

Initiatives for Material Issues (Materiality) at MinebeaMitsumi



At the latest review of the Company’s material issues (see pages 27 to 28 of this document), a roundtable discussion was held between Outside Directors, namely Atsuko Matsumura, Yuko Haga and newly appointed Hirofumi Katase, who shared their thoughts on the Company’s initiatives as Outside Directors, and with Director Katsuhiko Yoshida, Head of Sustainability Management Division, with whom the Outside Directors exchanged opinions.

Material issues		
Priority Topic 1 Contributing to solutions to environmental issues	Priority Topic 2 Creating the high-quality precision components that support society	Priority Topic 3 Maximizing the power of employees

■ First, let’s hear from newly appointed Outside Director Hirofumi Katase. Tell us about your background and what you hope to accomplish as an Outside Director at MinebeaMitsumi.

Katase: I worked in government for 35 years, primarily at the Ministry of International Trade and Industry and the Ministry of Economy, Trade and Industry. What I felt during that time was that with Japan’s economy growing stagnant, many Japanese companies lacked sufficient energy for growth. In the midst of this, one company that demonstrated a very clear commitment to actively creating new added value and achieving growth was MinebeaMitsumi.

I recognized it as a company full of energy attempting to create synergy between organic growth and M&A. Up to now, I

have been involved in many measures in the fields of energy, environment, technology, trade, and aerospace. Leveraging this experience, I intend to provide advice for identifying material issues related to the Company’s growth and how to address those in management policies. When I feel that the Company’s initiatives do not line up with general trends, I will voice my opinion. I hope to contribute to the significant growth of the Company as a model for the Japanese companies of the future, both by actively providing encouragement and by putting on the brakes if necessary.

■ In this review of material issues, “contributing to solutions to environmental issues” and environmental issues were touched on heavily. Can you tell us about specific initiatives?

Yoshida: We announced a new slogan this year called QCDESS™ and, at the core of this, we are putting into practice management that aims for eco-friendliness and efficiency. By combining our ultra-precision technologies, which are our strength, with other core technologies, we will promote initiatives for “contributing to solutions to environmental issues.”

—Mr. Katase, what role do you expect the Company to play in addressing the environmental issues identified?

Katase: For a time, it looked as though the global trend toward addressing global environmental issues had lost steam. I no longer believe this is the case, and the Company’s technologies and products are benefiting from the overall trend toward carbon neutrality. For example, one of the important elements of working toward carbon neutrality is electrification of society. Key to making that happen will be bearings and motors for moving things by electricity along with sensors and analog semiconductors to control them. The Company possesses strengths in each of these areas, and by combining them, it will have a very strong competitive advantage, including in terms of environmental performance. It is universally recognized that the key to solving global environmental issues is innovation. Indeed, I believe that the Company will continue to come up with one innovation after another and quickly introduce new technologies to the world, which will contribute to solving global environmental issues.

On the other hand, just as a “green growth strategy” is being promoted around the world at the national level, as a company, it is essential that this contribution to the environment by products and technologies is tied into product value and that it embodies a vision for growth. To bring that about, I believe it is important to engage in efforts corresponding to the characteristics of the Company’s business fields and products. For example, this might entail creating a new business model or an environment in which the environmental performance and benefits of the products can be presented in an easy-to-understand manner while taking advantage of standardization and other programs and then tying this into product value.

—Ms. Matsumura, are there any challenges when it comes to “contributing to solutions to environmental issues”?

Matsumura: Many countries, including Japan, have declared that they will become carbon neutral by 2050 amid the global movement to achieve carbon neutrality and the goal of keeping the global temperature from rising as set forth in the Paris Agreement. The Japanese government has set an ambitious medium-term goal for fiscal 2030.

Under these circumstances, decarbonization efforts are accelerating within corporate activities. I think it will be extremely important to clarify the details of the Company’s activities to make an ongoing contribution to global environmental conservation and “visualize the efforts” to thoroughly disclose the information. There are two main aspects to the Company’s efforts. The first is improving the production ratio of the Company’s environmentally friendly products or so-called Green Products. To achieve that, I believe that it is important to present the CO₂ emission reduction effect in an easy-to-understand format and draw even more attention to its usefulness to get customers to adopt Green Products. The second is reducing CO₂ emissions associated with the Company’s business activities. The Company has set a goal of reducing total CO₂ emissions by 30% compared to the fiscal year ended March 2021 by the fiscal year ending March 2031. Going forward, it will be necessary to further clarify the path for achieving that goal. I think it’s important to quickly and thoroughly look into the feasibility and cost-effectiveness of various means to achieve it. The Company has already introduced a large-scale solar power generation

system at two major plants in Thailand and expects to reduce CO₂ emissions by around 4,000 tons per year. I expect to see progress on renewable energy at other facilities as well.

It’s becoming increasingly important to clearly incorporate reduction of greenhouse gas emissions into corporate management goals. Last August, the Company announced its endorsement of the TCFD recommendations and is drawing attention to its steady progress on efforts to address global warming. Social demand related to SBT, science-based emissions reduction targets, and RE100, a collaborative, global initiative of influential businesses committed to 100% renewable electricity, will likely grow in the future. As an Outside Director, I hope to continue monitoring this.

Yoshida: Our products make a significant contribution to reducing the CO₂ emissions of our customers’ final products. In addition, we will strive to further contribute to the realization of carbon neutrality by working to reduce CO₂ emissions associated with our own business activities.



■ What are your thoughts on “creating the high quality precision products that support society” from the standpoint of your business portfolio strategy?

Yoshida: Up to now, we have been enhancing our business portfolio to address changes in society. One of our missions is to contribute to society by improving the performance of our products and establishing a robust supply system. We believe it’s important to build and maintain a decentralized production network while ensuring economic rationality so that we can fulfill our supply responsibilities even in the event of a contingency.

Haga: The Company’s business portfolio is the source of its sustainable growth. I believe the core businesses, which are called the “Eight Spears,” will be able to maintain their competitive advantage for a long time because they provide ultra-precision and ultra-high quality.

The first scenario for achieving further sustainable growth is strengthening those eight core businesses. Of course, as Mr. Katase mentioned, that will entail both organic growth and M&A, but I think the key to the portfolio strategy will be determining the priority of the eight core businesses. For example, last year, the Company determined that the analog semiconductor market would grow even further in the future, so it raised the priority of investments designed to increase the Company’s competitive advantage and executed those investments last year and this year.

The second scenario for sustainable growth is creating new customer value by combining these eight businesses. The Company refers to this as “INTEGRATION initiatives.” Because the basic technologies of each of the eight businesses are fairly closely related and yet diversified, it makes it easy to generate synergy between them. In addition, the wide range of customer industries has also facilitated the Company’s steady and sustainable growth. I believe that



this business synergy will allow the Company to capture new customer needs, which will, in turn, lead to the environmental

contribution and maximization of product value that Mr. Katase mentioned.

—What are the key points for you as an Outside Director when judging investments?

Haga: The priorities of the investments discussed by the Board of Directors are clear based on the business and customer portfolios. My impression is that they are carefully reviewed by the executive side of the management. When there are big investments, we are given explanations in advance and receive all the information we need to be able to judge them. If there are any questions, opportunities are provided not only to me but to the other Outside Directors as well to go over the details.

When making judgment calls about investments as an Outside Director, I check things such as compatibility with the medium- to long-term strategy, the contribution to sustainable growth and corporate value and the process thereof, and whether or not the business plan envisions post-investment synergy. Risk is always involved in any investment, so if you put the brakes on just because there are risks or step on the gas because there are no risks, you could miss a rare investment opportunity. If the risks are understood and proper risk mitigation measures are in place, I can approve of the investment. However, if I feel the risks have not been sufficiently verified, I will voice my opinion. I believe the other Outside Directors have made similar statements from the same standpoint.

—What about the review of the business portfolio for achieving sustainable growth?

Haga: In terms of timing, if there are significant changes in the external factors, the necessity of realigning the business portfolio will increase. As of right now, I don't see any problems with the focus on the core businesses in Eight Spears. However, there is a risk of sticking with these Eight Spears in perpetuity. Even if the assumption is that the business portfolio will remain unchanged for the time being, I think it's necessary to continually monitor the external environment for signs of change.

—Mr. Katase, what are your thoughts on how the businesses are prioritized?

Katase: As Ms. Haga mentioned, I believe everything is based on enhancing the respective strengths of the Eight Spears. The Company is seeking to achieve sustainable growth of the Eight Spears through a combination of organic growth and M&A. I feel that the Company's strength lies in its know-how of making one plus one equal more than two by successfully integrating new ideas and technologies and outstanding human resources from outside throughout the whole company through M&A. The corporate culture of sharing clear goals and working on them together under the leadership of the CEO serves as the foundation for that. I believe that if the Company is able to keep that up, it will continue to grow as a very unique

company. Japanese companies will inevitably continue to be reorganized and integrated, but I think one of the Company's biggest strengths is that it is able to enhance its business portfolio while successfully integrating management resources obtained through M&A.

—What things need to be addressed when it comes to “creating the high quality precision products that support society”?

Katase: Currently, the automotive industry and other industries that use semiconductors are being heavily impacted by the semiconductor shortage. In addition, the importance of risk management, including within the supply chain, is now universally recognized based on the concept of international “supply chain resiliency,”* and both governments and private companies have launched initiatives in that regard. As customer requirements for stable supply become increasingly strict, it is very important for management to continually look into whether the Company's response is sufficient and whether a satisfactory system is in place, and to take action as appropriate.

* Supply chain resiliency: Addressing risks in the supply chain (minimizing the impact of adverse events and ensuring robustness for improving business continuity)

Yoshida: I think it's important that the Company's executives properly recognize the strategy and direction and work on specific initiatives. For example, when expanding our business domain, we will promote expansion into neighboring domains where we can utilize our strengths or domains in which we can generate synergy. In addition, to promote “INTEGRATION,” it is important to engage in efforts that go beyond the business unit level, so it is essential that we build a system to make it possible through improving the capabilities of upper management and promoting exchanges between organizations.

Under the strong leadership of the CEO, we will promote the strategy and maximize product value that were mentioned earlier through efficient management by means of a matrix organizational structure that integrates both vertical and horizontal workflows.

■ What are your thoughts on the material issue of “maximizing the power of employees”?

Yoshida: Enhancement of human capital is essential if we are to properly respond to the two material issues we have discussed. For example, when it comes to positions that require a wide range of advanced expertise in things such as AI and DX, we recruit external human resources in addition to internal promotions. We set up operations in the United States and Singapore in 1972 and later expanded into Southeast Asia, so we have a high percentage of overseas employees. Because of our global operations, we have taken up diversity as a management issue. Going forward, we will further enhance these efforts in response to the growing importance of strengthening human resources, while taking into account our management policies and customer needs.

—Ms. Matsumura, what are your thoughts on the sense of unity in global business development?

Matsumura: I believe that sharing a common awareness based on the corporate philosophy is important when it comes to uniting all employees to improve corporate value in global business development. At each of the locations in

Southeast Asia that I visited, I got a strong sense that the Company's corporate philosophy and company credo had been instilled in each of the local staff, leading to higher motivation among overseas employees.

I also feel that the shared sense of pride for the Company helps foster a sense of unity within the Group. At the same time, I feel that having Japanese employees trained to be global resources playing active roles at each location around the world is another strength of the Company. The Company's global human resources are regarded as ones that are passionate and curious, capable of independent thought, familiar with the basics of manufacturing, possess a global perspective, and act based on a spirit of challenge. By providing employees with opportunities to work around the world after receiving thorough training, I feel that the Company is gradually developing global human resources that are highly capable. I am also very happy to see that the number of women playing an active role is increasing overseas.

Up to now, I have been involved in international economics research, so I look at the Group's management from a global perspective. In my visits to Southeast Asia, my impression was that INTEGRATION was going very well between the Japanese expatriates and the local staff. I will continue to provide advice on matters such as global human resources development.

—What sense do you have of progress on diversity and inclusion efforts?

Matsumura: A project was launched last September to promote women's advancement, and in December, the Company held an online seminar on diversity. The purpose of the seminar was to foster awareness and a culture of promoting the active participation of women. In my lecture, I focused on the benefits brought about by diversity or, in other words, the positive effects of activating INTEGRATION capabilities of human resources and measures to realize activation of INTEGRATION capabilities. There were various reactions from both male and female employees, and I got a strong sense of progress. Project activities are moving forward favorably, and I believe one of the effects is the Company receiving the highest level of “Eruboshi” certification. Obtaining this certification will not only increase the social reputation of the Company but will also make for a selling point to stakeholders. I believe it will also have a very positive effect on hiring activities.

Nevertheless, obtaining the highest level of “Eruboshi” certification is only a check point along the way to further improvement. For example, the percentage of women in management positions at the Company in Japan is lower than the industry average. First, I think it is important to make an effort to increase the percentage of women hired and to expand the opportunities for women to play active roles, including by enhancing the training system for women. Through the activities that have been carried out up to this point, I feel that there are many female employees at the Company who have a strong desire to contribute to its growth.

At the same time, there are a certain number of female employees who are struggling to balance their work with child rearing. A network has been put in place to allow

employees facing these same difficulties to share opinions amongst themselves, and it is functioning effectively. I think it's also important to create an efficient system that will allow employees to continue to take advantage of networks such as this.

In addition to promoting women's advancement, I think it is vital that the Company aim to create workplaces that are comfortable for all employees so that all employees, regardless of gender, nationality, or other personal characteristics, can reach their maximum potential. I believe that improving diversity will also have a positive effect on business ideas and establishment of corporate strategies. As such, it is necessary to work on solving various problems faced by employees in each position, and the challenge will be coming up with a detailed response for creating a better working environment.

—Ms. Haga, what things do you think need to be addressed when it comes to “maximizing the power of employees”?

Haga: One of the distinctive characteristics of the Company is that it employs around 100,000 people, 90% of which are overseas employees. This size is a strength, but at the same time, when a company gets this big, some things can get overlooked by its headquarters, creating concern over compliance risks. I feel that it is necessary to conduct a survey on motivation at each workplace so that headquarters can properly track what's going on at the work sites. There are cases where risks become manifest when motivation drops, so compliance-related risks can be avoided by regularly checking for changes in motivation at each workplace. This will also confirm whether or not employees are reaching their maximum potential at each workplace.

I also think the Company needs to prepare an environment conducive to the younger generation being able to reach their potential and look into ways to reflect it in the business. It will also be important to utilize ideas from the younger generation in the innovation that Mr. Katase talked about.

Yoshida: We've launched a project for conducting a comprehensive review of the personnel system, and the CEO is participating.

By creating opportunities for everyone to play an active role, regardless of age, gender, or nationality and reviewing things such as medium- to long-term training and screening, we will establish an environment in which employees can reach their full potential. We will then tie this into sustainable growth.

—MinebeaMitsumi's Outside Directors leverage their specialized knowledge and high-level experience as they closely monitor efforts to address material issues, comparing them against outside values and global trends. In addition, by actively providing advice for management and supervising the execution of duties, they support solutions for the Company's material issues and work on ensuring sustainable growth and improving corporate value over the medium to long term.

