



## The strength of MinebeaMitsumi's M&A

### Semiconductor Division serves as a role model for manufacturing in Japan

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#### What are the strengths of the Semiconductor Division?

The key growth driver has been selling-price improvements achieved through product differentiation.

Business results for the fiscal year ended March 31, 2022 were significantly above our planned targets with net sales of 77.5 billion yen and operating income of 20.0 billion yen.

Although partly a result of yen depreciation, the biggest growth drivers were our hard work to increase manufacturing efficiency and improved selling prices. To combat ongoing decline in selling price, ABLIC pursues a "value selling" initiative, ensuring our customers are aware of the value ABLIC provides. This initiative, in place prior to business integration with MinebeaMitsumi, has resulted in vastly improved selling price.

In addition to value selling, there are three strategies that have led to improved profitability for the Semiconductor Division of MinebeaMitsumi.

The first strategy is to be the expert in the value of our products to our customers, understanding their true needs and providing products and services that best meet those needs. By following this approach, we avoid downward price pressures, and the customer benefits by getting what they really need. This has led to a change in our marketing mindset. We transitioned from a mindset that "the customer is always right" to "the customer is our close partner," and this fundamentally changed our way of seeing things.

The second strategy is to improve product value using tried and tested criteria for new product development. One of these is what we call "rising star & horizontal development." This entails concentrating management resources in high performing sectors, developing a successful business model, then implementing it horizontally across the organization to improve profitability. In addition, our vertically integrated manufacturing, sales, and marketing structure allows swift translation of new products into a practical applications, resulting in expansion of sales after the initial launch period.

The third strategy is to improve the accuracy of our production management system, integrating manufacturing

and sales. Under this system, developed over four years, I look comprehensively at sales and production in order to forecast orders and manage inventories accordingly. Currently, we are able to achieve sales results within plus or minus 10% of the order forecasts. By implementing this framework within the Semiconductor Division, I believe we can further improve our delivery while maximizing sales and profit.

#### What are your forecasts for the Semiconductor Division?

We will meet our targets and expect to achieve FY2024 targets ahead of schedule.

The Semiconductor Division's targets for the fiscal year ending March 31, 2025 are net sales of 100 billion yen and operating profit of 30 billion yen. In addition to these financial targets, our objective is "to provide semiconductors for every niche while supporting our customers to realize a sustainable society." MinebeaMitsumi's efforts are focused on eight business fields centered around environmentally friendly products. The eight core businesses of the MinebeaMitsumi Group are the "Eight Spears," and strengthening each of these pillars is a major policy of the Group. Our business, analog semiconductors, is the third spear after MinebeaMitsumi's founding core businesses of bearings and motors. I also have a strong wish to contribute by providing essential components of products around the world, and I wish to see the Semiconductor Division rank among the global top ten analog semiconductor manufacturers. Last year we welcomed two new engineering bases, Gunma and Gifu. With the Shiga Plant, this reorganization has enabled us to strengthen our analog semiconductor operations.

There is a saying in Japanese that encapsulates our current business environment: "the weather is fair, but the waves are high." Firstly, the "fair weather": Although recent business conditions have caused short-term declines in demand, in the medium and long term we expect our markets (automobiles, industrial machinery,

communications, and medical devices) to support an annual average sales growth rate exceeding the overall market forecasts up until 2024. Secondly, the "high waves": We expect the fiscal year ending March 2023, will require endurance and perseverance. This will not be limited to ABLIC. In addition to high foundry costs and material prices, we are facing the effects of the Ukraine situation, the continuing impact of COVID-19, stagnation in the markets of Greater China, and the risks associated with unstable local electricity and water supply. However, we are undaunted by these circumstances, and see opportunities. The Government of Japan is offering subsidies to strengthen semiconductor manufacturers, and we are using this to maximum effect, swiftly launching the Shiga Plant, accelerating our transition to highly profitable products, including the new product market. Through concerted efforts by the entire Group to eliminate waste, among other initiatives, we are accelerating our "Breakthrough Action Through Endurance and Perseverance."

Meanwhile, we are working on strengthening our resilience. When a semiconductor manufacturer suffers an accident which disrupts delivery, it can affect global supply chains. To prevent this we work to ensure best practice in safety and hygiene, and give our utmost attention to risk management, putting in place comprehensive countermeasures against fire, earthquake, and extreme weather.

#### What is the secret behind the strength of MinebeaMitsumi M&A?

Insight informed by strategy and contribution to society.

We have learned much from study of the management of various global corporations. At ABLIC, our objective has always been to combine the best international management thinking with the strongest qualities of Japanese management. After more than one year since joining the Group, I have learned that both MinebeaMitsumi and ABLIC share a common approach in that respect.

I think the core strength of the business integration with MinebeaMitsumi has been the development of insight informed by strategic thinking and a desire to contribute to society. The present Semiconductor Division began with the integration of the semiconductor business of MITSUMI ELECTRIC in 2017. ABLIC joined in 2020, and OMRON Corporation's Yasu Plant (currently Shiga Plant) was added in 2021. With these additions and the reorganization at the Gunma and Gifu Plants we have grown to become the third spear of the MinebeaMitsumi Group in four years. The employees and officers from these companies share a commonality of circumstance and culture and each have developed unique combinations of technology and know-how. Even with expert technology and excellent human capital, obstacles prevented their growth and development, first and foremost of which was production capability. If any of these businesses were to have continued to go it alone, they were facing a high probability of not surviving. Through the business

integration with MinebeaMitsumi, great opportunities to contribute to society have been created.

As a result, the business integration has benefitted all stakeholders including not only the MinebeaMitsumi Group, but also each company newly joining the Group, their employees, their customers, and society. I think M&A will continue to be actively pursued by the MinebeaMitsumi Group, and will play a crucial role alongside organic growth in achieving our target of 2.5 trillion yen in net sales.

#### Lastly, what tenets and business philosophy do you hold dear?

Work that makes a contribution to society is work we can be proud of.

The tenets I live by are humility, warmth, and gratitude. I look at what a company can do, and marvel how everyone's efforts combined far exceed what one person is capable of. This inspires me. I think the ability to create relationships and products that everyone can take pride in is the core value at the heart of working for a company. It all begins with people. I think the most important thing is to create an environment that provides motivation and allows employees to perform their work safely, effectively, and with pride. If we can do that, I believe that results will always follow. In order to be able to make changes in a company, we need to value and support our employees, and put effort into developing employee talent and skill.