Chapter II Financial Strategy and Capital Policy

Message from Chief of Tokyo Head Office, CFO

There are no changes to our basic financial policy of portfolio reform and carrying out highly effective M&As. We will pursue growth through an appropriate and agile financial strategy that envisions even the worst-case scenario.

Katsuhiko Yoshida
Director, Senior Managing Executive Officer

Crisis response

The COVID-19 pandemic is having a broad effect on the economy and corporate activities. The Group is also being affected by declined net sales due to changes in the external environment and reduced factory operations caused by travel restrictions in different countries. Amid these conditions, in addition to restricting capital investment this fiscal year, we created ten-year fixed terms for 100 billion yen in borrowings through last year, and we see no large, immediate refinancing demand. As of March 31, 2020, long-term interest-bearing debt (excluding current portion of long-term loans payable) accounted for 57% of bonds and borrowings.

Furthermore, although the financial authorities in each country are currently actively supplying funds to the financial markets, and we recognize that there is a limited possibility this will have a significant impact on our cash flow and financial stability, in the event of a major turmoil in the financial markets, there may be an increase in funding costs and an impact on new fund procurement. We will monitor the market accordingly.

Operating results for the fiscal year ended March 2020 and outlook for the fiscal year ending March 2021

The global economy faced a large decline in the current fiscal year, caused by the overseas economic slowdown from U.S.-China trade friction from the previous fiscal year and a slowdown in automobile sales in Japan and overseas, as well as a large decline in exports and capital investment in the fourth quarter due to the spread of COVID-19. Working against this backdrop, the MinebeaMitsumi Group concentrated on cutting costs, creating high-value-added products, developing new technologies, and enhancing its marketing approach to boost profitability further. As a result, net sales finished at a record high of 978.4 billion yen (up 10.6% year on year). However, in addition to the global economic slowdown, yen appreciation and the business integration with U-Shin led operating income to decline by 18.6% YoY to 58.6 billion yen and profit for the year attributable to owners of the parent to decline by 23.6% YoY to 46.0 billion yen.

Regarding our results forecasts for the next fiscal year, information is limited due to the uncertainty surrounding COVID-19. Our policy is to provide ranges in our results forecasts that envision the worst-case economic scenario. Our plan is for net sales of 900 billion yen to 1 trillion yen (down 8% YoY to up 2% YoY) and operating income of 50 to 60 billion yen (down 15% YoY to up 2% YoY). In addition to the new consolidation effects of ABLIC, with which we conducted a business integration on April 30, 2020, we expect a large recovery in demand for "in-home products" such as smartphones and video games. However, we expect the market slowdown to affect automobile and civilian aircraft demand.

Highlights of Financial Strategy and Capital Policy

EPS growth rate	ROE of	CAPEX	Shareholder returns
CAGR of 15% or more	15% or more	50% or less of EBITDA	50% of FCF

Impact of COVID-19 on performance

Impact on net sales was approximately 30 billion yen for the fiscal year ended March 2020. Impact on operating income was a decline of 9.0 billion yen. This was mainly due to 2.6 billion yen from operational losses/control measure expenses and 6.4 billion yen due to declined sales.

Since entering the fiscal year ending March 2021, we have been responding to the fast changes in the business environment in the with-corona era. As of the end of May 2020, all our factories are operating. By region, the Chinese factories have already realized 100% utilization. European factories also began operations at the start of May. While gradual, production activities are recovering.

Impact on production (as of early May)

Europe (8%)
- Medical/aircraft: At reduced utilization.
- Automobile: Operations have partially started sinceApril. Full utilization in late May. (France, Italy, Germany, Spain, Slovakia, Hungary, Russia, etc.)

North America (5%)
- In operation as usual.

Asia (74%)
- China: In operation as usual since April.
- Thailand: In operation as usual.
- Cambodia: In operation as usual.
- Philippines: Continued operations at reduced utilization in Luzon but operations remained normal in Cebu.
- Malaysia: In operation as usual.

Note: Figures in parentheses are the production ratios in FY3/2020.

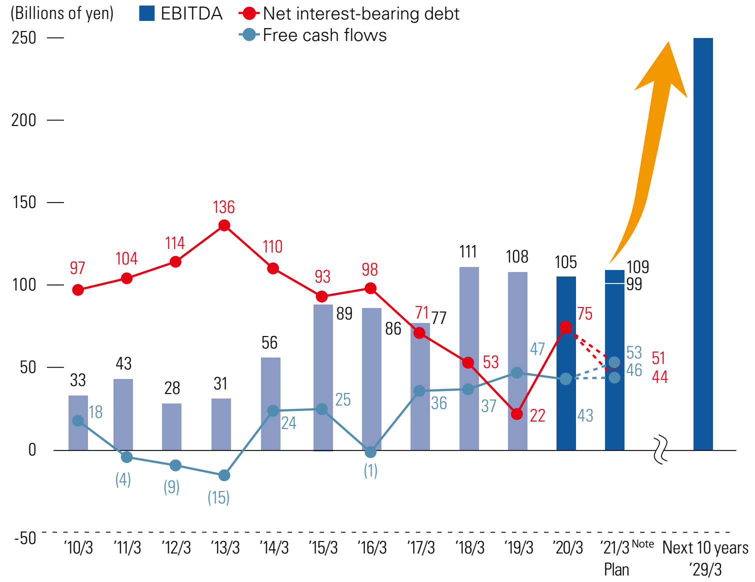
Financial strategy going forward

Under our vision for the fiscal year ending March 2029, we have set targets for net sales and operating income of 2.5 trillion yen and 250 billion yen, respectively. While the effects of COVID-19 are unclear, we will strengthen our core businesses in ultra-precision technologies and ultra-high quality in the Eight Spears and solidify our position as the world's mightiest INTEGRATION manufacturer of precision components. Meanwhile, we are considering options for flexibly allocating cash generated by these numerous highly-profitable No. 1 products to initiatives that involve carrying out M&As and enhancing shareholder returns with top priority placed on achieving organic growth, premised on the notion of maintaining financial discipline.

● Basic approach

Having made "strengthening our financial position" a key management policy, the MinebeaMitsumi Group has taken various steps that include efficiently engaging in capital investment, managing assets, and reducing interest-bearing debt. We will promote an appropriate and agile financial strategy which entails reforming our portfolio in a manner that puts more weight on highly profitable core businesses while also carrying out highly effective M&As.

Results and plans: EBITDA/ net interest-bearing debt/free cash flows



Note: It is difficult to calculate it rationally due to the impact of the global spread of COVID-19 and the lockdown of each country, therefore our business forecasts are based on a range of upper and lower limits for both sales and profits.
* Figures are subject to change upon implementation of large-scale M&As.
* Figures for periods up through the fiscal year ended March 2018 are based on JGAAP, and figures from the fiscal year ended March 2019 onward are based on IFRS.

Cash allocation

Investment for growth

Generated operating cash flows are to be preferentially allocated to R&D and capital expenditure to act as a driver of organic growth. Moreover, we are also considering options of carrying out effective M&As enlisting 50% of our free cash flows and borrowings, premised on the notion of maintaining financial discipline such that the net debt equity ratio falls within the 0.2 times range. We made capital investment of 50.1 billion yen and had R&D expenses of 28.9 billion yen (3.0% of net sales) in the fiscal year ended March 2020. In addition, we are planning capital investment of 43.0 billion yen and R&D expenses of 30.0 billion yen (3.0% of net sales) in the fiscal year ending March 2021.

■ Allocating capital backed by ability to generate cash

Operating cash flows

We will allocate capital with the aim of achieving organic growth, backed by our ability to generate cash accompanying profit growth.

Organic growth
- R&D expenses → **3%** of net sales
- CAPEX → **50%** of EBITDA

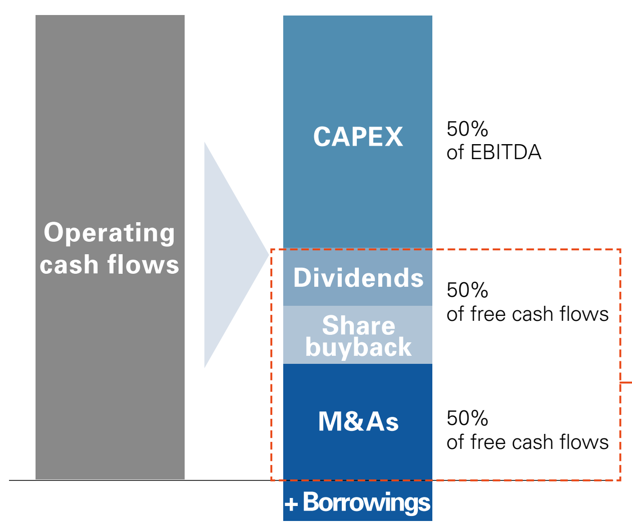
Free cash flows

We will flexibly allocate capital upon having secured resources necessary to achieve organic growth.

M&A growth
- **M&As geared to reducing earnings volatility**
- **50% of free cash flows + borrowings**
- Maintaining financial discipline (within 0.2 times D/E ratio)

Shareholder returns
- **Dividends and share buyback**
- **50% of free cash flows**
- (Adjustments made to ratio of dividends to share buybacks depending on stock price levels; Share buybacks are to involve purchasing shares at appropriate thresholds)

Medium- to long-term policy



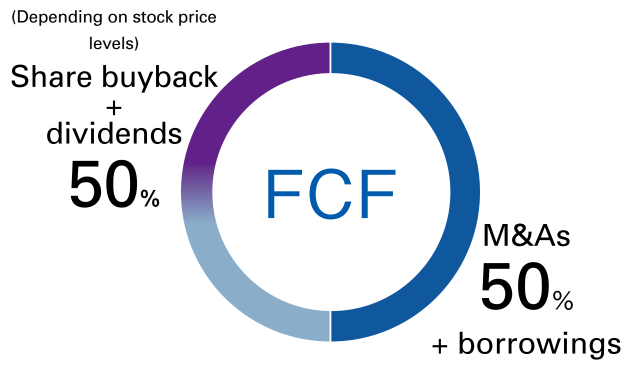
Shareholder returns

Regarding the annual dividend, in principle, MinebeaMitsumi will take a flexible approach to paying out dividends, aiming for a dividend payout ratio of around 20% on a consolidated basis, underpinned by our policy of enhancing returns to our shareholders.

We have decided to pay out 28 yen in dividends per share for the fiscal year ended March 2020, the same amount as the previous fiscal year, after considering factors such as our current financial standing and continuity of dividends. We paid these dividends quickly without waiting for the approval at the General Meeting of Shareholders. In addition to our 10.6 billion yen buyback of shares executed in November 2018, we also executed a 15 billion yen buyback of shares from December 2019 to February 2020.

Going forward, while maintaining continuous, stable profit distribution, MinebeaMitsumi gives top priority to improving the efficiency of shareholders' equity and distributing more profit to shareholders, and while considering our financial standing and stock market trends, we plan to promote an appropriate and agile financial strategy.

■ Usage of free cash flows



Financial base

It is our belief that securing a stable financial foundation is of the utmost importance when it comes to ensuring that we continuously provide returns to our shareholders. We have very favorable credit ratings received from two credit rating agencies, having been assigned an "A" rating from Rating and Investment Information, Inc. (R&I; in October 2017 increased from an "A-" rating) and an "A+" rating from Japan Credit Rating Agency, Ltd. (JCR; unchanged since December 2015).

Although our equity ratio attributable to owners of the parent is subject to change in the short-term as a result of M&As, we aim to achieve a stable financial foundation by accordingly maintaining an equity ratio of at least 50% over the medium to long term.

Rating and Investment Information, Inc. (R&I)	**A**
Japan Credit Rating Agency, Ltd. (JCR)	**A+**

Initiatives for increasing corporate value

We maintain ROE and ROIC levels exceeding the upper limit of 8% of the expected capital cost, and heighten corporate value while increasing capital efficiency. We expect the uncertain business environment created by COVID-19 to continue in the short term. However, we have defined our main KPIs as achieving EPS CAGR (annual average growth rate) of at least 15% and ROE of at least 15% by strengthening the core business of ultra-precision and ultra-high quality and by expanding sales of our top high-profit products.

From the fiscal year ended March 2010, we strengthened the portfolio while making appropriate decisions on development, M&As, and business withdrawals. As a result, both ROE and ROIC have significantly improved with both levels exceeding the capital cost of 8%.

Going forward, we will continue to improve our corporate value by implementing risk management to achieve sustainable ROE and ROIC that exceed expected capital costs and by reducing capital costs, while also tackling ESG issues.

TSR

Over the past ten years, the Company's total shareholders return ("TSR"), which considers dividends and stock price changes, has produced an earnings ratio that exceeds the TOPIX by reforming our portfolio and carrying out highly effective M&As. To continue to realize a TSR that exceeds our capital cost, we will implement a highly effective financial strategy and work to enhance shareholder value.

Ten-year dividend-included stock price