

Corporate Governance

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

Basic approach to corporate governance

MinebeaMitsumi has adopted our company credo “The Five Principles” as our basic management policy. “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, MinebeaMitsumi will aim to increase corporate value as well as fulfill its social responsibilities to its various stakeholders, including shareholders, business partners, local communities, international society and employees.

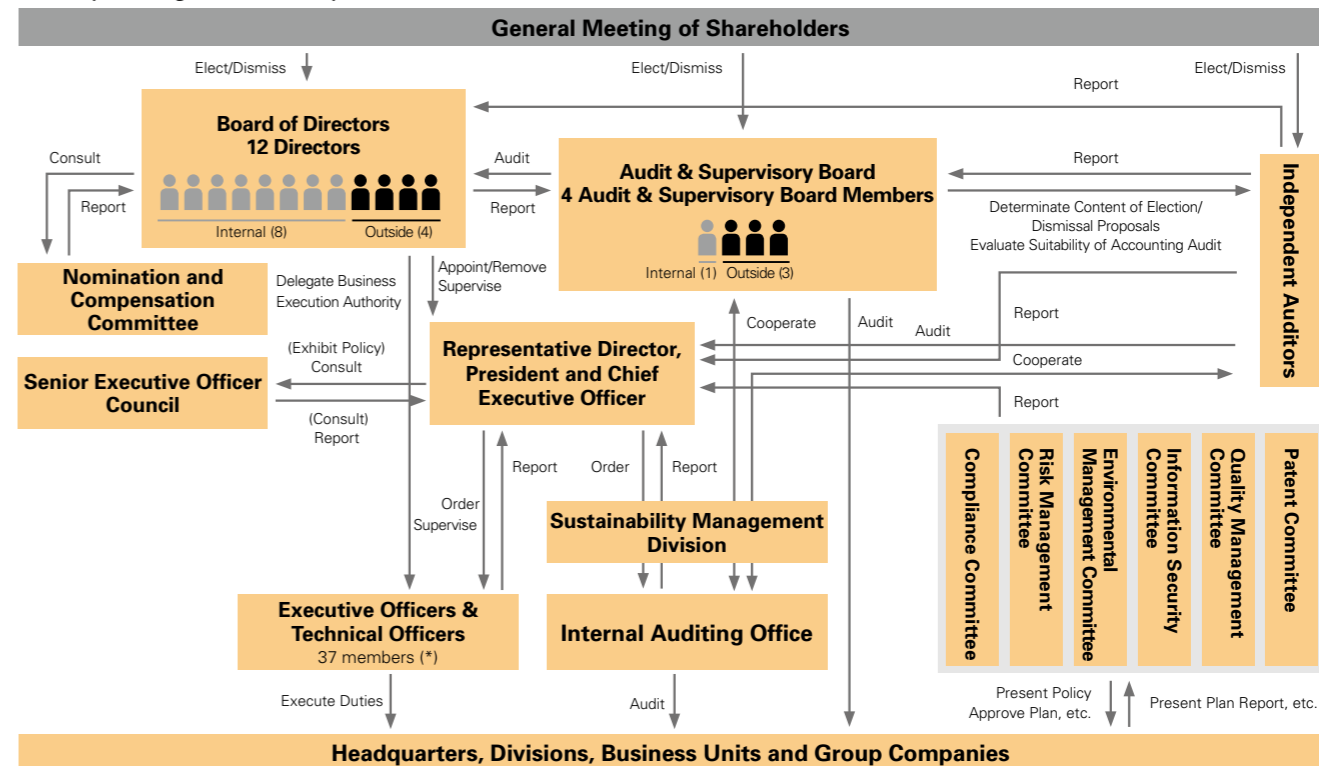
History of corporate governance

(years)	~2000	2003	2005	2007	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2030
Emerging crises					Global Financial Crisis			Great East Japan Earthquake										
Symbolic M&A (no. of Group companies)					(39)			Thailand Floods										
President	From 1999 President Yamamoto		From 2005 President Yamagishi		From 2009 President Kainuma													
Chairperson for the Board of Directors/CEO			President and Chief Executive Officer begins serving concurrently as Chairperson															
Board of Directors	2002 25 Directors	2003 Number of Directors reduced (25 → 10) due to introduction of Executive Officer System		10	9	10							12	11		12		
Compensation System for Directors			Abolition of the executive retirement benefits system	Introduced stock options									Introduced incentive compensation			Introduced performance-linked stock compensation system		
Outside Directors	2													3		4		
Outside Audit & Supervisory Board Members	2				3													
Advisory committee																		Established the Nomination and Compensation Committee
Group Governance				Established “Minebea Group Basic Rules for Risk Management”										Established “MinebeaMitsumi Group Basic Rules for Risk Management” (abolished “Minebea Group Basic Rules for Risk Management”)				
				Established “Code of Conduct”	Established “Compliance Guidelines”	Established “Compliance Management Rules”												
						Established “Rules of contact with competitors”												
						Established “Rules for Management of Group Companies”												
						Established “Anti-Corruption/Anti-Bribery Rules”										Established “Global Rules for IP”		
Takeover Defense Measures			Introduced	(updated)	(updated)	(updated)	(updated)	(not updated)										

Highlights of corporate governance

Introduced performance-linked stock compensation system for Directors	Number of female Outside Directors Increased by One (Two out of 12)	Takeover Defense Measures were not updated
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Corporate governance system



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

Status of the Board of Directors

In accordance with the basic policy of respecting diversity on the Board of Directors, the Company shall appoint Directors to provide the knowledge, experience, ability and internationalism required, irrespective of nationality, race or sex. As a rule, ordinary meetings of the Board of Directors shall take place once a month and extraordinary meetings shall be held as

appropriate, with 12 Directors (including four Outside Directors) enabling prompt and highly strategic decision-making, in addition to oversight of management.

In the fiscal year ended March 31, 2020, multiple M&A projects were screened and in December 2019 the acquisition of ABLIC Inc. was decided.

Evaluation of the effectiveness of the Board of Directors

In order for the Board of Directors to effectively discharge its duties, an evaluation of the effectiveness of the Board of Directors was conducted to check whether the Board of Directors as a whole was functioning appropriately, to verify the composition of the members, the agenda items discussed, and the status of the operation of the Board of Directors, and to identify issues and acknowledge problems and strengths.

In March every year, written self-evaluation questionnaires are distributed to all Directors and Audit & Supervisory Board Members with the aim not only of looking back at progress made on points for improvement raised in the previous fiscal year, but also of unearthing key themes to be addressed over the following fiscal year. The results and analysis of the questionnaire were reported at the May 2020 Board of Directors meeting. After an exchange of opinions among Directors and Audit & Supervisory Board Members, the assessment of the Board,

based on the grades given in the questionnaire and the content of the comments, was that the effectiveness of the Board of Directors has generally been secured.

[Points for improvement this fiscal year]

It was decided that in order to further deepen deliberations at meetings of the Board of Directors, regular discussions will be held on themes such as “corporate strategy,” “initiatives to promote sustainability” and “human resources development.” The background to this decision is that in addition to performance and capital efficiency (ROE, etc.), human resources development and the further promotion of sustainability will become an important part of preparations for achieving long-term targets of 2.5 trillion yen in net sales and 250 billion yen in operating income, and it was recognized that these are issues that must be addressed by the Board of Directors.

Nomination and Compensation Committee

<Composition of members> (as of August 2020)
Chairperson: Kohshi Murakami (Independent Outside Director)
Members:
Yoshihisa Kainuma (Representative Director, CEO & COO)
Atsuko Matsumura (Independent Outside Director)
Yuko Haga (Independent Outside Director)
Shinichiro Shibasaki (Independent Outside Audit & Supervisory Board Member)

<Activities of the committee>
The Company held meetings of the committee six times during the period from April 2019 to March 2020. 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
In June 2020 the introduction of a stock-based compensation system was considered.

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

(i) Compensation for Directors
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 in a reasonable amount.

<Performance-linked monetary 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.

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. Targets for the fiscal year ended March 2020 were 900 billion yen in consolidated net sales, 80 billion yen in consolidated operating income, and market capitalization of 1 trillion yen, whereas results were consolidated net sales of 978.4

billion yen, consolidated operating income of 58.6 billion yen, and market capitalization at the end of the fiscal year of 689.3 billion yen. Having taken various circumstances into account, incentive compensation disbursed in relation to achieving the consolidated net sales target of 900 billion yen for the current fiscal year will be returned.

<Performance-linked stock compensation>
At the 74th Ordinary General Meeting of Shareholders held on June 26, 2020, approval was obtained for the introduction of a new stock-based compensation system for Directors of the Company (excluding Outside Directors).

Under this system, the Company pays cash through a trust to acquire the Company's shares. The Company's Directors are granted a number of the Company's shares equivalent to points conferred to them according to the level of contribution to business performance, etc. The goals of adopting the system are to help improve corporate earnings over the medium and long term and to enhance an awareness of contributions to corporate value gains by more clearly linking the Company's Director's compensation to corporate earnings and share value of the Company. This will expose the Company's Directors to the same benefits and risks associated with share price fluctuations as shareholders. In principle, the Company's shares would be granted upon retirement of Directors.

(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 2020)

Categories	Number of payees	Amount of compensation (millions of yen)			
		Basic compensation	Performance-linked monetary compensation	Performance-linked stock compensation	Total
Directors (Outside Directors)	11 (3)	309 (33)	319 (Not applicable)	- (Not applicable)	629 (33)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	7 (5)	50 (34)	Not applicable (Not applicable)	Not applicable (Not applicable)	50 (34)
Total	18	359	319	-	679

The above table includes amounts paid to Mr. Kazunari Shimizu, Mr. Kazuyoshi Tokimaru, and Mr. Hisayoshi Rikuna, who retired from the position as Audit & Supervisory Board Member at the conclusion of the 73rd Ordinary General Meeting of Shareholders held on June 27, 2019.

Initiatives for Group governance

Under its Basic Policy for the Formulation of an Internal Control System, the Company has been developing various regulations applicable across the Group (Group regulations). We need to further reinforce our corporate governance through efforts that include overhauling various rules amid a scenario where the number of companies in the Group has increased more than threefold relative to the number in 2012, upon having integrated the businesses of

MITSUMI ELECTRIC, U-Shin, and ABLIC over the years 2017 to 2020. Established in 2019 with the aim of enhancing initiatives pertaining to governance of the entire Group, the Sustainability Management Division will furthermore overhaul Group regulations going forward, while otherwise enhancing risk management and compliance frameworks of the entire Group, and also seeking to improve effectiveness of our governance.

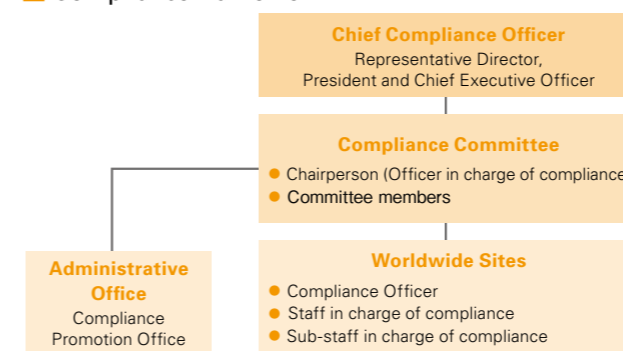
Compliance

<Basic approach>
To continue to act appropriately as a corporate citizen, the Company has established the "MinebeaMitsumi Group Code of Conduct" and "MinebeaMitsumi Group Officer and Employee Compliance Guidelines," and on the basis of these policies, we strive to achieve fair, appropriate and highly transparent management.

<Compliance promotion structure>
The President and Chief Executive Officer of the MinebeaMitsumi Group has ultimate responsibility for compliance. He is supported directly by the Compliance Committee. Meeting twice a year, the committee ensures implementation of the Code of Conduct and makes decisions on emergency response measures in the event of significant violations of the code. The Compliance Promotion Office acts as the administrative body for the Compliance Committee, creating various policies for the promotion of compliance.

Additionally, we appoint compliance officers at each site in order to enhance the group management. To reinforce the structure throughout the Group, in the fiscal year ending March 2021 we appointed a compliance officer as well as staff and sub-staff in charge of compliance at ABLIC Inc., which joined the Group as a result of business integration.

Compliance framework



The details on initiatives for compliance promotion can be viewed from here.

Risk management

<Basic approach>
Because our response to risk could profoundly affect the MinebeaMitsumi Group's business fundamentals, we believe that risk management is vital to the management of the company. We established the "MinebeaMitsumi Group Basic Rules for Risk Management" which define preventive measures we should have in place, our response in crisis situations, and the type of system the group should put in place.

<Risk management system>
The President and Chief Executive Officer of the MinebeaMitsumi Group has final responsibility for risk management, with major decisions regarding risk management being made by the Risk Management Committee. As a precautionary measure, MinebeaMitsumi attempts to predict and classify tangible risks in advance, and remains vigilant against such risks. In the unlikely event that an incident occurs, a management headquarters and local countermeasures office will be established according to the severity category of the circumstances as defined in the "MinebeaMitsumi Group Basic Rules for Risk Management" to respond rapidly and effectively to the situation. Further, MinebeaMitsumi has established a system under which, depending on the nature of the risk, a supervisory division can be appointed to handle a situation to draft and implement risk prevention measures.

<BCP initiatives>
In the event of a major disaster, infectious diseases such as influenza, act of terrorism or other emergency, we believe that our social responsibility includes confirming the safety of our employees and their families with top priority, as well as ensuring that, as a parts manufacturer of products with world-leading market shares, we can continually supply our customers and minimize the impact to our business. For that reason, we have formulated business continuity plans (BCP) for major business sites in and outside Japan and are implementing training drills, etc.

In terms of specific activities, BCP encompass the creation of emergency response manuals, earthquake strengthening of facilities, storage of food and drinking water, establishment of an internal fire brigade, disaster drills, and safety confirmation drills, among other measures. BCP drills are conducted at the Karuizawa Plant three times annually in anticipation of an earthquake or other emergency.

In addressing the prevailing threat of COVID-19, the MinebeaMitsumi Group has set up a headquarters to take swift action. We have accordingly managed to keep damage to a minimum by thoroughly implementing shared measures globally, with the first of such efforts having taken place in China. Going forward, we will draw on our measures to contend with the pandemic as an opportunity to upgrade BCP pertaining to infectious disease at our Shanghai Plant in China, and will extend such plans to the Group's major locations.

Business and other risks

The Group defines risks as uncertain events that could affect the execution of its operations, or its business activities, either directly or indirectly, and describes the content and response to major risks that could have an impact on the Group's operating results and financial position from the perspective of external environment and internal environment.

The following future major risks are those recognized by the Group as of March 31, 2020.

External environment

(1) Risk related to natural and other disasters

Even in normal times, the Group headquarters and various locations work closely together to respond to risks by strengthening their disaster prevention training, which assumes the occurrence of a natural disaster or similar, and their crisis management system.

(2) Latent risk related to operations overseas

Our Group's manufacturing activities are conducted primarily in Thailand, China, Philippines and Cambodia. While we have been operating in these countries for quite some time, overseas operations are always subject to the following risks (any of which could have a negative impact on our operating results and financial position):

- (a) Unexpected changes to laws or regulations
- (b) Difficulty in attracting and securing qualified human resources
- (c) Acts of terrorism or war, or other occurrences that could disrupt social order.

For this reason, we have arranged for crisis management manuals to be provided in overseas locations in order to deal with potential risks associated with expanding overseas, and are strengthening preparations to deal with unforeseen situations.

In addition, we are working closely with the relevant authorities in the countries and regions in which the Company operates, and are striving to ensure the safety of the Company and its employees by taking prompt action based on accurate information collected in the event of an incident.

Moreover, by expanding mass production factories overseas and building a global research and development structure, we have established a risk diversification system in which product mixes that are effective in combating changes in the external environment and global production sites mutually complement each other, resulting in profits being supported.

(3) Risk associated with exchange rate fluctuation

Since a significant portion of our consolidated net sales (66.1%) and production (87.7%) occur outside Japan, our business is vulnerable to risks associated with fluctuations in foreign currency exchange rates. For that reason, we use hedging, primarily using currency exchange contracts, to mitigate the risk of sharp movements in exchange rates.

(4) Risk of sudden changes in the market environment and low-price competition

The principal markets for our Group products, including those for PCs and peripheral devices, information and telecommunications equipment, household electrical appliances, automobiles, and aircraft components, are subject to extraordinary levels of competition both in Japan and overseas, and there is the risk of significant fluctuations in demand.

In order to prepare for sudden contractions in demand, and competition with low-priced products manufactured overseas, the Group operates in accordance with the management strategies of "Reinforcing Core Businesses," "Diversified Niches (the Eight Spears)," and "Generating Synergies through the INTEGRATION" to reduce as much as possible the risk of concentration on individual customers. With regard to credit, in addition to strengthening our debtor management, such as by negotiating debt protection activities with counterparties for which there are concerns, and focusing on creating one-of-a-kind high value-added products that are resistant to price competition in order to mitigate the risk of market environments and low-price competition.

(5) Risk related to supply chain

In order to build healthy partnerships with its suppliers, the Group has established "Basic Procurement Policies," and accepts new suppliers only after it has confirmed that they accept the Group's views on procurement, such as by being able to maintain continuous transactions, by complying with requirements and standards in relation to chemical substances used in the Group's products, and by endorsing the "MinebeaMitsumi Group CSR Procurement Guidelines."

We also work to diversify the procurement sources of raw materials necessary for production over multiple suppliers so as to enhance the stability of the supply chain, and take various measures to deal with risk, such as reducing costs by improving productivity.

(6) Risk related to accrued post-retirement benefit and pension costs

If the fair value of pension assets declines due to a low rate of return on a pension fund, or if the discount rate falls, or if the rate of salary increase changes, or if other assumptions used in the actuarial calculations change, there is a risk that this could result in increases in the retirement benefit obligation and a deterioration in the funded status, leading in turn to a rise in pension costs. For that reason, the Group maintains multiple defined benefit pension plans, and seeks to mitigate risk by concentrating management in specific assets.

(7) Legal risk

The Group has developed its operational activities over a wide range both in Japan and overseas, and there is a risk that material legal action or lawsuits could be brought against it at some point in the future. We envisage legal risks associated with a variety of statutes, such as the Antimonopoly Act, the Product Liability Act, or the Intellectual Property Laws. In the event that a material legal action is brought against the Group, the response is managed entirely by the Legal Department, in conjunction with legal advisers.

Internal environment

(1) Risk related to compliance

The Group conducts its business activities while being subject to laws and regulations in each country of the world, and in the event that these laws and regulations, etc. are infringed, or if there is behavior, etc. that violates social requirements, there is a risk that legal punishment, legal action, or social sanctions could be taken against the Group, leading in turn to a loss of trust among customers. The Group has established the "MinebeaMitsumi Group Code of Conduct," which covers labor, health and safety, environmental conservation, and ethical management, and it has additionally formulated the "MinebeaMitsumi Group Officer and Employee Compliance Guidelines," which is a specific standard that must be followed by all officers and employees. In order to instill these concepts, a Compliance Committee has also been established to exert cross-sectional control of compliance initiatives across the Group, and it is this Committee that plays the central role in educating officers and employees.

(2) Quality risk

Our products are used across a wide range of industries, especially for applications including advanced products that could affect human health and safety such as automobiles, aircraft, medical devices, etc. For these reasons, high levels of quality assurance are required in addition to an acceptance of social responsibility, and there are risks associated with quality defects. The Group seeks to instill the corporate philosophy based on the "MinebeaMitsumi Group Quality Policy," and is working to establish quality assurance structures and to ensure that quality can be guaranteed. In addition to activities to improve quality undertaken at production sites by the Quality Assurance Headquarters, the Group practices risk management by taking out various types of insurance to cover damage in preparation for unforeseen situations.

(8) Risk related to environmental laws and regulations

Our business is vulnerable to risks associated with various environmental laws and regulations that are in effect in the regions where we operate. For this reason, the Group has established an environmental management structure (Environmental Management Committee) under the "MinebeaMitsumi Group Environmental Policy," as well as appointing a Manager of Environmental Management, and it promotes rigorous activities to prevent environmental pollution even in normal times and mitigate risk.

(9) Risk related to M&As and alliances

The Group considers M&A and alliances to be one of its most important policies and promotes such opportunities, but changes in the market environment, etc., as well as the occurrence of mismatches with the strategy of the other party in alliances, may lead to the non-materialization of the effects that were originally expected. In order to respond to such risks, the Group emphasizes the blending of human resources and organizations during M&A, and in alliances places great importance on mutual use of know-how to generate synergies.

(3) Risk related to information security

Since we obtain large amounts of important information, including personal information through the course of our business operations, we are vulnerable to risks associated with information security. For this reason, the Group established the Information Security Committee with the aim of verifying that the information security system is operating appropriately. In addition, we strictly enforce tests to check levels of understanding as part of information security education, and we implement countermeasures to avoid risk by working to prevent information leaks resulting from the loss or theft of equipment, or carelessness.

(4) Risk related to R&D

The Group introduces a continuous flow of new products to the market, and in order to make a contribution to achieving net sales and profit targets, it conducts research and development activities that include basic research, key technology development, product development and production process development. It is uncertain whether research and development efforts will bear fruit, but in order to obtain results within the projected range, the Group efficiently and effectively manages the progress and costs of R&D projects in accordance with the "Research and Development Management Manual" and other documents.