

## Organic growth and M&A, as well as developing products aimed at the resolution of social issues will accelerate growth

Establishment of the ideal environment for engineers enlisting **INTEGRATION** of talents at the new Tokyo Headquarters with a view to our 100th anniversary



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The fiscal year ended March 2022 marked our 70th anniversary and the 60th anniversary of our public listing. It is of great significance that our operating income and profit reached record highs in addition to achieving net sales exceeding 1.1 trillion yen. We achieved this result despite having encountered various issues that included lockdowns in Shanghai, the situation in Ukraine, and soaring raw materials prices due to the ongoing spread of COVID-19.

With strengths in the form of the diversity of our business, production, and people having yielded results, we further bolstered our management foundation, which is capable of withstanding adversity and risk. Although we are likely to continue encountering various additional risks during the fiscal year ending March 2023, we will strive to achieve record-high net sales and operating income, while achieving further growth amid such headwinds. Furthermore, we are setting our sights on achieving targets for net sales and operating income of 2.5 trillion yen and 250 billion yen, respectively, in the fiscal year ending March 2029, and will continue to push forward with our sights set on MinebeaMitsumi's 100th anniversary in 2051.

At a financial results briefing held upon my appointment as CEO 13 years ago, I said that my mission was that of: (1) maximizing shareholder value, and (2) laying a solid foundation for our 100th anniversary. To such ends, we rolled out the basic strategy of "Electro Mechanics Solutions™" seeking mechanical and electrical integration, which went on to become a prototype for deploying our concept of **INTEGRATION**\*. We have firmed up our manufacturing and sales strengths enlisting our accumulated core technologies and the "Eight Spears" of our core businesses. Nowadays, more than half of the Company's sales are generated from sales of products that hold the top market share in their respective fields.

Now that we have achieved our target of 1 trillion yen in net sales, going forward we are seeking to achieve targets of 2.5 trillion yen in net sales and 250 billion yen in operating income in the fiscal year ending March 2029. To such ends, the Company will accelerate growth enlisting a three-pronged approach encompassing product development and components supply as a new means of helping to resolve social issues, in addition to achieving growth both organically and through M&As.

In the past, the Company maintained growth by supplying high quality and ultra-precision components as required amid mounting demand for high-performance products - as people's lives become more affluent accompanying GDP growth. We have a product platform that enables consistent growth, underpinned by what we can safely say is a business model similar to that of major global beverage producers and daily necessity manufacturers.

However, as the world undergoes economic development, various issues are emerging that pose challenges to society, including our impact on the environment and declining birthrates coupled with aging populations. The source of our continued growth derives from our role in supplying components including products necessary for enabling new technologies that specifically address such social issues.

From a technical standpoint, we classify the means of addressing various newly emerged social issues involving declining birthrates and aging populations, healthcare challenges, self-driving cars, climate change, and energy, into the four categories of electrification, automation, ultra-high-speed communication, and sensing (control). Meanwhile, these four realms are integrally related to the "Eight Spears" of our core businesses.

One example of this is our role in telemedicine. For instance, in the case of remote surgery performed between Tokyo and Osaka, analog semiconductors and conversion equipment are necessary in order to sense finger movement of the surgeon based in Tokyo and convert that movement from analog data into digital format. Moreover, the process of transmitting the instructions from Tokyo to Osaka to a microcomputer via high-speed communications would call for ultra-precision connectors and wireless communications software technologies for enabling high-speed data transmission. The cloud servers would also use our fan motors, pivot assemblies, spindle motors, and other such products. Also, our motors and bearings would serve an indispensable role in enabling motorized action of the surgical robot located in Osaka.

In such situations, our products are endemically involved in giving rise to cutting-edge technologies that offer the resolution of social issues. We are an "INTEGRATION manufacturer of precision components" serving multiple fields with room for growth - rather than a specialized manufacturer dedicated to a single business. In other words, we sell the major components necessary for edge devices for cutting-edge technology so that meat, fish, produce, and beverages, which are necessary for our sustenance, can be sold at supermarkets. The difference from supermarket products is that our products display an unbeatable level of precision and wide-ranging advantages through their utilization. That is to say, our products differ from the commodity meat, fish, produce and beverages as each of our products has a significant competitive advantage. Given that each of these businesses complement the others, we have room for further growth with solutions multiplying eight-fold those of companies that have a single core product.

Moreover, we require a diverse range of "talents" including engineers in order to drive growth of these businesses and furthermore contribute to society.

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

## We have established a robust R&D framework to achieve net sales of 2.5 trillion yen and operating income of 250 billion yen

We perceive our strengths in manufacturing, technology and sales honed up until now as the “physique,” “brain” and “face/arms” of our operations. We take pride in our accomplished physique derived from having prompted unparalleled growth in the Company’s manufacturing capabilities, which have been exhaustively refined for seven decades. Meanwhile, further demonstrating our ability to contribute to society going forward calls for us to hone our technological and development capabilities (which serve as our “brain”) and our sales capabilities (which serve as our “face/arms”).

Key to achieving this has been our acquisition of the new Tokyo Headquarters building in Shiodome, announced in December 2021. We acquired the former head office building of Nippon Express Co., Ltd. (Higashi-Shimbashi, Minato-ku, Tokyo) on April 15, 2022. Preparation is under way for planned relocation in March 2023. With our relocation to Shiodome, we have renamed the new building “MinebeaMitsumi Tokyo XTech Garden.” The new building name reflects the following aims and clearly conveys our direction.

The Tokyo Research and Development Center (TRDC), which was established when we relocated our current Tokyo Headquarters building (Mita, Minato-ku, Tokyo) in 2013, has since its establishment acted as a hinge for each of the Group’s development sites, and created synergies by combining the product development of each business unit with diverse core technologies, supporting the Company’s INTEGRATION activities. We will promote this even further with the relocation and concentration to the Tokyo XTech Garden, building the “ideal environment for engineers” that facilitates new product development, aiming for a “profit center” that generates new profit.

We believe that building the Company’s R&D hub in Shiodome, a prominent location in Tokyo, will enable us to gain access to greater numbers of diverse talents. Prior to the Tokyo XTech Garden, we opened the Karuizawa Technology Center at the Head Office in May 2022. We have thoroughly strengthened our R&D framework such as the Osaka Research and Development Center (ORDC), which consolidates our Kansai-area development sites, and the Semiconductor Development Center. The Tokyo XTech Garden will facilitate partnerships with universities and research institutions externally, in addition to creating a hub of interaction among such Group locations.

In so doing, we aim to temper the “Eight Spears” of our core businesses and develop products that are in step with the times, while also exhaustively pursuing technological synergies. Meanwhile, I see my job as that of bringing the Company together as a single entity by fusing the various technologies we have gained through M&A, and by prompting completion of post-merger integration (PMI) with respect to MITSUMI and other group companies.

Although the relocation will not generate immediate results, there is no doubt as to the importance of laying a solid foundation for our 100th anniversary by supplying more components for products that resolve social issues and by achieving sustainable growth while contributing to society.

Whereas the 73.2 billion yen investment is by no means insubstantial, it does not constitute the actual amount of investment. For one, building depreciation cost is low given that the majority of expense incurred is associated with land; and total cost is reduced given proceeds from sale of the current Tokyo Headquarters building. Above all, we are confident that this will be very cost-effective as it will facilitate the continued creation of new products essential to resolving social issues - by securing excellent talents and pursuing synergies.

Achieving net sales of 2.5 trillion yen and operating income of 250 billion yen is likely to require organic growth of 800 billion yen and growth derived from M&A of between 500 billion yen and 800 billion yen. In order to build a foundation for achieving such organic growth, we are attracting diverse talents to the Tokyo XTech Garden, fine-tuning our existing products, and gaining talents which can accelerate new product development.



## We will reactivate M&A to achieve further growth

M&A is yet another means for us to achieve more rapid growth. With previously suspended M&A projects finally regaining momentum amid substantial relaxation of COVID-19 restrictions worldwide, we are now able to resume our due diligence and factory guidance initiatives of the Company. Given these developments, we announced business integrations with Honda Tsushin Kogyo\*\* and SUMIKO TEC\*\* in the connector business, and with Honda Lock in the access products business.

The Company pursues M&A according to certain key principles. One principle is to look for M&A candidates that can be expected to strengthen our “Eight Spears” of our core businesses and/or provide INTEGRATION thereof. Another principle is to only agree to an appropriate price, which means never acquiring at a high price. For instance, whereas our acquisition price for ABLIC was slightly above 30 billion yen, the Company’s semiconductor business has consequently achieved net sales exceeding 70 billion yen in the fiscal year ended March 2022. As a result, we are now setting our sights on net sales of 100 billion yen and then eventually 200 billion yen for this spear, which now ranks third, after bearings and motors. Over the 13 years since my appointment as CEO, there has been 540 billion yen in net sales growth attributable to M&As.

Meanwhile, we have also amassed expertise with respect to post-merger integration (PMI), which serves as a framework for promoting M&A. Of course, employees of all companies are treated with the spirit of equality. Talented individuals, regardless of their originating company, are provided with opportunities to play a role anywhere in the Group. Moreover, the acquired entity will in principle keep their former name. As a result, we have been forging win-win relationships aimed at not only maintaining employee motivation but also actively incorporating the best practices of those companies. M&As are a means of using our funds to buy time, but not corporate cultures.

Furthermore, our financial soundness serves as yet another strength. For instance, our ability to generate cash backed by the earnings power of our core businesses enables us to make substantial acquisitions.

Through M&As, we seek to further temper the “Eight Spears” of our core businesses while strengthening our earnings base.

\*\*The Group has resolved at its meeting of the Board of Directors held on July 29, 2022 to commence a TOB of Honda Tsushin Kogyo to make it a wholly owned subsidiary and to conclude a share transfer agreement to acquire all shares of SUMIKO TEC. Although this Integrated Report describes synergies and other forward-looking statements that are contemplated if both transactions are consummated as planned, each transaction is considered and consummated independently of the other.

## Sustainability is the essence of management Corporate activities themselves contribute to realization of a sustainable society

Since my appointment as CEO, I have strived to maximize profits and manage risk while pursuing continuous growth, thus enhancing sustainability and embracing the belief that “sustainability is the essence of management.” Based on that belief, I strengthened our risk diversification system, which is multifaceted and includes business management, talents, and production, enlisting extensive synergies derived from a “selection and concentration” strategy rather than limited synergies in that regard.

Such business portfolios have given rise to the basis for a solid management framework capable of withstanding adversities and offering room for growth. We will seek to balance our initiatives for both Company growth and sustainable growth of the global environment & society more precisely. To such ends, in 2021, we once again revised the wording of our corporate philosophy. We provided supplementary language to better facilitate understanding of our aims. Our corporate philosophy now reads: “To contribute to realization of a sustainable, eco-friendly and prosperous society by providing better products, at a faster speed, in larger numbers, at a lower cost and by smarter means.”

As a manufacturer of ultra-precision components, green transformation (GX) is becoming increasingly important amid calls for reduction of CO<sub>2</sub> emissions throughout the entire supply chain. As such, we will further promote our “QCDESS<sup>®\*\*\*\*</sup>” strategy, which has entailed laying a solid foundation for our 100th anniversary last year. We will make exhaustive efforts in developing, manufacturing and selling products that are environmentally friendly and efficient, in addition to quality, cost, delivery date and service.

Since last year, we have been quantifying the contribution of our customers to the reduction of greenhouse gas emissions under the banner “MMI Beyond Zero” and this year again it has achieved significant results.

Going forward, we will help reduce greenhouse gas volume worldwide by promoting sales of MinebeaMitsumi Green Products and other such products of the Company featuring substantial energy-saving performance. Additionally, we will continue to take on challenges to become carbon neutral through such measures as the introduction of solar power generation. Through these efforts, we will make further endeavours to resolve social issues on the environmental front as well.

When it comes to corporate governance, the Company has been addressing recommendations of TCFD as required of companies listed on the Prime Market. It has also ensured that independent Outside Directors account for at least 40% of the membership of its Board of Directors and has established the Nomination and Compensation Committee, which is chaired by an independent Outside Director. Whilst we have already implemented these measures at an early stage, we will continuously strengthen our corporate governance system. We have recently made changes to our Outside Director structure in the hope of facilitating more extensive discussion on global issues.

\*\*\*\*QCDESS: Our strategy that adds “Eco/Efficiency and Speed” to “QCDS” (Quality, Cost, Delivery, Service), which serves as a source of competitiveness in the manufacturing industry

Environment Pages 57 to 62

Society Pages 63 to 70

Governance Pages 71 to 80

### Corporate philosophy

Details of corporate philosophy Page 27

#### Corporate philosophy (Basic approach to growth and contribution to sustainability)

To contribute to realization of a sustainable, eco-friendly and prosperous society by providing better products, at a faster speed, in larger numbers, at a lower cost and by smarter means.

#### Basic management policy (Action guidelines for employees to realize the corporate philosophy)

Transparent management based on our company credo “The Five Principles”

#### Company slogan (Measures to achieve growth and sustainability)

Passion to Create Value through Difference – Create new value through “difference” that transcends conventional wisdom



## “People” are what makes a company Our diversity of talents enables us to overcome adversity and achieve sustainable growth

We place “employees” first in “The Five Principles” company credo.

During the 2011 floods in Thailand, which serves as our largest manufacturing site, our local employees addressed the crisis by remaining at the factory as the floodwaters approached. Meanwhile, in the midst of the prolonged lockdown in Shanghai in 2022, our expatriate and local employees stayed in the factory overnight and otherwise exhibited dedication in supporting factory operations, thereby keeping adverse consequences of the lockdowns to a minimum. Having entered the market of Thailand in the 1980s and that of Shanghai in the 1990s, the Company now has engineers and plant managers equipped with managerial and manufacturing expertise amassed over three and four decades, respectively, as well as an understanding of the corporate philosophy. Accordingly, we are able to draw on workforces of our overseas operations in covering for employee shortfalls during times of emergency. The diversity of our talents facilitates risk management. Not only is it a source of growth, but it also enables us to overcome adversity. I feel these constitute the Company’s strengths and value which have no monetary equivalent.

Whereas employees give their utmost, management must also act accordingly. I am convinced that our efforts in building relationships of trust and safeguarding employees will consequently ensure that we meet shareholder expectations as we protect the Company and thereby safeguard its sustainable growth.

Moreover, it has only been through the passion and tenacity of our employees that we have been able to take on lofty challenges and accomplish such growth. Simply carrying out top management succession is not enough to ensure a sustainable future for the Company. It is also necessary to take a bottom-up approach to talent development.

In addition to pursuing global development and M&A, we will continue to expand the diversity of the Company’s talents through the boosting and hiring of personnel at our development sites such as the Tokyo XTech Garden. Meanwhile, we also seek to create new “value” unmatched by our competitors as we achieve INTEGRATION of the respective strengths of our talents which are equipped with various forms of knowledge and experience. To such ends, we will set our sights on achieving further growth looking toward our 100th anniversary as we share our strong “passion” for growth inherited from our predecessors.

Message from Officer in Charge of Human Resources Development Pages 9 to 10

Human Capital Pages 47 to 50