

# 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.

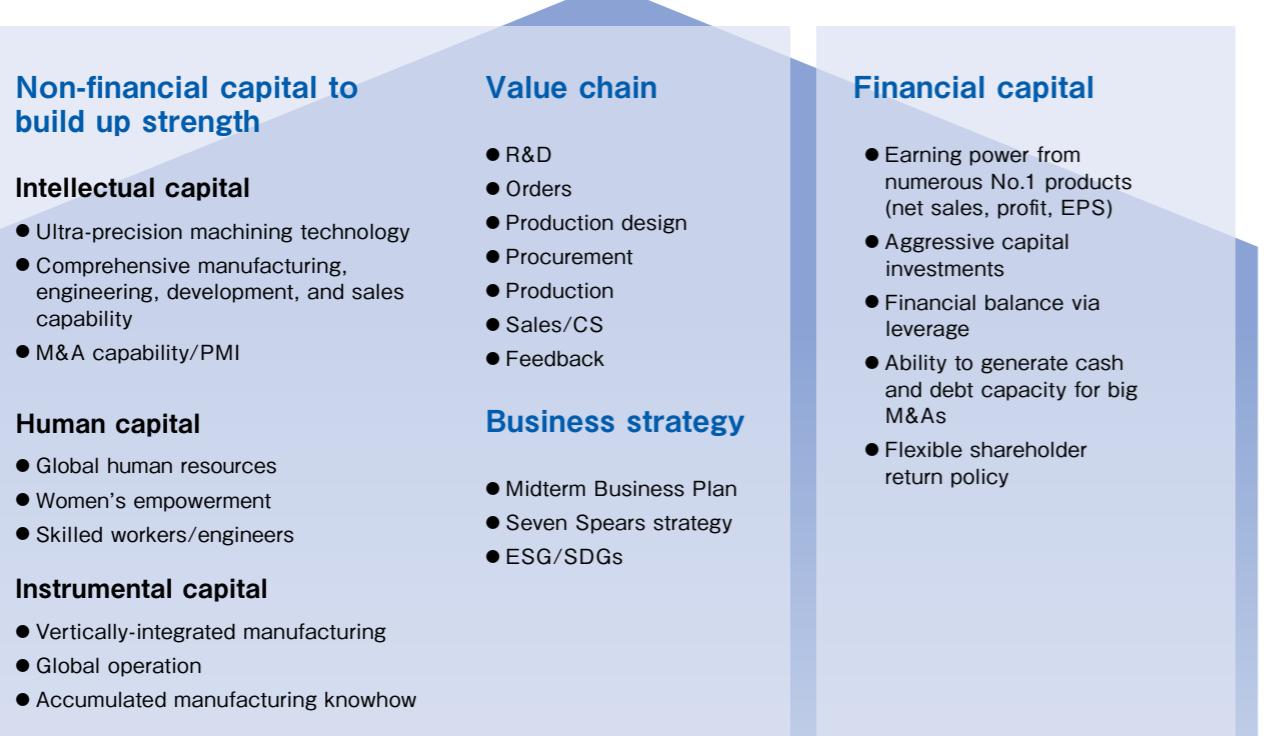
Using all such capital, we will further hone our three strengths to realize sustainable growth.

\*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.

## Three strengths



## Sustainable growth of MinebeaMitsumi Group



## Fundamental philosophy

- Highly transparent operation based on the Five Principles, our corporate credo
- Passion to create value through difference
- Commitment to manufacturing

Our three strengths are underpinned by our fundamental philosophy and its embodiment in the form of financial and non-financial capitals.

In addition to financial capital, our non-financial capitals are deeply embedded in the value chain in the form of accumulated intellectual, human, and manufacturing capitals, which are efficiently utilized by our management strategies.

## Environmental and social value created

- Mass production with minimum environmental footprint
- Creating environmentally friendly products
- Using IoT to help build smart industry
- Encouraging agricultural workers in emerging countries to participate in the latest technology fields
- Empowering women worldwide



## Economic value created

- Environmentally friendly products made possible by MinebeaMitsumi's high-quality components
- Efficient use of social infrastructure as a result of relatively low prices and high product reliability
- Numerous No.1 products
- High operating margin
- Ability to generate cash backed by high earning power
- Return on equity (ROE)
- Return on invested capital (ROIC)



MinebeaMitsumi creates environmental value, for example through the supply of environmentally considerate products such as ball bearings that reduce friction and increase energy efficiency. The Company also creates social value through means such as raising awareness of agricultural workers in emerging countries and encouraging their participation in the latest technology fields.

In this way, we achieve business activities that harmonize the resolution of social issues with the creation of economic value.

Through these activities, we aim to realize the SDGs promoted by the United Nations.

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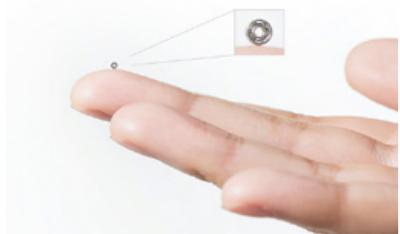
**We aim to capture an overwhelming majority of the market share with our core products using our original technology and production system**



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



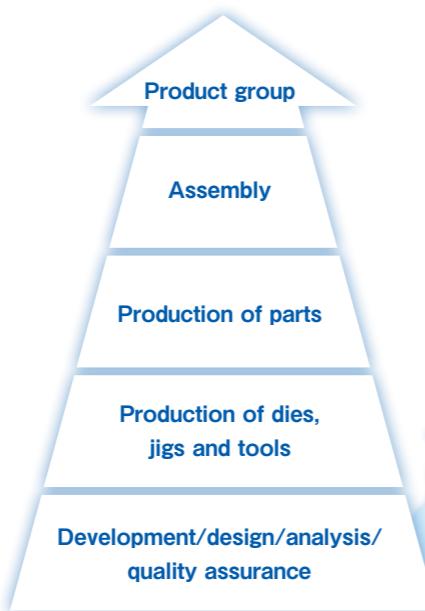
**The World's smallest**



**The World's thinnest**



**Market/Customers**



**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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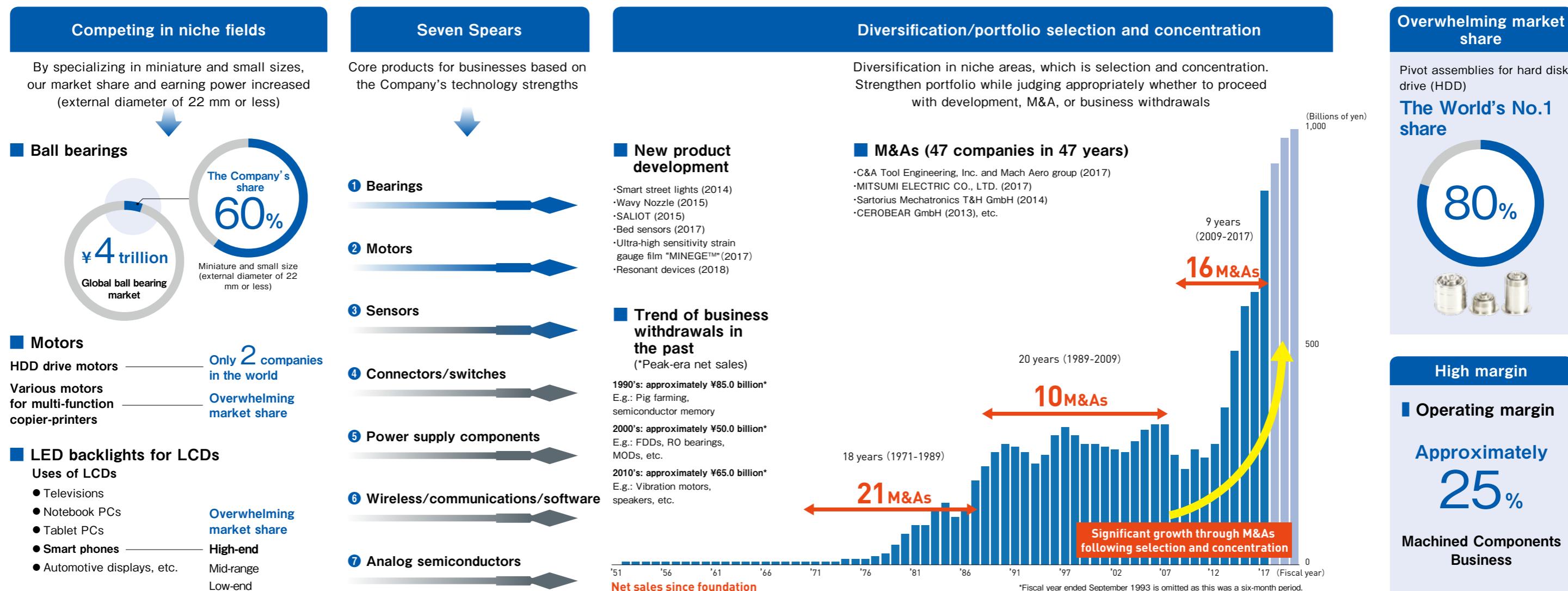
**Diversified management centered on niche fields, underpinned by strong technologies**



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.

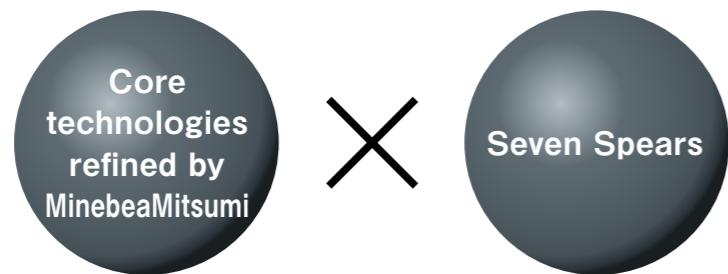
The Company will continue to select and concentrate its business portfolio as it strives to create new value going forward.



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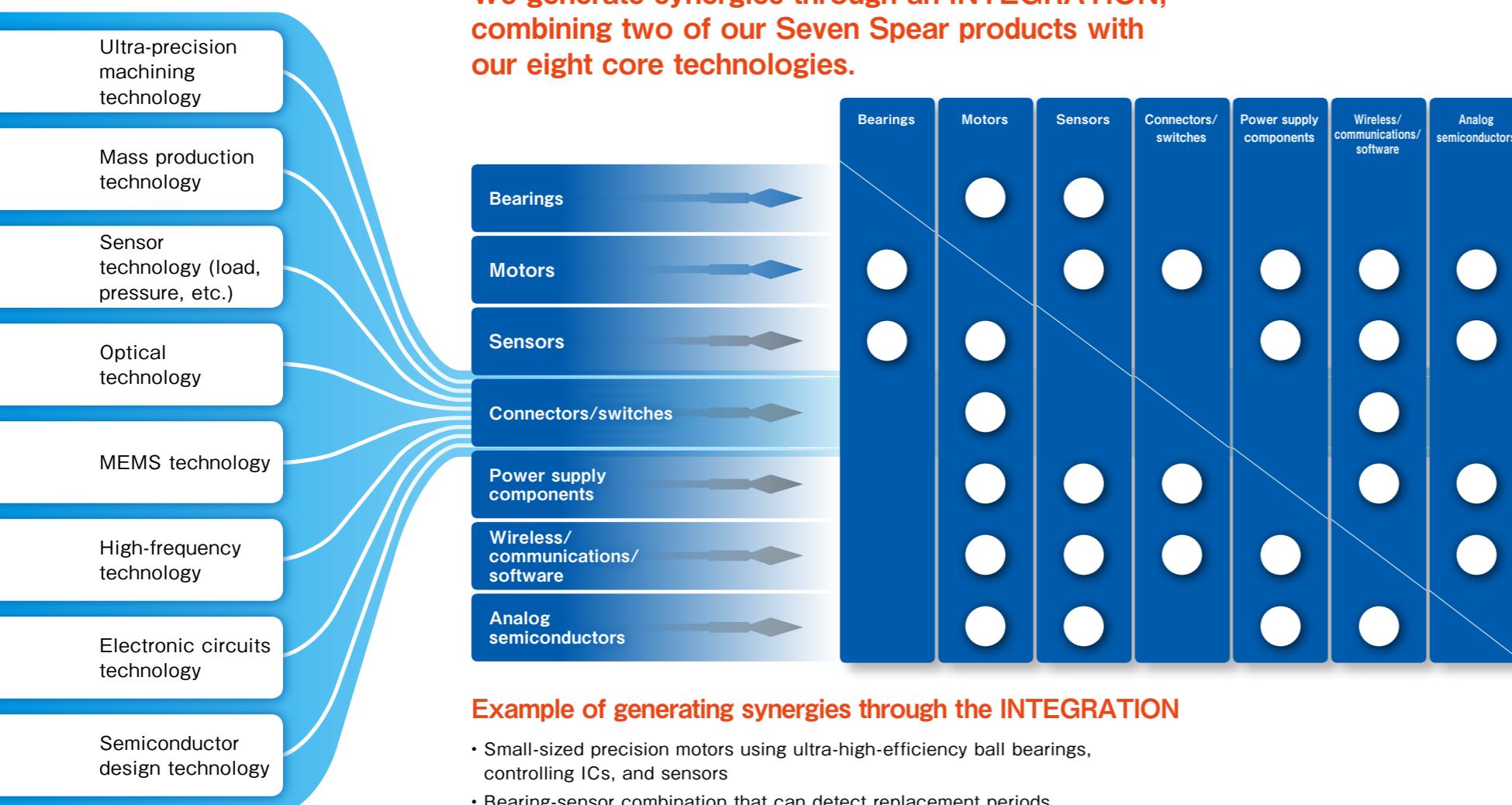
## Further strengthening business through synergies derived from the INTEGRATION of Minebea business × MITSUMI business



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



### 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



\*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.

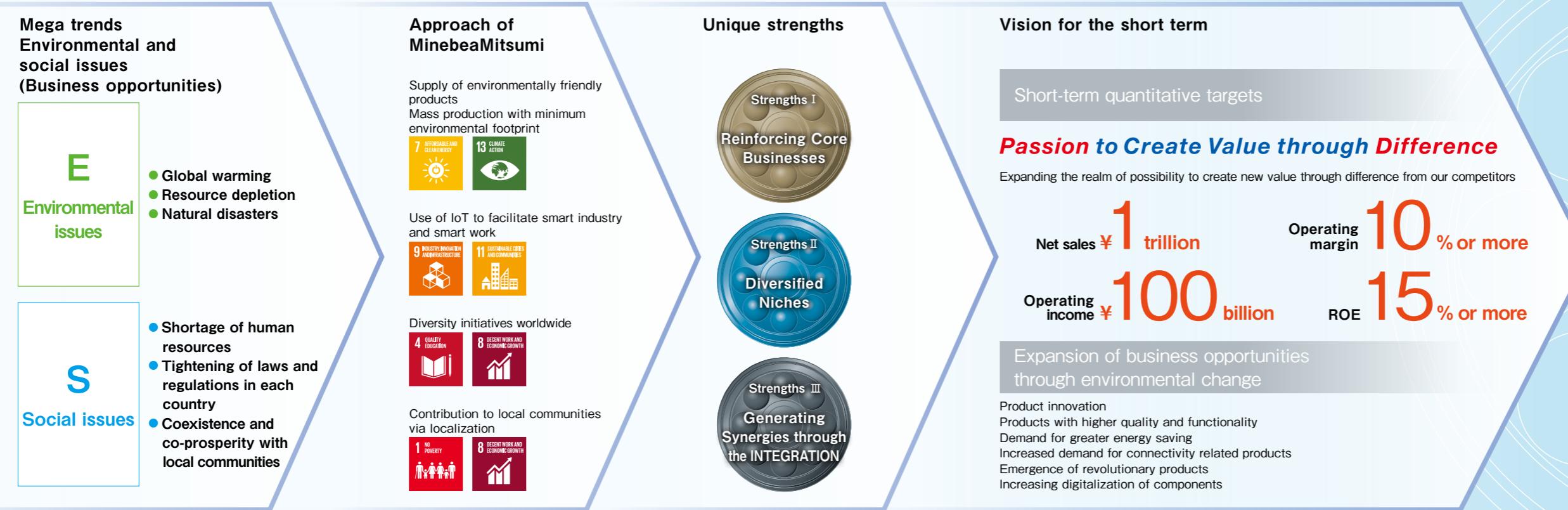
# Chapter I Value Creation Story of MinebeaMitsumi

## 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.



We will continue to take on challenges that go beyond the scope of a components company as an **Electro Mechanics Solutions™ Provider**.

## 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



### 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



### G Governance

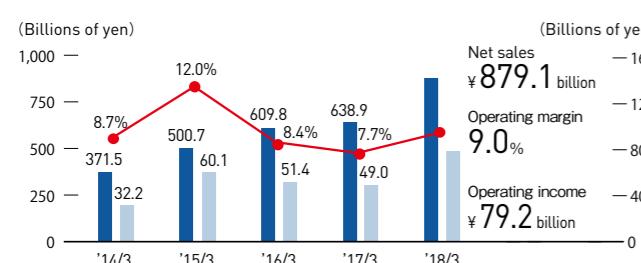
- Stakeholder engagement
- Appropriate information disclosure, active dialogue with investors
- Formulation of Midterm Business Plan for sustainable growth
- Fair compensation and incentives based on performance
- Strengthening Group governance

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## Financial and Non-financial Highlights

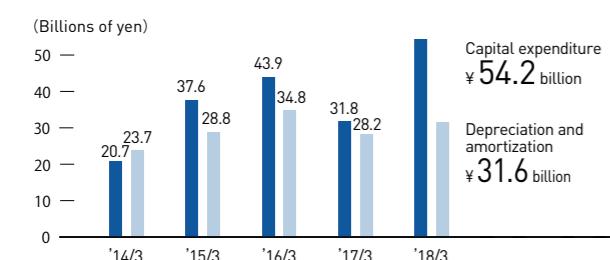
### Financial highlights

#### Net sales, operating income and operating margin



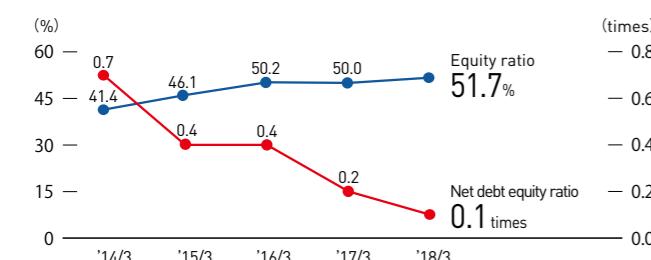
Both net sales and operating income hit record highs by a significant margin due to a substantial contribution from MITSUMI business along with strong performance of our main products.

#### 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.

As of March 31, 2014 (Billions of yen)

	Cash and deposits	Notes and accounts receivable	Other assets	Total assets
Cash and deposits	38.6	74.3		
Notes and accounts receivable		29.9	39.4	
Other assets	63.7		13.1	
Fixed assets	191.6			
<b>Total assets</b>	<b>381.3</b>			

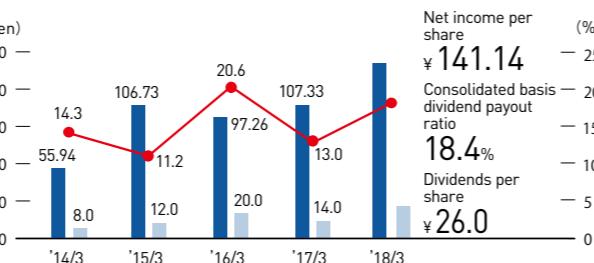
As of March 31, 2018 (Billions of yen)

	Cash and deposits	Notes and accounts receivable	Other assets	Total assets
Cash and deposits	104.9	167.1		
Notes and accounts receivable		98.3	78.8	
Other assets	150.1		218.7	
Fixed assets	263.9			
<b>Total assets</b>	<b>707.8</b>			

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.

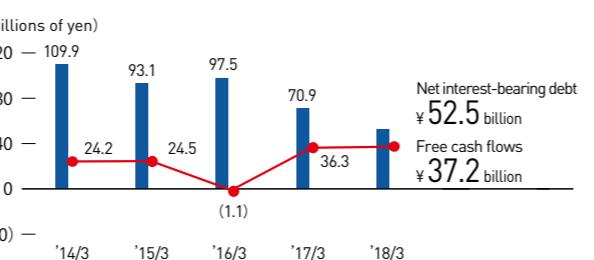
Going forward, premised on the notion of maintaining financial discipline, cash generated will be used to strengthen our financial position and provide shareholder returns, with top priority having been placed on growth investment including M&As.

#### Net income per share and dividends



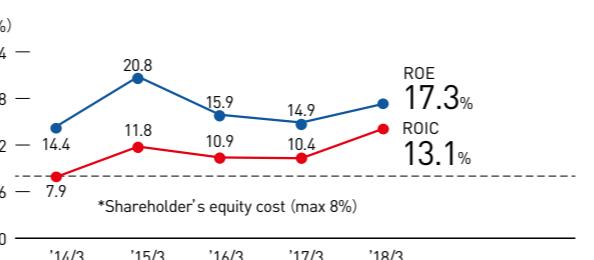
Dividends for the fiscal year ended March 2018 were increased to 26 yen, an increase of 12 yen in comparison with the previous fiscal year, as a result of efforts to provide shareholder returns at levels that better reflect business performance.

#### 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.

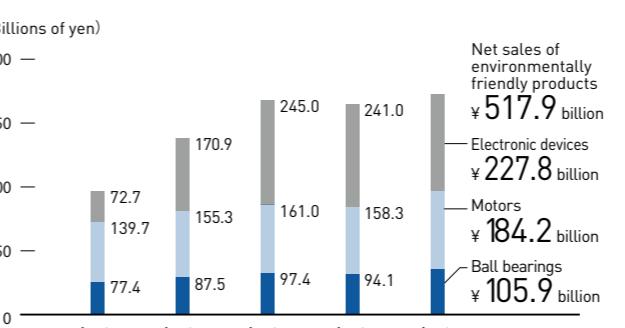
#### ROE and ROIC



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).

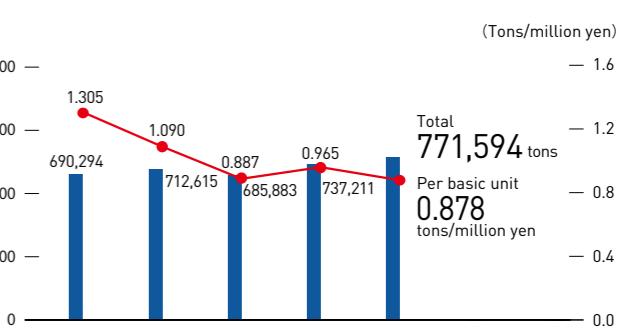
### Non-financial Highlights

#### Net sales of environmentally friendly products



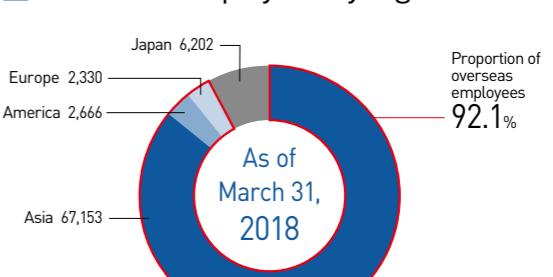
MinebeaMitsumi's environmentally friendly products include our ball bearings, motors and electronic devices (LED lighting-related) that contribute to achieving energy savings, high efficiency and long product life. In the fiscal year ended March 2018, total net sales in those three product categories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

#### CO<sub>2</sub> emissions



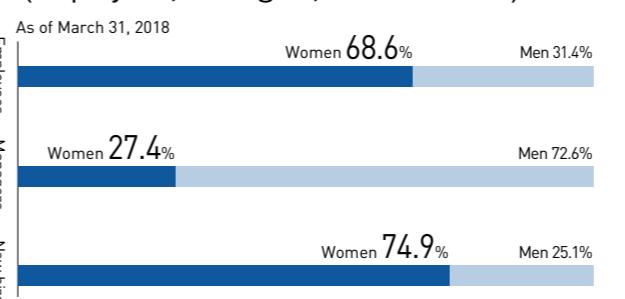
We address the matter of CO<sub>2</sub> emissions related to global warming both in terms of total volume and per basic unit of output. Our CO<sub>2</sub> emissions per basic unit of output have been trending lower over the medium to long term, although in the short-term such initiatives are prone to effects of foreign exchange and other such factors. In the fiscal year ended March 2018, our CO<sub>2</sub> emissions amounted to 0.878 tons/million yen, on a per basic unit of output basis.

#### Number of employees by region



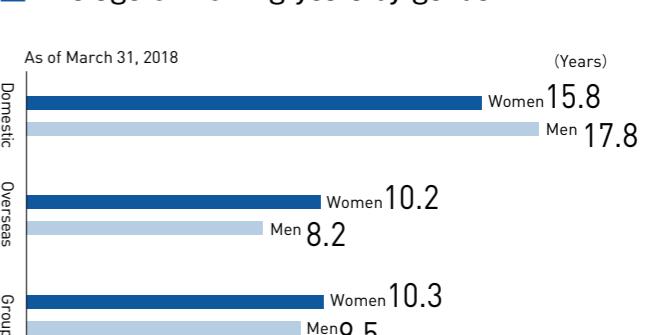
The Group's proportion of employees based overseas is high at 92.1% given that some 70% of its net sales are generated outside of Japan and roughly 90% of its production takes place abroad.

#### 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.

#### 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.