

Dialog of Outside Directors and Institutional Investors

Summary of Q&A

We recently held a small meeting (online) of outside directors and institutional investors.

A summary of the Q&A is provided below.

Note: Some parts have been added and modified for clarity.

[Date]

Thursday, March 24, 2022

[Attendee institutional investors]

9 persons, from 8 companies

[Attendees from MinebeaMitsumi Inc. (hereinafter “the Company”)]

Katsuhiko Yoshida, Director, Senior Managing Executive Officer

Kohshi Murakami, Outside Director

Atsuko Matsumura, Outside Director

[Comments by Investors Following Dialog]

- I think it was a productive meeting, with many questions being answered thoroughly and in detail in a limited amount of time.
- I felt that governance was functioning, and I could sense that active discussions are ongoing at Board of Directors meetings.
- I could see clearly that the decisions with respect to the acquisition of the semiconductor factory and the acquisition of the headquarters building were made after review from various angles, including by outside directors.

[Comments by Outside Directors Following Dialog]

- I was able to give a proper presentation on the acquisition of the semiconductor factory and the acquisition of the headquarters building, and I am very glad that investors understood it. (Murakami)
- I tried to explain our way of thinking about business operations logically, in an easy-to-understand manner. We believe that it is important to continue to deal with investors well in the future. (Matsumura)

[Summary of Q&A]

Q1. Can you tell us what led to your appointment as outside director, and your impression of the Company before and after your appointment?

A1. Murakami: After retiring as a judge, I was invited by President Kainuma (then a Director) to

take the job during the time of President Yamagishi. I think there was a request to promote compliance at the Company, considering my nearly 40 years of experience as a judge.

I have looked at our DNA, the status of aggressive M&A and the post meager integration, and management skills from the standpoint of an outside director, and I am doing my job with the hope of contributing to a role for the future of the company.

Matsumura: As a member of the Faculty of Economics at the university, I have focused my studies on international economics as my field of specialization. In the spring of 2011, as part of research under the government's scientific research funds, I was going to inspect the overseas business activities of some Japanese companies expanding into the Asia-Pacific region, and I visited Minebea's Thai factory, which has expanded its business extensively in Southeast Asia, and was able to conduct research there. Half a year after that, a massive flood occurred in Thailand, and I was impressed by the "Minebea miracle," in which the concerted efforts of Minebea employees protected the company. I had studied the Minebea management methods whenever the opportunity provided, and meanwhile my experience in my career as a Faculty of Economics member attracted the attention of the company, and I was appointed as Minebea's first female outside director.

Q2. [President Kainuma is currently the chairman of the Board of Directors. What are your thoughts on the direction for the future?](#)

A2. Murakami: For the chairman of the Board of Directors, it's necessary to have the ability to proceed with the meeting after ascertaining, for example, whether the agenda item has been fully explained to the Board of Directors by the presenter, whether there is an appropriate opportunity for questions and answers and discussions, and whether the resolution has been determined after sufficient deliberation.

Considering the case of a company like ours, which has a large number of business areas and needs to cope with conforms at a fast pace to rapidly changes in society, I think it is most effective for the President, who is familiar with business and information, to chair the Board of Directors.

Q3. [At this year's Board of Directors meetings, were there any cases in which outside directors opposed a proposal or sent a proposal back?](#)

A3. Murakami: About 140 proposals were deliberated this year, of which about two-thirds were matters for resolution and about one-third were matters for reporting. Among these, additional consideration was requested in three cases in relation to internal rules by the President and outside directors in the term, and these were sent back to be submitted on the next occasion.

In addition, as a proposal for which reexamination had been urged on the Company, there was a "the reviewing the expression of the corporate philosophy," and this was finally

determined after several discussions in Board of Directors meetings.

Q4. What are the content and timing of disclosure to outside directors about M&A projects? What are the details of discussions, and how many hours are spent on discussions? Also, how are outside directors involved in projects?

A4. Matsumura: In the case of proceeding with an acquisition, a preliminary briefing session is always held for outside officers (outside director, outside corporate auditor) before a Binding Offer, which is legally binding, is issued, so that the background and points of uncertainty can be confirmed. At the preliminary briefing session, each outside officer actively asks questions, including about overall impressions and items to be confirmed in detail; thus, there is a place where questions can be asked until they are satisfied. No acquisition has ever been suddenly submitted to a Board of Directors meeting for a vote.

The discussion by the Board of Directors is about one hour per case, and the Company explains the purpose of the acquisition, evaluation of the business and the possibility of synergies, the response to the matters discovered and problems of valuation and due diligence, and other issues. Then the appropriateness of the acquisition price will be discussed, taking into consideration whether the case matches the medium-to long-term strategy, whether there are sufficient measures to create synergies, and whether there are any unexpected risks. In particular, regarding valuations, we assume multiple scenarios under various stresses and carefully discuss the possibilities of growth through integration synergies with our company.

The ways in which individual outside directors are involved in deliberations can be understood to be mainly based on their respective fields of expertise and backgrounds.

Q5. About the relatively major corporate actions for the past year, that is, acquisition of an analog semiconductor fabrication plant and MEMS business from OMRON (press release June 30, 2021) and acquisition of the former headquarters building of Nippon Express (press release December 21, 2021), what kind of discussions were held within the company? Also, from the perspective of outside directors, what do you think are the expected effects?

A5. Murakami: Regarding the acquisition of the MEMS business from OMRON, the discussion centered on to what degree it would contribute to achieving the goals of our semiconductor business at that time, that is, 100 billion yen sales in the fiscal year ending March 2026, and 200 billion yen in sales within the next 10 years.

As announced externally, the Company decided to build a monthly production system of about 20,000 units with an additional investment of over 10 billion yen at the said business premises, so as to solve the shortage of production capacity at the Chitose and Takatsuka factories and advance product strategy measures such as in-vehicle and miniaturization. I felt that this corporate policy made good sense. Meanwhile, we also paid close attention to risks associated with acquisition, due diligence findings, or risks such as disaster prevention,

environment and IT investment when acquiring a part of a company, the stand-alone problem, that is, as a result of being separated from the OMRON Group.

Since the integration with ABLIC, our analog semiconductor business has risen to third place in the eight spears, and we hope that it will seize opportunities for market expansion, including in the information and communication fields such as with lithium-ion batteries, where demand is expected to increase, or the in-vehicle market due to widespread use of electric vehicles, such as power supplies and magnetic sensors for automobiles.

Matsumura: The acquisition of the Shiodome Building was approved after multiple discussions at Board of Directors meetings. The content of the discussions was wide-ranging, but it was mainly summarized by the following four points.

- (1) The departments to be consolidated in the Shiodome Building and the significance of the company building relocation that accompanies it
- (2) How to proceed with the sale of the current Mita head office building
- (3) Validity of purchase price
- (4) Fund procurement method

The implications of the relocation of the company building were actively discussed, and the following five aims were clarified.

The first is to build an “ideal space for engineers,” that is, a place to promote the development of new products by engineers, aiming at promotion of a profit expansion strategy as a Profit Center that produces further profits by improving productivity and employee satisfaction.

The second is to integrate the functions in the Tokyo headquarters building, the Mita Twin Building, and the technical department in the Mitsumi Tama office, which will provide a place for real employee interaction and active communication. By so doing, it's expected that amazing product development will be realized based on new ideas that have never existed before.

The third is to use this opportunity to hire excellent engineers and a variety of talented personnel, and the point is not only to improve the R&D environment as an “ideal space for engineers” but also to create a functional and attractive advanced office building with a consciousness of workstyle reform, making it easy for employees to work in, leading to continuous and effective recruitment of personnel.

The fourth is to make it an information dissemination base for cutting-edge technology, by setting up a showroom where people can experience our unique ultra-precision processing technology and the latest Japanese technologies, we can anticipate that people can see the essence of our ever-evolving products.

The fifth is contribution to the local community. As an example, we have an idea to invite elementary school students from Minato Ward to take tours of our showroom. There is also

the aim of contributing to the local community in terms of education by setting up a showroom to stimulate interest in children in future technologies and products.

Q6. Regarding the “separation of supervision and execution” of the Board of Directors, and the transition to a “company with a nomination committee, etc.” that does not have auditors.

A6. Murakami: At present, we are more oriented toward the “management type,” which emphasizes decision-making on important matters at Board of Directors meetings, rather than the “monitoring type,” which emphasizes the supervisory function of the Board of Directors. Generally, it is said that the “monitoring type” is similar to the US style of board of directors, and I understand that the “company with a nomination committee, etc.” is a system introduced in the past revision of the Commercial Code with such an understanding. On the other hand, the “management type” is understood as being close to the traditional Japanese board of directors, and while the corporate auditors, which are peculiar to the Japanese Companies Act, monitor the legality of management, the board of directors places more emphasis on “decisions on important matters” than on “supervision of execution.” While corporate auditors monitor management with a focus on legality, outside directors participate in decision-making on important matters with voting rights as board members and monitor whether inappropriate decisions are being made. I see this form as being suitable for our company at present. Therefore, I do not feel the need to shift to being “a company with a nominating committee, etc.”

Q7. How do you view the current status of effectiveness evaluations by the Board of Directors?

A7. Matsumura: The results of the annual Board of Directors Effectiveness Evaluation Questionnaire conducted by directors and corporate auditors were presented at the March Board of Directors meeting, and the issues mentioned there have been addressed. Specifically, the secretariat formulates an action plan for the improvement opinions given in the questionnaire, receives evaluations from third parties such as external lawyers, and then reports to the Board of Directors, and pays close attention to the status of improvement in the next year. This kind of PDCA cycle is carried out every year. Based on the results of the previous questionnaire, the issue of sustainability promotion initiatives was selected as a challenge for this year, and discussions at the Board of Directors were even more active. Sustainability promotion was examined from various angles, and in particular, regarding the response to environmental sustainability issues, “Beyond Zero” (the amount of our contribution to reducing CO2 emissions through our products in excess of our own emissions) was stated in the Integrated Report and was highly rated. At Board of Directors meetings of the Company, detailed discussions are being held on issues that the Company needs to address, and I feel that these are being reflected in our efforts for the next fiscal year. I will continue to make recommendations for improving discussions at Board of Directors meetings.

Q8. In the latest Integrated Report, there was an article stating that the corporate philosophy had been thoroughly disseminated to the employees at your production bases in Asia and that the Company was taking the initiative in promoting women's advancement and diversity. From the perspective of Director Matsumura, an international economist, or from the perspective of women, I would like to ask about MinebeaMitsumi's challenges and points for focus in the future.

A8. Matsumura: At our company, the company credo, which is a guideline for action for employees, is clear. This credo has been disseminated to employees at each of our bases worldwide, and a system has been established to utilize this corporate philosophy. Under such a system, the effects of promoting diversity in our own unique ways are being demonstrated and are continuing to develop in all their aspects, such as the diversity of our unique products, the expansion of bases around the world, and the utilization of diverse personnel.

From the perspective of "maximizing the power of employee," which is one of the major materiality points in terms of personnel for our company, I feel we still need effort and ingenuity to achieve maximization.

From the perspective of human resources diversity, there is no doubt that diversity in terms of nationality and age of employees is one of our strengths, but not only is there a diversity of people, but it is necessary to deepen mutual understanding at the stage of so-called inclusion, where all employees show mutual respect and acceptance, and I hope that promotion of real exchanges between employees, including overseas business trips, can be resumed after the Covid-19 pandemic.

From the perspective of women, I am supporting the women's advancement promotion project, and since this term is the second phase of our activities, we have been promoting three themes: cultivating a culture of awareness of women's advancement, active recruitment of women, and balancing work and childcare. As a result of our steady efforts, we have received tangible evaluations from the outside, such as obtaining the highest "Eruboshi" certification in April of last year and a "Kurumin" certification in February of this year. On the other hand, there are still issues such as the ratio of female managers being promoted in Japan, but it is necessary to make steady progress on this as one of our most important initiatives, and we need to continue to pay close attention to it.

Q9. Both of you are members of the Nomination and Compensation Committee. Could you tell us what measures you think are necessary to ensure the independence of this committee?

A9. Murakami: I would like to explain the composition of the committee as a whole. In order to ensure the independence of the committee, four of the five members are independent outside officers. As an outside director, I serve as the chairman, and since the majority are independent outside officers, the system is such that objective discussions can be held without being constrained by the company.

The Nomination and Compensation Committee of the Company is a voluntary organization, and, due to the degree of freedom inherent to its design, it is also characterized by the addition of one outside corporate auditor. In addition, it is recognized that at least one internal member is required as a position to explain to outside members the backgrounds of candidates for new officers and the work performance for individual compensation evaluation of officers.

Q10. What was the debate about including market capitalization as an indicator for director bonuses?

A10. Matsumura: The decision on bonuses for directors of the Company emphasizes “net income” as the final result for each consolidated fiscal year in the “performance-linked monetary compensation” part based on “performance indicators”, and emphasis is placed on motivation for “improvement in corporate value” indicated by the stock price.

Regarding the addition of “market capitalization” to the executive bonus index, there was a discussion on the topic of “Company performance should be evaluated by performance throughout the year, and the extent of profit made in the year and the extent of any rise in the stock price must be checked,” and this was approved by the Nomination and Compensation Committee.

Q11. President Kainuma is also included in the Nomination and Compensation Committee, so is the atmosphere such that you can have frank discussions with President Kainuma as a committee independent of management? What is the status of President Kainuma’s succession plan?

Q11. Murakami: We have been able to frankly exchange opinions with President Kainuma. Independent outside directors express their opinions based on their own knowledge and experience, and those who have the qualifications to do so are appointed as independent outside directors after being examined by the Nomination and Compensation Committee. In particular, the Nomination and Compensation Committee is also a core governance organization, so we frankly exchange opinions with the president, who is a member of the committee.

We recognize that the succession plan, the plan of the successor to the president, is an important matter that determines the fate of the Company. In March 2021, the Nomination and Compensation Committee commenced study, and the Nomination and Compensation Committee last month also confirmed and deliberated on the progress, and the president is also participating in discussions as a member.

We recognized that, in addition to improving the level of next-generation leadership talent within the company, it is necessary for us to continue to acquire excellent personnel from outside the company and add depth to the succession plan through the combination of people from inside and outside the company.

Q12. Is there any discussion about the appropriateness of the current terms of office of outside directors and the upper limit on the number of companies for which concurrent service is possible?

A12. Matsumura: There are advantages to the terms of office of outside directors, both long and short, and I think it is difficult to say how many years are appropriate. In a company like ours, which has a very diverse business portfolio and an extensive network of bases in 27 countries overseas, there are some things that can be seen through many years of experience, while in specialized fields, regardless of the length of term of office, there are also things that can be seen from the expert point of view.

Regarding the number of companies for possible concurrent service, when it comes to outside directors of listed companies, in addition to the board of directors, for other meeting formats such as the nomination and compensation committee and compliance committee, advance explanations for meetings, preparation for document review, and other work take a great deal of time, so I personally think that serving at up to two or three companies is realistic, although it depends on the size of the company for concurrent service.

Q13. How are you involved as an outside director in reviewing the business portfolio?

A13. Matsumura: As an outside director, I encourage management to consider the business portfolio from a standpoint independent of management, and if necessary, I also recognize the importance of promoting our businesses, such as by supporting management's decisions regarding business exits, that is, to seize opportunities speedily without delaying.

In the Group, each business division announces profit and loss, budget plans, etc., in detail at management meetings with the participation of the executives of the entire Group, and outside directors also participate in deliberations and consideration of these details.

We also analyze whether ROIC (return on invested capital), which is an indicator of capital efficiency, can generate excess profit that exceeds the hurdle rate of 8% on a business unit basis. Since discussions will be held on the necessity of reviewing the business portfolio, as an outside director, we will mainly monitor whether there are any unreasonable points in this process.

Q14. What are your thoughts on MinebeaMitsumi's challenges and their solutions?

A14. Murakami: In terms of issues, as the number of bases and employees increases with the growth of the company, management costs and management burdens will increase proportionally. In particular, we believe that the most important issue is the succession plan, that is, how to hand off to the next generation the roles of top management, including the president, to look after the entire Group.

The examples of other companies also show that it is not easy to select a successor to a well-known manager who has expanded the company rapidly, and as I answered earlier, it is not an issue for which a solution will appear overnight, so the Nomination and Compensation

Committee is also facing this as its number one issue.

Matsumura: As Director Murakami pointed out, the succession plan for top management is a major issue, and how to select and train employees who can be candidates for top management in the future is important. To that end, I think it is essential to make efforts to increase the population of superior talent. Since the source of our strength lies in our capabilities at the “Monozukuri” site, top management needs to be familiar with the manufacturing site, and this requires efforts.

Aiming to achieve sales of 2.5 trillion yen and operating income of 250 billion yen, we aim to be a company that can win not only in manufacturing but also in technology, and it is essential to expand the number of excellent engineers. In that sense, I think it is important to pay attention to having an attractive workplace to attract superior talent, a rewarding work style, and a comfortable, safe and secure work environment.

Furthermore, as we are expanding our business globally, we believe that it is also important to increase our global headcount. Employees who have been educated as global personnel at our company transcend national boundaries through language skills and understanding of different cultures, and in each of our departments, such as manufacturing, technology, sales, office management, etc., considering the actual situation in each region, they are producing outstanding results. We believe that the development of global personnel that can play active roles overseas with a sense of purpose is important for the further growth of our company in the future.

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