

Management Efforts in Fiscal 2020

Review of Fiscal 2019

During fiscal 2019, an economic slowdown followed prolonged trade friction between the United States and China, while the automotive and semiconductor markets slumped. In addition, from the fourth quarter, amid the impact from the spread of COVID-19, the Company experienced delays in a brand switch and the development of new sales routes in projectors and health and beauty care products, losses caused by revision of the business plan for consumer-use lithium ion batteries, and the recording of an extraordinary loss for impairment of goodwill in electronic home appliance businesses and hydraulic tools. Mainly as a result of these factors, the Company recorded a significant net loss.

In light of this situation, the Company has positioned fiscal 2020 as a year for making business reforms to enhance its future corporate value. These extensive reforms will include powerful efforts to drive business portfolio reforms, concrete measures for unprofitable businesses, and rigorous financial discipline through return on invested capital (ROIC) management by business division, and profit management by product group and model.

(¥billion)

| | Net Sales | Operating Income (Loss) | Net Income (Loss)* |
|------------------------------------------------------|-----------|----------------------------|--------------------|
| FY2019 result | 145.0 | (0.1) | (10.5) |
| FY2020 forecast (current outlook) | 140.0 | 0.5 | 0.2 |
| (Reference) FY2020 forecast Mid-Term Plan (MG20R) | 173.0 | 10.0 | — |

* Profit attributable to owners of parent or loss attributable to owners of parent

| Main Focus Points for Fiscal 2019 | Status |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> Growth strategy (Promote co-creation and co-prosperity with companies participating in the Maxell Business Platform) | <ul style="list-style-type: none"> Establishing an integrated management structure |
| <ul style="list-style-type: none"> Business portfolio strategy (Execute concrete countermeasures for unprofitable businesses) | <ul style="list-style-type: none"> Delay in “replacing old with new” due to delay of integration of businesses |
| <ul style="list-style-type: none"> Brand strategy (Strengthen the Maxell brand) | <ul style="list-style-type: none"> Struggle due to delay in development of new sales routes |

Initiatives in Fiscal 2020

Execute Drastic Business Reforms

Business Portfolio Reforms: Concentrate on Businesses That Create Value

1

- Promote replacement of old businesses with new ones
- Aim to grow primarily through businesses based on Analog Core Technologies
- Maximize the value of businesses that contribute to the growth of the Maxell Group

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2

Countermeasures for Three Unprofitable Businesses: Execution of Concrete Measures

- Established a project to accelerate measures (Consumer-use lithium ion batteries, projectors, health and beauty care products)

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3

Emphasis on Financial Discipline: Aggressively Promote Profitability Improvement

- Start implementation of ROIC management
- Execute replacement of old businesses with new ones by ABC-XYZ (visualization of profitability by business)
- Eliminate unprofitable models through the P/L Improvement by Model Project (PIPJ)

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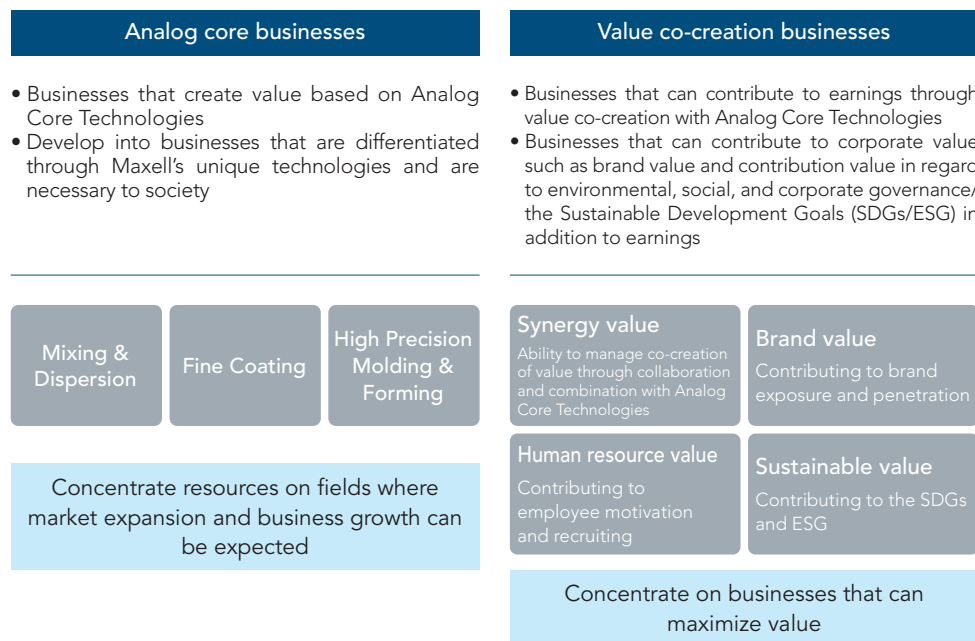
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1 Business Portfolio Reforms

Rebuild a Business Portfolio That Creates Value

Maxell is proceeding with the replacement of old businesses with new ones, while aiming to maximize value through businesses that can contribute to the growth of the Group. Our primary focus is the growth of our analog core businesses, which are centered on Analog Core Technologies premised on the Maxell Group’s unique strengths: Mixing & Dispersion, Fine Coating, and High Precision Molding & Forming. With this, we will concentrate our investment of resources on fields in which market expansion business growth can be expected.

At the same time, we will concentrate on “value co-creation businesses”: businesses that can contribute to earnings and to our corporate value through value co-creation with Analog Core Technologies.



2 Countermeasures for Three Unprofitable Businesses

Strict Execution of Measures even amid an Adverse Business Environment/ Measures have progressed steadily, and will accelerate further going forward

In fiscal 2020 we have steadily implemented measures for three businesses that have encountered trouble in terms of profitability (the consumer-use lithium ion battery business, the projector business, and the health and beauty care products business), aiming to prepare a foundation for future growth. The three businesses have different characteristics, but share a lack of speed in responding to changes in the market or competitive landscape in which they are positioned. Amid an adverse business environment, the consumer-use lithium ion battery business recovered profitability by shifting resources to the automotive sector, reducing fixed expenses, and strengthening its position in the field of ultra-small sized batteries. The projector business also achieved profitability by transitioning to new light sources and rebuilt itself as an imaging business. The health and beauty care products business will accelerate its unification with Maxell Izumi Co., Ltd. and steadily carry out reforms to achieve a financially independent business structure.

| | Issues | Measures | Effects |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consumer-use lithium ion batteries | <ul style="list-style-type: none"> • Price decrease due to commoditization • Deterioration in profitability due to increased competition | <ul style="list-style-type: none"> • Shift resources to the automotive sector and drastically reduce fixed expenses • Strengthen the business of ultra-small sized batteries through co-development with customers | <ul style="list-style-type: none"> • Profit improvement: Continue profit structure improvement through resource shift • Sales expansion: Accelerate development of new-material batteries and ultra-small size batteries |
| Projectors | <ul style="list-style-type: none"> • Delay in a brand switch and transition to new light sources • Slump in sales to core markets such as China | <ul style="list-style-type: none"> • Regard profitability as the top priority. Study further the position of business in the future. • Accelerate growth of the imaging business with a view to collaborating with partners | <ul style="list-style-type: none"> • Profit improvement: Accelerate improvement of the product model composition by increasing the ratio of new light sources • Profit improvement: Narrow down development models and drastically reduce fixed expenses • Accelerate growth: Reforms are ongoing, including studying collaboration with partners |
| Health and beauty care products | <ul style="list-style-type: none"> • Lack of competitive products • Delay in development of sales routes, including routes for professionals | <ul style="list-style-type: none"> • Accelerate integration of design and sales divisions with Maxell Izumi and reduce indirect expenses and strengthen competitiveness • Execute reforms to become a financially independent business | <ul style="list-style-type: none"> • Synergy effect: Strengthen competitiveness by making Maxell Izumi a wholly owned subsidiary • Profit improvement: Currently strengthening profitability by improving product model composition |

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3 Emphasis on Financial Discipline

Improving the Financial Condition of the Maxell Group through Business Reforms

In fiscal 2019, we introduced ROIC as an indicator of financial discipline within our business strategies, starting full implementation in fiscal 2020. Aiming to achieve high profitability in excess of capital cost, we will make profitability improvements through PIPJ, which we have promoted through portfolio management, while balancing business management by clarifying investment and withdrawal standards through P/L management by business (ABC-XYZ management). In this way, we will make more efficient use of management resources by allocating resources to businesses that should be grown and in other ways. Our goal is to achieve a business structure that can create value by reforming the thinking of all employees through ROIC, PIPJ, and ABC-XYZ management.

| Financial Discipline | Status |
|---------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ROIC | <p>To the implementation phase in fiscal 2020</p> <ul style="list-style-type: none"> → Started implementation at all business divisions → Ensure penetration at the front lines of business divisions and accelerate activities at the on-site level |
| ABC-XYZ (Visualization of profitability by business) | <p>Improvement of unprofitable businesses</p> <ul style="list-style-type: none"> → Execute measures for improvement of "Y" (low-profit) business by the end of 2020 → Decide whether to downsize, withdraw, or sell businesses that cannot be improved |
| PIPJ | <p>Reduction of loss by profit and loss management of about 8,000 models</p> <ul style="list-style-type: none"> → Started measures for the 170 least profitable models in fiscal 2020 → Sharing information on successful examples and implementing at other divisions |

Change the mindset of all employees and realize a value-creating business structure

Disciplined Financial Policy

| Classification | Division | Products | Item |
|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial discipline | ROIC Return on invested capital | ABC-XYZ Visualize profitability by business | PIPJ P/L Improvement by Model Project |
| Effect | <p>Enhancement of corporate value and return on equity (ROE)</p> <ul style="list-style-type: none"> • Maximize profit • Clarify source of profitability • Optimize invested capital | <p>Decision to invest/withdraw</p> <ul style="list-style-type: none"> • Strengthen growth businesses • Create competitive product groups • Visualize unprofitable businesses • Accelerate implementation | <p>Reduction of loss</p> <ul style="list-style-type: none"> • Eliminate loss-making models • Increase profitable models • Strengthen cost planning |
| Status | <ul style="list-style-type: none"> • To the implementation phase in fiscal 2020 • Implemented in all business divisions • Reduced the business scale through use with ABC-XYZ | <ul style="list-style-type: none"> • Reduce unprofitable businesses • Currently concentrating resources on businesses expected to create value | <ul style="list-style-type: none"> • Increased prices and discontinued the 150 least profitable models to achieve an improvement of ¥1.5 billion in fiscal 2019 • Continue to reduce the number of loss-making models in fiscal 2020 |

Firmly promote profitability improvement

Monitor with Financial Discipline

50/20/50 Concept: Small, yet attractive margins and positioning

Prioritize allocation of resources to competitive businesses/products ⇒ NPV, cost of capital, recovery period

| ABC rule | KPI | A Group | B Group | C Group |
|-------------------|----------------------------------|---------------------------|-----------------------------|---------|
| | Sales (billions of yen/year) | 1-5 | >1 | >1 |
| Operating margins | >10% (aim for 20% or higher) | 5-10% | 5% | |
| Market share | No. 1 | Top class | Top class | |
| Market growth | High (introduction) | Medium (growth) | Low (maturity) | |
| Investment policy | Prod. dev./ manufacturing/growth | Prod. dev./ manufacturing | None for capacity expansion | |

Visualization of low-margin business / products, early action

| XYZ rule | X group | Below hurdle operating margins and free cash flow No improvement in certain time-frame move to Y |
|----------|---------|-----------------------------------------------------------------------------------------------------|
| | Y group | Plan and implement restricting plan / Move to Z if no improvement within 2 years |
| | Z group | Plan and implement partial divestiture or exit |