Chapter Ⅲ

Strategies by Business

The MinebeaMitsumi Group consists of three business segments, namely the Machined Components business, the Electronic Devices and Components business, and the MITSUMI business segments.

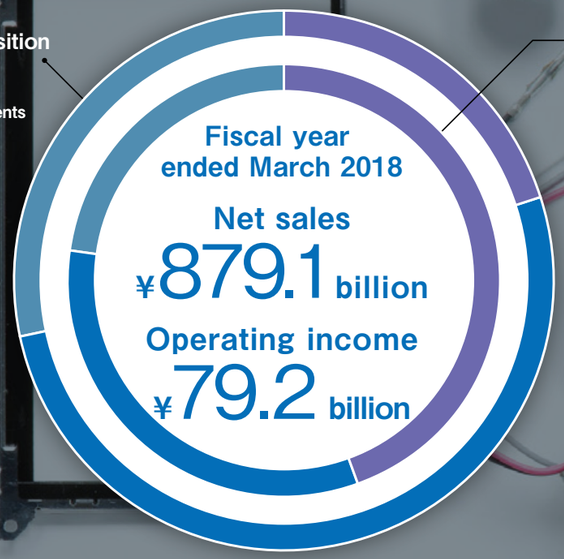
We originally embarked on business as a manufacturer specializing in ball bearings, but later applied our capabilities in ultra-precision technologies developed through machining operations to our Electronic Devices and Components business.

As a result, our Electronic Devices and Components business now outperforms our Machined Components business in terms of percentage of net sales.

This section of the report provides an overview of our respective business segments.

Net sales composition

- Machined Components Business **20%**
- Electronic Devices and Components Business **51%**
- MITSUMI Business **29%**



Operating income composition

- Machined Components Business **45%**
- Electronic Devices and Components Business **33%**
- MITSUMI Business **23%**

Machined Components Business

Income up
9.1% YoY

We achieved firm and certain sales and income increases particularly due to higher ball bearing volume and improved profitability.

SWOT analysis

Strengths
- Ultra-precision machining technology
- High-quality and mass production technologies
- Product supply speed
- High market share in niches

Weaknesses
- Supply shortages due to increased demand
- (Greatly improving in recent years)

Opportunities
- Innovation of products
- More sophisticated and advanced products
- Demand for greater energy efficiency

Threats
- Rising raw materials prices
- Shift to low-priced products

Future growth strategy

- Response to increasing demand
- Boosting the production capacity
- Improvements in productivity
- Enhancement of aerospace area and entry into new area
- Development of new technologies

Electronic Devices and Components Business

Income up
42.4% YoY

Motors performed well, centered on products for automobiles. Sales and income increased as a result of firm demand of ultra-thin LED backlights for LCDs.

SWOT analysis

Strengths
- High-quality and mass production technologies
- Product supply speed
- High market share in niches
- Extensive product lineup

Weaknesses
- Low profitability for some products
- Insufficient sales channels for new products

Opportunities
- Innovation of products
- More sophisticated and advanced products
- Demand for greater energy efficiency

Threats
- Substitution with new technology
- Intensifying competitive environments
- Rising raw materials and parts prices

Future growth strategy

- Core business centered on motors and sensing devices
- Expansion of automotive product lineup
- INTEGRATION with former MITSUMI ELECTRIC's technologies
- Development of new technologies
- Maximization of profitability of LED backlights for LCDs

MITSUMI Business

Income up
¥20.0 billion YoY

YoY profitability improved across all businesses. There was a significant improvement in overall productivity in addition to an increase in shipments of new game consoles and camera actuators.

SWOT analysis

Strengths
- R&D capability/proposal-based sales capability
- Capability for handling mass production
- Product supply speed
- Connectivity (IoT) related technologies

Weaknesses
- Low profitability for some products
- Susceptibility to demand trends
- Product portfolio

Opportunities
- Demand for greater energy efficiency
- Increased demand for connectivity related products
- Emergence of revolutionary products
- Increasing digitalization of components

Threats
- Substitution with new technology
- Intensifying competitive environments
- Change in trend of major customers

Future growth strategy

- Creation of new products utilizing development capabilities
- Expansion of automotive product lineup
- Further improvements in productivity
- Development of business focused on sales of modules rather than sales of single units.

Machined Components Business

High profitability generated by overwhelmingly high market share and accumulated core technologies

Major products

Ball bearings
Rod-end bearings
Spherical bearings
Roller bearings
Fasteners
Bushings
Pivot assemblies
Mechanical assemblies
Aerospace fasteners

Overview of the fiscal year ended March 2018

Machined Components business highlights

Operating margin Approximately **25%**

ROIC Approximately **30%**

External sales volume of ball bearings (1) Year-on-year increase for **22** consecutive quarters (as of the fourth quarter of the fiscal year ended March 2018)

External sales volume of ball bearings (2) **200** million units or more/month (+ internal sales 80 million units/month)

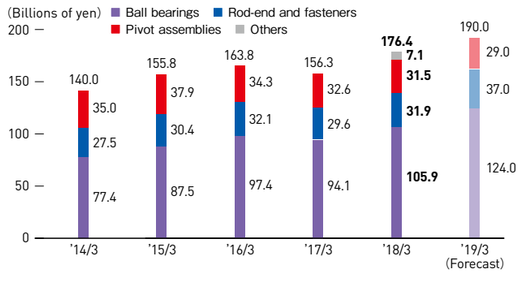
Production volume of ball bearings **280** million units/month

Many products boast **overwhelmingly high** market shares

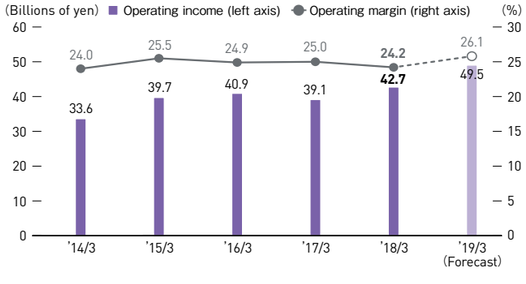
Currently expanding the product portfolio

Technological innovation as a driver of growth, involving shift to electric vehicles, etc.

Net sales



Operating income/operating margin



Overview of the fiscal year

Record highs with respect to both net sales and operating income

Demand for ball bearings, MinebeaMitsumi's main products, remained robust particularly with respect to those with applications for automobiles and data center cooling fans. External sales volume of 213 million units was recorded in March, making that the fifth record high achieved on a monthly basis. In addition, production volume increased significantly to 288 million units per month in March 2018, from 250 million units at the beginning of the fiscal year, due to successive initiatives to improve productivity. Rod-end and fastener sales increased due to heightened demand in the small and medium-sized aircraft market. Sales of pivot assemblies contributed to consistent profitability, with the Company having maintained over 80% market share despite effects of a shrinking hard disk drive (HDD) market.

As a result, net sales and operating income for the period finished at record highs of 176.4 billion yen and 42.7 billion yen, respectively.

Since the third quarter, the acquired companies C&A Tool Engineering (C&A) and Mach Aero Group (Mach Aero) entered the scope of consolidation.

Notes to charts of "Net sales" and "Operating income/operating margin"

* Figures for periods up through the fiscal year ended March 2018 are based on JGAAP, and forecast for the fiscal year ending March 2019 are based on IFRS.

Outlook for the next fiscal year

Major increases in sales and income are accelerating growth

As for ball bearings, our main products, in conjunction with rising worldwide demand we will develop a framework for substantial production gains which involve improving productivity and undertaking capital expenditure, while also continuing to actively expand sales to the automotive and other industries. Moreover, in the rod-end and fastener realm we will further enhance our competitive strengths by improving productivity, increasing sales centered on small and medium-sized aircraft, and leveraging acquisition synergies.

Seven Spears strategy (Machined Components business)

Seven Spears strategy (1) Bearings

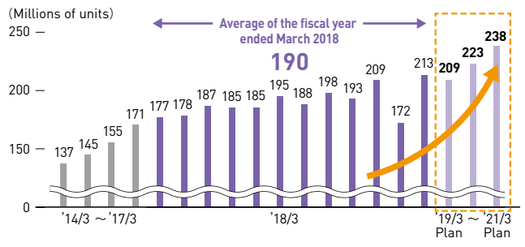
Ball bearings: to the next growth stage

Whereas external sales of ball bearings had been growing at an annual rate of between 5% and 7%, the annual rate of growth has accelerated to 10% from the fiscal year ended March 2017 onward. The Company's ultra-high quality, ultra-precision bearings are being used in the areas of business driving demand, which include automotive, cooling fans for data centers, high-end household electrical appliances, and small robots (drones, etc.), amid a shift to increasingly high performance in terms of energy savings and safety in those business areas. We are also actively moving ahead to expand production capacity given the robust demand. Going forward, we will further strengthen our earnings base, leveraging our overwhelming competitive advantages in the market, particularly in terms of our quality and product supply capabilities.

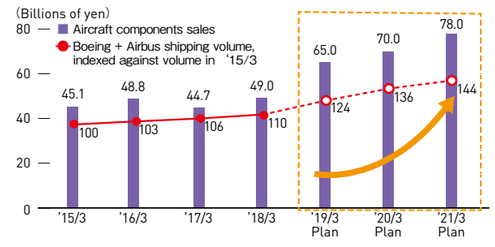
Aircraft components: improved profitability, and synergies from acquisition to drive growth way up

In the worldwide aircraft market, we anticipate consistent growth over the long term given mega-trends that include increasing passenger numbers and improvements in fuel efficiency. With respect to aircraft components, we are developing production frameworks capable of consistently supplying high-quality products in the three geographic markets of Europe, North America and Asia (Japan, Thailand, India) amid demands for safety and substantial durability sufficient to withstand harsh environments in terms of high temperatures, speeds and loads. Going forward, we will continue to forge ahead in strengthening production frameworks on a global basis, while also pursuing robust growth drawing on synergies with acquired entities C&A and Mach Aero.

External sales volume of ball bearings



Aircraft components sales plans



Towards the future

Consistent growth and portfolio expansion to continue substantially driving results

A basic strategy of the Machined Components business, which has been the Company's core business since its founding, is to maintain consistent and permanent growth while maximizing growth areas by expanding the business portfolio. To such ends, we have been increasingly fortifying the business of miniature and small-sized ball bearings which already boasts overwhelming competitive advantages in the market, while taking steps to further strengthen the earnings base by actively arranging M&As with aims that include acquiring new technologies and expanding the business portfolio.

This has included M&A deals involving two overseas companies carried out in the fiscal year ended March 2018. One of the companies, C&A of the U.S., owns 3D printing technologies and technologies for fabricating special metals, looking toward the medical and aircraft fields. The other company, Mach Aero of France, owns operations involving engines and rotors for the aircraft market. Moreover, both companies are likely to bring substantial top-line synergies with respect to the Company's location strategy.

Going forward, we will further develop the Machined Components business, while aiming to create multifaceted synergies globally.


C&A Tool Engineering, Inc.


Mach Aero Bretigny Rectification SAS

Chapter Ⅲ Strategies by Business

Electronic Devices and Components Business

Substantial growth opportunities in both core businesses and cash cow businesses

Major products

Electronics devices (LED backlights for LCDs, sensing devices, etc.)
HDD spindle motors
Stepping motors
DC motors
Air movers (fan motors)
Precision motors
Special components

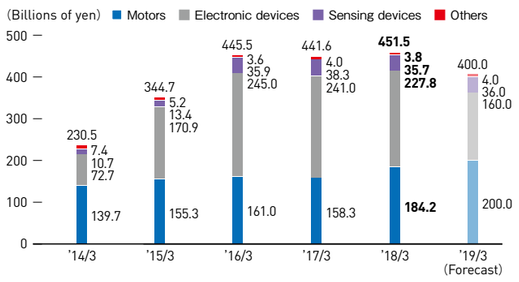
Overview of the fiscal year ended March 2018

Electronic Devices and Components business highlights

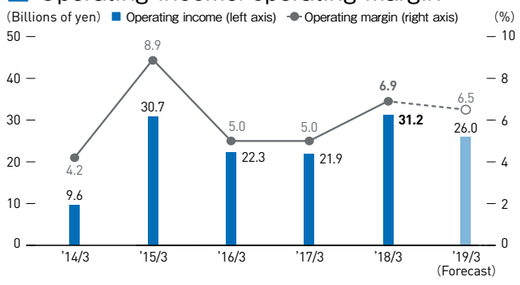
Net sales composition	ROIC		Location strategy
50%	Approximately 17%	No.1 share in numerous niche fields	**Expansion of locations** e.g. Slovakia plant

Promoting global			
R&D at five locations worldwide	**Overwhelming** industry presence in high-end LCD smartphones	**Currently expanding** the product portfolio	**Technological innovation** as a driver of growth, involving shift to electric vehicles, etc.

Net sales



Operating income/operating margin



Overview of the fiscal year

Record highs with respect to both net sales and operating income

The business of LED backlights for LCDs exceeded initial targets despite effects of a decrease in sales volume of end products to our major customers, due to still firm demand for MinebeaMitsumi's ultra-thin LED backlights for LCDs. Moreover, sales of automotive LED backlights for LCDs which require high degrees of quality and durability continued to achieve consistent growth. Results of stepping motors and other motors were favorable, centered on products for automobiles and office automation equipment. The motor business which was transferred from the MITSUMI business segment beginning this fiscal year also stably contributed to profitability. However, sales of sensing devices have stalled due to demand trends involving certain products.

As a result, net sales and operating income for the period finished at record high of 451.5 billion yen and 31.2 billion yen, respectively.

Notes to charts of "Net sales" and "Operating income/operating margin"

* Figures for periods up through the fiscal year ended March 2018 are based on JGAAP, and forecast for the fiscal year ending March 2019 are based on IFRS.

Outlook for the next fiscal year

Strong contribution to profitability by core business

As for LED backlights for LCDs, we will continue to supply high value-added products such as ultra-thin light guide plates for high-end smartphones, and advance sales for automotive products where future expansion is expected. We will further improve the quality of motors such as stepping motors and reduce their costs and advance sales expansion of high value-added products for automobiles, servers, etc., to further improve results.

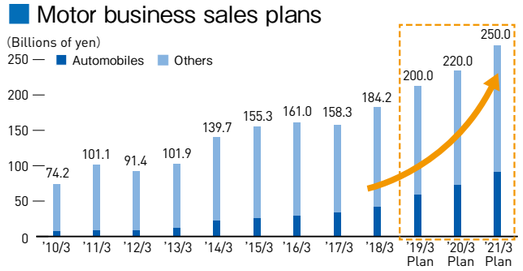
Seven Spears strategy (Electronic Devices and Components business)

Seven Spears strategy (2) Motors

Significant growth through focusing on automotive products

We anticipate growth in net sales of motors amounting to no less than 10% annually over the next three years. Having achieved substantial growth also in terms of profitability, the business has become established as a robust platform which already acts as the second pillar of the Company's operations. With business involving automobiles largely driving growth, the ratio of automotive motor sales to overall motor sales has been increasing with each successive year.

Motor business sales plans



Fueled by robust demand trends, we are actively strengthening development and production frameworks geared to the automobile market. With respect to production, in June 2018 we commenced operations of a plant in Slovakia which mainly handles automotive motors. As for development, in 2018 we plan to open the China Technical Center in the outskirts of Shanghai, specializing in development of automotive products centered on motors.

As such, we expect to keep achieving substantial growth going forward amid our focus on automotive products.

Seven Spears strategy (3) Sensors

Expanding the business centering on strain gauges and MEMS sensors

Of all the Seven Spears product lines, only the sensor products wield strengths of the respective Minebea and MITSUMI businesses. As such, we anticipate positive results from various business opportunities in areas that include wearables and robotics, in addition to mobile, automobile and other existing applications. We will accordingly work toward expanding this business given its important role in IoT technologies, centering on two types of sensors, each with differing approaches, namely, strain gauges boasting outstanding sensitivity, stability and fatigue life; and micro-electro-mechanical systems (MEMS) technologies applying semiconductor manufacturing technologies.

Towards the future

Achieving sustainable growth through dual power of core businesses and cash cow businesses

In the Electronic Devices and Components business, our basic strategy will involve maximizing profit generated from the cash cow business of LED backlights for LCDs, and reinvesting that profit in strengthening the platform of our core businesses of motors and sensors.

In high-end LCD smartphones, we will create business opportunities involving LED backlights for LCDs for which we boast an overwhelming market presence, by achieving further cost reductions and developing state-of-the-art technologies as the top player in the industry.

With the aim of achieving consistent growth in the core businesses of motors and sensors over the long term, we will expand the portfolio and develop new areas of business by taking an INTEGRATION approach with other Seven Spears products.

One example of this is our development of the new high sensitivity strain gauge film MINEGE™. It is a revolutionary product with substantial improvements in sensitivity, size, durability and other attributes of existing strain gauges, and has been developed through synergies between the Minebea businesses handling the gauge component and the MITSUMI business handling the analog semiconductor component. Going forward, we are hoping to apply the product to an extensive range of applications in areas such as the automobile, mobile and wearable device, and robotics fields, and we think it will dramatically contribute further to the Electronic Devices and Components business.

Main target markets of high sensitivity strain gauge film MINEGE™

Automobiles | Mobile and wearable devices | Robotics

Heading toward rapid growth of the sensing devices business

MITSUMI Business

Outstanding R&D resources and extensive product portfolio for IoT-related devices

Major products

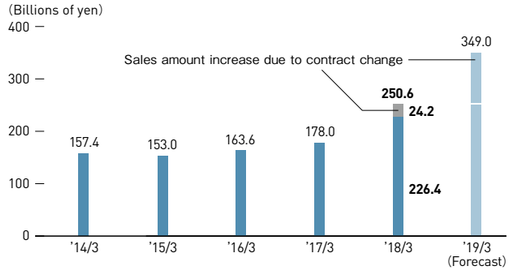
Precision components
Optical devices
Power supply components
Mechanical components
Automotive products
Semiconductors

Overview of the fiscal year ended March 2018

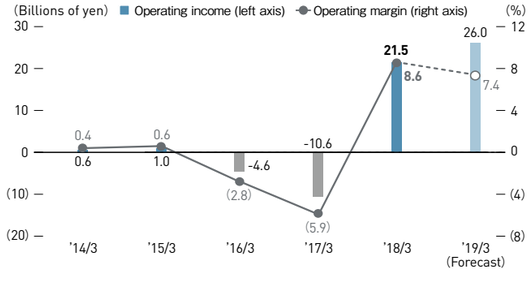
MITSUMI business highlights

Net sales up 40% YoY	Operating income up Approximately ¥20.0 billion YoY	ROIC Approximately 18%	**Significantly improved** per capita productivity (Comparison with before business integration)
Headcount of development engineers Approximately 50% (Percentage share from MITSUMI business overall excluding manufacturing)	**Generation of synergies** with Minebea businesses	**Great enhancement** of product portfolio	Numerous **new products** for the next generation are planned

Net sales



Operating income/operating margin



Overview of the fiscal year

Positioned as a third pillar of profitability

Strong performance was achieved across all products: precision components including connectors and switches, optical devices including camera actuators, power supply components, mechanical components mainly for OEM business, automotive products including communication modules, and semi-conductor devices. In addition to having made substantial improvements with respect to productivity across the business overall, shipments of products were significantly higher, particularly for new game consoles during the peak demand period, and sales of camera actuators for major customers also increased.

As a result, net sales finished at 250.6 billion yen and operating income finished at 21.5 billion yen, which, even when using the realistic comparison of including the period before the business integration, constitutes large increases in sales and income. (Previous fiscal year results stated for the MITSUMI business are for the period from the date of business integration on January 27, 2017, to March 31, 2017.)

Notes to charts of "Net sales" and "Operating income/operating margin"

*1 Figures for fiscal years 2014/3 to 2016/3 are results of the former MITSUMI ELECTRIC prior to the business integration.

*2 The figure for 2017/3 is a pro forma figure assuming the consolidation with MITSUMI ELECTRIC had been completed at the beginning of the fiscal year.

*3 Figures for periods up through the fiscal year ended March 2018 are based on JGAAP, and forecast for the fiscal year ending March 2019 are based on IFRS.

Outlook for the next fiscal year

Increases in sales and income are expected as the result of synergies

Creating significant synergies utilizing the overall scale of MinebeaMitsumi, we will work to enhance our competitiveness and further boost performance. As greater functionality is brought to smartphone-related products such as camera actuators, we will maintain quality while increasing productivity in an effort to further increase sales. As for game console-related products, we will pursue greater productivity and work to boost performance. In our automotive products such as antennas, communication modules and connectors, we will concentrate on further expansion of sales while increasing our lineup through new product development, and by reducing costs, such as material and logistics costs.

Seven Spears strategy (MITSUMI business)

Seven Spears strategy (3) to (7)

(3) Sensors
(4) Connectors/switches
(5) Power supply components
(6) Wireless/communications/software
(7) Analog semiconductors

Contributed to stabilizing profitability of MITSUMI business

The Seven Spears products are defined as those that: (1) belong to a large market, (2) belong to a market that has permanence, (3) represent a niche area leveraging MinebeaMitsumi's core technologies, and (4) generate synergies among the Seven Spears. Five of the Seven Spears belong to the MITSUMI business, and are in areas of business that will grow substantially going forward.

For instance, the size of the market is estimated at 2 trillion yen annually for connectors, which are key devices particularly for accelerating communications. In that market, the high-speed transmission products for automobile such as FAKRA are currently generating rapidly increasing demand, and require super precise machining technology that we are strongest in. Moreover, we are able to create multi-function devices offering connectivity by combining connectors with wireless technologies owned by MITSUMI, such as those involving 6LoWPAN and nodes, and by adding sensors and actuators (combination of motors and mechanical components) to such devices we are able to develop solutions-oriented products.

In so doing, we will create new business opportunities by enhancing our competitive strengths of the individual Spears and making progress through the INTEGRATION of respective synergies.

Initiatives of each area

(3) Sensors
Centering on strain gauge and MEMS sensor technology
- Explore possibilities of temperature/environment sensors
- Expand business for key IoT components employing strain gauges

(4) Connectors/switches
Key words are ultra-precision/water-proof
- Increase market share for water-proof tactile switches
- Significantly expand portfolio centered around automotive high-speed transmission products

(5) Power supply components
Gaining a commanding position in the IoT era with high reliability/high functionality
- New markets: Develop micro converters for the electricity and power storage markets
- Existing markets: Expand sales by pursuing smaller products and products that support higher frequencies in the areas of lighting, telecommunications, household electrical appliance, and other markets

(6) Wireless/communications/software
Expand sales in the market, particularly in automotive products and respond to IoT
- Quickly develop next-generation communication antennas for connected cars and promote sales/receive orders (TCU antennas, etc.)
- Utilize India/Slovakia plants

(7) Analog semiconductors
Analog semiconductors - the gateway to IoT
- Expand sales of high value-added products targeting the industrial/housing equipment market
- Increase share in the car infotainment market
- Focus on high value-added products (ADC + IGBT)

Towards the future

The INTEGRATION of Seven Spears products to generate business opportunities for the entire Group

A major growth driver of the MITSUMI business is currently the area of optical devices centered on camera actuators and mechanical components particularly for game consoles. Going forward, we will continue maximizing profitability by aggressively expanding sales in both of our businesses.

Meanwhile, we are well aware that the key challenge of the MITSUMI business from the perspective of absolute permanence of business is that of facilitating robust growth of the future core businesses encompassing the Seven Spears product groups: sensors; connectors/switches; power sources; wireless/communications/software and; analog semiconductors. As such, the basic strategy of the MITSUMI business involves strengthening the Seven Spears products using cash generated from optical devices and mechanical components as a growth resource. This will be achieved through (1) organic growth, (2) development of the new products encompassing these businesses, and (3) performing M&A of companies thought to be able to effectively utilize these businesses. With respect to the Seven Spears products, it is crucial that we create new business opportunities by enhancing our competitive strengths in the individual Spears and making progress through the INTEGRATION of respective synergies.

Positive outcomes have already started to emerge in the wake of the business integration. One example of this is the synergies that have emerged with the Electronic Devices and Components business with respect to products such as MINEGE™ high-sensitivity strain gauge film (page 28), and bed sensor systems (pages 4 and 32). In addition, we hope to raise MinebeaMitsumi's profitability amid plans to successively launch many new product groups.

Going forward, we will engage in innovative business initiatives that contribute to the IoT community particularly in terms of smart cities, healthcare and robotics, drawing on research and development resources including the MITSUMI business segment's overriding strengths particularly involving high-frequency technology and wireless communications technology.

Acceleration of New Product Development for IoT Era

MinebeaMitsumi is further strengthening its development capabilities as a result of the business integration.

In new strategic areas, we will launch into the world new products and innovative solutions that incorporate cutting-edge technology.

Major products

Sensors Actuators Connectivity Lighting equipment
New product trio
(SALIOT, bed sensor systems and smart city solutions)

Seven Spears

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

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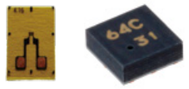
Core technologies

- Ultra-precision machining technology
- Mass production technology
- Sensor technology (load, pressure, etc.)
- Optical technology
- MEMS technology
- High frequency technology
- Electrical circuit technology
- Semiconductor design technology

New products



Sensors

These include the world's smallest strain gauge MINEGE™, as well as products for sensing a variety of data, such as air pressure, temperature, humidity and airflow.

We can provide one-module solutions that include analogue-digital converter ICs developed in parallel for the purpose of outputting the acquired data.

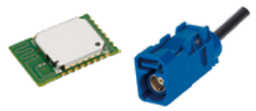
Actuators

We have created a full lineup of small-sized actuators that can implement a variety of sensing modes (such as vibration) in addition to existing small-sized motors.

We are expanding the range of applications into various areas, such as mobile devices, automotive products, wearable devices and other next-generation intelligent terminal devices.

Connectivity

In addition to next-generation connector products such as FAKRA, primarily for high-speed transmission (automotive) applications, we also offer modules to handle all kinds of wireless communications, including Wi-Fi and Bluetooth.



Lighting equipment

We will expand the frontiers of basic technology to support the next generation of lighting, combining elements such as ultra-thin optical lenses and motors, power supply components and wireless modules to create products like smart LED lighting that can be easily operated by a smartphone, or high-efficiency LED street lights that can be adjusted wirelessly.

New product trio

Within new products, we are pushing forward rapidly with the commercialization of the new product trio of SALIOT smart LED lighting, bed sensor systems and smart city solutions, through which we are contributing to smart working, energy saving and other initiatives.

We will work to expand these businesses and target global markets to create a new pillar of profitability.

Lighting equipment

SALIOT

We have been selling the smart LED lighting SALIOT (Smart Adjustable Light for the Internet Of Things) since 2015. SALIOT has a beautiful, spectrally even quality of light that has been achieved by arranging several optical elements to carve a fine prism pattern using an ultra-thin lens that was developed using our optical technology for LED backlight products used in smartphones. In addition, because SALIOT incorporates a motor, power supply components and wireless communication, a smartphone or similar device can be used to adjust vertical/horizontal positioning, angle of light distribution, brightness, and even color temperature. Now with an enhanced lineup that includes a model with inbuilt tracking sensor, SALIOT contributes to allowing complete freedom in lighting spaces, and reducing the burden of working in high places, etc.

- SALIOT gallery opened in September 2017
- Extensive track record in art museums, galleries, hotels and department stores both in Japan and overseas
- Working on initiatives to expand sales worldwide, such as in Thailand, Cambodia, Europe, the US, and China
- Broadening the lineup with tracking models, etc.

Sensors

Bed sensor systems

- Started sales aimed at care facilities, in cooperation with Ricoh Co., Ltd., in July 2018
- Expansion of sales overseas also being considered
- Expect expansion into home care field going forward
- Working on development of new products by combining with MINEGE™

Sensors/lighting equipment

Smart city solutions

- Started billing business in Cambodia
- Plan to start external sales in fall 2018
- Strengthening global marketing (Thailand, Cambodia, the Philippines, Slovakia, as well as various cities within Japan, etc.)