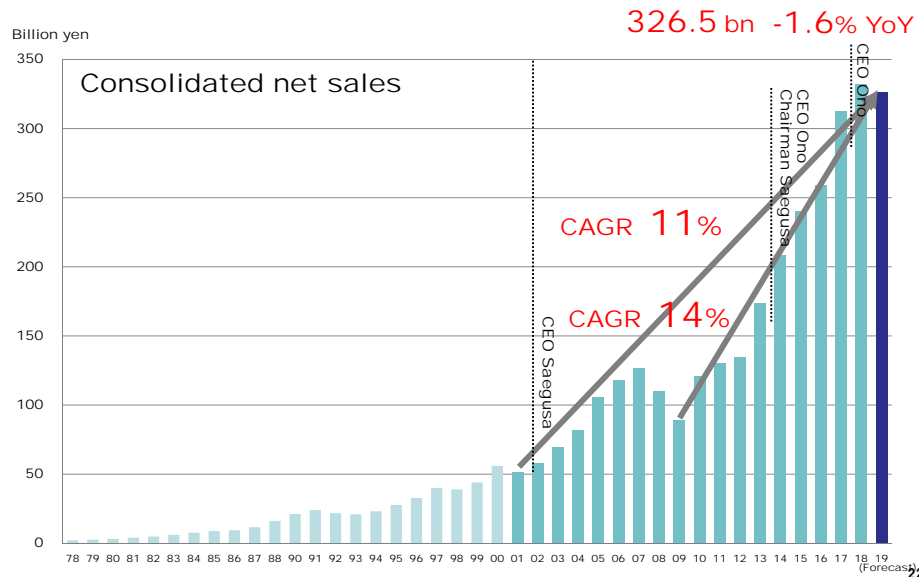


\* Effective July 1, 2015, a 3-for-1 stock split was executed. Past DPS amounts have been adjusted to reflect the split

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## Summary

Investments geared towards business model innovation will continue while carefully selected, expanding customer base for re-growth



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