Business Results

Fiscal Year Ended March 31, 2017

MinebeaMitsumi Inc.

May 9, 2017

Contents

Financial Results

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Director, Senior Managing Executive Officer

Summary of Consolidated Business Results

Net sales and net income hit record highs

(Millions of yen)	FY3/16 Full Year	FY3/17 Full Year	Change YoY	FY3/17 February Forecast Full Year	FY3/17 February Forecast VS. Forecast
Net sales	609,814	638,926	+4.8%	630,000	101.4%
Operating income	51,438	49,015	-4.7%	48,000	102.1%
Ordinary income	46,661	48,393	+3.7%	47,000	103.0%
Income attributable to owners of the parent	36,386	41,146	+13.1%	38,000	108.3%
Net income per share (yen)	97.26	107.33	+10.4%	99.12	108.3%

Foreign exchange rates	FY3/16 Full Year	FY3/17 Full Year
US$	¥120.78	¥108.76
Euro	¥132.75	¥119.34
Thai Baht	¥3.46	¥3.09
Chinese RMB	¥19.03	¥16.18

May 9, 2017 4 MinebeaMitsumi Passion to Create Value through Difference

Net sales for the fiscal year ended March 31, 2017 were up 4.8% year on year to reach 638,926 million yen. Operating income was down 4.7% to hit 49,015 million yen while net income was up 13.1% at 41,146 million yen. Despite the stronger yen, both net sales and net income hit record highs due to solid growth in ball bearings and motors and the positive impact from the two-month consolidation of results for MITSUMI ELECTRIC, which was integrated in January 2017.
We also estimate that foreign currency translations have pushed net sales down 59.4 billion and operating income down 4.0 billion yen year on year due to the stronger yen.

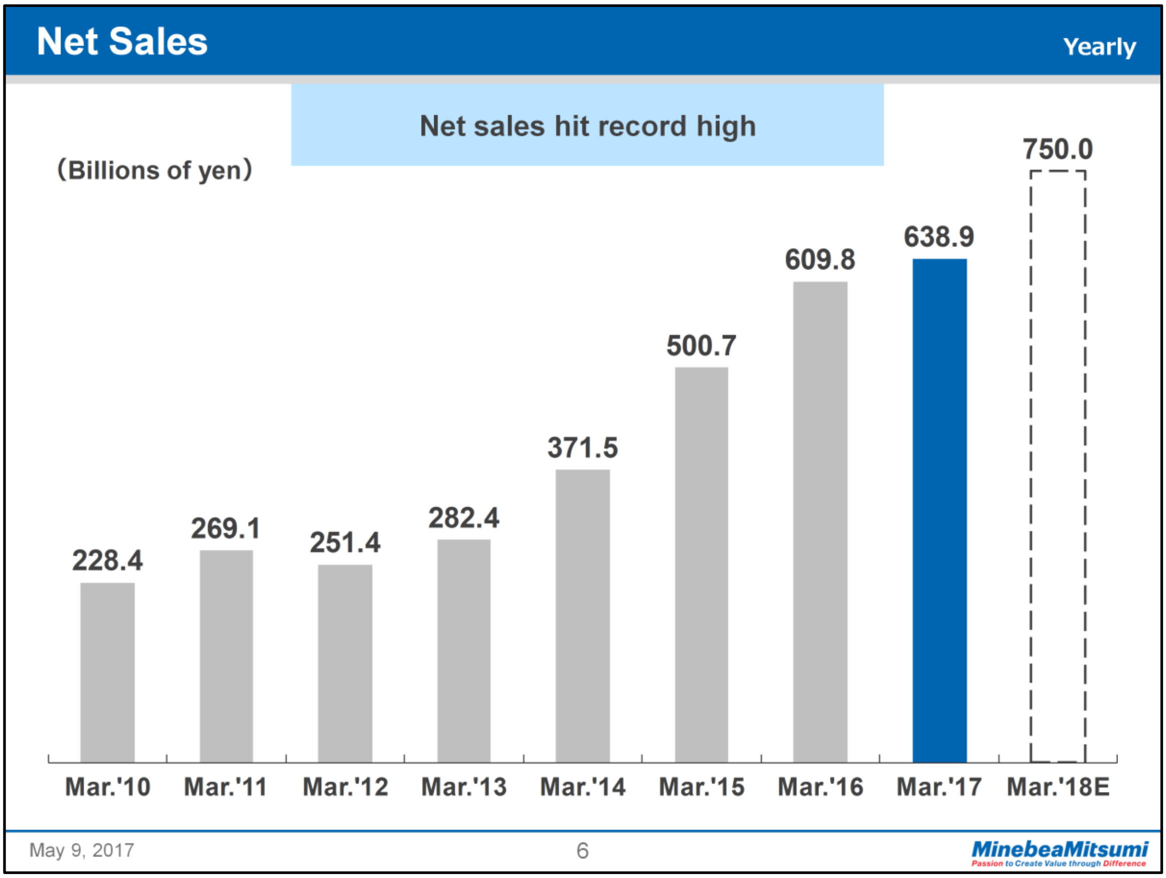
Summary of Consolidated Business Results for 4Q

MITSUMI consolidation boosts sales and profits

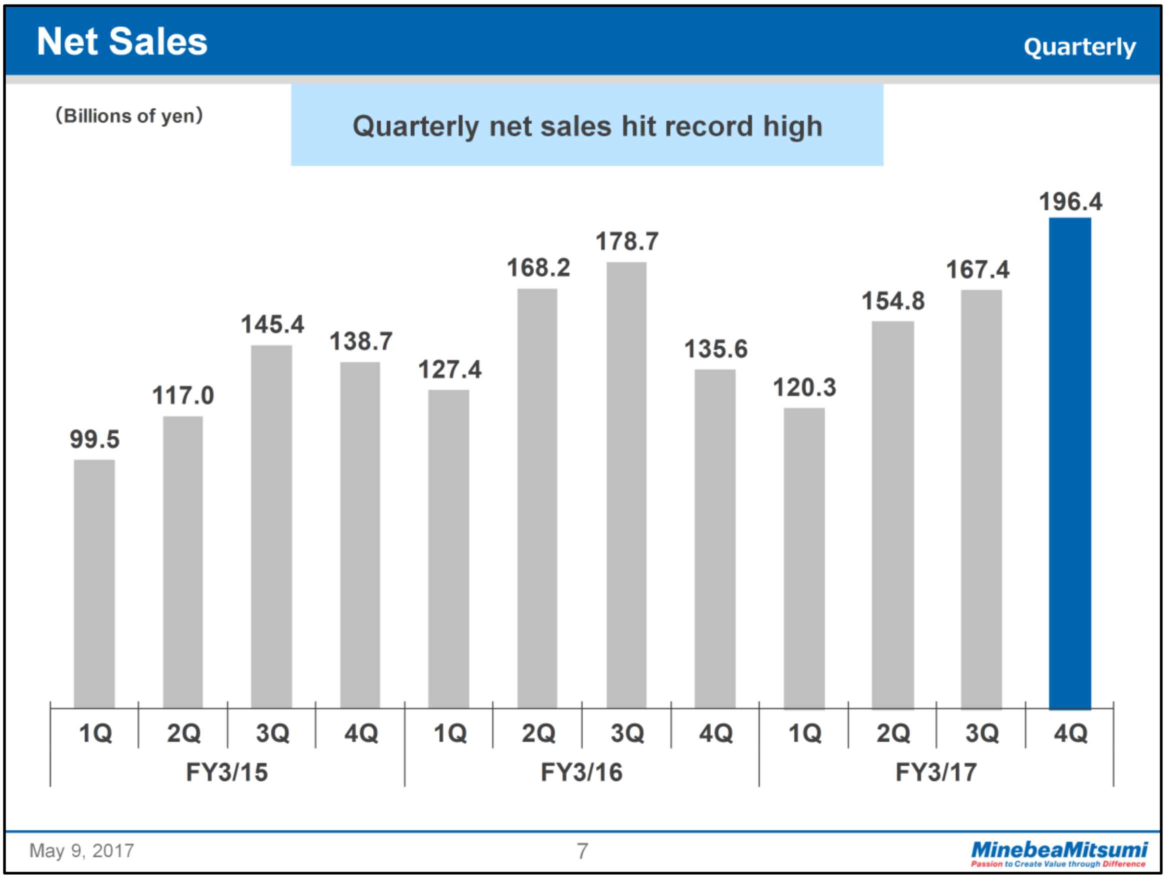
(Millions of yen)	FY3/16	FY3/17		Change	
	4Q	3Q	4Q	YoY	QoQ
Net sales	135,599	167,375	196,418	+44.9%	+17.4%
Operating income	8,536	16,120	14,300	+67.5%	-11.3%
Ordinary income	8,215	15,857	13,621	+65.8%	-14.1%
Income attributable to owners of the parent	6,802	12,167	16,233	+138.7%	+33.4%
Net income per share (yen)	18.17	32.44	39.65	+118.2%	+22.2%

Foreign exchange rates	FY3/16 4Q	FY3/17 3Q	FY3/17 4Q
US$	¥118.37	¥106.13	¥114.29
Euro	¥129.35	¥116.04	¥121.14
Thai Baht	¥3.30	¥3.02	¥3.24
Chinese RMB	¥18.06	¥15.62	¥16.54

For the fourth quarter of the fiscal year ended March 31, 2017, net sales and net income were up significantly over the previous quarter due to the recent consolidation of MITSUMI ELECTRIC's financial results, while operating income decreased as demand dropped due to normal seasonal fluctuation.
The impact of foreign exchange rates on net sales resulted in an estimated loss of 5.4 billion yen year on year but a gain of 9.1 billion yen quarter on quarter. Foreign exchange rates also resulted in a 0.7-billion-yen year-on-year drop in operating income but a gain of 1.4 billion yen quarter on quarter.



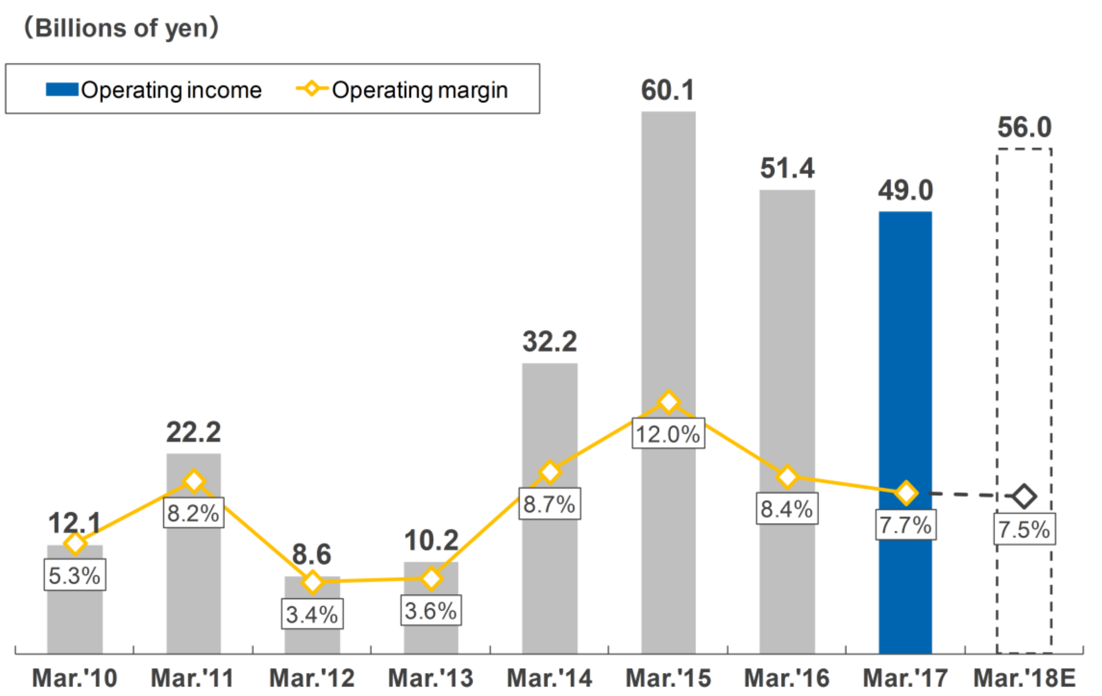
Net sales for the fiscal year ended March 31, 2017 were the highest ever. We expect net sales to grow even higher in the fiscal year ending March 31, 2018 due mainly to growth in our core businesses as well as the contribution from MITSUMI ELECTRIC after a full year's consolidation, despite a decrease in LED backlight sales.



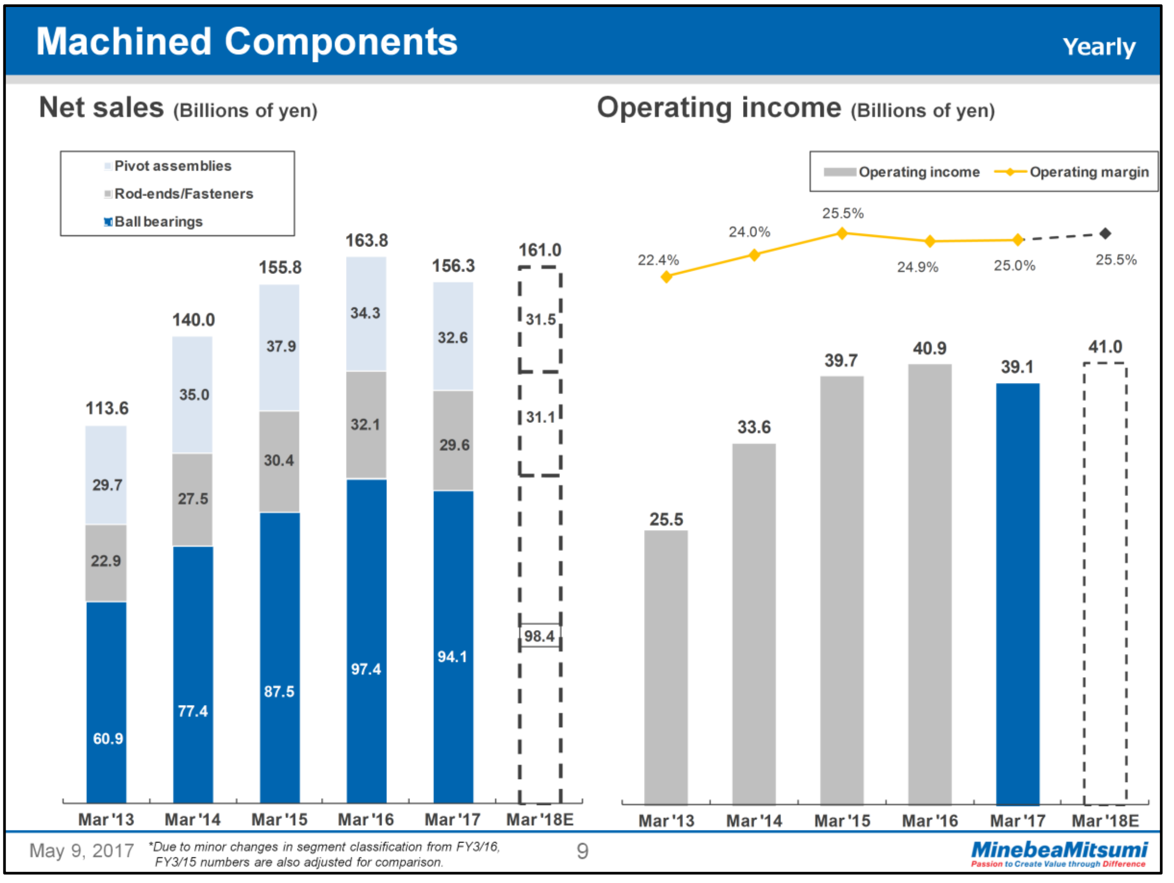
Net sales for the fourth quarter hit a quarterly record high.

Operating Income

Yearly



Operating income for the fiscal year ended March 31, 2017 fell 4.7% due to the effect of the stronger yen on profits denominated in foreign currencies, despite an increase in motor business profits.
We expect operating income for the fiscal year ending March 31, 2018 to increase to 56.0 billion yen. This jump will be due mainly to steady growth in production and shipments of ball bearings, motors, and sensing devices as well as the impact from a full-year's consolidation of Mitsumi even though the outlook for smartphones is still unclear.

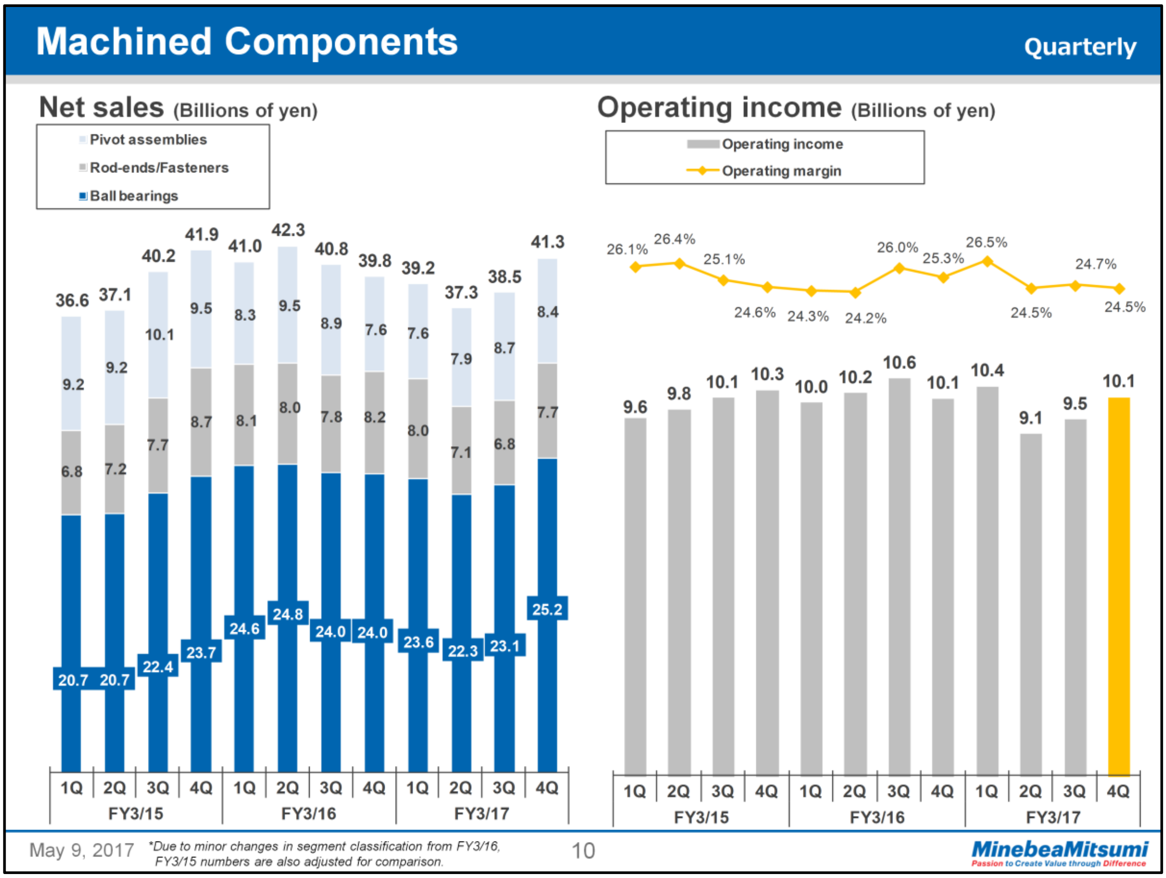


These graphs show annual net sales and operating income for the machined components segment. Net sales for the fiscal year ended March 31, 2017 were down 4.6% from the previous fiscal year to total 156.3 billion yen. Operating income decreased 4.2% to hit 39.1 billion yen while the operating margin grew 0.1 percentage points to reach 25.0%.

Sales of ball bearings decreased 3% year on year to total 94.1 billion yen. While demand came from various sectors, it was mostly for high-end consumer products like automobiles and fan motors and continued to drive up the monthly average for external ball bearing shipments, which increased 10% year on year to hit 171 million units. However, foreign currency translations pushed net sales down due to the stronger yen. Demand is expected to grow even further in the fiscal year ending March 31, 2018 and fuel both sales and profits.

Sales of rod-ends and fasteners decreased 8% year on year to hit 29.6 billion yen while profit declined as well. Although production of commercial aircraft was steady, the strong yen pushed sales down. We expect growing demand to fuel sales and profits in the fiscal year ending March 31, 2018.

Sales of pivot assemblies decreased 5% year on year to hit 32.6 billion yen. Although the shipment volume increased as our market share expanded beyond 80%, revenue declined because of the strong yen. We expect sales and profit to decline in the fiscal year ending March 31, 2018 as the HDD market continues to shrink.

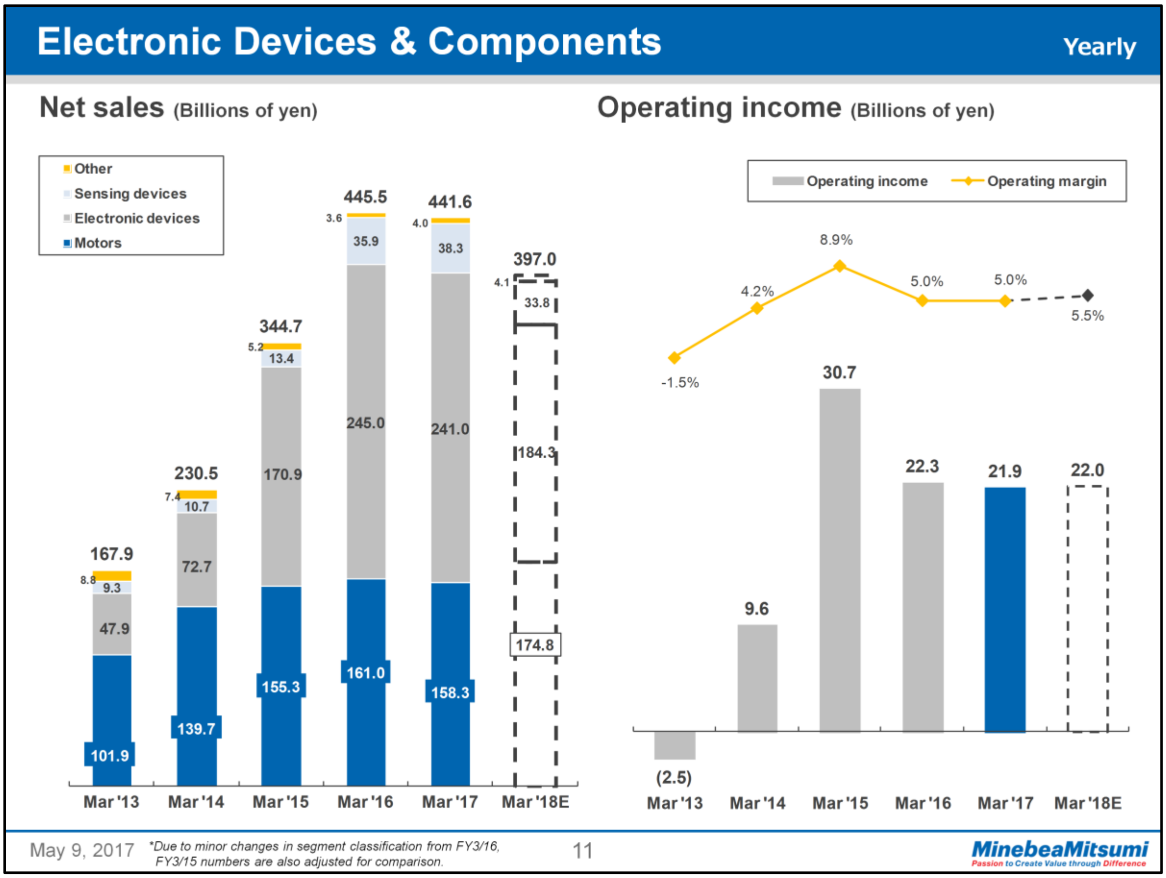


These graphs show quarterly net sales and operating income for the machined components segment. Fourth quarter net sales for the segment were up 7% from the previous quarter to total 41.3 billion yen. Operating income increased by 6% to total 10.1 billion yen and the operating margin decreased by 0.2 percentage points to hit 24.5%. This was due mainly to steady shipments and production of ball bearings as well as the positive impact from the strong dollar in currency translations.

Sales of ball bearings increased 9% quarter on quarter to reach 25.2 billion yen while operating income rose as well. Monthly external shipment volumes during the quarter reached an average of 170 million units for 18 quarters of consecutive year-on-year growth.

Sales of rod-ends and fasteners rose 13% from the previous quarter to hit 7.7 billion yen due to the seasonal sales uptick and the impact of the weak yen on currency translations while profits also increased quarter on quarter.

Sales of pivot assemblies were down 3% quarter on quarter at 8.4 billion yen and our market share rose even higher to exceed 80% as the rebound of the HDD market that began last spring continues.

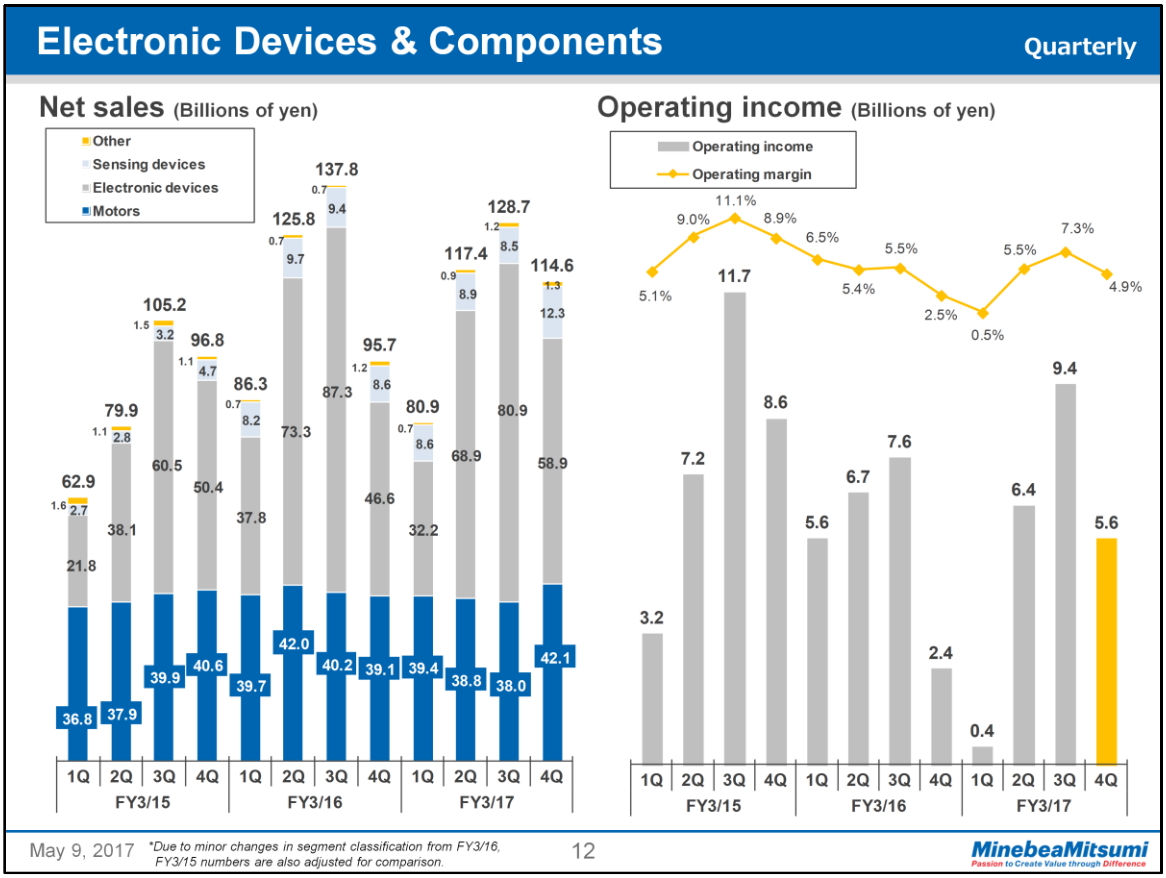


These graphs show annual net sales and operating income for the electronic devices and components segment. Net sales for the fiscal year ended March 31, 2017 were about the same as the previous year at 441.6 billion yen. Operating income decreased 2% to total 21.9 billion yen, while the operating margin, at 5.0%, remained the same as it was last fiscal year.

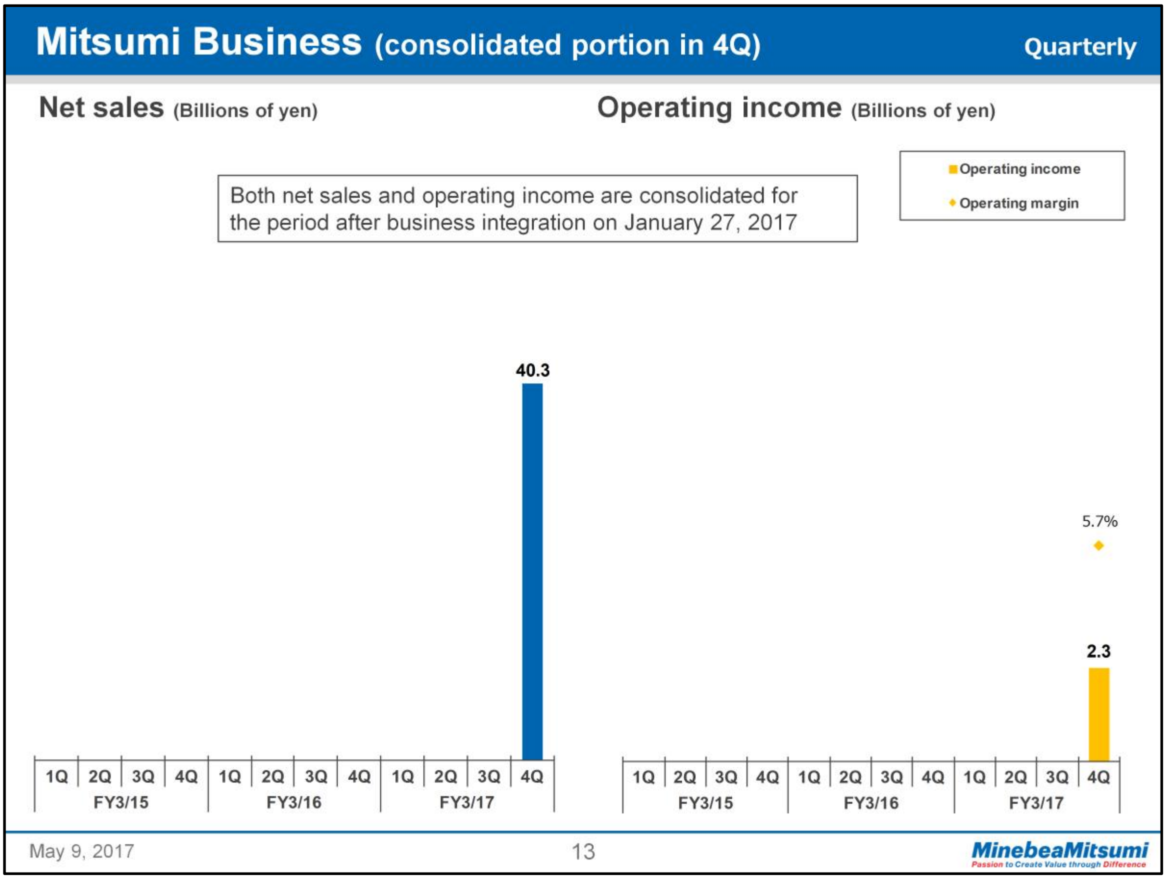
Motor sales declined 2% from the previous year to total 158.3 billion yen. Although shipment volumes were fueled by growing demand for automotive and other applications, the strong yen held revenue down. In the meantime, profitability improved on the heels of cost-cutting measures and higher shipment volumes. Looking ahead to fiscal year ending March 2018, we expect sales to be driven up by the firm demand for our motor products, especially those for automobiles. On the other hand, profits will shrink as SSDs continue to replace HDD spindle motors in servers.

Net sales of electronic devices dropped only 2% year on year to 241.0 billion yen but operating income declined. We forecast lower sales and profits for the fiscal year ending March 2018 as OLEDs continue to eat into the LED backlight market. Business risk will be substantially mitigated, however, since the depreciable assets are expected to become little or almost non-existent by the end of this fiscal year due to the accelerated depreciation method adopted three years ago as well as the impairment losses of 3.9 billion yen executed in March quarter.

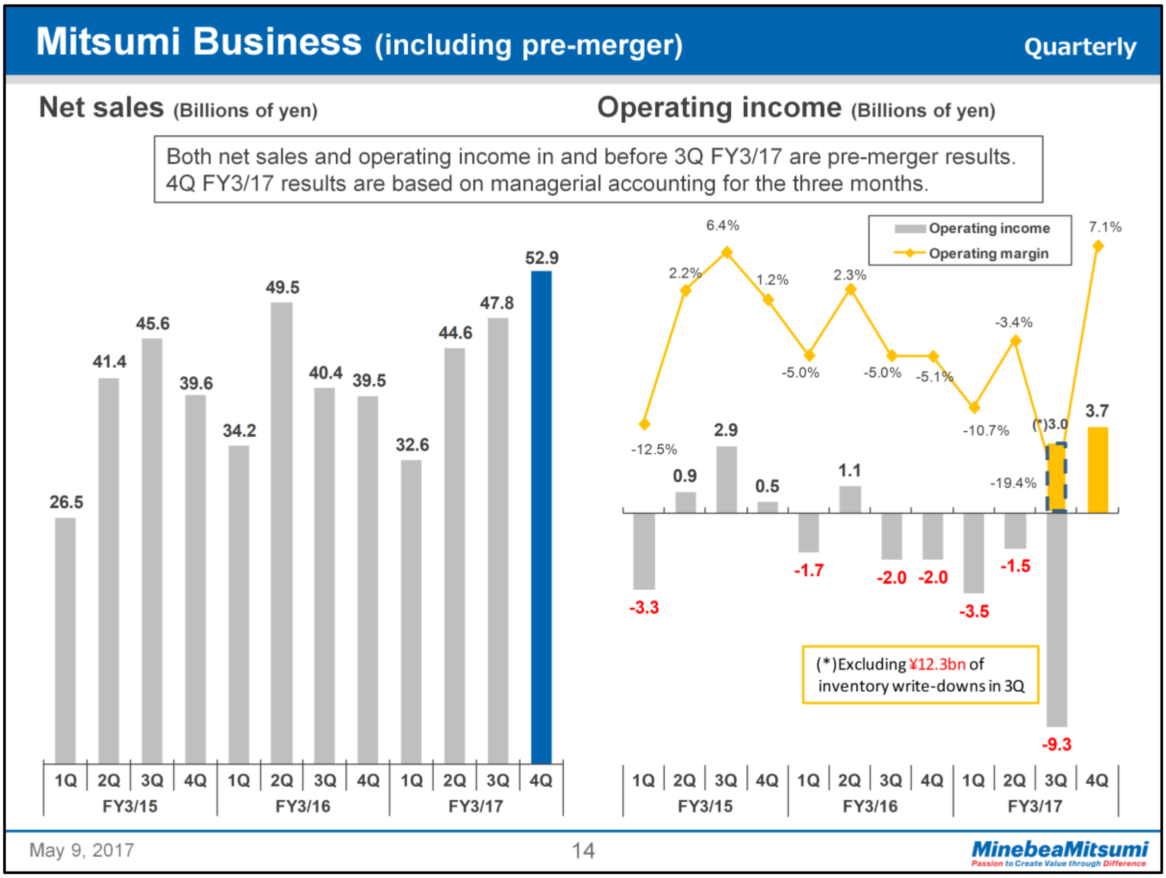
Sales of sensing devices rose 7% to total 38.3 billion yen year on year due to steady growth of our established businesses as well as adjustments made by Sartorius MT&H to consolidate the last 15 months' results as it synchronizes its fiscal year with the parent company, MinebeaMitsumi. While profits fell from the previous fiscal year, we expect an improvement in profitability in the fiscal year ending March 2018 despite a drop in sales.



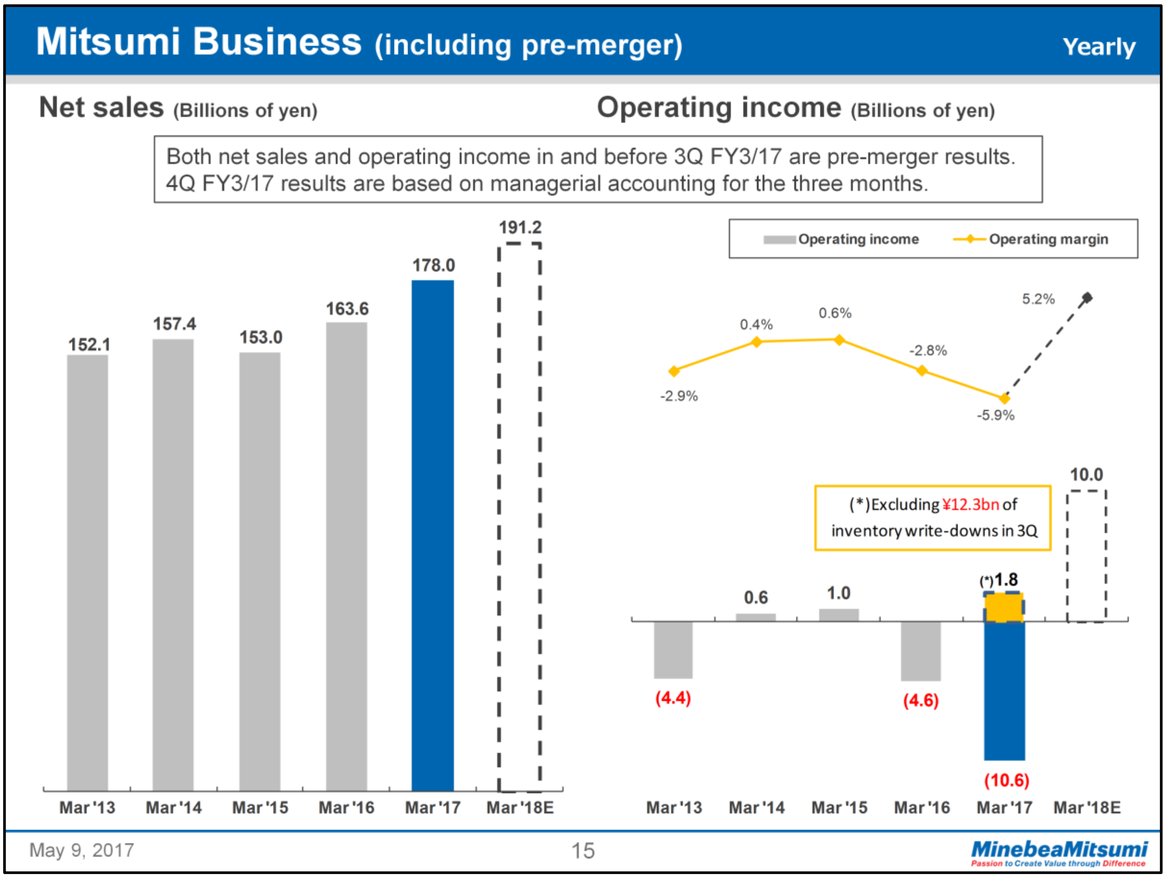
These graphs show quarterly net sales and operating income for the electronic devices and components segment.
Fourth quarter net sales for the segment were down 11% from the previous quarter to total 114.6 billion yen. Operating income decreased by 41% to total 5.6 billion yen and the operating margin decreased by 2.4 percentage points to hit 4.9%.
While motor sales increased 11% from the previous quarter to total 42.1 billion yen, demand from the automobile industry remained steady. Profits decreased due to seasonal drop-off in production.
Although net sales of electronic devices declined a substantial 27% from the previous quarter to total 58.9 billion yen and profits fell as well along with demand for LED backlights for smartphone peaking out, it was all due to the usual seasonal drop-off in demand.
Sales of sensing devices were up 45% over the previous quarter to total 12.3 billion yen. This jump was due to a change in the period used for consolidating financial results. Since Sartorius MT&H’s fiscal year had been three months behind the parent’s fiscal year, the financial results were consolidated on a six-month basis this fourth quarter in order to synchronize the accounting period beginning this fiscal year.



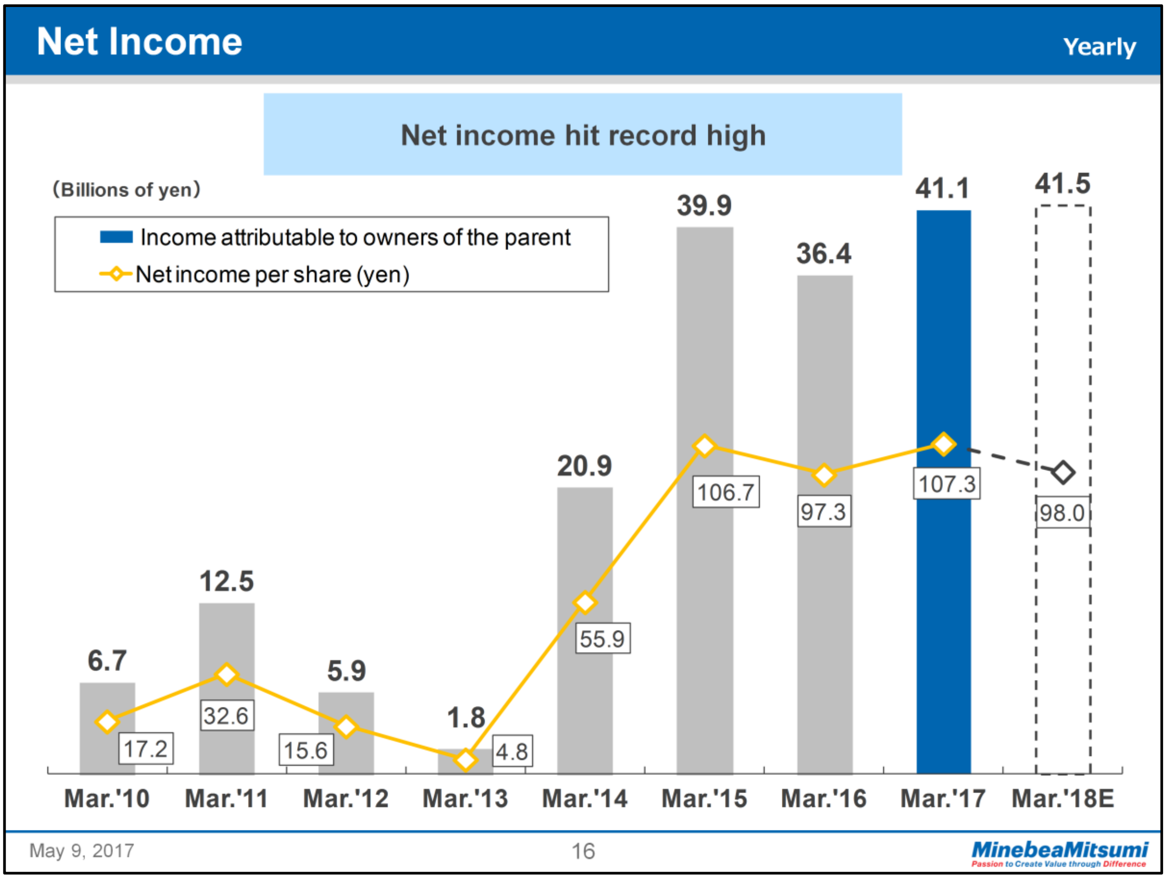
These graphs show fourth quarter net sales and operating income for the Mitsumi business segment, whose financial results we've just begun consolidating since the business integration on January 27, 2017.



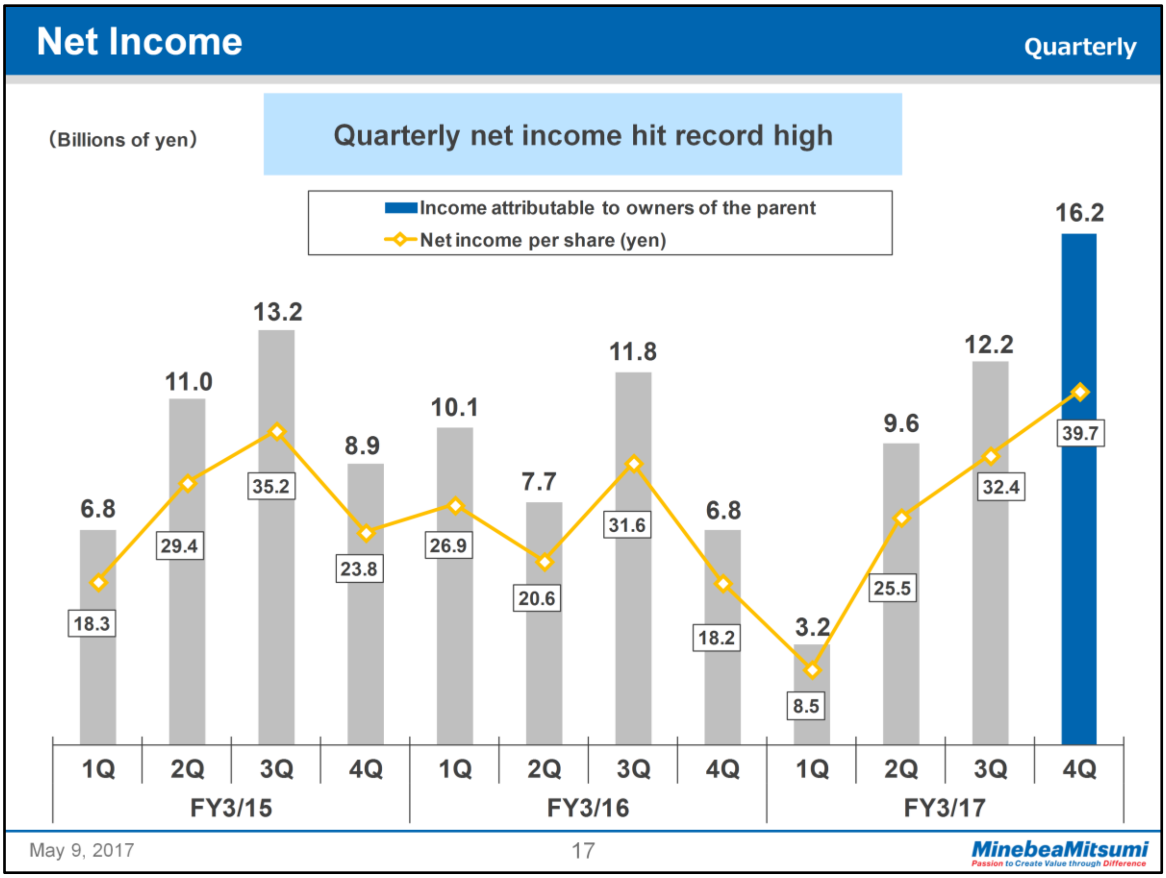
These graphs show quarterly net sales and operating income for the Mitsumi business segment including its financial results before the integration. Although these fourth quarter results are based on unaudited management accountings, we see that net sales increased 11% from the previous quarter to total 52.9 billion yen. Operating income hit 3.7 billion yen for an increase of 0.7 billion yen over the previous quarter's operating income figure, excluding inventory evaluation losses. On top of that, the operating margin rose further to reach 7.1% and we saw solid performance from the launch of new game consoles in addition to ongoing improvements in productivity.



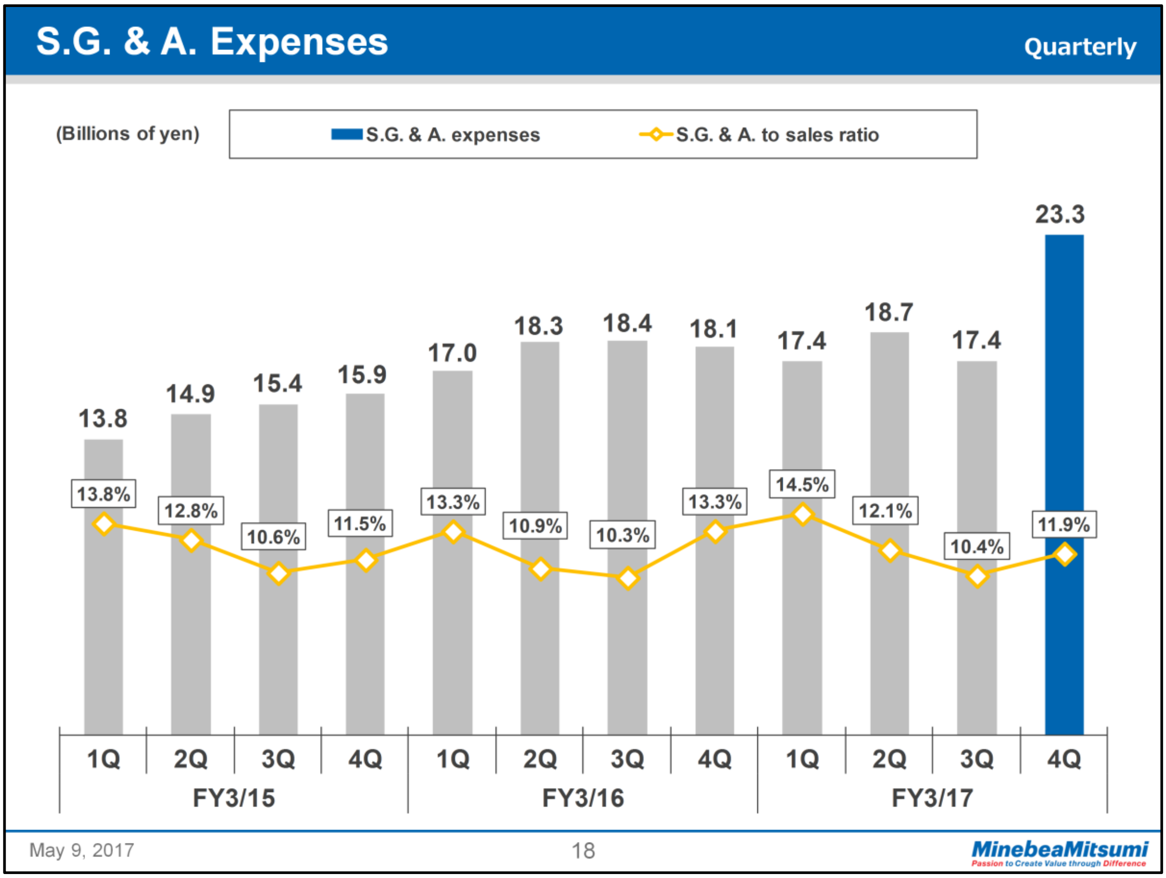
These graphs show the annual performance for the Mitsumi business segment including results before merger.
Unaudited financial results for the fiscal year ended March 2017 show both net sales and operating income exceeding the previous fiscal year's performance. In the fiscal year ending March 2018, both sales and operating income are expected to grow significantly. That increase will come after a full year's results for the game console business are added in along with growing demand for OIS, the camera actuator for smartphones, as well as improvements in productivity.



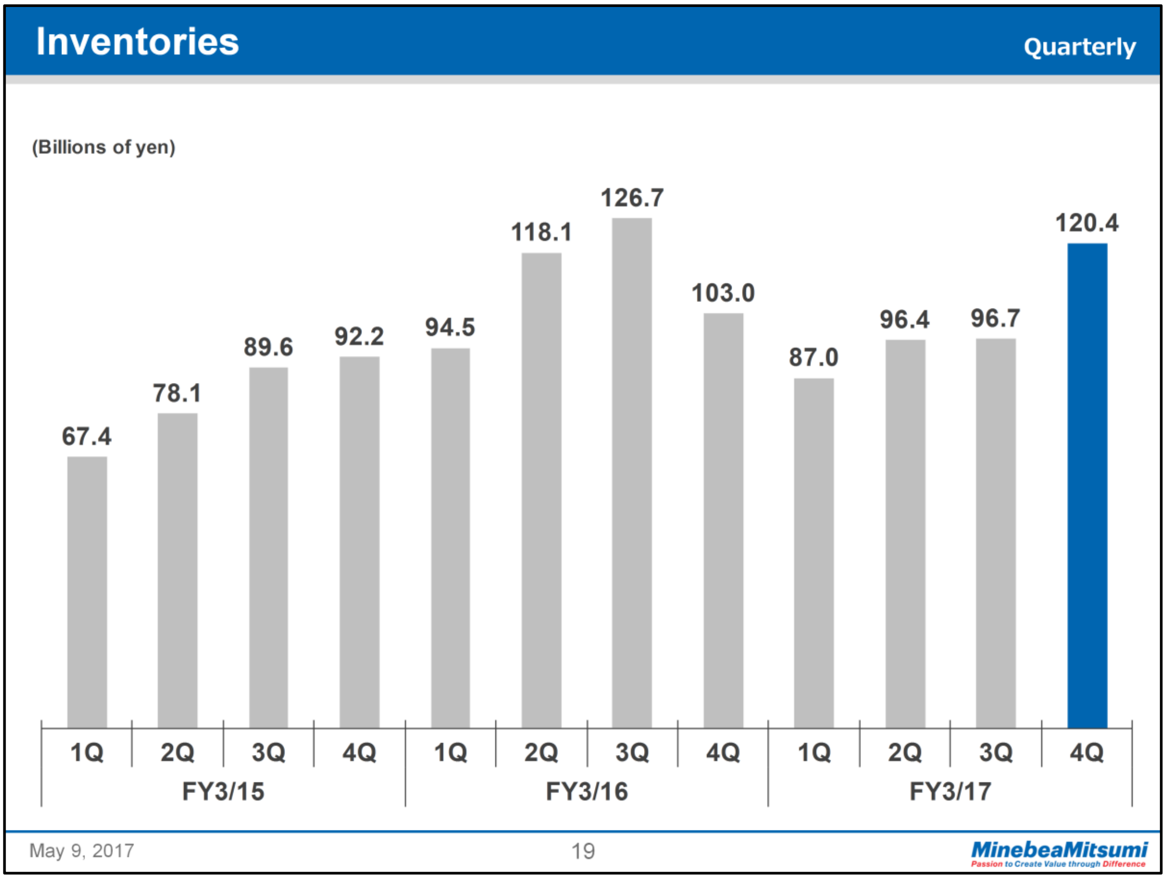
Net income for the fiscal year ended March 31, 2017 was up 13.1% year on year to total 41.1 billion yen while net income per share amounted to 107.3 yen.
The biggest extraordinary gain was a negative goodwill of 14.6 billion yen resulting from the business integration with MITSUMI ELECTRIC. Extraordinary losses included mainly a 6.2-billion-yen loss from the redemption of convertible bonds that we repurchased in June 2016 and a 3.9-billion-yen loss from the impairment of LED backlights.
In the fiscal year ending March 2018 we expect a net income of 41.5 billion yen along with a higher operating income.



Net income for the fourth quarter hit a quarterly record high.



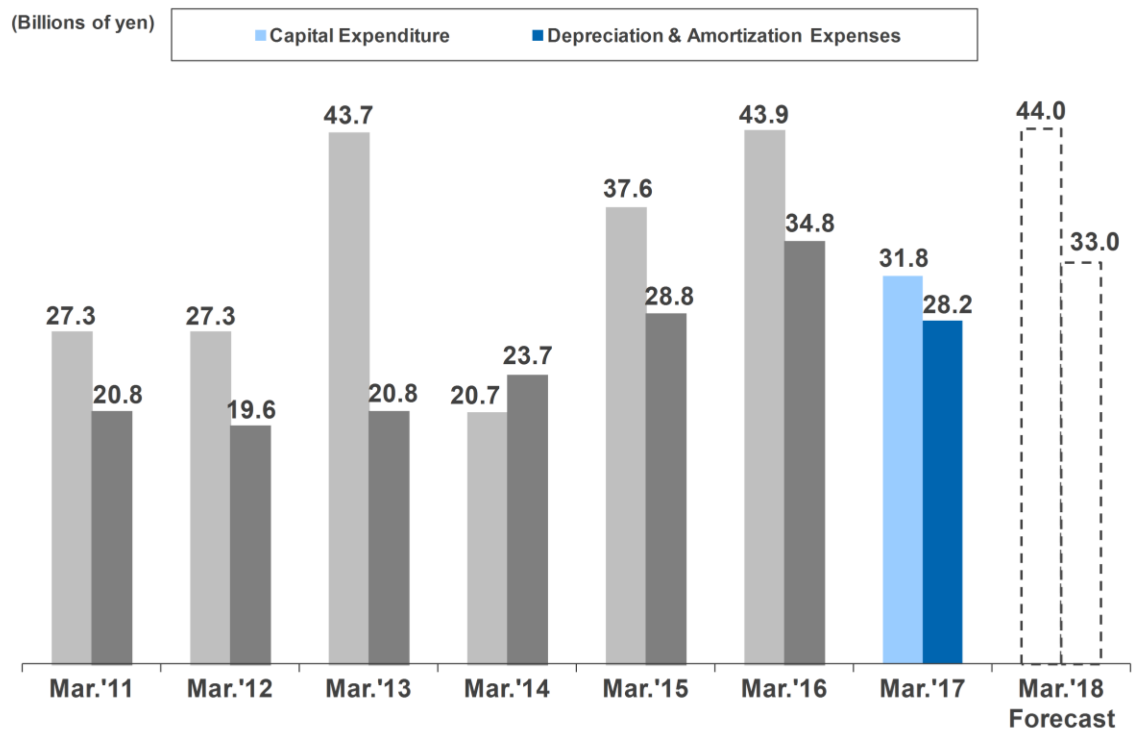
Quarterly SG&A expenses totaling 23.3 billion yen increased 5.9 billion yen quarter on quarter due mostly to the recent consolidation of Mitsumi's business results. The SG&A expenses-to-sales ratio increased 1.5 percentage points from the previous quarter to reach 11.9%.



Inventories as of March 31, 2017 were up 23.7 billion yen quarter on quarter to total 120.4 billion yen due mainly to increase as a result of the recent consolidation of Mitsumi, while inventories for smartphone components declined along with seasonal drop-off.

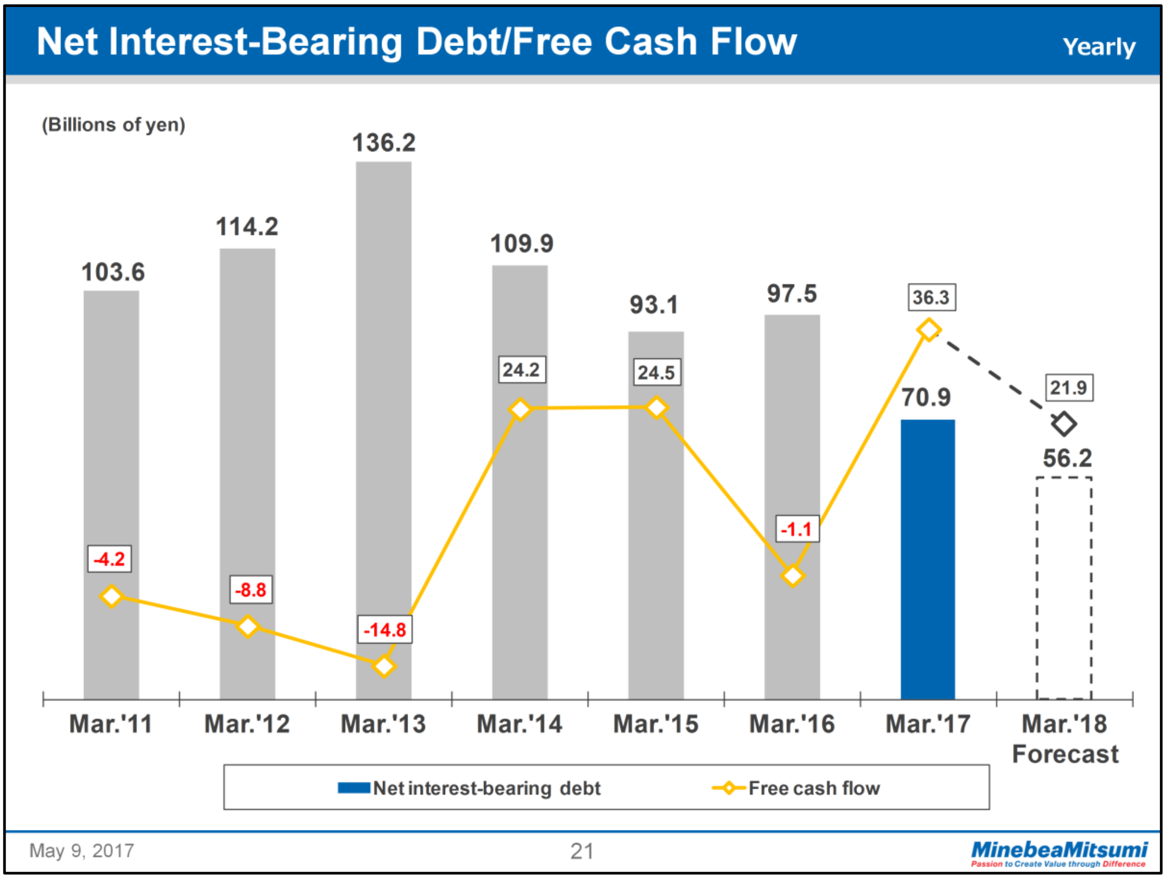
Capital Expenditure & Depreciation

Yearly



Both capital expenditures and depreciation and amortization expenses for the fiscal year ended March 2017 declined significantly due to completion of the major investment in expanding LED backlight production capacity last fiscal year. Mitsumi consolidation pushed up 2.9 billion yen for capital expenditures and up 0.5 billion yen for depreciation and amortization expenses.

We expect to have higher capital expenditures as well as depreciation and amortization costs for the fiscal year ending March 2018 due to investment that would strengthen operations of Mitsumi business.



Net interest-bearing debt, which is total interest-bearing debt minus cash and cash equivalents, was down 26.6 billion yen from the end of previous fiscal year to total 70.9 billion yen at the end of the fiscal year. This was due mainly to progress in cash conversion from LED backlights shipment went well since December 2015, when the order intake from smartphone market plummeted and the inventories of LED backlights increased rapidly. Free cash flow for the fiscal year increased significantly to 36.3 billion yen due to healthy business performance as well as recovery from the special factor above mentioned.
We expect free cash flow to maintain at the high level while net interest-bearing debt to decrease even further despite the negative factors such as increasing capital expenditure.

Forecast for Fiscal Year Ending March 31, 2018

Expecting higher net sales & operating income YoY due to huge contribution from full-year consolidation of Mitsumi business

(Millions of yen)	FY3/17	FY3/18			
	Full Year	1st Half	2nd Half	Full Year	YoY
Net sales	638,926	376,400	373,600	750,000	+17.4%
Operating income	49,015	26,300	29,700	56,000	+14.2%
Ordinary income	48,393	25,800	29,200	55,000	+13.7%
Income attributable to owners of the parent*	41,146	19,400	22,100	41,500	+0.9%
Net income per share (yen)	107.33	45.83	52.20	98.03	-8.7%

Foreign exchange rates	FY3/17 Full Year	FY3/18 Full Year Assumptions
US$	¥108.76	¥105.00
Euro	¥119.34	¥115.00
Thai Baht	¥3.09	¥3.06
Chinese RMB	¥16.18	¥16.00

This is a summary of our forecast for the fiscal year ending March 2018.
We expect both net sales and profits to increase. Although sales for LED backlights are expected to decline due to invasion by OLEDs, production and shipments at many of our businesses, such as ball bearings and motors, are expected to increase steadily. On top of that, we expect a huge contribution from Mitsumi business after a full year's consolidation. Our assumption for the yen to U.S. dollar currency exchange rate is 105 yen.

Forecast for Business Segment

(Millions of yen)	FY3/17	FY3/18			
	Full Year	1st Half	2nd Half	Full Year	YoY
Net sales	638,926	376,400	373,600	750,000	+17.4%
Machined components	156,310	80,200	80,800	161,000	+3.0%
Electronic devices and components	441,615	202,500	194,500	397,000	-10.1%
Mitsumi business	40,342	93,300	97,900	191,200	-
Other	658	400	400	800	+21.6%
Operating income	49,015	26,300	29,700	56,000	+14.2%
Machined components	39,147	20,100	20,900	41,000	+4.7%
Electronic devices and components	21,898	10,600	11,400	22,000	+0.5%
Mitsumi business	2,315	4,400	5,600	10,000	-
Other	(120)	(200)	(200)	(400)	X3.3
Adjustment	(14,223)	(8,600)	(8,000)	(16,600)	+16.7%

This slide shows the forecast by the business segment.

Now I would like to go over our management policies and business strategies.

MinebeaMitsumi
Passion to Create Value through Difference

Turned-around money-losing businesses
Focusing on strengthening money-earning businesses !

- Machined Components : to boost productivity to ¥50 billion OP
- Electronic Devices & Components : Motors will be #2 profit generator
- Mitsumi business : will boost bottom line by generating large profits

(Billion Yen)	FY3/17 Full Year	Forecast for FY3/2018			
		1st Half	2nd Half	Full Year	YoY
Net sales	638,926 Record High	376,400	373,600	750,000	+17.4%
Operating income	49,015	26,300	29,700	56,000	+14.2%
Ordinary income	48,393	25,800	29,200	55,000	+13.7%
Income attributable to owners of the parent	41,146 Record High	19,400	22,100	41,500	+0.9%
Net income / share (¥)	107.33 Record High	45.83	52.20	98.03	△8.7%

$=¥105
$=34.3 Baht

Today we'll look at three areas. That is the machined component business, which is focusing on increasing productivity to achieve an operating income of 50 billion yen, the electronic devices and components business, where motors business is on track toward becoming the number two profit generator, and Mitsumi business, whose huge profits will help boost our overall bottom line.

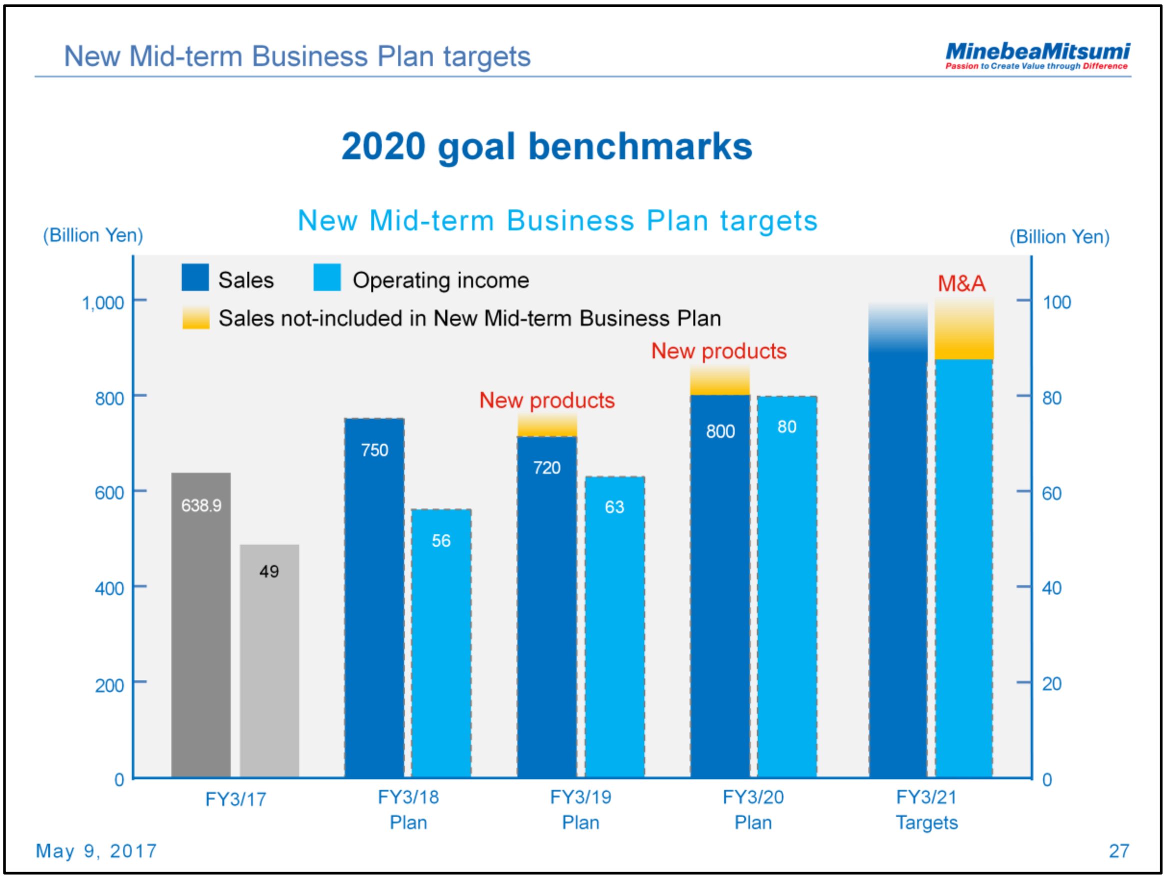
Before going into these topics, I must tell you that operating income for the fiscal year that ended in March 2017 dropped to 49 billion yen although net sales, income attributable to the owners of the parent, and net income per share, including negative goodwill, were the highest ever. Let's look at our potential operating income figure. First, the 49-billion-yen in operating income includes about 2.3 billion yen generated by the Mitsumi business from January 27 until the end of March this year. This means operating income from Minebea operations totaled about 46.7 billion yen.

There were various special factors behind the results for last fiscal year. First of all, we incurred about 2 billion yen in expenses related to the business integration. Then there was an irregular inventory disposal of LED backlights totaling about 2 billion yen. Altogether these factors brought operating income down about 4 billion yen below what it usually is. If you take these factors into account, we had the capacity to generate about 51 billion yen in operating income at an exchange rate of 108 yen against the dollar.

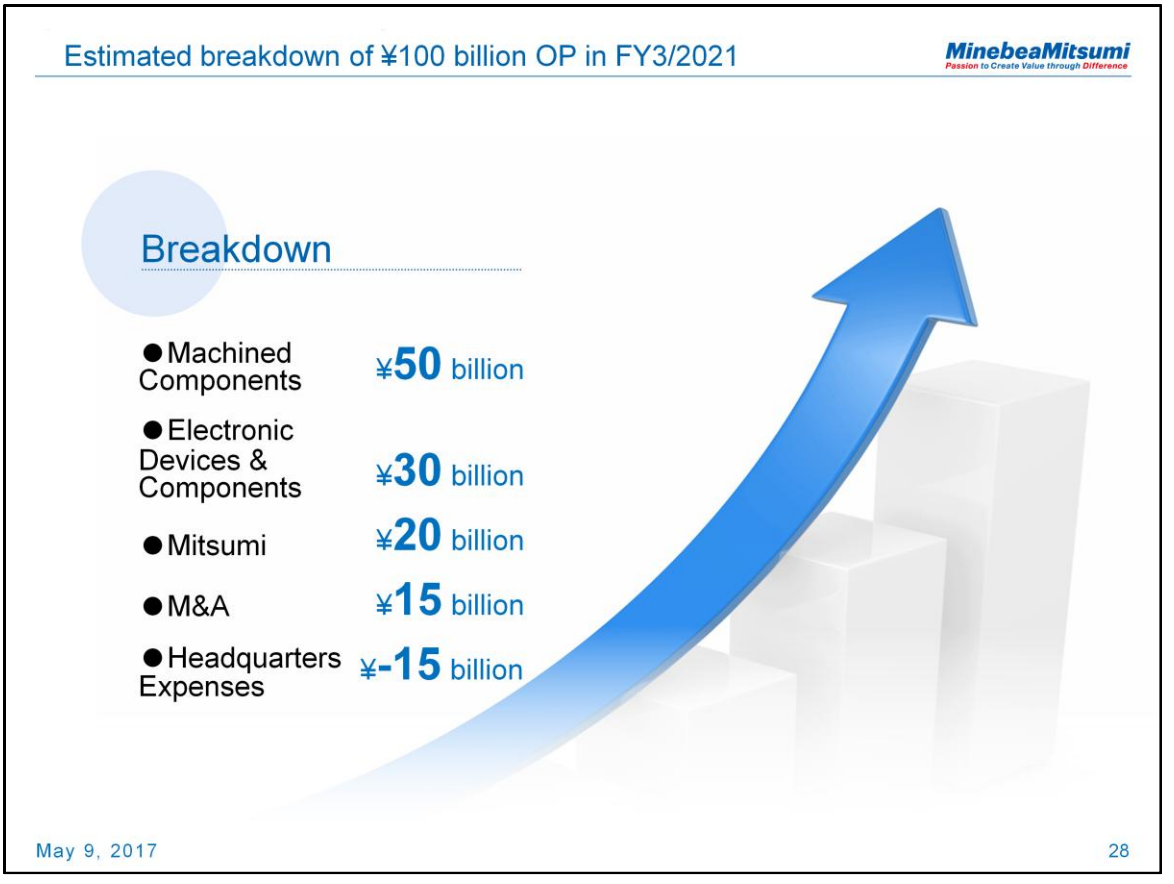
In the fiscal year ending March 2018, we project that operating income for the Mitsumi business will total 10 billion yen. While I'll go into further detail about that later, you can see that overall operating income will exceed 60 billion yen even without any year-on-year increase in operating income for Minebea operations. However, the dollar-yen rate fluctuated by a wide margin in early May, and we discussed what to do with our forecast figures. Ultimately, I decided to go conservative and made the projected operating income figure 56 billion yen based on an exchange rate of 105 yen against the dollar. So, we are aware that we drafted the latest business plan based on the very conservative estimates. If the exchange rate remains at the current level, it's quite likely that operating income will reach another record high.

Although we don't have the results for April yet, the preliminary net sale figure has already topped 60 billion yen. Sixty billion yen used to be the norm for quarterly net sales just until a few year ago. Having a sales figure like this in April, when demand is usually low, is quite something.

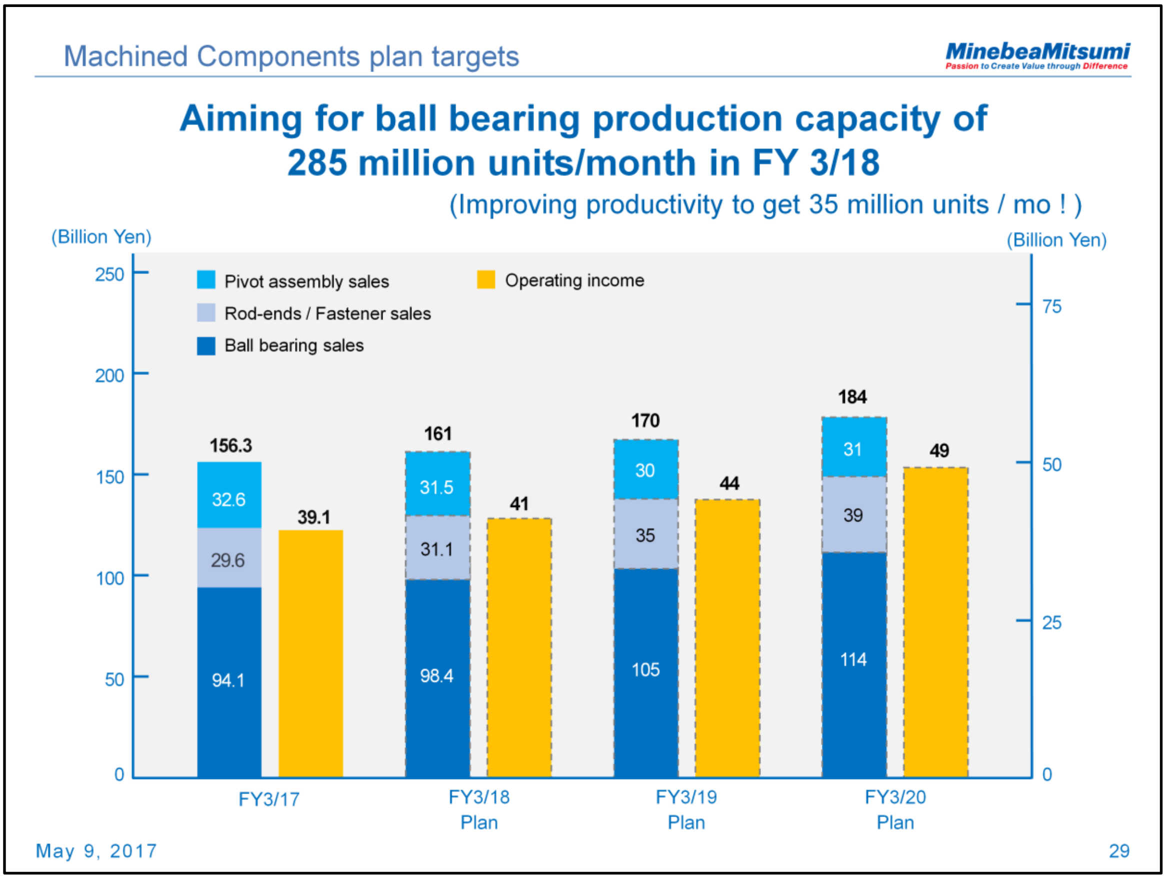
This slide was taken from the presentation material for the May 8, 2015 investor meeting. We announced then that we would aim to achieve 1 trillion yen in net sales or 100 billion yen in operating income by the fiscal year ending March 2021 and further expand the two main pillars of our business by 2017. By merging with Mitsumi, we have bolstered the two pillars, consisting of the machined components business and the electronic devices and components business, meaning that we are right on track toward reaching the goals we set in 2015.



While the cloud of uncertainty looming over LED backlights had made developing previous mid-term business plans difficult, we based our latest plan on the assumption that all our businesses, other than LED backlights, would grow. Net sales totaled about 640 billion yen last fiscal year. This fiscal year it will hit 750 billion yen but fall to 720 billion yen next fiscal year due to declining LED backlight sales. On the bright side, the Mitsumi business as well as the machined components business will give a shot in the arm to our overall profit figure. In the third year, we will aim for 800 billion yen in net sales and 80 billion yen in operating income. Sales of new products, which are not included in this mid-term business plan, are indicated by the yellow bars. I'll go into further detail about these new products later on.



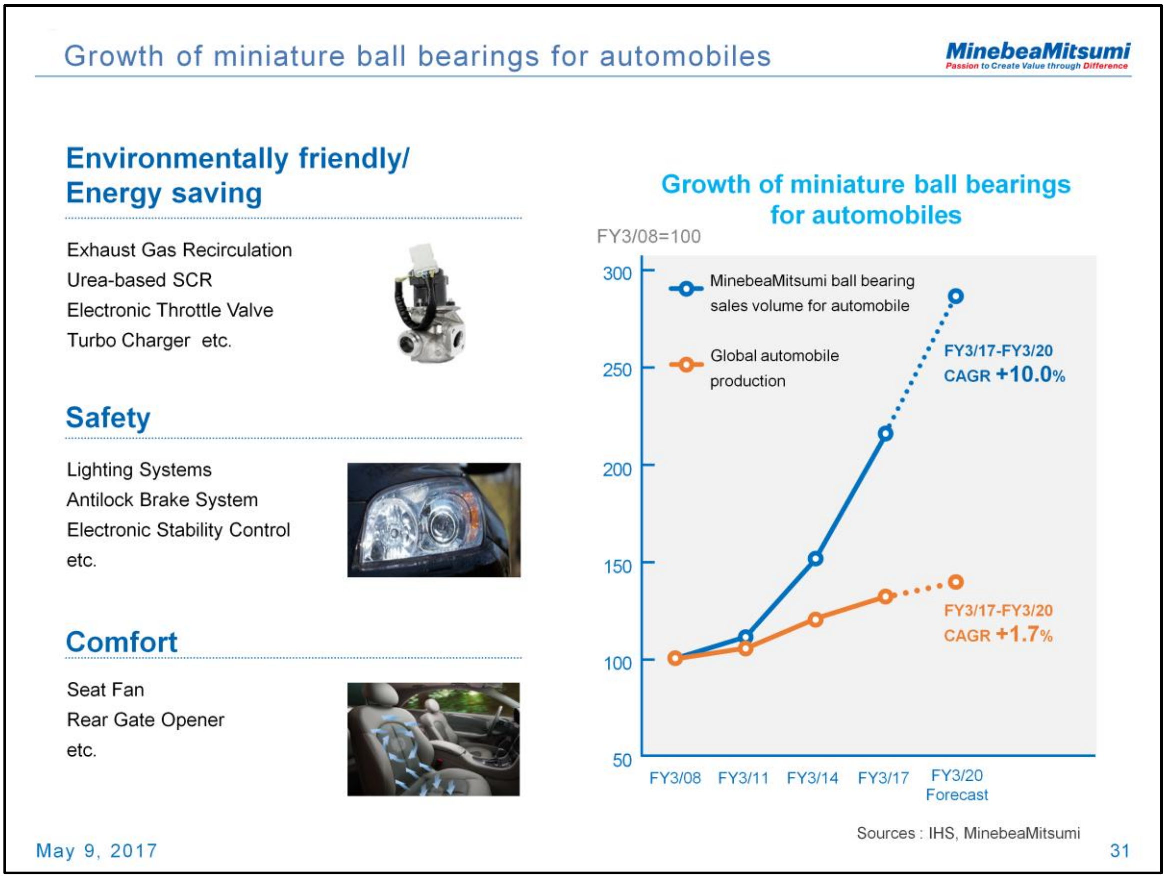
The 100-billion-yen operating income target for the fiscal year ending March 2021 will consist of 50 billion yen from machined components, 30 billion yen from current electronic devices and components, and 20 billion yen from the Mitsumi business. We will also work on M&As over the next four years, including this year, to add about 15 billion yen to our operating income.



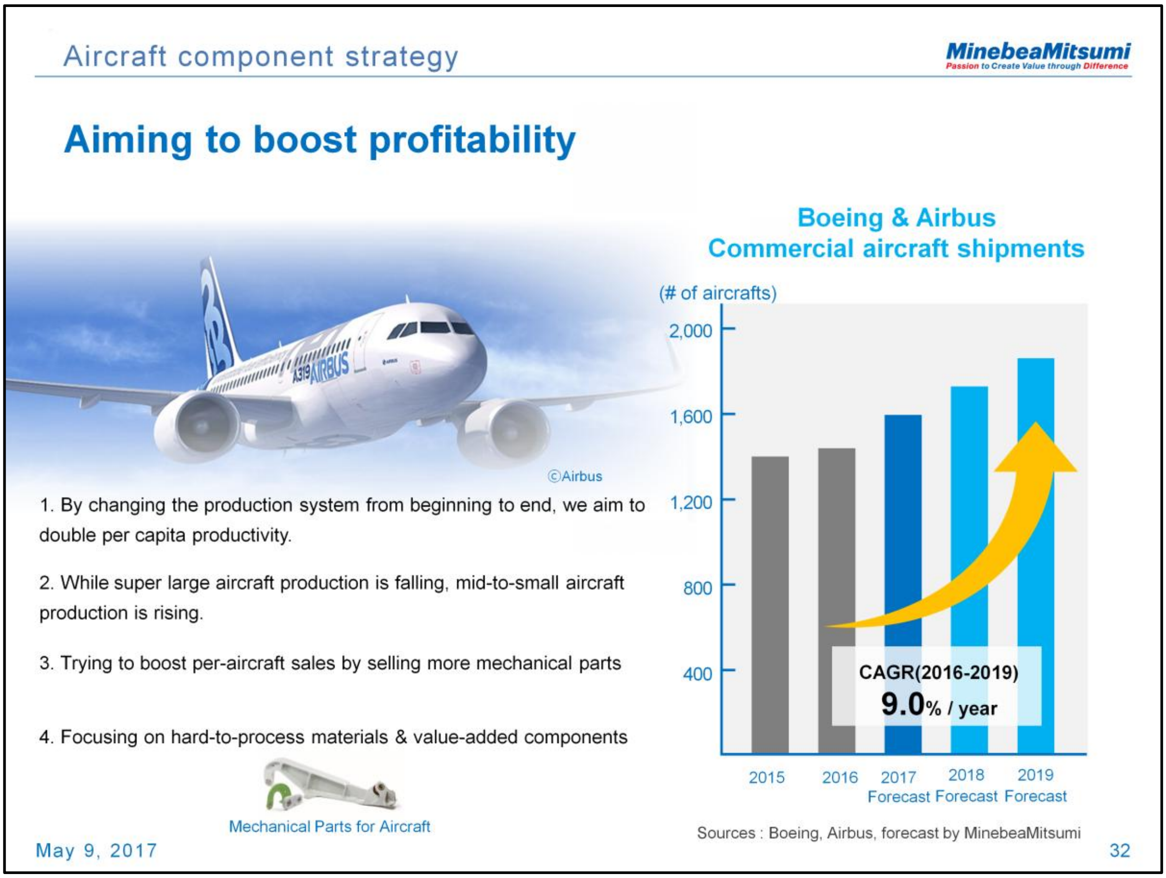
After turning around a number of businesses that were running in the red, we went straight to work on improving Mitsumi's earnings, which is why we couldn’t focus on the machined components business. I’ve decided that now, after returning all of the money-losing operations of the motor and Mitsumi businesses back to profitability, we will take the same approach with the machined components business. So I checked all processes with all managers in Thailand and made about 40 suggestions for making improvements. I received very positive feedback from shop floor workers and found out that making those improvements would lead to an additional 35 million units per month. This means that we can make 35 million more units at the same cost of raw materials, plus some indirect materials, with almost no extra capital investment. Since we found this out only recently, it was not factored into the latest mid-term business plan.

When we announced the third quarter results, I told you about our plan to make an 8-billion-yen capital investment in increasing ball bearing production. We will put off installing new equipment as much as possible and work on improving productivity as a means of boosting production. This will actually take a fair amount of time since we will be making improvements to all processes at all plants. I expect every plant to have a higher production capacity by October or later. Morale is up across the shop floor and I'm getting only positive feedback. My feeling is that we can absolutely produce up to 300 million ball bearing units a month at our existing plants without any additional investments.

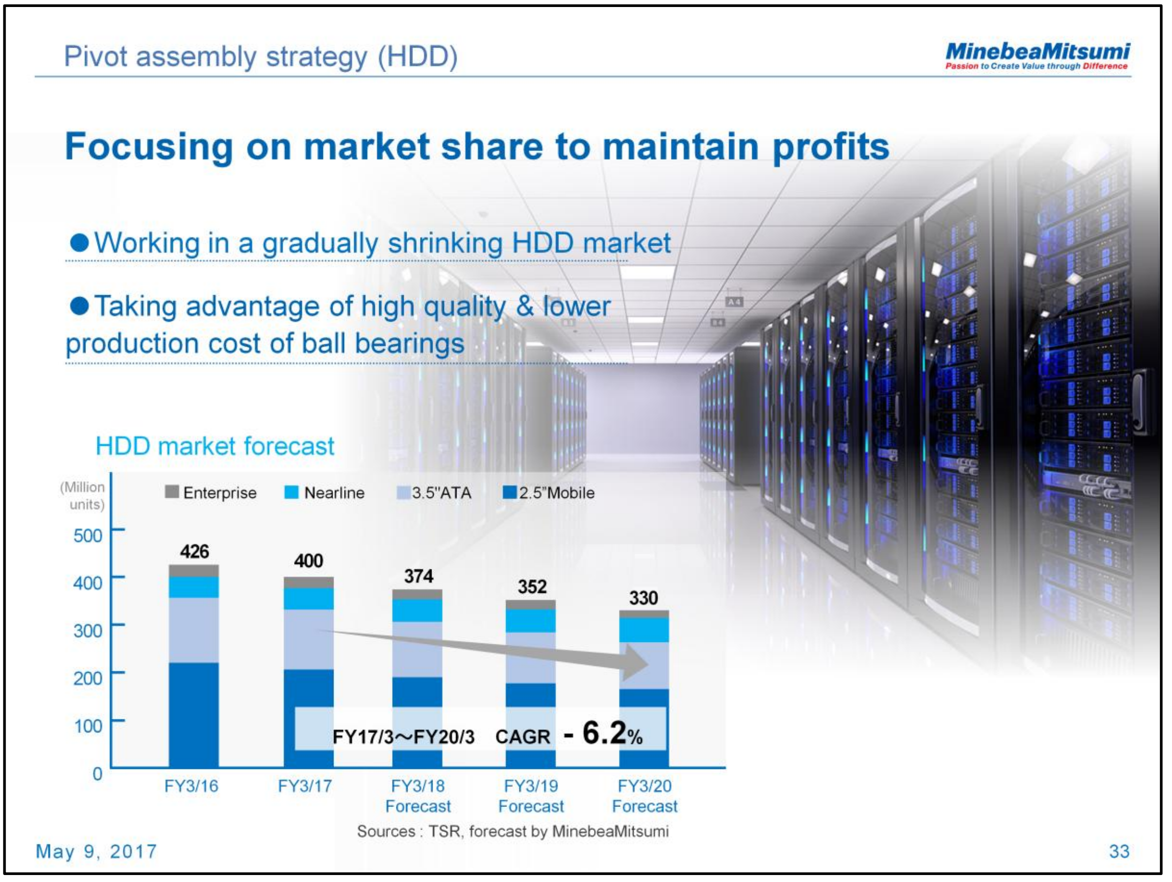
While we had expected external ball bearing sales for the fiscal year ending March 2018 to total 175 million units, we can add the amount shown in the area outlined on the bar graph with the dotted line by improving productivity. Demand has been very high, and our external sales volume grew substantially to total 180 million units in March and 177 million units in April. The March production volume hit an all-time high with 264 million units, even though productivity hadn't been improved yet. Better worker morale has made a big difference, just as it did for the Mitsumi business. We can build on this success to make even more. You may be wondering if we can really sell all those extra ball bearings. We are currently looking into strategies for expanding sales by selling them at special prices because we can practically make them at the cost of the raw materials. At any rate, please note that the areas outlined by a dotted line on the graph indicate additional units that are not included in the plan.



Sales of miniature ball bearings for automobiles have also been very healthy. Monthly sales volumes have increased to 35 million and 45 million units over the last couple of years and will continue to grow. The monthly sales total for this fiscal year will be 55 million units during the first half and 60 million units during the second. On top of that, we are getting inquiries about miniature ball bearings for various medical applications, including robots. As the shift toward thinner, lighter weight, and smaller designs continues, demand for miniature ball bearings, both actual and latent, is going to climb quite high.



We started an initiative to double per capita productivity for aircraft components such as rod-end bearings by checking all production processes with all managers just as we did for ball bearings. We will simultaneously implement this initiative at our Karuizawa and Thai plants first and later apply what we've learned to factories in the UK and the US. In addition to that we will work to boost profits for rod-end bearings via the ongoing strategies shown on the slide.



Earlier I explained that we can make ball bearings at the cost of raw materials plus some expenses by improving productivity. Since two ball bearings are used in each pivot assembly, we will take advantage of that to increase our market share.

Electronic Devices & Components plan targets

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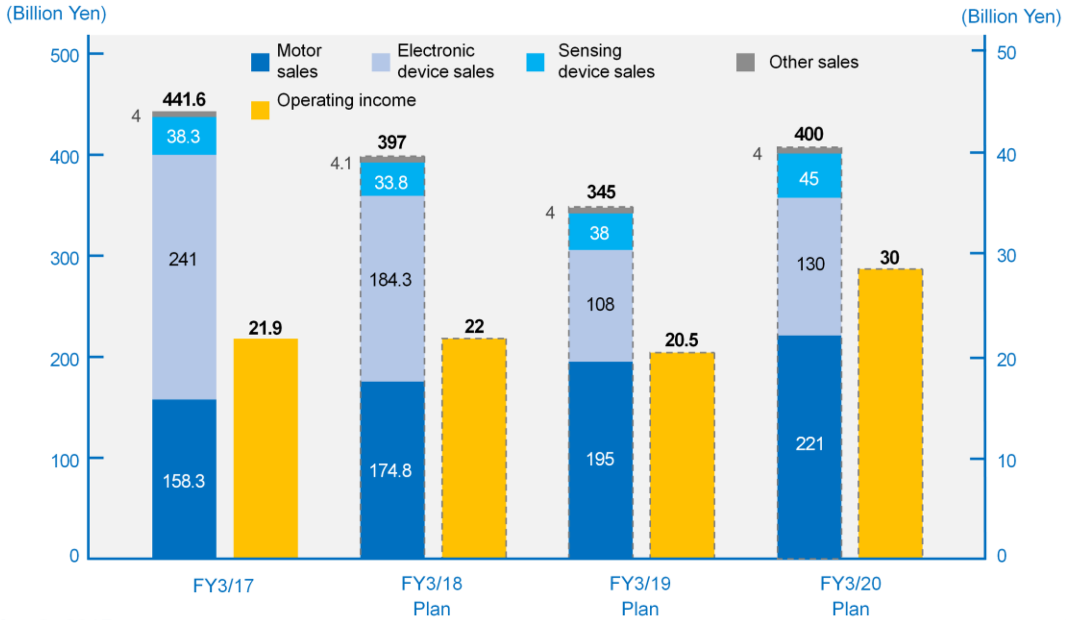
Motors will drive overall growth of #2 pillar



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Moving on to electronic devices and components, I suppose many of you think that the bulk of the profits shown here come from LED backlights. Actually, sales of motors for automobiles rose significantly, so LED backlights are not generating as high a profit as you would imagine. We expect motor sales to increase from last year's total of 158.3 billion yen to 174.8 billion yen in the fiscal year ending March 2018. About 9 billion yen of that increase will come from Mitsumi motors.

Amid a host of speculations about LED backlights, we don't believe that they will disappear any time soon. We've taken various measures and reduced the remaining book value of LED backlight-related equipment to about 4 billion yen. Since depreciation and amortization costs for this fiscal year will be 2.7 billion yen, the remaining book value as of the end of this fiscal year will only be 1.3 billion yen. Since we've been minimizing risk in this way, I'm not that concerned about LED backlights. Even if profits decline, the Mitsumi business, along with other businesses, should be able to sufficiently offset the loss, which I will explain later on.

In the meantime, we've been making steady progress on the joint development of narrow bezel LCD displays with our supply chain companies to compete with OLED displays, which is why we don't think it's game over. The possibility of OLED displays totally replacing LCD displays was 50-50 a year ago and 60-40 six months ago. Today it seems between 60-40 and 70-30. At any rate, we have to wait and see how the market will react to the OLED models when they are released. Although OLED is believed to face a high technological hurdle, on top of production yield and high costs, we are now ready to meet any challenge head on.

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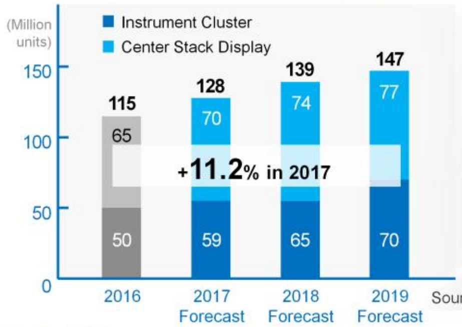
Shifting focus to automobile applications

1. Further sales expansion of high-value-added products for high-end automobiles
(Aiming for **¥16 billion sales** in FY3/18)

2. Utilizing **new Slovakian plant** to go on line in early 2018

Growth of automobile displays



Source : IHS

We will be making a big shift towards LED backlights for automobile applications, which have ample room for growth. We had a groundbreaking ceremony for our Slovakian plant in early May and plan to put it into operation in January 2018. While the plant will be the production base for automotive motors to be sold in the European market, we will eventually produce LED backlights there to meet the high customer demand.

We recently obtained a safety standard certificate for SALIOT in the U.S. and will work to expand sales there. We are also preparing for the launch of a SALIOT showroom near our Tokyo Head Office which is slated to open in August of this year. We have received positive feedback from customers and will work on aggressive marketing.

We are teaming up with various Japanese companies to create one of the world's most advanced smart cities in Phnom Penh, Cambodia by the end of this fiscal year. I should be able to give you more specific development updates this time next year.

Motor strategy

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Profit growth from automobile applications

- Focusing further on automobiles, which are utilizing more & more motors
- Pursuing niche markets and cost advantages
- Utilizing **new Slovakian plant** in operation in early 2018

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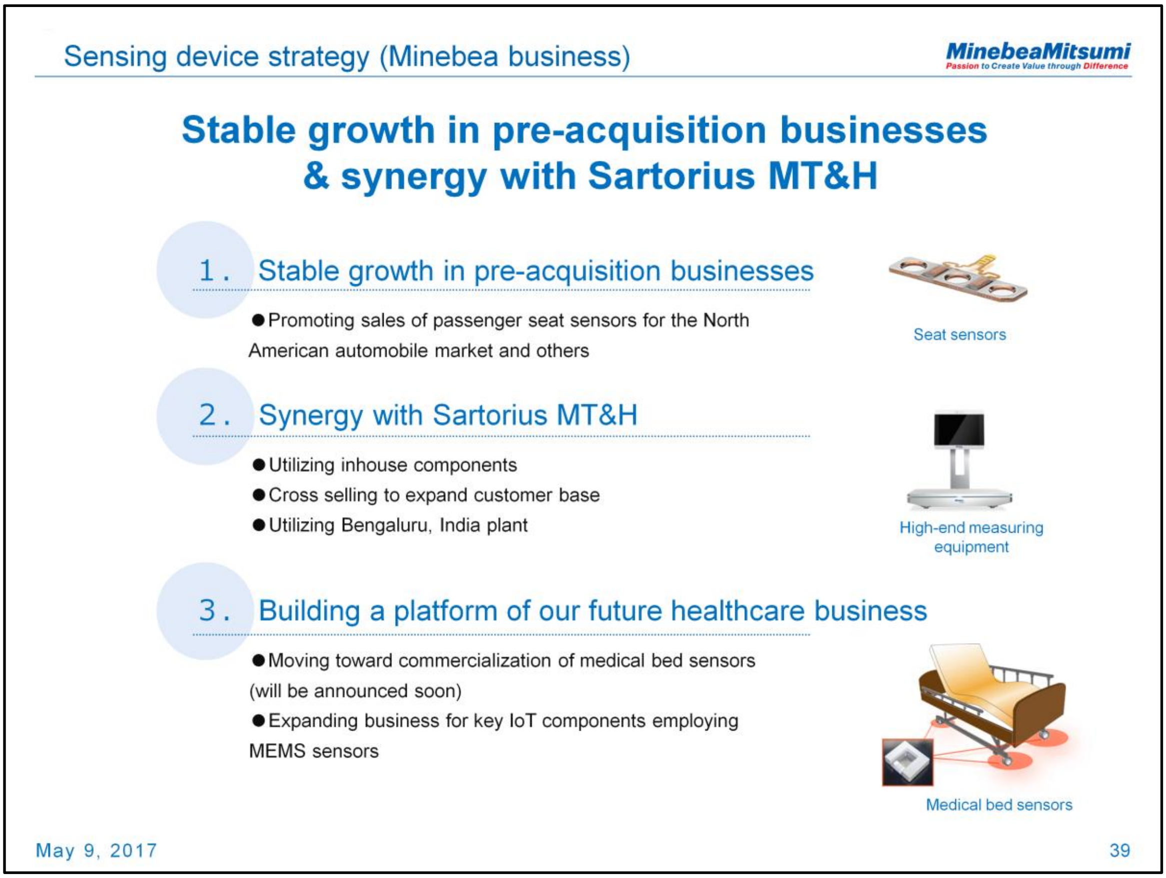
I'll talk about automobile applications later on.



Let’s now look at the bed sensors shown on slide 39, which will finally be released soon. We plan to leverage these bed sensors to build a platform for our future healthcare business. They are currently used in nursing homes and nursing care facilities for clinical purposes, and we've made various discoveries with them, such as the relation between physiological conditions and atmospheric pressure when it's rainy or cloudy. Since Mitsumi has technologies for blood pressure monitors, surveillance cameras, and environmental sensors, it is capable of creating a monitoring device system that combines all these technologies in one. It's an area where we can leverage the synergy of the business integration.

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Becoming next pillar as profits surge this fiscal year

Impacts of integration

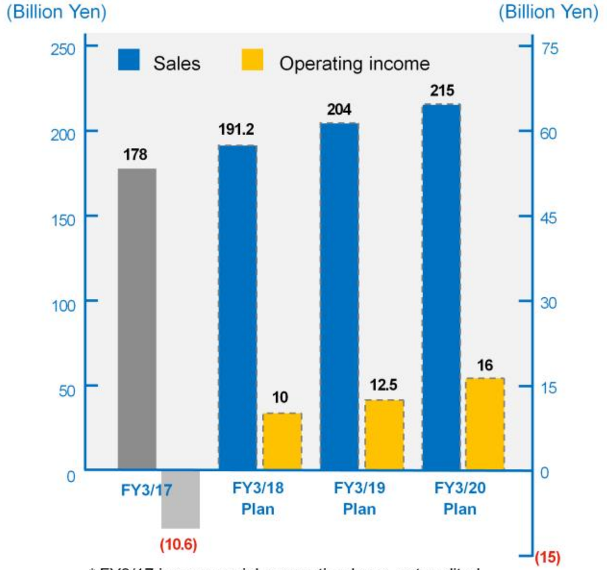
1. Highly strengthened R&D capabilities
2. Positive impact on OP

↓

No more worry on dilutive impacts on profits

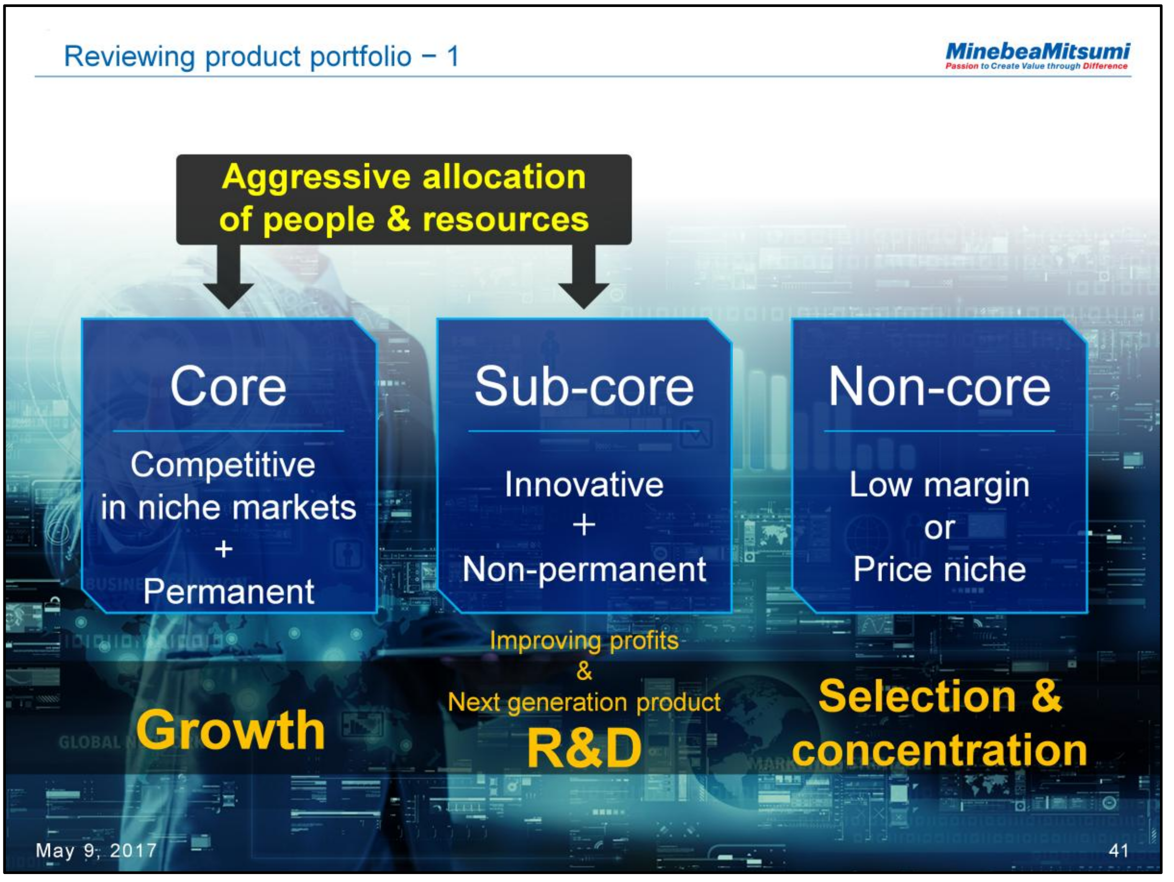
Effects of share swap scheme

1. Benefits of negative goodwill and increased amount available for dividends
2. Stronger B/S
3. Smaller impacts on # of shares issued by utilizing treasury stock

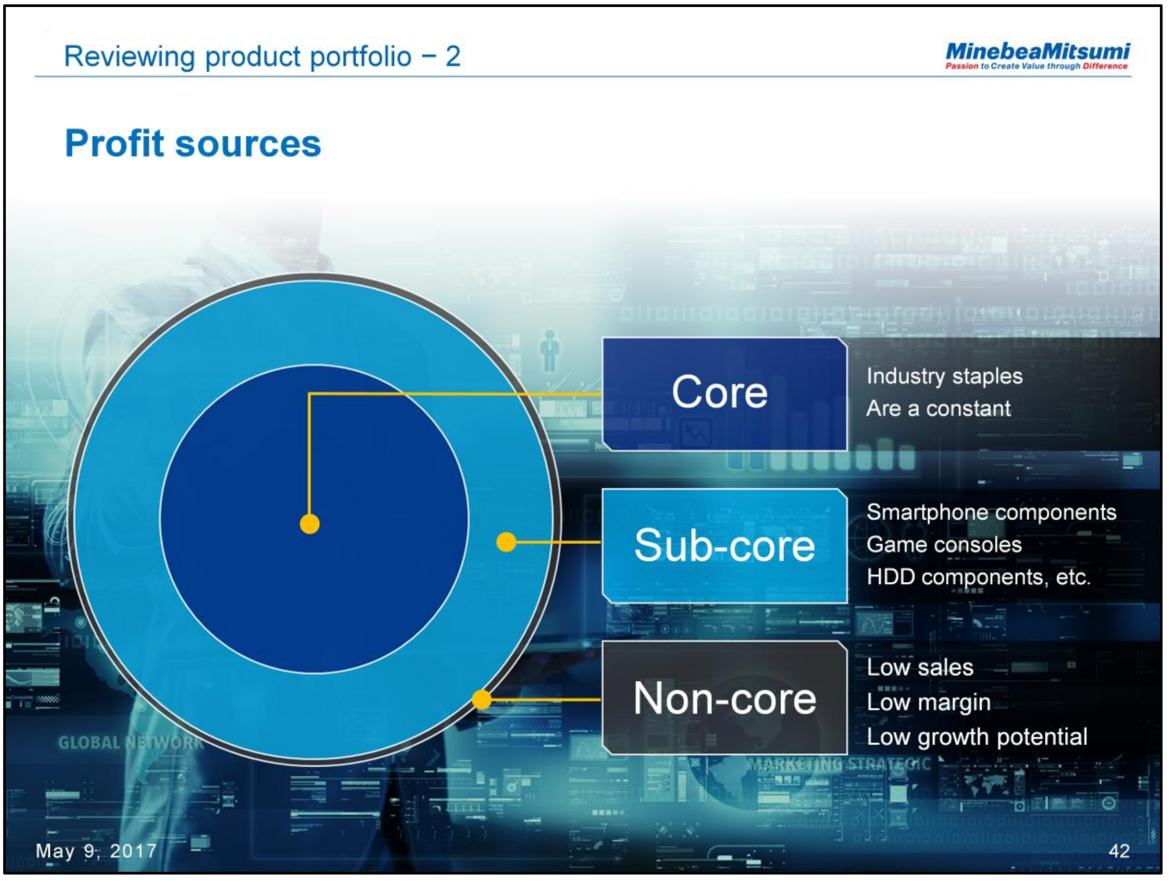


* FY3/17 is managerial accounting base, not audited

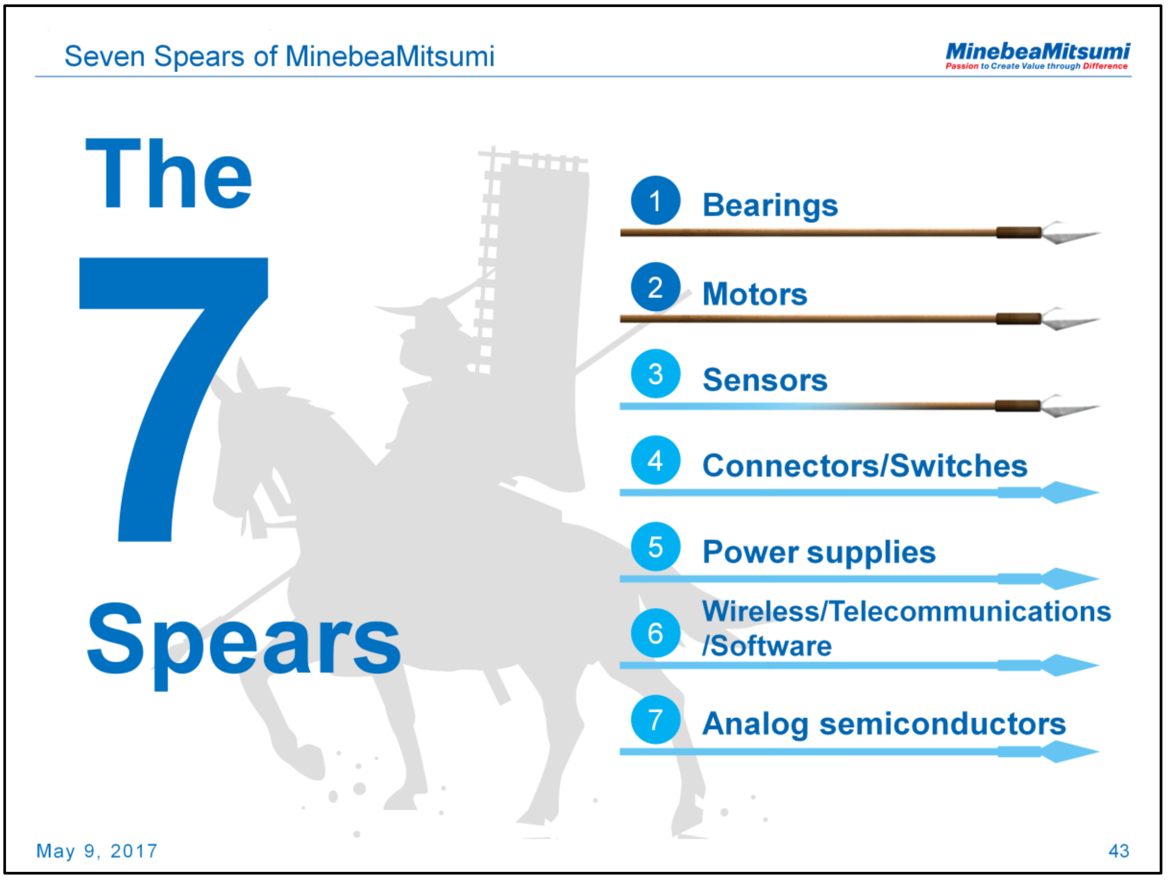
Moving on to the Mitsumi business, I can say that we've taken all the right steps a manufacturer should take and our efforts have paid off which you can see reflected in our results. Prior to the business integration, we hired three major auditing firms to perform thorough audits, including an assessment of the purchase price allocation (PPA).
We posted negative goodwill in the fiscal year that ended in March 2017 and consequently avoided a dilution of earnings per share (EPS). We don't expect any dilution to occur in the fiscal year ending March 2018 either if things go as planned. Despite the huge scale of the M&A, net interest-bearing debts decreased rather than increased. Moreover, increased capital surplus resulted in a substantial increase in dividend resources, giving us more options needed for future dividend payments and share buybacks.
During the February investor meeting I noted that our operating income for the fiscal year ending March 2018 would be at least 5 billion yen. We can now expect it to reach 10 billion yen. I can say, as of today, the business integration with Mitsumi has been quite a success. I feel strongly that Mitsumi has the various resources, both technological and human, needed to take us to the previously mentioned goal of 20 billion yen in operating income set for the fiscal year ending March 2021. In moving forward, my job as CEO is to get the most out of those resources.



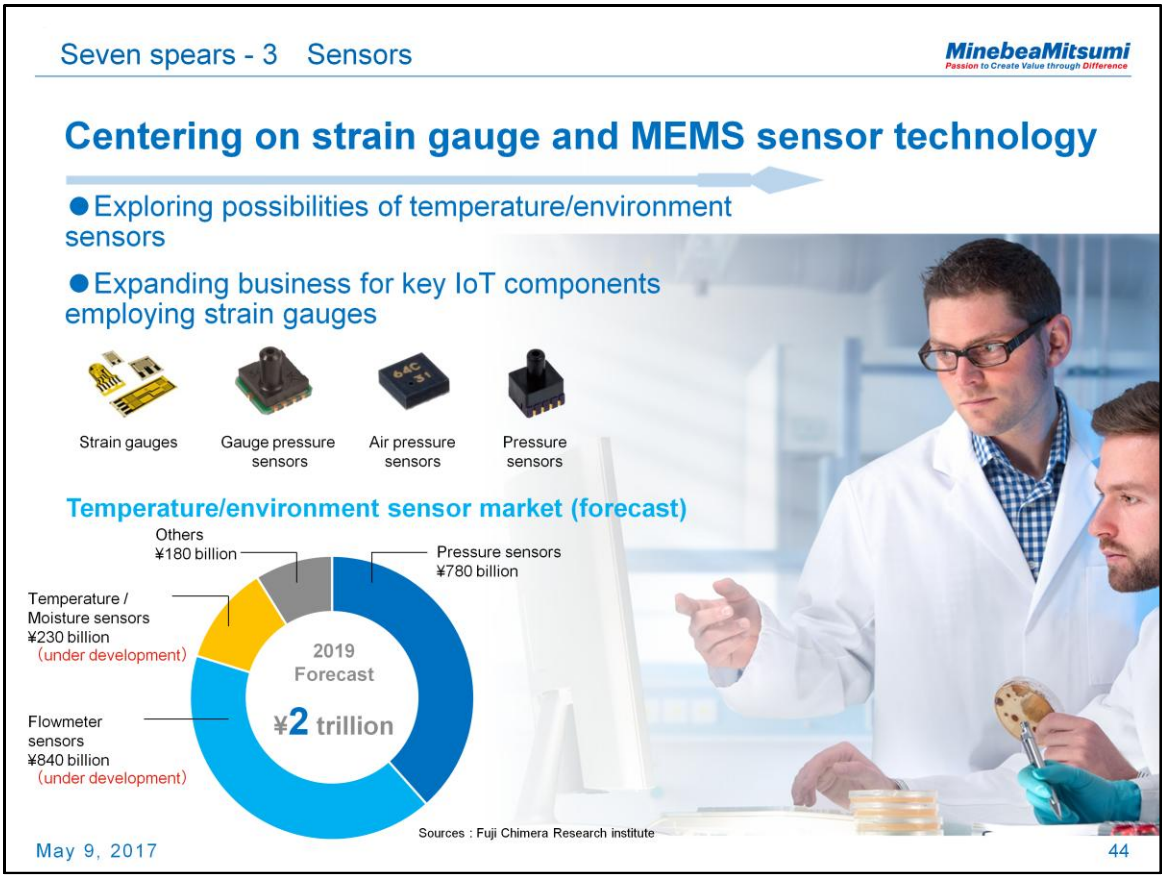
You can see from this slide how we reviewed and revised our product portfolio.



Profit sources for the core, sub-core, and non-core businesses are as shown here on this slide.



I recently shared the concept of MinebeaMitsumi's seven spears with all employees. We believe the products in our business portfolio that we ought to focus on should meet the following three criteria. First, their market must be big. Second, the product must have a presence in niche markets. Third, they should be products that are going to be around for a long time. Bearings are often referred to as a staple of industry. The market for them is huge and enduring. We compete in that market with products that have an outer diameter of 22 millimeters or less. We should apply the same strategies we use for marketing bearings to sensors, connectors, switches, power suppliers, wireless products, and analog semiconductors. That's what we came up with when we thought about areas where we could leverage our extensive technologies, including ultra-precision machining technology, and management resources to beat the competition. This isn't something that's going to happen overnight but rather our long-term vision.



When it comes to sensors, we will focus on strain gauge and MEMS technologies to expand the business.

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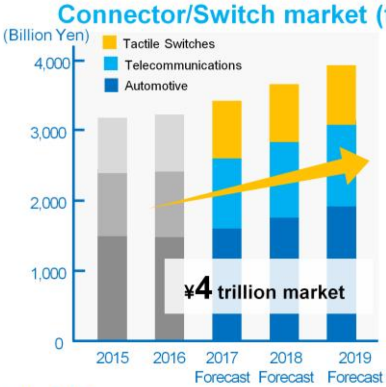
Key words are ultra-precision / water-proof

- Taking advantage of ultra-precision machining
  -Targeting hard-to-process components –
- Focusing on high-speed transmission (automobiles & USB Type-C)

USB Type-C | Automobile Connectors (HSD) | Automobile Connectors (FAKRA) | Automobile Connectors (USCAR-30) | Tactile Switches

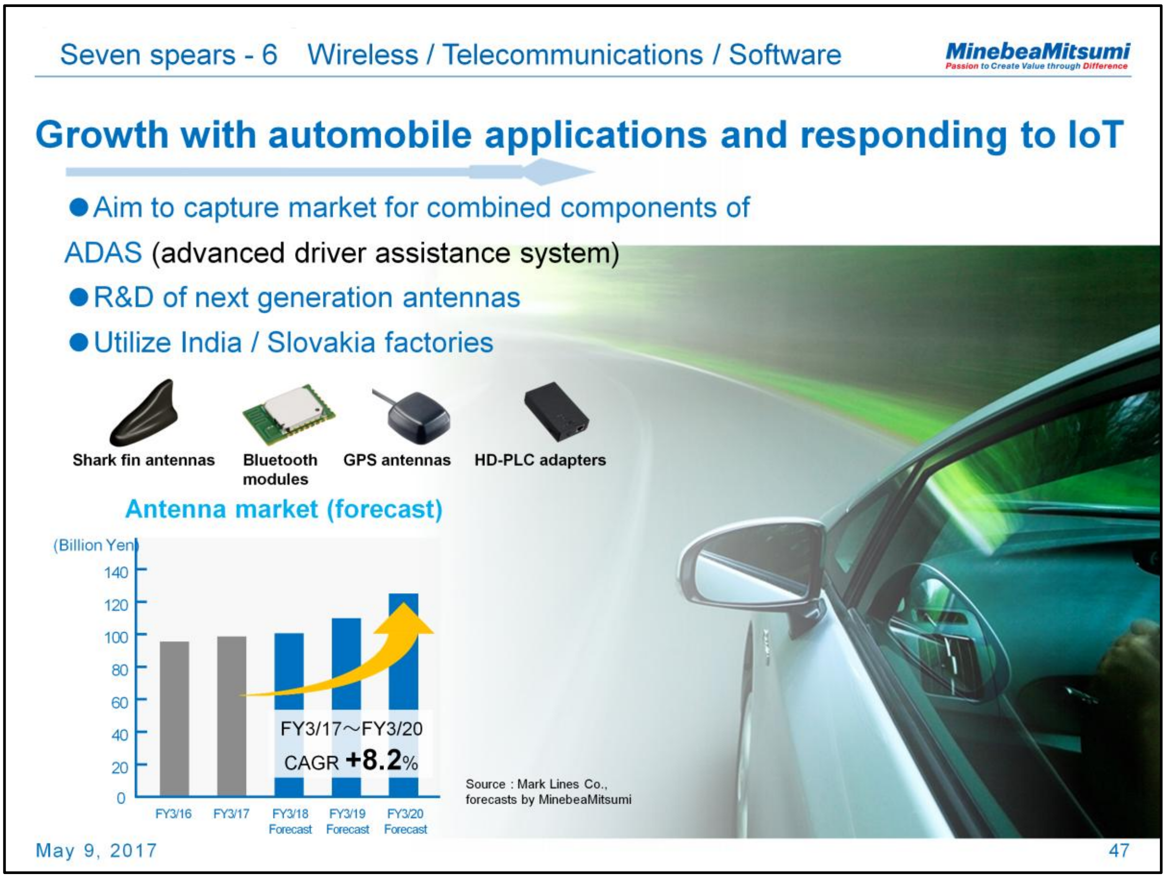
Connector/Switch market (forecast)



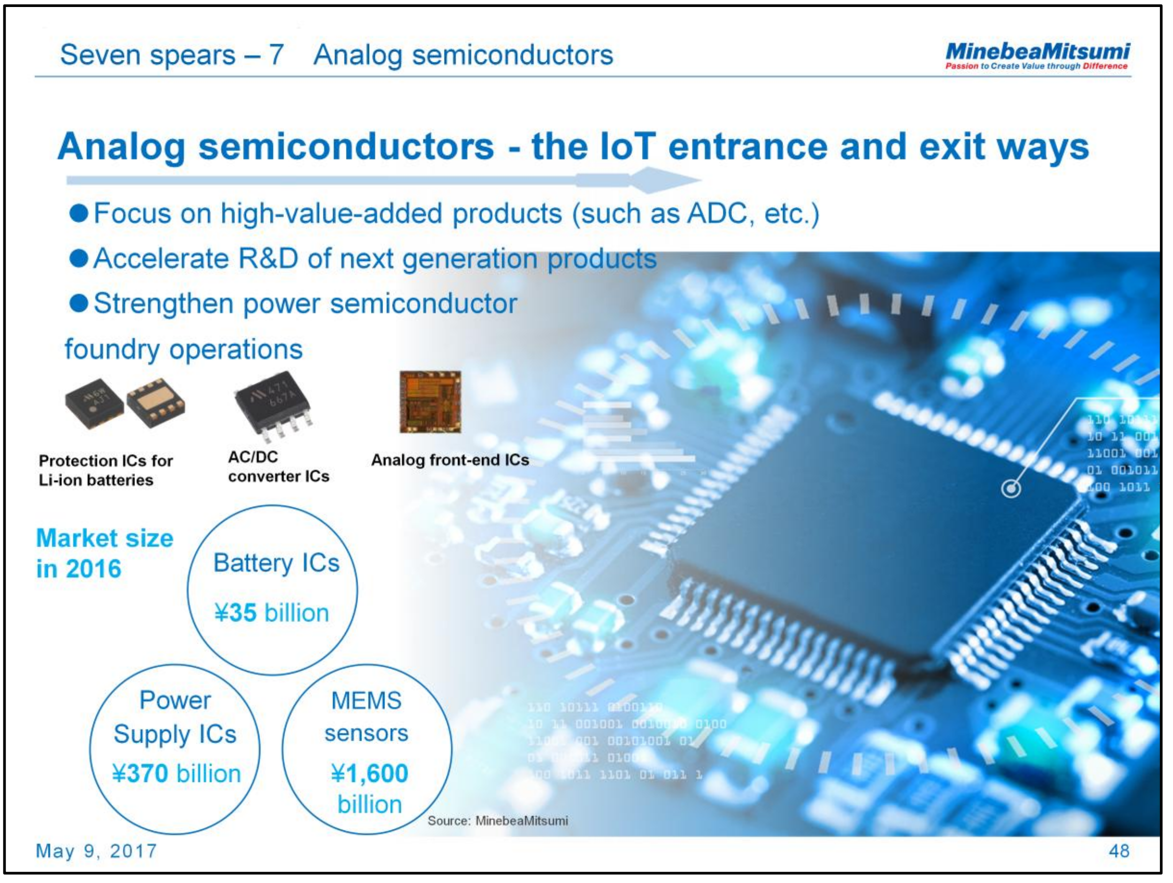
Source : Sangyo-Joho Limited

For connectors/switches, we will leverage our ultra-precision machining technology with a focus on the challenging high-speed transmission field.

While we once withdrew from power supplies, we will work to expand the business and enhance purchasing power since Mitsumi has substantial technological capabilities that include quality, reliability, and expert engineering.



Our strategies for the wireless, telecommunications, and software business, whose key product is antennas, can be seen here on this slide.



Although I was skeptical about the necessity of analog semiconductors before the business integration, I now believe that analog and digital converters will be one of the most important components in the coming IoT era. We will focus on these products as we work to make analog semiconductors one of the seven spears and utilize foundries at the same time.

Basic policy of sub-core businesses

Improve our competitive edge by boosting productivity across the board and developing new products with an eye to the risk of a shrinking market

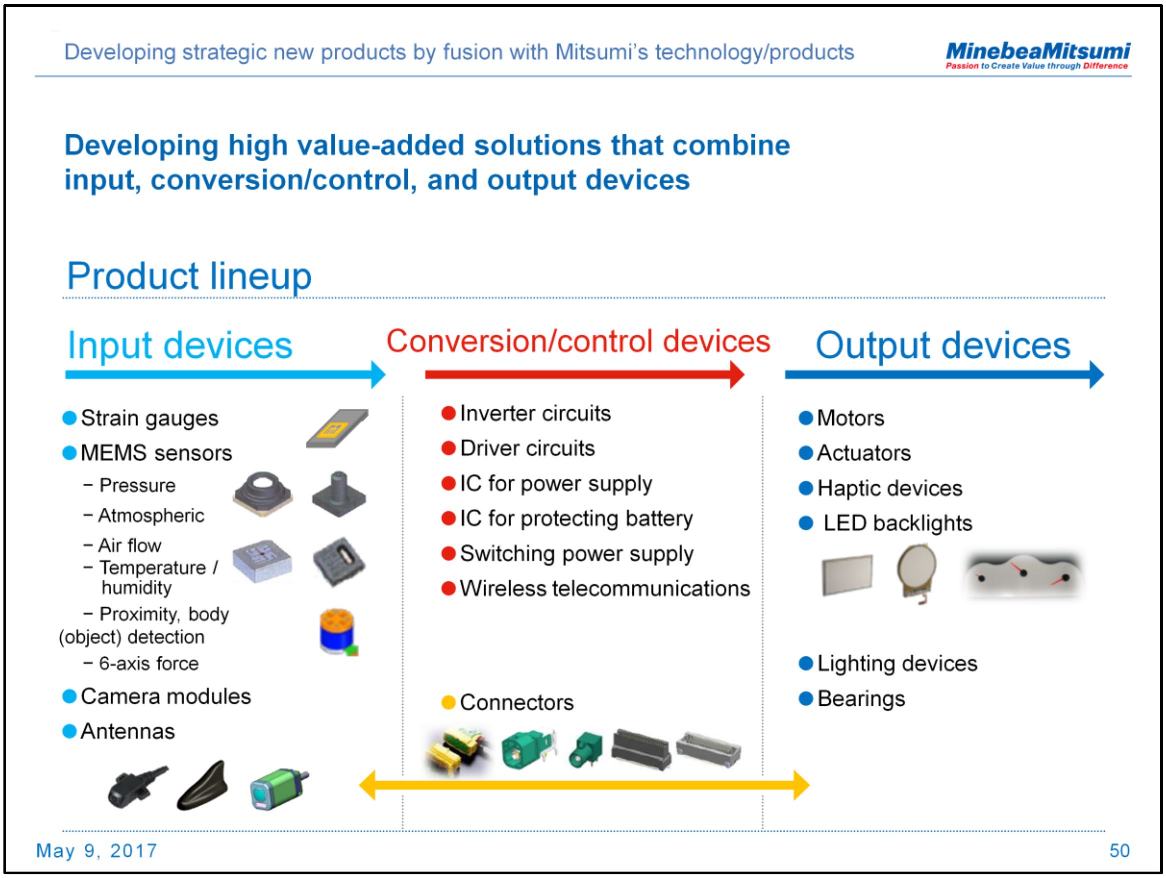
Optical devices

1. Expand OISs & VCMs for Chinese customers
2. Consider producing some products in Cambodia

Mechanical components

1. Consider producing some products in Cambodia
2. IoT hybrid component R&D and sales

Our sub-core businesses include optical devices such as smartphone camera actuators and game consoles. The markets for these products can be a roller coaster ride or may disappear altogether as a result of technological evolution. That doesn't mean we are going to forget about them. We will move aggressively for as long as we can leverage our technological capability to create added value.



As we have already announced, our product portfolio has been greatly expanded to include everything from input devices to conversion, control, and output devices as a result of the merger with Mitsumi, giving us a strong competitive edge.

We are currently working on developing a wide array of new products, including the launch of haptic devices this year. Just as the slide says, we are re-entering the haptic device business. We were once the world's number one maker of vibration motors for mobile phones but posted a huge deficit due partly to the fall off in prices. We finally decided to withdraw from the market because of the coreless design of vibration motors. Although coreless motors boasted a superior response, they were difficult to manufacture in small sizes and would cost too much to make. Today we have Mitsumi's haptic technology, and it is fantastic. It really amazed Minebea's motor engineers. We already have a customer base plus several more potential customers. Production will start at our Cambodian plant between the second half of this fiscal year and next fiscal year. This is one of the product categories we can look forward to seeing good things from. These haptic devices will mark the launch of a host of new products we have in the pipeline.

This is our long-term vision where we are looking at combining our strain gauges, haptic technology, and LED backlights to create new modules. We started marketing them to automakers and have been getting lots of inquiries.

The fusion with Mitsumi's technologies will enable us to make new inroads into the automobile, healthcare, and infrastructure markets as a parts manufacturer that makes innovative devices designed to connect people to things and things to things.

1. Use of cash

- Current net interest-bearing debt level is appropriate.
- Priority for cash usage is on growth (capital expenditures, M&As).
- Next priority is returning cash to investors.

2. Dividend policy

- FY3/2017 Interim ¥**7**/share, Year-end ¥**7**/share, Total ¥**14**/share
  (About a 20% payout ratio, excluding non-cash negative goodwill)
- FY3/2018(forecast) Interim ¥**10**/share, Year-end ¥**10**/share, Total ¥**20**/share
  (Aiming for about a 20% payout ratio)

3. Share buyback (announced on February 13, 2017)

- Number of shares: Up to 12 million shares
  (equal to 2.82% of total issued shares excluding treasury stock)
- Amount: Up to 15.0 billion yen
- Period: From February 14, 2017 to September 22, 2017

Over the last few years we didn't have dividend forecasts at the beginning of the fiscal year due to uncertainties in the smartphone market as well as other markets. For the fiscal year ending March 2018, we project the total dividend to be 20 yen, including an interim dividend of 10 yen and a year-end dividend of 10 yen, based on an estimated operating income of 56 billion yen. I would also like to take this opportunity to remind you that the share buyback program is valid until September 22.

Cash flow, debt, cap-ex and D&A plan

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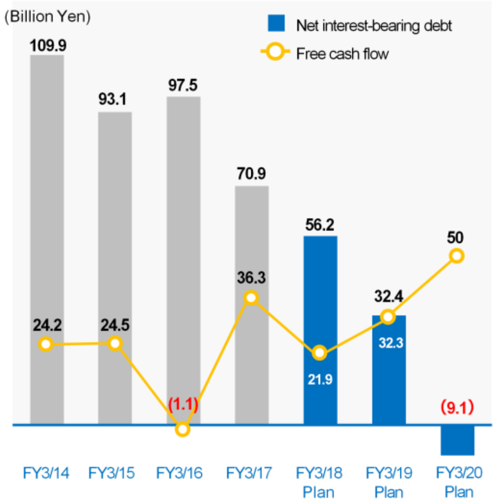
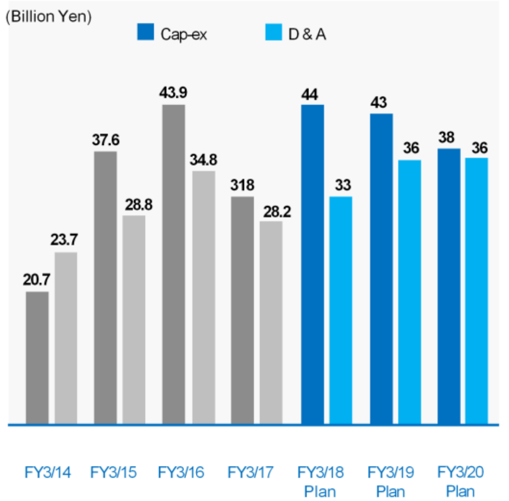
Net interest-bearing debt & Free cash flow plan



Capital expenditures & Depreciation & amortization plan



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Net interest-bearing debt has been steadily dropping and should fall below 56.2 billion yen if we can reach our 60-billion-yen operating income target this fiscal year. I would like to reiterate something I have been telling you all along. That is, I didn't become president just to pay off our debts.

Toward FY3/2021 targets, aiming to capture additional profit sources

1. Aiming for M&As that will boost machined components business

2. Will explore M&A and alliance opportunities in specific fields and with an eye to particular targets

Now that we have a strong financial foundation, we will set our sights on large-scale M&As in the machined components industry.

Business Results

MinebeaMitsumi Inc.

http://www.minebeamitsumi.com/