MinebeaMitsumi
Passion to Create Value through Difference

Business Results
Third Quarter of Fiscal Year Ending March 31, 2019

MinebeaMitsumi Inc.

February 6, 2019

My name is Yoshida.

Today I would first like to explain the consolidated financial results for the third quarter of the fiscal year ending March 31, 2019, and then Mr. Kainuma, Representative Director, CEO & COO, will explain the updates and present strategy on machined components, electronics devices & components, and the Mitsumi business.

Summary of Consolidated Business Results for 3Q

*Based on IFRS

Net Sales, OP, etc. All Hit Record Highs

[IFRS]

(Millions of yen)	FY3/18	FY3/19		Change	
	3Q	2Q	3Q	YoY	QoQ
Net sales	224,389	236,330	249,570	+11.2%	+5.6%
Operating income	21,051	19,624	31,124	+47.9%	+58.6%
Profit before taxes	20,700	20,106	30,333	+46.5%	+50.9%
Profit for the period attributable to owners of the parent	16,998	15,970	24,177	+42.2%	+51.4%
Earnings per share, basic (yen)	40.55	38.04	57.92	+42.8%	+52.3%

Foreign Exchange Rates	FY3/18 3Q	FY3/19 2Q	FY3/19 3Q
US$	¥112.65	¥110.87	¥113.43
Euro	¥132.47	¥129.13	¥129.92
Thai Baht	¥3.41	¥3.35	¥3.45
Chinese RMB	¥16.95	¥16.37	¥16.35

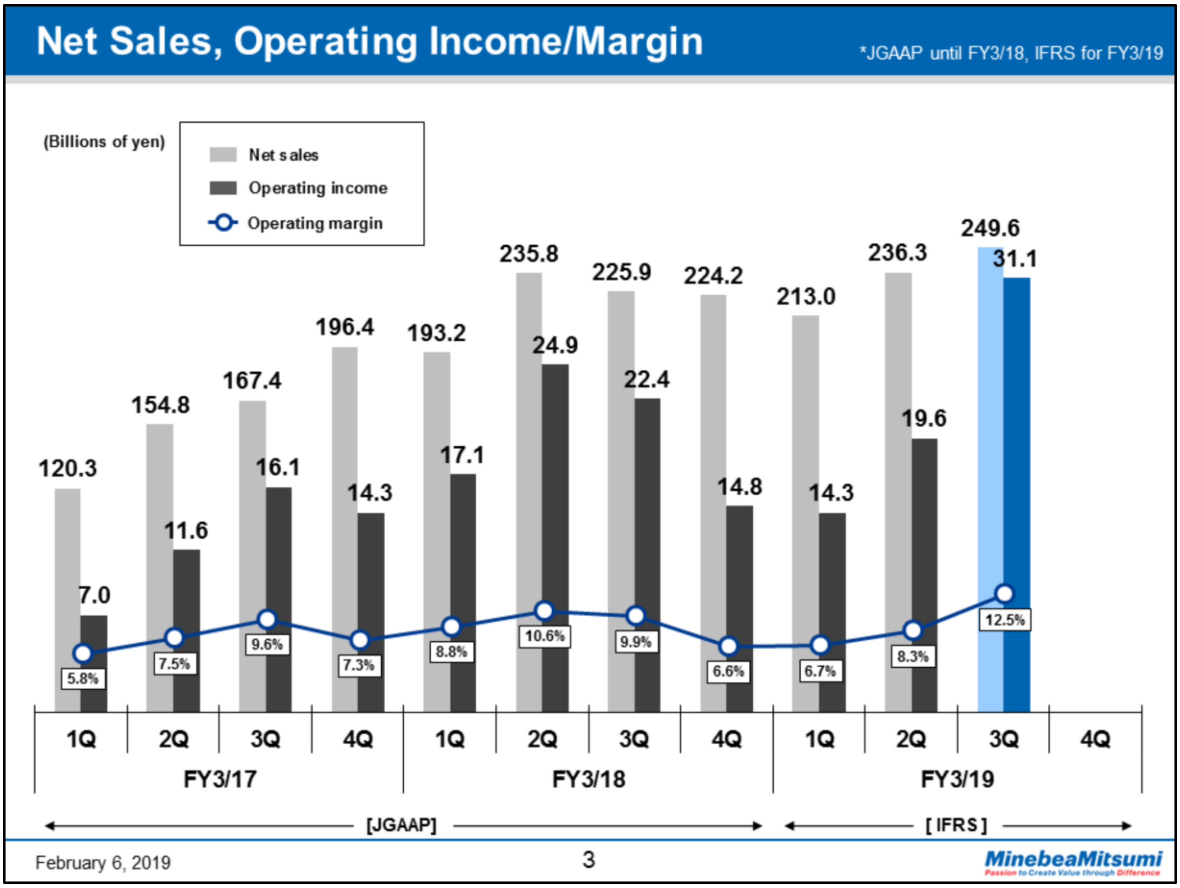
Consolidated net sales for the third quarter of the fiscal year ending March 31, 2019 totaled 249,570 million yen, up 11.2% year on year and up 5.6% quarter on quarter.

Operating income was up 47.9% year on year and 58.6% quarter on quarter to total 31,124 million yen. Profit for the period attributable to owners of the parent increased 42.2% year on year and 51.4% quarter on quarter to total 24,177 million yen.

Both net sales and OP hit record high as a quarter.

Currency fluctuations brought net sales up an estimated 3.9 billion yen quarter on quarter and 0.7 billion yen year on year. It also brought operating income up 1.0 billion yen quarter on quarter and 0.5 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).



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

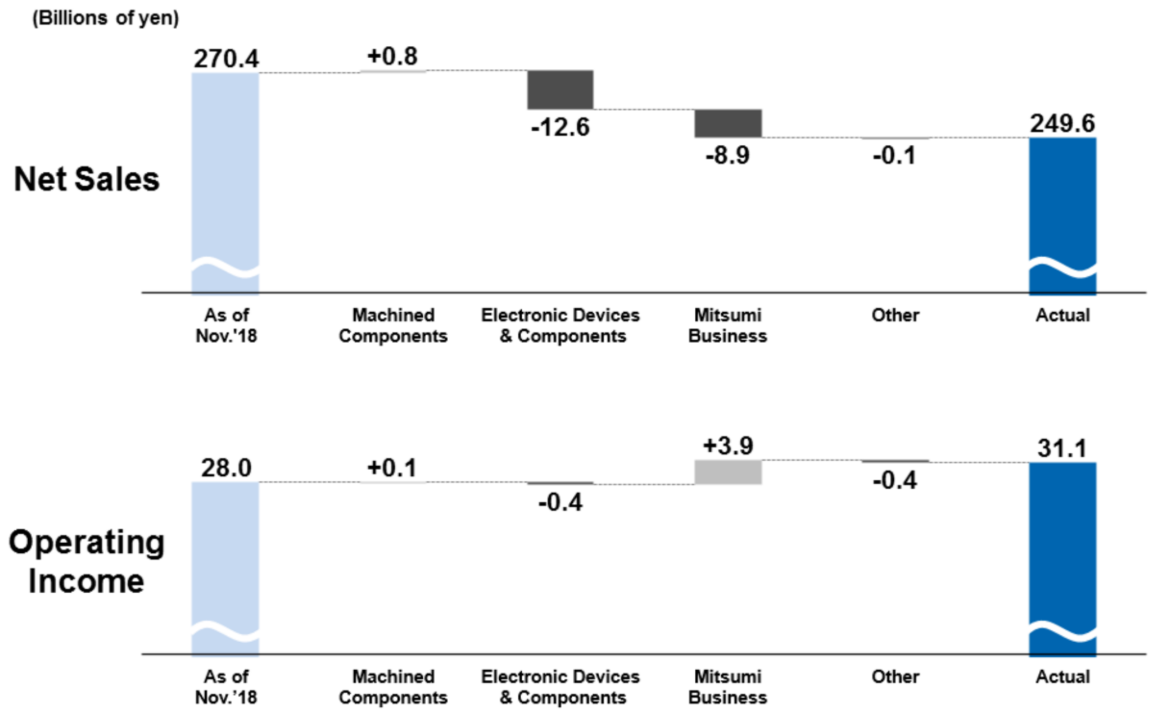
The bar graph on the left is net sales, and the one on the right is operating income along with a line chart for the operating margin.

The operating margin for the third quarter was 12.5%, up 2.6 percentage points year on year and up 4.2 percentage points quarter on quarter.

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.

3Q Actual: Differences from the Forecast as of Nov.'18



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Here shows the difference between forecast as of November and actual results for net sales and operating income by business segment for third quarter.

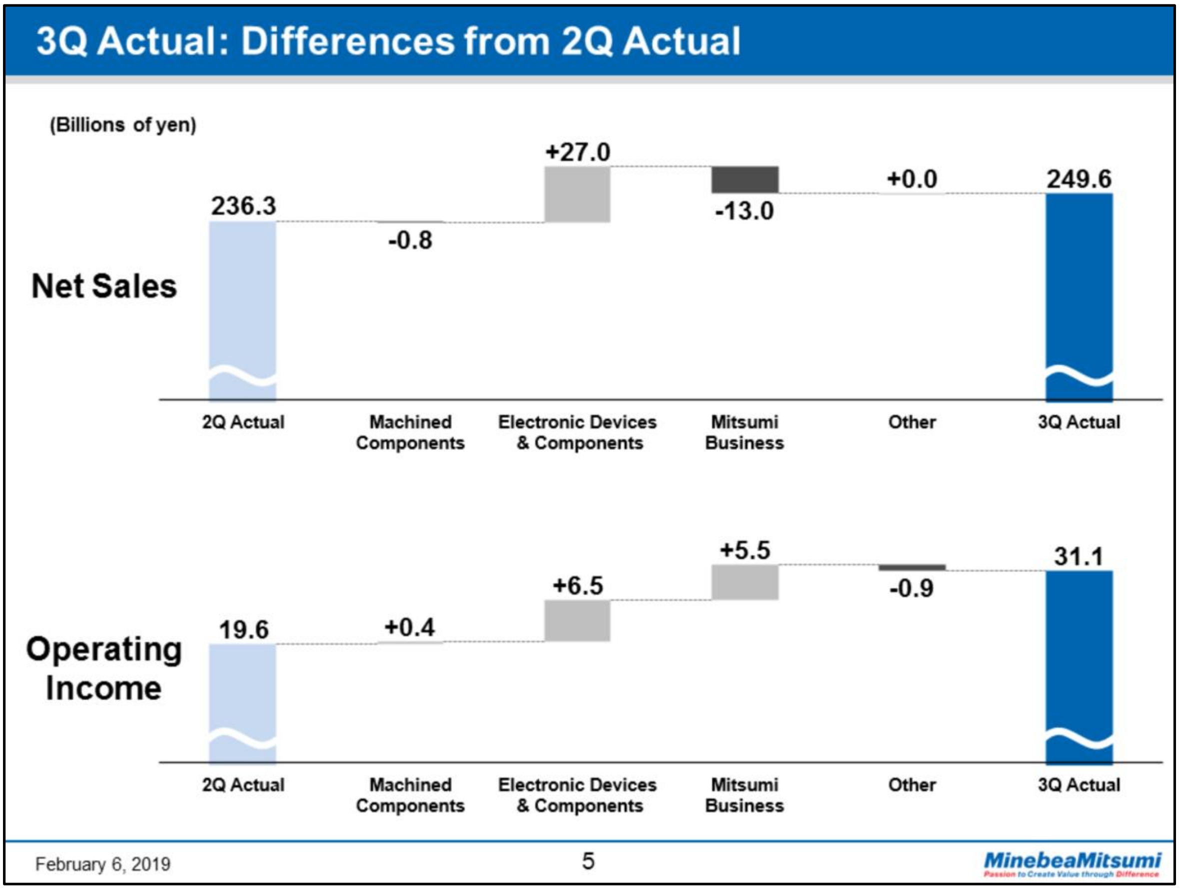
While net sales for the machined components segment were almost on a par with the forecast, sales for the electronic devices and components segment, mainly electronic devices, were lower than forecasted.

The Mitsumi business' sales were lower than projected mainly due to declined shipments of smartphone-related parts.

Operating income for the machined components as well as the electronic devices and components segments was about the same as projected.

The Mitsumi business beat the previous forecast by 3.9 billion yen thanks to some special factors, including a one-time revenue gain of 6.7 billion yen resulting from changes in the personnel system, such as extended retirement age, as well as one-time expenses due to non-operating loss and inventory disposal related to the Hokkaido Earthquake and so on.

Profit for other business segment and adjustment combined were slightly worse than expected.



Here shows the difference between actual results for second quarter and third quarter, for net sales and operating income by business segment.

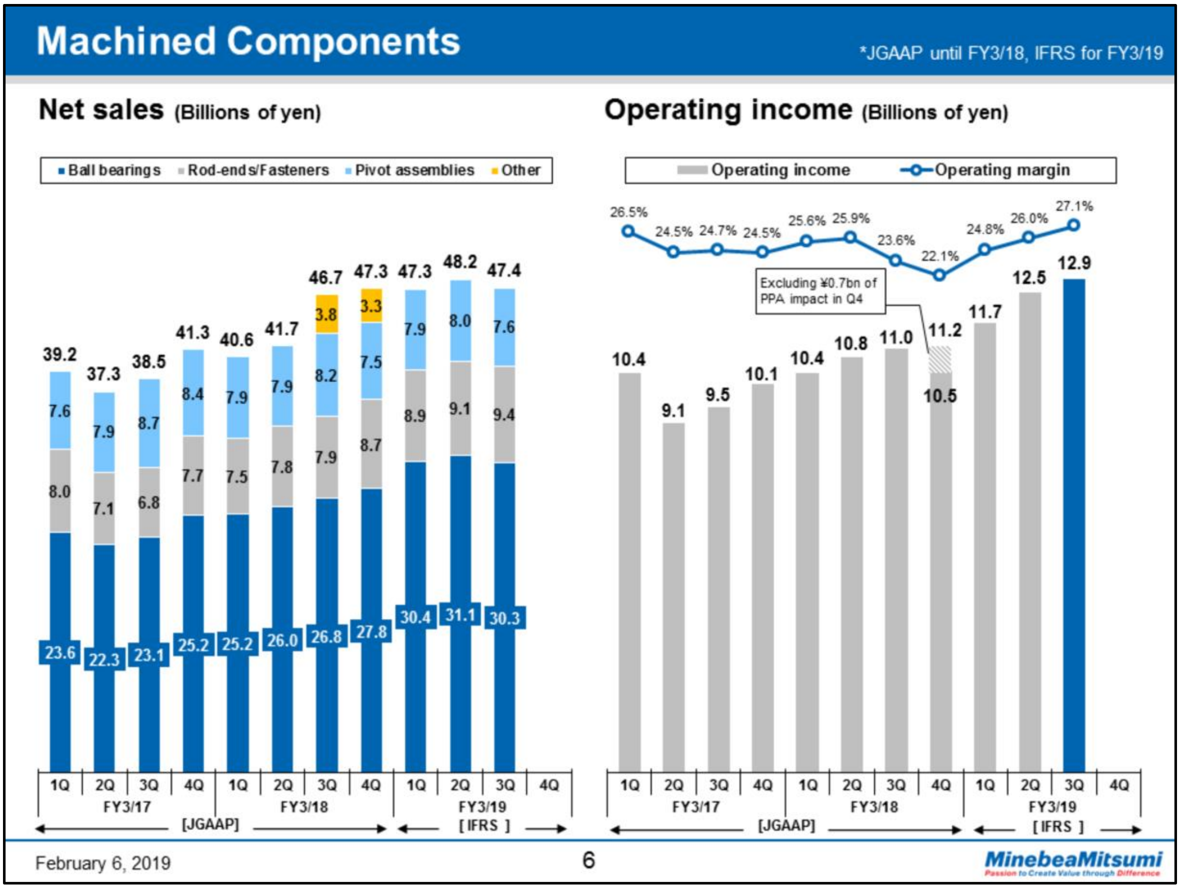
Net sales for the machined components segment were almost on a par with second quarter. Sales for the electronic devices and components segment increased mainly thanks to electronic devices which the shipment went into full swing.

On the down side, the Mitsumi business' sales were decreased mainly due to the seasonality of mechanical components.

Operating income for the machined components was steady and operating income for the electronic devices and components increased thanks to sales increase. Mitsumi business segment booked some special factors as explained in the previous slide.

Profit for other business segment and adjustment combined were slightly down quarter on quarter.

Moving on to the next slide.



Now let’s take a look at the results by segment, starting with 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 declined 0.8 billion yen from what they were the previous quarter to reach 47.4 billion yen.

Sales of ball bearings decreased 2% quarter on quarter to reach 30.3 billion yen. The average monthly external shipment volume, totaling 195 million units this quarter, was up year on year for the 25th quarter in a row.

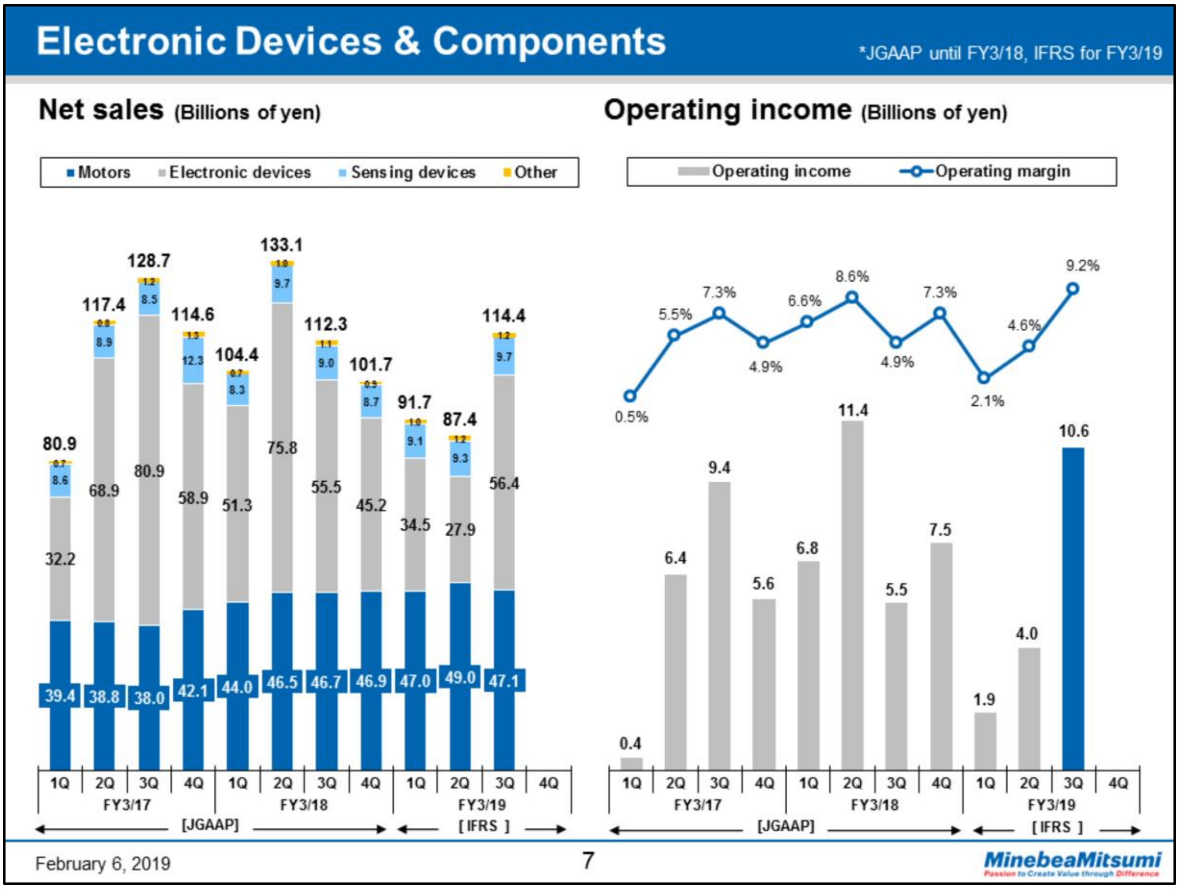
Sales of rod-ends and fasteners, totaling 9.4 billion yen, were up 4% over the previous quarter.

Sales of pivot assemblies dropped 5% quarter on quarter to total 7.6 billion yen. Pivot assemblies steadily contributed to our bottom line as we held on to an 80% plus market share.

Operating income for this quarter hits a record high of 12.9 billion yen to put the operating margin at 27.1%.

Operating income was up 3% quarter on quarter while the operating margin was 1.1 percentage points higher than what it was last quarter.

Looking at the results by product, we see that quarter on quarter profits for ball bearings and rod-ends and fasteners rose but fell for pivot assemblies.



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

Net sales increased 31% quarter on quarter to total 114.4 billion yen.

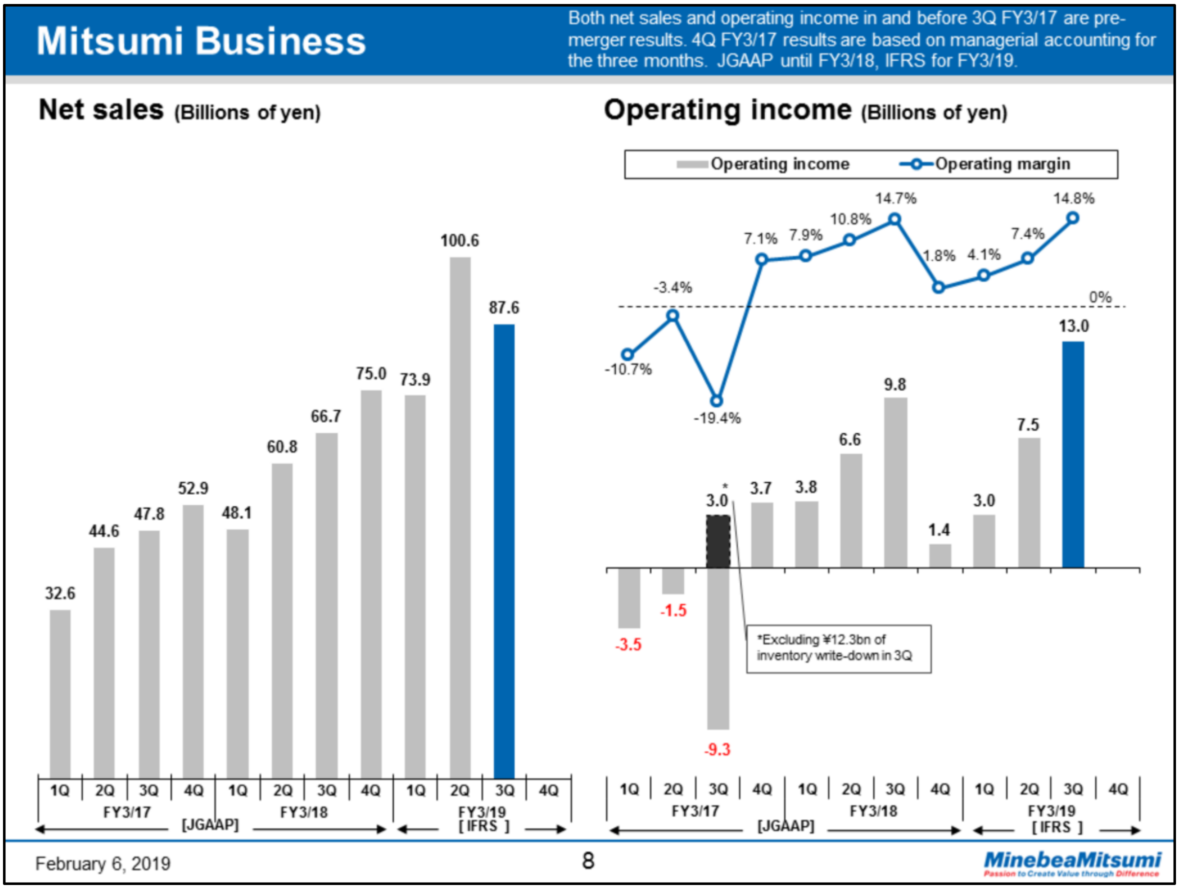
Looking at the results by product, we see that sales of motors dropped 4% quarter on quarter to reach 47.1 billion yen.

Quarter on quarter sales of electronic devices doubled to hit 56.4 billion yen. This was primarily due to shipments of new LED backlight products to major customers moving into high gear.

Sales of sensing devices grew 4% quarter on quarter to hit 9.7 billion yen.

Operating income was 10.6 billion yen, putting the operating margin at 9.2%. We saw a 2.6-fold quarter on quarter increase in operating income while the operating margin climbed 4.6 percentage points.

Looking at the results by product, we see a quarter on quarter drop in operating income for motors but a quarter on quarter profit increase for electronic devices and sensing devices.



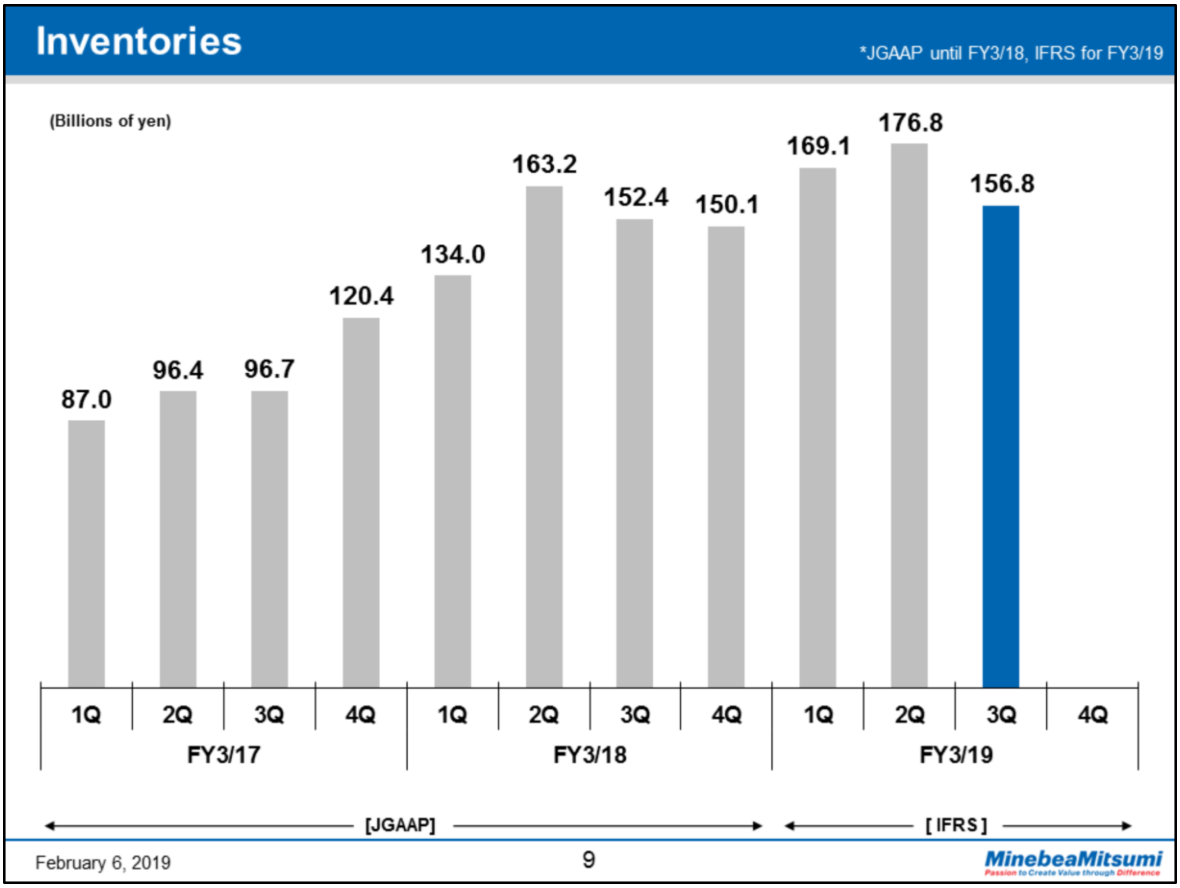
Finally, let's look at the performance of the Mitsumi business segment.

Net sales decreased 13% quarter on quarter to total 87.6 billion yen.

While sales of optical devices and semiconductors increased, sales decreased for other products, primarily mechanical components.

Operating income was 13.0 billion yen with the operating margin at 14.8%. Operating income includes some special factors which were explained in the previous slides.

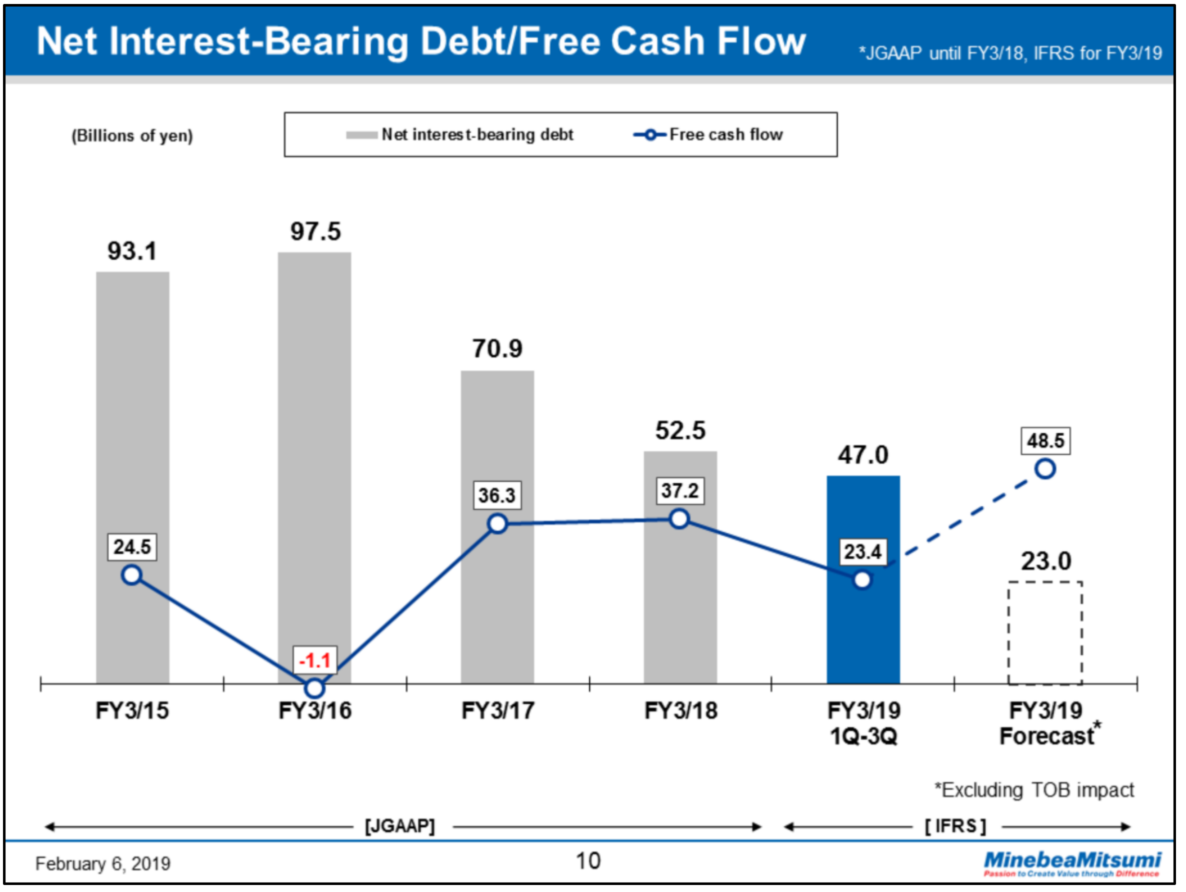
On a quarter on quarter basis, operating income rose 74% while the operating margin grew 7.4 percentage points.



Next we have the quarterly inventory trend.

At the end of the third quarter, inventories totaled 156.8 billion yen, which is 20.0 billion yen less than what it was three months ago.

Although some smartphone related inventory increased, total amount decreased thanks to inventories that had been held for strategic reasons in light of the parts market condition were sold.



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 47.0 billion yen, was down 5.5 billion yen from what it was at the end of the previous fiscal year.

Despite increasing capital expenditures this fiscal year, we expect free cash flows to increase as profits grow and inventories decrease, and net interest-bearing debt to decrease at the end of fiscal year.

Please note that these figures do not include the impact from the TOB.

Forecast for Fiscal Year Ending March 31, 2019

*Based on IFRS

Profits to Hit Record Highs

[IFRS]

(Millions of yen)	FY3/18	FY3/19			
	Full Year	1st Half	2nd Half	Full Year	YoY
Net sales	881,413	449,368	450,632	900,000	+2.1%
Operating income	68,903	33,915	41,085	75,000	+8.8%
Profit before taxes	66,855	34,276	40,724	75,000	+12.2%
Profit for the period attributable to owners of the parent	50,326	26,856	33,144	60,000	+19.2%
Earnings per share, basic (yen)	119.61	64.00	79.68	143.68	+20.1%

Foreign Exchange Rates	FY3/18 Full Year	FY3/19 4Q Assumptions
US$	¥111.19	¥110.00
Euro	¥129.36	¥130.00
Thai Baht	¥3.35	¥3.39
Chinese RMB	¥16.70	¥16.40

This is a summary of the forecast for the fiscal year ending March 31, 2019.

In fourth quarter, we foresee a slowdown of smartphone and HDD mainly from demand decrease in China in addition to the demand decrease due to the trade friction between US and China. Given this backdrop, we have revised our forecast downward.

For the full-year net income has been revised downward 40 billion yen, from 940 billion yen to 900 billion yen, and operating income has been revised downward 10 billion yen from 85 billion yen to 75 billion yen.

Profit for the period has been revised downward 7 billion yen from 67 billion yen to 60 billion yen.

The exchange rate assumption was unchanged at 110 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	449,368	450,632	900,000	+2.1%
Machined components	176,427	95,435	94,565	190,000	+7.7%
Electronic devices and components	451,879	179,142	216,858	396,000	-12.4%
Mitsumi business	252,415	174,482	138,518	313,000	+24.0%
Other	693	309	691	1,000	+44.3%
Operating income	68,903	33,915	41,085	75,000	+8.8%
Machined components	41,007	24,205	24,795	49,000	+19.5%
Electronic devices and components	24,096	5,914	13,586	19,500	-19.1%
Mitsumi business	20,069	10,484	12,516	23,000	+14.6%
Other	-806	-159	-41	-200	-75.2%
Adjustment	-15,463	-6,529	-9,771	-16,300	+5.4%

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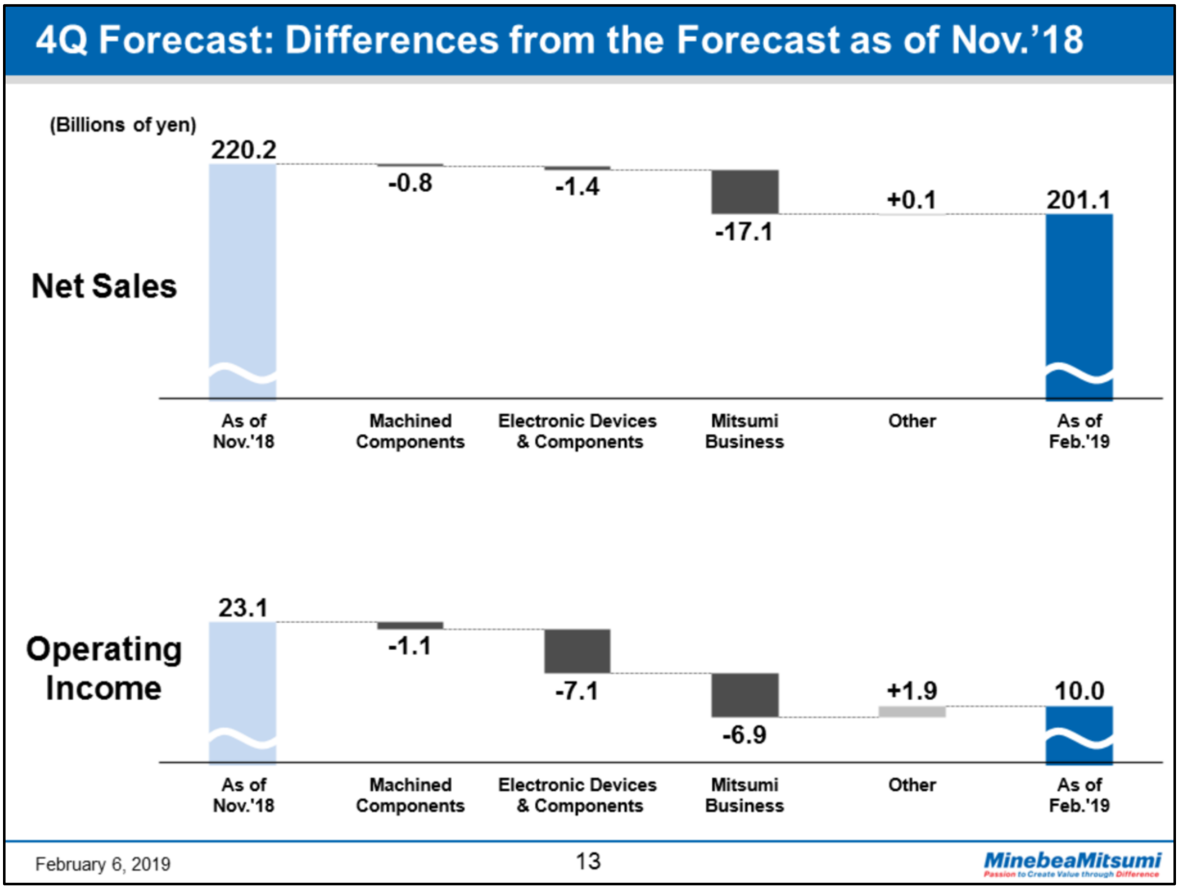
This slide shows the forecast by business segment.



This slide shows the difference between our fourth quarter forecast and the forecast announced in November along with the second quarter results for net sales and operating income by business segment.

Net sales for the machined components segment will be almost on a par with the previous forecast. The electronic devices and components segment will be almost in line with the previous forecast, with decrease in motors and slight increase in electronic devices.

The Mitsumi business' sales will be lower than projected mainly due to declined shipments of mechanical components and smartphone-related parts.

Operating income for the machined components segment will be below previous forecast due to demand slowdown in China, and the electronic devices and components segment and Mitsumi business segment will be lower than projected due to demand slowdown in China in addition to decline in smartphone and game. Especially for the smartphone related businesses, the sudden reduction of production will cause non-operating cost at factories related to increase of inventory and delay of personnel adjustment.

Also, please note that the electronic devices and components segment's operating income forecast for the fourth quarter includes 2.4 billion yen of restructuring cost.

This is all for my presentation.

Now, I'd like to hand over to Mr. Kainuma.

Hello, I'm Yoshihisa Kainuma.

First, I'd like to go over the highlights of today's presentation.

Compared with our initially projected operating income of 28 billion yen, the third quarter results were pretty much within the margin of error excluding some special factors.

Looking at the outlook, first of all, we saw a sharp drop in LED backlight sales forecast for the fourth quarter in January even though the tentative orders we were getting in when we made our last forecast were relatively substantial.

Overall sales, including sales of products other than smartphone components, have also been hit hard by China's economic downturn. We usually get a lot of requests to stock up on products before the Chinese New Year, but we didn't get any this year.

An increase in fixed costs, including labor costs, on top of the sharp production cut for some parts, also helped put a dent in our fourth quarter operating income, which is expected to be 10 billion yen. That's 13 billion yen less than previously estimated, while operating income for the fiscal year will be 10 billion short of our 85 billion yen forecast.

There will be inventory adjustments for mechanical components due to quantity issues in the fourth quarter, but inventory should return to normal in April. The first quarter of next fiscal year should be different from last year.

We will keep an eye on market conditions for HDD-related products now that capital expenditures, etc. are slowing down in China.

I will go over the integration of U-Shin, new product launches, and shareholder returns later on.

Machined Components

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Ball bearing currently under adjustment phase in some areas

Ball bearings

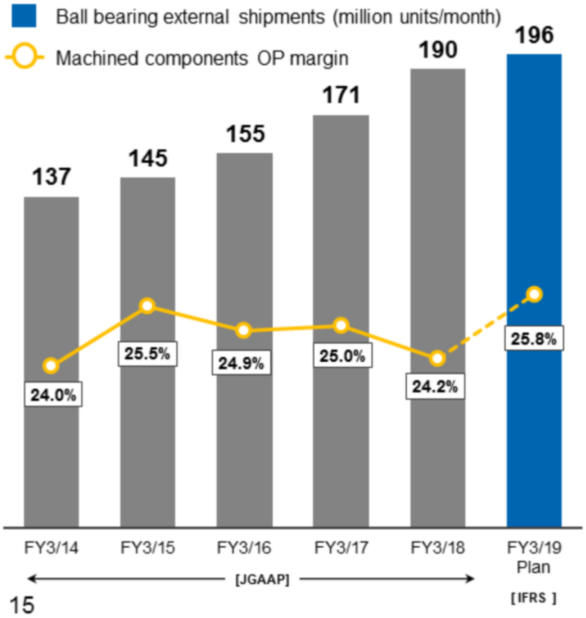
- Slowdown became tangible in some areas related to data centers, HDDs, and high-end home appliances from 3Q and 4Q onwards.
- Structural growth in automobiles.
- Internal shipments slowing down due to pivot assemblies.
- Expanding sales area via aggressive marketing.
- Maintain production, optimize inventory, and reduce shipment cost.

Rod-ends and fasteners

- Profitability keeps improving.

Steady business performance driving growth of machined components.

Ball bearing external shipments and machined components OP margin



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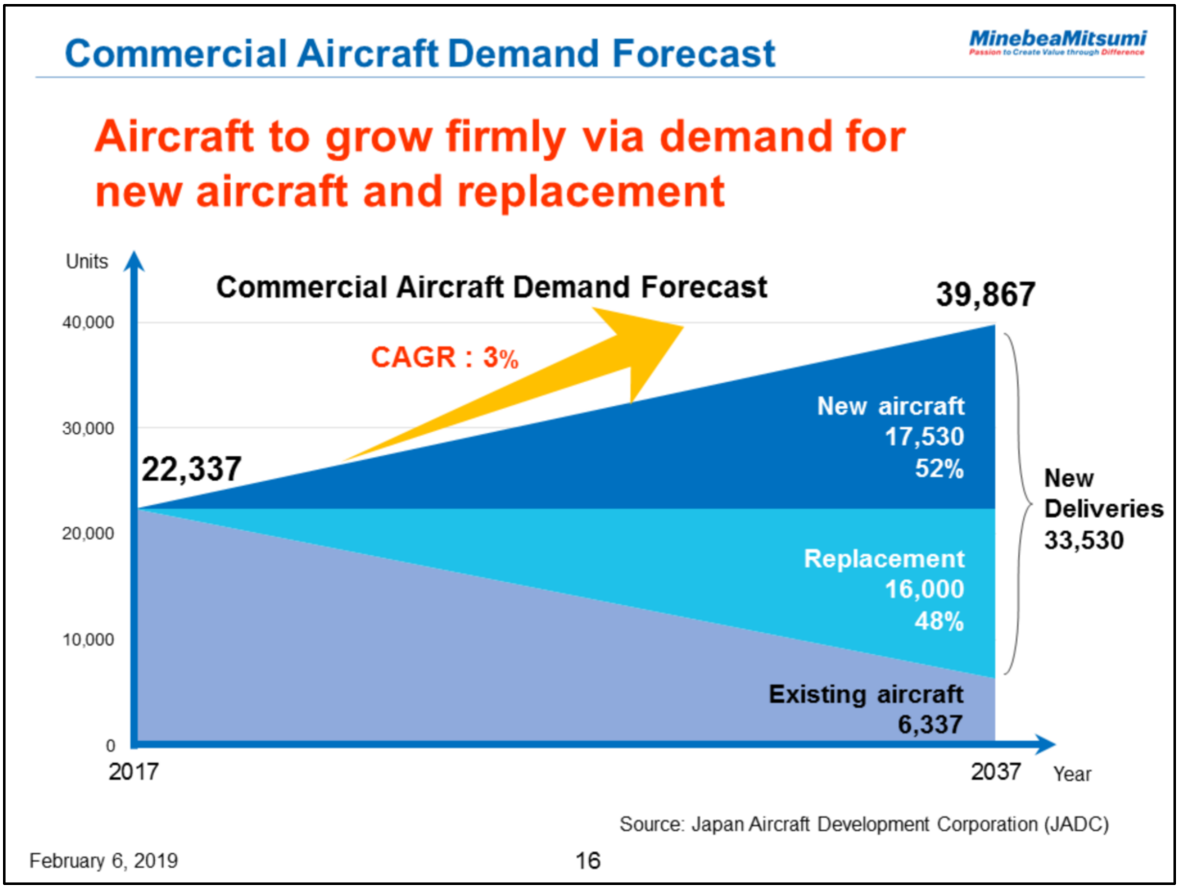
In short, although performance had been up until the third quarter, we have started to see the impact of China's economic slowdown.

We must keep a close eye on how long the downturn in the Chinese market will continue.

According to the forecast for the next fiscal year that I obtained today from sales, the average monthly external shipment volume will be up approximately 5 million units year on year, but the increase will be offset by a decrease of about 5 million units in internal shipment volume. Given China's current economic state, we're going to have to temper our outlook with the assumption that the economy will remain in a lull. It all depends on what happens with the economy. If it picks up, things should return to normal.

The truth is that we have an extensive array of products that we can fall back on, and they really come through in times like this. Our machined components business includes not only bearings but also rod-ends and fasteners (primarily for aircraft). The aircraft industry has been doing extremely well. In addition to a backlog, firm orders are flowing in. Our overall ability to generate operating income has also been steadily up as a result of our efforts to improve productivity that have been ongoing since last year. As we have already announced, since long-term contracts are due for renewal or revision, profitability has been improving as a result of price revisions. We are also working to consolidate the sales operations of C&A, Mach Aero, and Shiono Precision to enhance our current organization with an eye to creating synergy that will appeal to customers.

Over the short run, rod-ends and fasteners will be the machined components growth engine.



This is the demand forecast for commercial jets. Currently there are about 22,000 aircraft under operation. As airline fleets age, demand for replacement aircraft should hit 16,000 and a little over 17,000 for new aircraft in the next 20 years.

In the meantime, we will boost our strength in this area and possibly gain a bigger share of the market. We will work to ensure growth of Machined Components focusing on our aircraft-related business.

Electronic Devices and Components

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Revised full-year forecast in light of a sudden change in LED backlights and motors

LED backlights

- 3Q profit ended up mostly on track.
- Expecting impact from steep production cut in 4Q.

Motors

- Expecting slowdown mostly in HDDs, OAs, and home appliances from 4Q onwards.
- Profit declines in line with sales decrease.

Sensing devices

- Firm contribution to overall profit.

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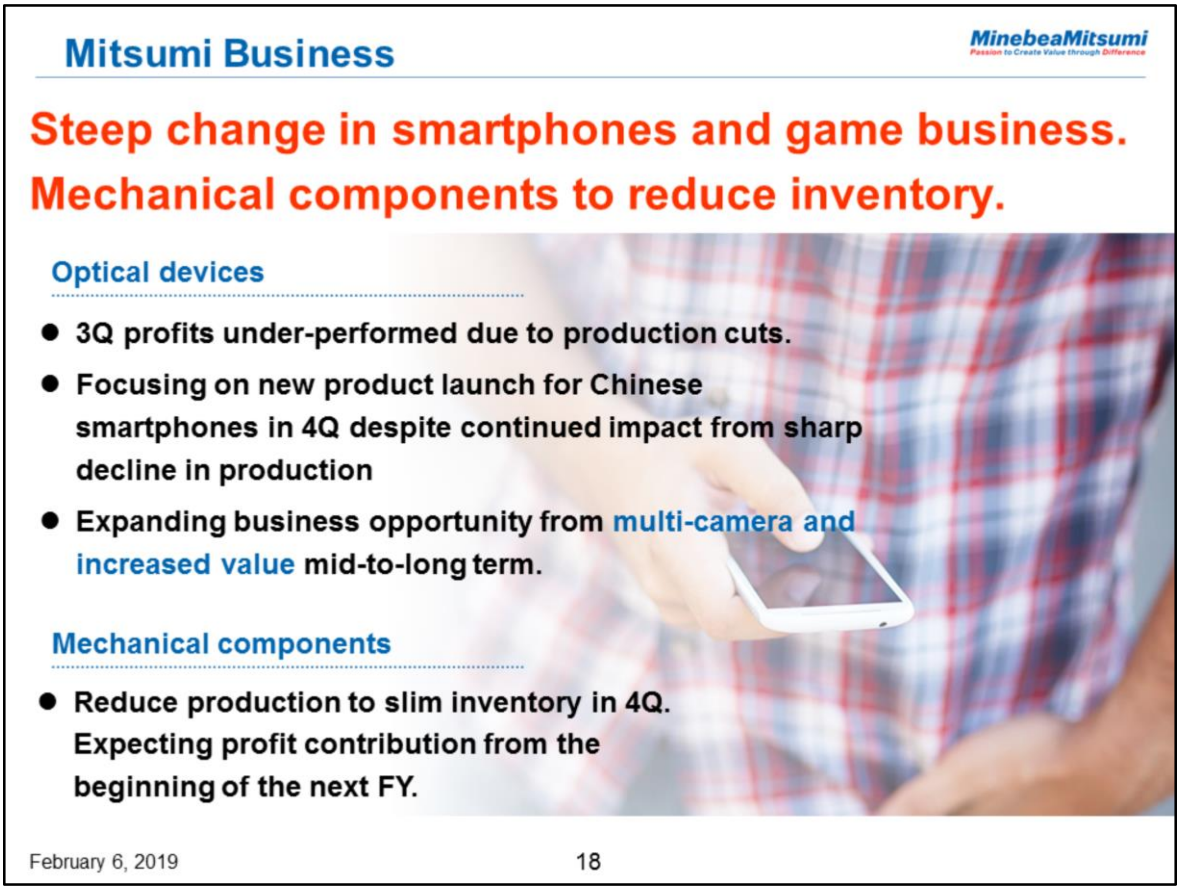
As you have been informed, the motor business is losing steam mostly for HDD, office automation, and home appliance applications due primarily to declining demand in China.

The situation for LED backlights is also somewhat bleak as mentioned earlier. On the bright side though, it’s been proven that expensive smartphones don't sell, so I expect that LCDs will remain in use for a long time. That's why, even though there was a sharp production cut this quarter, I personally believe that LCDs will remain attractive over the long run.

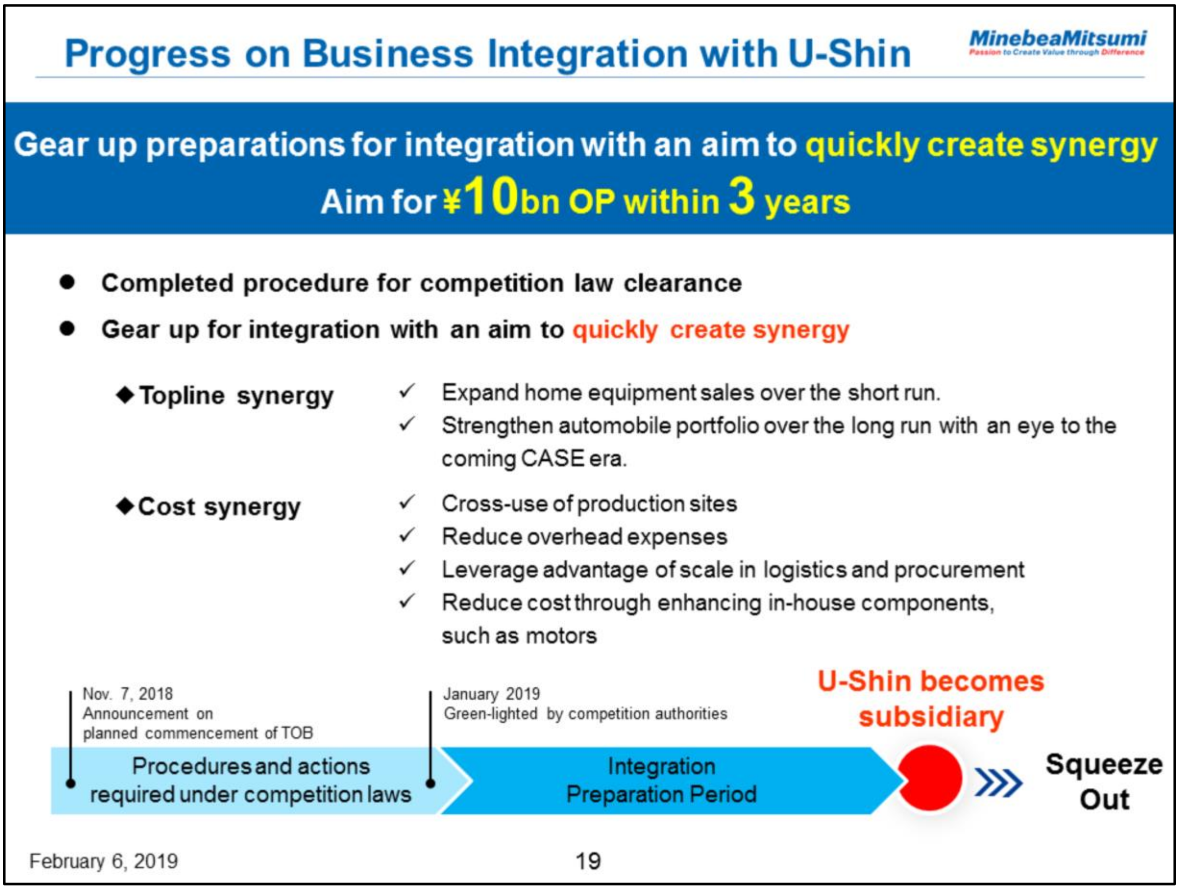


When it comes to optical devices, we are often asked why we don't make more OISs, but I'm glad that we just have the right production capacity.

I've always believed that placing too much emphasis on one particular industry would pose a risk in times like this. Although we’ve felt some impact, overall we were able to keep the damage to a minimum.

Looking ahead, we see lots of different kinds of new products on the horizon, such as multiple cameras, so my outlook for the future is anything but gloomy since I believe the market has already bottomed out.

Mechanical components should start contributing to our bottom line beginning next fiscal year, as I noted earlier.



We are still working on the due diligence for U-Shin, which should be completed soon. We completed the procedure for meeting all competition law requirements. Now that we are ready for business integration, I spent all of last week visiting U-Shin's six European locations. I gave a one-hour livecast presentation in English to about 300 employees at six locations in middle management positions or higher and was pleased with the response I got.

We are looking to use U-Shin locations more actively with an eye to producing our automotive connectors, antennas, and SALIOT products at U-Shin's factories in Europe in order to boost sales. We are also eager to apply U-Shin's automobile technologies to products for the housing market. I will go into more detail about that at the investor meeting to be held in May.

After touring U-Shin's six factories, I have a good feeling that our production assistance will make a big impact. As soon as the TOB procedure is completed, we will send the right number of experts to each factory. I also confirmed that they buy materials made in Japan, so we are looking at the possibility of centralizing purchasing.

While the slide says, "Aim for ¥10bn OP within 3 years," it's not like we are going to be getting orders right away, starting tomorrow. After all this is the automotive business. We will start with improving productivity. Since there is still a lot of room for improvement when it comes to the yield of the European factories, we will work to improve productivity through automation and other measures. As we move ahead with forging a solid footing, we will bring in new orders for automotive products.

We will also look at producing new products at U-Shin's factories as I mentioned earlier.

As the slide here says, our "New Product Trio took off," and we finally started to get 100 to 200 orders a week for SALIOT. In addition to eight salespersons, we started selling the product to lighting companies we have contact with. We've gotten positive feedback from museums, including art museums, and have high hopes it will sell well. We have a world of exciting products waiting to be launched and will work with Mitsumi to create SALIOT products that can be controlled in different ways via the cloud. So it finally took off.

As for smart cities, while I have talked about Cambodia many times, we received an order for 22,000 units (nodes) from Chile just three weeks ago. We learned that Chile will start using the 6LoWPAN protocol, which we use, for its street lighting systems so we are looking forward to seeing some very interesting developments in South America as well.

While we haven't sold that many bed sensors yet, we now know that they can record a person's heartbeat just like an electrocardiogram thanks to advances made in noise cancellation technology. We are receiving more and more inquiries and started delivering our bed sensors to various facilities on a trial basis in addition to providing samples. Once the technology gets a little more sophisticated, we should be able to make more exciting products.

We have also been working to develop some new products. When the economy stagnates, there are only two things to do. One is to increase market share and the other is to launch new products. Increasing market share can result in lower prices or something negative, so it's really not worth the effort. That's why, instead of increasing our market share with our existing products, we are focusing on launching new products, such as those listed here, with an eye to significantly improving our financial performance next fiscal year and onward. On the slide, it says "other products not available to the public." Some of these products will be released next fiscal year, but I can't give you any information due to nondisclosure agreements with customers.

We will remain focused on launching new products and seeking M&A opportunities to achieve growth even if the economy stays in the doldrums.

Present Strategy and Shareholder Return

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1. Accelerate growth via M&As as well as organic through INTEGRATION of existing products
2. Gain a firm foothold through ¥1 trillion sales (¥1 trillion + ¥100-200 billion)
3. Expand sales via launch of new products through INTEGRATION
4. Offset decline in smartphones and HDDs through U-Shin
5. Be proactive about shareholder returns (including flexible share-buyback)

Share buyback (completed on December 17, 2018)

- Number of shares: **6.3 million shares (actual)**
(equal to **1.49%** of total issued shares excluding treasury shares)
- Amount: **10.6 billion yen (actual)**

Total return ratio, including dividend, reaching 37% this fiscal year

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

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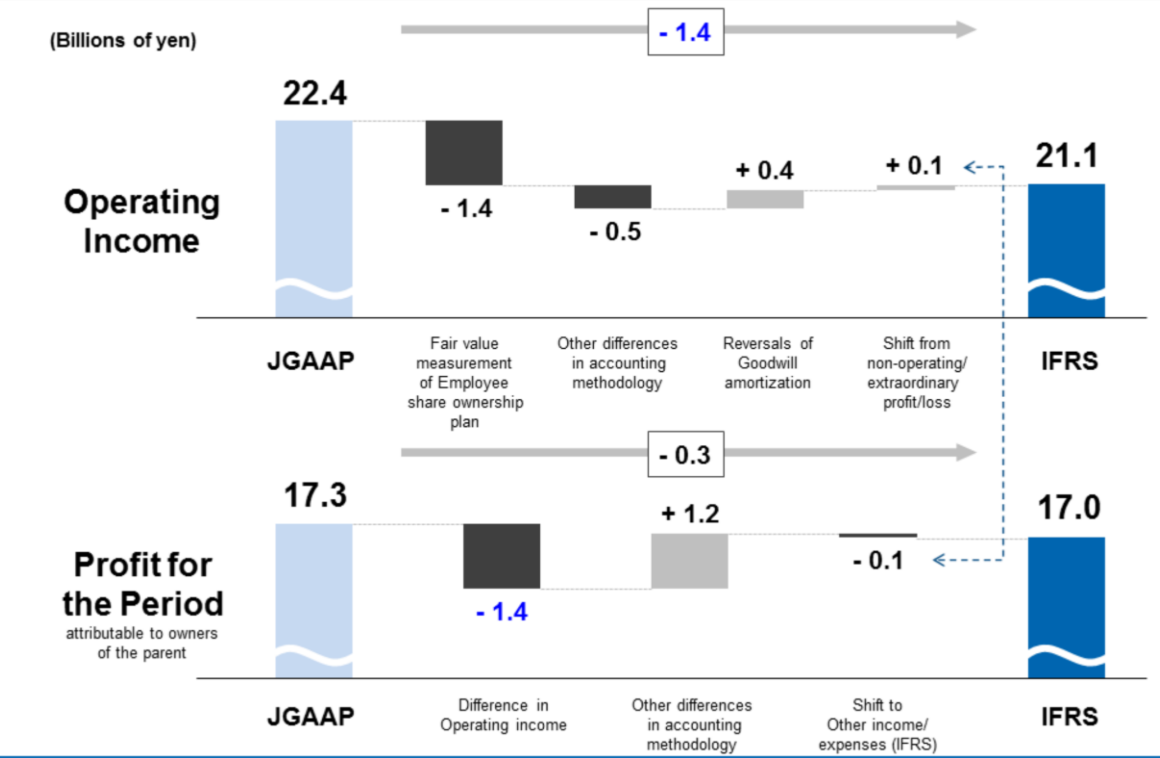
If you read the slide, you'll see that I've already talked about this.

Reference

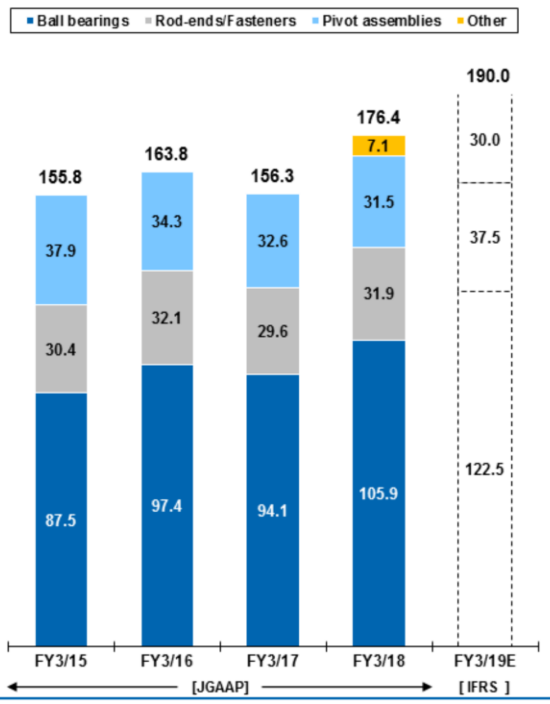
Difference between JGAAP and IFRS for 3Q of FY3/18



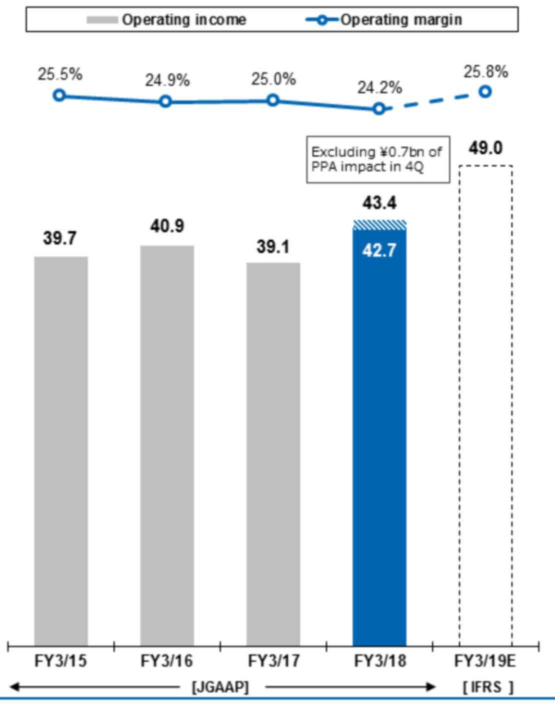
Machined Components

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

Net sales (Billions of yen)



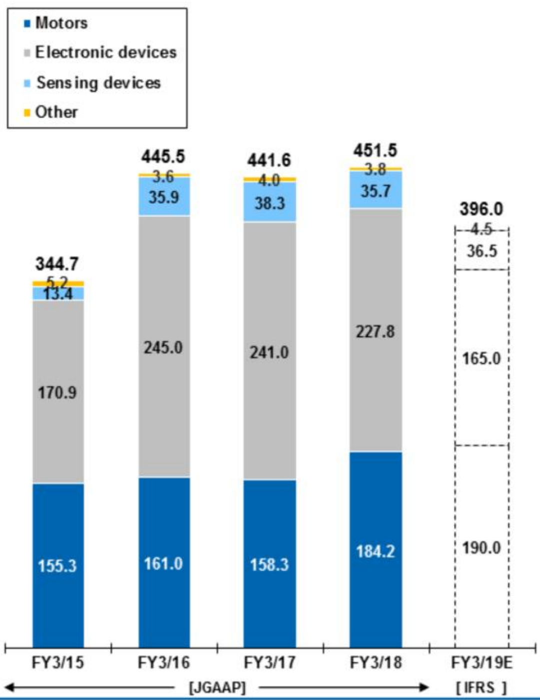
Operating income (Billions of yen)



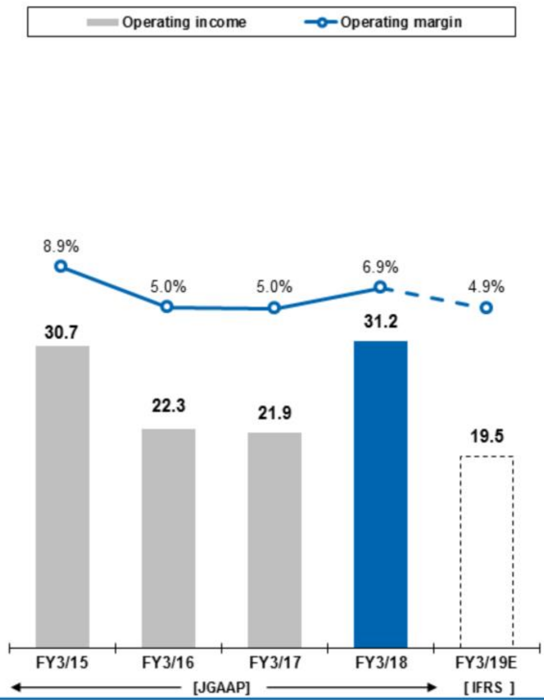
Electronic Devices & Components

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

Net sales (Billions of yen)



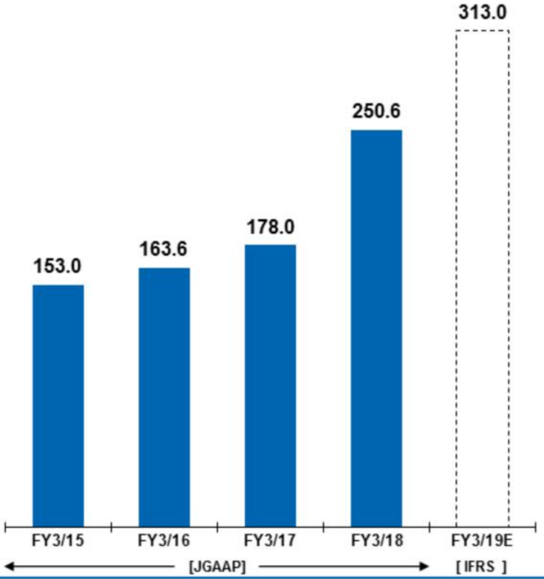
Operating income (Billions of yen)



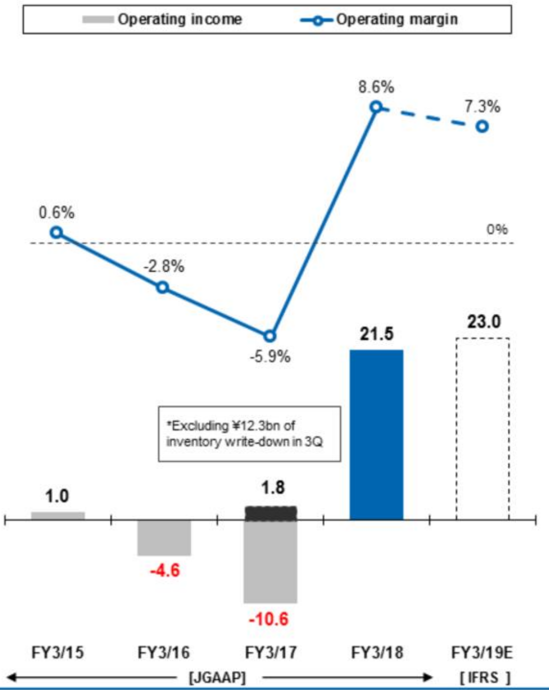
Mitsumi Business

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

Net sales (Billions of yen)



Operating income (Billions of yen)



Sustainability Topics

Setting up Nomination and Compensation Committee

- Established in December 2018 via revised Corporate Governance Code
- Majority (3 out of 4) made up of independent outside directors
- Chaired by an independent outside director

Enhance independence, objectivity, and accountability of the Board of Directors functions related to director nominations and compensation

Responding to CDP

- Responded to CDP 2018 questionnaire in August 2018
- CDP released scores on January 22, 2019

  (Our scores) Climate change: B (management level)

  Water security: B (management level)

Promote business activities aimed at creating economic value while addressing social issues

Selected for GPIF excellent & most-improved integrated reports

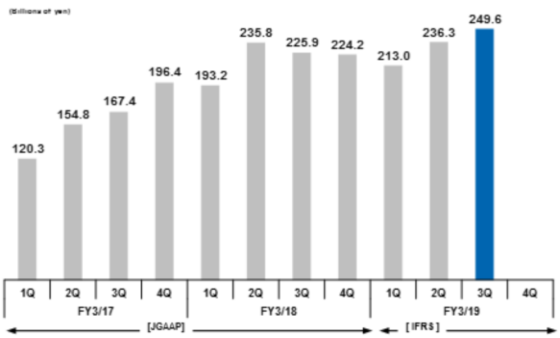
- Selected by the GPIF asset managers entrusted with domestic equity investment
- Our integrated report was given high marks and deemed "most-improved" by 4 or more asset managers

Continue to explain our sustainability and value creation story

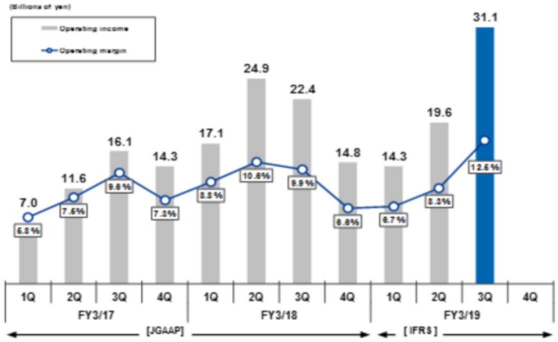
Other Financial Data 1

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

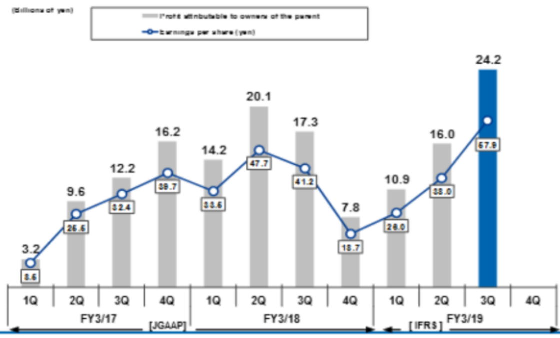
Net sales



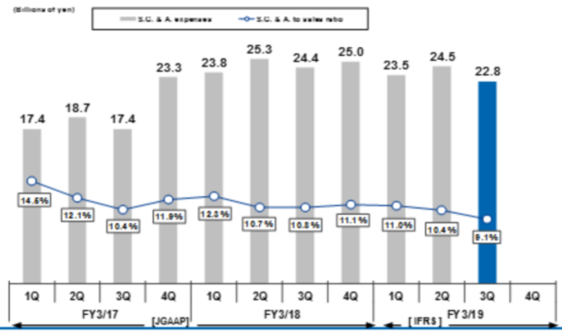
Operational profit/margin



Profit attributable to owners of the parent/EPS



S.G.&A. expence/ratio



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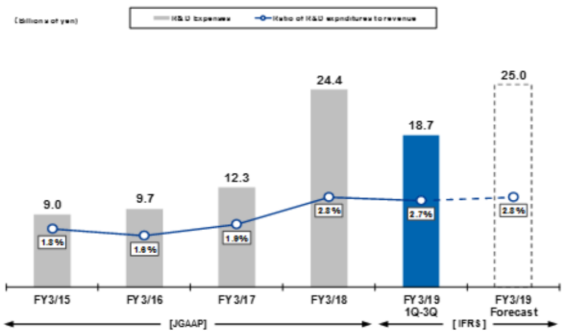
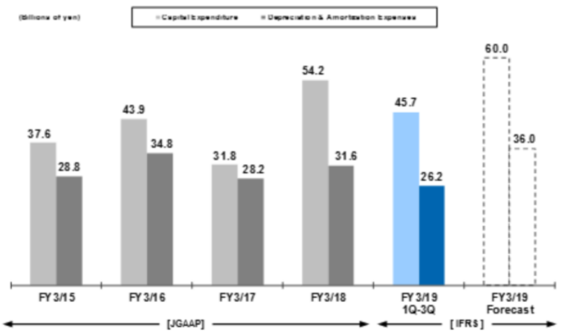
Other Financial Data 2

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

R&D Expenses



Capital Expenditure/D&A Expense

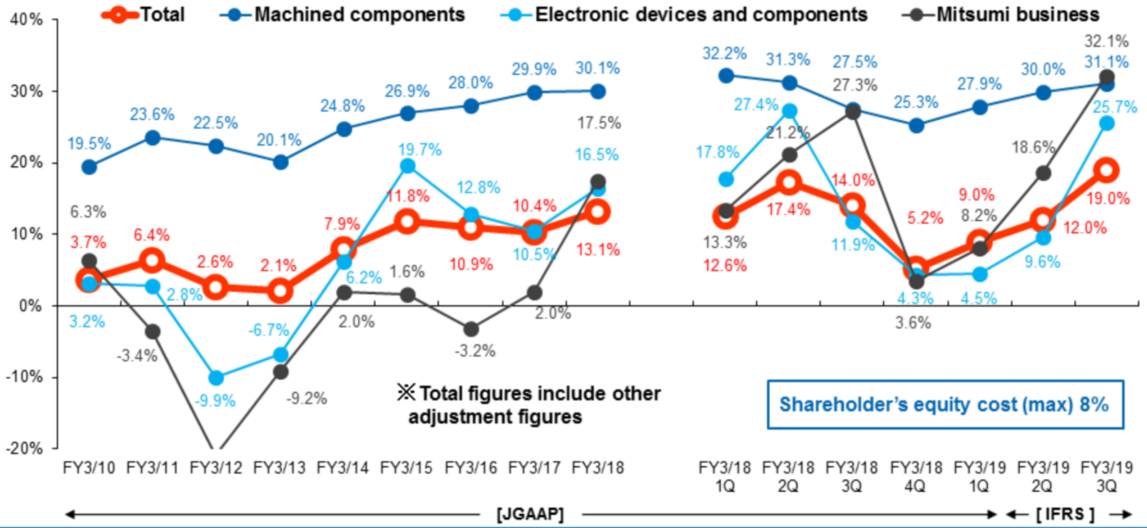


ROIC (Return On Invested Capital)

*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



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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.