

Chapter IV Initiatives to Support Value Creation

Corporate Governance

We are continuing to enhance and reinforce the corporate governance, which will be the basis of sustainable growth.

Highlights of corporate governance

Establishment of the Sustainability Management Division

Establishment of the Nomination and Compensation Committee

Percentage of female Director

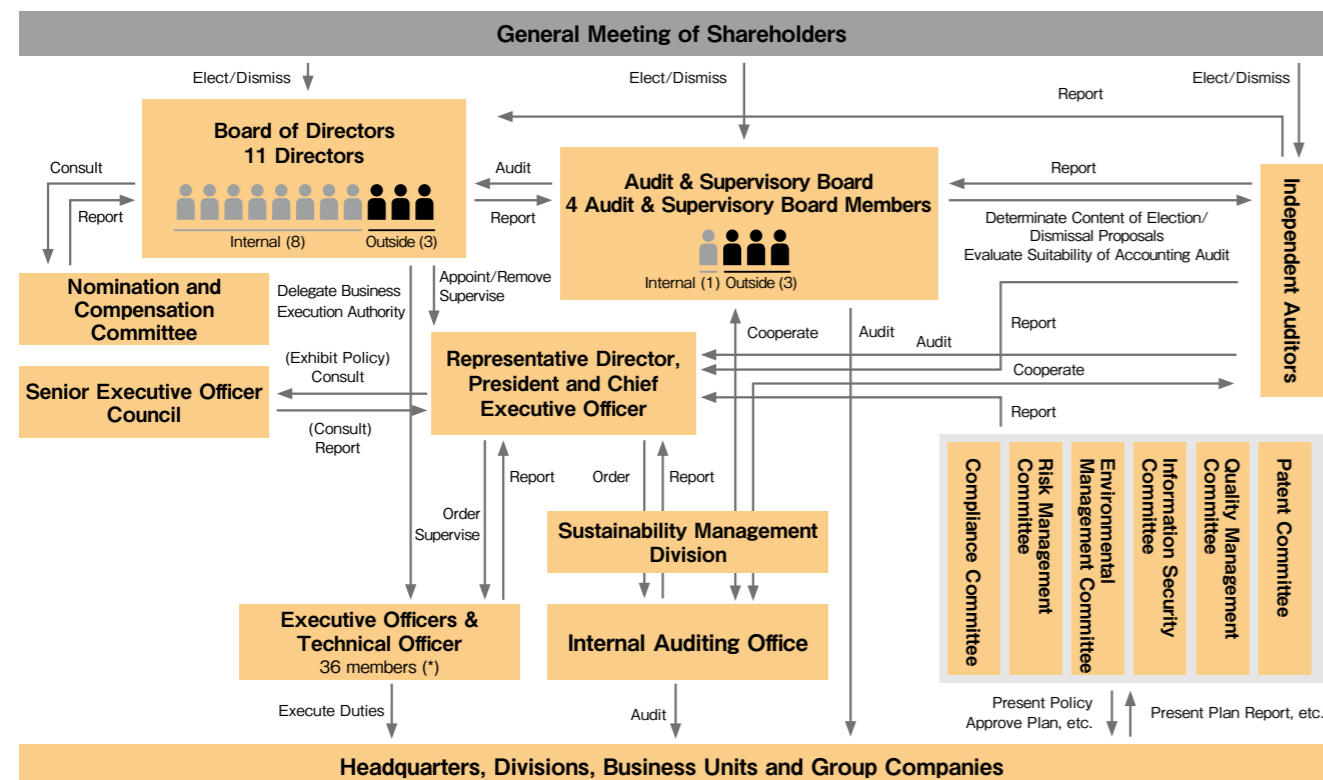
9% (1 member)

Basic approach to corporate governance

MinebeaMitsumi has adopted "The Five Principles" as our company credo. The Five Principles are; "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." Consistent with this

company credo, the Company's basic management policy is to maximize corporate value by fulfilling its social responsibilities to its various stakeholders, including shareholders, business partners, local communities, international society and employees.

Corporate governance system



(*) Excluding seven Executive Officers who concurrently hold a post of Director of the Company

Nomination and Compensation Committee

<Composition of members>

Chairperson: Kohshi Murakami (Independent Outside Director)

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Members: Yoshihisa Kainuma

(Representative Director, CEO & COO)

Atsuko Matsumura (Independent Outside Director)

Shinichiro Shibasaki

(Independent Outside Audit & Supervisory Board Member)

In order to enhance the transparency and objectivity of processes for nominating the candidates and determining the compensation for Directors, the committee has an independent Outside Director as Chairperson, and independent Outside Directors comprising at least half of its members.

<Activities of the committee>

The Company established the Nomination and Compensation Committee in December 2018 and since then, has held meetings of the committee three times. The committee deliberated and reported to the Board of Directors on the following matters.

- (1) Proposal of candidates for Director to be submitted at General Meeting of Shareholders
- (2) Proposed bonuses for Directors based on the consolidated results and stock price levels, and proposed revision of basic compensation

Processes for determining the compensation of Directors and Audit & Supervisory Board Members

(i) Compensation for Directors

In order to enhance the transparency and objectivity of processes for determining the compensation of Directors, the Company has established the Nomination and Compensation Committee, which has an independent Outside Director as Chairperson, and independent Outside Directors comprising at least half of its members. The compensation for Directors is determined by a resolution of the Board of Directors after deliberation by the Nomination and Compensation Committee, by the following compensation composition and calculation methods and within the maximum amount authorized by the General Meeting of Shareholders.

<Basic compensation>

Basic compensation comprises job responsibility compensation according to the Directors' individual positions and performance compensation revised each fiscal year in consideration of individual performance, the performance of the Company and other factors, and is determined by a predefined method.

<Bonuses for Directors> (performance-linked compensation)

Bonuses for Directors are structured to reflect the Company's performance, job responsibilities, and performance, and the amount of bonuses to be paid is determined based on the bonus calculation table, which is based on consolidated results, primarily on the profit for the year, and stock price of the Company. The reason for selection of these indicators is to include in the Directors' evaluations corporate value represented by stock prices, while emphasizing the final result of each fiscal year in the form of profit for the year. Furthermore, the standard payment amount based on the bonus calculation table is set according to the position of each Internal Director. Outside

Directors will not be paid this bonus.

<Incentive compensation> (performance-linked compensation)

The amount of incentive compensation to be paid is determined based on the degree of achievement of the Midterm Business Plan aimed at 1 trillion yen in net sales and 100 billion yen in operating income, and market capitalization of the Company, at the end of the fiscal year. The reason for the selection of these indicators is to enhance the incentive to increase the Company's performance and corporate value by achieving the Midterm Business Plan. In the fiscal year ended March 2019, the Company achieved consolidated net sales of 884.7 billion yen, consolidated operating income of 72 billion yen, and had a market capitalization of 710.2 billion yen, each result falling short its targets for consolidated net sales of 900 billion yen, operating income of 80 billion yen, and market capitalization at the end of the fiscal year of 1 trillion yen. As a result, incentive compensation was not paid. Furthermore, the amount of compensation to be paid when the targets are achieved is set according to the position of each Internal Director. Outside Directors will not be paid this compensation.

(ii) Compensation for Audit & Supervisory Board Members

Compensation for Audit & Supervisory Board Members consists solely of the basic compensation, which is paid in a fixed amount on a monthly basis, and is determined through discussions by the Audit & Supervisory Board Members, within the maximum amount of compensation, as authorized by the General Meeting of Shareholders.

Actual compensation for Directors and Audit & Supervisory Board Members (fiscal year ended March 2019)

Categories	Number of payees	Amount of compensation (millions of yen)			
		Basic compensation	Performance-linked compensation	Stock options	Total
Directors (Outside Directors)	13 (3)	330 (27)	370 (Not applicable)	- (Not applicable)	700 (27)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	4 (3)	52 (36)	Not applicable (Not applicable)	Not applicable (Not applicable)	52 (36)
Total	17	382	370	-	752

(Note) The above table includes amounts paid to Mr. Tamio Uchibori and Mr. Hiromi Yoda, who retired from the position as Director at the conclusion of the 72nd Ordinary General Meeting of Shareholders held on June 28, 2018.

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Message from Chairperson of the Nomination and Compensation Committee (Kohshi Murakami, Outside Director)

In December 2018, MinebeaMitsumi established the Nomination and Compensation Committee, a non-statutory committee, as an advisory body to the Board of Directors. I have been involved in the process for determining compensation for Directors since before the committee was established. It was because of my background that I was appointed to head the committee.

One characteristic of the Company's compensation system for Directors is the high proportion of performance-linked compensation within the compensation for Internal Directors. Compensation for Directors and Audit & Supervisory Board Members is determined from various indicators. Particularly, the extent of achievement of its Midterm Business Plan targets of net sales of 1 trillion yen and operating income of 100 billion yen is added as an important indicator, which is used to determine the annual compensation for Internal Directors.

We have had various discussions with the Board of Directors and divisions in charge as to whether the compensation system functions as an incentive to improve the performance of the Company, including whether the calculation process is fair. Amid a trend towards strengthening corporate governance, the Company has transferred this function to this independent committee, and adopted a process in which the results of discussion in the committee are reported to the Board of Directors.

Furthermore, over the past ten years, President Yoshihisa Kainuma has led the Company's growth with his excellent management skills and powerful leadership. For this reason, he has always been aware of the need for a system that can properly explain how the personnel matters and compensation of Directors are fairly determined, as these are matters involved with his own personal interest. The President brought this matter up with we

Directors.

The solution to this issue was the establishment of this Nomination and Compensation Committee. I believe this will enable upholding of internal and external accountability. In addition, if, by utilizing the report of the committee, the Board of Directors is able to evaluate the management that delivers expected results and to support continuation of the management, then I believe this will lead to strengthening the management foundation and providing support behind the scenes for proactive management by the President and other Directors.

While identifying the top management who are suitable to lead the Company's growth over the next ten and 20 years, we will also tackle the important issue of what to do about successor candidates for the future.

I will serve as Chairperson of the Nomination and Compensation Committee, recognizing that the committee is one of the main foundational supports of the Company's sustainable growth and its corporate governance.



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.

Status of the Board of Directors

The Board of Directors basically holds its ordinary meeting once a month, with extraordinary meetings held as needed. The 11 Directors (including three Outside Directors) conduct swift, highly strategic decision making and supervise management.

**Number of Board of Directors Meetings held:
15 times (fiscal year ended March 2019)**

Major items deliberated

- M&A items (U-Shin and some other items)
- Midterm Business Plan
- Response to the revised Corporate Governance Code
- Establishment of the Sustainability Management Division

Evaluation of the effectiveness of the Board of Directors

The Company conducted a self-evaluation questionnaire on the composition, agenda, and operational status of the Board of Directors for all Directors and Audit & Supervisory Board

Members. The results of the survey are analyzed by the Secretariat of the Board of Directors and the results of the analysis are discussed by the Board of Directors. In the fiscal year ended March 2019, the survey confirmed that diversification of the Board of Directors' composition invigorated its discussion, and that the Board of Directors was functioning effectively overall.

<Status of response to issues>

As the scale of the Group continues to expand, the Company seeks to strengthen governance and risk-management initiatives throughout all Group companies. To this end, the Sustainability Management Division was established to promote strengthening of Group governance.