CEO’s Message

Representative Director, Chairman CEO
Yoshihisa Kainuma

Accelerating growth as the world’s only “INTEGRATION manufacturer of precision components”

Helping to resolve social issues through INTEGRATION of global niche top products

Conviction to achieve net sales of 2.5 trillion yen and operating income of 250 billion yen

During the fiscal year ended March 2023, we achieved record highs across the board in net sales, operating income, and profit for the year, with net sales having attained a record high for ten consecutive years. Despite unforeseen circumstances that included lagging recovery in the automotive market and slowdown in data storage-related business, we managed to achieve our 100 billion yen operating income target due in part to one-time gains associated with M&As and gain on sale of the former Tokyo Head Office.

Given that my mission was that of (1) maximizing share value and (2) laying a solid foundation for our 100th anniversary back when I assumed the position of CEO in April 2009, we set challenging targets for the fiscal year ending March 2029 of net sales and operating income of 2.5 trillion yen and 250 billion yen, respectively, which is emblematic of our commitment to growth underpinned by our belief that “sustainability is the essence of management.” Net sales amounted to 230 billion yen 14 years ago and have grown to approximately 1.3 trillion yen for the fiscal year ended March 2023. Meanwhile, we anticipate sales of 1.8 trillion yen through organic growth alone under the Midterm Business Plan. We believe that achieving net sales of 2.5 trillion yen is by no means an impossible feat given our pace of growth thus far combined with M&As.

We have also striven to maximize profits and manage risk while pursuing continuous growth and sustainability. As we expanded our business, we strengthened our risk mitigation system, which is multifaceted and covers business management, human resources and production, seeking synergies by “selection and concentration” strategies. Such business portfolios have given rise to the basis for a solid management framework capable of withstanding adversity and offering room for growth.

We conducted four M&A deals in areas that include connectors, access solutions, and semiconductors during the fiscal year ended March 2023, thereby paving the way for structural reform and finishing construction of a launch pad for a big leap enlisting the “Eight Spears” of our core businesses.

Although effects of the data center market, macroeconomic uncertainty, and market volatility are unavoidable over the short term, I am confident that the Eight Spears of core businesses we have built thus far will offset such effects, thereby enabling us to achieve the medium- to long-term growth targets currently in place.

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”

The Five Principles
1. Be a company where our employees are proud to work
2. Earn and preserve the trust of our valued customers
3. Respond to our shareholders’ expectations
4. Work in harmony with the local community
5. Promote and contribute to global society

Corporate slogan (Measures to achieve growth and sustainability)
Passion to Create Value through Difference – Create new value through “Difference” that transcends conventional wisdom
**CEO’s Message**

**Eight Spears of our core businesses essential to worldwide growth domains underpinning society**

Having identified the realms of “EVs, renewable energy, AI, and extended reality (XR)” as prominent domains of growth in the global market going forward, we believe that technologies essential in these growth domains consist of the key elements: “high voltage, high current, high frequency, and high speed,” which we refer to as the “four highs.” Meanwhile, we take pride in the “Eight Spears” of our core businesses, which entail products essential to such technologies.

For instance, applications of our IGBT, SC and other power semiconductors with respect to EVs, include electrical control of motor rotation and charging. They are used across an extensive range of applications, including use involving EVs, given their robust design for high voltage and high current. Meanwhile, improvements we make to power semiconductor performance culminate in less power loss, thereby contributing to energy conservation. In addition, given that this technology has applications not only with EVs but also in various end products, we believe we will increasingly encounter opportunities for entry into markets with considerable potential, which aligns with our global niche top aims.

In addition to power supplies enabling such power semiconductor technology, nearly all of the Company’s Eight Spears will benefit from this in some respect, with applications such as connectors capable of handling high current and high voltage, sensors, motors and bearings used for rotation of motors, and access products. We accordingly believe that prompting INTEGRATION of such products will further heighten the value of our presence as the world’s only INTEGRATION manufacturer of precision components.

We have established a launch pad capable of keeping up with the rapid pace of market growth. We will develop and supply components aligned with various customer requirements, while seeking to observe our net sales and operating income targets of 2.5 trillion yen and 250 billion yen, respectively, by organic growth, M&As, and by developing products looking toward resolving social issues.

**Enhancing profitability with global niche top products**

Our Midterm Business Plan sets forth a new internal real operating margin target of 15%, which constitutes an operating margin excluding supplied parts and other items from sales. First off, we need to increase top-line sales to generate profits. Next, it is important that we focus on products that boast profit margins. The Company derives 50% of its net sales from products that have no less than a 50% market share in global niche fields. I would like to draw attention to our bearings, motors, analog semiconductors, and access solutions in terms of our Eight Spear products that ultimately drive our profit margin gains. Meanwhile, domains currently subject to low profit margins are a cause for concern in that they are currently generating insufficient profits due to factors including semiconductor shortages and effects of the COVID-19 pandemic. This contrasts to net sales of around 300 billion yen in access products amid a rising proportion of sales involving automotive applications due to business interruption. Nevertheless, I am convinced that a forward-looking consideration that previously low-profit spindle motors now generate earnings and also taking into account our track record of achieving growth whilst also capturing substantial market share. In fact, we are beginning to receive orders to the tune of more than 100 billion yen in multyear cumulative sales involving new projects in the realms of flush handles and LED backlights. Furthermore, we continued our efforts to elevate the companies we have acquired through M&As to the top positions in global niche fields while contending with the external business environment. For instance, we have brought about INTEGRATION of motors, connectors, sensors, and door handles of the MinebeaMitsumi Group amidst the accelerating electrification of automobiles. As such, we are convinced that we will not lag behind our competitors in any area if we focus on products that leverage our distinctive technologies - unmatched by our competitors - in the domain of access products such as flush handles, latches, compact spindle drives, and charge port doors. Moreover, we sense that these INTEGRATION products will give rise to a gradually increasing presence as time goes on.

Given that motors have also grown into a business capable of consistently generating revenue, the Company’s profit drivers now comprise three pillars, consisting of not only bearings but also motors and analog semiconductors. It is imperative that we also prompt growth of our other businesses so that they follow suit in coming to serve as profit drivers. Although the pace at which we achieve these objectives may vary due to factors such as the external business environment and allocations of internal resources, I am confident that the Company has a lineup of very enticing products.

**M&A principles**

1. M&As that can strengthen our existing businesses and/or provide INTEGRATION
2. Only agree to an appropriate price (never acquiring at a high price)

**Enhancing profitability with global niche top products**

Our Midterm Business Plan sets forth a new internal real operating margin target of 15%, which constitutes an operating margin excluding supplied parts and other items from sales. First off, we need to increase top-line sales to generate profits. Next, it is important that we focus on products that boast profit margins. The Company derives 50% of its net sales from products that have no less than a 50% market share in global niche fields. I would like to draw attention to our bearings, motors, analog semiconductors, and access solutions in terms of our Eight Spear products that ultimately drive our profit margin gains. Meanwhile, domains currently subject to low profit margins are a cause for concern in that they are currently generating insufficient profits due to factors including semiconductor shortages and effects of the COVID-19 pandemic. This contrasts to net sales of around 300 billion yen in access products amid a rising proportion of sales involving automotive applications due to business interruption. Nevertheless, I am convinced that a forward-looking consideration that previously low-profit spindle motors now generate earnings and also taking into account our track record of achieving growth whilst also capturing substantial market share. In fact, we are beginning to receive orders to the tune of more than 100 billion yen in multyear cumulative sales involving new projects in the realms of flush handles and LED backlights. Furthermore, we continued our efforts to elevate the companies we have acquired through M&As to the top positions in global niche fields while contending with the external business environment. For instance, we have brought about INTEGRATION of motors, connectors, sensors, and door handles of the MinebeaMitsumi Group amidst the accelerating electrification of automobiles. As such, we are convinced that we will not lag behind our competitors in any area if we focus on products that leverage our distinctive technologies - unmatched by our competitors - in the domain of access products such as flush handles, latches, compact spindle drives, and charge port doors. Moreover, we sense that these INTEGRATION products will give rise to a gradually increasing presence as time goes on.

Given that motors have also grown into a business capable of consistently generating revenue, the Company’s profit drivers now comprise three pillars, consisting of not only bearings but also motors and analog semiconductors. It is imperative that we also prompt growth of our other businesses so that they follow suit in coming to serve as profit drivers. Although the pace at which we achieve these objectives may vary due to factors such as the external business environment and allocations of internal resources, I am confident that the Company has a lineup of very enticing products.

**PMMI essential to M&A success**

The Company has completed a total of 55 M&A deals thus far, 24 of which have been concluded during my tenure as CEO. They have been carried out enlisting key principles of strengthening and providing INTEGRATION with respect to the Eight Spears (existing business) and rigorously ensuring agreement to an appropriate price (up to 10 times operating income). Ensuring success of these M&A is contingent upon achieving INTEGRATION between the people of both parties and meticulously engaging in Post Merger Integration (PMI), while establishing a mutual understanding based on a general consensus amongst both parties as to their corporate aspirations.

Whereas our respective corporate cultures are not subject to drastic change, we seek to ensure that we are able to proceed down a common path with entities that become our partners through M&As by promptly determining specifics of post-integration growth policy and product focus, and by articulating many-wide rules. Engaging in this process is not an easy task given that it involves actions between people of both entities. The Company’s M&A approach entails forming an integration preparation committee at the pre-integration phase, which we enlist to develop camaraderie by requiring all persons involved to convene and hold dinner gatherings. We are consequently able to embark upon operations with a sense of cohesion immediately after integration given that everyone has already become well-acquainted in the course of having held engaging discussions.

I also think it is important that both sides visit on-site operations. In the spirit of seeing is believing, we have our partners visit the Company’s factories in Thailand, for instance, so that they can get a first-hand look at what constitutes the Company’s mass production strengths. We also have people from the Company visit on-site operations of our partners, where they thoroughly explain the Company’s beliefs and rules. We believe that valuing human-to-human interaction ultimately serves as a crucial factor in achieving rapid M&A success, although it requires significant effort.

**New management structure for the next generation**

The Company engages in management in a manner that aligns with its corporate philosophy and implements a management strategy based on its management policy, along with a corresponding framework of executive matters, executive strategies, and executive actions for achieving such aims. I have historically engaged in all aspects of operations in that regard. Going forward, however, I will gradually hand over executive responsibilities to President and COO, Katsuhiko Yoshida, while I shift engagement to executive matters, executive strategies, and executive actions for achieving such aims. Going forward, however, I will gradually hand over executive responsibilities to President and COO, Katsuhiko Yoshida, while I shift engagement to executive matters, executive strategies, and executive actions for achieving such aims.
As the Company approaches its 100th anniversary, I believe that developing the next generation of management is a matter of great importance for the sake of achieving further sustainable growth into the future and continuing to serve as a company on whom society depends. I will accordingly focus on initiatives to develop the next generation of human resources while entrusting aspects of execution to the CEO & CFO.

We have already embarked upon various initiatives. For instance, this includes standardized tests of logical reasoning skills for our junior employees to avoid over-reliance on workplace evaluations, and also involves assessing employee self-awareness and subsequently preparing long-term career plans spanning two decades ahead. Meanwhile, with a seminar hall having been set up in the basement floor of the Tokyo X Tech Garden upon its relocation in March 2023, I am considering to create a direct educational setting for a select group of around 50 to 80 exceptional and motivated junior employees. This will hopefully enable me to repeatedly convey my past experiences and perspectives on management. Additionally, we are using thriving companies that excel in human resources development across different industries as benchmarks in our prevailing efforts to enhance internal personnel education by steering away from the notion of achieving employee growth through QIF and moving more toward the notion of employee growth through enlisting education and HR systems.

Meanwhile, the Company upholds the “spirit of equality” when it comes to promoting employees and provides opportunities for career success to its best talent, irrespective of their former employment, whether they are new graduate or mid-career hires, and their background. I ask that individuals step forward in taking the initiative to stand out rather than resorting to a zone defense approach, as is the case in baseball where even the catcher might go after a fly ball in center field.

The Tokyo X Tech Garden was established to serve as a platform for facilitating the Company’s growth strategies consisting of “organic growth,” “growth driven by M&A,” and “developing and selling products that contribute to solving social issues,” and furthermore to pursue aims that include securing a targeted human resource for the future, stimulating interaction in-house, tempering the “Eight Spears” of our core businesses, thoroughly pursuing technological synergy and carrying out PMI.

The task of INTEGRATION is performed by the people who work at the given entities. As such INTEGRATION among people engaged at the given entities must precede sales activities existing INTEGRATION of technologies and products. Given the need for a solid foundation to support these platforms, providing feedback on R&D, and manufacturing products, we need firm tangible support (physical location) and accordingly view the Tokyo X Tech Garden as a “gateway” toward achieving net sales of 2.5 trillion yen. Amidst Japan’s progressively declining birthrate and aging population, parts manufacturers are bound to increasingly encounter difficulties in acquiring talented human resources if such manufacturers downplay their roles as “unsung heroes.” As such, I think this new Tokyo X Tech Garden facility will exhibit definitive strengths—particularly with regard to acquiring talented human resources. Incidentally, although it may take time for our investment in the Tokyo X Tech Garden to yield tangible results, positive changes are already emerging in that we are attracting a higher caliber of employment candidates with regard to both new graduate hires and mid-career hires. I hope that this investment will yield sufficient returns assuming that in the course of time it will enable us to attract talented human resources who go on to serve as successors to our current top management.

However, I believe that our challenge with regard to the Tokyo X Tech Garden is that of not only preparing the “vessel,” but also improving it with the proper “spirit.” The Tokyo X Tech Garden serves as a venue for actively holding networking sessions and has been established as a platform for facilitating initiatives for INTEGRATION of people and knowledge, whereby employees reach out beyond divisional boundaries amid the Group’s rapid expansion through M&A’s thus far. Furthermore, we seek to inspire children with dreams of a future in Japan’s manufacturing sector amid the scenario of Japan’s declining birthrate and aging population. With the aim of contributing to society to such ends, we plan to open a showroom which facilitates understanding of components in a way that appeals to our primary target audience of elementary school students.

Our corporate philosophy expresses our intention to balance initiatives for both the Company growth and the sustainable growth of society, vigorously working on both. It 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 for environmental measures, we have been bolstering our efforts by promoting MIVI Beyond Zero which aims at taking on the challenges of carbon neutrality and contributing to reduction of worldwide CO2 emissions through our products. When it comes to renewable energy in particular, we have been engaging in new initiatives including installing extensive solar power generation facilities at our Bang Pa-in and Lop Buri plants in Thailand, arranging power purchase agreements (PPAs) in the Philippines and Europe, and generating electricity on-site in Thailand and Cambodia.

In addition, we place “employees” first in “The Five Principles” company credo. With approximately 100,000 employees in 28 countries worldwide, the diversity of our workforce serves as a strength of the Group. On a global basis, more than 60% of our employees are women, who account for approximately 18.8% of our managers. Amidst a scenario where our proportion of female managers is gradually increasing in Japan as well, we are establishing systems to offer more extensive opportunities for career success among our talented human resources irrespective of gender.

We have been promoting members of our overseas workforce to top management positions, and there are now seven non-Japanese members in head office management. We have adopted a group executive officer system, for which executives are selected from the management of group companies, and meetings are held regularly to facilitate communication. By this we have established a system to promptly address issues identified in each region.

We will persist with our commitment to growth serving as an “INTEGRATION manufacturer of precision components” which supports manufacturing and people’s lives around the world by enlisting our employees with diverse backgrounds, sharing the passion of our corporate slogan and advancing INTEGRATION initiatives. We sincerely appreciate your continued support going forward.
COO’s Message

Gradually passing the baton over to the younger generation while hastening corporate growth with a focus on “execution”

Director, President COO & CFO
Katsuhiko Yoshida

My name is Katsuhiko Yoshida and I have been appointed to serve as Director, President COO & CFO effective April 2, 2023, after having previously served as Director, Senior Managing Executive Officer, CFO.

Under the new structure, I will take over the role of COO from Chairman Yoshihisa Kainuma and will concurrently serve as CFO as stated in the CEO’s Message. I will assume responsibility for aspects of execution as the COO, based on the management strategy formulated by the CEO. However, this does not mean that clear distinctions will be imposed on the scope of duties from the outset of the new structure, but instead I will assume responsibilities gradually over time, as depicted by the color gradient in the diagram shown on the right. At the same time, when it comes to responsibilities within the executive domain, Chairman Kainuma will continue to handle duties going forward in terms of tasks unique to or best suited to Chairman Kainuma.

Next, I will briefly describe my background. I joined Minebea Co., Ltd. as a new graduate and initially gained experience in its administration department. Subsequently, I worked as an expatriate for about 10 years in mass production plants located in Singapore and Thailand. I furthermore handled a wide range of business including that of motors, and was involved in numerous M&As that involved my taking on various roles. The experience I gained through my involvement with numerous business operations - and many employees in those settings - equipped me with a profound understanding regarding the Company’s extensive range of business activities and enabled me to become acquainted with employees working in a multitude of departments. In recent years, I assumed the role of CFO and subsequently took charge of financial management of accounting and corporate finance for the entire MinebeaMitsumi Group.

Serving as the officer in charge of M&A, I have overseen the entire M&A process from planning to closing, including the subsequent Post Merger Integration (PMI) over the process of business integration. PMI entails challenges above and beyond working with companies subject to integration - extending from practical aspects of business integration and creating synergies to formulating and implementing a growth strategy. As such, it is important to ensure candid exchange of opinions on an equal footing with employees who have become new members of the Group.

I am proud of the strengths I have amassed through my extensive and profound hands-on involvement in PMI in the rapidly growing MinebeaMitsumi Group, both in terms of its progress in achieving organic growth and expansion over numerous instances of business integration. Moreover, I believe these strengths serve as a significant asset in enhancing our execution capabilities toward achieving our management targets.

Meanwhile, I will also focus on creating mechanisms that enable us to pass down such assets and expertise to the next generation of management. In conjunction with Chairman Kainuma, I will identify and develop young talent who have potential to assume leadership of the MinebeaMitsumi Group over the generations to come. I will actively have such talent assume key positions that constitute tough assignments, thereby providing them with various experiences including not only success but also the opportunity to learn from failure at an early stage. Through this, I hope to prompt development of many employees who go on to assume the next generation of management. I also seek to hand over the role of CFO to new individuals relatively early on. I am creating a pool of capable individuals who are able to take on such roles. I have accordingly initiated opportunities that entail mirroring of CFO tasks.

As the COO, I am determined to achieve the net sales and operating income targets for the fiscal year ending March 2029 of 2.5 trillion yen and 250 billion yen, respectively. I have a clear vision of what it will take to achieve that objective. By harnessing the INTEGRATION capabilities of the entire Group, I will accordingly ensure completion of each of the executive matters. Moreover, given that the business environment in which we operate has been subject to constant change, we have entered an era where everyone encounters difficulty in forecasting the direction of such change. Amidst this scenario of drastic change, I believe that my mission is that of enhancing the INTEGRATION capabilities of the MinebeaMitsumi Group under the new structure, thereby handing over to the next generation a company that fulfills its corporate social responsibilities and consistently achieves increasing corporate value.
**Financial strategy and capital policy**

**Capital efficiency and EPS growth rate**

On profitability, we have set ROE of 15% or more and EPS growth rate of 15% or more (10-year CAGR) as our target KPIs. Having made “strengthening our financial position” a basic policy, the MinebeaMitsumi Group has taken various steps that include engaging in efficient capital expenditure, managing assets, and reducing interest-bearing debt.

The Company’s ROE for the fiscal year ended March 2023 was 13.1%, thereby nearing the 15% threshold. Meanwhile, ROIC stood at 9.5%, thereby surpassing the hurdle rate of 8%.

Moreover, EPS for the fiscal year ended March 2023 was 187.62 yen. In the fiscal year ending March 2029, we are poised to achieve the operating income of 250 billion yen and the EPS growth rate of 15% CAGR.

At the same time, we are achieving both organic growth and growth driven by the global MMEA carried out by leveraging our superior ability to generate cash. In addition, we will focus on capturing new business opportunities, such as the development of products which contribute to resolving social issues.

In so doing, we will enhance profitability and growth potential, maximize our ability to generate cash, and further strengthen our financial position.

**Trends in EBITDA/net interest-bearing debt/free cash flows**

- **EBITDA** (Billions of yen): FY2010-FY2023
  - FY2010: 99
  - FY2023: 106

- **Net interest-bearing debt** (% of net sales): FY2020-FY2023
  - FY2020: 15%
  - FY2023: 10%

- **Free cash flows** (% of net sales): FY2020-FY2023
  - FY2020: 26%
  - FY2023: 36%

**Cash allocation and security of the financial base**

**Cash allocation**

50% of generated operating cash flows are to be allocated to capital expenditure to act as a driver of organic growth. Of the remaining 50%, while half will be allocated to appropriate and flexible shareholder returns, we are proactively considering options to carry out effective M&As enlisting the other half, together with borrowings, premised on the notion of maintaining financial discipline such that the net debt ratio falls within the 0.2 times range.

**Capital expenditures and shareholder returns**

Underpinned by such medium- to long-term policy, capital expenditure amounted to 147 billion yen in the fiscal year ended March 2023, which includes one-time investment in relocation to the Tokyo X Tech Garden. During the fiscal year ending March 2024, our plans call for capital expenditure of 77 billion yen, primarily for investments in semiconductor-related facilities.

In addition, regarding the annual dividend, having undertaken a comprehensive review of the business environment, MinebeaMitsumi aims to continue to pay out stable dividends, targeting a dividend payout ratio of around 20% on a consolidated basis, in principle, in order to enhance returns to its shareholders.

**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**

CAPEX 50% of operating cash flows

**Free cash flows**

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

**M&A growth**

Dividends and share buyback of free cash flows 50%

**Shareholder returns**

CAPEX 45% of free cash flows

**M&As geared to reducing earnings volatility of free cash flows**

CAPEX 45% of free cash flows

**Results from FY2010 to FY2023**

- **CAPEX** to operating cash flows: 60%
- **M&As** to free cash flows: 35%
- **Shareholder returns** to free cash flows: 40%

**Net interest-bearing debt**

- FY2010: 180.0
- FY2023: 120.0

**ROE and ROIC**

- ROE: 15% or more
- ROIC: 9.5%
Midterm Business Plan toward further growth

In May 2023, the Company released its new Midterm Business Plan, which serves as a concrete roadmap for achieving further growth in pursuit of its long-term targets for the fiscal year ending March 2029. In the Midterm Business Plan, our targets for the fiscal year ending March 2026, are set at net sales of 1.75 trillion yen and operating income of 185 billion yen. We have accordingly established a platform for our Eight Spear products to achieve growth at a pace surpassing that of past years, drawing on a lineup of global niche top products that generate high profitability centered around bearings, rod-ends, motors, analog semiconductors, access products, and INTEGRATION products.

We have also established a target of achieving real operating margin (operating margin excluding net sales of supplied parts, etc.) in the 15% range by improving our product mix. We have concluded four M&A deals for the fiscal year ended March 2023. Given our accumulated PM expertise and solid financial base, we are in a favorable position to swiftly achieve the objectives of the Midterm Business Plan.

We will attain certain growth toward achieving our long-term targets by forging ahead in developing products that contribute to resolving social issues, while also pursuing organic growth and M&As.

Real operating margin to reach 15% level thanks to product mix improvement

Increase in sales of bearings, rod-ends, analog semiconductors, as well as improvement in profit margins of other products

Initiatives for improving profitability

The Company’s efforts to enhance profitability entail rigorously cutting costs in part by lowering the materials cost ratio and the factory overhead ratio. We are also focusing on transforming fixed costs into variable costs, thereby increasing profitability through greater flexibility in cost management. Furthermore, although we have carried out numerous M&As including large-scale M&As over the last several years, the Company’s S.G.A.A. expense ratio has remained in the 11% range, which reveals plenty of room for improvement. Labor costs account for approximately half of our S.G.A.A. expenses, followed by logistics costs and outsourcing expenses. Given that we regard this as one of our key management issues, we will move forward with projects including a 2% S.G.A.A. expense ratio reduction target, which is to be achieved in part by increasing white collar productivity and improving transport efficiency.

Management for value creation

The MinebeaMitsumi Group has established a hurdle rate of 8% for investment decisions, 2% higher than the estimated cost of capital of 6%. We are working to improve capital efficiency by appropriately implementing financial strategy, which involves identifying capital cost for each business. In backing its efforts to achieve net sales of 2.5 trillion yen and operating income of 250 billion yen, the Company enlists as benchmarks not only return on equity (ROE) but also return on invested capital (ROIC), which is used as an indicator of profitability for each business. The Company conducts R&D, M&As, and business withdrawal by checking whether or not the target profitability exceeds its capital cost and furthermore verifying current status and outlook of individual businesses.

Our approach to increasing profitability of individual businesses has involved improving profit margins and reducing invested capital enabling a reverse ROIC tree approach. By enhancing profitability of each business portfolio, we strive to optimize invested capital on a Company-wide basis. As a result of working on profitability improvement under this policy, ROIC for the fiscal year ended March 2023 came to 9.5%.

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 our efforts to increase corporate value, we will engage in risk management practices for reducing capital cost, and implement financial strategy which helps to enhance the competitive strengths of our products. Moreover, in seeking to ensure an optimum business portfolio, we hold management meetings twice per year to discuss business continuity of these businesses that fall short of the hurdle rate.
Chapter I

CFO’s Message

Business portfolio strategy

Focusing on growth of net sales and ROIC by business segment, we view the current state and the potential of the Company’s business portfolio as indicated below. With regard to invested capital, we seek to optimize management resources in the fields of A to D defined in the figure below. To do this we plan to implement capital expenditures efficiently while utilizing grants and other funds. We will also focus on controlling inventories and other assets in a business segment basis in order to maintain working capital within an appropriate range.

Precision Technologies (PT; formerly Machined Components)

In Precision Technologies (PT), we expect an increase in net sales due to various factors including recovery of the data center market. We will focus on high growth in the automobile market and increasing demand for aircraft applications. In addition, we anticipate improvement in return on invested capital (ROIC) due to higher profits associated with the increase in sales. We aim for PT to achieve further expansion as core business of the Company going forward.

Motor, Lighting & Sensing (MLS; former Electronic Devices and Components)

In Motor, Lighting & Sensing (MLS), we expect significant increase amidst the likelihood of further growth in motors centered on automotive use and expansion of applications particularly with respect to automotive backlights. We will enhance profitability centered on global niche top products. We will also expand MLS to serve as a pillar for company-wide earnings surpassing that of the target growth rate and hurdle rate.

Semiconductors & Electronics (SE; former MITSUMI Business)

In Semiconductors & Electronics (SE), we seek to strengthen the Eight Spears through expansion of business including that of semiconductors and the connector business that had been subject to business integration. Although at this point in time we envision a slowdown in the rate of net sales growth in optical devices and mechanical components, which have contributed to sales gains thus far, we will prompt a return to a growth trajectory in part by tapping into new products. We will improve profitability by rigorously cutting costs and increasing productivity.

Access Solutions (AS; former U-Shin Business)

Access Solutions (AS) has long encountered challenges with profitability, but has achieved certain results in terms of improving profitability as a consequence of focusing on PM in the U-Shin business and proceeding with structural reforms in the European business. We will strive to increase sales and profitability by making the most of our favorable position as a Tier-1 business, including that of the newly integrated Minebea Access Solutions.

Portfolio by segment

We anticipate record-high earnings on an operational basis excluding special factors in terms of a full-year results forecast for net sales of 1.45 trillion yen and operating income of 95 billion yen. This takes into account prevailing circumstances in terms of this fiscal year’s macroeconomic trends and uncertainty regarding the prospect of data center recovery. In Precision Technologies, we expect to see recovery in the automotive and aircraft markets in the second half, offset by uncertainties regarding the prospect of recovery in the data center market. In Motor, Lighting & Sensing, growth in motors prompted by recovery in the automotive market will significantly contribute to earnings. In Semiconductors & Electronics, strong performance in optical devices and analog semiconductors will offset a decline in mechanical component revenue. In Access Solutions, we are aiming to achieve positive outcomes from business integration with growth in sales and profit accompanying market recovery.

Progress of Green Bond Framework

In November 2022, the Company issued its first series of green bonds to provide proceeds for production of high-quality bearings that contribute to greater power savings and groundbreaking precision, research and development, and procurement of decarbonized power sources. The Company will achieve its environmental targets by taking on the challenge of carbon neutrality and promoting MMR Beyond Zero. Going forward, we will continue to promote initiatives to realize a sustainable global environment.

Risk management

Due to such factors as the shift towards a decarbonized society and heightened geopolitical risk, the business environment in which the Company operates is changing at dizzying speed on a day-to-day basis. In order to respond to such changes quickly and appropriately, we must strengthen our “defensive” approach to risk management in addition to taking an “aggressive” approach to maximizing profits. The Representative Director, Chairman CEO of MinebeaMitsumi is the chief risk management officer and makes important decisions regarding risk management at the Risk Management Committee. It is also the role of the committee to assure specific risks and action plans for such risks and conduct continuous monitoring of the situation. As the CFO, I am focused on recognizing and forecasting our business environment, analyzing the impact of individual events on our business and performance, examining the likelihood of occurrence, urgency and impact of risks and opportunities, and formulating strategies and measures. I also execute those strategies and measures in a concrete and steady manner.

FAQ 1

What is your view on results for the fiscal year ending March 2023?

We anticipate record-high earnings on an operational basis excluding special factors in terms of a full-year results forecast for net sales of 1.45 trillion yen and operating income of 95 billion yen. This takes into account prevailing circumstances in terms of this fiscal year’s macroeconomic trends and uncertainty regarding the prospect of data center recovery. In Precision Technologies, we expect to see recovery in the automotive and aircraft markets in the second half, offset by uncertainties regarding the prospect of recovery in the