



Message from Chief of Tokyo Head Office, CFO

We will seek to further increase our corporate value through a persisting focus on growth, profitability and safety

Director, Senior Managing Executive Officer
Katsuhiko Yoshida

Aiming to serve as “the world’s mightiest INTEGRATION manufacturer of precision components” with net sales of 2.5 trillion yen and operating income of 250 billion yen

We celebrated two turning points this year, the 70th anniversary of MinebeaMitsumi and the 60th anniversary of its having become a publicly listed company. Although we have overcome many adversities during that time, it is essential that we maintain and strengthen our financial position, enabling us to swiftly engage in M&As and capital expenditure in order to maintain resilience to overcome adversity going forward.

As the person in charge of such matters, I will strive for shareholder returns that are satisfactory to our investors while at the same time ensuring various forms of financial discipline

established internally, appropriately managing profitability, cash flow, investment efficiency and other such matters, and achieving optimal cash allocation. In order to ensure these outcomes, I will strive to increase corporate value clearly setting financial strategy and capital policy, and furthermore maintaining focus on achieving EPS growth and maximizing capital efficiency.

Through these efforts, we aim to serve as “the world’s mightiest INTEGRATION manufacturer of precision components” also from a financial perspective.

Operating results for the fiscal year ended March 2021 and outlook for the fiscal year ending March 2022

With respect to the market environment in which the Company operates, exports and consumption declined substantially due to the spread of COVID-19, but the worst appears to be behind us as exports to the U.S. and China have rebounded. Nevertheless, the future of the market environment remains uncertain. 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 for the fiscal year ended March 2021 finished at a record high of 988.4 billion yen (up 1.0% year on year) since its establishment. However, in addition to the global economic slowdown, yen appreciation, expenses incurred in relation to the integration of ABLIC, and other temporary expenses incurred led operating income to decline by 12.8% year on year to 51.2 billion yen and profit

for the year attributable to owners of the parent to decline by 15.7% year on year to 38.8 billion yen.

We have positioned the fiscal year ending March 2022, as a year during which we will achieve new record highs in terms of profits while also laying the foundations for our 100 billion yen operating income target. Regarding our operating results forecasts, we project net sales of 1 trillion yen and operating income of 80 billion yen (as of May 2021). We will seek further gains in profitability of our Three Spears + 1 (bearings/motors/analog semiconductors/OIS*) mainstay businesses, thereby serving as a driver of the Company’s sustainable and strong growth. Meanwhile, one of the factors underpinning profit gains this fiscal year has been the absence of costs related to COVID-19 and other temporary expenses that had been incurred in the previous fiscal year.

* Optical image stabilization (OIS) components for smartphone cameras

Key indicators toward achieving net sales of 2.5 trillion yen and operating income of 250 billion yen

EPS growth rate

15%
or more
CAGR

ROE

15%
or more

Rating

Rating and Investment Information, Inc. (R&I)

A

Rating

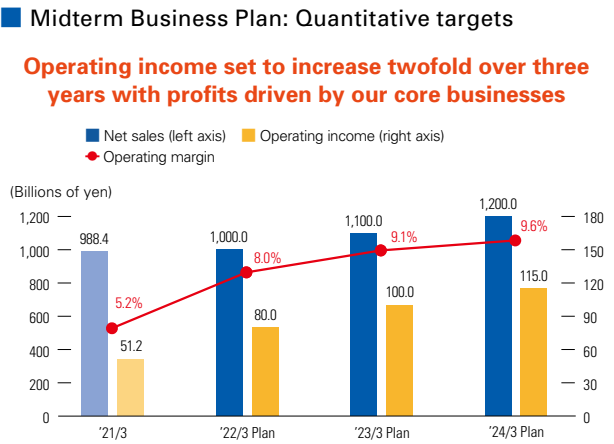
Japan Credit Rating Agency, Ltd. (JCR)

A+

Midterm Business Plan

We anticipate significant increases in sales and profit over the medium- to long-term, particularly in the Three Spears of our core businesses (bearings/motors/analog semiconductors) and OIS. Stable growth of these businesses has been helping to further increase profitability of the entire Group while reducing earnings volatility.

Our targets for the fiscal year ending March 2024, the final fiscal year of the Midterm Business Plan, consist of net sales of 1.2 trillion yen and operating income of 115 billion yen, such that operating income is projected to increase twofold over three years.



Financial strategy and capital policy

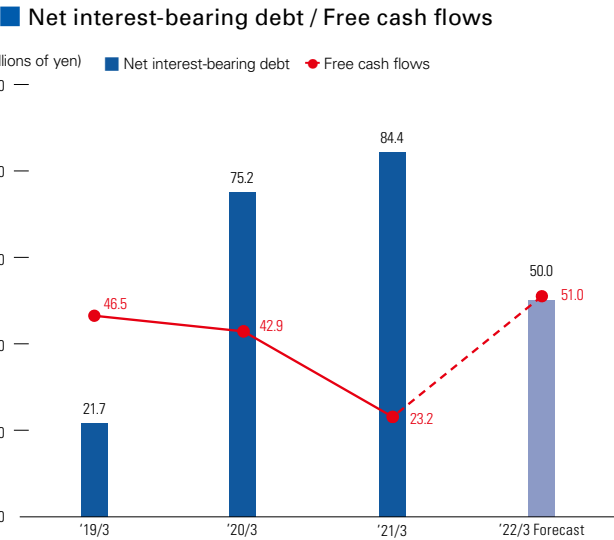
Financial strategy

Having made “strengthening our financial position” a basic policy, the MinebeaMitsumi Group has taken various steps that include efficiently engaging in capital investment, managing assets, and reducing interest-bearing debt. We have conducted 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.

In the fiscal years ended March 2019 and March 2020, net interest-bearing debt briefly increased due to M&As involving U-Shin and ABLIC, respectively. From the fiscal year ending March 2022 onward, we expect that our ability to generate cash will exceed levels prior to those of the COVID-19 pandemic due to recovery of Company-wide profitability and effective post-merger integration (PMI). This is likely to culminate in further strengthening of our financial base.

Setting our sights ahead on the post-pandemic landscape after the threat of COVID-19 has passed, we will furthermore focus on arranging M&As on a global scale and tapping new business opportunities, taking advantage of our substantial ability to generate cash. We will temper the Eight Spears, thereby increasing growth and profitability, maximizing cash

flow, and further strengthening our financial position, while also flexibly allocating cash for the purposes of carrying out highly effective M&As to gain additional spears and enhancing shareholder returns.



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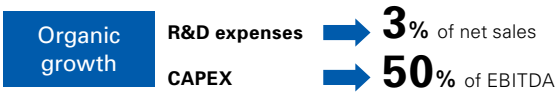
Financial strategy and capital policy (continued from the previous page)

Cash allocation

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 to carry 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.

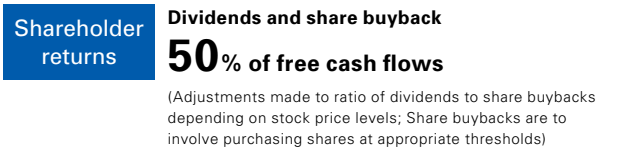
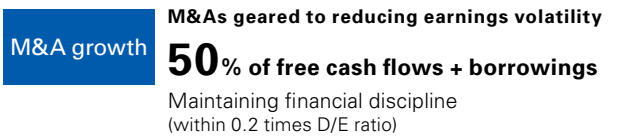
■ Allocating capital backed by ability to generate cash
Operating cash flows

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

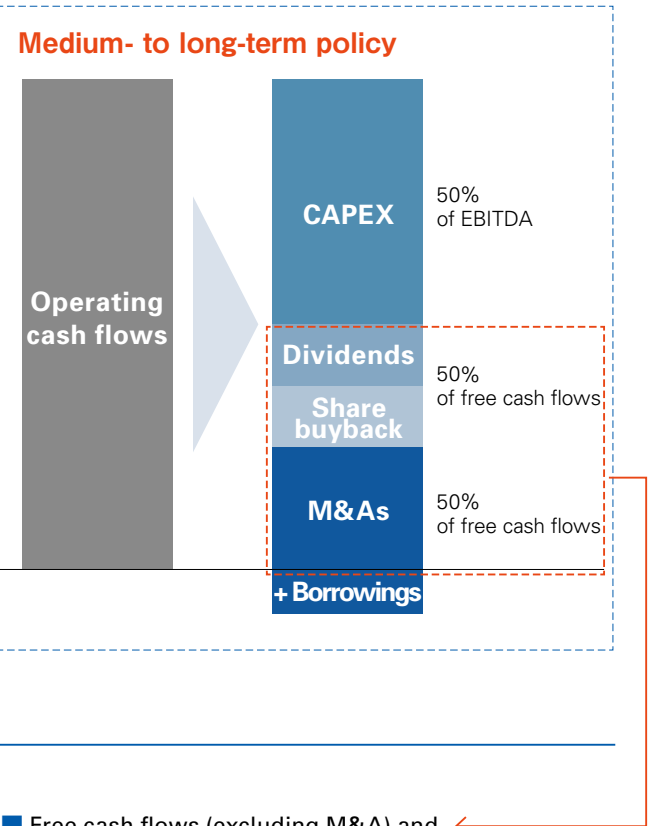


Free cash flows

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



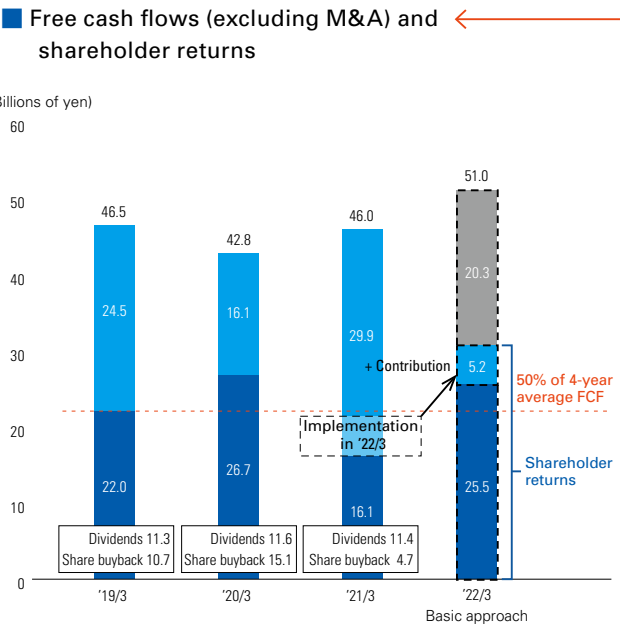
Under this policy, capital expenditure was 45.5 billion yen in the fiscal year ended March 2021, and R&D expenses were 32.2 billion yen (3.3% of net sales). During the fiscal year ending March 2022, our plans call for capital expenditure of 65.0 billion yen for investment that includes construction of a multipurpose plant in Thailand, and R&D expenses of 32.0 billion yen (3.2% of net sales).



Shareholder returns

Regarding the annual dividend, MinebeaMitsumi aims to continue to pay out stable dividends, aiming for a dividend payout ratio of around 20% on a consolidated basis, in principle, underpinned by its policy of enhancing returns to its shareholders. For the fiscal year ended March 2021, we opted to furnish shareholder returns in the form of a commemorative dividend marking our 70th anniversary. Annual dividends per share amounted to 36 yen (an increase of 8 yen compared with the previous fiscal year), which included a commemorative dividend of 8 yen per share.

With respect to shareholder returns for the fiscal year ending March 2022, we will maintain continuous and stable profit distribution encompassing dividends and share buybacks, under the assumption of 51.0 billion yen in free cash flows (excluding M&A). Meanwhile, we will give 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.



Financial base

It is our belief that securing a stable financial foundation is of the utmost importance to ensure we continuously provide returns to our shareholders. We have received very favorable credit ratings from two credit rating agencies, as follows.

Although our equity ratio attributable to owners of the

parent may vary in the short term depending on status of M&A implementation, 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

The MinebeaMitsumi Group works to improve capital efficiency by appropriately implementing financial strategy, which involves identifying capital cost for each business upon having established minimum hurdle rates for investment decisions. We have defined our main KPIs as maintaining EPS CAGR (annual average growth rate) of at least 15% and ROE of at least 15%. Moreover, in backing its efforts to achieve net sales of 2.5 trillion yen and operating income of 250 billion yen, the Company appropriately makes decisions on R&D, M&As, and business withdrawal by checking whether or not profitability exceeds its capital cost target and furthermore verifying current status and outlook of individual businesses, based on benchmarks enlisting return on invested capital (ROIC).

Our approach to increasing profitability of individual businesses has involved improving profit margins and reducing invested capital enlisting a reverse ROIC tree approach, while simultaneously enhancing profitability

of the business portfolio and optimizing invested capital on a Company-wide basis. During the fiscal year ended March 2021, ROIC decreased briefly in the first quarter due to the COVID-19 pandemic, but then headed toward improvement in the second quarter due to our efforts that involved enhancing profitability of the business portfolio and optimizing invested capital on a Company-wide basis.

Going forward, we will seek to draw up business strategies and engage in business operations in alignment with initiatives for achieving sustainable growth and increasing corporate value over the medium to long term in line with the Corporate Governance Code. In our efforts to increase corporate value, we will endeavor to persistently achieve ROE and ROIC results that exceed hurdle rates, engage in risk management practices for reducing capital cost, and implement financial strategy which helps to enhance the competitive strengths of our products.

■ ROIC

$$\text{ROIC of MinebeaMitsumi} = \frac{\text{NOPAT (operating income + extraordinary income/losses)} \times (1 - \text{tax rate})}{\text{Invested capital (notes and accounts receivable, trade + inventories + non-current assets - notes and accounts payable, trade)}}$$

Calculated using manageable business assets (trade receivables/payables, inventories, non-current assets) by segment

