

Chapter II Toward Sustainable Growth

President's Message

Aiming to be an “INTEGRATION*” manufacturer of precision components as required by the IoT era



Looking back on the fiscal year ended March 2018

Net sales, as well as operating income, ordinary income and net income hit record highs

I find that the fiscal year ended March 2018 was an extremely good year, having been the first fiscal year to demonstrate positive effects of the business integration between Minebea Co., Ltd. (“Minebea”) and MITSUMI ELECTRIC CO., LTD. (“MITSUMI”). Net sales increased by 37.6% year on year to 879.1 billion yen and operating income increased by 61.5% year on year to 79.2 billion yen. Additionally, ordinary income and net income significantly exceeded previous record highs. With respect to MITSUMI business, we made a rapid progress in improving its profitability and achieved a return to positive earnings. Having personally visited MITSUMI locations with Minebea’s manufacturing executives in the early stages, I sense that clear results have been achieved with respect to promoting productivity improvements. Above and beyond simply having added the MITSUMI business, we also achieved our highest ever operating income of the former Minebea businesses, and accordingly managed to generate substantial growth with respect to both the Machined Components as well as Electronic Devices and Components businesses.

Launch of new Midterm Business Plan

Aiming to swiftly achieve 1 trillion yen in net sales and 100 billion yen in operating income

We have redrafted our Midterm Business Plan given that we now anticipate new record-high results across the board with respect to net sales (940.0 billion yen), operating income (85.0 billion yen), and net income (66.0 billion yen), again in the fiscal year ended March 2019. Whereas we previously aimed to achieve net sales of 1 trillion yen and operating income of 100 billion yen by the fiscal year ended March 2021, we now aim to achieve those targets earlier, by the fiscal year ended March 2020. We are also increasing capital efficiency in addition to profitability, thereby targeting operating margin of at least 10% and ROE of at least 15%. (As of August 31, 2018)

Midterm targets raised across all business segments

We have also increased the midterm targets across all business segments. As such, our operating income targets for the fiscal year ended March 2021 amount to 56.0 billion yen, 35.0 billion yen, and 28.5 billion yen, respectively in the Machined Components business, Electronic Devices and Components business, and MITSUMI business. In the Machined Components business, we aim to swiftly achieve production capacity amounting to 315 million units per month with respect to ball bearings which are generating very strong external sales results. In Electronic Devices and Components business, we will further develop the motor business to act as a profit driver, thereby targeting sales growth of 10% in that business which was established as a second pillar of business. In the MITSUMI business we are targeting 30% year-on-year growth in operating income.

*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.

Roadmap looking toward achieving targets (“combining” rather than “simple gathering”)

Business portfolio recombination toward sustainable growth

MinebeaMitsumi has become a comprehensive manufacturer of precision components wielding an extensive product lineup unparalleled by its worldwide competitors. I believe that in addition to this, we are an INTEGRATION manufacturer of precision components that creates synergies in various fields by combining technologies and products. We have been achieving growth and promoting greater diversity of business while taking on new business challenges and repeatedly orchestrating M&A deals, which also reflect the company’s DNA. However, this diversification of business does not simply involve extending our product line, but instead entails creating new value by recombining products through an INTEGRATION approach in which respective products are closely related with each other. To achieve sustainable growth going forward, we will strengthen our portfolio in a manner that involves appropriately withdrawing from businesses when deemed necessary, while actively taking on challenges of developing new products and arranging M&A opportunities.

Core businesses
Generating synergies through the INTEGRATION of our core technologies with our Seven Spears

Included in the business portfolio are our core businesses, defined as indispensable operations involving core products that are essential to various machines, such as bearings which constitute the original business of the Company and a staple of industry. The core businesses consist of the Seven Spears encompassing (1) bearings, (2) motors, (3) sensors, (4) connectors/switches, (5) power supply components, (6) wireless/communications/software, and (7) analog semiconductors, all niche segments which we have identified as priority fields of business going forward, in which we are able to wield competitive advantages and achieve substantial market share and high profitability. We will develop an advanced product groups that will be vital to society by combining these Seven Spears with core technologies honed by the Company, particularly with respect to ultra-precision machining, mass production, optical, and sensor technologies.

We are already leveraging such synergies to hasten new product development in areas that include next-generation sensors centered on MINEGE™ high sensitivity strain gauge film, as well as connectivity products compatible with next-generation communications, ultra-precision actuators, and smart LED lighting. In particular, we have been promoting commercialization of our new product trio consisting of SALIOT smart LED lighting, smart city solutions, and the bed sensor systems, and have accordingly been making progress with initiatives geared to increase added value to the trio by applying system solutions and developing new sources of profitability.

Sub-core businesses
Contributing to further growth of the core businesses functioning as cash cows

The business portfolio also consists of the sub-core businesses, defined as those rapidly changing particularly in terms of technological innovation and lacking in permanence, but which generate intense volume, particularly involving components for smartphones and games. Regarded as cash cow businesses given their high profitability, such operations give rise to virtuous cycles

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that further strengthen the business portfolio because profits generated by such businesses are invested into the core businesses.

MinebeaMitsumi makes a difference in achieving growth

Balancing ultra-high quality and energy savings on the basis of ultra-precision machining technology

With people increasingly leading lives of greater abundance, they are demanding products that offer high performance and substantial added value, as well as environmentally friendly products. This is resulting in mounting demand for the Company's specialty precision components such as miniature and small-sized bearings. For instance, we are seeing mounting demand for bearings used in cooling fan motors installed in data centers, accompanying the shift to digital solutions and increasing data capacities in recent years. There has also been explosive growth in demand for bearings and motors used in drones and other robots. In the area of electric vehicles and other next-generation automobiles, although some voice concerns regarding the prospect of waning demand for bearings, MinebeaMitsumi is conversely benefiting from escalating demand for small, thin, and light-weight products associated with fuel efficiency improvements and energy savings, amid a situation where our miniature and small-sized bearings are being used in electric parts.

With respect to servers, drones, automobiles and other such areas of business, customers have been seeking absolute high quality ensuring safety and durability, while also demanding energy savings in the form of dramatically lower electricity and power consumption in recent years. Although Chinese manufacturers have been achieving remarkable growth, the Group maintains overwhelming strengths of its own which differentiate it from other companies in terms of being able to swiftly supply its customers with products that combine ultra-high quality and energy savings, having established ultra-precision machining and mass production technologies.

Also with respect to LED backlights for LCDs, we leverage the Group's ultra-precision technologies in promoting the development of new products that offer performance that cannot be beaten by organic light emitting displays (OLED) in a market where the emergence of OLED is concerning for LED.

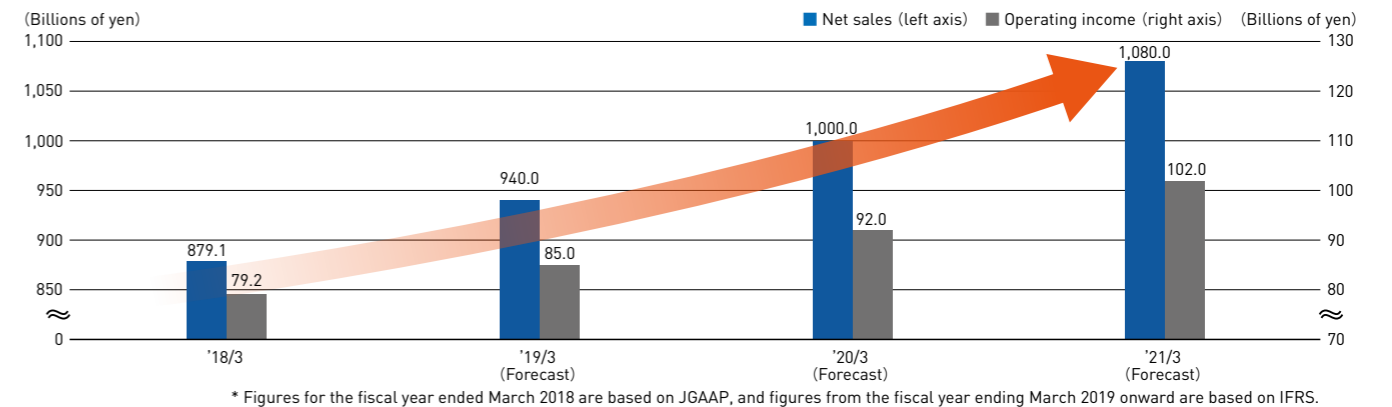
Achieving competitive advantages through global diversity and personnel development, and localization

Having embarked on overseas expansion early on, beginning in the 1960s, the Group now manufactures 90% of its products in Asia. We generate employment in countries we have entered ahead of our competitors of the industry, and have been promoting business activities that are firmly rooted in local communities through employee education. The Group's workforce currently consists of some 100,000 employees representing various nationalities, with Japanese nationals numbering only about 7,000 members, and two non-Japanese nationals serve as Executive Officers at the head office. With respect to the Group's executive officer system in particular, we also actively encourage promotion of locally based employees to managerial positions, and the number of female officers is not insignificant.

Whereas it is important that I act with initiative as the leader to achieve our targets of net sales of 1 trillion yen and operating income of 100 billion yen, at the same time, I feel it is necessary to facilitate growth of those who may someday shoulder responsibility as leader for the next generation. To such ends, we promote management training on a global scale, while pursuing initiatives that involve drawing up strategies, sharing our vision, and strengthening communications.

In July 2018, we commenced full-scale local production centering

Quickly achieving net sales of 1 trillion yen and operating income of 100 billion yen



Midterm Business Plan : Numerical Targets

Net sales

¥ 1 trillion

Operating income

¥ 100 billion

Operating margin

10% or more

ROE

15% or more

Actively pursuing M&As on top of organic growth

on motors for automotive applications at the Kosice Plant in Slovakia, and will open a technical center in China in the fall. As such, in the automotive industry, a priority target of the Company, we are accordingly establishing operations in fast-growing China and the European region to promote swift supply and development, and to minimize business exposure to foreign exchange risk.

As a result of such initiatives, the Group is developing its strengths and differentiating itself through global diversity management and full localization. Furthermore, we will fulfill our responsibilities as a global company that contributes to our respective communities by sustainably expanding our businesses.

Value creation into the future

Creating environmental and social value through businesses

Adoption of the Sustainable Development Goals (SDGs) set by the United Nations makes it necessary to link the need to resolve social challenges with that of corporate growth. Meanwhile, companies are also being further called on to increase their corporate value upon taking into account environmental, social and governance (ESG) criteria.

At the Group, we have long been promoting the Five Principles, our corporate credo of fulfilling our social responsibilities with respect to our various stakeholders encompassing our employees, customers, shareholders, local communities and global society. I think it is time that we work toward achieving growth, once again taking notice of our corporate credo. From the perspective of the environmental (E) and social (S) criteria in particular, we remain aware that our companies have substantial responsibilities that include carrying out specific measures with respect to clean energy and climate change in today's world of intensifying global warming. Up to now, we have been proud that the Company's products have minimal impact on the environment and accordingly contribute to high-quality energy savings. In recent years, we have been creating solutions that help resolve social challenges, particularly in terms of reducing environmental loads, developing infrastructure, and addressing labor shortages through INTEGRATING products and technologies.

For instance, our smart city solutions underway in Cambodia and other countries contribute to infrastructure development in part by saving energy through use of dimming controls that combine highly efficient LED street lights with wireless networks, and also by enabling smart monitoring of urban functions as a result of extending capabilities to temperature, humidity and other environmental sensors, and parking sensors.

We also continually work to balance mass production with efforts to reduce our environmental loads, such as by introducing plant wastewater zero systems at respective sites worldwide. Going forward, we will continue to refine our technological and manufacturing capabilities while helping to bring about a sustainable society by creating further environmental and social value through our business and production activities.

Promoting a high degree of managerial transparency with a commitment to quality

With respect to corporate governance (G), a recent string of scandals involving manufacturers has once again called into question the notion of trust in manufacturing. While doing our best to share our attitude to manufacturing, how we think about manufacturing, and how we pursue best practices for implementing manufacturing across the Group, we are working to bolster our company's management operations mainly through strengthening our financial position. We also welcome our very first female Outside Director this fiscal year, and will otherwise further promote a high degree of managerial transparency in a comprehensive manner both internally and externally, along with diversity management practices.

Group-wide efforts to work toward our targets as an INTEGRATION manufacturer of precision components

The Group's entire workforce will work enthusiastically in their respective roles encompassing manufacturing, technology, development and sales with their sights set on achieving net sales of 1 trillion yen and operating income of 100 billion yen, while also further attaining sustainable growth. Moreover, we will marshal such strengths and draw on our INTEGRATION approach of combining business management resources to differentiate ourselves from our competitors, which will act as a wellspring for creating new value.

At MinebeaMitsumi, we are committed to meeting your expectations with respect to achieving further growth.

August 2018

Yoshihisa Kainuma

Representative Director, CEO & COO