

Minebea has adopted five basic management principles as its basic policy for management, which are to “be a company where our employees are proud to work,” “earn and preserve the trust of our valued customers,” “respond to our shareholders’ expectations,” “work in harmony with the local community” and “promote and contribute to global society.” Under this basic management policy, Minebea’s business objective is to fulfill its social responsibilities to the various stakeholders—such as shareholders, business partners, local communities, employees and society—and maximize its corporate value. To achieve this business objective, Minebea has approached the enhancement and reinforcement of corporate governance as a key management theme. Also, to ensure the health of the management of the Company and strengthen corporate governance, Minebea is promoting the establishment, maintenance and expansion of an internal control system.

1. Basic Explanation of the Company’s Organization

In response to the need for highly strategic business judgments and timely action, we have adopted a 10-member format for our Board of Directors. At the same time, by introducing an executive officer system, we have delegated significant authority from the Board of Directors to executive officers, and clearly divided the role of management/supervision functions from execution functions.

Moreover, with the aim of obtaining advice on all aspects of corporate management and strengthening the Board of Directors’ functions to supervise organizations responsible for execution of duties, we have included two external members in the Board of Directors.

Furthermore, with respect to the corporate auditors, in order to strengthen and enhance their auditing functions, the Company has included three outside corporate auditors (one of whom is a standing outside corporate auditor) in the four corporate auditors that make up the board of auditors.

In addition to holding the Board of Auditors’ meetings and attending the Board of Directors’ meetings and other important meetings, the auditors—in conjunction with the accounting auditors and the Internal Audit Department—audit domestic offices and subsidiaries, overseas subsidiaries and directors’ execution of duties.

2. Summary of Management Decisions, Supervision and Various Functions

(1) Management decision-making and supervision

Minebea’s Management decision-making and supervision is done by the 10-member Board of Directors, which makes significant strategic business judgments that can facilitate prompt and highly strategic decision making. We have included two external members in the Board of Directors with the aim of obtaining advice on corporate management and strengthening the Board’s functions to supervise the organizations responsible for execution of duties.

An amendment to Minebea’s Articles of Incorporation, shortening directors’ terms of office from two years to one, was approved at the 69th Ordinary General Meeting of Shareholders held on June 26, 2015. The change is aimed at clearly defining directors’ managerial responsibilities and building a management team that will enable the company to respond swiftly to changes in the business environment.

(2) Execution Function of Management

Minebea is building a system for the execution function of management that will reinforce diligent attendance of each division’s operations in accordance with the Company’s management policy, and revitalize and enhance the speed of management by introducing an executive officer system and delegating significant authority to corporate officers from the Board of Directors.

Along with this change to the directors’ term of office, a change was made to the executive officers’ term of office, shortening its length from two years to one.

(3) Monitoring of Management

Minebea has built a monitoring system comprising four corporate auditors, of which three are external. Also, there are no titles or ranks for the Board members in an effort to enhance the monitoring of each Board member.

3. Enhancement of Internal Control System

Based on the “Basic Policy for Internal Control System”, Minebea has comprehensively implemented such systems as the compliance system, information storage and management system, risk management system, efficiently performing duties system, group company control system, and auditing system, and is working to further strengthen them.

Five Basic Management Principles

Minebea shall...

Be a company where our employees are proud to work

Earn and preserve the trust of our valued customers

Respond to our shareholders’ expectations

Work in harmony with the local community

Promote and contribute to global society

4. Basic Policy for the Internal Control System and its Enhancement Situation

The Company’s internal control system is necessary to ensure that the Board members’ execution of duties conforms to laws and the Articles of Incorporation, and that the other operations of the Company are appropriate for a publicly listed corporate entity. By establishing an internal control system that disciplines business management, we will reinforce corporate governance and strongly fulfill the Company’s social responsibilities, as well as further increase corporate value.

For this purpose, to ensure the health of management Minebea resolved the basic policy for the internal control system, based on the Company Law, at a Board of Directors’ meeting. The structure of this system is as follows:

Structure of the Internal Control System

- (1) Structure to assure that Board members’, executive officers’ and employees’ execution of duties conforms to laws and the Articles of Incorporation (compliance system)
- (2) Storage and management of information related to execution of duties by Board members and executive officers (information storage and management system)
- (3) Rules for management of loss risk and other structures (risk management system)
- (4) Structure that assures that the duties by Board members and executive officers are efficiently executed (system for the efficient performance of duties)

- (5) Structure to ensure that the operations of the Company and its affiliated companies are adequate (system for management of Group companies)
- (6) Structure to ensure that audits by the corporate auditors are effective (audit system and related matters)

5. Internal Control over Financial Reporting

As part of its internal control system, Minebea has formulated a process for internal control to ensure the reliability of its financial reporting, which it continues to improve. The Company has also established and is implementing a basic framework for internal control over financial reporting that complies with Japan’s Financial Instruments and Exchange Law.

In accordance with this framework, management assessed the Company’s internal control of financial reporting as of March 31, 2015, and based on the results thereof concluded that the Company’s internal control over financial reporting was effective as of that date. Management has published its conclusions in the Report on Internal Control System, which has been audited the Company’s independent auditors, KPMG AZSA LLC.

(To see Management’s Report on Internal Control System, please turn to page 65. Management’s Report on Internal Control System is included within the scope of KPMG AZSA LLC’s audit for the annual report, and the Report of Independent Certified Public Accountants on page 66 is thus proof of its conclusion that Management’s Report on Internal Control System was appropriate.)

Minebea’s Corporate Governance System

