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# Execution of Basic Agreement towards Business Integration of Minebea and Mitsumi

(Excerpt)

December 21, 2015



Minebea Co., Ltd.

Yoshihisa Kainuma  
Representative Director  
President and Chief  
Executive Officer



MITSUMI ELECTRIC CO., LTD.

Shigeru Moribe  
President and Representative Director

# Becoming the “ultimate electro mechanics solutions provider” through the Business Integration

Aim to become the ultimate electro mechanics solutions provider by establishing a powerful manufacturer of ultra high-precision processing parts and communications/sensors parts through the **combination of analog and digital technologies**

Birth of an electro mechanics solutions provider with net sales of **more than 900 billion yen** and operating income of **more than 80 billion yen**

**MITSUMI**

Electronic components business

**Minebea**  
Passion to Exceed Precision

Machined components business

Establishment of a firm foundation to becoming a one-of-a-kind, genuine full-line parts manufacturer in the world with more than 1 trillion yen in net sales and 100 billion yen in operating income

The combination of Mitsumi’s more than **1,000 engineers** and Minebea’s **technologies of ultra high-precision processing/molds, mass-production technology, including advanced automation technology, and large-scale plants**

Large synergistic effects on management resulting from combining Minebea’s **speedy management with its accurate grasp of the market’s needs and Mitsumi’s technological seeds and strong financial foundation**

# Achieving a product portfolio that captures the needs of the IoT era

Mitsumi's products include many input, conversion and control devices, such as switches, sensors and connectors, while Minebea's products comprise many output devices, such as motors and actuators. The complementary combination of the two companies that have accumulated technologies in different areas will create the best foundation for the development of innovative products.

The combination of Mitsumi's input, conversion and control devices and Minebea's output devices will accelerate the expansion of OEM/ODM manufacturing business as well as the promotion of the development and supply of high value-added solutions.

**Minebea**  
Passion to Exceed Precision

- Force sensors and PSAs
- Resolvers
- Electrostatic switches (Cool Leaf)

- Inverter circuits

- Rods and bearings
- Motors
- Actuators
- Fans and blowers
- LED backlights
- Lightning equipment
- Moving back lights

Input devices

Conversion and control devices

Output devices

- MEMS sensors
- MEMS environment sensors
- Milliwave radar
- Batteryless switch
- Switches
- Connectors
- Camera modules
- Antennas
- Communication modules
- AC adapters

- Battery protection IC
- Battery monitoring IC
- Power supply IC
- Switched-mode power supply
- Auto-focus actuators
- Optical image stabilizer (OIS) for cameras
- Vibration power generation devices

- Motors
- MEMS mirror application products

**MITSUMI**

# The perspective from Minebea: Mitsumi's core competence further accelerates Minebea's rapid growth

Due to its rapid growth, Minebea requires more human resources with more diversified professional skills in order to achieve further growth.

**Minebea**  
Passion to Exceed Precision



**MITSUMI**

**1** There has been an increasing need for a combination of machine processing, electronic technology and communications/sensors technology in an IoT era that aims to realize an environmentally-friendly, efficient social life. The business combination will immediately strengthen the communications/sensors technology area, the third pillar of Minebea's business, to achieve electro mechanics solutions.

**2** **Strategically reconstruct the business portfolio by focusing on high-end and niche markets where the two companies can succeed** by reviewing the companies' business portfolio to be developed in the future, and **concentrating resources in such markets**. Synergies are also expected in Minebea's products currently under development.

**3** Aim to achieve the target of 1 trillion yen in net sales and more than 100 billion yen in operating profit ahead of schedule by creating products that utilize the strengths of the integration, such as the efficient use of global manufacturing bases of both companies and making agile investments in low-cost manufacturing.

# The perspective from Mitsumi: Realize Mitsumi's potential through Minebea's management resources

Mitsumi's business challenge is the shortage of management resources for the expansion of existing businesses and expansion into new businesses despite the many seeds for new businesses that it has from its first-in-class product design and development capabilities.

**MITSUMI**

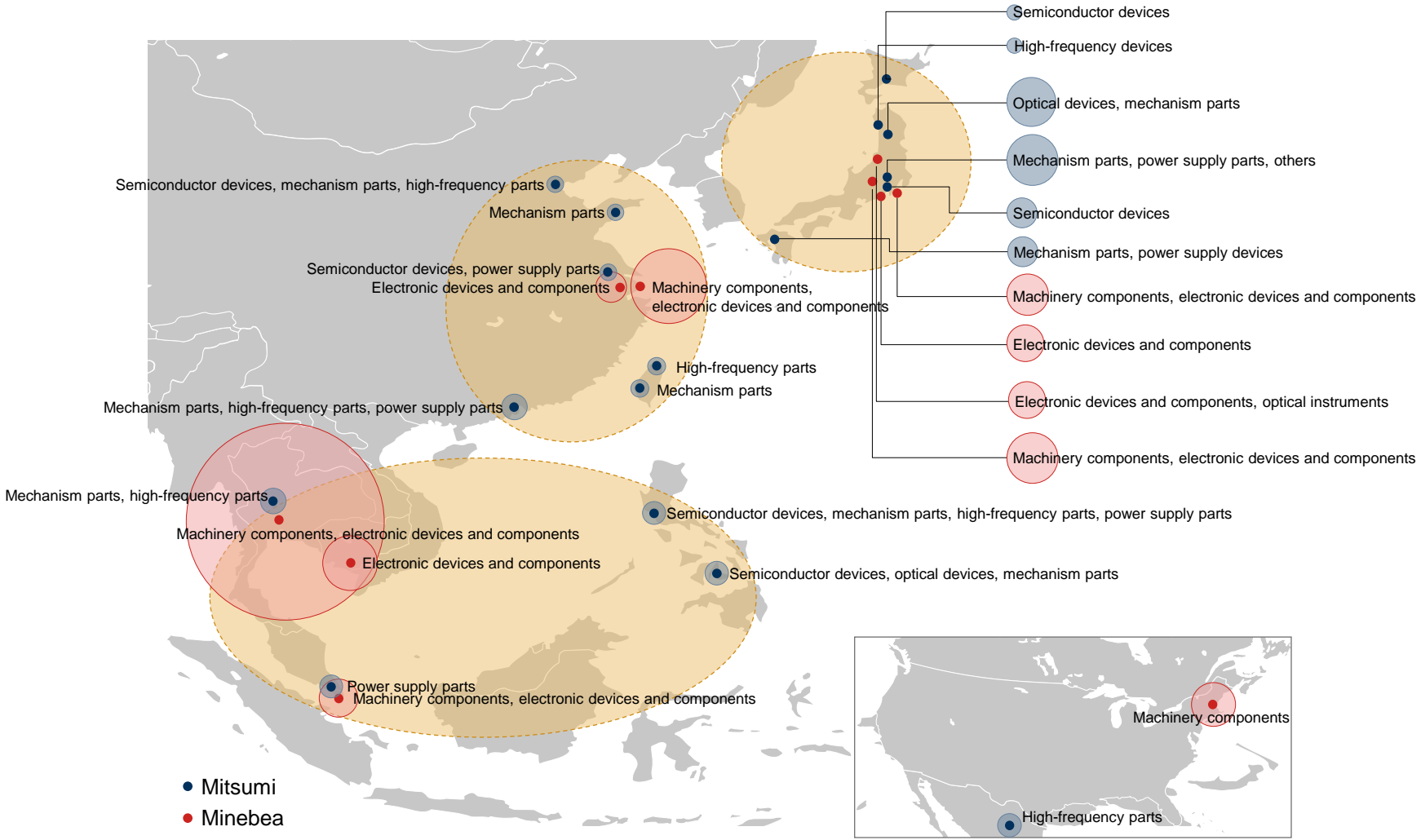


**Minebea**  
Passion to Exceed Precision

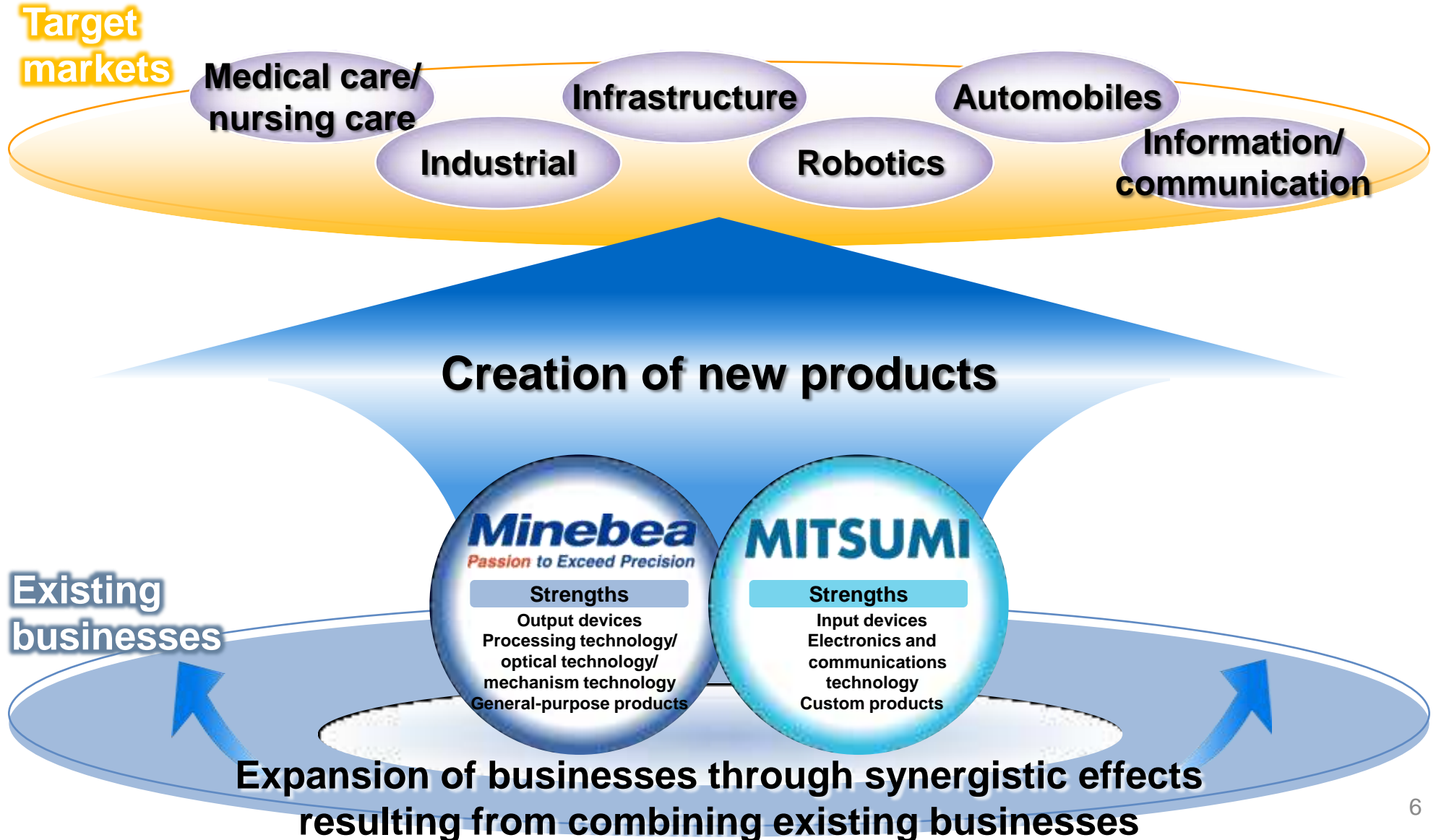
- 1** Will be able to advance the business in an advantageous manner in the **precision mechanics parts business** in all aspects, including in performance, quality and cost, by combining Minebea's high-precision processing (molds) and automation technology with Mitsumi's product development capabilities, including simulation technology.
- 2** Achieving lower fixed costs through, among others, significant improvement in productivity by reallocating manufactured goods and mutually utilizing both companies' manufacturing bases and technologies as well as automation technologies. Also achieve lower variable costs by making large-scale and joint procurement of materials and parts.
- 3** Through cross-selling that leverages Mitsumi's sales channel, which has strength in EMS and ODM, and Minebea's sales channel, which has strength in general-purpose parts, unearth potential demand and provide new solutions to customers.

# Synergies from the combination of Minebea and Mitsumi: Enhancement of cost competitiveness and capacity to generate cash flow by optimizing manufacturing structure and bases

## Mutual use of factories and optimization of manufacturing bases of Minebea and Mitsumi

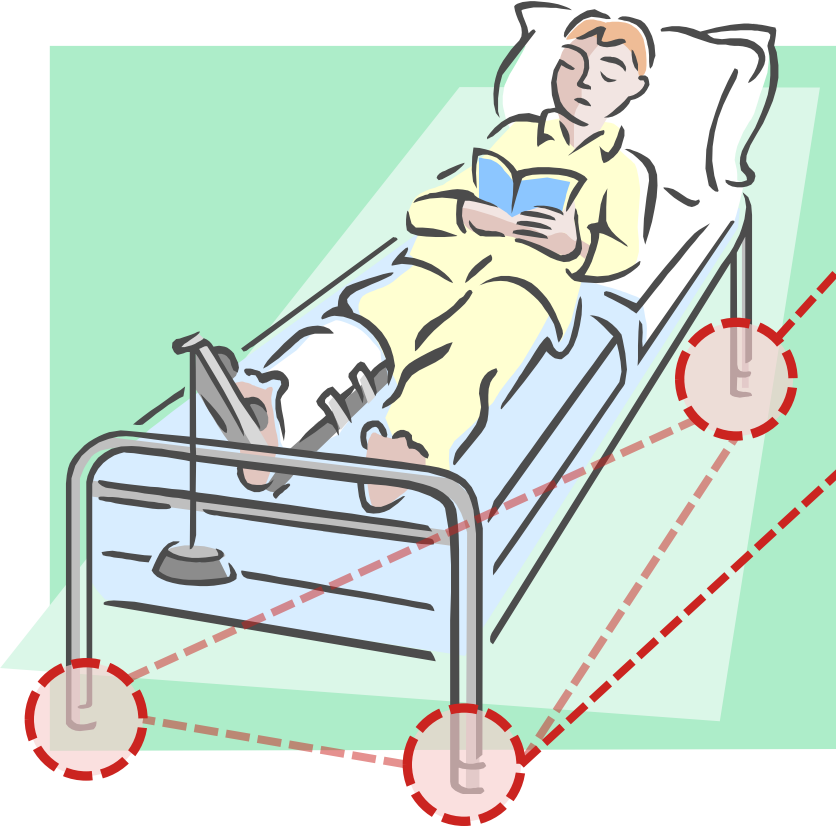


# Accelerating entrance into new strategic business areas through synergistic effects resulting from Minebea's ultra high-precision processing technology and Mitsumi's electronics technology



# Synergies from the combination of Minebea and Mitsumi: Biological information monitoring system

## Biological information monitoring system using medical bed sensors



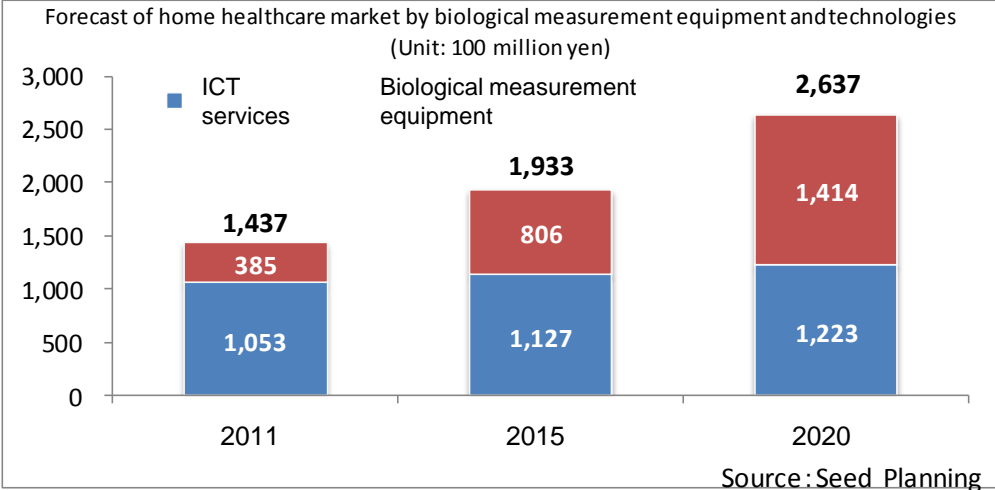
**MITSUMI**  
**Control modules**  
**Wireless modules**



**Minebea**  
*Passion to Exceed Precision*  
**High-precision load sensors**



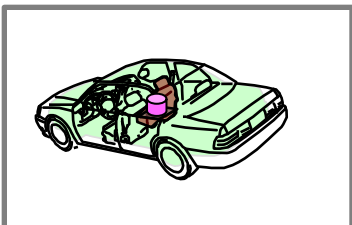
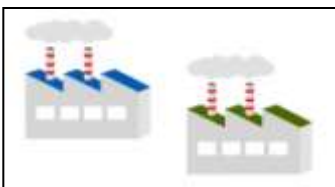
Demand for healthcare is rapidly increasing due to aging of population





# Synergies from the combination of Minebea and Mitsumi: Core technology in the IoT- advancing sensor technology

Expanding business opportunities by advancing sensor technology, a core technology in IoT



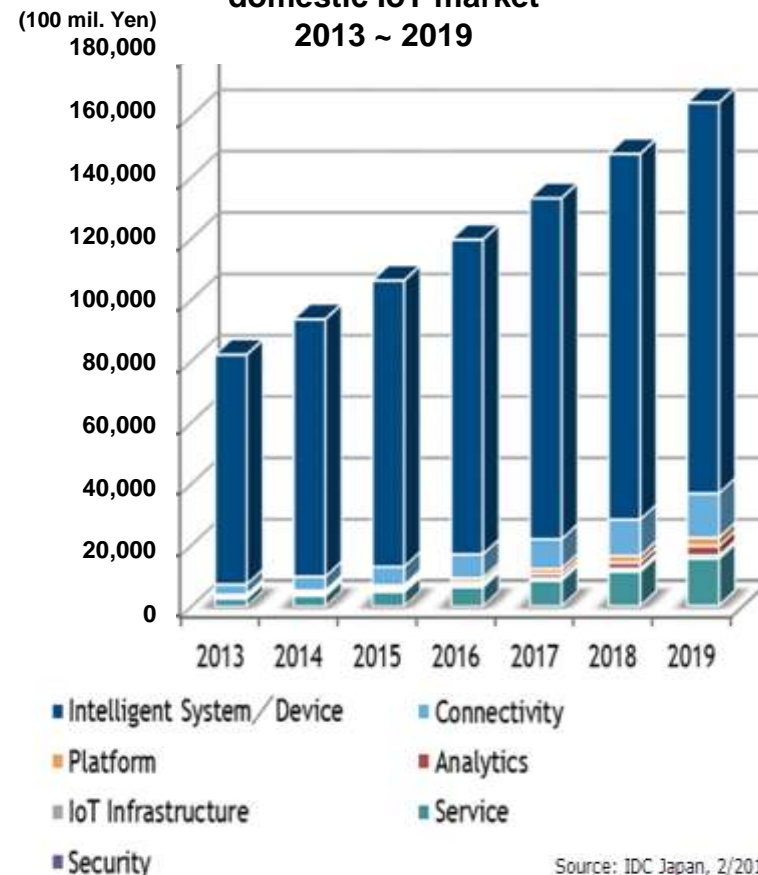
**MITSUMI**

**MEMS sensors**  
Atmospheric pressure, temperature and humidity, airflow and object sensing

**Minebea**  
*Passion to Exceed Precision*

**Load sensors / Magnetic sensors**

Sales volume forecast for each technology in domestic IoT market 2013 ~ 2019



Source: IDC Japan, 2/2015

# Synergies from the combination of Minebea and Mitsumi: Enhancement of development capabilities and provision of solutions

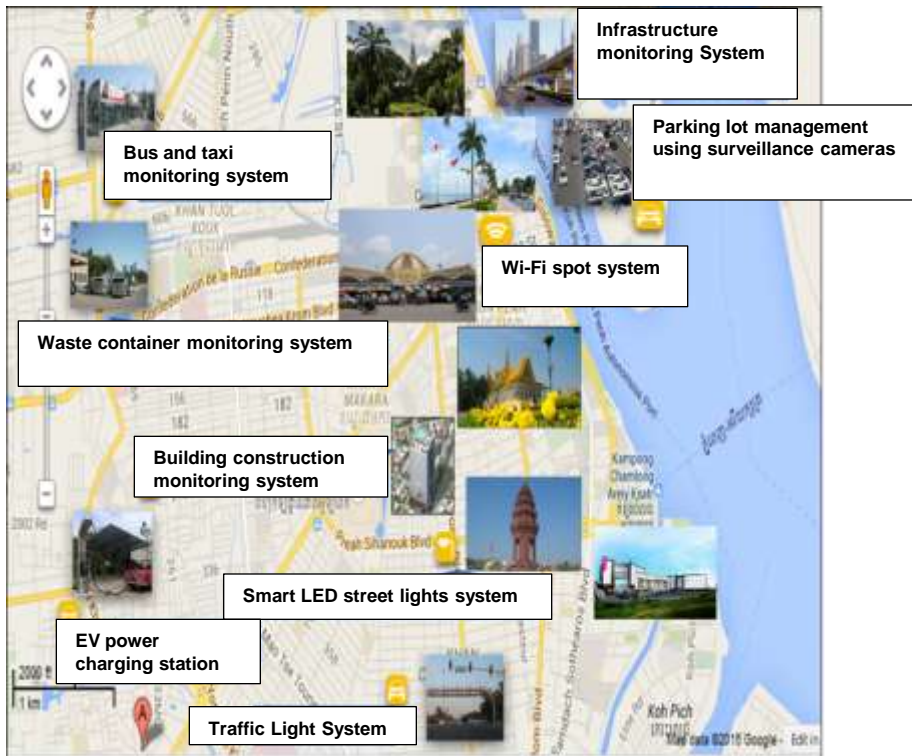
## Smart-city projects

**Minebea**

*Passion to Exceed Precision*

**Optical /lighting technologies, Sensors  
Network technology**

Minebea's Smart City project in Cambodia



**MITSUMI**

**Communications technology,  
Antenna technology  
Sensors**

Condition analysis system control boxes



Wireless transmission and reception modules



Infrastructure radar systems



PLC communication modules



Lineup of semiconductor products



Power supply-related modules



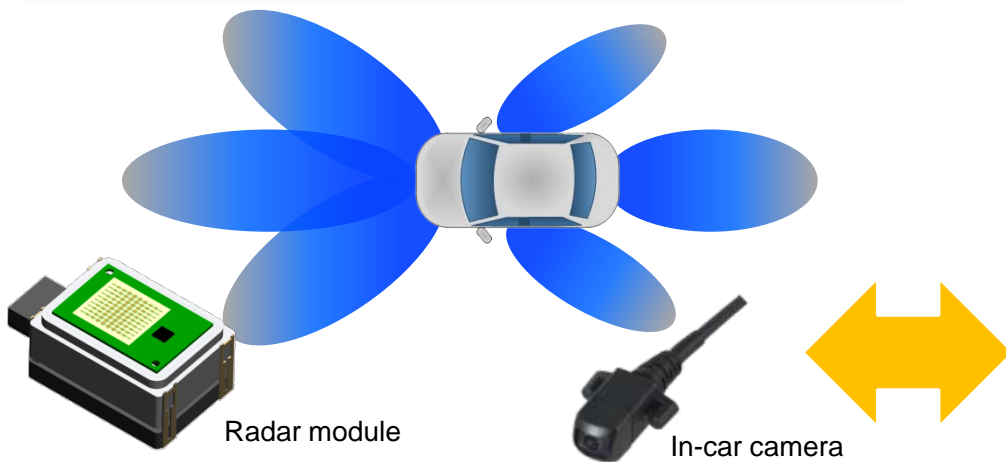
# Synergies from the combination of Minebea and Mitsumi:

## Enhancement of development capabilities and provision of solutions

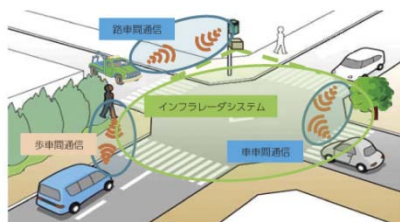
### Development of ADAS-related products

# MITSUMI

In-car radar, milliwave-related products,  
in-car cameras



Application: Infrastructure Radar  
Capturing road conditions



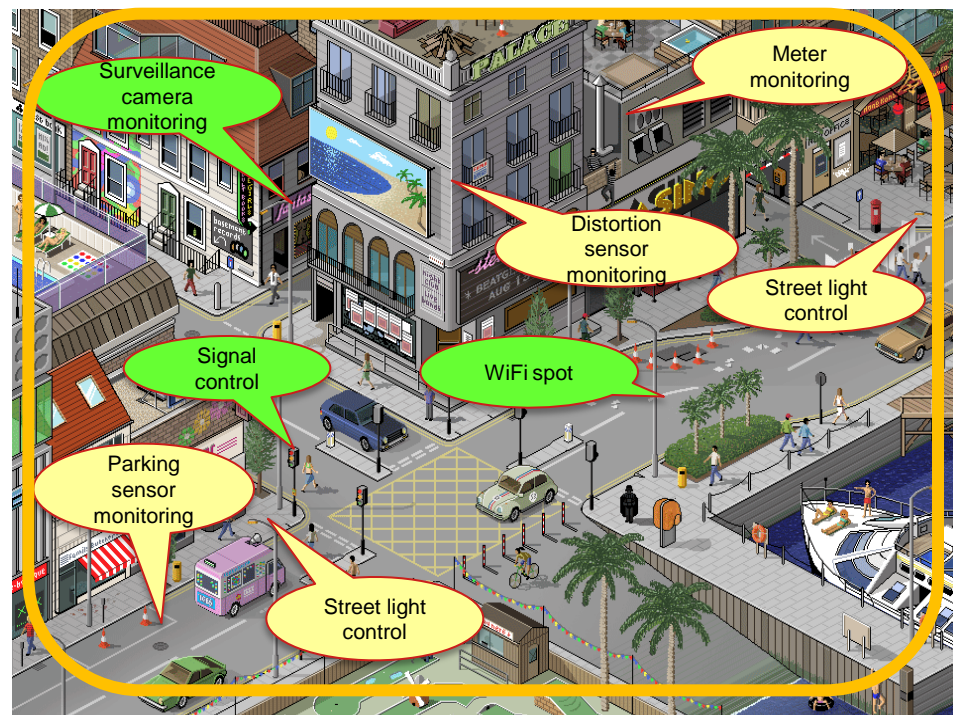
Application: Milliwave inter-vehicular communication  
Information sharing between vehicles through milliwave communication

# Minebea

Passion to Exceed Precision

Network technologies

Joint project with Mitsubishi Heavy Industry and Osaki Electric



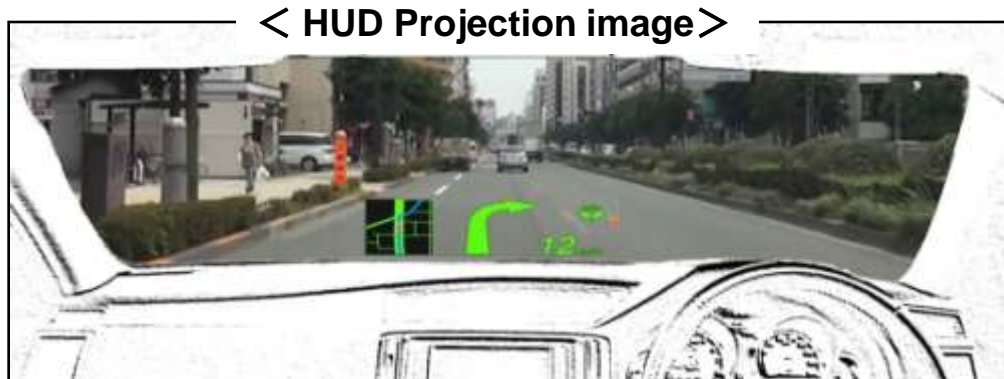
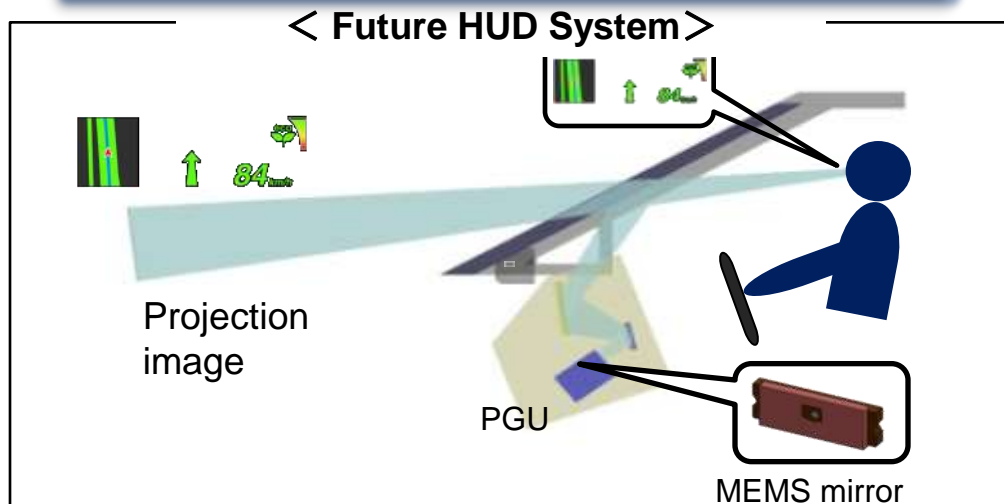
Application: Network system in towns and infrastructures  
Communication between vehicles and town

# Synergies from the combination of Minebea and Mitsumi: Enhancement of development capabilities and provision of solutions

## Developing Head Up Display (HUD) system

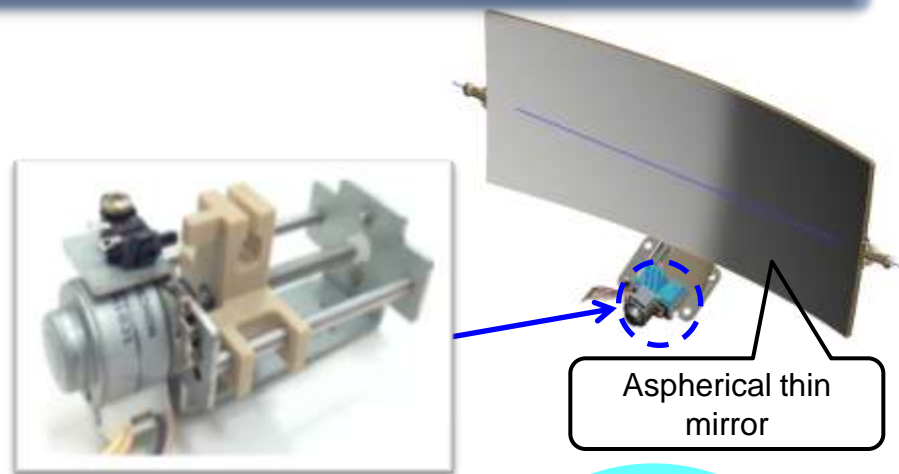
**MITSUMI**

PGU (MEMS mirror, Control IC, Driving IC)



**Minebea**  
Passion to Exceed Precision

High-precision reflection mirror, optical diffusion product, mechanical product



40.2 bn. yen  
2014 actual result



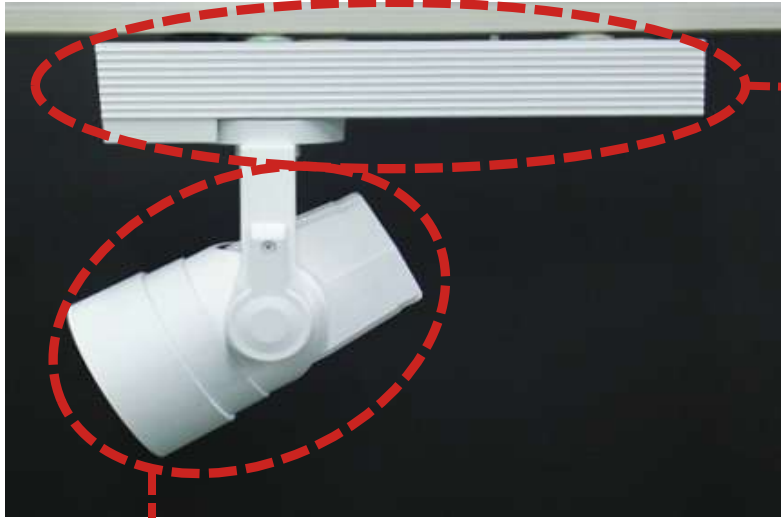
157.3 bn. yen  
2020 forecast

**HUD market forecast**

Source: Fuji Chimera Research Institute, Inc.

# Synergies from the combination of Minebea and Mitsumi: SALIOT™

“SALIOT™”- the first LED lighting equipment capable of automatically adjusting light distribution angle



**MITSUMI**

Power supply for LED lighting



Motor driver circuits

Wireless Communication



PLC

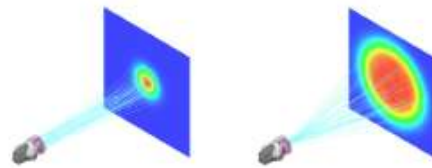


**Minebea**  
Passion to Exceed Precision

Actuator / Optical element

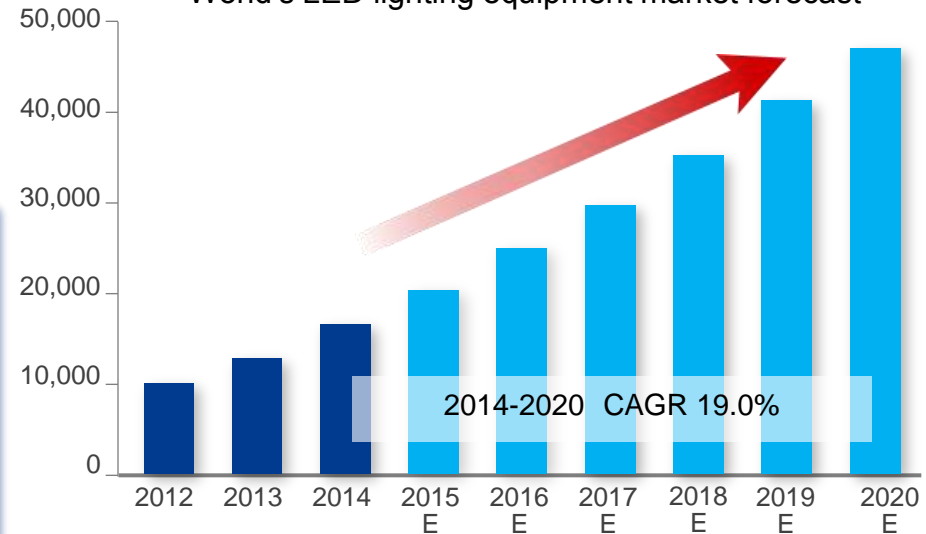


Special optical lens



(100 million yen)

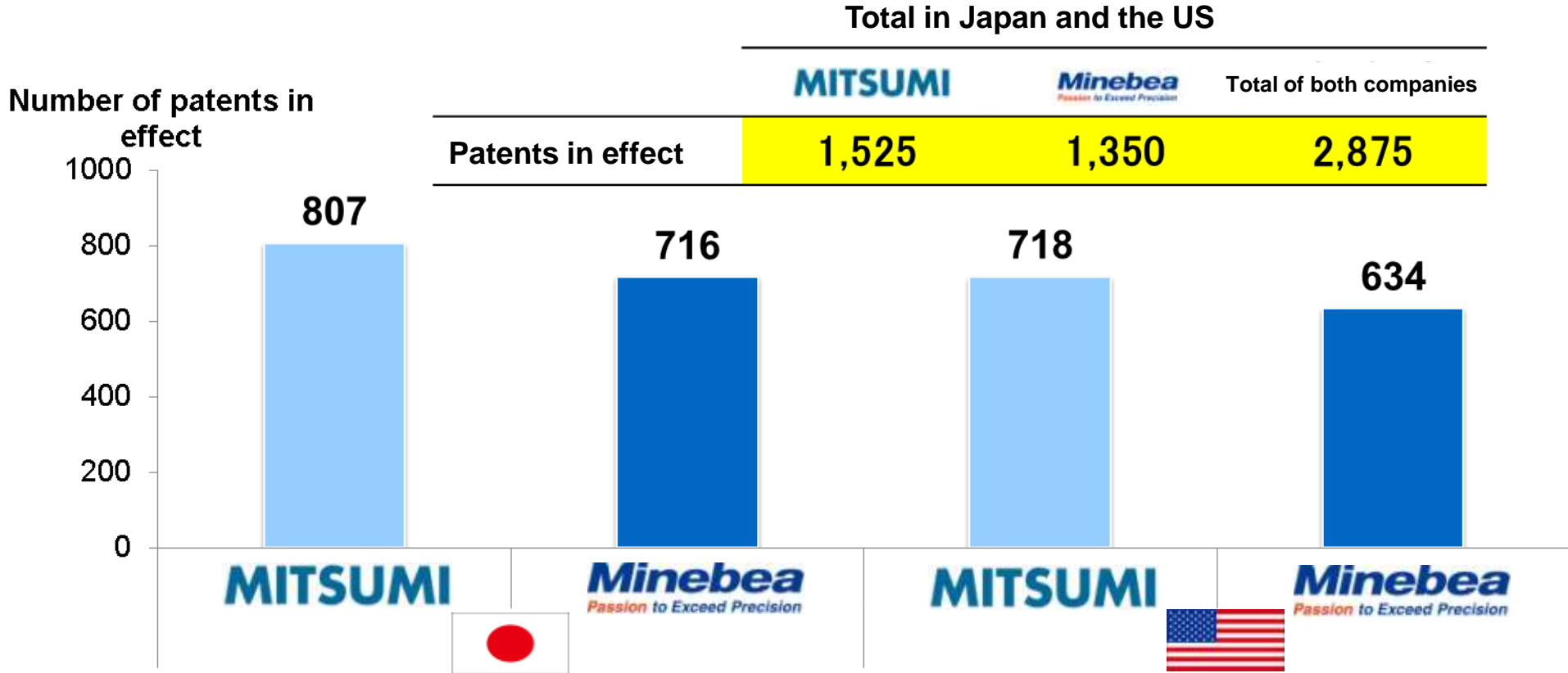
World's LED lighting equipment market forecast



Source : Fuji Keizai

# Synergies from the combination of Minebea and Mitsumi: Patents in effect (as of Dec. 15, 2015)

**The number of patents in effect held by both companies in Japan and the U.S. reach 2,875**

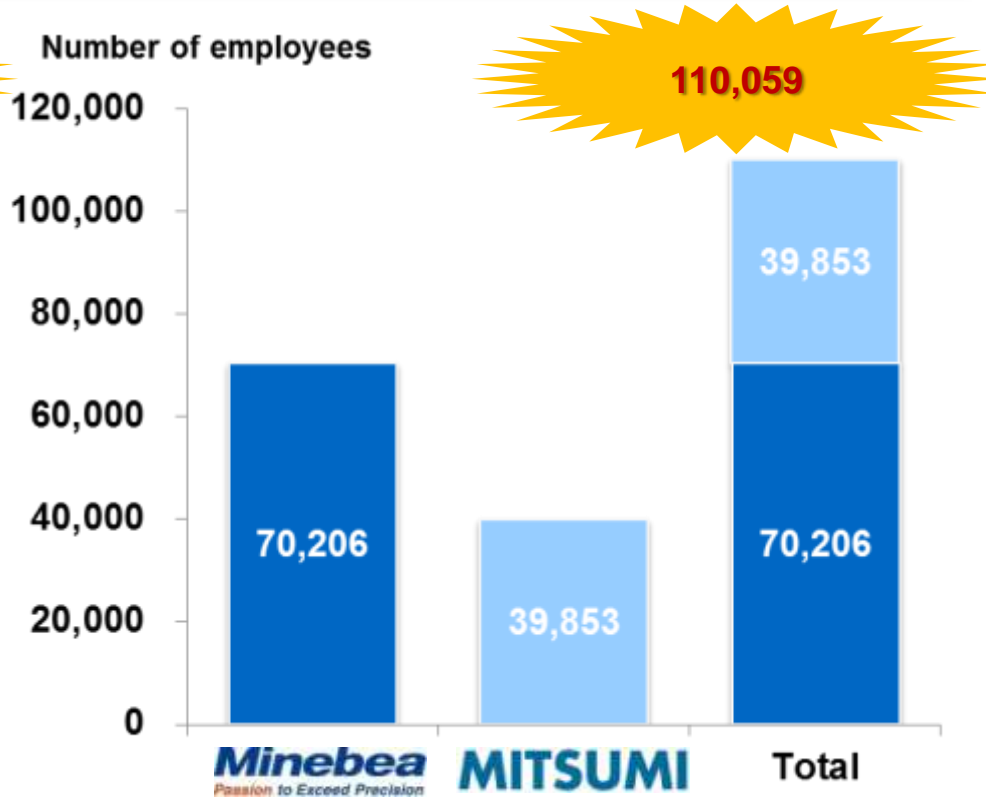
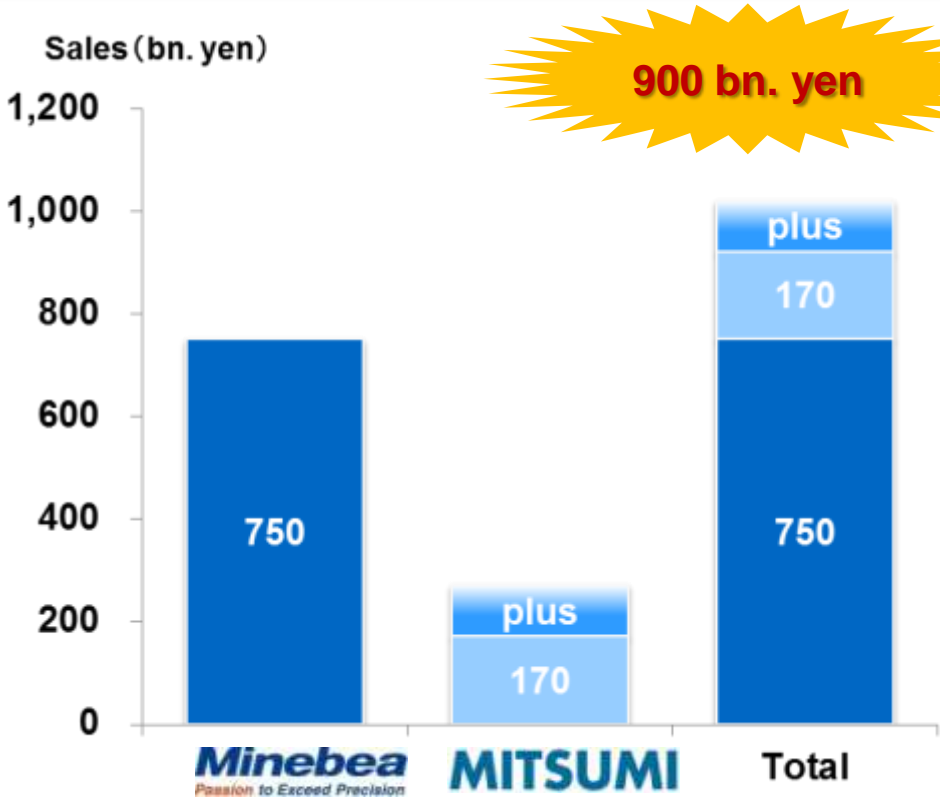


# Synergies from the combination of Minebea and Mitsumi: Net sales and number of employees

**Birth of an electro mechanics solutions provider with over 900 billion yen in sales and over 110,000 employees**

Birth of a company with over 900 billion yen in total sales  
(Business plan for fiscal year ending March 31, 2018)

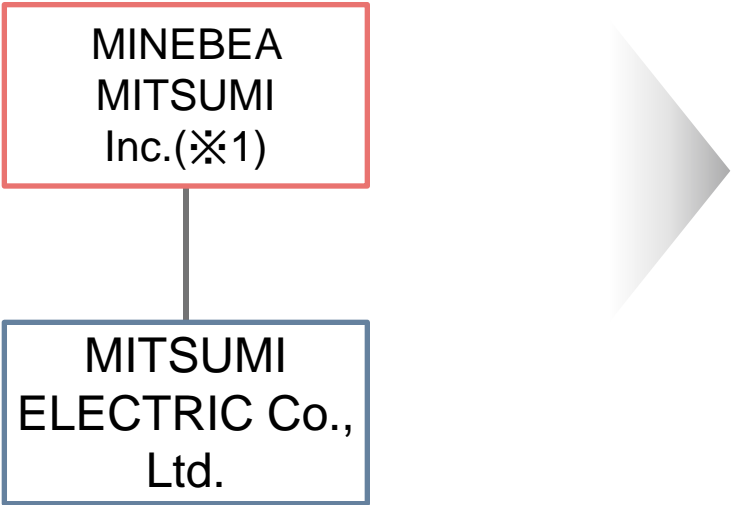
Employees totaling more than 110,000  
(as of September 30, 2015)



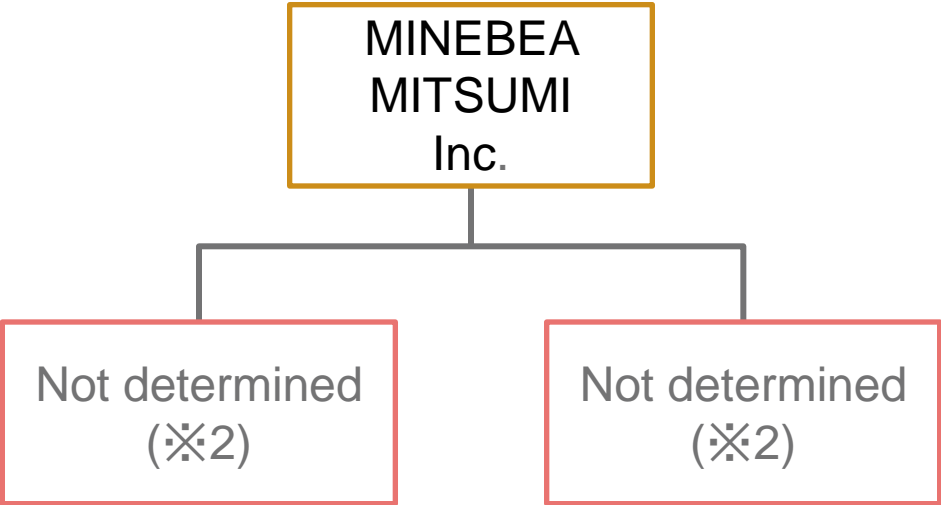
# Structure of the business integration

- A share exchange between the two companies (the “Share Exchange”) will be conducted based on a spirit of equal partnership. Specifically, shareholders of Mitsumi will be allotted shares of Minebea (whose company name is planned to be changed to MINEBEA MITSUMI Inc. (“MINEBEA MITSUMI”) subject to obtaining the approval of shareholders of Minebea).
- After the Share Exchange takes effect, MINEBEA MITSUMI will shift to a holding company structure through, among others, a company split in which Mitsumi will remain a corporate entity.
- The details, including specific method of reorganization and timing, are yet to be determined, but will be determined by taking into account maximization of synergy effects and optimization of management structure for the business.

## 1 After the Share Exchange



## 2 After shifting to the holding company structure



※1 The company name will be changed from Minebea Co., Ltd. subject to obtaining the approval of shareholders of Minebea.  
 ※2 The companies are planning to shift MINEBEA MITSUMI to a holding company structure in which Mitsumi will remain a corporate entity by, among others, transferring MINEBEA MITSUMI’s existing business through a company split to Mitsumi or MINEBEA MITSUMI’s wholly-owned subsidiary to be newly established.  
 ※3 If it is found through due diligence and other similar work to be conducted in the future that practical problems will occur in connection with utilizing the share exchange method, the two companies may use a method other than a share exchange based on mutual discussion and consideration.




# Outline of business integration ( after the Share Exchange ) ①

<p><b>Company name</b></p>	<p>The company name of Minebea Co., Ltd. will be changed to the following upon the Share Exchange taking effect:</p> <p style="padding-left: 40px;">MINEBEA MITSUMI Kabushiki Kaisha (in English: MINEBEA MITSUMI Inc.)</p> <p>The company name of Mitsumi Electric Co., Ltd. will be determined after mutual discussion.</p>										
<p><b>Company representatives and composition of executives</b></p>	<p>Company representatives and executives after the Share Exchange takes effect will be as follows:</p> <p><u>MINEBEA MITSUMI</u></p> <p>Two of MINEBEA MITSUMI's directors will be appointed by Mitsumi, one of whom will be the current President and Representative Director of Mitsumi, to be appointed as Representative Director, Vice Chairman of MINEBEA MITSUMI.</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-right: 20px;">Yoshihisa Kainuma</td> <td>Representative Director, Chairman and President</td> </tr> <tr> <td>Shigeru Moribe</td> <td>Representative Director, Vice Chairman</td> </tr> </table> <p><u>MITSUMI</u></p> <p>Three of Mitsumi's directors will be appointed by current Minebea. Among such three directors, current Representative Director, President and Chief Executive Officer of Minebea will be appointed as Chairman and another director will be appointed as Representative Director, Vice President.</p> <table border="0" style="width: 100%;"> <tr> <td style="padding-right: 20px;">Yoshihisa Kainuma</td> <td>Chairman of the Board</td> </tr> <tr> <td>Shigeru Moribe</td> <td>Representative Director, President</td> </tr> <tr> <td>To be appointed by Minebea</td> <td>Representative Director, Vice President</td> </tr> </table>	Yoshihisa Kainuma	Representative Director, Chairman and President	Shigeru Moribe	Representative Director, Vice Chairman	Yoshihisa Kainuma	Chairman of the Board	Shigeru Moribe	Representative Director, President	To be appointed by Minebea	Representative Director, Vice President
Yoshihisa Kainuma	Representative Director, Chairman and President										
Shigeru Moribe	Representative Director, Vice Chairman										
Yoshihisa Kainuma	Chairman of the Board										
Shigeru Moribe	Representative Director, President										
To be appointed by Minebea	Representative Director, Vice President										

## Outline of business integration ( after the Share Exchange ) ②

<b>Share exchange ratio</b>	The share exchange ratio for the Share Exchange will be determined through mutual discussion based on such factors as the results of due diligence to be conducted and evaluation and advice of external institutions retained by each company, including the results of third-party assessment of stock, taking into account their stock prices in the market until the business day preceding the date of execution of the Basic Agreement and announcement of such execution.
<b>Effective date of the Share Exchange</b>	April 1, 2017 (planned)
<b>Business integration process</b>	The two companies will establish an integration preparatory committee to be chaired jointly by their Representative Directors and Presidents and will hold discussions regarding the business integration.
<b>Future capital policy</b>	The two companies will announce and implement, as necessary, whether to adopt a policy on shareholder return, including buy-back of stock, as a capital policy after the definitive agreement concerning the business integration, based on mutual discussion and consideration, taking into account the level of profit per share factoring in factors such as the dilution resulting from the increase in the number of issued and outstanding shares (including potential shares relating to bonds with stock acquisition rights) after the Share Exchange takes effect, operating results of the two companies and synergy effects of the business integration.

# Schedule ( planned )



<b>Execution of Basic Agreement / resolutions by the Board (today)</b>	December 21, 2015
<b>Execution of definitive agreement concerning the business integration (including the Share Exchange Agreement) and determination of share exchange ratio</b>	Late March 2016 (planned)
<b>Extraordinary shareholders' meeting to approve the share exchange agreement (Mitsumi only)</b>	December 2016 (planned)
<b>Effective date of the Share Exchange</b>	April 1, 2017 (planned)

(Note) The above schedules may be changed based on, among others, the necessity of filing necessary documents with the relevant authorities, including the Japan Fair Trade Commission and the U.S. Securities and Exchange Commission (SEC), and the progress of such procedures.

# ( Reference information ) Outline of the companies



Name	Minebea Co., Ltd.	MITSUMI ELECTRIC CO., LTD.
Date of establishment	July 1951	January 1954
Head office	4106-73 Oaza Miyota, Miyota-machi, Kitasaku-gun, Nagano	2-11-2, Tsurumaki, Tama-shi, Tokyo
Representative	Yoshihisa Kainuma, Representative Director, President and Chief Executive Officer	Shigeru Moribe, President and Representative Director
Business	Machined components business, including bearings, and electronic devices and components business, including electronic devices and small motors	Manufacture and sale of electrical machinery, measurement equipment, optical equipment, medical and hygienic equipment, electronic products, metal industry products and metal materials, and ceramic products
Capital (as of March 31, 2015)	68.3 billion yen	39.9 billion yen
Number of employees (consolidated) (as of September 30, 2015)	70,206	39,853

## Business results and financial conditions for the most recent three years (in millions of yen)

Fiscal year	Minebea Co., Ltd. (consolidated)			MITSUMI ELECTRIC CO., LTD. (consolidated)		
	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015
Net sales	282,409	371,543	500,676	152,098	157,360	153,045
Operating income	10,169	32,199	60,101	(4,382)	629	952
Ordinary profit	7,673	28,065	60,140	(3,274)	2,632	3,980
Net income	1,804	20,878	39,887	(11,545)	3,228	3,826
Net assets	137,858	163,463	233,679	101,521	102,992	115,431
Total assets	362,805	381,278	490,043	140,611	142,981	161,089
Net assets per share (yen)	351.65	422.62	604.83	1,160.88	1,177.71	1,319.96
Net income per share (yen)	4.83	55.94	106.73	(132.02)	36.92	43.75
Dividend per share (yen)	7.00	8.00	12.00	-	5.00	14.00

# Contacts

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Minebea may file a registration statement on Form F-4 (“Form F-4”) with the U.S. Securities and Exchange Commission (the “SEC”) in connection with the possible share exchange (the “Share Exchange”) pertaining to a business integration between the two companies, if it is consummated. The Form F-4 (if filed in connection with the Share Exchange) will contain a prospectus and other documents. If a Form F-4 is filed and declared effective, the prospectus contained in the Form F-4 will be mailed to U.S. shareholders of Mitsumi prior to the shareholders’ meeting at which the Share Exchange will be voted upon. The Form F-4 and prospectus (if a Form F-4 is filed) will contain important information about the two companies, the Share Exchange and related matters. U.S. shareholders to whom the prospectus is distributed are urged to read the Form F-4, the prospectus and other documents that may be filed with the SEC in connection with the Share Exchange carefully before they make any decision at the shareholders’ meeting with respect to the Share Exchange. Any documents filed with the SEC in connection with the Share Exchange will be made available when filed, free of charge, on the SEC’s web site at [www.sec.gov](http://www.sec.gov). In addition, upon request, the documents can be distributed for free of charge. To make a request, please refer to the contact of Minebea below.

Minebea Co., Ltd.

Corporate Communications Office

Phone : 81-3-6758-6703

MITSUMI ELECTRIC CO., LTD.

General Affairs Department

Phone : 81-42-310-5160

# Forward-looking statements

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This document includes “forward-looking statements” that reflect the plans and expectations of Minebea and Mitsumi in relation to, and the benefits resulting from, their business integration described above. To the extent that statements in this document do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the companies in light of the information currently available to them, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the actual results, performance, achievements or financial position of one or both of the companies (or the group after the integration) to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements.

The companies undertake no obligation to publicly update any forward-looking statements after the date of this document. Investors are advised to consult any further disclosures by the companies (or the group after the integration) in their subsequent filings in Japan and filings with the U.S. Securities and Exchange Commission.

The risks, uncertainties and other factors referred to above include, but are not limited to:

- (1) economic and business conditions in and outside Japan;
- (2) changes in demand for PCs and peripherals, information and communication equipment, automobiles, consumer electronics and other devices and equipment, which are the main markets of the companies’ products, and in raw material prices, as well as exchange rate fluctuations;
- (3) changes in interest rates on loans, bonds and other indebtedness of the companies, as well as changes in financial markets;
- (4) changes in the value of assets (including pension assets) such as securities and investment securities;
- (5) changes in laws and regulations (including environmental regulations) relating to the companies’ business activities;
- (6) increases in tariffs, imposition of import controls and other developments in the companies’ main overseas markets;
- (7) interruptions in or restrictions on business activities due to natural disasters, accidents and other causes;
- (8) the companies’ being unable to reach an agreement satisfactory to both of them with respect to the details of the business integration or otherwise being unable to complete the business integration;
- (9) difficulty of realizing synergies or added value from the business integration by the group after the integration.