MinebeaMitsumi
Passion to Create Value through Difference

Business Results

Third Quarter of Fiscal Year Ending March 31, 2018

MinebeaMitsumi Inc.

February 7, 2018

Summary of Consolidated Business Results for 1Q-3Q

Net sales as well as operating, ordinary, and net income totals for first three quarters hit record highs

(Millions of yen)	FY3/17 1Q-3Q	FY3/18 1Q-3Q	Change YoY	FY3/18 Full Year Nov. Forecast	FY3/18 Full Year VS. Forecast
Net sales	442,508	654,927	+48.0%	810,000	80.9%
Operating income	34,715	64,389	+85.5%	73,000	88.2%
Ordinary income	34,772	64,515	+85.5%	72,000	89.6%
Income attributable to owners of the parent	24,912	51,555	X2.1	57,000	90.4%
Net income per share (yen)	66.46	122.40	+84.2%	135.51	90.3%

Foreign Exchange Rates	FY3/17 1Q-3Q	FY3/18 1Q-3Q
US$	¥106.92	¥111.68
Euro	¥118.73	¥127.88
Thai Baht	¥3.04	¥3.32
Chinese RMB	¥16.06	¥16.55

Here are the highlights of our consolidated financial results.
Consolidated net sales for the first nine months ending March 2018 totaled 654,927 million yen while operating income came to 64,389 million yen and net income 51,555 million yen. That's a year-on-year increase of 48.0% in net sales while operating income and net income were respectively 85.5% and 2.1 times higher than the previous year's figures.
Net sales, operating income, ordinary income, and net income totals for the first three quarters all significantly exceeded previous record highs.
This uptick was due to significantly improved productivity for the Mitsumi business segment, which was integrated with Minebea last January, as well as steady business for major products such as ball bearings, motors and LED backlights.
Currency fluctuations brought net sales up an estimated 27.5 billion yen year on year and operating income up an estimated 2.3 billion yen year on year.

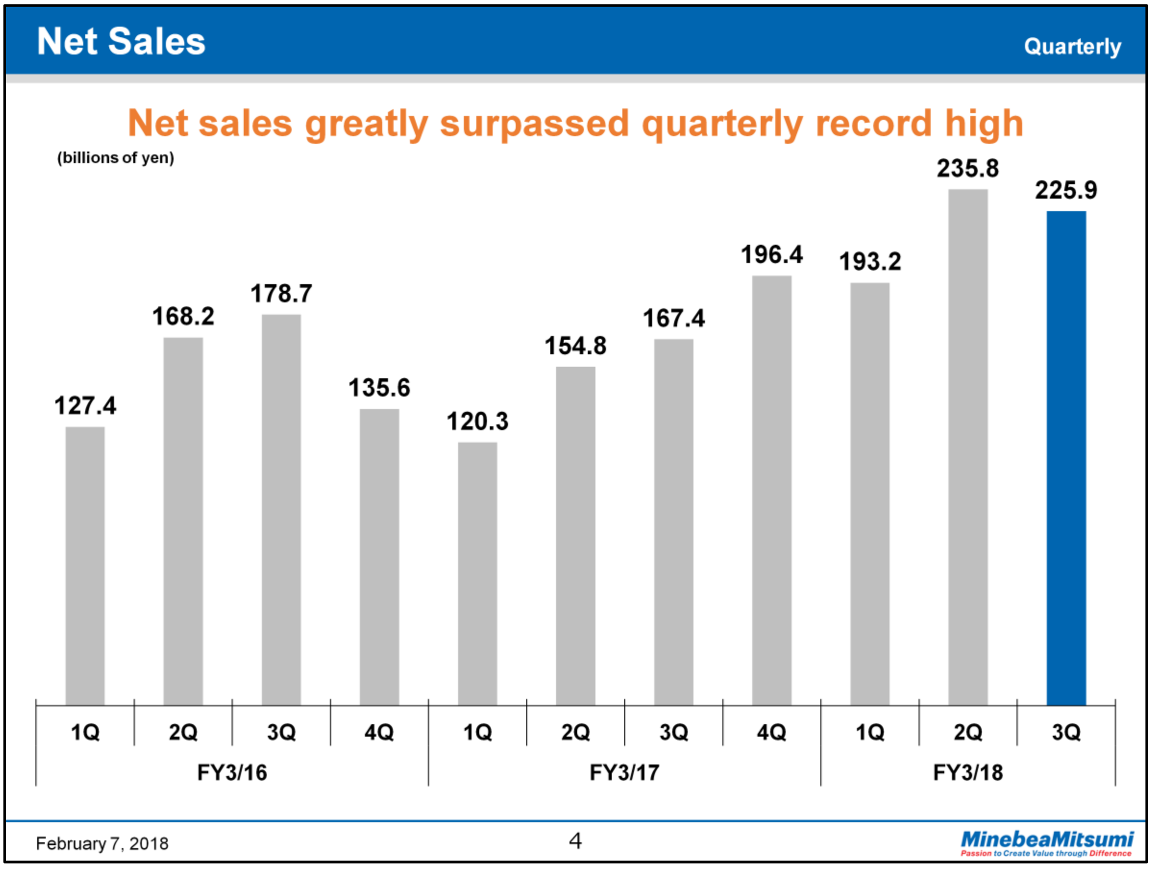
Summary of Consolidated Business Results for 3Q

Net sales as well as operating, ordinary, and net income all set 3Q record highs

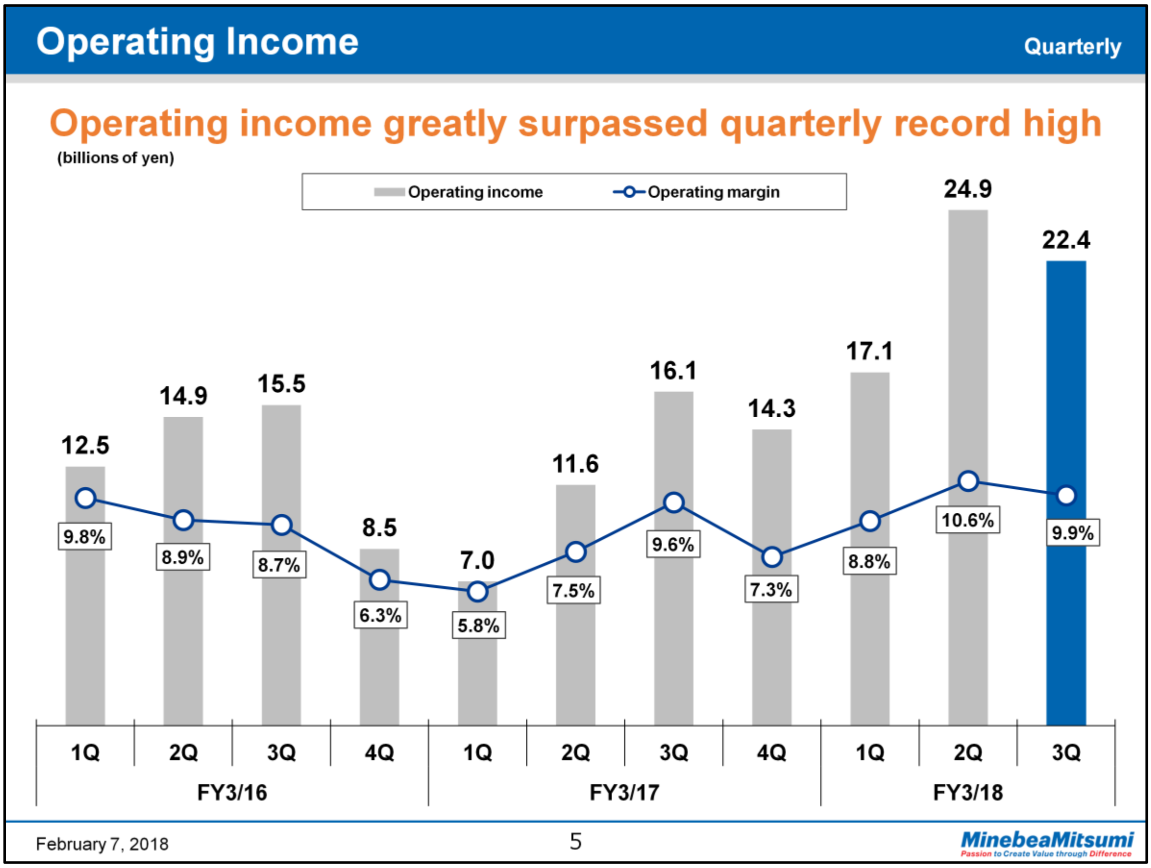
(Millions of yen)	FY3/17	FY3/18		Change	
	3Q	2Q	3Q	YoY	QoQ
Net sales	167,375	235,823	225,900	+35.0%	-4.2%
Operating income	16,120	24,889	22,437	+39.2%	-9.9%
Ordinary income	15,857	24,789	22,353	+41.0%	-9.8%
Income attributable to owners of the parent	12,167	20,095	17,278	+42.0%	-14.0%
Net income per share (yen)	32.44	47.72	41.22	+27.1%	-13.6%

Foreign Exchange Rates	FY3/17 3Q	FY3/18 2Q	FY3/18 3Q
US$	¥106.13	¥110.92	¥112.65
Euro	¥116.04	¥129.65	¥132.47
Thai Baht	¥3.02	¥3.31	¥3.41
Chinese RMB	¥15.62	¥16.53	¥16.95

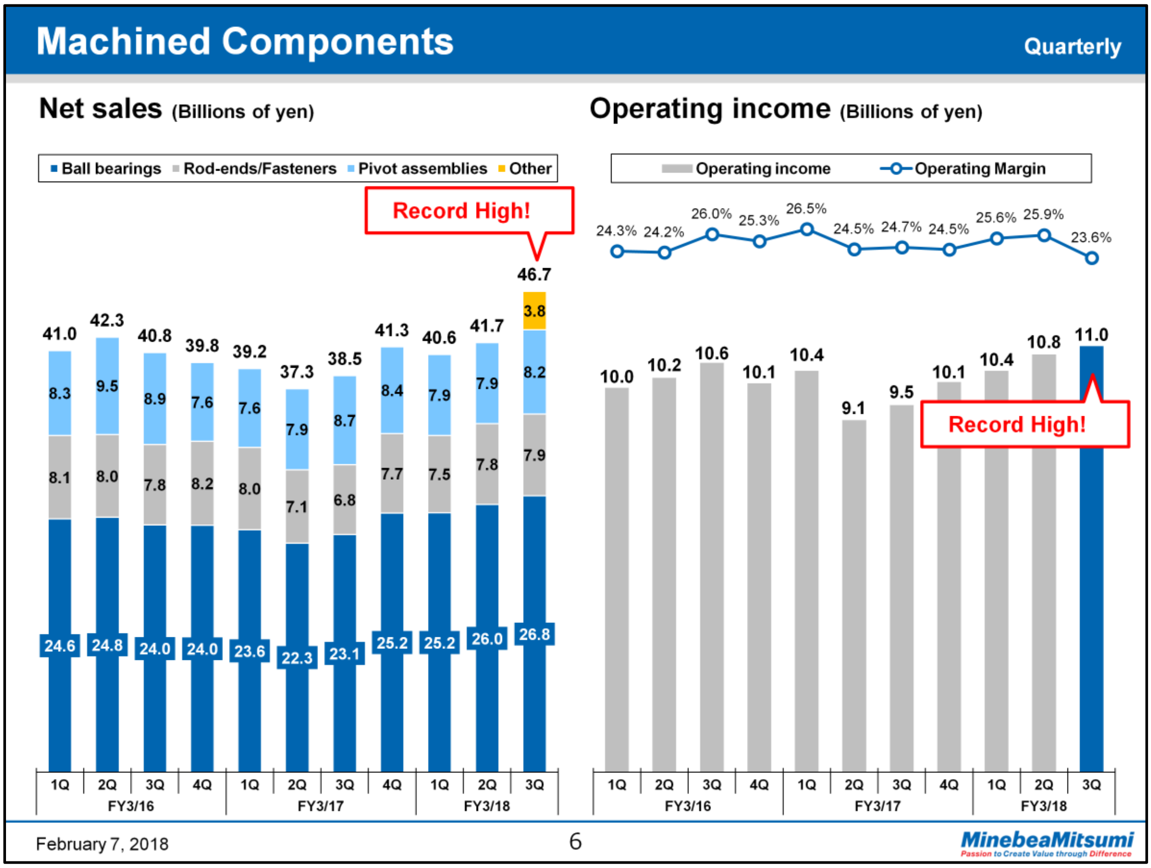
Now I would like to go over the consolidated financial results for the third quarter of the fiscal year ending March 2018.
Consolidated net sales reached 225.9 billion yen while operating income totaled 22,437 million yen and net income 17,278 million yen.
Net sales increased 35.0% year on year, while operating income and net income were respectively 39.2% and 42.0% higher than the previous year's figures.
Net sales, operating income, and net income respectively decreased 4.2%, 9.9%, and 14.0% on a quarter-on-quarter basis.
Net sales, operating income, ordinary income, and net income exceeded previous third-quarter record highs by a wide margin.
Factors behind these big year-on-year increases include the steady business in machined components, mainly for ball bearings, as well as the consolidation of Mitsumi businesses.
Currency fluctuations brought net sales up an estimated 3.2 billion yen quarter on quarter and up 12.7 billion yen year on year. Foreign exchange rates brought operating income up 0.04 billion yen quarter on quarter and up 0.5 billion yen year on year.



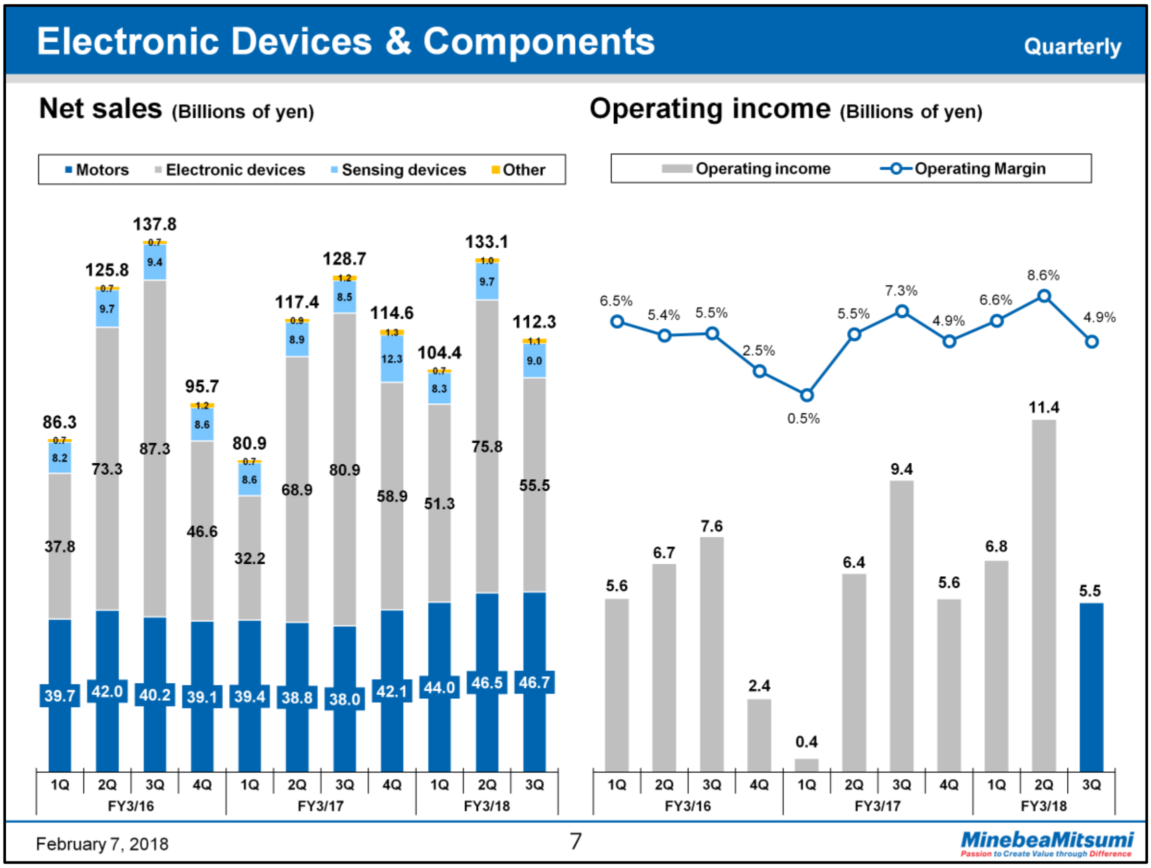
This graph shows the trends in quarterly net sales.
This quarter net sales reached 225.9 billion yen to significantly exceed the previous third-quarter record high.



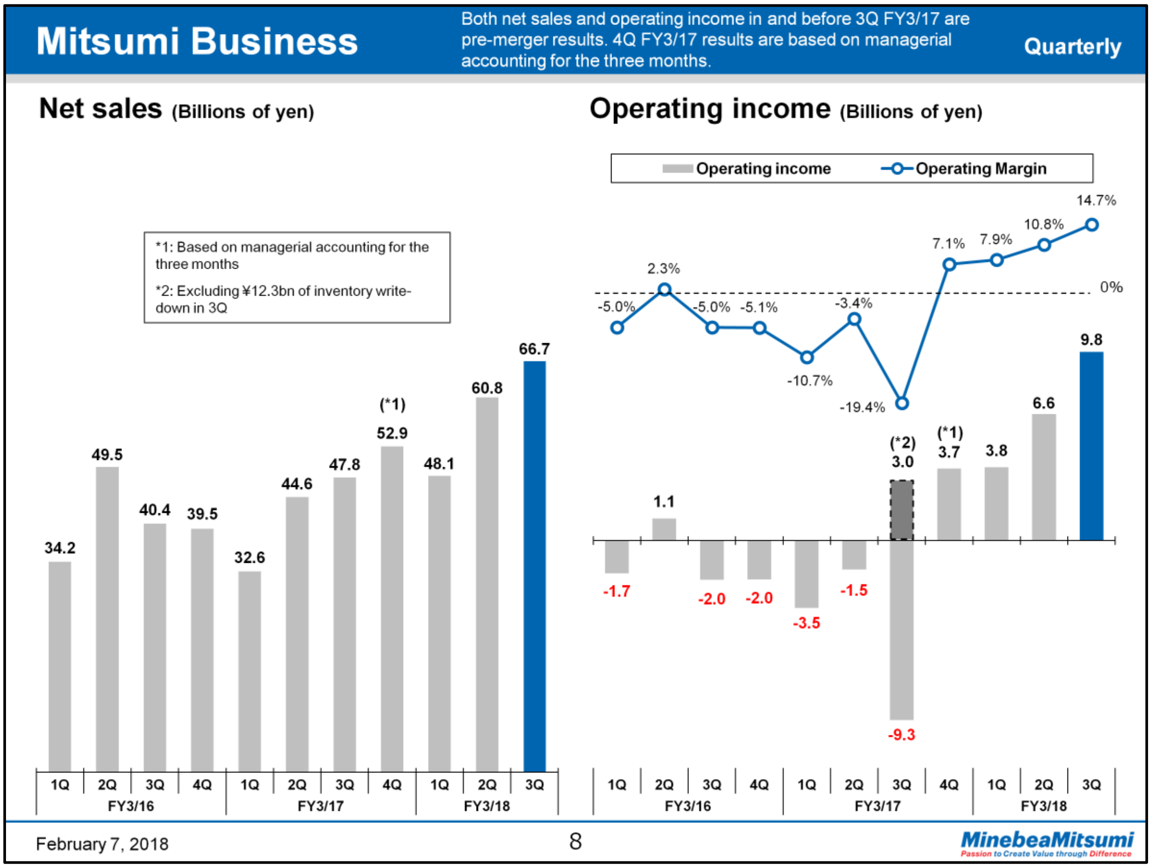
Here is a graph with a bar chart for quarterly operating income trends and a line chart indicating operating margins.
Standing at 22.4 billion yen, operating income was the highest ever for any third quarter by a wide margin.
This was also the fifth straight quarter we saw operating income rise year on year.



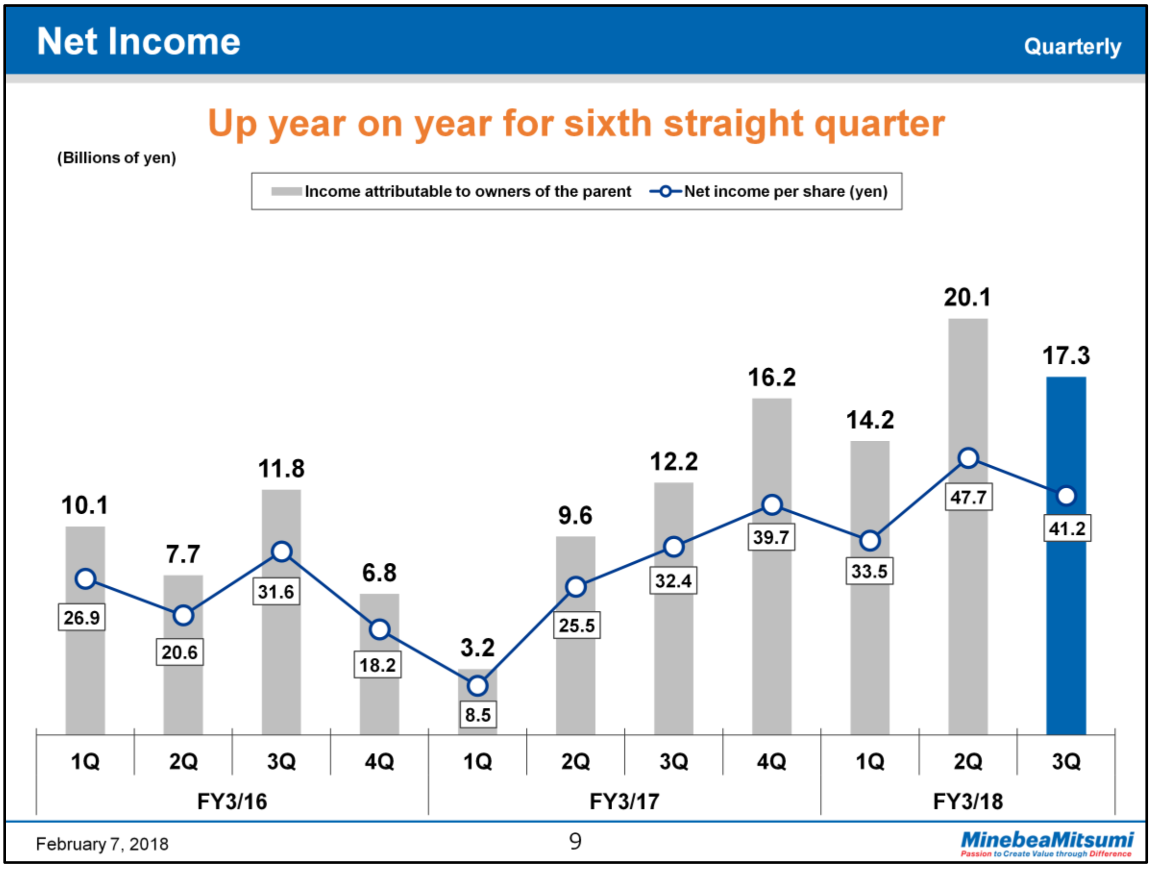
This slide shows the results for the machined components segment.
On the left is a graph indicating quarterly net sales trends and on the right is a graph with a bar chart showing quarterly operating income trends along with a line chart for operating margins.
Net sales for the third quarter were up 12% quarter on quarter to total 46.7 billion yen, exceeding previous quarter record high. Please note that beginning this third quarter we have begun consolidating the results for C&A Engineering in the US and Mach Aero in France as “other” in machined components segment.
Ball bearing sales rose 3% quarter on quarter to total 26.8 billion yen. The average monthly external shipment volume, totaling 193 million units this quarter, was up year on year for the 21st quarter in a row. This November our monthly production volume hit an all-time high of 282 million units, almost achieving our April target of 285 million units.
Sales of rod-ends and fasteners, totaling 7.9 billion yen, were up 1% quarter on quarter.
Sales of pivot assemblies increased 4% quarter on quarter with 8.2 billion yen in sales.
Pivot assemblies steadily contributed to our bottom line as we held on to over 80% of the market share.
Operating income for the third quarter totaled 11.0 billion yen exceeding previous quarter record high, putting the operating margin at 23.6%. Operating income rose 2% quarter on quarter while the operating margin was 2.3 percentage points lower than what it was last quarter. Also, if we were to exclude the sales and operating income for C&A Tool Engineering and Mach Aero, the operating income for machined components would be the same as the previous quarter.
Looking at the results by product, we see that operating income for ball bearings as well as for rod-ends and fasteners increased quarter on quarter while pivot assembly operating income slightly decreased.



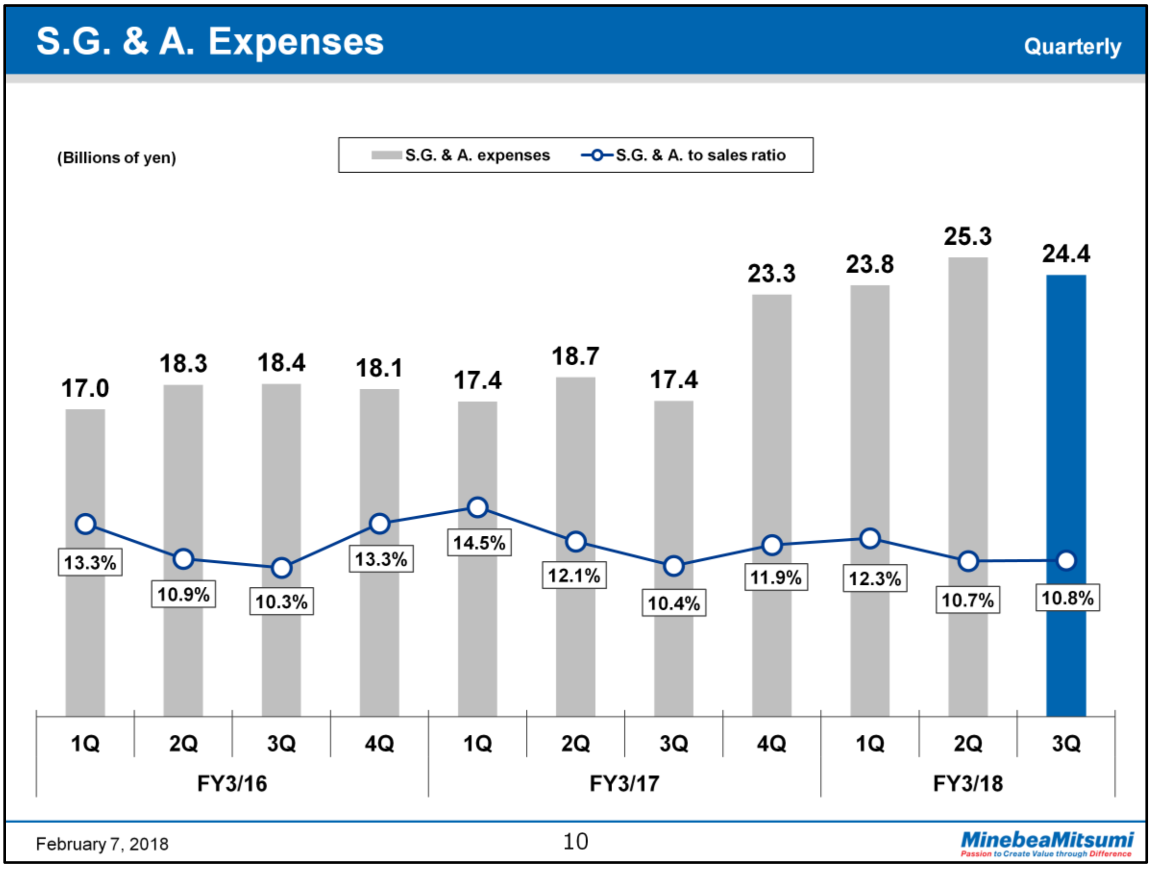
This slide shows the results for the electronic devices and components segment.
Third quarter net sales declined 16% quarter on quarter to total 112.3 billion yen. Steady sales in the automobile market kept motor sales up where they were last quarter at 46.7 billion yen.
Net sales of electronic devices were down 27% quarter on quarter to total 55.5 billion yen. Although we expected demand to peak and decline, demand for our LED backlights remained up, resulting in significantly higher-than-projected sales.
Sales for sensing devices decreased 7% quarter on quarter to reach 9.0 billion yen.
Operating income for the third quarter totaled 5.5 billion yen, putting the operating margin at 4.9%. Operating income decreased 52% quarter on quarter while the operating margin dropped 3.7 percentage points.
Looking at quarter-on-quarter comparisons by product, operating income for motors remained steady while profits for both electronic and sensing devices fell off.



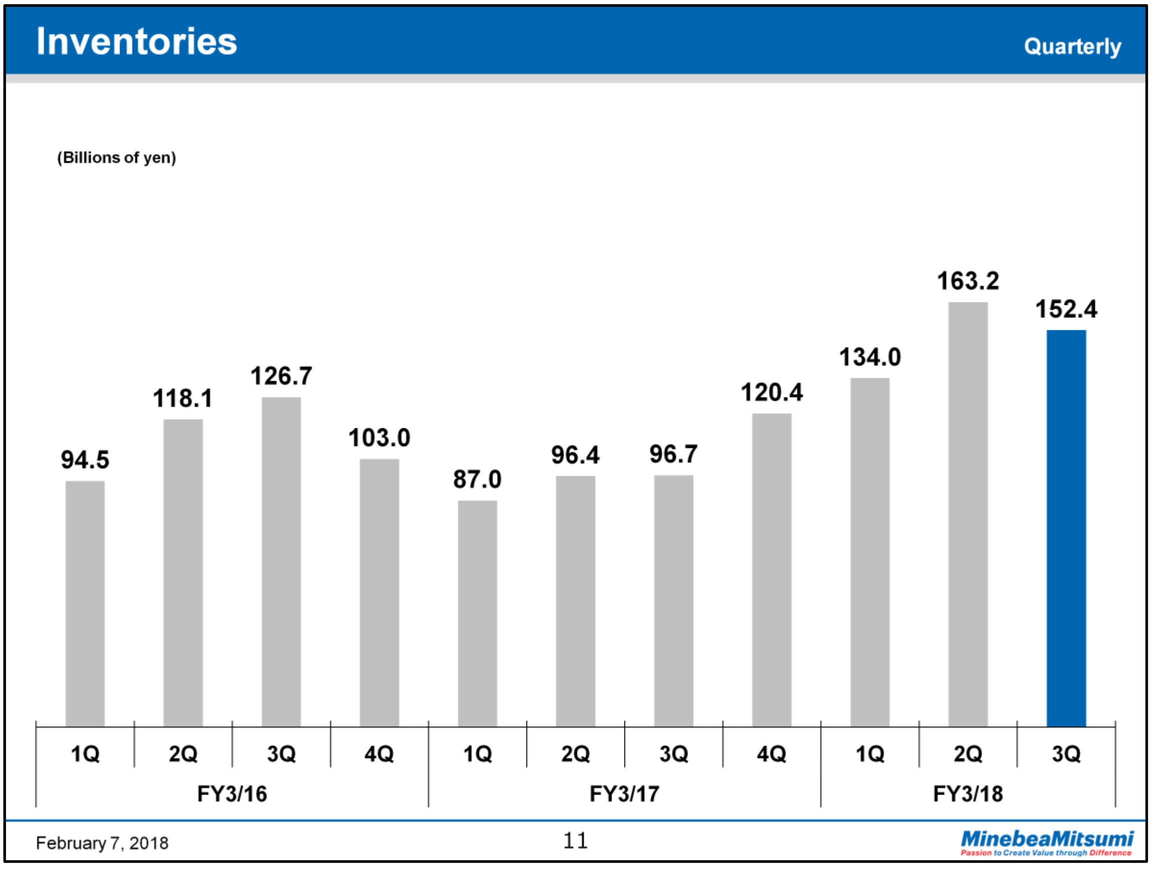
This slide shows the results for the Mitsumi business segment.
Third quarter net sales were up 10% quarter on quarter to total 66.7 billion yen. The factors behind this uptick included peaking demand that significantly drove up shipment volumes for new game consoles on top of increased sales of camera actuators to major customers.
Third quarter operating income totaled 9.8 billion yen while the operating margin reached 14.7%.
That means operating income rose 49% quarter on quarter while the operating margin grew 3.9 percentage points. This increase was due to the growing shipment volumes for new game consoles and camera actuators mentioned earlier in addition to further progress in boosting productivity across all product categories.



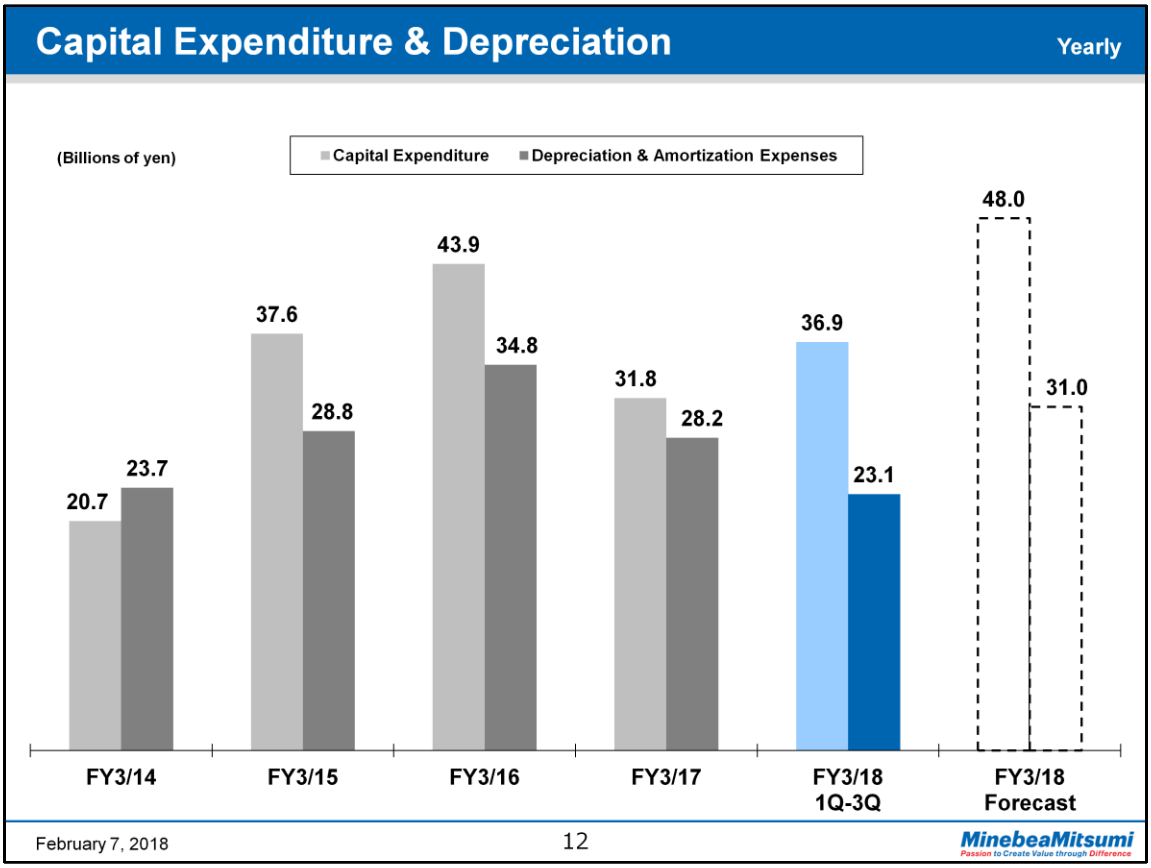
This graph contains a bar chart showing quarterly net income trends and a line chart indicating net income per share.
Net income decreased 14% quarter on quarter to hit 17.3 billion yen but still set a third-quarter record high.
Net income per share was 41.2 yen.



The graph you see here has a bar chart showing trends in quarterly SG&A expenses and a line chart indicating SG&A expenses-to-sales ratios.
Quarterly SG&A expenses decreased 1.0 billion yen quarter on quarter to total 24.4 billion yen while the SG&A expenses-to-sales ratio was 10.8%, which is just as low as it was for the previous quarter.



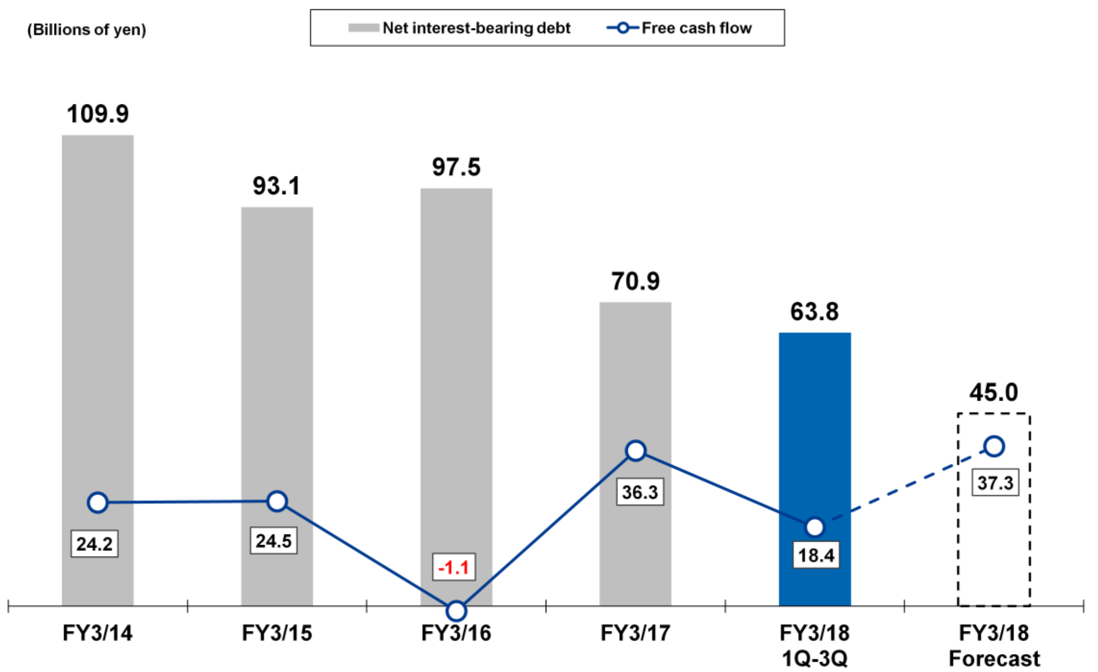
Next we have the quarterly inventory trend.
We see that as of the end of the third quarter inventories amounted to 152.4 billion yen.
That figure is down 10.8 billion yen from what it was three months ago.
The decrease was largely due to the diminished inventory of LED backlights, for which demand had peaked, despite a 1.3 billion yen increase from the newly consolidated Mach Aero.



This graph has a bar chart on the left for capital expenditure trends and one on the right for depreciation trends.
Capital expenditures for the third quarter totaled 36.9 billion yen while depreciation and amortization expenses amounted to 23.1 billion yen.
We will stick with this fiscal year's capital expenditures projection of 48.0 billion yen and expect depreciation and amortization expenses to be 31.0 billion yen, which is lower than previously projected.

Net Interest-Bearing Debt/Free Cash Flow

Yearly



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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 third quarter, net interest-bearing debt, totaling 63.8 billion yen, was down 7.1 billion yen from what it was at the end of the previous fiscal year.
This fiscal year we expect free cash flows to increase as profits grow and net interest-bearing debt decreases even further despite increasing capital expenditures.
In the meantime, we will continue to actively pursue M&A opportunities with an eye to medium-term growth.

Forecast for Fiscal Year Ending March 31, 2018

Expecting net sales, operating income, ordinary income & net income greatly surpass record highs

(Millions of yen)	FY3/17 Full Year	FY3/18 1Q-3Q	FY3/18 4Q Forecast	FY3/18 Full Year Revised Forecast	FY3/18 YoY	FY3/18 Nov. Forecast
Net sales	638,926	654,927	195,073	850,000	+33.0%	810,000
Operating income	49,015	64,389	15,611	80,000	+63.2%	73,000
Ordinary income	48,393	64,515	14,985	79,500	+64.3%	72,000
Income attributable to owners of the parent	41,146	51,555	10,445	62,000	+50.7%	57,000
Net income per share (yen)	107.33	122.40	24.97	147.37	+37.3%	135.51

Foreign Exchange Rates	FY3/17 Full Year	FY3/18 1Q-3Q	FY3/18 4Q Assumption	FY3/18 Full Year Assumption
US$	¥108.76	¥111.68	¥110.00	¥111.26
Euro	¥119.34	¥127.88	¥135.00	¥129.66
Thai Baht	¥3.09	¥3.32	¥3.50	¥3.37
Chinese RMB	¥16.18	¥16.55	¥17.25	¥16.73

This is a summary of our forecast for the fiscal year ending March 2018.
We expect net sales, operating income, ordinary income, and net income for this fiscal year to exceed previous record highs by a wide margin.
In the fourth quarter of this fiscal year, we expect that strong ongoing demand for ball bearings, our core product line, enhanced production capacity, and other factors will bring revenue and profit up.
In light of these factors as well as short-term demand trends for smartphone related parts etc., inventory adjustment and estimated exchange rates which were adjusted to reflect the current rates, we made upward revisions to our performance forecasts which had been revised in last November.
The net sales forecast was revised from 810 to 850 billion yen,
the operating income forecast was revised from 73.0 to 80.0 billion yen,
the ordinary income from 72.0 to 79.5 billion yen,
and the net income from 57.0 to 62.0 billion yen.

Forecast for Business Segment

(Millions of yen)	FY3/17 Full Year	FY3/18 1Q-3Q	FY3/18 4Q Forecast	FY3/18 Full Year Revised Forecast	FY3/18 YoY	FY3/18 Nov. Forecast
Net sales	638,926	654,927	195,073	850,000	+33.0%	810,000
Machined components	156,310	129,101	44,899	174,000	+11.3%	163,000
Electronic devices and components	441,615	349,764	98,236	448,000	+1.4%	418,000
Mitsumi business	40,342	175,551	51,849	227,400	X5.6	228,400
Other	658	510	90	600	-8.8%	600
Operating income	49,015	64,389	15,611	80,000	+63.2%	73,000
Machined components	39,147	32,263	11,437	43,700	+11.6%	42,500
Electronic devices and components	21,898	23,734	6,266	30,000	+37.0%	27,500
Mitsumi business	2,315	20,135	3,065	23,200	X10.0	20,000
Other	-120	-145	-255	-400	X3.3	-400
Adjustment	-14,223	-11,597	-4,903	-16,500	+16.0%	-16,600

This slide shows the forecast by business segment.

Shareholders Return

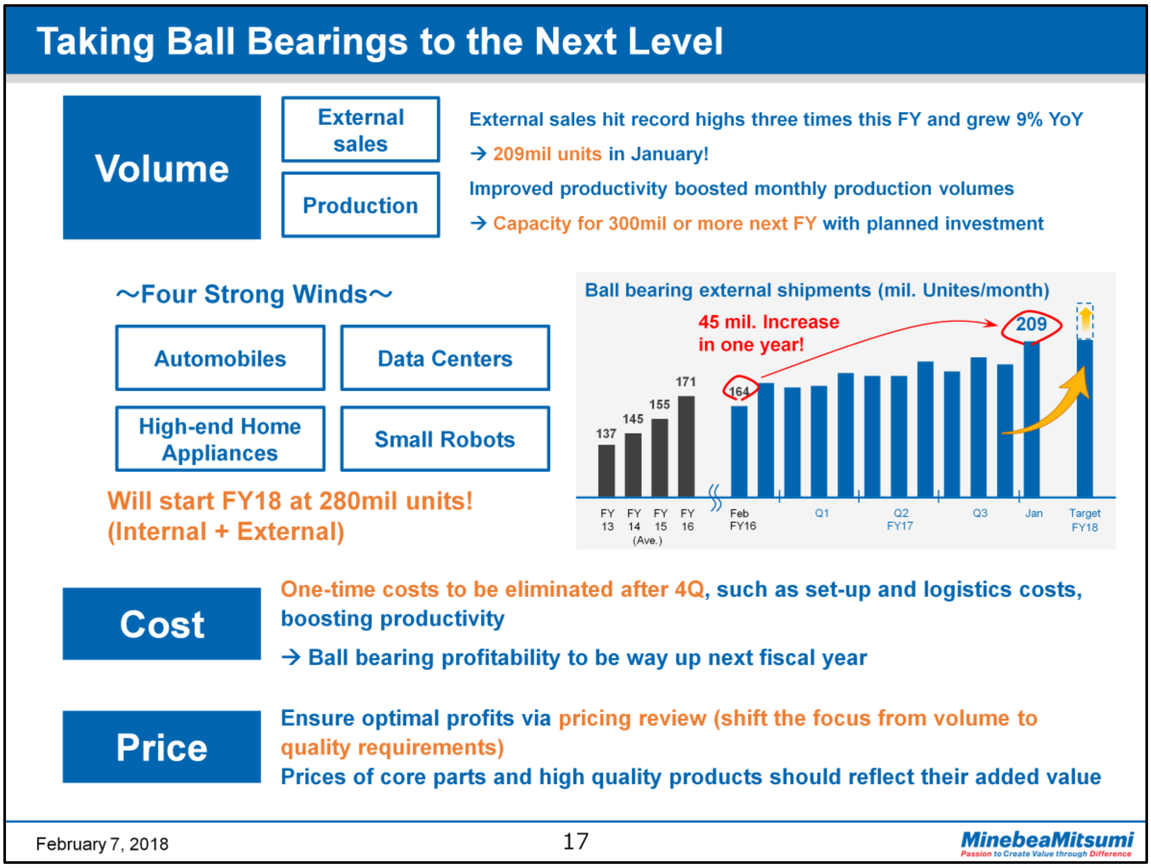
	FY3/17 Actual		FY3/18 Actual/Forecast
Interim dividend	7 yen/share	→	13 yen/share
Year-end dividend	7 yen/share	→	13 * yen/share
Total	14 yen/share	→	26 * yen/share

Total return ratio, including share buyback, reaching about 30%**

* Dividend for FY3/18 will be decided on business performance at payout ratio of around 20%

** Total return ratio = (total dividend + share buyback) / net income

Next, let me explain about shareholders return.
As we announced in last November, we are planning to significantly increase total dividend to 26 yen per share.
The total return ratio, including share buyback we completed last year, is reaching about 30%.



This slide shows the current performance of miniature ball bearings, our anchor product line.

The ball bearing business has been showing strong growth this fiscal year and is expected to grow further at a faster pace in coming fiscal years. Let’s look at the factors behind this growth with a focus on sales volume, cost, and pricing.

Firstly, until last fiscal year, the external shipment volume grew 10 million units per month on average. This fiscal year it’s increasing at a faster pace as you can see in this bar graph. This is just a preliminary figure but the shipment volume for January has already topped 200 million units.

The production volume has also been rising quickly. While the monthly production volume was 250 million units last April, it went to 282 million units in November and will reach 287 million units by the end of this fiscal year.

This jump was the payoff for our efforts to improve productivity. Next fiscal year, with the additional equipment worth 8 billion yen that we ordered last fiscal year, we will have enough production capacity to produce more than 300 million units in total. Behind it all are four strong winds in our sails that are pushing us forward, namely automobiles, data center fan motors, high-end home appliances, and small robots.

The increasing number of cars equipped with more sophisticated energy efficiency, safety, and comfort features as well as major and minor model changes has boosted the use of our bearings which are being used more and more for these automobile applications.

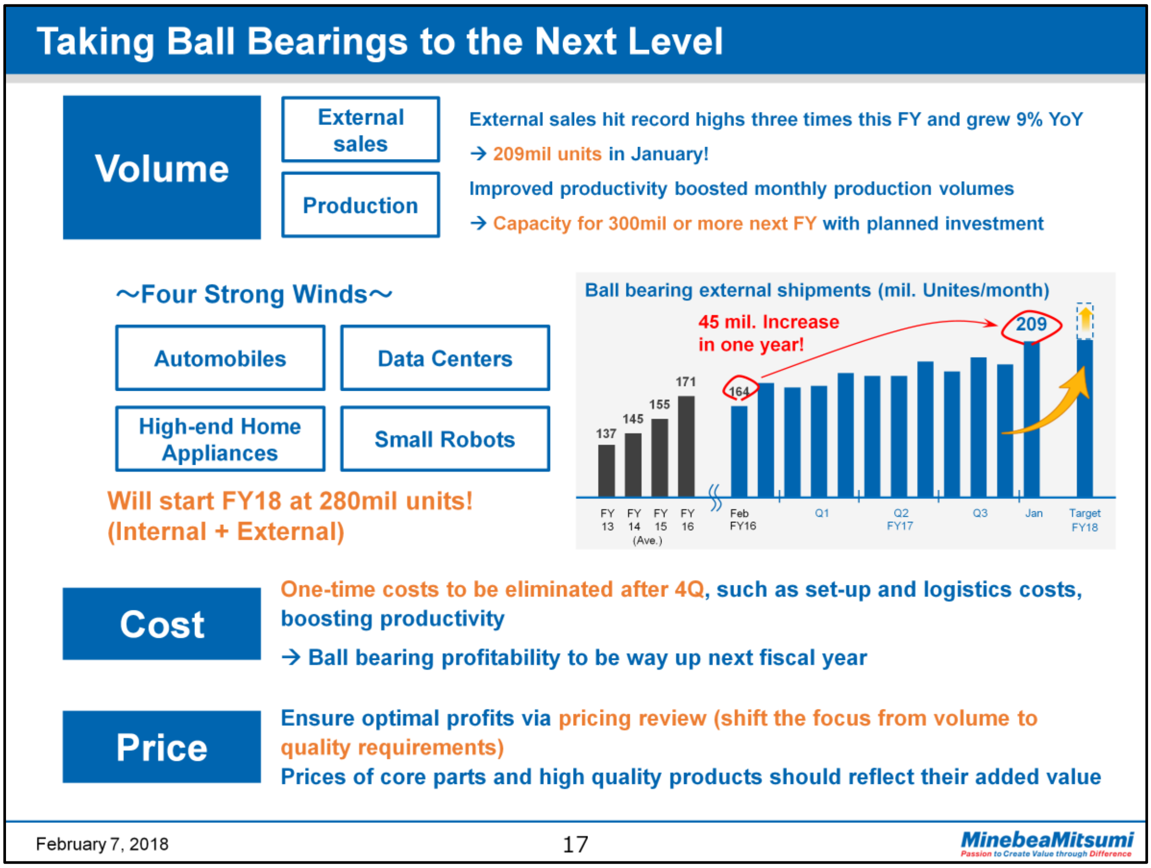
That’s why our automobile bearings are growing at a rate that has far outpaced the increase in global automobile shipment volumes. The number of miniature ball bearings used per vehicle is also expected to rise at an ever accelerating pace due to the shift to electric vehicles and other innovations.

When it comes to data centers, there has been a sharp rise in demand for servers that has recently been characterized in the news as a “explosive shopping spree.” Servers, whether they be HDDs or SSDs, must be absolutely reliable. The trouble is they generate lots of heat and that’s where high function fan motors come into play to cool them down. Demand for these fan motors, employing our high performance bearings, is skyrocketing.

Another factor behind the jump in demand for bearings is the increasing number of high-end home appliances incorporating high-speed and DC brushless motors to enhance energy efficiency.

Likewise motors equipped with high performance bearings have been adopted in small robots, such as drones.

While we expect the internal sales volume of bearings for HDDs to decline over the long run, internal sales of bearings used for motors should continue to rise, keeping our ball bearing business performance up. We expect the total sales volume for next fiscal year will initially be 280 million units, with 200 million units sold externally and 80 million units sold internally, exceeding this year’s level by a wide margin.



Secondly, looking at cost-related factors, one-time costs associated with our initiative to boost productivity, such as production line set-up and logistics costs, are expected to be eliminated after the fourth quarter, hence profitability should significantly improve beginning next fiscal year. However, due to rapid expansion of demand at present, we should continue boosting productivity and some part of one-time costs could remain in next FY.

Finally, we are looking to review our pricing policy. We will shift the focus from volume to quality requirement for pricing. Specifically, we will review the pricing of core parts and high quality products by proposing prices that are more in alignment with their added value.

All these factors, including sales, production, cost, and pricing, will drive growth of ball bearings even further next fiscal year and onward.

Let's take a quick look at next fiscal year's five major growth engines.
Firstly, as we touched on with the previous slide, ball bearings will enjoy significant growth.
Secondly, for rod-ends and fasteners, the efforts we've made to improve productivity will pay off and steadily enhance profitability. Additionally, increasing production of small and medium-sized aircraft is driving demand up, so we can expect profits to soar next fiscal year.
Thirdly, we expect to see strong demand for game consoles right from the beginning of next fiscal year and are steadily working to align production capacity with the growing demand.
The fourth engine is smartphone components. Since our ultra-thin LED backlights have been rated quite highly by customers in terms of cost, quality, and supply, we expect demand to remain strong next fiscal year.
We also anticipate that more and more smartphones will be equipped with camera actuators as they become more luxury. On top of that, we will aggressively expand sales targeting the Chinese smartphone market, including the mid-range segment, to achieve further growth.
The final and fifth engine is motors. We project that the motor business will generate over 180 billion yen in sales this fiscal year and that figure will increase next fiscal year. The increase will mainly come from automotive motors. We are planning to launch a number of new products, such as active grill shutter for luxury cars, onto the market next fiscal year and beyond.
The motor business is expected to experience enormous growth over the long run.
As you can see, we have a strong product portfolio that can weather changes in market and customer trends. These products will enable us to sustain healthy growth in the coming fiscal year. Also, we do not see any product category whose profitability will significantly deteriorate.
We will go into more detail about it at this fiscal year's investor meeting to be held in May.

Let me give you an overview of our ESG initiatives.
The MinebeaMitsumi Group is working hard to address ESG, or environmental, social, and governance issues, in order to sustain growth and respond to various social concerns. I would like to touch on the ESG issues we are focusing on and the specific measures we are taking to address them.
Let's start with "E" for environmental.
Firstly, most of our products are environmentally friendly, and by developing and selling them, we greatly contribute to solve environmental problems such as climate change action and waste reduction.
In concrete, ball bearing helps a lot of products to save energy with its super low friction provided by ultra-precision machining technology, one of our advantages.
High performance motors and LED backlights with ultimately high energy utilization efficiency greatly contribute energy saving.
Also, in Cambodia, we installed our smart street lights in areas around Phnom Penh and Angkor Wat under the Ministry of the Environment's JCM project, Carbon emission trading, with an eye to building a state-of-the-art smart city and reducing greenhouse gas emissions.
In addition, under the MinebeaMitsumi Group Environmental Policy, we are promoting various environmental activities. For example, our factories are built for ultimate energy efficiency, where state-of-the-art zero effluent systems collect and reuse all factory wastewater, employing every possible technology designed to curb global warming, including LED lighting and thermal barrier coating.
In this way, we are working to improve global environment and create economic value, through activities to join development of infrastructure and industry in emerging economies and initiatives aimed at reducing our environmental footprint.

Moving on to “S” for social.
We are thoroughly promoting automation of production lines including introduction of robots, and rationalization including in-house equipment production. On the other hand, we are creating a flexible production system considering characteristics of the products and customer requirements, such as production in cost competitive area for products suitable for labor-intensive. This variety and diversity in manufacturing are one of the source of our company competitiveness.
As one of the measures to strengthen this competitiveness, we actively utilize and empower women. Our Group employs about 100,000 people, and women account for about 70%. About 20% of that total work in managerial or supervisory positions. We actively hire women with outstanding skills, based on the characteristics of work, who enable us to continuously supply high quality products to customers around the world.
Since the 1970s we went into Singapore and Thailand as a forerunner and continued to improve ultra-precision machining technology and automation technology, and also we have been trying to shift the structure from labor intensive production.
In this process, we have fostered human resources through dispatching many local employees around the world including Japan, in order to acquire techniques and skills.
Through these activities, the DNA of manufacturing acquired by our group employees fundamentally supports our manufacturing capabilities.
On top, in recent years we have hired a significant number of young workers in emerging economies around Asia, such as Cambodia and the Philippines, where we have implemented our original training curriculum and employee benefit programs. In impoverished and areas where majority of people are employed in agriculture, we provide employees with not only basic training on employment rules and work standards but also pave the way to enhanced self-reliance through educational initiatives focused on issues of hygiene control as well as food, shelter, and clothing. In areas where primary education is lacking, we operate schools and provide education in the employees’ native language to improve the literacy rate. These activities have earned high marks from local governments and communities alike. At the same time they are closely linked to our business growth and add to the economic value of our Group.
Finally, we have “G” for governance. In this area we are focusing on establishing and maintaining global risk management and compliance systems as we work to strengthen and improve our corporate governance and internal control systems.
If you look at the right side of the slide, you will see major SDGs that are related to these activities.

GUINNESS WORLD RECORDS™ For Smallest and Longest

Passion to Create Value through Difference

World Smallest Fidget Spinner*1 | **World Longest Fidget Spinner*2**

*1: Smallest fidget spinner, Accreditation date: 14 November 2017, Accredited size: 5.09mm

*2: Longest duration spinning a fidget spinner on one finger, Accreditation date: 11 December, 2017, Accredited duration: 24 minutes 46.34 seconds

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This slide is as you have seen on our press releases etc.
We will continue making efforts to thoroughly refine the "Difference" that is the source of our competitiveness and strive to create new value, as our corporate slogan.

MinebeaMitsumi
Passion to Create Value through Difference

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.