MinebeaMitsumi
Passion to Create Value through Difference

Business Results

First Quarter of Fiscal Year Ending March 31, 2019

MinebeaMitsumi Inc.

August 3, 2018

My name is Yoshida.

Today I would first like to explain the consolidated financial results for the first quarter of the fiscal year ending March 31, 2019, and then Mr. Kainuma, Representative Director, CEO & COO, will explain the updates on Machined Components, Electronics & Devices, and the Mitsumi Business.

Also, starting this quarter, some information, such as changes in inventory as well as SG&A expenses, have been attached as reference pages and will not be included in the explanation.

Summary of Consolidated Business Results for 1Q

*Based on IFRS

Net sales hit 1Q record highs

[IFRS]

(Millions of yen)	FY3/18 1Q	FY3/18 4Q	FY3/19 1Q	Change YoY	Change QoQ
Net sales	195,069	224,246	213,038	+9.2%	-5.0%
Operating income	16,698	6,453	14,291	-14.4%	X2.2
Profit before taxes	16,176	5,497	14,170	-12.4%	X2.6
Profit for the period attributable to owners of the parent	12,603	1,814	10,886	-13.6%	X6.0
Earnings per share, basic (yen)	29.77	4.44	25.95	-12.8%	X5.8

Foreign Exchange Rates	FY3/18 1Q	FY3/18 4Q	FY3/19 1Q
US$	¥111.48	¥109.72	¥108.10
Euro	¥121.53	¥133.77	¥129.88
Thai Baht	¥3.24	¥3.45	¥3.42
Chinese RMB	¥16.18	¥17.16	¥17.02

As for the consolidated results for the first quarter of the fiscal year ending March 31, 2019, Net sales were up 9.2% year on year and down 5.0% compared to the previous quarter to 213.038 billion yen.
Operating income was down 14.4% year on year and up 2.2 times higher than it was in the previous quarter to total 14.291 billion yen.
Profit for the period attributable to owners of the parent was down 13.6% year on year and up by 6.0 times higher than the previous quarter to total 10.886 billion yen.

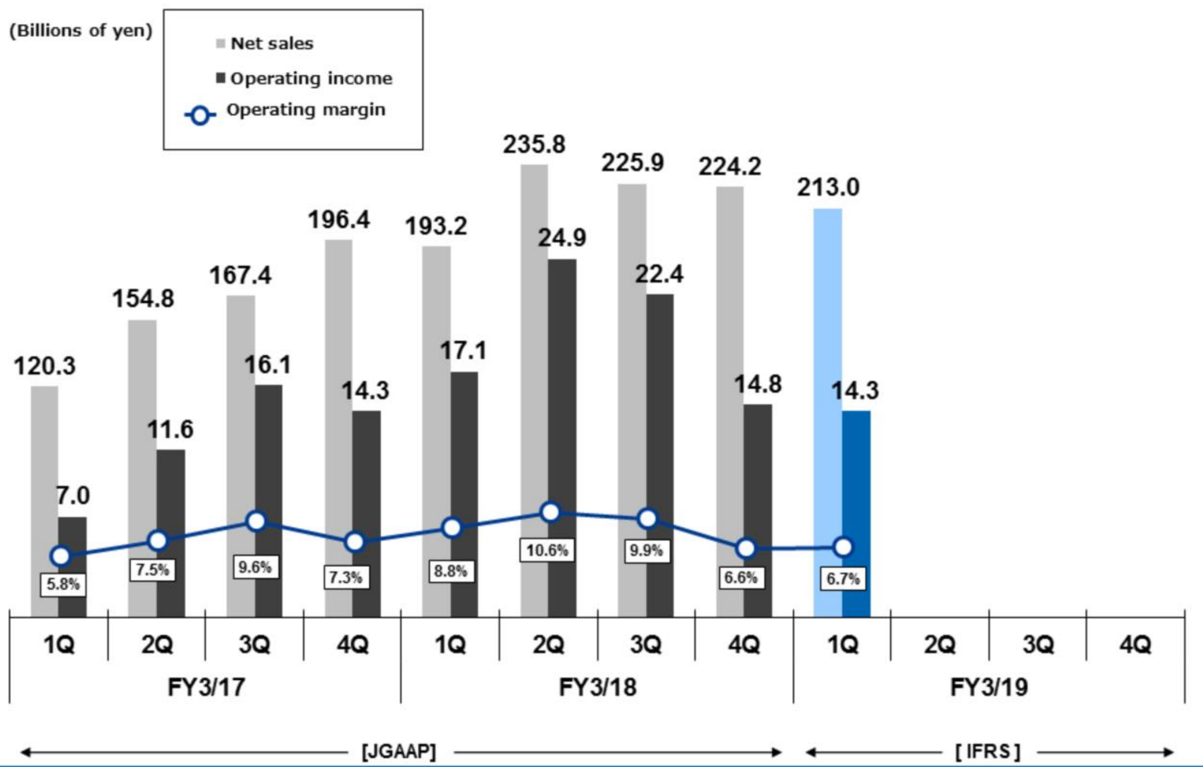
Net sales were the highest ever for a first quarter. In addition to steady performances by the ball bearing, motor, and other businesses, a contract change in the fourth quarter of the fiscal year ended March 2018 pushed Mitsumi business sales up.
Currency fluctuations brought net sales down an estimated 2.4 billion yen quarter on quarter and 2.5 billion yen year on year. It also brought operating income down 0.7 billion yen quarter on quarter and 2.6 billion yen year on year.

Also, we adopted International Financial Reporting Standards (hereinafter referred to as "IFRS") instead of Japanese Standard (hereinafter referred to as "JGAAP " from the current fiscal year (fiscal year ending March 31, 2019).
The differences between JGAAP and IFRS for both the full year and the first quarter of the last fiscal year are shown on pages 16 and 17 respectively.
If we adopted IFRS for the full year of the last fiscal year, the Operating income would become 68.9 billion yen from 79.2 billion yen, down approx. 10.0 billion yen. This is mainly due to temporary factors such as shift from extraordinary loss.

On the other hand, non-temporary factors are;
1.2 billion yen increase due to reversals of goodwill amortization which is included in SG&A
0.3 billion yen increase due to shift from non-operating profit
and so on.
Also, if we had continued to use JGAAP, operating income for the first quarter of the fiscal year ending March 2019 would be down 0.3 billion yen due mainly to the difference in accounting treatment for goodwill amortization.

Net Sales, Operating Income/margin

*JGAAP until FY3/18, IFRS for FY3/19



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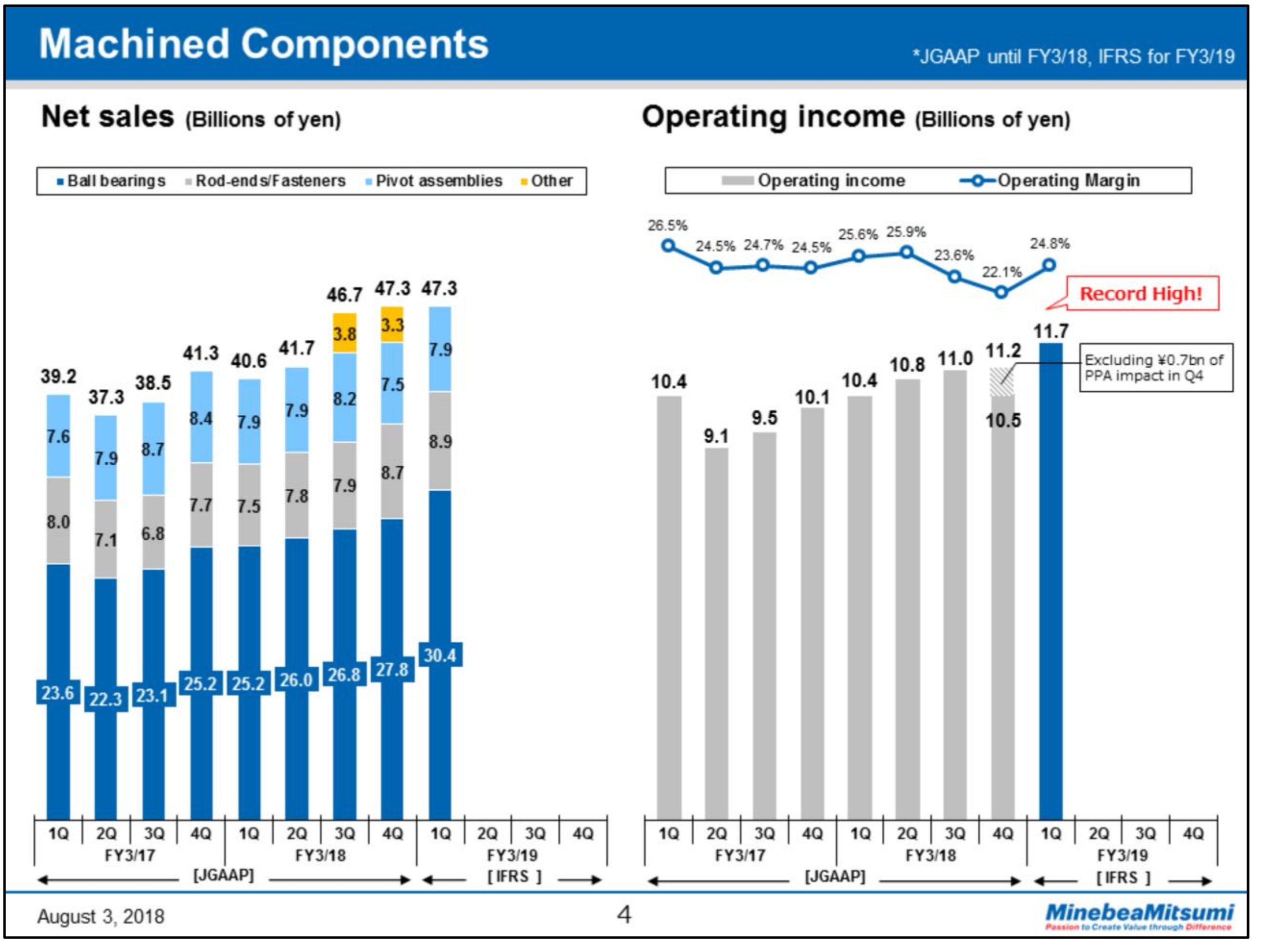
This is the quarterly trend in net sales, operating income and operating margin.
The bar graph on the left is net sales, and the one on the right is operating income along with a line chart for the operating margin.

The operating margin for the first quarter was down 2.1 percentage point year on year but up 0.1 percentage points from the previous quarter to total 6.7%.
Compared to the same period two years ago, both net sales and operating income have almost doubled while the operating margin improved roughly one percentage point. We are seeing a huge contribution from the integration with Mitsumi.

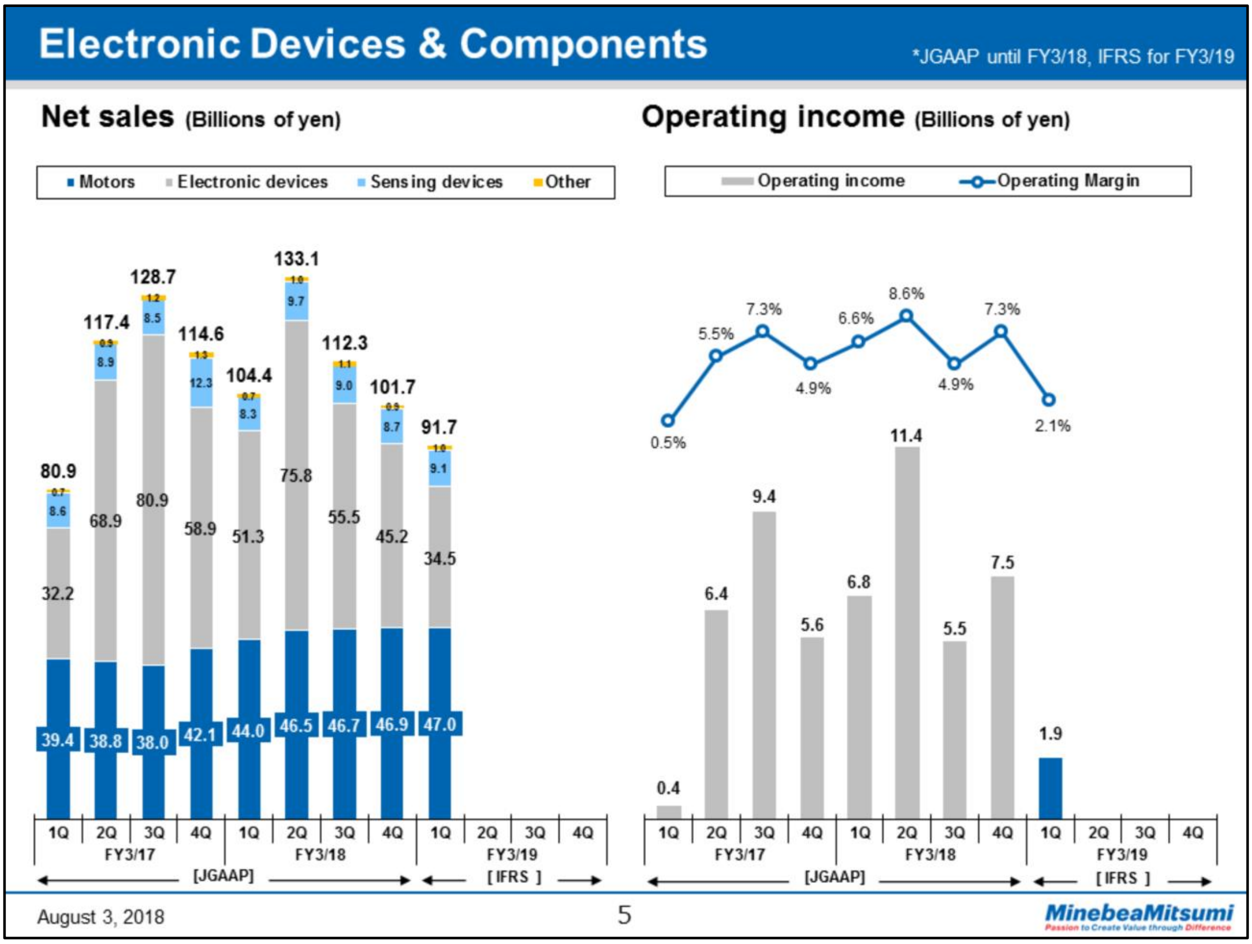
Now, please note that figures of the fiscal year ended March 2018 and before are based on JGAAP and are provided for your reference so that you can look at past figures.
The same applies hereinafter.



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 showing quarterly operating income trends along with a line chart for operating margins.

Net sales for the first quarter remained at the same level as the previous quarter, coming in at 47.3 billion yen.
Ball bearing sales rose 9% quarter on quarter to total 30.4 billion yen. The average monthly external shipment volume hit an all-time high of 203 million units, marking a year on year increase for the 23rd quarter in a row. The monthly production volume for May hit an all-time high of 296 million units.
Sales of rod-ends and fasteners, totaling 8.9 billion yen, were up 2% over the previous quarter.
Sales of pivot assemblies increased 5% compared to the previous quarter to 7.9 billion yen. Our ability to hold on to over 80% of the market share has generated stable earnings.
Previously recorded under “Other,” C&A Tool Engineering has been included in ball bearings, and Mach Aero has been included in rod-ends and fasteners beginning this fiscal year.

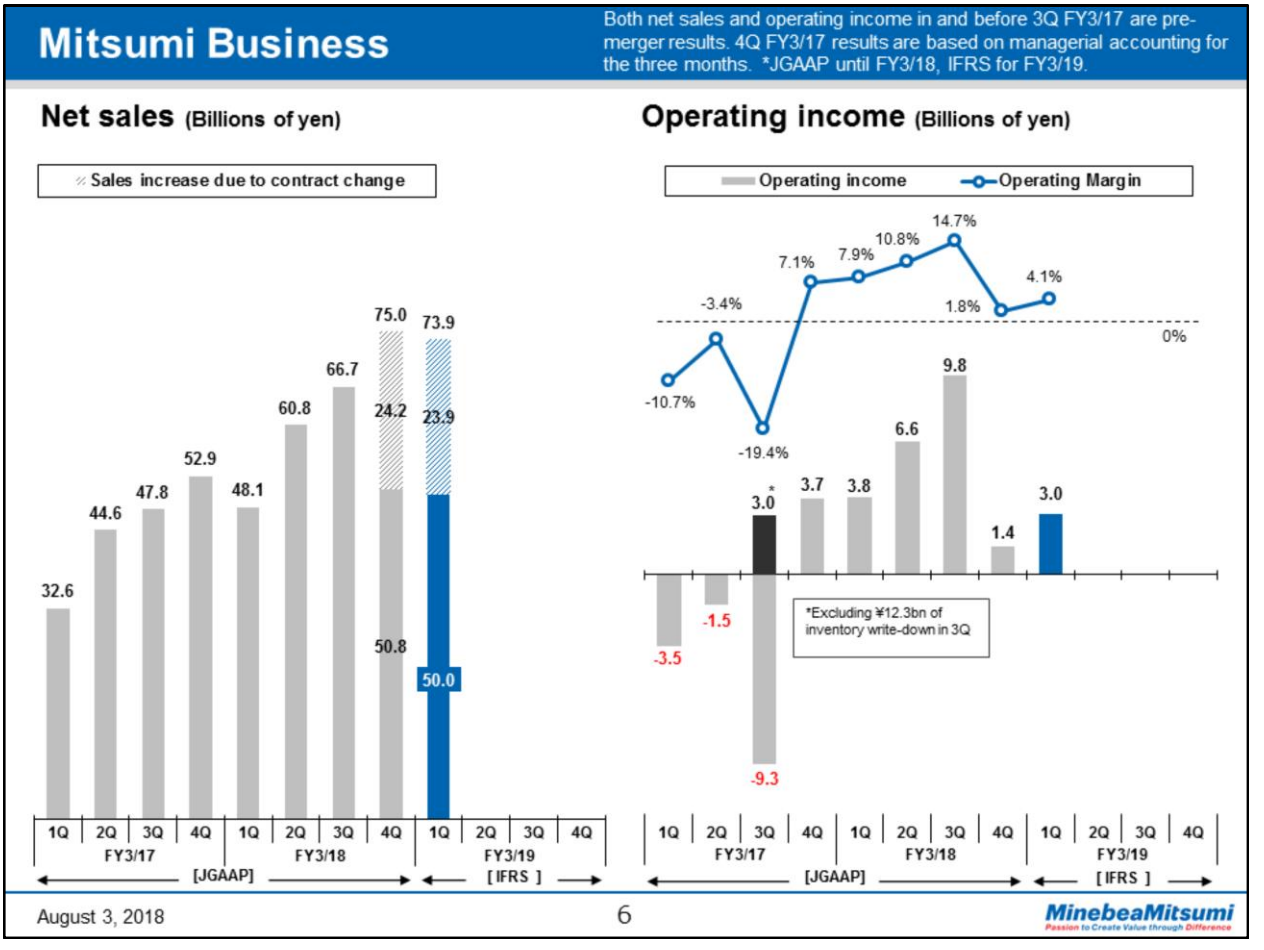
Operating income for this quarter hit a quarterly record high of 11.7 billion yen, putting the operating margin at 24.8%.
Operating income rose 12% from the previous quarter, and the operating margin was 2.7 percentage points higher than what it was last quarter.
Looking at the results by product, we see that profits for ball bearings, rod-ends/fasteners and pivot assemblies all rose.



This slide shows the results for the electronic devices and components segment.

Net sales declined 10% from the previous quarter to 91.7 billion yen.
Looking at this result by product, steady sales mainly in the automobile market kept motor sales at the same level as the last quarter at 47 billion yen.
Sales of electronic devices were down 24% from the previous quarter to 34.5 billion yen. This was primarily due to weakness of the smartphone market.
Sales of sensing devices grew 5% from the previous quarter to hit 9.1 billion yen.

Operating income was 1.9 billion yen putting the operating margin at 2.1%. Operating income decreased 75% compared to the previous quarter while the operating margin declined 5.2 percentage points.
Looking at the results by product, we see that motors and sensing devices remained steady while electronic devices operating income decreased due to lower utilization caused by inventory adjustments in the smartphone market.



Finally, let's look at the performance for the Mitsumi business segment.
Net sales remained roughly the same from the previous quarter at 73.9 billion yen.
This was a result of net sales of mechanical parts declining slightly while net sales of camera actuators increased.
The impact of the sales increase due to contract change with customers was 24.2 billion yen in the previous quarter and 23.9 billion yen this quarter.
Operating income was 3 billion yen, putting the operating margin at 4.1%.
That means operating income increased 2.2x compared to the previous quarter while the operating margin grew 2.3 percentage points.

Forecast for Fiscal Year Ending March 31, 2019

*Based on IFRS

Upward Revision for Operating Income & Profit

[IFRS]

(Millions of yen)	FY3/18	FY3/19			
	Full Year	1st Half	2nd Half	Full Year	YoY
Net sales	881,413	453,800	486,200	940,000	+6.6%
Operating income	68,902	34,000	51,000	85,000	+23.4%
Profit before taxes	66,855	33,500	50,500	84,000	+25.6%
Profit for the period attributable to owners of the parent	50,326	26,300	39,700	66,000	+31.1%
Earnings per share, basic (yen)	119.61	62.70	94.64	157.34	+31.5%

Foreign Exchange Rates	FY3/18 Full Year	FY3/19 2Q-4Q Assumptions
US$	¥111.19	¥105.00
Euro	¥129.36	¥130.00
Thai Baht	¥3.35	¥3.39
Chinese RMB	¥16.70	¥16.90

This is a summary of the forecast for the fiscal year ending March 31, 2019.
The full-year profit forecast has been revised upward to partly reflect the better-than-expected profit in the first quarter.
Operating income for the full-year has been revised upward 2 billion yen from 83 billion yen to 85 billion yen, and net income has been revised upward 1 billion yen, from 65 billion yen to 66 billion yen.
Due to remaining uncertainty concerning the foreign exchange and smartphone markets, conservative estimates have been used in the forecast.
The exchange rate is assumed to be 105 yen to the U.S. dollar.

Forecast for Business Segment

*Based on IFRS

[IFRS]

(Millions of yen)	FY3/18	FY3/19			
	Full Year	1st Half	2nd Half	Full Year	YoY
Net sales	881,413	453,800	486,200	940,000	+6.6%
Machined components	176,427	94,500	95,500	190,000	+7.7%
Electronic devices and components	451,879	174,400	225,600	400,000	-11.5%
Mitsumi business	252,415	184,400	164,600	349,000	+38.3%
Other	693	500	500	1,000	+44.3%
Operating income	68,902	34,000	51,000	85,000	+23.4%
Machined components	41,007	24,000	25,500	49,500	+20.7%
Electronic devices and components	24,096	6,400	19,600	26,000	+7.9%
Mitsumi business	20,069	11,000	15,000	26,000	+29.6%
Other	-806	-300	-200	-500	-38.0%
Adjustment	-15,463	-7,100	-8,900	-16,000	+3.5%

This slide shows the forecast by business segment.

Shareholder Return Policy

Profit-sharing Policy

In using the free cash flow generated by following our mid-term business plan, we will **give priority to growth investing**, including M&As in Japan and overseas. At the same time we aim to pay steady dividends to our shareholders at a **payout ratio of around 20%**. We will also look at **flexible share buyback** with an eye to maintaining an optimal balance with growth investing to enhance capital efficiency.

Dividend Forecast

We will decide the amount at a **payout ratio of** around **20%**.

Next, let me explain about shareholders return policy.
The dividend per share was increased significantly last year to 26 yen, but this year we plan to set the dividend at a payout ratio of around 20%.

ESG Topics

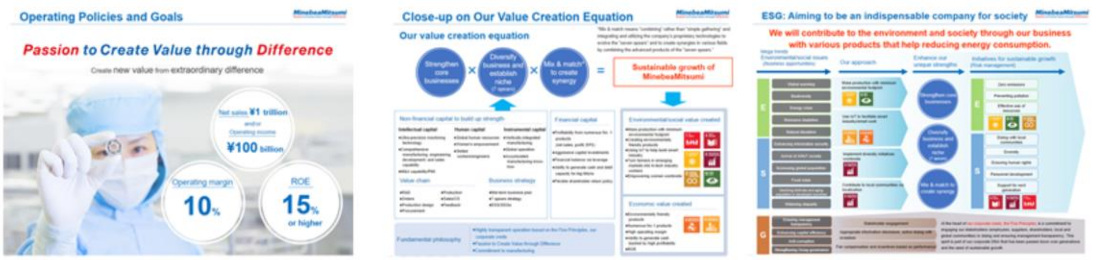
Efforts Related to MSCI Japan Empowering Women Index (WIN)

MSCI
2018 Constituent
MSCI Japan Empowering Women Index (WIN)

MSCI Japan Empowering Women Index (WIN)
MSCI calculates a multifaceted score based on data on employment of women disclosed under the Act on Promotion of Women's Participation and Advancement in the Workplace and corporate disclosures, which it uses to select companies within each industry to recognize for their efforts to promote women's participation and advancement.
It is one of the indexes that the Government Pension Investment Fund (GPIF) has adopted for ESG investments in Japanese stock.

Publication of 2018 Integrated Report (planned)

～A tool for explaining our medium- to long-term growth strategy and value creation story～



I’d like to talk about two recent topics concerning our ESG initiatives.

The first is that beginning in June 2018, we have been included in the MSCI Japan Empowering Women Index (WIN). We believe that this is an indication of how our promotion of diversity and proactive disclosure of information have been recognized as being good.

The second is that we plan to publish an integrated report in the aim of providing a clear explanation of our medium- to long-term growth strategy and value creation story.
We hope that it will help you understand our strengths and our ideas on how to achieve sustainable growth.

We’ll provide a separate notice when it’s published, so we hope you’ll give it a read.
That’s all for my explanation.

Today's highlights

- Overall: Much better start than the initial forecast in Q1. (The year-on-year decrease in profit had been factored in)
- Machined components: Ball bearing production reached 300 million units. Keep on expanding business.
- Electronic devices and components: LED backlights are expected to have a favorable launch. Motors continue to perform well.
- Mitsumi business: Performance has been better than fair despite it being the off season.

  This is the result of structural reform, including improved productivity and reduced costs.
- Upped operating income target to reflect forecast-topping Q1 performance, but only by half in light of market uncertainties.

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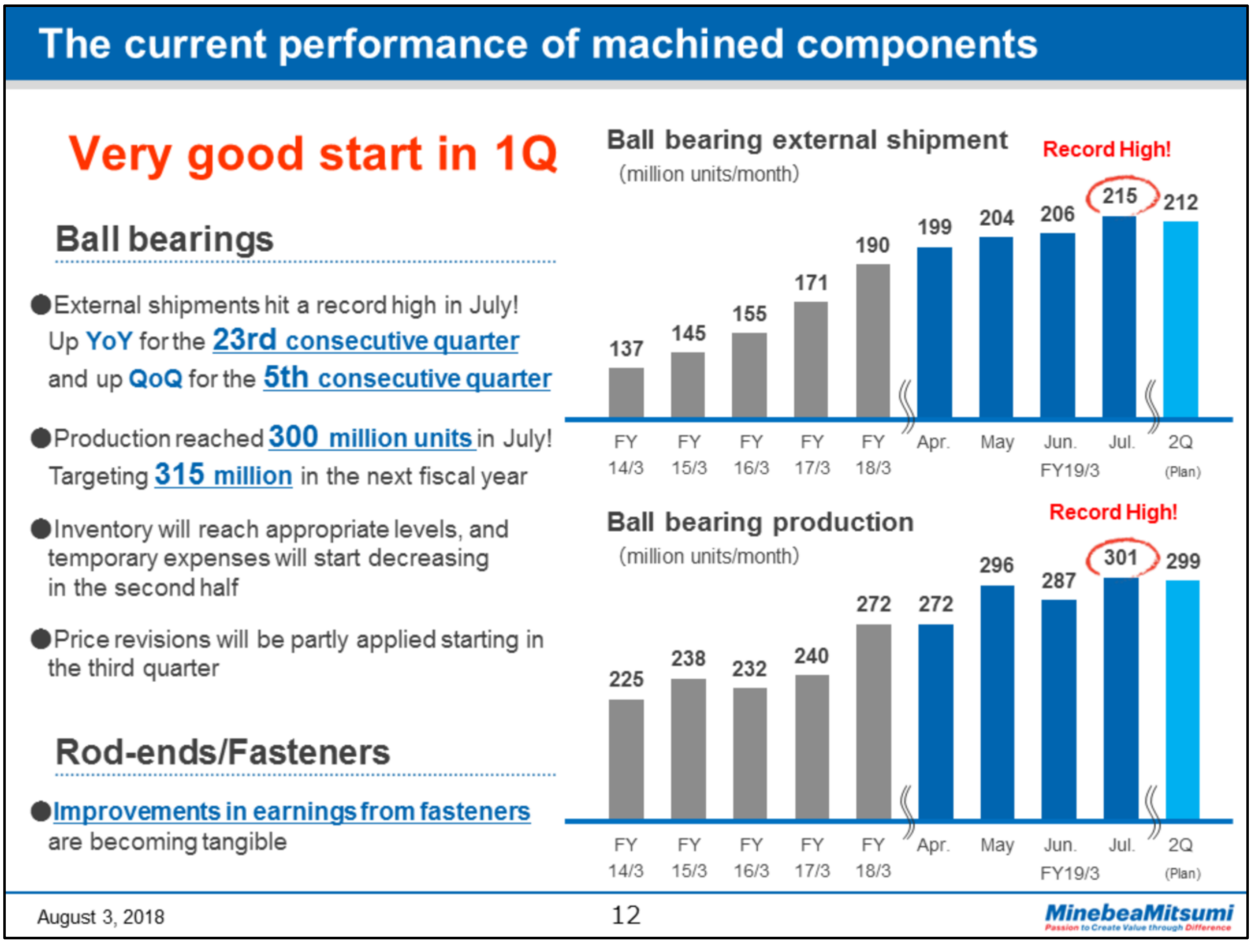
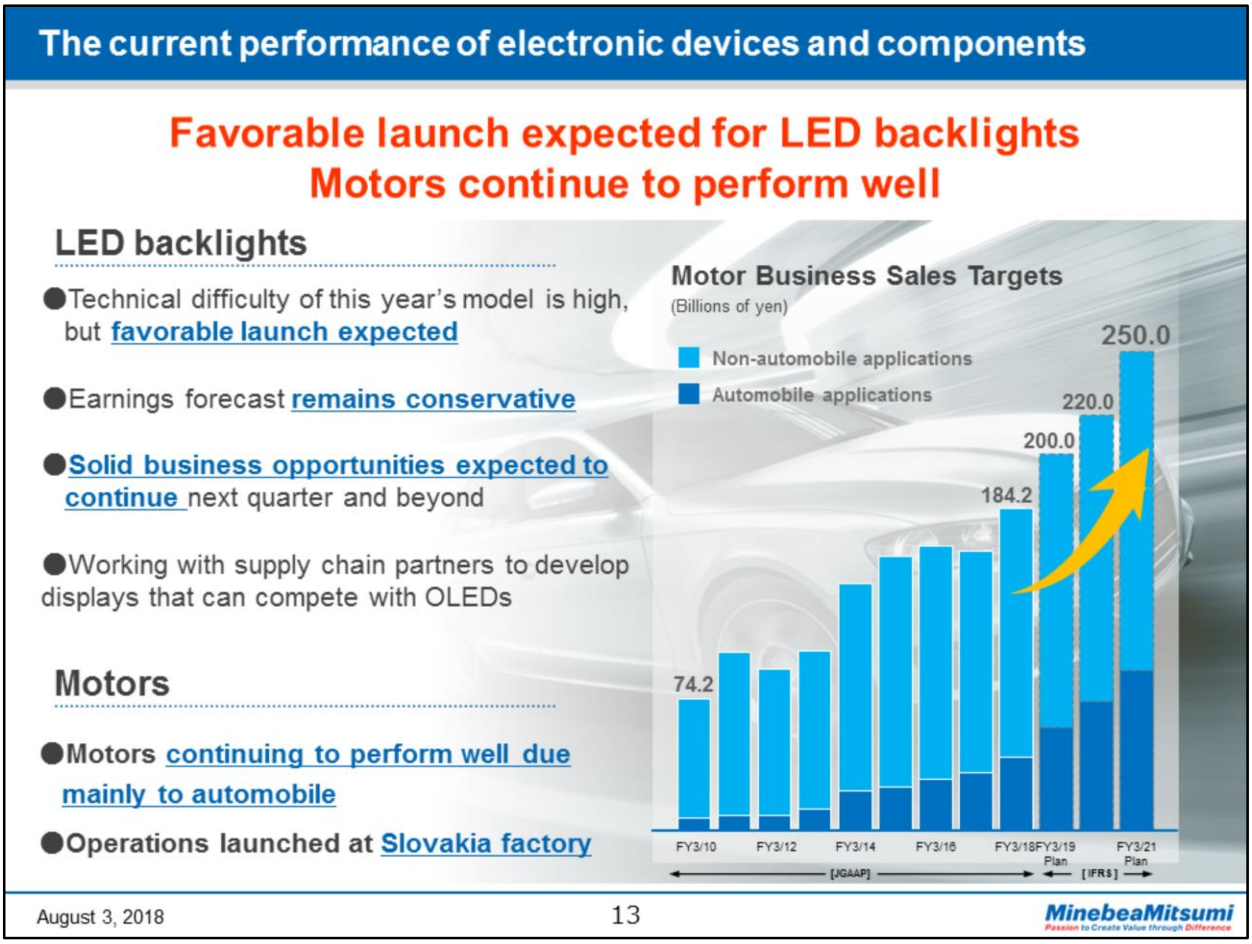
This is Yoshihisa Kainuma.
From now on I'll be joining the financial results conference calls for the first and third quarters.
There appears to have been a flurry of speculation, but there are no special announcements.

I think overall we're off to a very good start.
As opposed to last year when things took off from the first half, this year due to the situation with LED backlights and game consoles, the momentum is in the second half.
We had anticipated operating income of 10 billion yen in the first quarter, but it came in at 14 billion yen. There are three quarters remaining, and there are still some uncertainties, so we revised the forecast upward by half the extra four billion yen.
At any rate, machined components are doing well, and the performance is as we expected.
I was also worried about LED backlights, but as I understand it, the going will be easy from now on in terms of production technology, so I'm feeling a sense of relief.

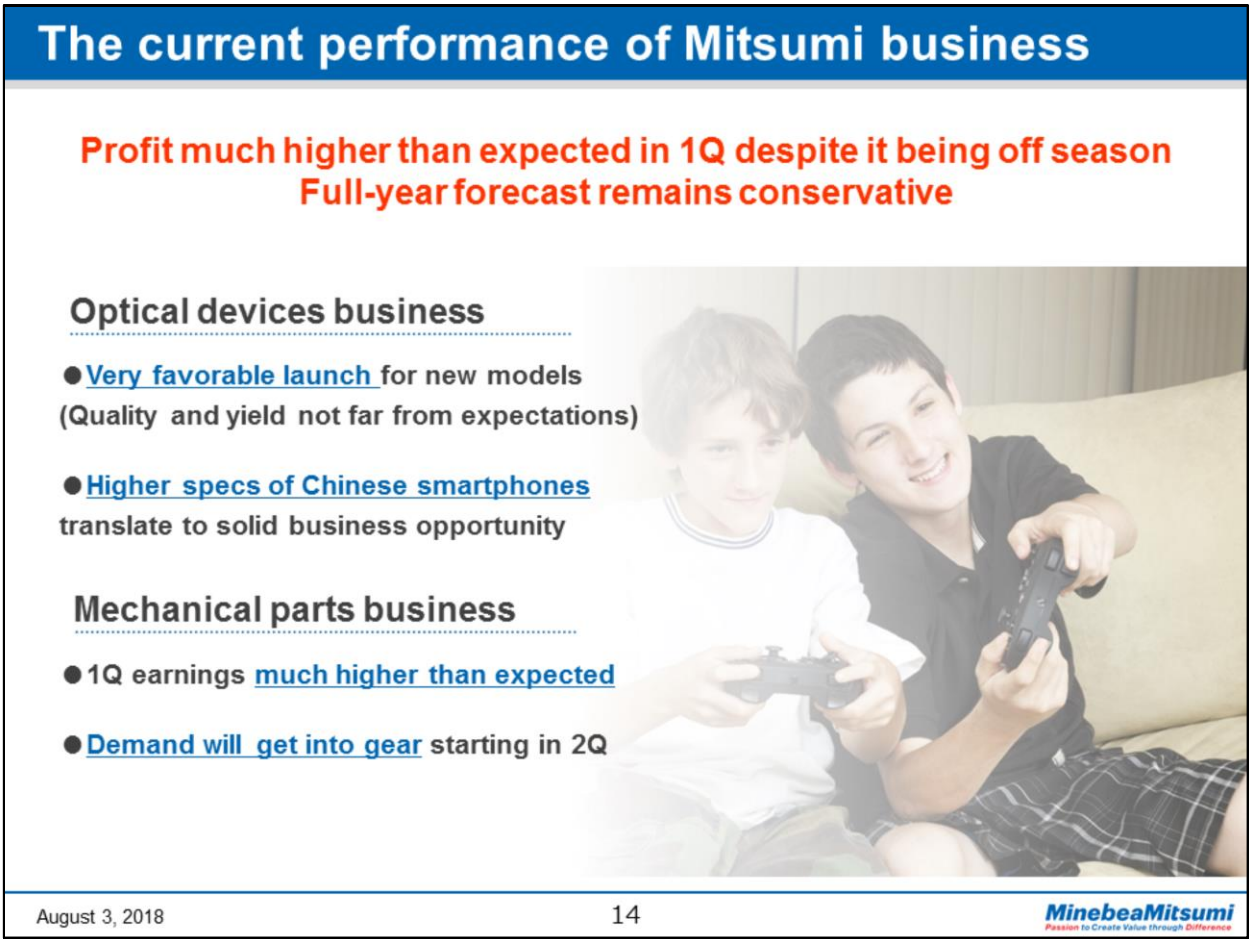


In the first quarter, ball bearing sales increased year on year for the 23rd consecutive quarter. It's rare to have a product like this, but it's actually still going.
In July we reached an external shipment volume of 215 million units, breaking the record again.
As for production volume, we had initially aimed for 300 million units by August or September, but in July, we produced a record high 301 million units. The sales volume combining internal sales reached 294 million in July, so we successfully raised both supply and demand.
By next July, we aim to achieve production of 315 million units, as the machinery we invested in will be commissioned next year. The balance of supply and demand is still a concern in the months ahead. Every quarter we think that the plateau will come, and we've been saying air charges will be reduced four or five months down the road, but in reality, that still hasn't happened. Last month we had air charges of around 100 million yen. If we don't hit that plateau, it's going to be hard to reduce air charges.
Meanwhile, the effect of increasing prices has gradually begun to be reflected, and I have received a report that around October onward there will be an effect of over 100 million yen per month.
Giving an unexpectedly strong performance is the NHBB Group, including C&A, which has greatly improved its margin. The main factor behind this is the renewal of two- to three-year long-term agreements (LTAs), and those for which the market rates were poor when renewed last time have begun expiring. Negotiations are underway for new LTAs, and these renewals will take place as market forces are improving selling prices, so we believe that we will begin to have stable profitability from aircraft components. Good news has also started coming in from the offset business in India centered on Mach Aero, so I believe these two companies acquired last year will provide a strong supplement to profitability for the next several years.
As for fasteners, I go to Fujisawa every month, and profitability has improved as planned, so the business has now fully turned around.
Machined components are giving a strong showing. Our forecast is for 49.5 billion yen in profits, and I believe we can achieve it. If machined component profits reach 50 billion yen, our overall profitability will also improve.



LED backlights have been causing concern, and our stock price has fallen in response, but thankfully, I've received a report that it turned the corner in terms of production technology. Production is also ahead of schedule, and lines are being started up weekly. I don't know how many new products will be sold, but there's no longer need to worry about the launch of LED backlights.

Motors continue to perform well. In June the opening ceremony was held at the Slovakia Plant, and many European manufacturers have high hopes for it, so within the next year or two, I believe we will be able to leverage it for significant expansion.



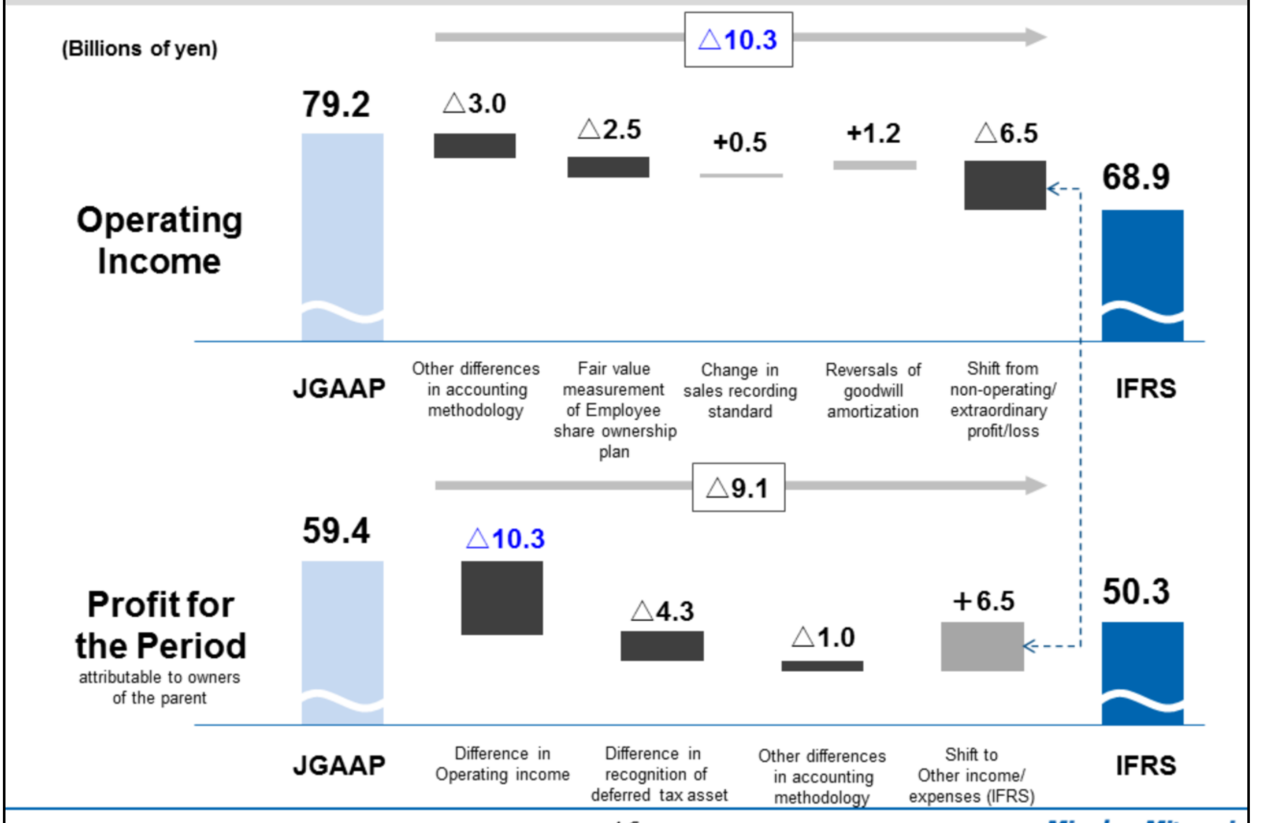
As mentioned earlier, the financial results were better than expected. Optical devices have begun contributing, and because the improving specifications of Chinese smartphones are increasing, we've had more inquiries.

Other businesses are also showing improvements. Analog semiconductors are performing well, and there's no doubt that revenue and profitability are starting to improve in various businesses like that.

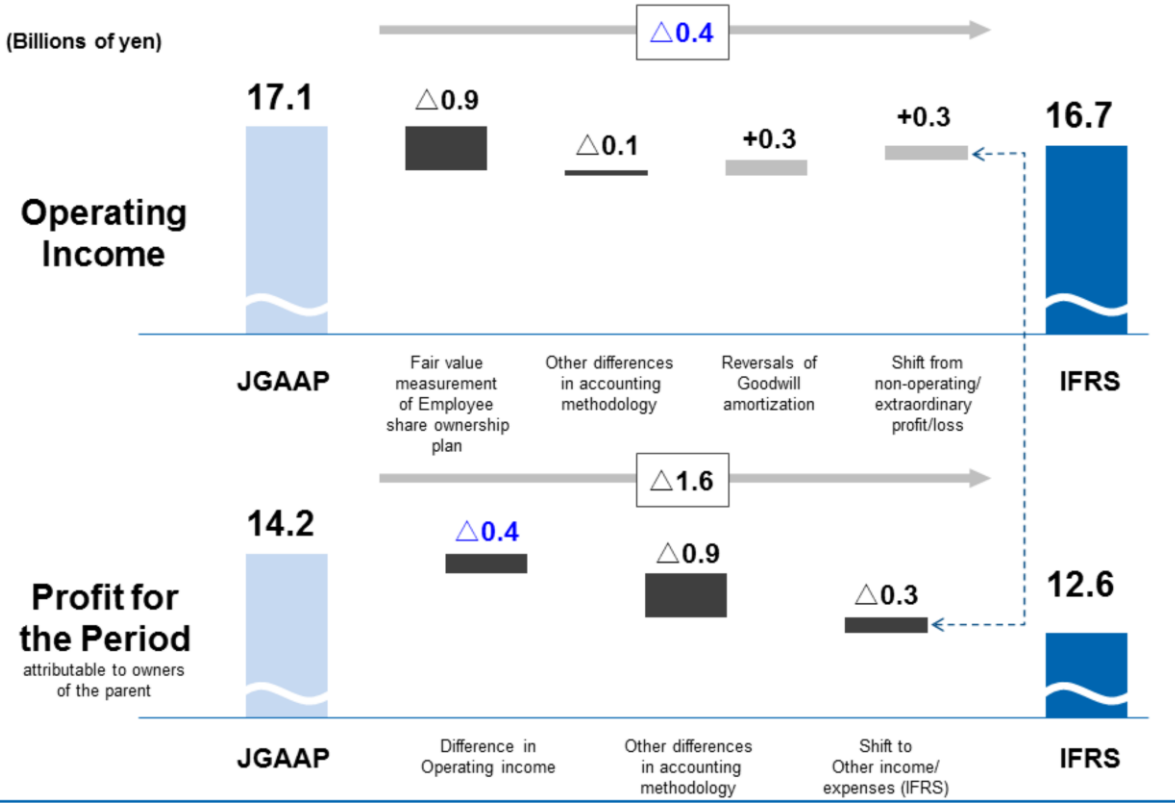
Nevertheless, the two pillars of optical devices and mechanical components are major sources of revenue, so we have to keep an eye on future trends. As for game consoles, there are still some bold customer outlooks, so I believe we can look forward to positive results in the second half by continuing to manufacture the required volume.

Reference

Difference between JGAAP and IFRS for FY3/2018

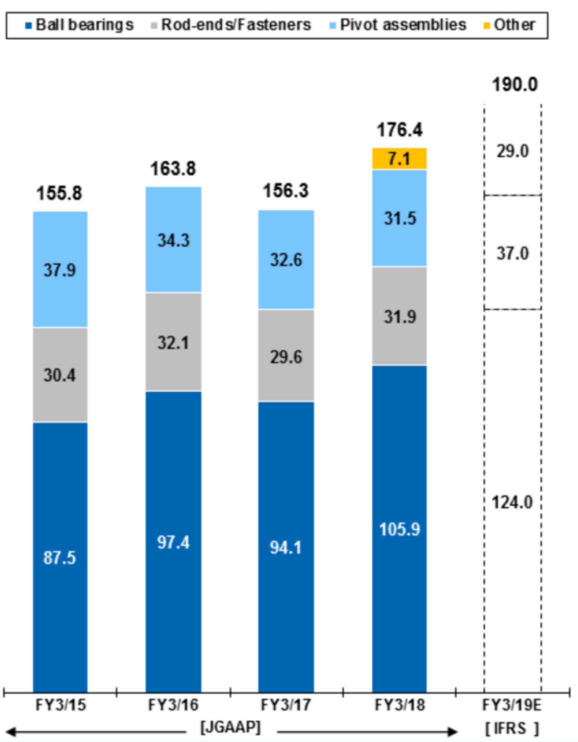


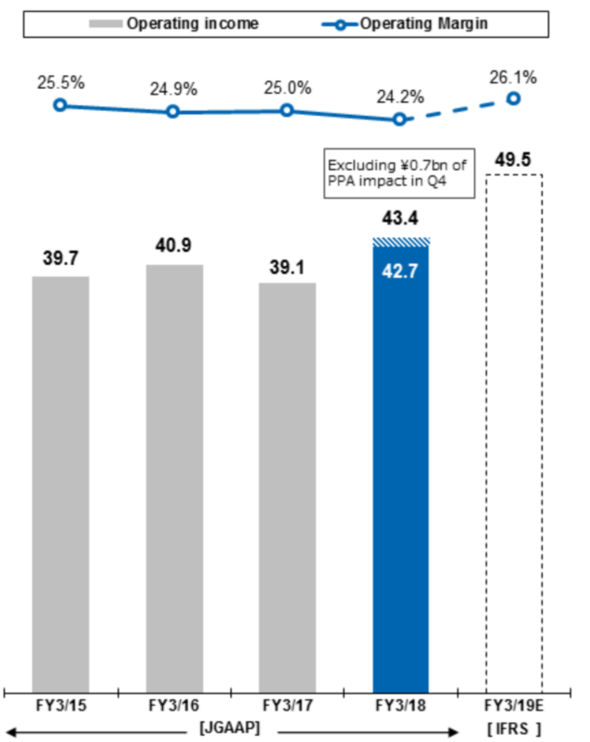
Difference between JGAAP and IFRS for 1Q of FY3/2018



Machined Components

*JGAAP until FY3/18, IFRS for FY3/19

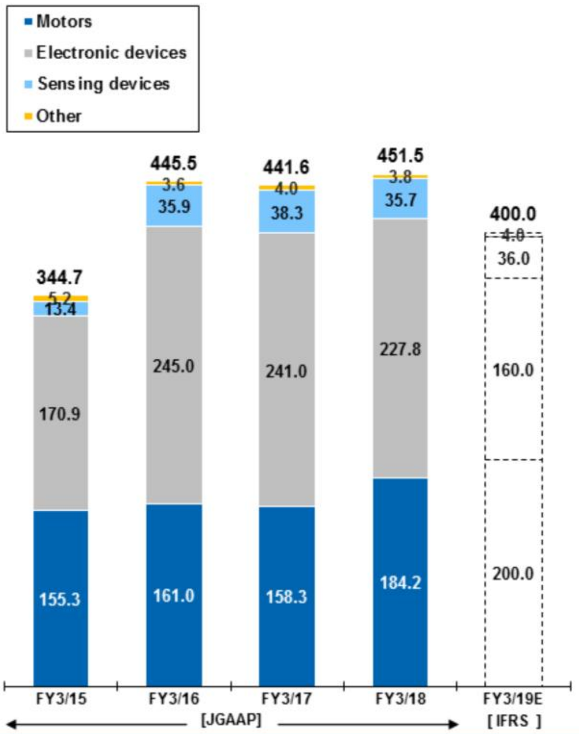




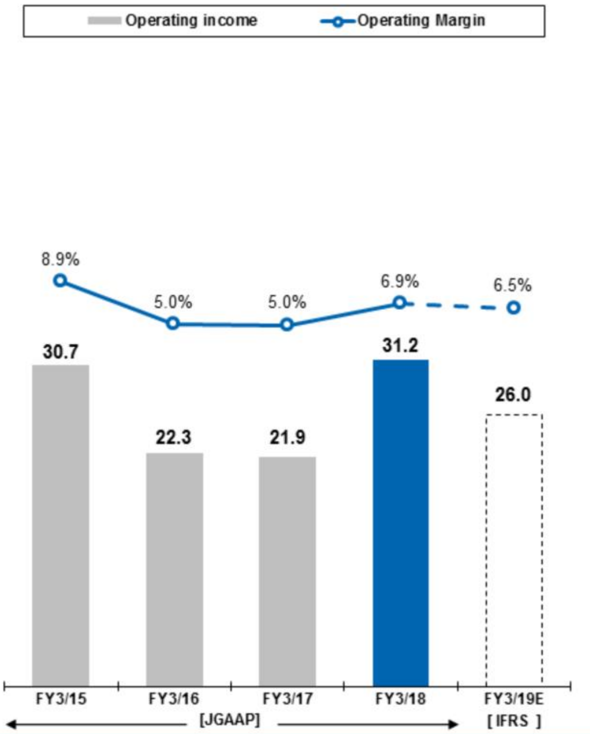
Electronic Devices & Components

*JGAAP until FY3/18, IFRS for FY3/19

Net sales (Billions of yen)



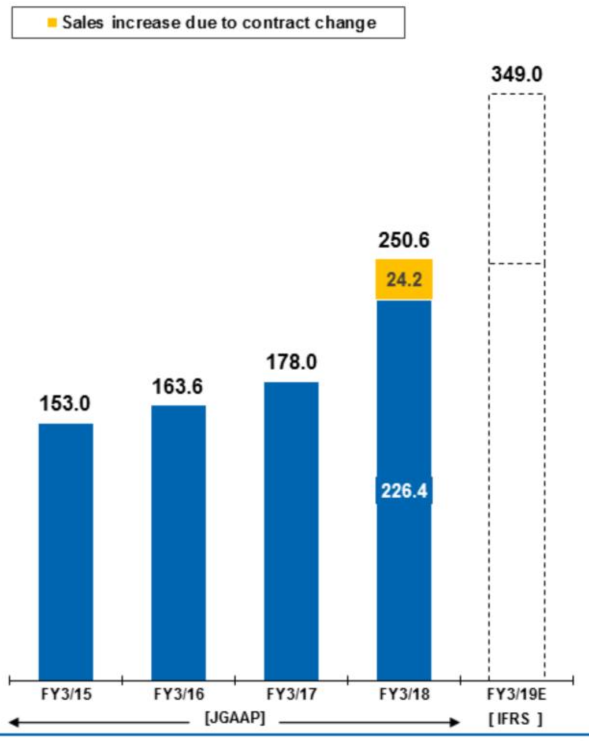
Operating income (Billions of yen)



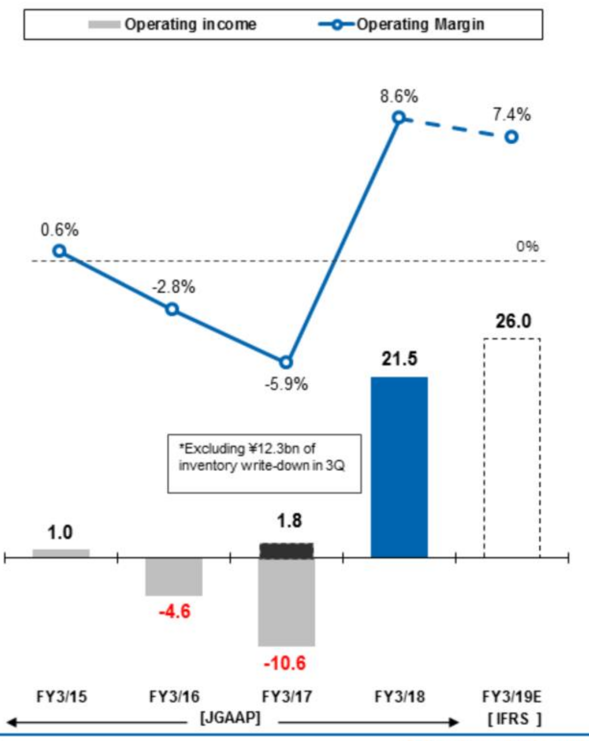
Mitsumi Business

Both net sales and operating income in and before 3Q FY3/17 are pre-merger results. 4Q FY3/17 results are based on managerial accounting for the three months.

Net sales (Billions of yen)



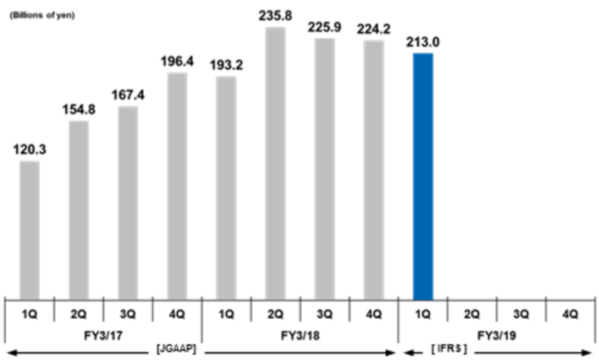
Operating income (Billions of yen)



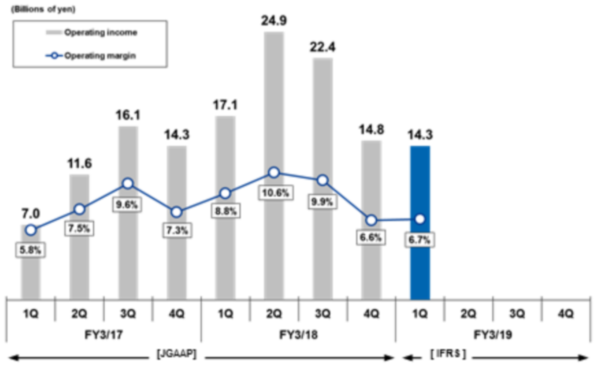
Other financial data 1

*JGAAP until FY3/18, IFRS for FY3/19

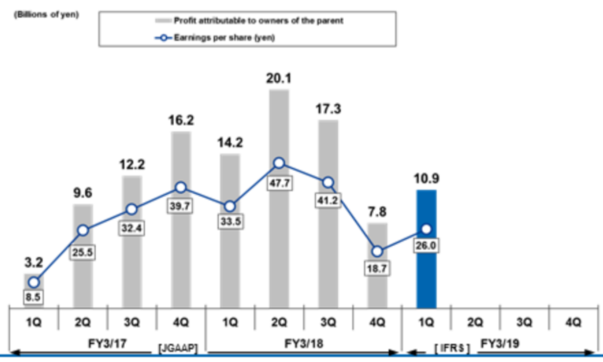
Net sales



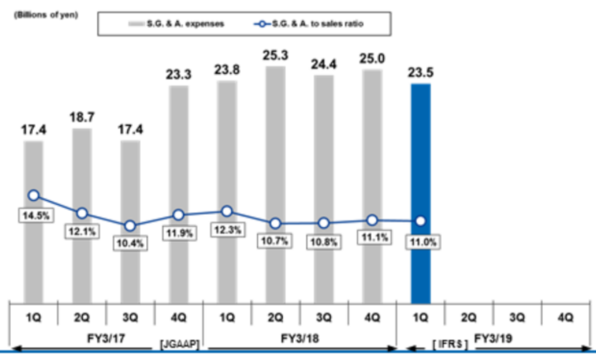
Operational profit/margin



Profit attributable to owners of the parent / EPS



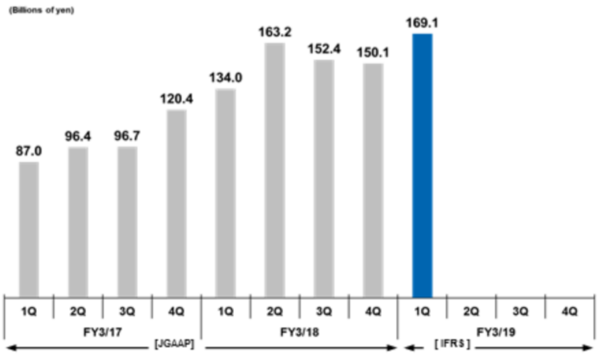
S.G.&A. expence/ratio



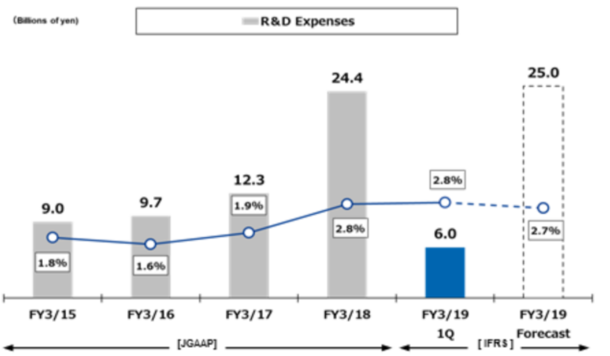
Other financial data 2

*JGAAP until FY3/18, IFRS for FY3/19

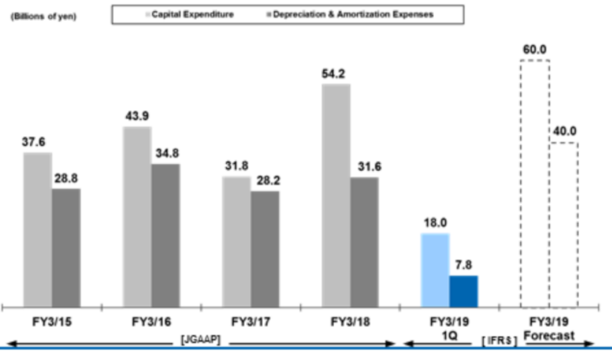
Inventory



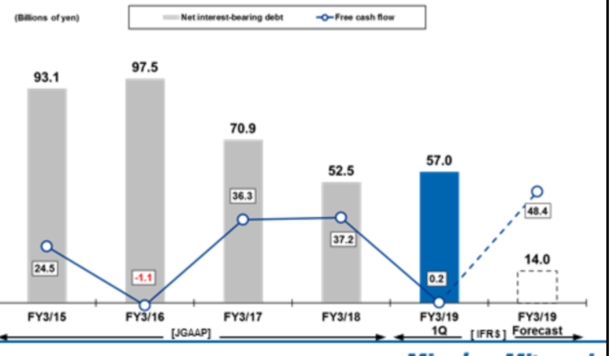
R&D Expenses



Capital Expenditure/ D&A Expense



Net interest bearing debt / Free cash flow

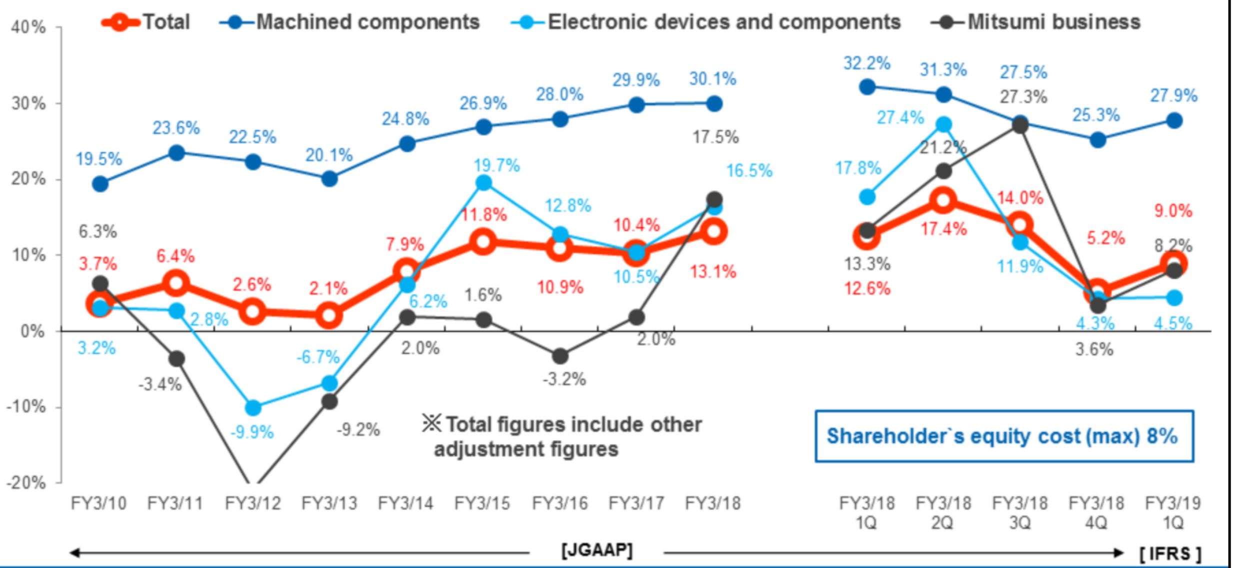


ROIC (Return On Invested Capital)

*JGAAP until FY3/18, IFRS for FY3/19

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



MinebeaMitsumi

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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.