

Chapter I Value Creation Story of MinebeaMitsumi

Source of the Value Creation

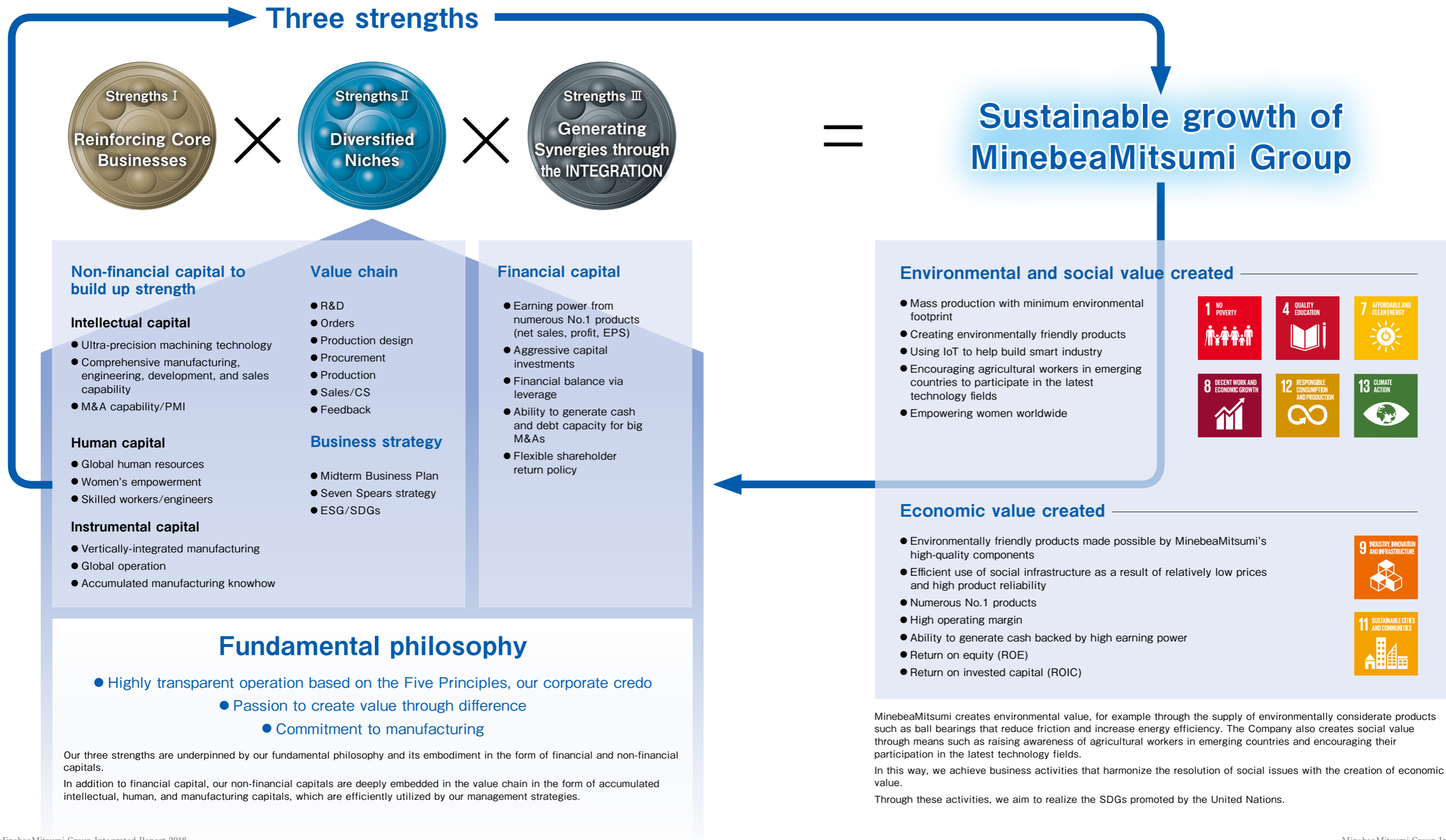
Sustainable growth based on three strengths

MinebeaMitsumi's three strengths are "Reinforcing Core Businesses," "Diversified Niches," and "Generating Synergies through the INTEGRATION."

By refining these three strengths and generating synergies, we have created environmental and social value at the same time as economic value, thereby accumulating both financial and non-financial capital.

Using all such capital, we will further hone our three strengths to realize sustainable growth.

*INTEGRATION means "combining" rather than "simple gathering" of the Company's proprietary technologies to evolve the Seven Spears and to create synergies in various fields through the INTEGRATION of our advanced product.



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We aim to capture an **overwhelming majority of the market share** with our core products using our original technology and production system



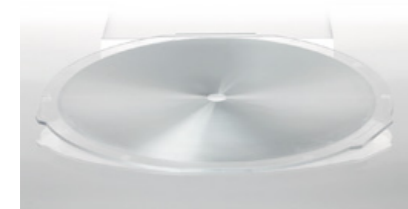
Based on the ultra-precision machining technology we have developed in ball bearings, we develop the world's smallest and thinnest products.

Vertically integrated manufacturing enables us to achieve both "ultra-precision machining technology" and "mass production."

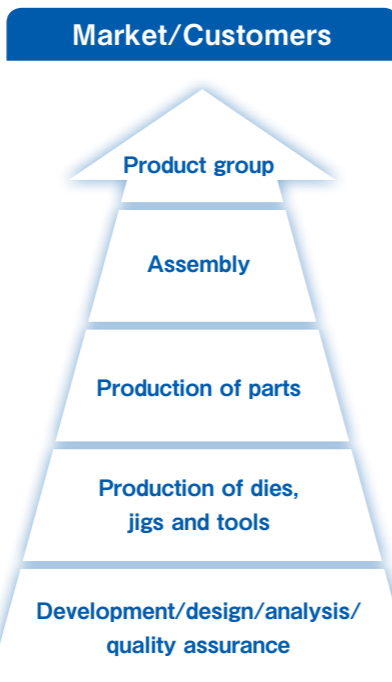
Overseas production ratio of 90%. Overseas production not only reduces costs, but also reduces logistics costs and disperses risks posed by disasters, conflicts, etc. It also enables us to develop diverse human resources.



The World's smallest



The World's thinnest



Global network

26 countries
64 plants
50 sales offices



MinebeaMitsumi's core businesses (which include bearings, motors, and sensors) are supported by three competitive advantages: "ultra-precision machining technology," "vertically integrated production system," and "global production operations."

By continuously strengthening these three competitive advantages, we generate value in the form of "ultra-high quality," "highly competitive pricing capability," and "swift and unrivalled supply capability."

From among stable large-scale markets, the Company focused on specific markets where it could make the most of its strengths. As a result, we have captured the overwhelming majority of market share in variety of our products.

Ultra-high quality, highly competitive pricing capability, and swift and unrivalled supply capability

High market share in fields requiring high precision and quality

The Company's ultra-high quality products meet customer's rigorous requirements for quality, price, and delivery time.



Server cooling fans for data centers that operate around the clock every day of the year, and other products. Sales are continuing to increase as demand increases due to the rapid progress of SNS and data cloud services.



Ball bearings for drones required to deliver high durability and safety amid a harsh environment affected by changes in temperature, and other products. The market is expected to expand even further as these products are used in a growing variety of ways, including in transportation and logistics.



Highly sensitive and precise bed sensors, and other products. In the aging society of the near future, the Company's products, including sensors, will contribute to reducing the burden on health care providers and to improving patient QOL (quality of life). At the same time, business opportunities are expanding.



Various safety parts playing an increasingly important role with the advance of electrification and automated driving in vehicles and response to the environment, and other products. The Company's high-quality products, such as bearings, motors, and connectors, are contributing to addressing the issue of severe temperature change and to meeting demand for products that are durable enough to last for decades.

Swift and unrivalled supply capability

In the case of ball bearings, long-term stable supplies are required, in the order of hundreds of millions per month. LED backlights for LCDs also need to be produced quickly in the tens of millions in step with customers' demand trends. We mass produce products at the same level of high quality at all our factories worldwide.

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Diversified management centered on niche fields, underpinned by strong technologies



MinebeaMitsumi's strength lies in its business model of capturing a high market share and profitability in niche segments. This strategy started with a focus on miniature sizes in the ball bearing business, which has been a core business since our foundation.

Furthermore, the ultra-precision machining technologies refined in the bearing field formed a basis for diversification based on the principles of "businesses with enduring, large markets" and "not only making the most of its strength, but also demonstrating synergies with its existing products and technologies," which has led to business scale expansion.

The Company will continue to select and concentrate its business portfolio as it strives to create new value going forward.

High market share and profitability in niche fields

Competing in niche fields

By specializing in miniature and small sizes, our market share and earning power increased (external diameter of 22 mm or less)

- Ball bearings**
 - Global ball bearing market: ¥4 trillion
 - The Company's share: 60%
 - Miniature and small size (external diameter of 22 mm or less)
- Motors**
 - HDD drive motors: Only 2 companies in the world
 - Various motors for multi-function copier-printers: Overwhelming market share
- LED backlights for LCDs**
 - Uses of LCDs: Televisions, Notebook PCs, Tablet PCs, Smart phones, Automotive displays, etc.
 - Market share: Overwhelming market share
 - Product types: High-end, Mid-range, Low-end

Seven Spears

Core products for businesses based on the Company's technology strengths

- Bearings
- Motors
- Sensors
- Connectors/switches
- Power supply components
- Wireless/communications/software
- Analog semiconductors

Diversification/portfolio selection and concentration

Diversification in niche areas, which is selection and concentration. Strengthen portfolio while judging appropriately whether to proceed with development, M&A, or business withdrawals

- New product development**
 - Smart street lights (2014)
 - Wavy Nozzle (2015)
 - SALIOT (2015)
 - Bed sensors (2017)
 - Ultra-high sensitivity strain gauge film "MINEGE™" (2017)
 - Resonant devices (2018)
- Trend of business withdrawals in the past** (*Peak-era net sales)
 - 1990's: approximately ¥85.0 billion* (E.g.: Pig farming, semiconductor memory)
 - 2000's: approximately ¥50.0 billion* (E.g.: FDDs, RO bearings, MODs, etc.)
 - 2010's: approximately ¥65.0 billion* (E.g.: Vibration motors, speakers, etc.)
- M&As (47 companies in 47 years)**
 - C&A Tool Engineering, Inc. and Mach Aero group (2017)
 - MITSUMI ELECTRIC CO., LTD. (2017)
 - Sartorius Mechatronics T&H GmbH (2014)
 - CEROBEAR GmbH (2013), etc.

Overwhelming market share

Pivot assemblies for hard disk drive (HDD)

The World's No.1 share

80%

High margin

Operating margin

Approximately 25%

Machined Components Business

Net sales since foundation (Billions of yen)

18 years (1971-1989): 21 M&As

20 years (1989-2009): 10 M&As

9 years (2009-2017): 16 M&As

Significant growth through M&As following selection and concentration

*Fiscal year ended September 1993 is omitted as this was a six-month period.

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Further strengthening business through synergies derived from the INTEGRATION of Minebea business × MITSUMI business



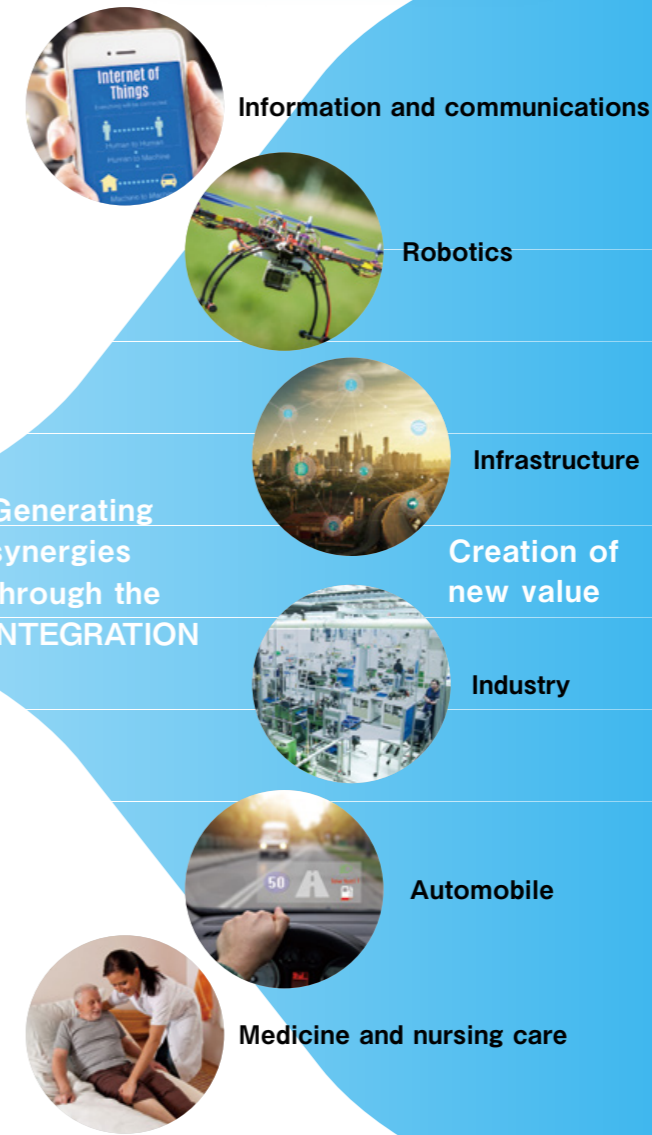
We will combine and utilize eight core technologies refined by MinebeaMitsumi, such as ultra-precision machining technology and large-scale production technology, to evolve each of the Seven Spear products and create new business opportunities through the INTEGRATION and recombination of the evolved products.

For example, by modularizing added value, such as sensors and wireless technologies with miniature and small-sized ball bearings, for which we have the largest global market share, we will provide unique products and services that have no equivalent anywhere in the world to play a part in the IoT society, where things are connected.

Evolution through the INTEGRATION and recombination
Advanced product groups that will be vital to society

We generate synergies through an INTEGRATION, combining two of our Seven Spear products with our eight core technologies.

	Bearings	Motors	Sensors	Connectors/switches	Power supply components	Wireless/communications/software	Analog semiconductors
Bearings	→	○	○	○	○	○	○
Motors	○	→	○	○	○	○	○
Sensors	○	○	→	○	○	○	○
Connectors/switches	○	○	○	→	○	○	○
Power supply components	○	○	○	○	→	○	○
Wireless/communications/software	○	○	○	○	○	→	○
Analog semiconductors	○	○	○	○	○	○	→



Example of generating synergies through the INTEGRATION

- Small-sized precision motors using ultra-high-efficiency ball bearings, controlling ICs, and sensors
- Bearing-sensor combination that can detect replacement periods
- High sensitivity strain gauge film MINEGE™ and ADC (analog-to-digital converter) for precision robotics
- Automobile electronics and mobile devices using connectors/switches and power supply components

Sustainable growth driven by the results of the quasi-conglomerate premium*

*Quasi-conglomerate premium: This refers to the corporate evaluation that MinebeaMitsumi aims to acquire as a comprehensive manufacturer of globally rare precision components by combining its core technologies to generate synergies in various high-end niche fields.

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Approach and Future Shape of MinebeaMitsumi

Aiming to realize **sustainable growth** while contributing to solutions for **social issues**

By combining its accumulated non-financial and financial capitals, the Company has strengthened its core businesses, promoted diversification, and created new value through the INTEGRATION of these businesses.

Looking ahead, we will treat ESG issues and business as opportunities and utilize our three strengths as we continue our efforts to achieve sustainable growth. We will strive to attain our quantitative targets of net sales of 1 trillion yen and operating income of 100 billion yen within the next few years, and to take up new challenges beyond that.



Initiatives for sustainable growth

At the heart of our corporate credo, the Five Principles, is a commitment to engaging our stakeholders in dialogue and ensuring management transparency. This spirit is part of our corporate DNA and passing it down to future generations will support sustainable growth.

The Five Principles

- Be a company where our employees are proud to work
- Earn and preserve the trust of our valued customers
- Respond to our shareholders' expectations
- Work in harmony with the local community
- Promote and contribute to global society

E Environment

- Prevention of global warming
- Effective use of resources
- Reduction of the use of substances having an environmental impact

7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION

S Social

- Personnel development worldwide
- Workforce diversity
- Creation of safe and worker-friendly work environments
- Responsible procurement
- Supply of safe and reliable products
- Dialogue with local communities

1 NO POVERTY 4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH

G Governance

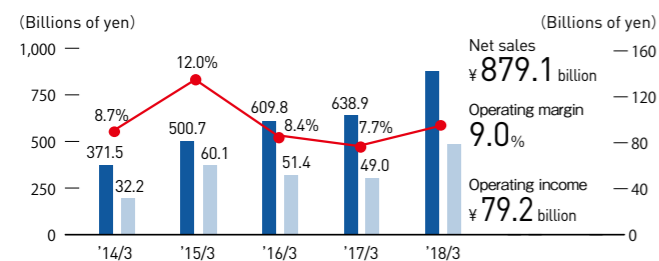
- Stakeholder engagement
- Appropriate information disclosure, active dialogue with investors
- Formulation of Midterm Business Plan for sustainable growth
- Fair compensation and incentives based on performance
- Strengthening Group governance

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Financial and Non-financial Highlights

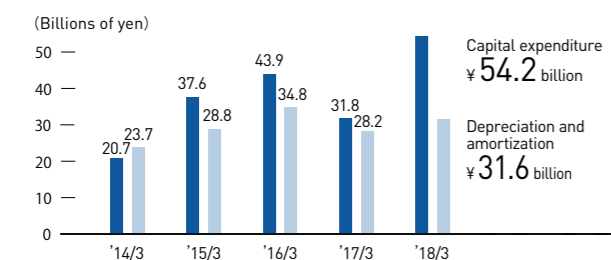
Financial highlights

Net sales, operating income and operating margin



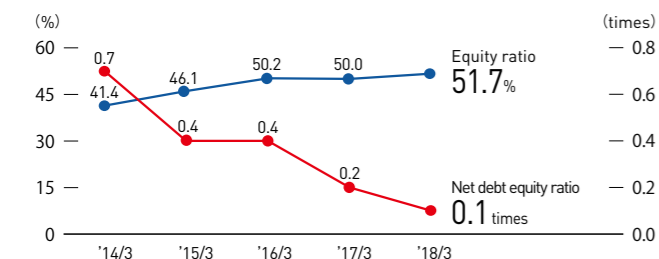
Both net sales and operating income hit record highs by a significant margin due to a substantial contribution from MITSUMI business along with strong performance of our main products.

Capital expenditure, depreciation and amortization



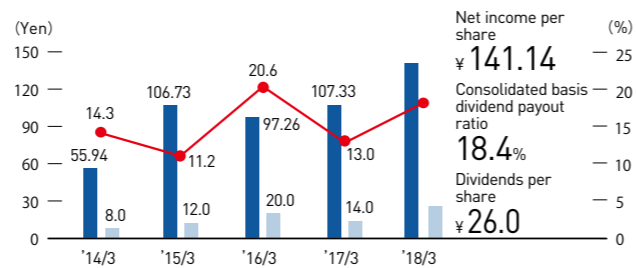
Capital expenditure increased particularly due to investment undertaken to strengthen operations of the MITSUMI business, and was also accompanied by an increase in depreciation and amortization.

Equity ratio and net debt equity ratio



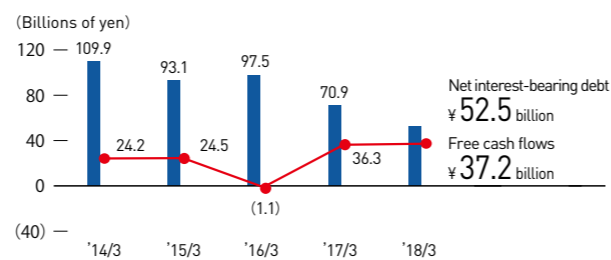
Financial position was bolstered by year-on-year improvement with respect to both the equity ratio and net debt equity ratio.

Net income per share and dividends



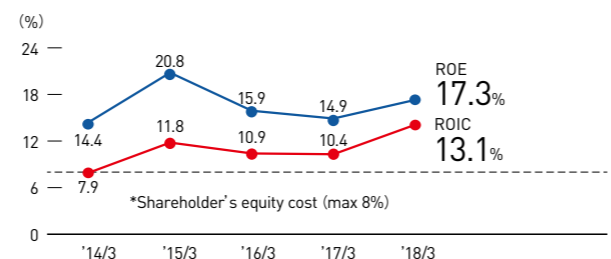
Dividends for the fiscal year ended March 2018 were increased to 26 yen, an increase of 12 yen in comparison with the previous fiscal year, as a result of efforts to provide shareholder returns at levels that better reflect business performance.

Net interest-bearing debt and free cash flows



Free cash flows held to high levels and net interest-bearing debt further decreased, despite increasing capital expenditure and other negative factors.

ROE and ROIC



We have been heightening corporate value while increasing capital efficiency, amid a situation where we achieved a 2.4 percentage point year-on-year increase in ROE largely due to profit growth and share buyback, and maintained a capital structure whereby its ROIC exceeds its shareholder's equity cost (max).

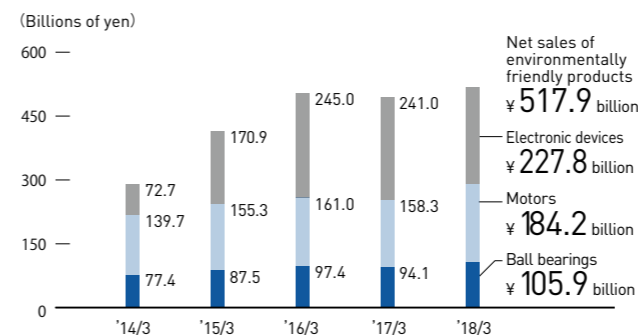
As of March 31, 2014	As of March 31, 2018
Cash and deposits: 38.6	Cash and deposits: 104.9
Notes and accounts payable: 29.9	Notes and accounts payable: 98.3
Notes and accounts receivable: 74.3	Notes and accounts receivable: 167.1
Inventories: 63.7	Inventories: 150.1
Other assets: 13.1	Other assets: 21.8
Fixed assets: 191.6	Fixed assets: 263.9
Total assets: 381.3	Total assets: 707.8
Notes and accounts payable: 29.9	Notes and accounts payable: 98.3
Other liabilities: 39.4	Other liabilities: 78.8
Interest-bearing debt: 148.5	Interest-bearing debt: 157.4
Total net assets: 163.5	Total net assets: 373.3

The balance sheet improved substantially due to our capacity to generate cash flows underpinned by its favorable business performance. In comparison with March 31, 2014, whereas net interest-bearing debt has more than halved, net assets have increased substantially while the equity ratio and other financial indicators have also improved.

Going forward, premised on the notion of maintaining financial discipline, cash generated will be used to strengthen our financial position and provide shareholder returns, with top priority having been placed on growth investment including M&As.

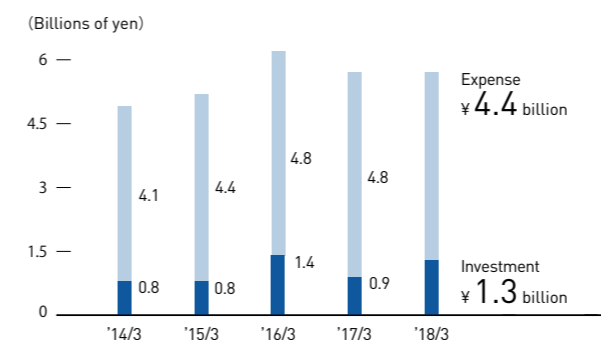
Non-financial Highlights

Net sales of environmentally friendly products



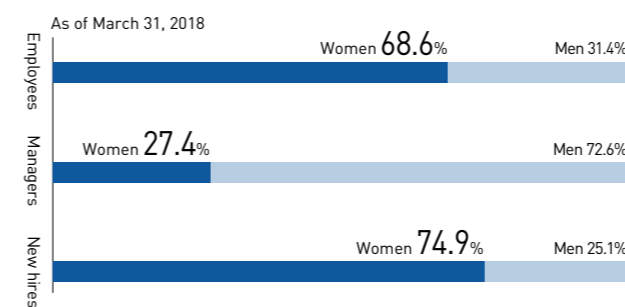
MinebeaMitsumi's environmentally friendly products include our ball bearings, motors and electronic devices (LED lighting-related) that contribute to achieving energy savings, high efficiency and long product life. In the fiscal year ended March 2018, total net sales in those three product categories amounted to 517.9 billion yen, accounting for 58.9% of our overall net sales.

Environmental conservation costs



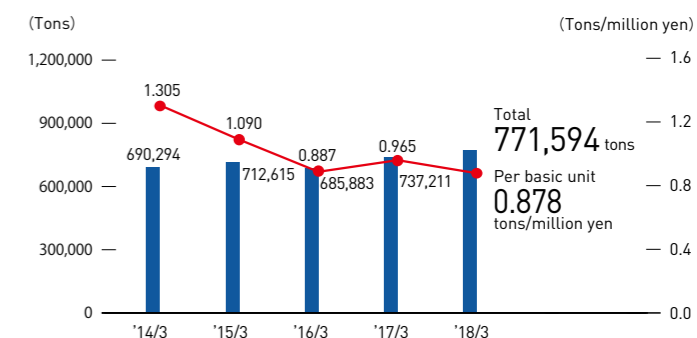
Environmental conservation costs are calculated as the total of investment and expense on the basis of the "Environmental Accounting Guidelines 2005" published by Japan's Ministry of the Environment. We incurred 5.7 billion yen in environmental conservation costs which encompassed investment and expense combined in the fiscal year ended March 2018.

Proportion of female employees (employees, managers, and new hires)



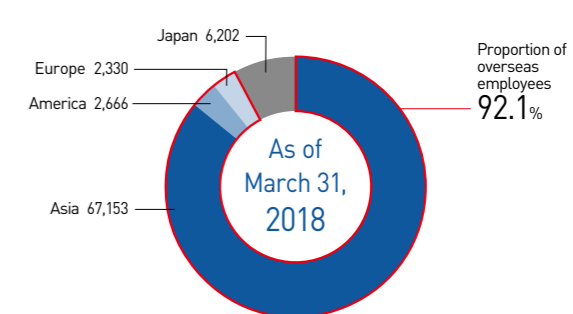
We have been creating workplace environments where our diverse group of employees is able to maximize their talents. This involves promoting the empowerment of our female employees with the aims of creating new values and competitiveness. Women accounted for 68.6% of our employees and 27.4% of our managers as of March 31, 2018.

CO₂ emissions



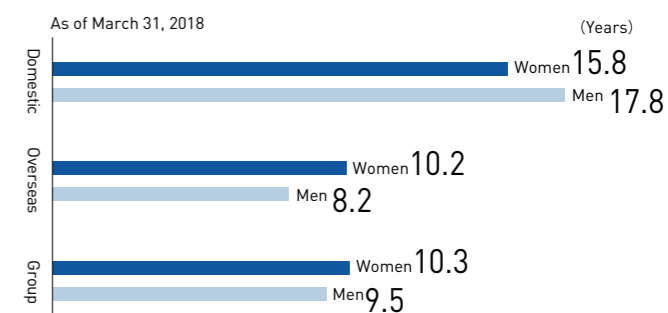
We address the matter of CO₂ emissions related to global warming both in terms of total volume and per basic unit of output. Our CO₂ emissions per basic unit of output have been trending lower over the medium to long term, although in the short-term such initiatives are prone to effects of foreign exchange and other such factors. In the fiscal year ended March 2018, our CO₂ emissions amounted to 0.878 tons/million yen, on a per basic unit of output basis.

Number of employees by region



The Group's proportion of employees based overseas is high at 92.1% given that some 70% of its net sales are generated outside of Japan and roughly 90% of its production takes place abroad.

Average of working years by gender



The average years of service for female employees of the overall Group is high, and there are no substantial gender differences in that regard. As such, we are taking steps to develop workplace environments where it is possible for employees to continue working after having taken childcare leave.