

The CFO and an Outside Director in Conversation

Initiatives to Strengthen Management and Supervisory Functions in Order to Realize a Leap Forward over the Next 10 Years

Director Shuji Uehara, in charge of the newly established Sustainability Management Division, and Outside Director Atsuko Matsumura conducted a frank exchange of opinions on the strengthening of management and supervisory functions.

Atsuko Matsumura

Independent Outside Director

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.

Shuji Uehara

Director, Senior Managing Executive Officer

Chief of Tokyo Head Office, Officer in charge of Accounting & Corporate Finance Division, Officer in charge of Sustainability Management Division

Regarding the fiscal year ended March 2019

— Please give your review of the year.

Uehara: The first half of the year proceeded well. Going into the second half, sales and profits didn't grow as expected due to the impact of trade friction between the United States and China. However, the overall trend was mainly in line with our plans. I feel that results were also impacted in part by our products that have higher volatility. However, partly due to accomplishing our target with the business integration with U-Shin by M&A in the second half, I think that the year saw good progress on the whole, as we built a solid foundation for achieving net sales of 1 trillion yen and operating income of 100 billion yen.

Matsumura: As even more global corporations experience negative impacts from the trade friction between the United States and China, I think it is fortunate that MinebeaMitsumi has been able to realize business integration with U-Shin, and promote a long-term vision for the next ten years under strong

leadership by the management team.

— Ms. Matsumura, it was your first year of appointment as a Director. What made a particular impression on you?

Matsumura: The MinebeaMitsumi Group holds a business plan review meeting for the executive management-level personnel from around the world each year in March at Tokyo Headquarters. Over four days, the participants discuss the business plan and management policies for the next fiscal year and onward. Then, in autumn a Top Meeting is held, at which the status of business and progress on plans for the current fiscal year are discussed over several days. This long, serious discussion was made a very strong impression on me, and I felt a strong enthusiasm for how the Group leverages its outstanding qualities while uniting as one to face various challenges.

Uehara: I think that the Company will face increasingly difficult decisions on how to allocate its management resources to each business going forward. I would like all of the Outside Directors and Audit & Supervisory Board Members to give us even more candid opinions and advice going forward.

Chapter IV Initiatives to Support Value Creation

The CFO and an Outside Director in Conversation

To achieve the long-term vision

— **What impression do you have of the targets for net sales of 2.5 trillion yen and operating income of 250 billion yen?**

Matsumura: The Company is expanding its lineup of products that contribute to comfortable, safe and secure societies, making use of its excellent technological capabilities and M&As with strong synergy effects. I think these are high targets, but considering the speed of the Company's growth thus far, I believe they will be rewarding challenges for the Company.

Uehara: I agree – these are indeed quite high targets. However, with the growth of our current Machined Components business, Electronic Devices and Components business, MITSUMI business, and U-Shin business, and M&As that promise synergies with our businesses, I think that the net sales target of 2.5 trillion yen is appropriate for us to take on challenges.

— **The management foundation must also require strengthening to achieve ambitious targets. Could you explain the aims of the recent reorganization?**

Uehara: The Company had already separated its executing and monitoring organizations, and operated them as independent bodies. However, CSR was promoted by Personnel & General Affairs Division while matters such as environment issues and trade compliance were promoted by independent organizations supervised directly by the President, so there was no overall coordination as an organization. Now we have established the Sustainability Management Division to coordinate these organizations, enabling us to respond more flexibly from a company-wide perspective. I believe the establishment of the Sustainability Management Division has paved the way for realizing net sales of 2.5 trillion yen in the future.

Matsumura: I think this reorganization is an extremely important

“ I hope to provide timely advice about what is needed for our further development ”



step in terms of promoting corporate governance going forward. Higher targets require a corresponding strengthening of internal supervision functions, and I believe the structure we have established is extremely clear even to outside observers.

— **Can we consider this reorganization to be a strengthening of existing functions?**

Uehara: With respect to governance, to counter risks such as improper accounting and so forth, the Company has previously separated the Accounting Division and the Internal Control Promotion Office and made them independent. Moreover, in addition to audits by certified public accountants and Audit & Supervisory Board Members, our Internal Auditing Office checks for malpractice in our operations throughout the world. Their reports are submitted directly to the Audit & Supervisory Board Members and Outside Directors in the form of internal audit reports for each region and company. In this way, I believe that the separation of execution and monitoring is functioning appropriately. On the other hand, stakeholders may have doubts about whether the separation of execution and monitoring will work when the business scale expands even further. Going forward, we will look at the idea of eventually expanding the Sustainability Management Division by region. I would like to further strengthen our systems to enable monitoring of whether the business execution teams in each region are executing business appropriately.

Matsumura: It is very important to strengthen the structure created by this reorganization even further in response to the demands of the times as we go forward, as you mentioned. Under the new structure, I expect the Company to take firm steps to ensure compliance with laws and regulations, while making use of experts and auditing firms. As an Outside Director, I receive detailed explanations from Internal Auditing Office staff regarding the results of internal audits, including audits of overseas locations, at the regular meetings with the Audit & Supervisory Board Members. Then, as we exchange opinions, we discuss issues and points for improvement from various viewpoints. Moreover, as measures to gain the trust of stakeholders focused on sustainability, it is also important to focus on governance over a wide range of fields, including social contributions in various forms and workstyle reforms. As we expand our business as a manufacturer, I think it is also important to take measures to prepare for risks such as soil, water, air, and other pollution.

Uehara: With regard to the environment, we are guided by part of our company credo, “Contributing to the Local Community,” and even before the current level of public attention to environmental issues, we had been promoting environmental conservation initiatives in every country and plant, such as completely abolishing environmentally harmful substances.

Looking ahead, we plan to actively promote further environmental conservation through the Sustainability Management Division.

Matsumura: Each plant conducts “environmental patrols,” which are initiatives for checking the plant. I would like the

Company to continue implementing these patrols to ensure that nothing is overlooked. Furthermore, in the fiscal year ended March 2019, I hear that the Company introduced MinebeaMitsumi Green Products Certification Program for its own products, and that it aims to expand environmentally friendly products so that they account for at least 85% of total sales in ten years' time. This initiative is highly significant for the Group's sustainable growth, and I consider it most admirable.

— **Are you constantly examining a large number of M&A prospects?**

Uehara: We have received positive evaluations on our M&A activities to date, and the number of opportunities to consider prospective M&As has increased. We narrow these down to candidates that seem to have adequate potential for synergies with our existing businesses, and then examine them thoroughly in the Board of Directors. Many prospective M&As are abandoned as a result.

— **Is the explanation from within the Company adequate?**

Matsumura: I receive detailed explanations of the background history, technological synergies, risks, and other aspects of each prospective M&A. Recently, the Company conducted an M&A with U-Shin. After receiving a detailed explanation of this project, I judged that the Company had selected a partner that would resonate with its DNA of “manufacturing with sincerity,” and that the integration could be expected to yield strong synergies.

I also received an explanation regarding the proactive human resource exchanges that proved successful in the integration with MITSUMI ELECTRIC. I think the Company would also realize benefits from the recent integration with U-Shin on the human resource front by applying this experience and using effective personnel exchange to quickly build a team with execution capabilities. With regard to the importance of human resource synergies that President Kainuma has spoken about, I think that building systems to implement these adequately is the way to achieve our long-term goals.

— **What issues do you see for the Company to address going forward?**

Uehara: I think our focus must be on developing human resources. As we expand our business on a global scale, we must step up our development of local human resources not only in Japan, but also overseas. As I mentioned before, the Sustainability Management Division could be expanded in each region in the future. Our challenge is to find ways to secure high quality human resources, or to develop them.

Matsumura: Looking from a diversity perspective, I think there is room for further development with regard to promoting women's participation in the workplace. At the same time, I think it is also important to actively introduce systems for reflecting feedback from female employees.

Increasing the number of women at the top level of management in the Company can be expected to increase performance of the Company by invigorating the work of all female employees and raising their awareness. Meanwhile, in terms of enhancing the workplace environment, to create workplaces that are easy to work in, including for men, I think it is important to reduce excessive working hours and I intend to focus on this going forward.

Uehara: I agree with you that these points need to be addressed. As for diversity, in promoting the empowerment of women we have two female Executive Officers within the Group while most of the heads of our overseas accounting divisions are women. On the other hand, in our so-called technical areas, such as machined components and electronic devices and components, we have an issue with low numbers of female graduate employees. In our plant in Thailand, we have adopted a system where many female engineers are working at production sites. We are also seeing increasing opportunities for female staff members to play a global role in our Sales Division, and I believe you can look forward to the next five and ten years.

Matsumura: I feel that the female labor force is making a significant contribution to the Group in Southeast Asia. Looking ahead, in Japan too, I hope to see a wider range of opportunities for women to participate through appropriate personnel development.

— **How do you plan to contribute in the fiscal year ending March 2020?**

Matsumura: From my outside perspective, I will monitor to ensure that the Group's management does not make the wrong decisions. As the Group's management is extremely smooth, I also plan to respond swiftly and provide accurate advice for the Group to achieve its targets in a form that is clear to stakeholders.

Uehara: We certainly hope to continue receiving your guidance from a broad perspective.

“ By establishing the Sustainability Management Division we will further strengthen governance throughout the entire Group ”

