

## President's Message

# To the world's mightiest “INTEGRATION\*” manufacturer of precision components

### Looking back on the past 10 years

## As an Electro Mechanics Solutions™ Provider, we have been laying a solid foundation for MinebeaMitsumi's 100th year and implementing maximization of the shareholder value

The first investors meeting of my presidency was held ten years ago in May 2009. At that meeting, I presented two targets which are my mission as the CEO. The first target was to lay a foundation for the Company's 100th year of operations (the year 2051). The second was maximization of the shareholder value.

I believe it is the most important for a company's sustainable growth to post a profit and maintain positive earnings. At the time, there were a lot of unprofitable divisions. Therefore, returning those divisions to positive earnings was an urgent task. We registered the phrase Electro Mechanics Solutions™ as a trademark in Japan. The phrase demonstrates the integration of machine and electronic technology with control technology, and I explained it would be the strategy for MinebeaMitsumi's 100th year of operations. We are a unique company, like no other in the world, who deals with bearings, motors, sensors and even semiconductors. I am

confident that over these past ten years, we have managed to build a foundation for creating added value by combining the various unique technologies possessed by the Company – combining in the sense of INTEGRATION rather than simply gathering together. I believe that expanding and growing the Company's business activities on this foundation through both organic growth involving INTEGRATION products and M&As, will lay a solid foundation for MinebeaMitsumi's 100th year of operations.

In 2019, we strengthened the business portfolio further, through business integration with U-Shin. Furthermore, we have continued to enhance our corporate value and shareholder value, for example achieving a separation of monitoring and execution and strengthening corporate governance and so forth with the establishment of the Sustainability Management Division, and we will continue paving the way for sustainable growth.

### Basic management philosophy

#### (1) Transparent management based on our company credo “The Five Principles”

- (i) Be a company where our employees are proud to work
- (ii) Earn and preserve the trust of our valued customers
- (iii) Respond to our shareholders' expectations
- (iv) Work in harmony with the local community
- (v) Promote and contribute to global society

#### (2) Create new value through “difference” that transcends conventional wisdom

#### (3) Approach manufacturing with an attitude of sincerity

\* INTEGRATION means “combining” rather than “simple gathering” of the Company's proprietary technologies to evolve the Eight Spears and to create new products in various fields through further INTEGRATION of our advanced products.



Representative Director, CEO & COO

**To realize the sustainable growth, first of all, it is necessary to return unprofitable divisions to positive earnings and keep gaining profit**

## Approach to M&As **Generating synergies between people is most important** **Passion for achieving high targets creates new value**

Industrial structure has reached a point of transformation, as seen in the automotive industry, and we need to respond to this change. Meanwhile, in addition to organic growth, we will continuously execute M&As that enable swift acquisition of whole businesses, including high quality human resources and technologies. I believe that strengthening our management foundation in this way is an efficient corporate management strategy. In the past ten years, we have built up a successful track record including 17 M&As both in Japan and overseas. Implementation of these M&As contributed to an increase of approximately 500 billion yen in consolidated net sales. We recorded approximately 15 billion yen in goodwill, but with the recording of negative goodwill on certain M&As, net goodwill was just 0.3 billion yen.

Furthermore, I believe that synergies are most important for M&As. Although there are also synergies between technologies or things, what I focus most on is the synergy generated between people. In my opinion, communication is the only way to gain synergies between people. It is important to have both communication between various ranks such as management and managers, and communication between various divisions such as the manufacturing, sales and administration divisions.

In all situations where business integration is implemented, we remain committed to "the spirit of equal footing." Competent human resources can play active roles, regardless of which company in the Group they belonged to. Furthermore, we share the basic management philosophy and high targets. Employees often ask me about our company slogan, Passion to Create Value through Difference, wanting to know how they can have passion. I tell them that the key is to set ambitious targets. It is because I believe strong intention to achieve high targets, that cannot be realized easily, leads to passion. For me, the two aforementioned targets, to which I committed ten years ago, have been the source of my passion.

## U-Shin business integrated in April 2019 **Aiming for quick turnaround and generation of synergies**

U-Shin Ltd. ("U-Shin") specializes in the field of lock systems such as door handles and latches. The company's main areas of business cover a wide range including automotive components, industrial equipment, and home security units. In particular, in the automotive components and home security units business areas, U-Shin's business has a strong affinity with MinebeaMitsumi's existing businesses not only in terms of technology, but also vertically-integrated manufacturing. The integration with U-Shin therefore opens the door to creating various

## Future outlook of the business environment **Contributing to advanced technologies as an edge device manufacturer**

synergies, such as expanding our presence among automotive manufacturers and utilizing global production sites and sales offices.

On the other hand, U-Shin required various basic technologies such as motor, sensor, and wireless technology, as it was vital for the company to respond to electrification as well as IoT in order to survive and grow in the business areas of automotive components, home security units and industrial machinery. Integration with MinebeaMitsumi enabled U-Shin to acquire the technologies it required overnight. The two companies are in a win-win relationship, and this has increased the likelihood of this M&A resulting in success.

With the integration, we have set a target for U-Shin's net sales to double to 300 billion yen in ten years' time. With the establishment of this target, I can see a palpable change in the expressions of the employees and the level of motivation on the plant floor. As a short-term challenge, we aim to rebuild unprofitable divisions in Europe. To realize sustainable growth, we must first return unprofitable divisions to positive earnings, and then expressly show employees the future vision, in which they can see where the Company should be ten years later. The entire Group also give full support for the realization.

## Basic strategies for the next 10 years **Generating synergies through the INTEGRATION of our core technologies with our new Eight Spear products** **Net sales of ¥2.5 trillion is never unachievable**

The MinebeaMitsumi Group has established four policies in its basic strategy for the next ten years, and clearly set out the following key performance indicators (KPIs): net sales of 2.5 trillion yen, operating income of 250 billion yen, a CAGR for EPS growth of 15% or more, and ROE of 15% or more. The first policy is to grow new Eight Spear products, adding access products centered on U-Shin to our former Seven Spears strategy. Primarily for niche markets, we will generate synergies through the INTEGRATION of our core technologies with our Eight Spear products. Secondly, we will continue to launch new products for the era in which IoT, 5G, etc. are growth drivers. Thirdly, we will aggressively expand our businesses in new markets such as medical equipment, infrastructure and housing equipment. And fourthly, we will continue to implement M&As. We will aggressively expand our portfolio of businesses that can further strengthen our INTEGRATION capabilities, aiming to become the world's mightiest INTEGRATION manufacturer of precision components. Basically, we will strengthen our core

business in ultra-precision technologies and ultra-high quality and maximize earnings from our sub-core businesses functioning as cash cows, plowing the profits created by sub-core businesses back into strengthening our core businesses.

Through these basic strategies, we aim to achieve net sales of 2.5 trillion yen for the fiscal year ending March 2029. Over the past ten years, we have generated 500 billion yen in growth through M&As. Therefore the plan to conduct M&As around 500–800 billion yen over the next ten years is not so unrealistic. In terms of organic growth, considering our previous growth performance where we grew from 230 billion yen ten years ago to 500 billion yen today, we should be able to achieve growth of around 1.8 times going forward.

## Sustainability

### Take pride in being a company that plays an essential role in society, and clarify issues to be addressed

Through the INTEGRATION and recombination of our technologies and products, we have provided products that contribute to the development of society and the reduction of environmental loads. We have newly identified materialities in sustainability in order to meet society's expectations and demands, and we have also clarified key themes that need to be addressed with priority. (for details, please refer to pages 17 and 40)

Within our materialities, the most important theme we are working on is to "create workplace environments where our employees are proud to work and can maximize their talents." I recognize that my role in realizing this goal is to rigorously develop the next generation of leaders, increasing the number of management personnel who share the basic management philosophy by as many as possible. In an environment marked by diversity, with approximately 100,000 employees from various countries and cultures globally, I feel it is necessary to build a human resources development system that enables each MinebeaMitsumi Group employee to work with the same corporate culture, passion, and priorities.

Furthermore, the "MinebeaMitsumi Green Product Certification Program" was introduced (for details, please refer to pages 24 and 41). I think that all our products are originally small sized and allow precise downsizing, contributing to saving energy and space. Our bearings and motors use precision technology to eliminate wasted space, increase efficiency, and contribute to energy saving. Smart LED lighting SALIOT, smart city solutions combining high-efficiency LED street lights with wireless technology, Bed Sensor System™ for nursing care, and other solutions reduce the burden of labor in illumination operations and nursing care, contributing to energy savings. The Company's value, Passion to Create Value through Difference, is not only about generating profits, I believe it is also about creating value through energy saving. In other words, I am proud to think that our corporate activities themselves are contributing significantly to energy efficiency.

Since the 1990s, the Company has been quick to show the lead in efforts to tackle environmental problems. The Five Principles, our company credo, express our aspiration to contribute to the world and work in harmony with the local community. We have continued this aspiration today. Working in harmony with the local community naturally implies preserving the local environment. In the 1990s, we quickly started recycling of 100% of wastewater involved in bearing production at certain plants (for details, please refer to page 42). With regard to materials procurement, we have selected vendors who will work together to protect the environment to be our suppliers. The first of The Five Principles is "Be a company where our employees are proud to work." Our employees cannot be proud of the Company if we are damaging the environment. The pattern of conduct derived from our company credo ultimately results in environmental protection.

## Corporate governance

### Doing our best to respond to geopolitical risks and other risks by industry, while aiming to bolster the management system

To prevent corporate governance from becoming a formality, I believe it is important to strengthen the decision-making performance and supervising function of the Board of Directors through examination and discussion from diverse perspectives. To this end, we have increased

Sharing a passion with  
approximately 100,000  
employees globally  
Be a company where our  
employees are proud to work



the number of Outside Directors, and I expect to see them provide proposals on changing the President if poor business results persist, and encourage thoughtful deliberation. Furthermore, we established the Sustainability Management Division in April 2019, as an organization to play the role of enhancing supervisory functions. Compliance Promotion Office, CSR Promotion Office, Internal Auditing Office, Internal Control Promotion Office, Security Trade Control Office and Trade Compliance Control Office were aggregated to the Sustainability Management Division. By making reporting lines clearly separate and independent from business divisions, supervisory functions for the Group governance were strengthened.

The risk management capability is also the Company's strength. With regard to geopolitical risk, we have 83 plants spread over 22 countries. Therefore, if an issue occurs in one country due to trade friction or foreign exchange rates, and so forth, we are able to cope by using our assets in other countries. In terms of technology also, we have seen technologies and products progressively replaced over the years, and we have overcome these issues. We have confidence in our capability and speed to respond to business environmental changes. Looking at industry-specific risks, even if one particular industry declines, our business in other industries can offset the impact, enabling us to achieve growth overall. Holding a diversified business portfolio means holding ways to respond to risks.

## Towards the future

### Increase INTEGRATION capabilities, set ambitious targets, and resolutely strive to attain them

The expression "conglomerate discount" is generally used to describe the situation where the corporate value of a conglomerate spanning multiple industries is smaller than the sum of the corporate value of each component business. However, I think that there are companies that deserve to be described with the term "conglomerate premium." As far as I have seen, companies that create a conglomerate discount situation are those that lack synergies. When there are no synergies, there is no INTEGRATION capability. MinebeaMitsumi is conducting conglomerate management (diversification) by broadening its business portfolio through M&As, and all of our businesses can generate synergies through the INTEGRATION.

To carry out this strategy steadfastly, and continue to be a company where our employees are proud to work, we will create an organization that shares a passion for striving to attain ambitious targets.