



mipox

**FY2019
Financial Result**

May 23, 2019
Mipox Corporation

Key Message

FY2019 Financial Result

- The sales of product related to hard disc and processing service business decreased.
- The profit largely decreased mainly due to implement loss on Nihon Kenshi Co., Ltd

FY2020 Financial Forecast

- Although business performance recover, earning profit improvement is expected from next term, FY2021.

Progress of Medium-term Management Plan


- Numeric target has been revised as considering the business environment.

1 FY2019 Financial Result

2 FY2020 Financial Forecast

3 Progress of Medium-term
Management Plan



An aerial photograph of a large industrial facility, likely a factory or power plant, with several large buildings and a complex network of pipes and structures. The facility is surrounded by green fields and trees. In the background, a range of large, rugged mountains is visible under a clear blue sky. A semi-transparent white banner is overlaid across the middle of the image, containing the text "1 FY2019 Financial Result".

1 FY2019 Financial Result

1 -1 Difference Between Forecast and Result

The FY2019 actual result largely differed from the forecast announced on February 14, 2019.

The Reason of the Difference

(Unit: one million yen)

	FY2019 Previous Forecast	FY2019 Actual Result	Difference	
Sales	7,553	7,558	+5	+0.1%
Operating profit	20	△281	△301	-
Ordinary profit	54	△253	△307	-
Profit attributable to owners of parent	17	△967	△984	-

(Sales)

While sales for general polishing applications increased, sales related to hard disks decreased.

(Profit)

Recording a significant loss due to the disposal and valuation loss of inventories and the impairment loss on Nihon Kenshi Co., Ltd., which were not considered at the previous forecast.

1 -2 Asset Valuation Loss

As a result of conservative review of asset valuations, disposal losses and valuation losses on inventories and impairment losses on goodwill and fixed assets were recorded.

Disposal Losses and Valuation Losses on Inventories

As the result of reviewing inventory valuations, disposal loss and valuation loss of 103 million yen were recorded as cost of sales.

Impairment Losses on Goodwill and Fixed Assets

Impairment losses for factory production facilities and goodwill of Nihon Kenshi Co., Ltd., which became a consolidated subsidiary in July 2016, were recorded since its business progress had been below the plan at the time of acquisition of shares.

(Unit: one million yen)

Impairment loss	Amount
Buildings and Machinery	250
Software	77
Others	22
Goodwill	230
Total	579

1 -3 FY2019 Full-Year Result

For the FY2019 full-year result, both sales and profits fell below the previous year's level.

FY2019 Full-Year Result Summary

(Unit: one million yen)

	FY2018	FY2019	Difference	
Sales	7,826	7,558	△268	△3.4%
Operating profit	386	△281	△655	-
Ordinary profit	327	△253	△580	-
Profit attributable to owners of parent	265	△967	△1,232	-

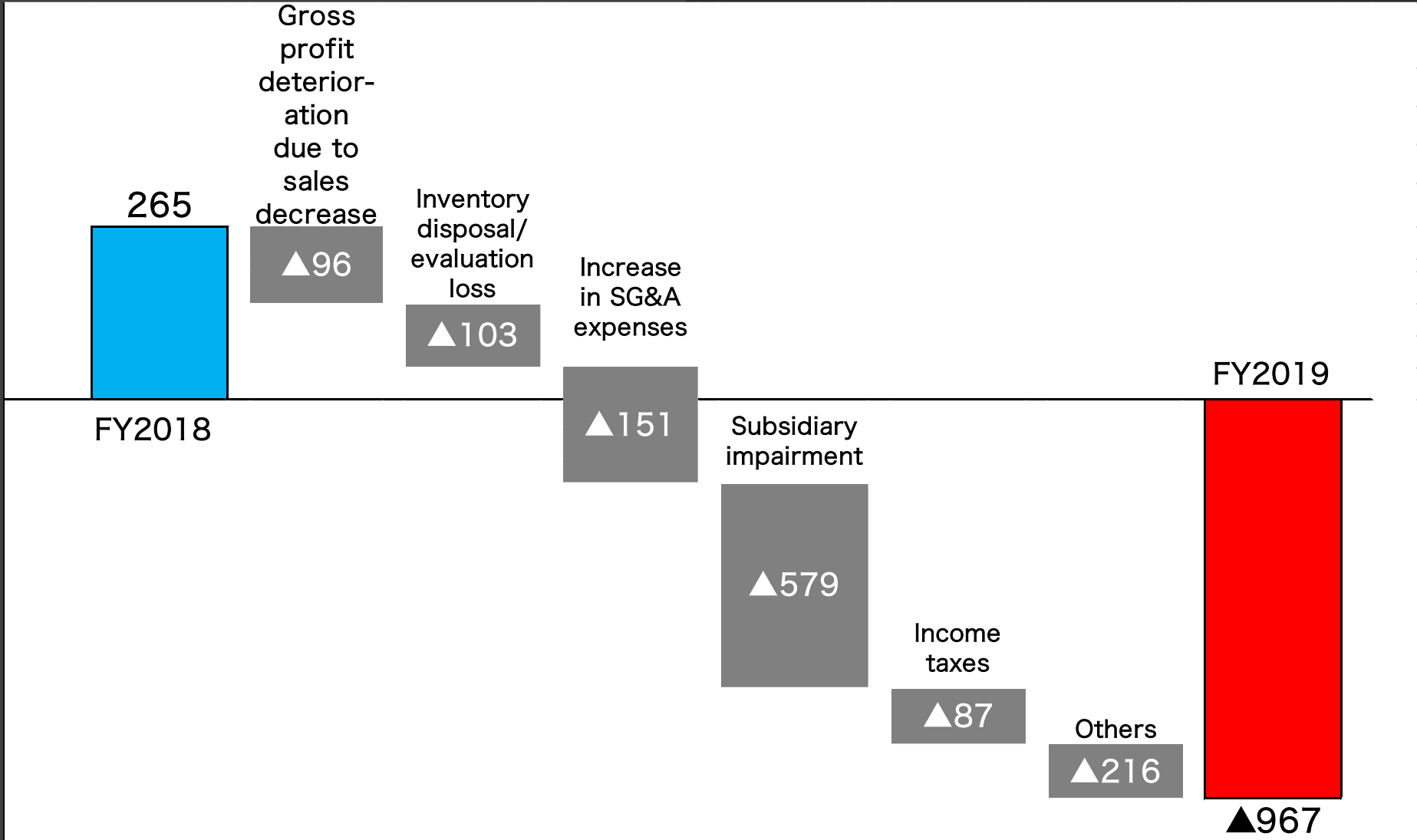
(Sales)

While optical fiber-related and Nihon Kenshi products increased, hard disk related products and processing service businesses significantly decreased.

(Profit)

A significant loss was recorded due to sales decrease, increase of SG&A expenses, and large impairment loss.

1 -4 FY2019 Net Profit Analysis



1 -5 FY2019 Result by Segment – Product Business

Sales

-Mipox high-tech related products increased in fiber-optic related market but decreased in hard disk related market.

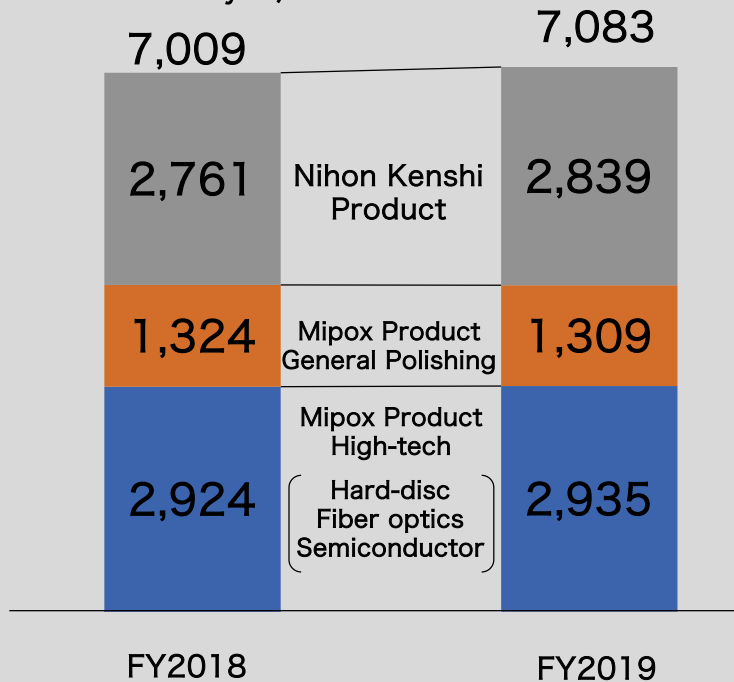
-Nihon Kenshi products increased but are behind in progress in overseas markets.

Operating Profit

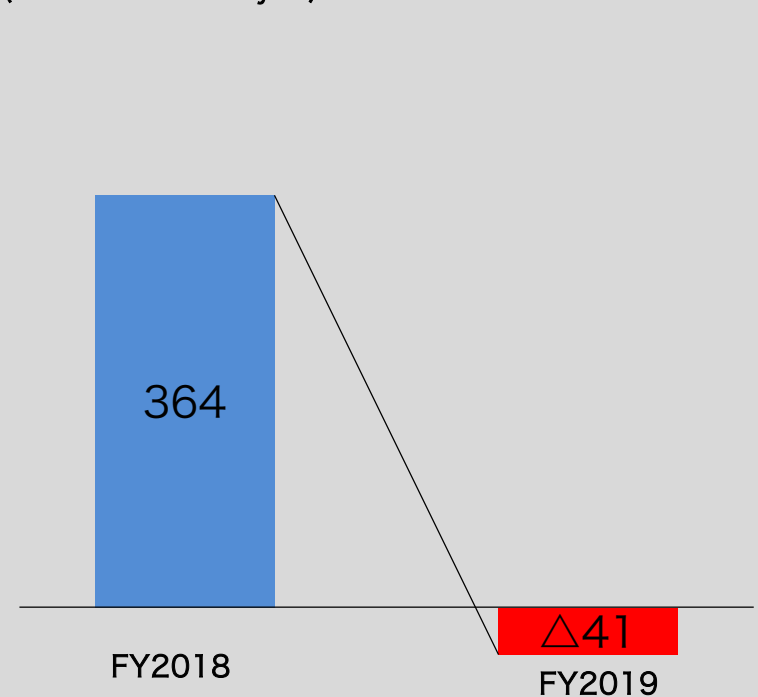
-The decline in sales of high-margin products, especially hard disk related, resulted in low gross margin.

-Inventory valuation reviews and disposal losses became a cause of the decline in profits.

(Unit: one million yen)



(Unit: one million yen)



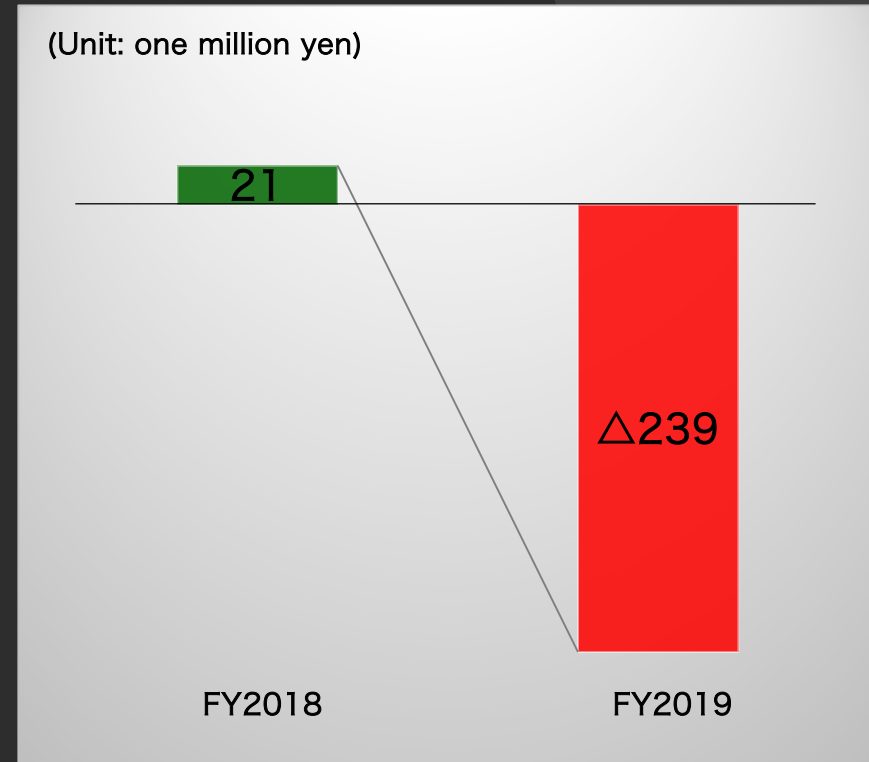
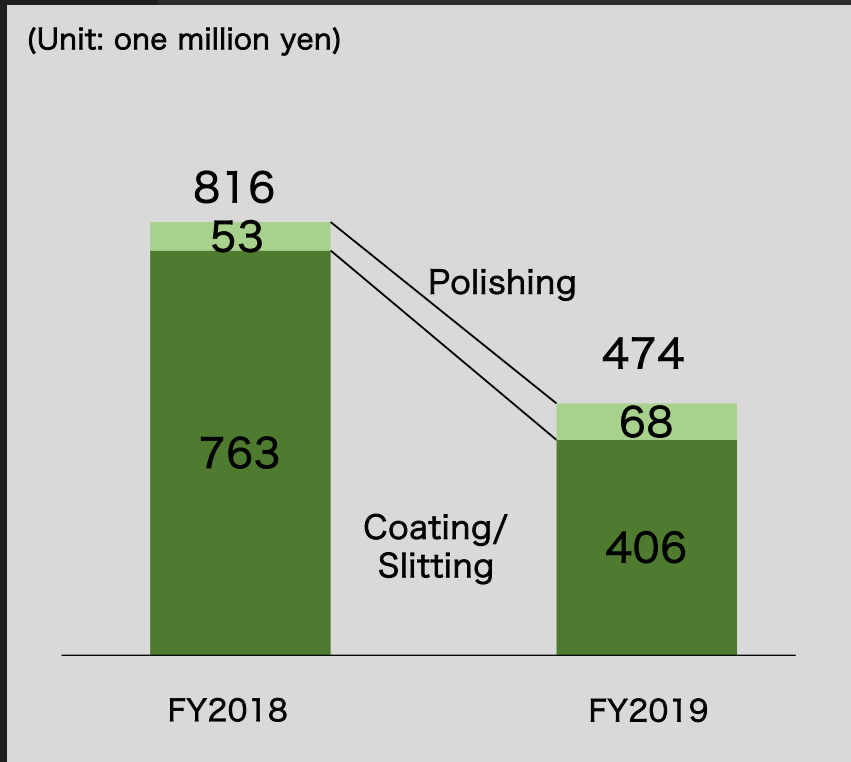
1 -6 FY2019 Result by Segment – Processing Service Business

Sales

- Demand for coating processing service related to optical special film decreased.
- For polishing processing service, it steadily increased due to new inquiries.

Operating Profit

The significant decline in sales failed to cover fixed costs and resulted in a significant decrease in profit compared to the previous year.



1 -7 Balance Sheet

	FY2018		FY2019		Increase/ Decrease
	Amount	Component Ratio	Amount	Component Ratio	
Cash and deposits	3,165	26.2%	3,275	26.1%	+110
Current assets	7,506	62.2%	8,642	68.8%	+1,136
Tangible fixed assets	3,520	29.2%	3,341	26.6%	-179
Goodwill	262	2.2%	0	0.0%	-262
Non-current assets	4,561	37.8%	3,925	31.2%	-636
Total assets	12,067	100.0%	12,568	100.0%	+501
Short-term loans payable	1,285	10.6%	1,830	14.6%	+545
Current liabilities	3,033	25.1%	4,033	32.1%	+1,000
Long-term loans payable	3,603	29.9%	3,453	27.5%	-150
Non-current liabilities	4,168	34.5%	4,056	32.3%	-112
Net asset	4,865	40.3%	4,478	35.6%	-387
Total liabilities and net assets	12,067	100.0%	12,568	100.0%	+501
Capital adequacy ratio	40.2%		39.1%		-1.1%
Total loans payable	4,888		5,283		+395

An aerial photograph of a town with a large mountain range in the background. The town features a mix of residential houses and industrial buildings. A road curves through the town, and there are several green fields. The mountains in the background are rugged and have a brownish hue, suggesting autumn or a specific geological composition. The sky is clear and blue.

2 FY2020 Financial Forecast

2 -1 FY2020 Financial Forecast

For FY2020, although sales and profits are expected to exceed the previous year, full-scale profit improvement will be in the next period.

FY2020 Financial Forecast Summary

(Unit: one million yen)

	FY2019	FY2020	Difference	
Sales	7,558	8,302	+744	+9.8%
Operating profit	△281	56	+337	-
Ordinary profit	△253	6	+259	-
Profit attributable to owners of parent	△967	242	+1,209	-

(Sales)

Product business drives sales increase from the previous year.

(Profit)

Preparation period for full-scale profit contribution from the next term, FY2021.

Scheduled to record extraordinary gains related to fixed asset transfer of Nihon Kenshi Co., Ltd.

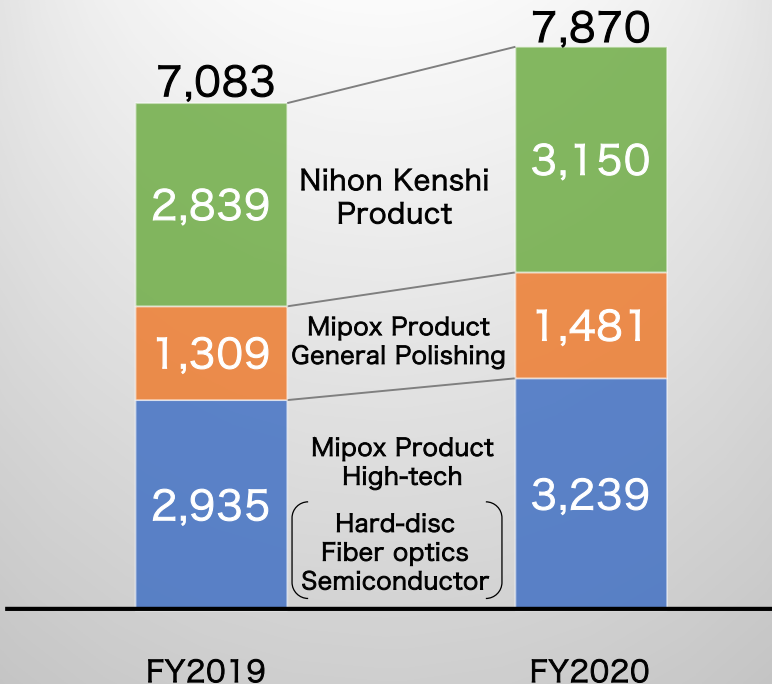
2 -2 FY2020 Sales Forecast by Segment

Product Business

-In Mipox high-tech related product, while semiconductor related market increases, hard disk related market is expected to fall further.

-Nihon Kenshi product is expected to increase in both domestic and overseas.

(Unit: one million yen)

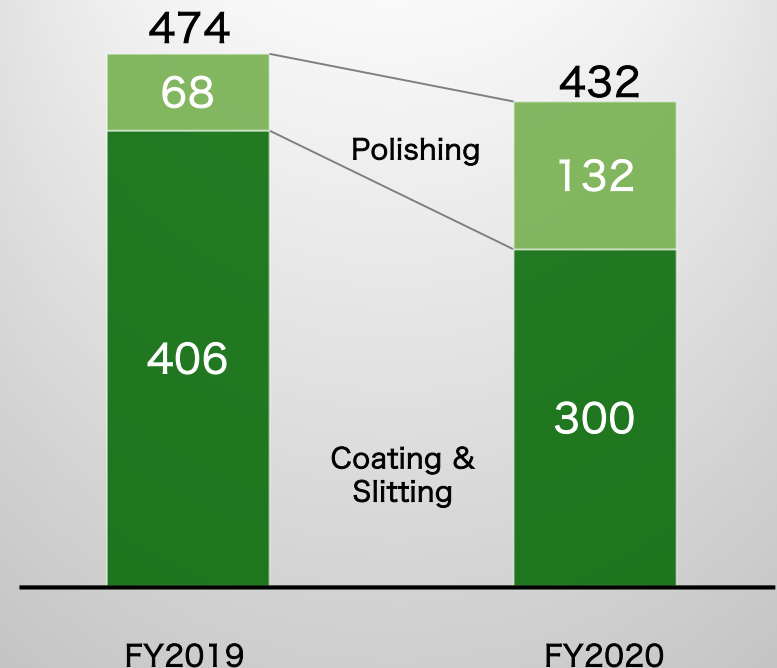


Processing Service Business

-Coating and slitting processing service are expected to decrease even further from previous year.

-Polishing processing service is expected to increase steadily, including new projects.

(Unit: one million yen)



2 -3 Dividend

	Annual dividend
FY2019	10.00 Yen
FY2020	Under review

The dividend for FY2019 is 10 yen per share.

For FY2020, the dividend is under review. It will be decided based on comprehensive consideration of business performance trends and financial conditions in the future.

3

Progress of Medium-term Management Plan



3 -1

Mid-term Management Policy

Add values to product business with engineering approach

Change from OEM business to engineering service

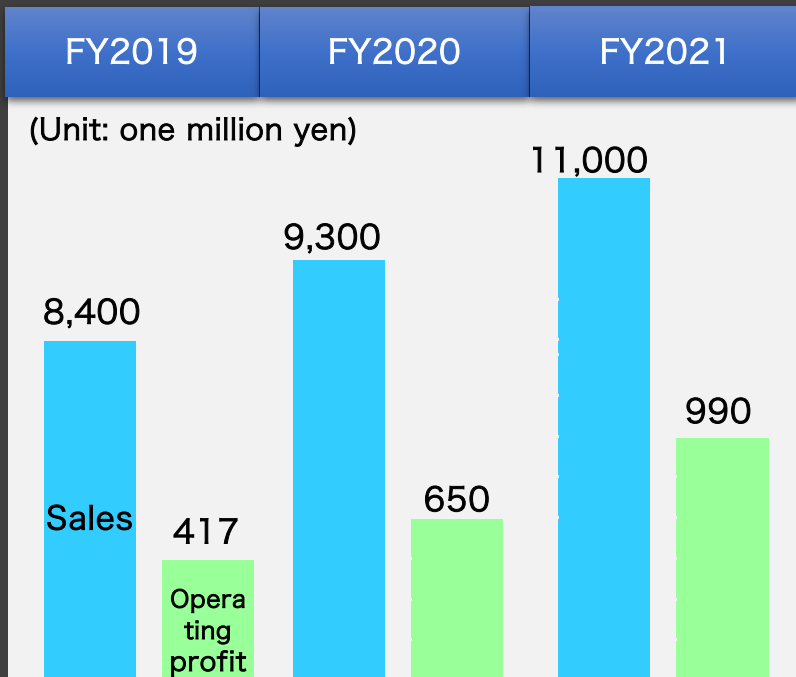
Improvement the management base supporting rapid changes and diversity

Further growth with
“Engineering”

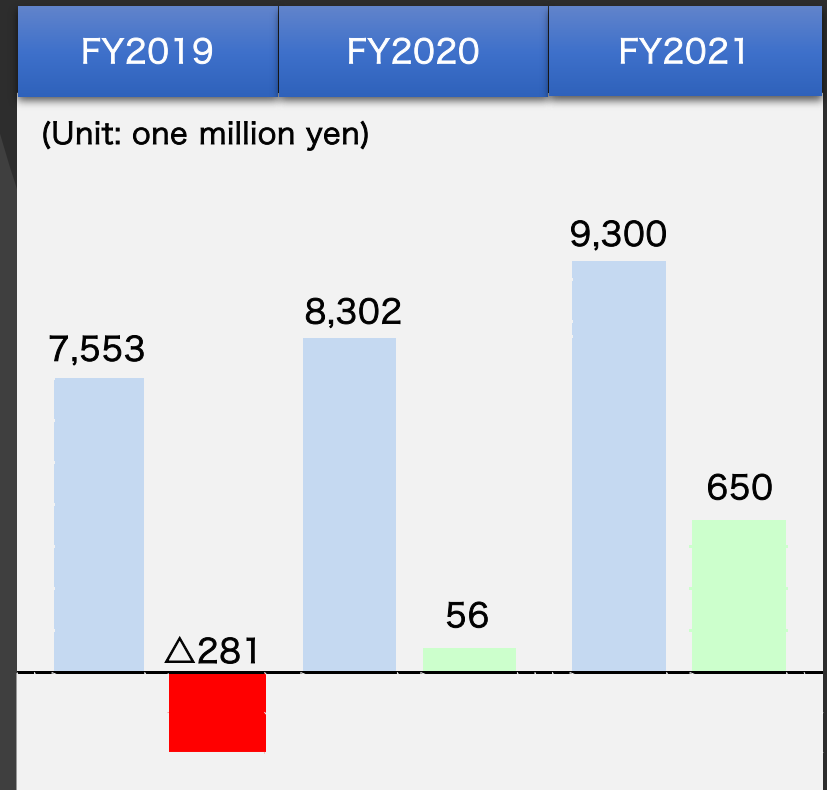
3 -2 Mid-term Numeric Target

The mid-term performance target figures announced in May 2018 has been revised.

As of May 2018



Revised Number



3 -3 Approach in FY2020

CSE



Customer Success with Engineering



Establishing “CSE”; an organization that integrates sales, development, and manufacturing. CSE will back up area sales by meeting the high value-added needs of customers.

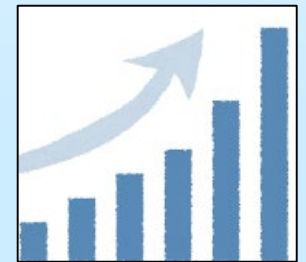
Aiming at increase of the number of customer contact, starting cross-selling of Mipox products and Nihon Kenshi products and shifting to area sales of all products



New sales office established in Sendai city in May 2019.



Area sales



Number of contact

3 -4 Challenge to the Next-Generation Semiconductor Field

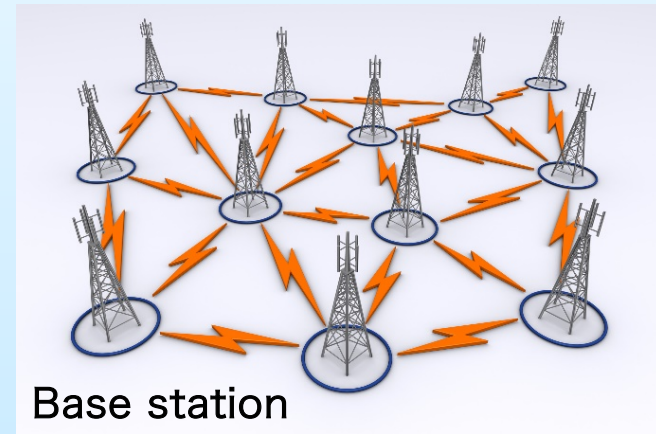
CSE will challenge the processing of materials related to the next-generation semiconductor that are extremely difficult to process. Next-generation semiconductor for "power devices" and "high frequency devices" are expected to be in great demand in various fields.

Power devices



Used in power converters such as inverters, which significantly reduces power loss and plays a role in energy saving.

High frequency devices



Used in base stations and plays a role for ultra-high-speed, multiple simultaneous connection, and ultra-low-latency communication required for realization of 5G society.

3 -5 Change the World with “Engineering”

Data storage and analysis




Data center




Cloud



Data communication



Optical fiber



Base station

Energy saving




Energy



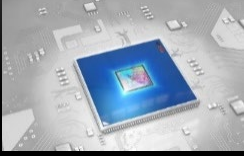
Power devices

CASE
**Connected
Autonomous
Shared & Services
Electric**

Sensor



Camera sensor



High frequency devices

Change The World
by Our Converting and Polishing Technologies

3 -6 Postponement of New Factory Construction

Mipox has been working to prepare for the construction of the factory in Nagasaki Prefecture.

The recent rapid rise in construction-related cost in the market, the current estimated cost is expected to significantly exceed the initial budget for construction. In addition, taking into consideration the recent changes in the economic environment, the construction postponement was decided.



Contact

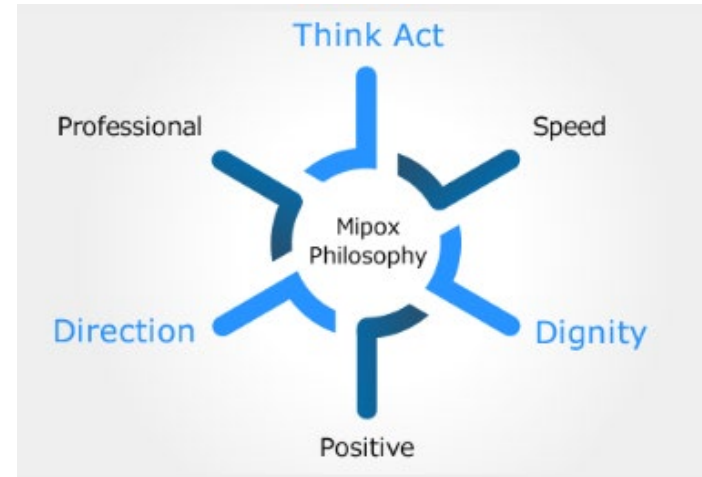
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