MinebeaMitsumi
Passion to Create Value through Difference

Business Results

Second Quarter of Fiscal Year Ending March 31, 2020

MinebeaMitsumi Inc.

November 7, 2019

Today's Agenda

1. Financial Results

2. Business Update & Management Strategy

Financial Results

Katsuhiko Yoshida
Senior Managing Executive Officer

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My name is Yoshida.

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

Summary of Consolidated Business Results for 2Q

*Based on IFRS

2Q sales hit a quarterly record high, although 2Q was strongly affected by the macroeconomic slowdown and Forex fluctuations.

(Millions of yen)	FY3/19	FY3/20		Change	
	2Q	1Q	2Q	YoY	QoQ
Net sales	236,330	204,425	279,473	+18.3%	+36.7%
Operating income	19,624	3,663	19,372	-1.3%	X5.3
Profit before taxes	20,106	3,680	19,381	-3.6%	X5.3
Profit for the period attributable to owners of the parent	15,970	2,297	13,916	-12.9%	X6.1
Earnings per share, basic (yen)	38.04	5.53	33.52	-11.9%	X6.1

Foreign Exchange Rates	FY3/19 2Q	FY3/20 1Q	FY3/20 2Q
US$	¥110.87	¥110.73	¥107.63
Euro	¥129.13	¥123.56	¥120.44
Thai Baht	¥3.35	¥3.47	¥3.50
Chinese RMB	¥16.37	¥16.28	¥15.44

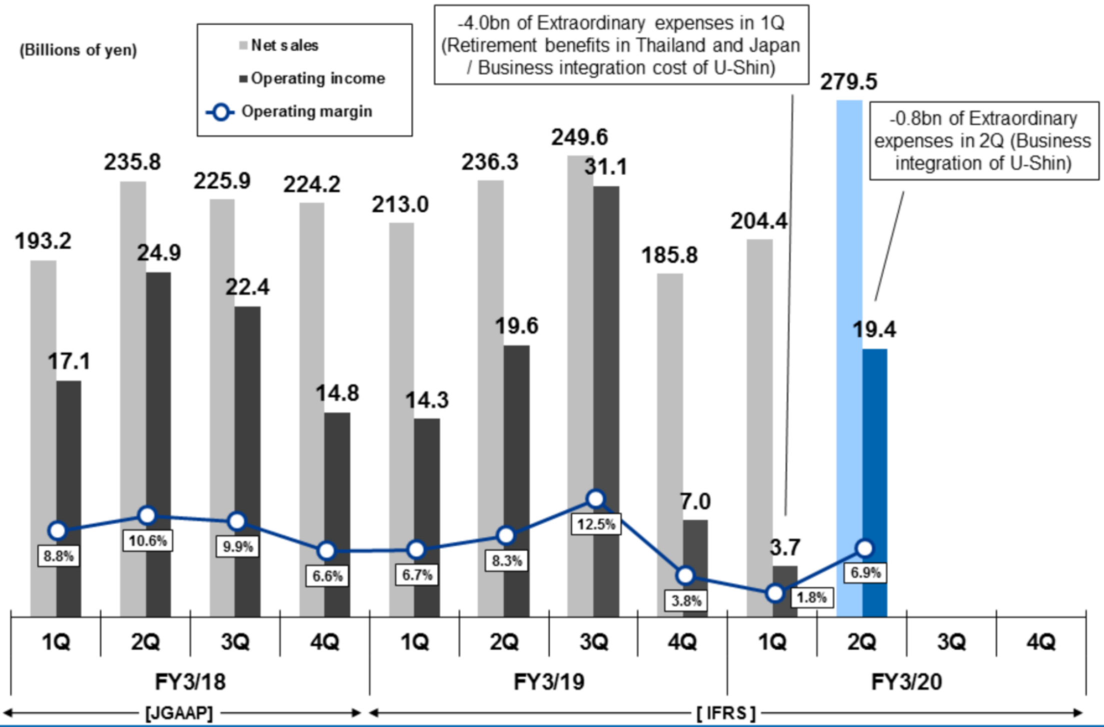
Consolidated net sales for the second quarter of the fiscal year ending March 31, 2020, was up 18.3% year on year and 36.7% quarter on quarter to total 279,473 million yen. Net sales hit the quarterly record high.

Operating income was down 1.3% year on year and up by 5.3 times higher than the previous quarter to total 19,372 million yen. Profit for the period attributable to owners of the parent was down 12.9% year on year and up by 6.1 times higher than the previous quarter to total 13,916 million yen.

Currency fluctuations brought net sales down an estimated 6.1 billion yen quarter on quarter and 7.5 billion yen year on year. It also brought operating income down 1.8 billion yen quarter on quarter and 3.0 billion yen year on year.

Net Sales, Operating Income/margin

*JGAAP for FY3/18



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

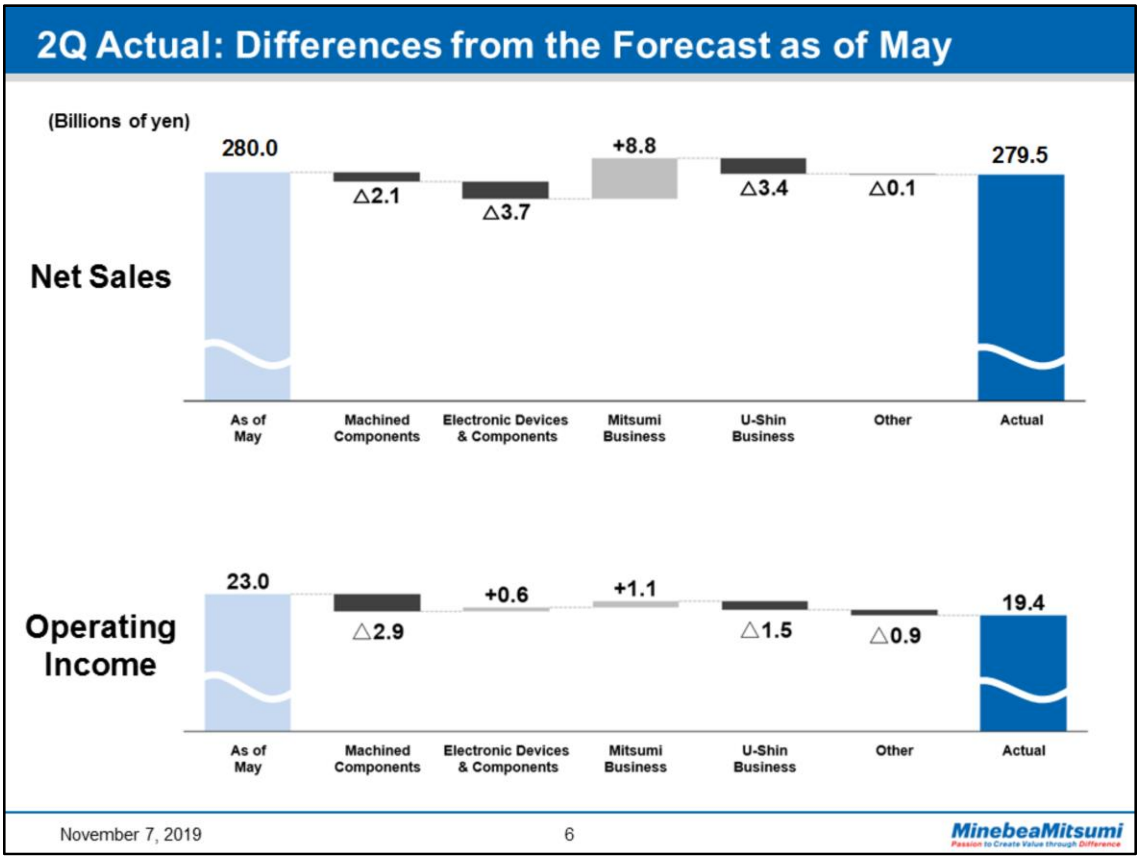
The bar graph on the left is net sales, and the one on the right is operating income along with a line chart for the operating margin.

The operating margin for the second quarter was down 1.4 percentage point year on year but up 5.1 percentage point quarter on quarter to reach 6.9%.

However, expenses including business integration cost of U-Shin totaling approximately 0.8bn are accounted for as a special factor in the second quarter, otherwise the operating margin would be 7.2% 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.

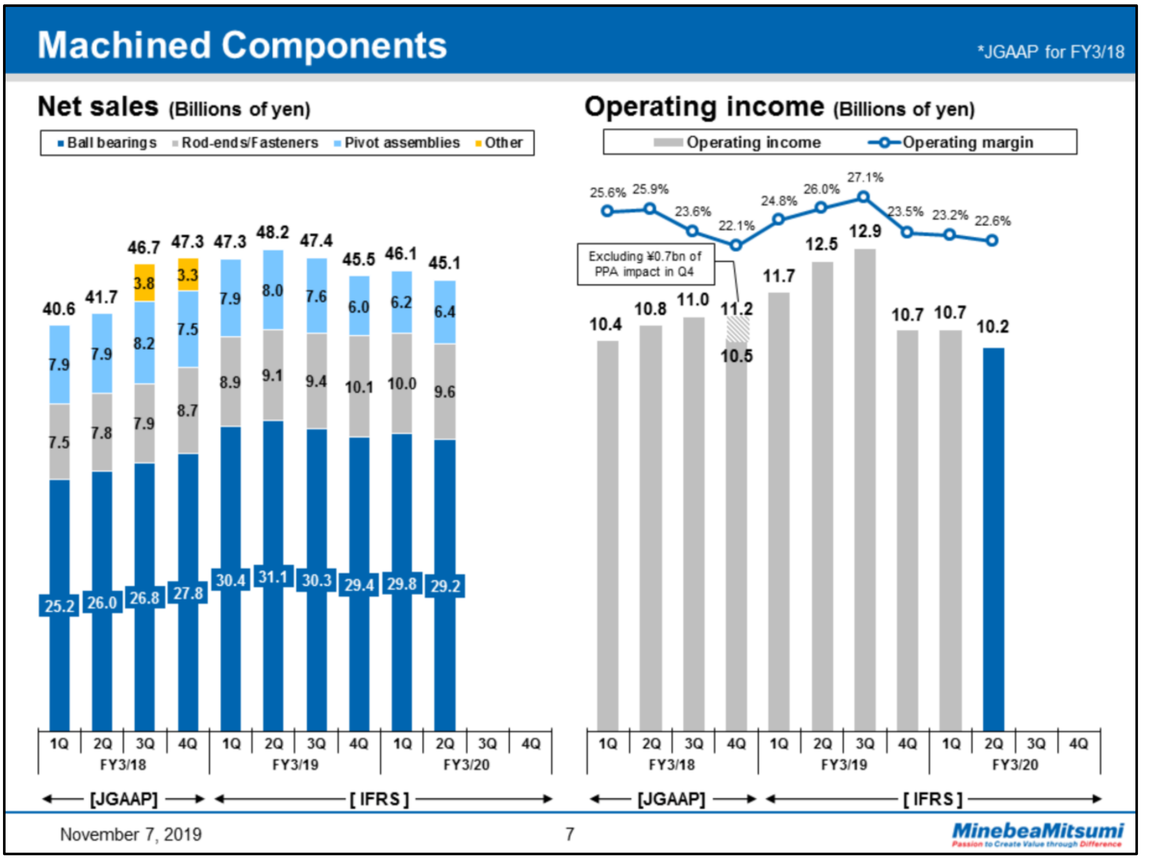
The same applies hereinafter.



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 second quarter.

The machined components business segment saw lower-than-expected net sales primarily for ball bearings due to the macroeconomic slowdown. Sales for the electronic devices and components business segment were also lower than projected, mainly for motors and sensing devices. The Mitsumi business' sales, on the other hand, were higher than projected mainly due to increased shipments of mechanical components. The U-Shin business saw lower-than-expected sales due to a significant slowdown in production as a result of the slump in automobile market especially in China.

Operating income for the machined components business segment fell short of the forecast as the lagging rebound in demand for ball bearings used in fan motors kept sales volumes down. Operating income for the electronic devices and components business segment was just about on target. The Mitsumi business enjoyed higher-than-expected operating income as a result of increased sales. The U-Shin business, on the other hand, saw lower-than-expected operating income due to a drop in sales.



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.

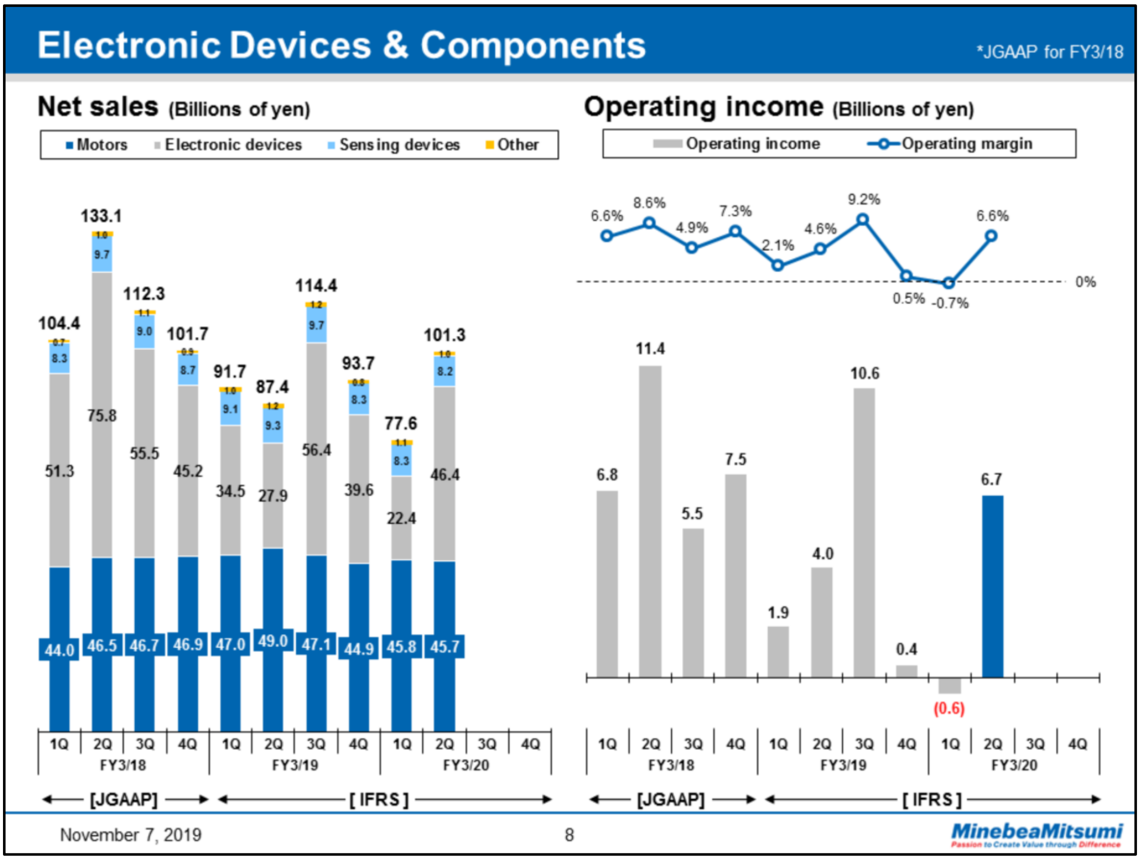
Net sales for the second quarter decreased 2% from the previous quarter to total 45.1 billion yen.

Ball bearing sales decreased 2% quarter on quarter to total 29.2 billion yen. External shipments of ball bearings totaled 185 million units per month on average. Despite the slower-than-expected recovery of demand for ball bearings used in fan motors, demand remained up in the automobile market.

Sales of rod-ends/fasteners, totaling 9.6 billion yen, were down 4% over the previous quarter. Business for the aircraft industry, especially small and medium-sized aircraft, remained steady.

Sales of pivot assemblies increased 2% quarter on quarter to reach 6.4 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 10.2 billion yen, and the operating margin was 22.6%. While this represents a 0.6 percentage point decrease in the operating margin, operating income declined 5%. Looking at the results by product, we see that operating income for ball bearings, rod-ends/fasteners, and pivot assemblies all fell slightly quarter on quarter.

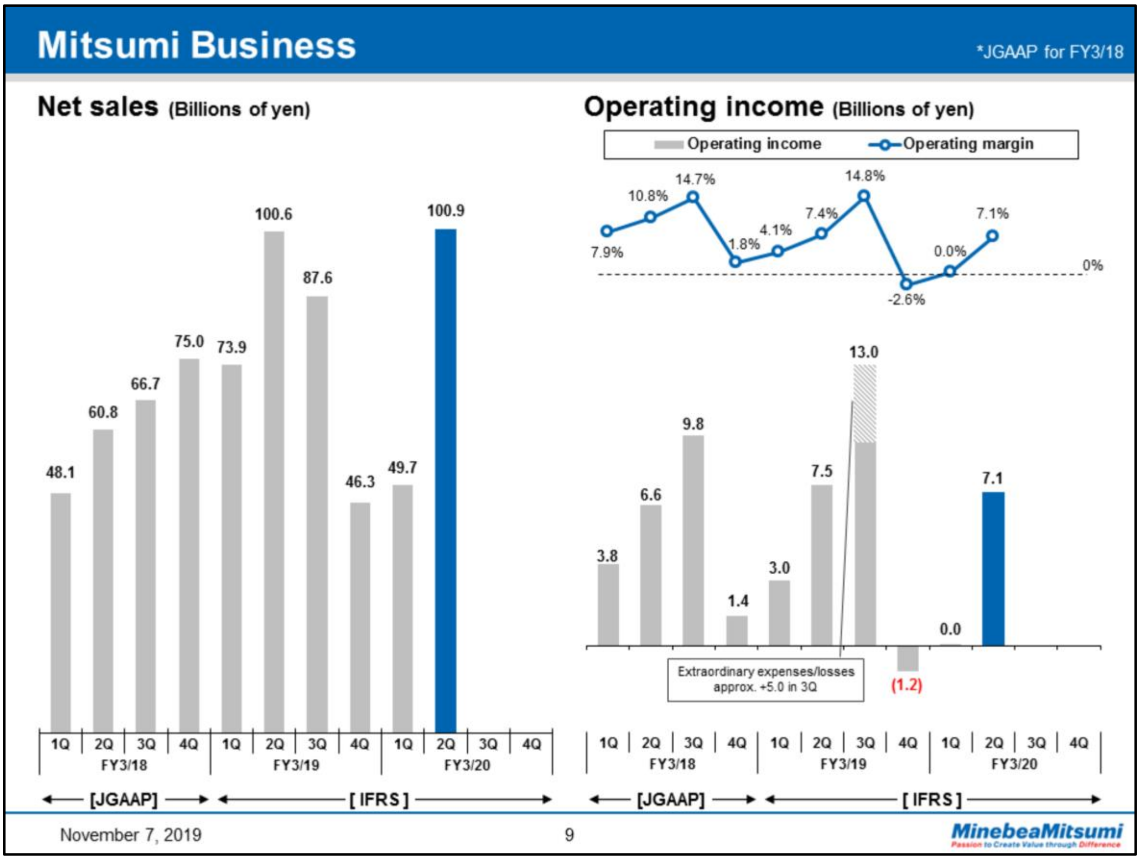


Now let's look at the electronic devices & components segment.

Net sales increased 30% quarter on quarter to reach 101.3 billion yen.

By product, sales of motor were about the same as last quarter, at 45.7 billion yen. Electronic devices sales increased by 2.1 times to total 46.4 billion yen. This was primarily due to peaking demand for new LED backlight products from our major customers. Sales of sensing devices were about the same as what they were last quarter, at 8.2 billion yen.

The segment recorded an operating income of 6.7 billion yen and an operating margin of 6.6%. Looking at the results by product, we saw that operating income for electronic devices and all other products rise quarter on quarter.

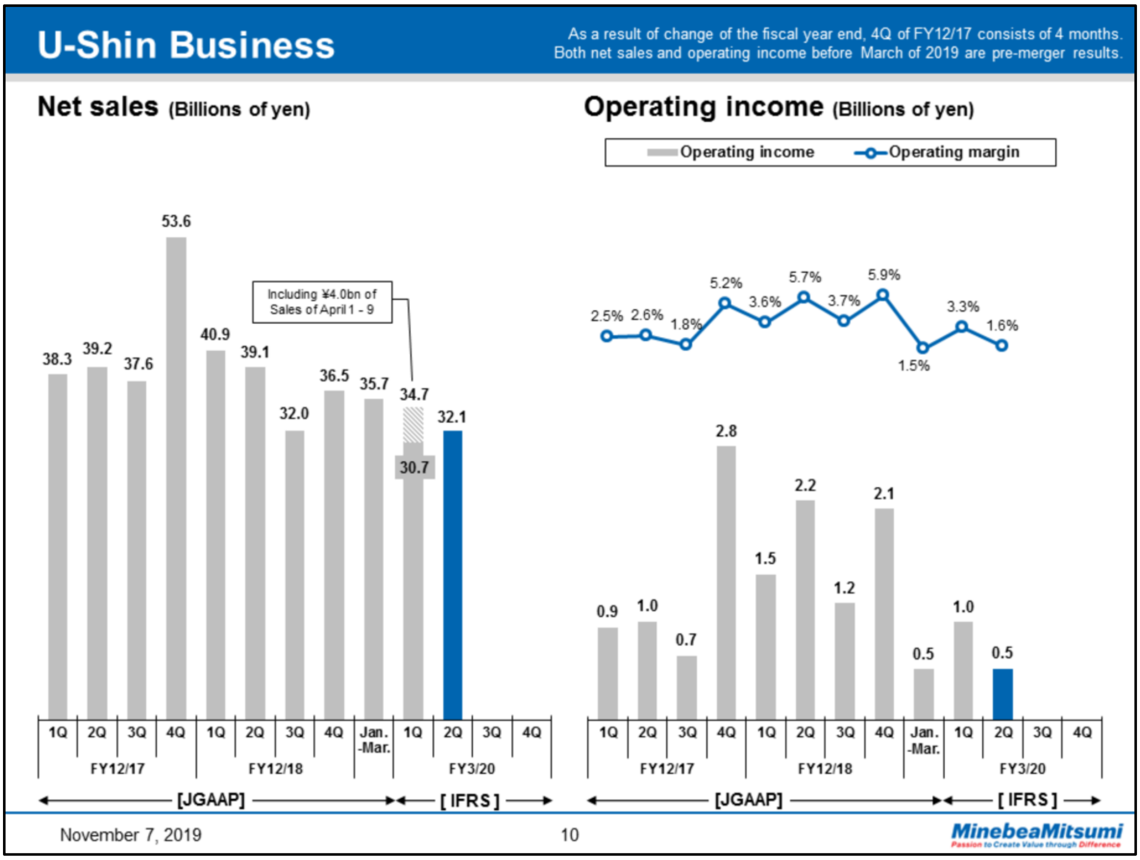


Let's look at the performance for the Mitsumi business segment.

Net sales increased 2 times over the previous quarter to total 100.9 billion yen.

Net sales increased for all products, mainly due to mechanical components and optical devices.

Operating income for the quarter totaled 7.1 billion yen, and the operating margin was 7.1%. Operating income rose as with the sales.



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

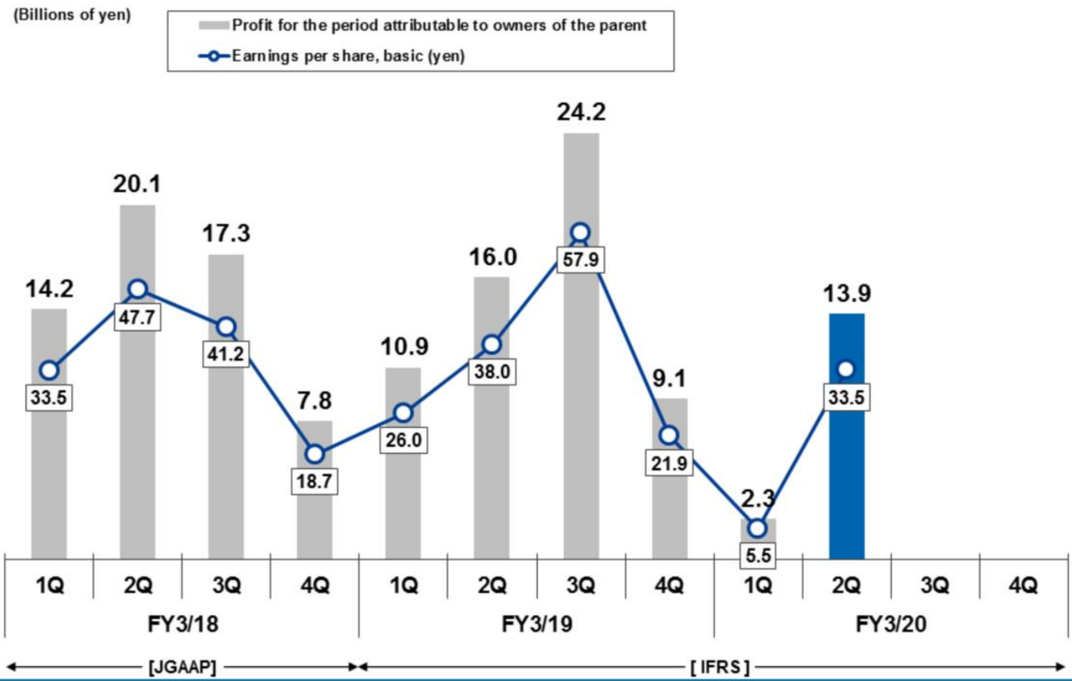
Net sales decreased 7% from the previous quarter including the pre-merger results, to total 32.1 billion yen. This was due to a significant production decline as a result of a slowdown in the automobile markets in China, Europe, and elsewhere.

There was approximately 0.4 billion yen one-time-expenses in second quarter related to special factors such as business integration expenses and ramp-up expenses for new products. One-time-expenses for full year is expected to be approximately 1.0 billion yen.

Operating income for the quarter totaled 0.5 billion yen, putting the operating margin at 1.6%. While this represents a 1.7 percentage point decrease in the operating margin, operating income declined 50%.

Profit attributable to owners of the parent / EPS

*JGAAP for FY3/18



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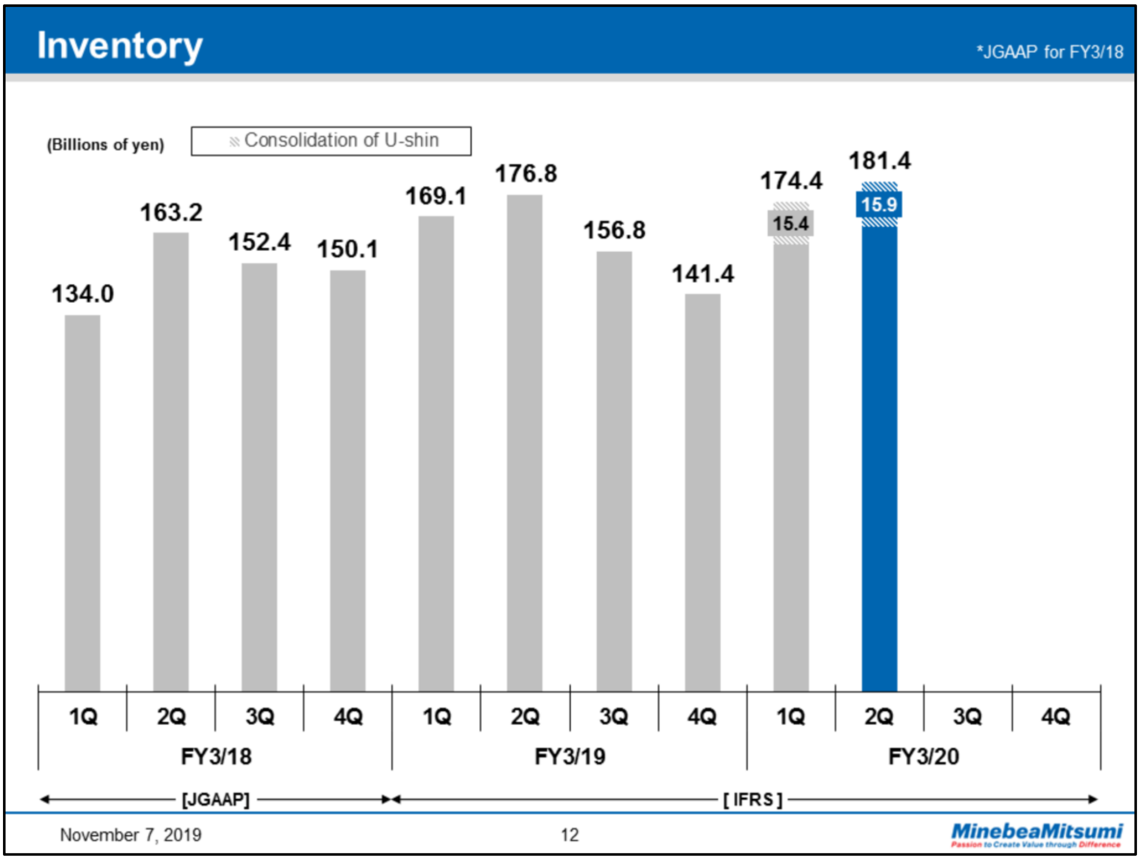
The bar graph here shows trends in profit attributable to owners of the parent while the line graph charts changes in the profit for the period per share.

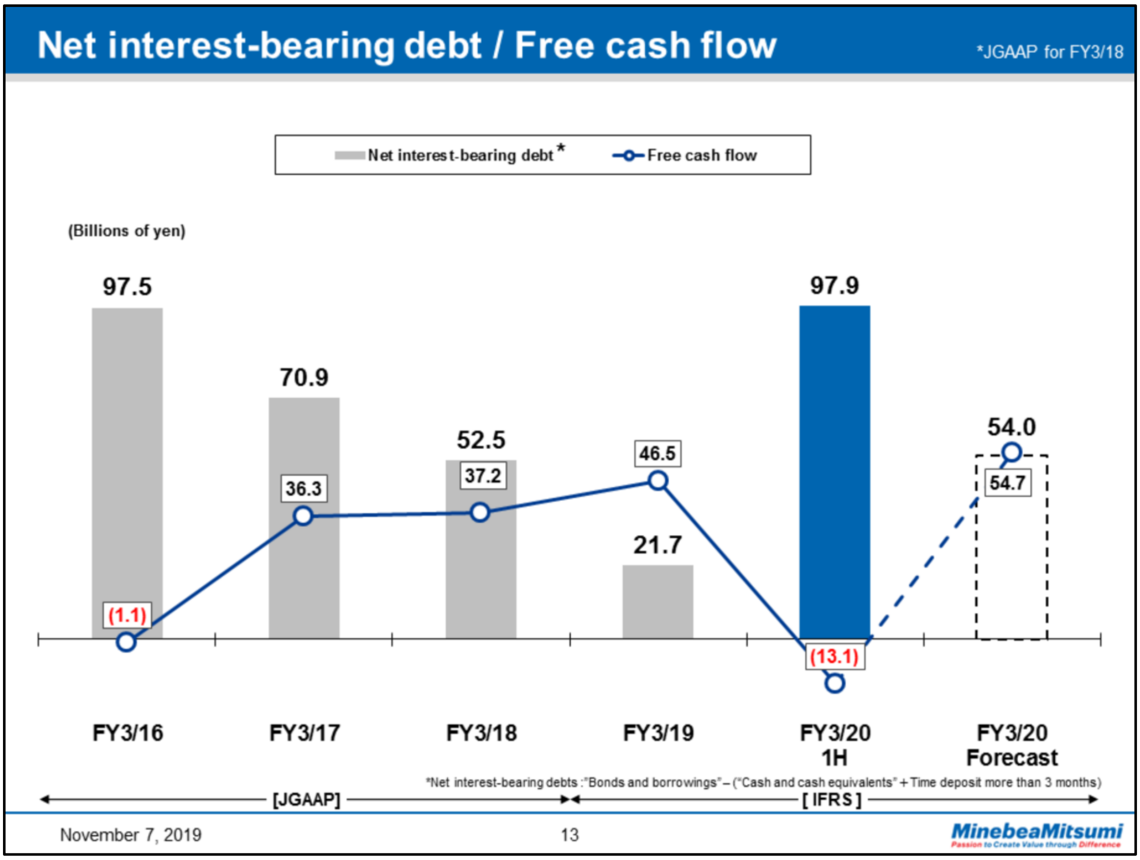
The profit for the period was 13.9 billion yen. Earnings per share was 33.5 yen.



Next we have the quarterly inventory trend.

At the end of second quarter, inventories totaled 181.4 billion yen, which is 7.0 billion yen more than what it was three months ago.

Inventory of 15.9 billion yen was included from the consolidation of U-Shin.



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 second quarter, net interest-bearing debt, totaling 97.9 billion yen, was up 76.2 billion yen from what it was at the end of the previous fiscal year.

Forecast for Fiscal Year Ending March 31, 2020

*Based on IFRS

Expecting YoY profit growth in H2, in spite of downward revision for full year

[IFRS]

(Millions of yen)	FY3/19	FY3/20			
	Full Year	1st Half	2nd Half	Full Year	YoY
Net sales	884,723	483,898	516,102	1,000,000	+13.0%
Operating income	72,033	23,035	43,965	67,000	-7.0%
Profit before taxes	71,321	23,061	42,939	66,000	-7.5%
Profit for the period attributable to owners of the parent	60,142	16,213	35,787	52,000	-13.5%
Earnings per share, basic (yen)	143.90	39.06	86.20	125.26	-13.0%

Foreign Exchange Rates	FY3/19 Full Year	FY3/20 2H Assumptions
US$	¥110.67	¥108.00
Euro	¥128.75	¥120.00
Thai Baht	¥3.42	¥3.50
Chinese RMB	¥16.52	¥15.80

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

While we expect sales to pick up primarily for some products in the second fiscal half, global economic trends remain hard to pin down due to currency movements, a worldwide decline in automobile shipments, and other factors on top of trade frictions that have cast clouds of uncertainty over our markets. In light of this backdrop, we have revised our second fiscal half and full-year forecasts.

The exchange rate assumption is assumed to be 108 yen to the U.S. dollar.

Forecast for Business Segment

*Based on IFRS

[IFRS]

(Millions of yen)	FY3/19	FY3/20			
	Full Year	1st Half	2nd Half	Full Year	YoY
Net sales	884,723	483,898	516,102	1,000,000	+13.0%
Machined components	188,324	91,187	91,813	183,000	-2.8%
Electronic devices and components	387,293	178,919	216,081	395,000	+2.0%
Mitsumi business	308,423	150,578	139,422	290,000	-6.0%
U-Shin business	-	62,792	68,208	131,000	-
Other	683	422	578	1,000	+46.4%
Operating income	72,033	23,035	43,965	67,000	-7.0%
Machined components	47,750	20,907	25,093	46,000	-3.7%
Electronic devices and components	16,922	6,076	14,924	21,000	+24.1%
Mitsumi business	22,282	7,149	9,351	16,500	-25.9%
U-Shin business	-	1,542	2,458	4,000	-
Other	-386	-694	-806	-1,500	X3.9
Adjustment	-14,535	-11,945	-7,055	-19,000	+30.7%

This slide shows the forecast by business segment.
We made revision for each segment as well.
This is all for my presentation.

Hello everyone, I’m Yoshihisa Kainuma and I would like to talk about our current financial performance as well as management strategies.

Today's Highlights

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- H1: Hit hard overall by macroeconomic slowdown and Forex fluctuations, a diversified portfolio helped boost our bottom line.
- Full-year: Bottoming out in general, except for certain sectors.
- Machined components: Ball bearing external shipments in H1 significantly slowed down mainly for fan motors. Ball bearing sales and production sure to pick up in H2 once inventory adjustments end. Strong year on year growth in Jan. - Mar. is expected. Sales of rod-ends/fasteners remained upbeat (increasing year on year for 9th consecutive quarter). Impact from reduction of 737 MAX production is limited.

Ball bearing external shipments YoY	H1 average (Actual)	Q4 average (Forecast)
	-22 mil. unit (Fan -21, Auto +2)	+14 mil. unit (Fan +3, Auto +6)

- Electronic devices and components/Mitsumi: Combined H1 and H2 results should be on target. Motor sales to recover in H2 mainly for home appliance applications.
- U-Shin: Production in Chinese factory declined significantly as Chinese automobile market tremendously lost steam on top of slowdown in Europe that is making things even worse. Temporary expenses incurred this year due to launch of new model, which is expected to grow into U-Shin's next core business over medium- to long-term.
- Will continue to focus M&A strategy on core businesses and also be proactive to shareholder return.
- Preparing to launch stealth products with an eye to medium- to long-term growth.

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As shown on the slide, although the automobile, machine tool, and home appliance markets were hit hard by the macroeconomic slowdown, sales in the smartphone and game markets buoyed our overall performance, and that's the first fiscal half in a nutshell.

On a brighter note, most industries are showing signs of recovery. The semiconductor business is as described earlier, and bearing sales have hit the bottom.

I must also report that U-Shin unfortunately did not perform as projected due to the fact that the automobile industry experienced significant profit losses across the board. We operate two factories in China and supply products to Chinese, American, and various other automobile manufacturers, but our production has fallen sharply due to the quick downturn in the automobile market. In addition to that, we incurred one-time costs related to the launch of a new model in Europe which is expected to grow into a new core business that will boost U-Shin's performance.

We continue to focus our M&A strategy on core businesses while giving back to shareholders as I will explain later on.

Keys to Achieving FY3/20 Targets

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Market bottomed out and expecting YoY profit growth in H2

Key Points

- **Machined components hit bottom in Q2, orders to pick up in H2**
  Ball bearing external shipments reached 194 million units in September and will be in the 200 million range in H2
- **Electronic Devices and Components are in line, Mitsumi is revised upward**
- **U-Shin still getting hit hard by lagging automobile markets mainly in China and Europe. However, expecting bottom out in next fiscal year thanks to 5 pillars including CSD and positive effects from PMI**
- Estimated exchange rate: **1 USD = ¥108**

(Millions of yen)	FY3/19 Full Year	FY3/20 Plan			
		1st Half	2nd Half	Full Year	YoY
Net sales	884,723	**483,898**	**516,102**	**1,000,000**	+13.0%
Operating income	72,033	**23,035**	**43,965**	**67,000**	-7.0%
Profit for the period attributable to owners of the parent	60,142	**16,213**	**35,787**	**52,000**	-13.5%
Earnings per share, basic (yen)	143.90	**39.06**	**86.20**	**125.26**	-13.0%

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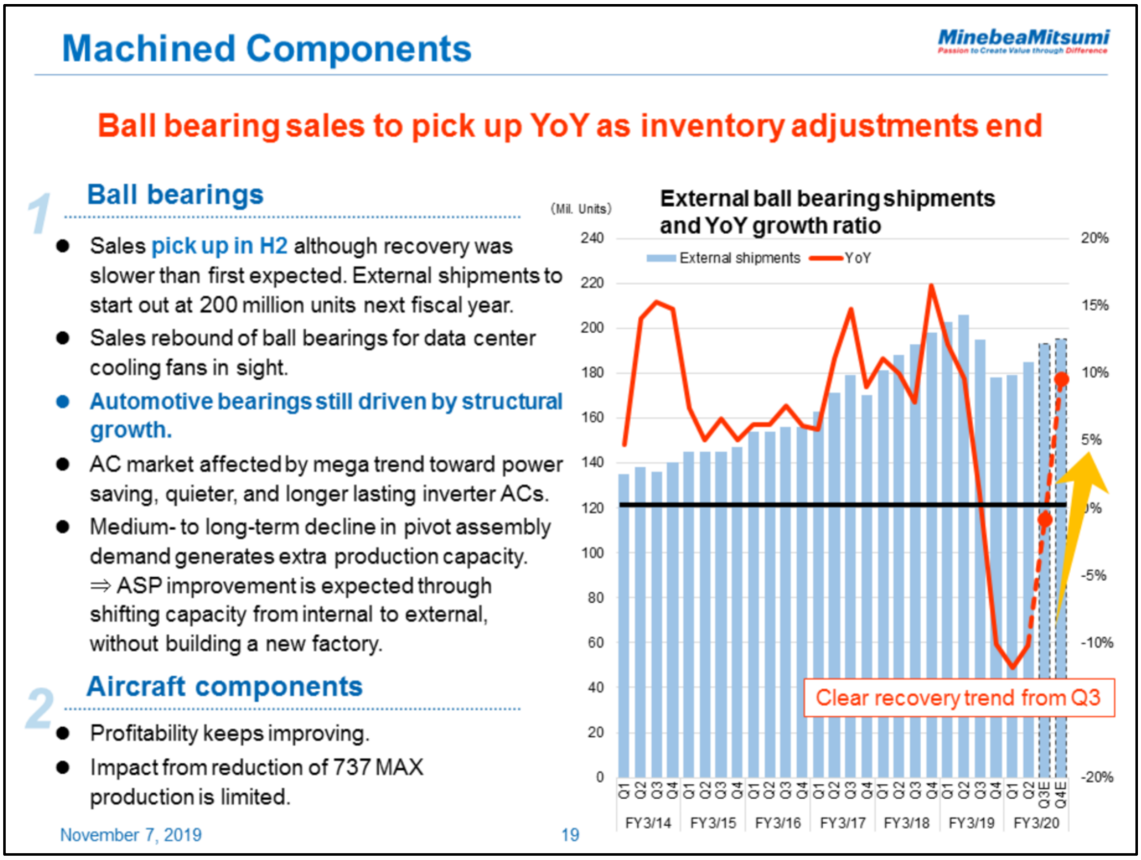
We expect sales to grow this fiscal year despite a dip in profits and want to make sure we hit the one-trillion-yen sales mark a year ahead of schedule. Smartphone and game related sales have been better than expected and will drive revenue up this fiscal year.

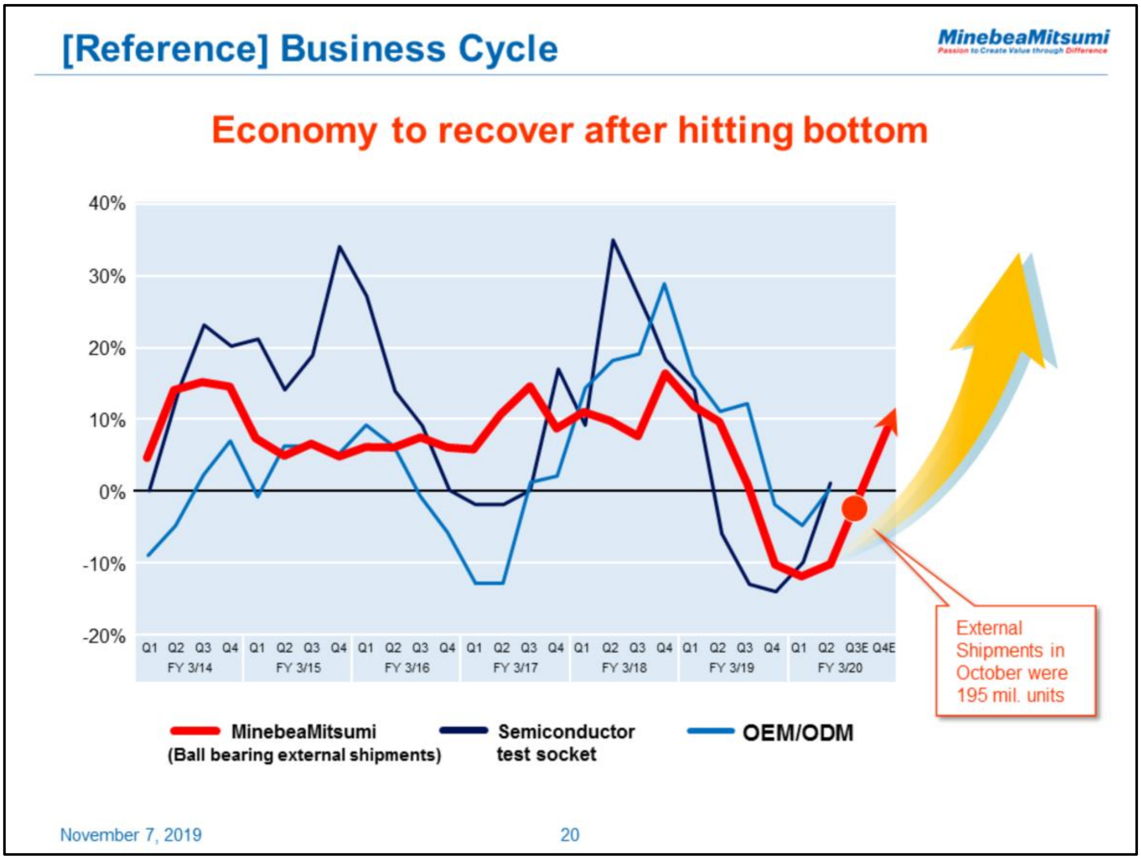
Operating income for the first fiscal half totaled 23.0 billion yen, which is 4.0 billion yen shy of our 27.0-billion-yen target. The electronic devices and components as well as Mitsumi business segments generated greater profits than projected but were also hit by one-time costs incurred by U-Shin and the downturn in the automobile market as noted earlier. While we claim quite a big share of the ball bearing market, production drops when the economy slows down, and the slower-than-expected economic recovery has had an adverse impact on our bottom line.

Performance for the second fiscal half should be on target. The game and smartphone markets have been thriving which is the exact opposite of what they were doing last fiscal year. Smartphone sales were not exactly proportionate to production last year, but now we can really see sales steadily climbing. Bearing sales were buoyed by capital investments related to 5G and IoT, plus inventories in supply chain were getting low. We also have high hopes that widespread use of inverter ACs will boost bearing sales in China.

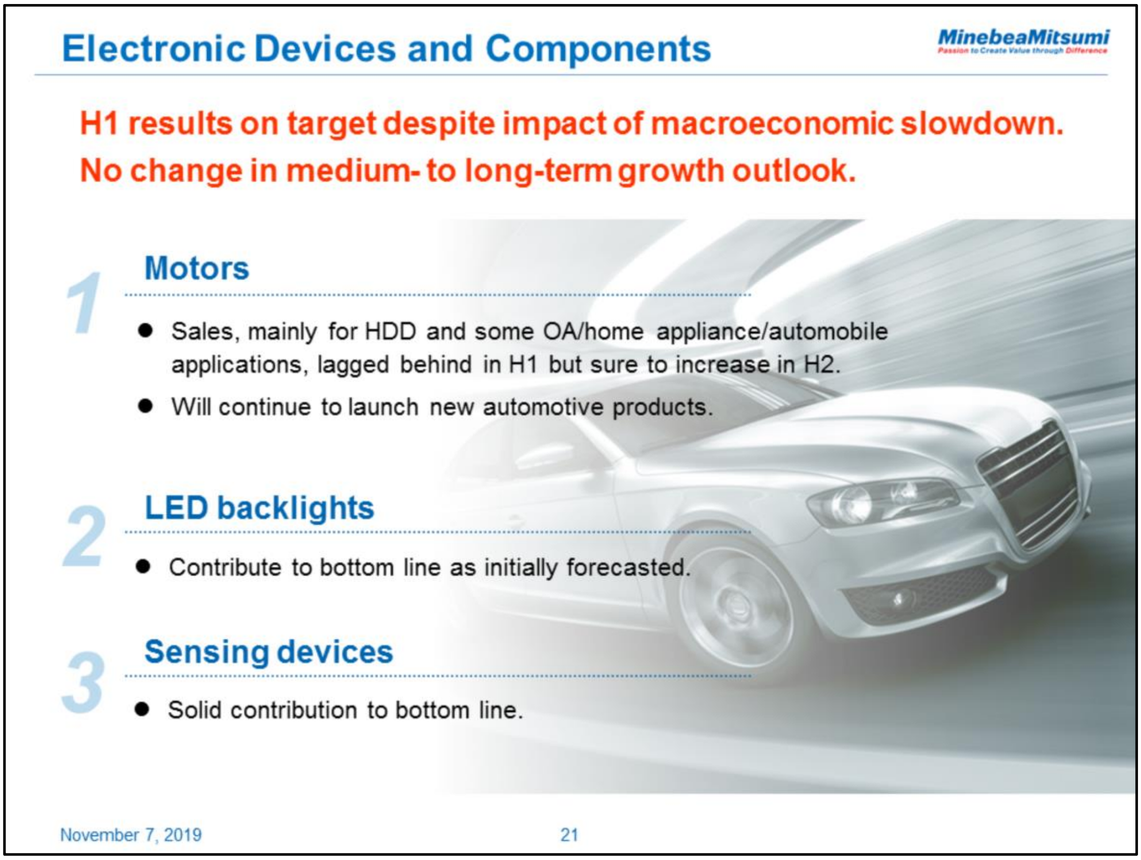


The red line indicates year-on-year external ball bearing shipments. As you can see, while sales dropped sharply in the first fiscal half and hit bottom in the first quarter, they are quickly recovering on a monthly basis. We've gotten tentative orders for 200 million units from external customers for next January, so things will be quite different from last January. Last year, external shipments amounted to 200 million units in August, 203 million units in September, and 199 million units in October. This year, external shipments reached 179 million units in August, 194 million units in September, and 195 million units in October. The year-on-year difference, which was 21 million units in August, was narrowed down to just 4 million units in October. As I always say, bearings are an economic indicator for us with their sales being the last one to fall and the first to climb back. In fact bearing sales are actually moving in that direction, so I'd say things are looking up.

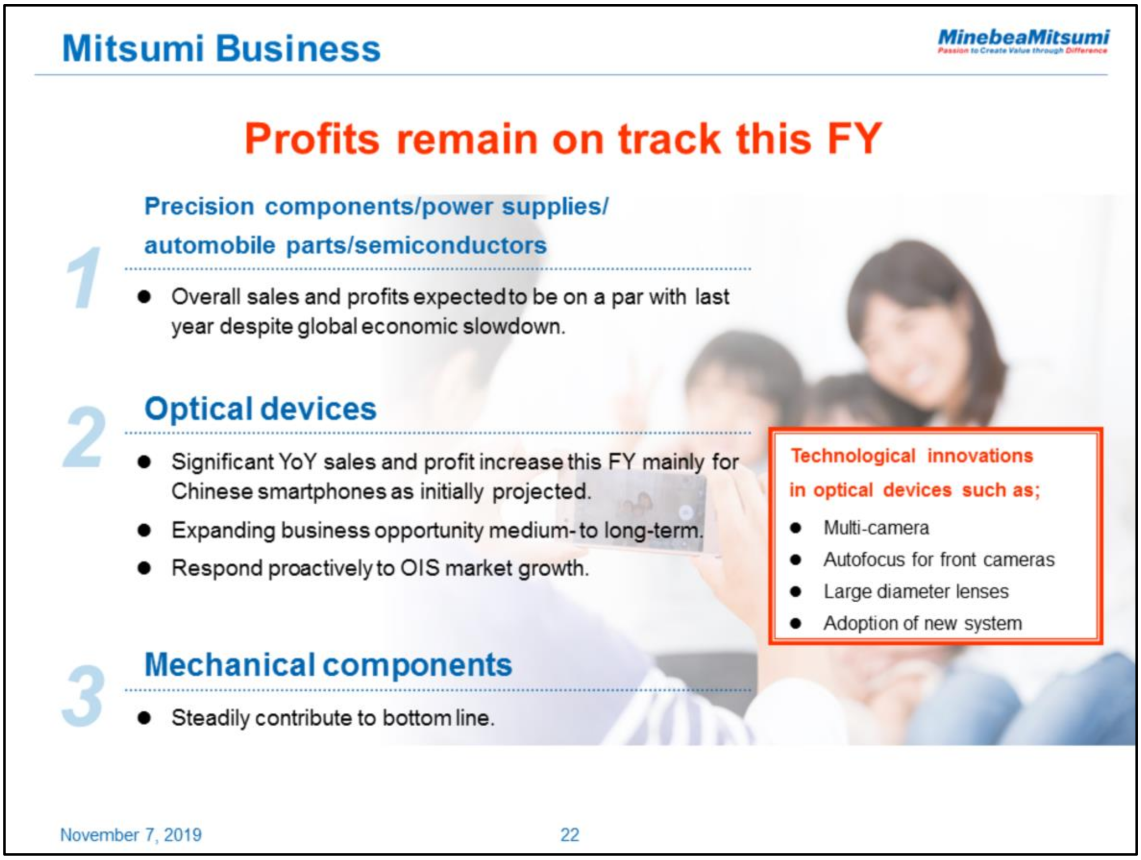
They say annual sales of HDDs may hit 200 million units by 2025. We should be able to hold off on building a new factory to meet this decreasing demand while shifting our current capacity from internal to external ball bearing shipments to boost our profit margin.



For your reference, this slide shows a year-on-year comparison with other industries, which is based on publicly-available information. Bearings share a very similar trend with semiconductors and OEM/ODM, and we can assume that they are all bottoming out.



In the electronic devices and components business segment, the motor business isn't doing so well but LED backlight sales are up. Fan motor sales are expected to bounce back soon.



In the Mitsumi business segment, sales of game-related products are booming. We are seeing a trend where a growing number of optical devices are being equipped with multiple cameras, autofocus front cameras, large diameter lenses, and new systems. Although we have been telling the world that we would not be overzealous in trying to bring in orders for optical devices, when it comes to our sub-core businesses, we will now put a greater focus on optical devices on the assumption that LED backlight sales will gradually decline.

The good news is that our analog semiconductor business is on track and that, according to a preliminary report, last month’s profits are expected to exceed 400 million yen. Although analog semiconductors are positioned last in our Eight Spear products, their rank among the Eight Spears should move up.

U-Shin Business

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Although Slowdown in Chinese and European automobile markets puts damper on production, expecting strong growth in next fiscal year thanks to 5 pillars including CSD, and positive effects from PMI

Current situation and future growth driver

- Low capacity utilization rate due to significant impact of slowdown in Chinese and European automobile markets.
- Incurred one-time costs for launch of CSD, which is expected to grow into U-Shin's core business over medium- to long-term.
- Minimize impact of sales decrease by improving yield and reducing fixed costs.

Growth expected in next FY by 5 pillars

1. **CSD**
2. **Flash handles**
3. **E-Access products** (E-Latch/E-Handle/E-Shifter etc.)
4. **Millimeter wave radar**
5. **Home security locks**

U-Shin 5 pollars

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In the U-Shin business, we will turn CSD, flash handles, E-Access products, and home security locks, which are noted on the slide, into electrical systems. That's what we specialize in, and we'll concentrate on doing that in order to help U-Shin grow by leaps and bounds. We have already started providing various kinds of support for development and launching. It's been taking time since we can't just change the production process for automobiles. On top of that, we have been hit really hard by the slowdown in the automobile market, but we believe now is the time to realize synergy through the integration of our technologies so we can better seize the next opportunity that comes along.

Dividends

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Dividends for FY3/20

Interim dividend	TBD	→	14 yen/share
Year-end dividend (Forecast)	TBD	→	TBD

Regarding the year-end dividends for the fiscal year ending March 31, 2020, we will determine the dividend payout of around 20% on a consolidated basis

(Reference) Dividends for FY3/19

Annual 28 yen/share（14 yen for interim，14 yen for year-end）

We decided to pay an interim dividend of 14 yen. If we pay a dividend of 14 yen at the end of the fiscal year out of our estimated operating income of 67 billion yen for the year, the consolidated dividend payout will come to around 20%, which is within our normal range of 17.5-22.5%.

Shareholder Return

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Maintain generous payout policy despite impact from changing market conditions

1 Will buy back 15 billion yen in shares within a year

2 Reduce capital expenditures and use cash for dividend payment

Major capital expenditures to increase and to strengthen production capacity for future growth have already been made

CAPEX Forecast for this FY	65.0 bln. yen (Original)	→	52.0 bln. yen (Revised)

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We will buy back shares within a year. Although we haven't bought back any shares yet due to various restrictions, we will do so as a way to give back to shareholders once we are free from those restrictions.

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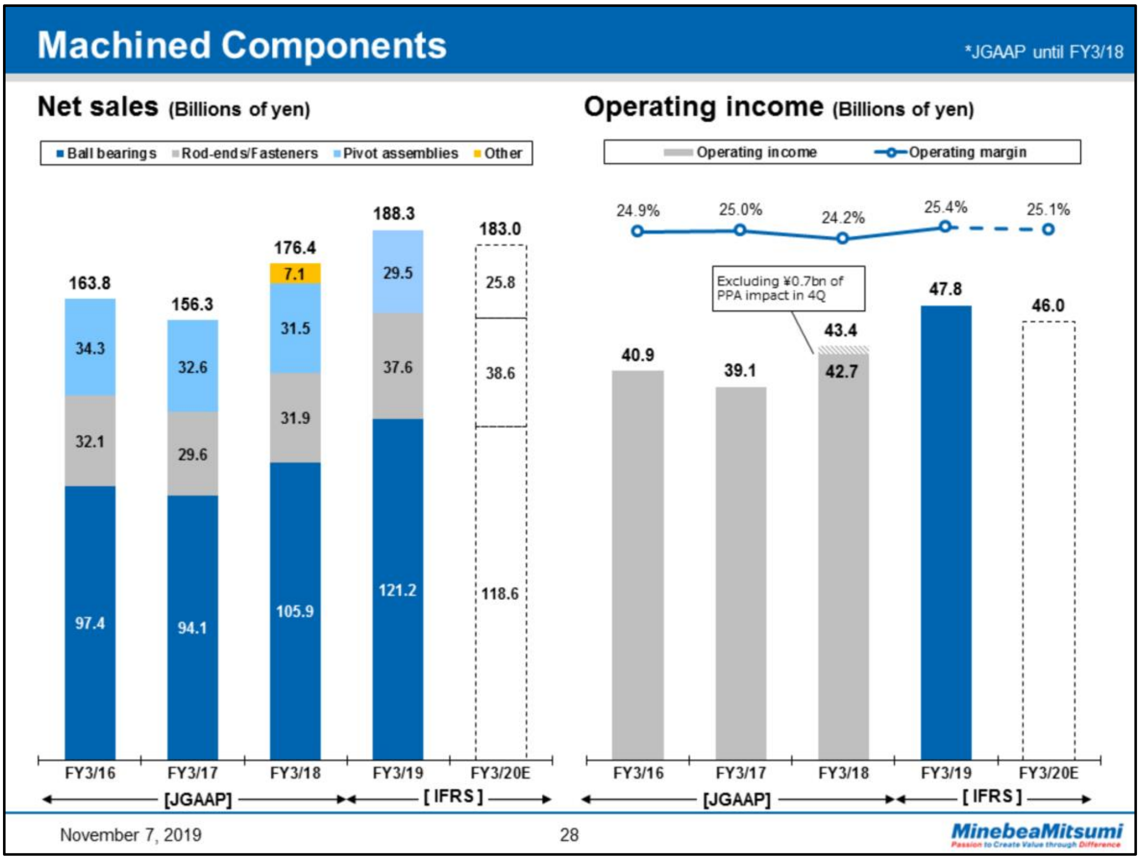
Any statements in this presentation which are not historical are future projections based on certain assumptions and executive judgments drawn from currently available information.

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)
Ball bearings
Rod-ends/Fasteners
Pivot assemblies
Other
163.8
34.3
32.1
97.4
156.3
32.6
29.6
94.1
176.4
7.1
31.5
31.9
105.9
188.3
29.5
37.6
121.2
183.0
25.8
38.6
118.6
FY3/16
FY3/17
FY3/18
FY3/19
FY3/20E
[JGAAP]
[IFRS]
Operating income (Billions of yen)
Operating income
Operating margin
24.9%
25.0%
24.2%
25.4%
25.1%
Excluding ¥0.7bn of PPA impact in 4Q
40.9
39.1
43.4
42.7
47.8
46.0
FY3/16
FY3/17
FY3/18
FY3/19
FY3/20E
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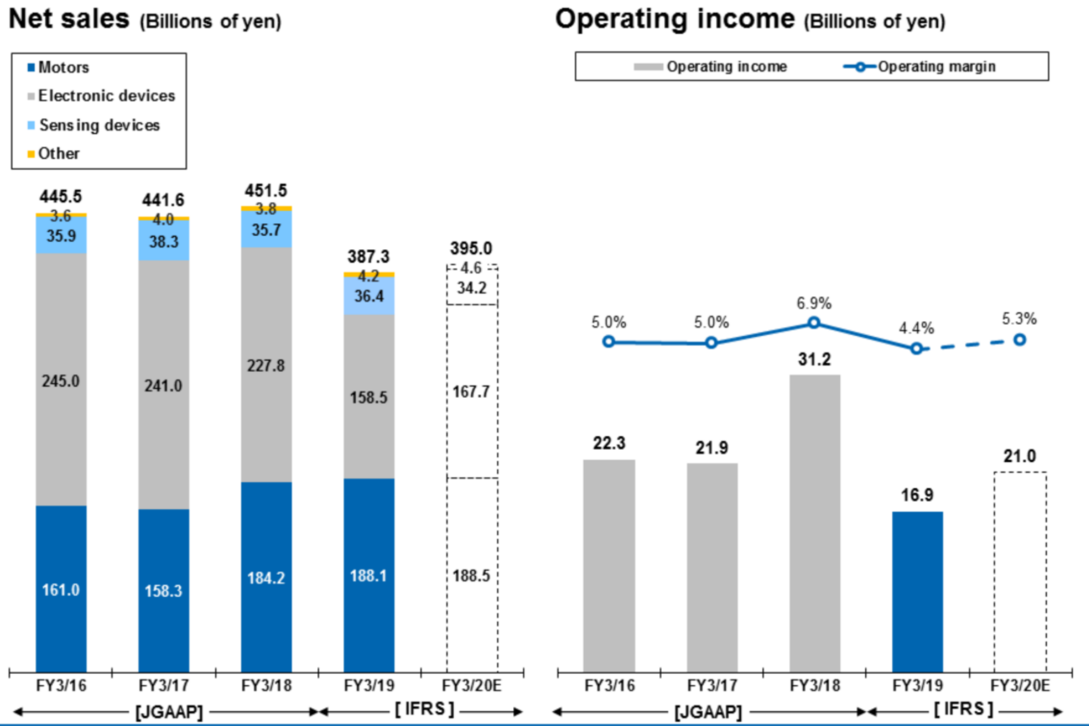
Electronic Devices & Components

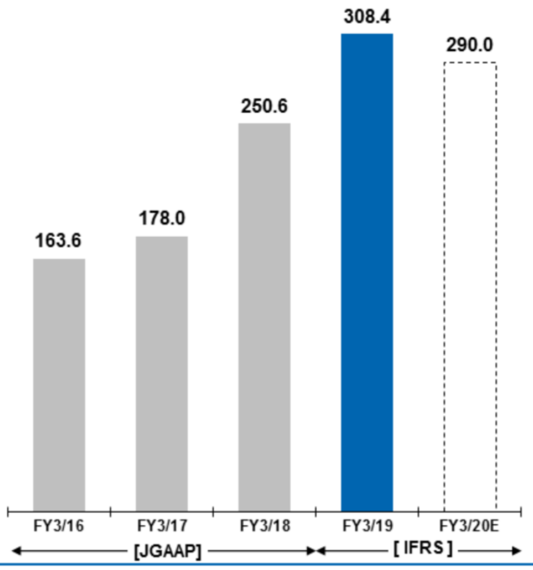
*JGAAP until FY3/18



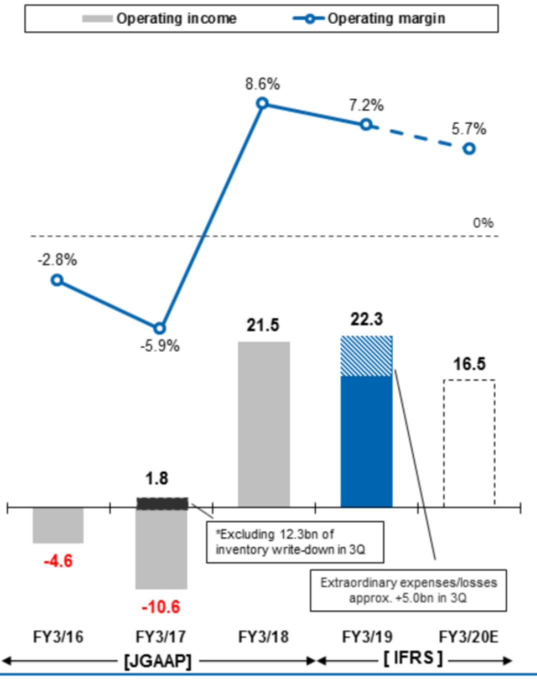
Mitsumi Business

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)



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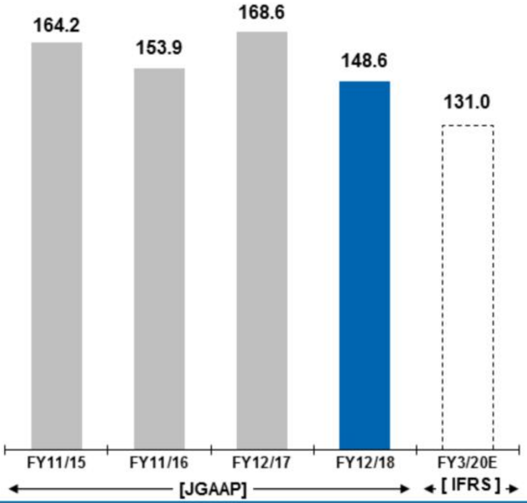
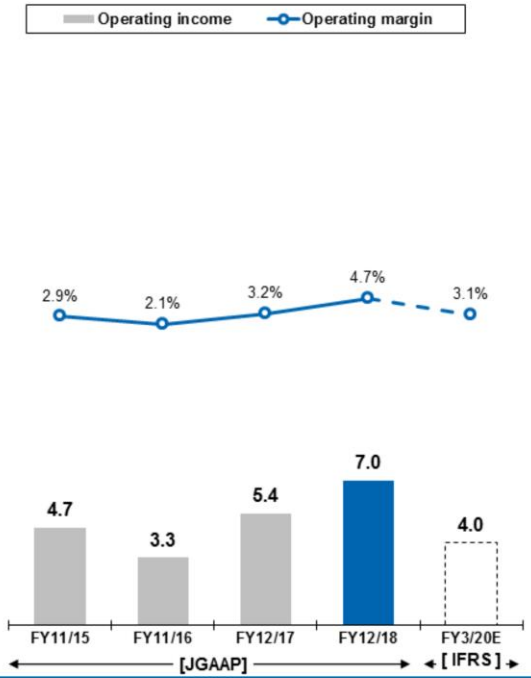
U-Shin Business

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)

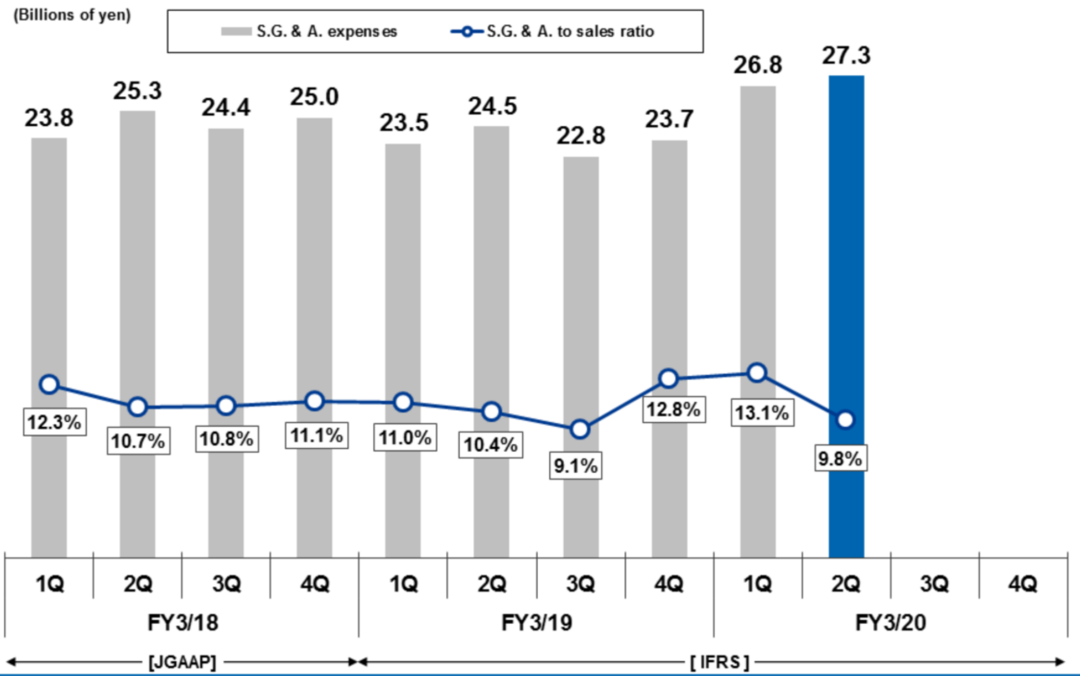


Operating income (Billions of yen)



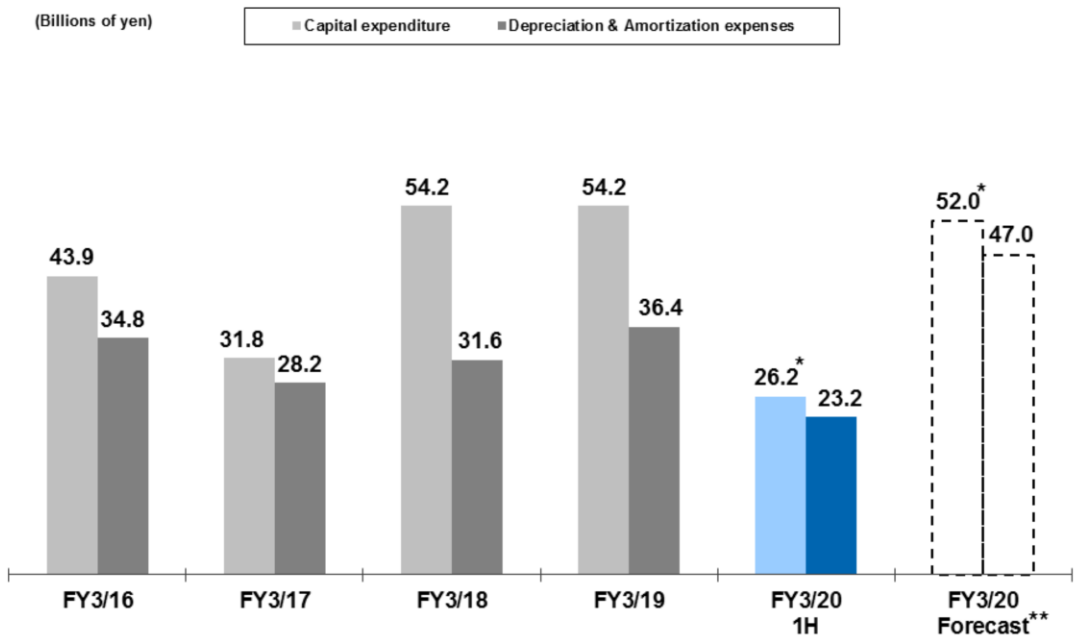
S.G.&A. expense/ratio

*JGAAP for FY3/18



Capital Expenditure / D&A Expense

*JGAAP until FY3/18



* Capital expenditures do not include the increase of asset from lease contracts at the IFRS16 application start date

** FY3/20 Forecast includes 8.9bn of CAPEX and 4.5bn of D&A expenses for U-Shin

[JGAAP] [IFRS]

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