

## Chapter V Corporate Governance



### Conversation between Two Outside Directors

Outside Director  
**Kohshi Murakami**

Assumed office as an Outside Director of the Company in June 2008. Mr. Murakami has a wealth of experience and keen insight as a former Presiding Justice of the Division of the Tokyo High Court and as an attorney-at-law. He works on ensuring the sound management of the Company and promoting its compliance management.

Outside Director  
**Atsuko Matsumura**

Assumed office as an Outside Director of the Company in June 2018. Ms. Matsumura has expertise in international economics as a university professor as well as extensive achievements as an educator. She is reflecting her abundant knowledge and experience in the management of the Company.

In June 2018, the Company adopted a system of appointing three Outside Directors. On this occasion, we heard frank opinions from Kohshi Murakami, who has been involved in strengthening the governance of the Company, and from the newly appointed Atsuko Matsumura, on the Company's corporate culture, the impression it makes, the role required of Outside Directors, and their aspirations.

### MinebeaMitsumi's corporate culture and the impression

Employees share a firmly held sense of purpose and awareness of the direction in which the Company is headed (Matsumura)

The distinguishing features of the Company include technological capabilities, global management, leadership and a sense of speedy decision-making, and M&A (Murakami)

**Matsumura** : I have only just been appointed, in June 2018, but I am surprised by the speed of decision-making in the Company as a whole. The Company has expanded globally both in terms of its customers and its manufacturing bases, and it responds with genuine rapidity to the issues it has encountered. I also feel the severity of the challenges imposed by the awareness of its heavy responsibility as a manufacturing company. The other impression I have is the strength of the shared sense of purpose among employees, and their keen awareness of the direction in which the Company is headed. Company slogans are presented unambiguously, in easily understood language, and I am genuinely impressed by the way they succeed in motivating employees.

**Murakami** : I completely agree with the points you have raised. I see the characteristics that make the Company stand out as being summarized in the four key concepts of technological capabilities, global management, leadership and a sense of speedy decision-making, and M&A. The products in which the Company is involved, including the mainstay products of miniature and small-sized ball bearings, are indispensable to the world of industry, but what makes them possible are its advanced technological capabilities. Global management is what enables these products to be manufactured in overseas locations and supplied across the world. What drives this is strong leadership and a sense of speedy decision-making by the management team. I see the shared sense of purpose as being additional evidence of leadership. Specifically, the president himself has done a good job of conveying the course of the Company both internally and externally primarily by sending messages to all employees at regular intervals, and holding dialogues directly with investors.

**Matsumura** : I think it is very important that the management explain in their own words the purpose and the outcomes of the measures taken. For example, beginning this fiscal year, the

Company will be transitioning to international financial reporting standards (IFRS) and the background leading up to this decision has been conveyed unambiguously to employees. It seems to me that it is this accumulation of communication that plays an important role in the shared awareness that is corporate culture.

**Murakami** : That is my feeling also. With regard to the transition to IFRS, I feel it is a perfectly natural development for a global company that is involved in significant cross-border M&A. In addition to the skills of the management in conveying and communicating their ideas, they have real passion and what you might call horsepower to get things done.

**Matsumura** : In terms of the further development of the Company, I believe that increased diversity will also be key. As a global organization, the Company committed to strengthening its human resource capabilities on the assumption of increased diversity, irrespective of race or nationality, and I would like them to continue to treat this as a matter of great importance. In addition, my understanding is that I am the first female director appointed by shareholders, and I hope that this new flow of women's empowerment will accelerate going forward.

**Murakami** : Yes, you are quite right. I think you can say that diversity is indeed part of the corporate culture of the Company. The Outside Directors have also seen increased diversity, into three individuals. In addition, there are two persons of foreign nationality registered among the executive officers, and highly competent individuals of various nationalities, including some who are female, are playing active roles as Executive Officers within the MinebeaMitsumi Group and at its subsidiaries. If the Company had not taken the attitude that diversity is a natural consequence of being a global organization, I doubt that it would have achieved the growth that it has done in the past. I also feel that it will remain important for its development going forward.

### Corporate governance system

My goal is to offer assessments and advice from a fair, impartial and conscientious perspective (Matsumura)

I would like to see closer cooperation and more information sharing between the three outside directors (Murakami)

**Murakami** : My view is that the role required of Outside Directors is to monitor whether the organization is permeated by a good attitude to corporate governance. There are also two aspects to governance. One is a kind of defensive governance, involved with compliance with laws and regulations. The other is a more proactive approach to governance, involving functions for checking the management decision-making process, and aimed at enhancing corporate value. I think in the case of the Company, both are functioning correctly. In reality, thorough materials are prepared for meetings of the Board of Directors, and these are organized and explained appropriately. The atmosphere is conducive to speaking frankly, irrespective of the identity of the other person, about doubts you may have or, conversely, to express encouragement for management decisions.

**Matsumura** : I have also formed an impression of an organization with a robust corporate governance system. I have already attended meetings of the Board of Directors several times since being appointed. Sufficient time was allocated to deliberations, and the meetings were conducted efficiently, making it easy for an Outside Director to understand what was going on.

**Murakami** : In terms of transparency of management, the individual business units go through a PDCA cycle of drawing up plans, checking progress and revising them as necessary. So, at the end of the fiscal year and midway through the fiscal year, more than 200 managers and people in positions of responsibility from around the world, including Outside Directors, gather to meet under one roof. The venue for these meetings is not limited to Japan, and they are also held in places overseas such as Thailand, the Philippines and

Cambodia. These are truly global events during which, over the course of several days, people of different nationalities engage in concentrated and uninhibited discussion, in response to which the management team clarifies the direction to take, so these meetings are certainly the highlight of the year. I also have a great deal of admiration for the leadership of top management in the way they deliver the final summary of the meeting. I feel that the direction of the Company is formed through this process, based on extensive discussions that include voices representing the operations' front lines. Moreover, I feel that going through this procedure results in a sharing of perceptions and meaningful discussion at subsequent meetings of the Board of Directors.

**Matsumura** : It is the duty of Outside Directors to develop a grasp of the company as a whole, and I too would like to create opportunities to exchange opinions with a variety of people within the Company. With regard to the corporate governance system, I believe it is important to offer assessments and advice from a fair, impartial and conscientious standpoint. Management duties are shouldered by the internal directors, so it is my aim to engage with management from the outlook and the standpoint of an ordinary shareholder.

**Murakami** : It is as you say, and in order to also get a firm grasp on the overall picture of where the Company is headed, I intend to actively seek out relevant information. We do hold regular liaison meetings in cooperation with the Audit & Supervisory Board and the Independent Auditors, but now that there are three Outside Directors, I think it would be desirable to take measures to implement closer collaboration and more information sharing.

### Working towards sustainable growth

My goal is to offer advice closely linked to the specifics on the ground at Company locations and production sites and act in accordance with the expectations of shareholders (Matsumura)

As a member of the Board, it is also important to nudge the management and encourage certain amount of risk taking (Murakami)

**Matsumura** : I feel very strongly that one important issue that must be tackled in preparation for sustainable growth is diligent, everyday R&D that leverages the Company's technological capabilities so that it can continuously develop indispensable products to be used in the outside world. In addition, from my perspective as an Outside Director, I feel that we need to keep the Company's various stakeholders in mind. Specifically, we must of course pay attention to environmental concerns such as purifying water and air, and global warming, but in developing countries in particular, another important element is the contribution made to the region. I believe that the Company has already made a good deal of progress on these points, but I will do my best to pursue further improvements.

**Murakami** : My views coincide with yours. I think you refer here to the importance of so-called ESG management. The foundation of sustainable growth for the Company is to obtain the trust of a variety of stakeholders, and in order to achieve that I believe the focus should be put on management that takes into consideration environmental, social and corporate governance issues. In that sense, you could say that new products recently launched by the Company (such as SALIOT, bed sensor systems and smart city solutions) contribute to reduced energy consumption and a reduced environmental burden, and thus embody the ESG management philosophy. From the perspective of keeping in mind stakeholders also, it seems to me that the development of a steady stream of products demanded by society would link to sustainable growth for the Company.

Another important issue is ensuring the inheritance of the Company's corporate culture and its know-how. Following the

business integration in 2017 with MITSUMI ELECTRIC, the scale of the Group increased further. Due to the Company's skills in post-merger integration, which were derived from its experience in M&A, it has achieved improvements in business performance in a short period of time, as well as the harmonization and integration of the two companies.

**Matsumura** : I feel it is important to explain facts such as these to stakeholders.

**Murakami** : I agree. As well as moving steadily forward with dialogues with stakeholders, I would like the management to be transparent, by which I mean I intend to continue monitoring management so that it remains a company that is easily understood by stakeholders as well. Next, in order to fully utilize the proactive approach to corporate governance, my goal is to pay attention to whether management risks are put on the table for proper discussion. Management decisions are always accompanied by risk, but in order to make rational decisions based on confronting that risk head-on, we Outside Directors must, as members of the Board, give the management a push from behind to encourage them to take risks, and that in my opinion is an important role.

**Matsumura** : I too would like to contribute opinions from wide range of perspectives, with the aim of further enhancing management in such a way as to leverage the Company's strengths as a global organization. By viewing with my own eyes a variety of Company locations and production sites, my aim is to link this to analysis, research, evaluation and ultimately opinions, so that I can meet the expectations of stakeholders.