

Overview

Outline of Operations MinebeaMitsumi's operations are divided into the following segments: the machined components segment (accounting for 24.5% of net sales in the year under review) primarily manufactures miniature and small-sized ball bearings, rod-end and spherical bearings, as well as fasteners and pivot assemblies. The electronic devices and components segment (accounting for 69.1% of net sales) primarily makes light-emitting diode (LED) backlights for LCDs, spindle motors for hard disk drives (HDDs), stepping motors, brushless DC motors, brush DC motors, fan motors, and other types of motors, as well as sensing devices. The MITSUMI business segment (accounting for 6.3% of net sales) primarily makes camera actuators for smartphones, mechanical parts, connectors, switches, power supply components, antennas, tuners and semi-conductor devices. The other segment (accounting for 0.1% of net sales) focuses on machines made in-house.

On January 27, 2017, we conducted a business integration and share exchange with MITSUMI ELECTRIC CO., LTD., consolidating MITSUMI ELECTRIC CO., LTD. from the date of the business integration, and newly disclosing MITSUMI business as our reportable segments.

Product development takes place mainly in Japan, Germany, Thailand and the United States. Manufacturing takes place mainly in Japan, Thailand, China, the United States, Singapore, Malaysia, Cambodia, the Philippines, Germany, the Czech Republic, and the United Kingdom. Thailand, where our largest manufacturing base is located at, accounted for 59.2% of our consolidated-basis output in the year under review while China, where our next biggest manufacturing base is located at, accounted for 17.4%. Asian locations outside of Japan accounted for 86.8% of our production, and manufacturing at all overseas locations accounted for 95.7% of total output.

The key outlets for our products include the markets for office automation and telecommunication equipment (40.5% of net sales in the year under review), PCs and peripherals (15.6%), automotive products (12.7%), aerospace products (7.3%) and household electrical appliances (6.7%). Many of our customers, who are manufacturers of these products, are expanding their production bases beyond Japan, Europe, and the Americas. This expansion has been directed particularly toward China and other parts of Asia, which explains why sales in China (including Hong Kong), accounted for 32.5% of net sales in the year under review, were the highest. Our second-largest geographic market is the United States, which accounted for 27.4% of net sales. The third largest, Japan, accounted for 14.6% of net sales, and remaining net sales coming from Europe, Thailand, and other countries.

Outline of Strategy We will thoroughly review productivity to boost the profitability of our existing lines. We will also expand our EMS (Electro Mechanics Solutions) business which is driven by MITSUMI ELECTRIC CO., LTD. and our group's combined technological strengths in electronic devices and components as well as machined components. We will leverage the combined wealth of experience we have gained in manufacturing, sales, engineering and development to provide flexible prices and meet the needs of our customers. We will actively work on improving our profitability and increasing corporate value via M&As and alliances. At the same time, we will focus on establishing large-scale overseas mass production facilities as well as global R&D capabilities in light of regional risk assessment findings, while aiming to achieve either net sales of ¥1 trillion or operating income of ¥100 billion by the fiscal year ending March 2021.

We have developed the following policy to guide us in concrete terms as we move ahead with the aforementioned initiatives:

1. We will work to restructure our business portfolio by categorizing products and businesses into core, sub-core and non-core businesses.
 - (i) Our core businesses are defined as businesses and products which have absolute permanence, much like the "rice" of industry, in which our group can particularly demonstrate its competitiveness and secure competitive advantage, and these are positioned as the key pillars of our future growth strategy. More specifically, bearings, motors, sensors, connectors/switches, power supply components, wireless/communications/software, and analog semi-conductors are positioned as MinebeaMitsumi's "Seven Spears". We will actively invest management resources such as people, money and goods into these core businesses.
 - (ii) Our sub-core businesses are businesses and products which are not permanent but from which significant profits can be anticipated, such as smartphones, games, and HDD products. In these business areas, we will work to thoroughly improve productivity and develop new components in order to enhance our competitiveness, while taking measures to prepare for the eventual shrinking of the market.
 - (iii) Non-core businesses will be targets for bold choice and selection.
2. In addition to existing businesses, we will accelerate the development and commercialization of the "+IoT business" as high value-added solutions that combine products and technologies held by MITSUMI ELECTRIC CO., LTD.

More specifically, we will develop and provide new solutions such as Smart Cities, bed sensors, and sensory devices (haptics) by combining input equipment (such as strain gages, MEMS sensors, camera modules, antennas, etc.) with conversion and control equipment (such as wireless, switching power supply components, battery protection ICs, power supply ICs, driver circuits, inverter circuits, etc.), and our output equipment (such as bearings, lighting equipment, LED backlights, sensory devices, actuators, motors, etc.).