

Corporate Governance

At the Maxell Group, one of our basic management policies is to pursue enhanced medium- to long-term corporate value through the implementation of management measures that reflect the viewpoints of all stakeholders, including shareholders and other investors, customers, and employees.

Accordingly, we will expedite both management decision-making and operational implementation while simultaneously strengthening oversight systems, and thereby strengthen corporate governance.

Corporate Governance System

At the annual General Meeting of Shareholders held in June 2020, Maxell Holdings, Ltd. (the Company) increased its number of outside directors by one. Accordingly, our management framework consists of six directors and three directors who serve as Audit and Supervisory Committee Members. As the holding company for the Group, the Company's Board of Directors decides on Groupwide management policies and medium- to long-term business strategies. In addition, the Board supervises directors and executive officers in the execution of their duties as well as operating companies in the execution of their operations. The Board comprises nine members, including four outside directors, and the president serves as the chairperson of the Board.

Since transitioning to a Company with an Audit and Supervisory Committee in June 2016, the Company has worked to reinforce the audit and oversight functions of the Board of Directors through the committee. In addition, to ensure the objectivity and transparency of the committee as an advisory council to the Board of Directors, we established the Nomination and Remuneration Committee, with independent outside directors as the majority of its members.

Moreover, the Company has adopted an executive officer system in an effort to make management more efficient and accelerate decision-making related to the execution of operations.

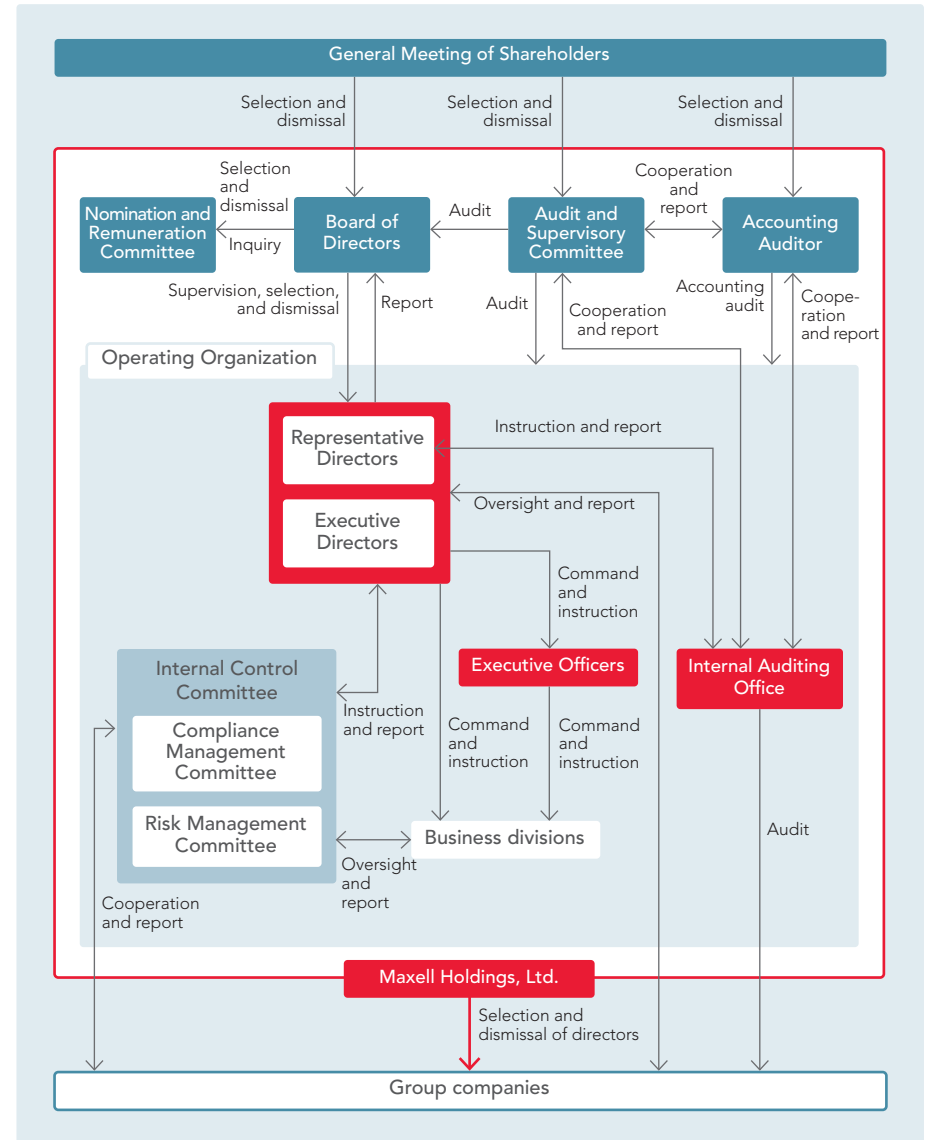
Corporate Governance Guidelines

Aiming to achieve sustainable growth and enhance its medium- to long-term corporate value, the Maxell Group formulated its basic views and basic policies concerning corporate governance.*

Guided by these views and policies, the Group will strive to ensure appropriate information disclosure and management transparency, with the Board of Directors working to appropriately fulfill its roles and responsibilities. At the same time, the Group will further invigorate its constructive dialogue with shareholders and investors.

* <https://www2.maxell.co.jp/ir/governance/>

Corporate Governance System



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▲ Appointment of Outside Directors

The Company secured a management oversight system by appointing outside directors who present objective opinions from an independent position to the Board of Directors.

Reasons for Appointing Outside Directors

Name	Reason for Appointment
Brian K. Heywood	Mr. Heywood has an investment track record in many Japanese companies and experience in corporate revival and cultivation as the CEO of a global investment fund. He is expected to contribute to business structural reform of the Company and enhancement of the Company's corporate value.
Sachiko Murase	Ms. Murase has a wealth of experience and expertise as a lawyer specializing in corporate legal affairs and experience as an outside officer of listed companies. She is expected to contribute to strengthening the corporate governance of the Company and enhancement of the Company's corporate value.
Tatsuhiko Izumi	Mr. Izumi has extensive management experience in automotive-related businesses and experience in business portfolio reform and management reform. He is expected to contribute to the promotion of the Company's growth strategy and corporate governance, and enhancement of its corporate value.
Shinobu Watanabe	Mr. Watanabe has management experience at a listed company and abundant global experience and insight. He is expected to contribute to the promotion of the group governance of the Company and enhancement of its corporate value.

- The Company has entered into agreements with outside directors Brian K. Heywood, Sachiko Murase, Tatsuhiko Izumi, and Shinobu Watanabe wherein their liability is limited to the minimum amount provided for in Article 427, Paragraph 1, and Article 425, Paragraph 1, of the Companies Act of Japan.
- The Company has appointed the three outside directors Sachiko Murase, Tatsuhiko Izumi, and Shinobu Watanabe as independent directors in accordance with the standards defined by the Tokyo Stock Exchange and has submitted notification of this to the exchange.

Activities of Outside Directors (April 1, 2019–March 31, 2020)

Name	Activities
Tatsuhiko Izumi	<ul style="list-style-type: none"> • Attendance at the Board of Directors meetings: 19 of 19 meetings • Statements at the Board of Directors meetings: He has made appropriate statements based on his specialized knowledge of general management.
Wataru Kitao	<ul style="list-style-type: none"> • Attendance at the Board of Directors meetings: 19 of 19 meetings • Attendance at the Audit and Supervisory Committee meetings: 18 of 18 meetings • Statements at the Board of Directors meetings and Audit and Supervisory Committee meetings: He has made appropriate statements based on his specialized knowledge of general management.
Shinobu Watanabe	<ul style="list-style-type: none"> • Attendance at the Board of Directors meetings: 19 of 19 meetings • Attendance at the Audit and Supervisory Committee meetings: 18 of 18 meetings • Statements at the Board of Directors meetings and Audit and Supervisory Committee meetings: He has made appropriate statements based on his specialized knowledge of general management.

▲ Remuneration for Directors and Audit and Supervisory Committee Members

Remuneration Determination Policy and Composition

The Company's basic policy for remuneration for directors and Audit and Supervisory Committee members is that it should be (1) a remuneration system that undertakes mandates given by stakeholders and contributes to sustainable growth and improvement of corporate value, (2) remuneration that enables appointment of diverse and talented personnel who assume management of the Group, and (3) a system design that has transparency, objectivity, and rationality from the viewpoint of accountability.

Remuneration for directors (excluding directors who serve as Audit and Supervisory Committee Members) consists of basic remuneration (monthly salary), performance-linked remuneration (bonus), which varies depending on the business performance for the single year, and share-based remuneration, distributed as a long-term incentive. For the outside directors and the Audit and Supervisory Committee Members, remuneration consists of basic remuneration (monthly salary) only.

Performance linked remuneration (bonus) varies within a range between 0% and 200% against each standard yearly income by position based on business performance of the Company (achievement ratio against net sales, operating income, and return on equity [ROE] targets) and individual performance of directors (accomplishments on management tasks). Share-based remuneration is operated as a share delivery trust system in which directors are given points corresponding to business performance (ROE) during the term of office and shares of the Company corresponding to the points given when the directors retire from office. The number of points given varies within a range between 0% and 200% based on the ROE target of the mid-term management plan.

The level of remuneration (standard yearly income) is set by considering the duties and other aspects of each director position, with reference to levels of remuneration at similar sized companies in the same industry, based on research by an external specialist organization.

To ensure the appropriateness of the remuneration for directors and the transparency of the determination process, the Company has established the Nomination and Remuneration Committee, to act as an advisory council to the Board of Directors, with independent outside directors as the majority of its members. The Nomination and Remuneration Committee advises on the policy for determining directors' remuneration, details of the system, and related matters, and the Board of Directors determines the remuneration after receiving this advice.

Remuneration amounts for directors (excluding directors who serve as Audit and Supervisory Committee Members) are decided by the president and representative director within the total amount of remuneration resolved by the General Meeting of Shareholders and based on the standards decided by the Board of Directors after deliberation by the Nomination and Remuneration Committee. Remuneration amounts for directors who serve as Audit and Supervisory Committee Members are decided by discussion between directors who serve as Audit and Supervisory Committee Members within the total amount of remuneration resolved by the General Meeting of Shareholders.

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Remuneration for Directors and Audit and Supervisory Committee Members in Fiscal 2019

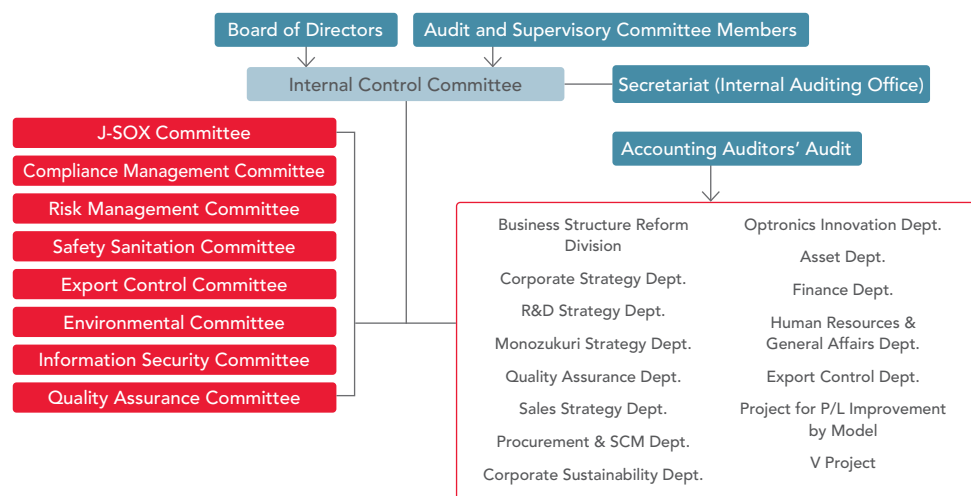
Classification	Remunerated Individuals	Total Remuneration (Millions of yen)
Directors (excluding Audit and Supervisory Committee Members and outside directors)	6	176
Directors (Audit and Supervisory Committee Members; excluding outside directors)	1	20
Outside directors	3	26

- The number of remunerated individuals for directors (excluding directors who serve as Audit and Supervisory Committee Members) includes one director who resigned on March 28, 2019.
- The amount of remuneration for directors (excluding directors who serve as Audit and Supervisory Committee Members and outside directors) includes expenses of ¥6 million for performance-linked compensation (share-based remuneration) that was recorded in the fiscal year under review.

Strengthening of the Internal Control System

The Maxell Group has established the Internal Control Committee to reinforce corporate governance and ensure its effectiveness in helping to achieve management goals and improve corporate value for the entire Group. The committee strives to enhance internal control systems and improve Groupwide management systems, including those related to compliance and risk management, by strengthening their functions.

Maxell Holding's Internal Control System



Evaluation of Effectiveness of the Board of Directors

Based on its Corporate Governance Guidelines, the Company regularly evaluates the effectiveness of the Board of Directors with a view to increasing the Board's effectiveness and enhancing corporate value.

The analysis and evaluation of the effectiveness of the Board of Directors in fiscal 2019 was conducted as follows.

1. Evaluation of Effectiveness of the Board of Directors

The directors were given an anonymous survey covering the following topics.

Based on the results, the Board of Directors analyzed and evaluated its effectiveness as well as examined ways to make improvements.

- Structure of the Board of Directors
- Effectiveness of the Board of Directors
- Effectiveness of appointment and remuneration systems for directors and executives
- Management of the Board of Directors
- Personal evaluation
- Structure of support and cooperation for outside directors
- Roles of the Audit and Supervisory Committee Members and expectations for them
- Relationship with shareholders and other stakeholders

2. Outline of Analysis and Evaluation Results Related to the Effectiveness of the Board of Directors

The Board of Directors was recognized as having appropriate communication and cooperation among the outside directors and between the outside directors and the members responsible for business execution. Moreover, free and fair discussions are held in the Board of Directors' meetings, such sufficient opportunities to speak given to each director and so forth. On the other hand, in the previous fiscal year issues were recognized with respect to resolving inefficiencies due to the holding company structure, following up on investment projects, and making sufficient planning for successor training, and improvement measures have been conducted; however, these issues were again recognized as needing continued work going forward. It was also recognized as a new issue to be addressed that the Group's governance needs to be strengthened.

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3. Future Measures Based on the Analysis and Evaluation Related to the Effectiveness of the Board of Directors

In fiscal 2020, the Board of Directors will discuss radical structural reforms, including the status of the holding company structure, aiming to reassign responsibility and authority throughout the entire Group, strengthen monitoring functions, and rebuild the Group's governance. In addition, the Company will enhance its successor training plan by encouraging information provision to the Board of Directors and discussion, and more autonomous involvement by the Nomination and Remuneration Committee and the Board of Directors.

▲ Strengthening Compliance

The Maxell Group has continuously engaged in developing its compliance structure in order to realize its basic principle: "to comply with fair and transparent corporate activities." Specifically, we established the Compliance Management Committee and are working to build a system to strengthen compliance within the Maxell Group.

With regard to export security, the Export Control Committee closely evaluates export license requirements and conducts rigorous audits of applications and users (catch-all control audits). This is done to prevent the unauthorized diversion or subversion of the Company's products for use in weapons of mass destruction and/or conventional weapons and to ensure compliance with relevant laws and regulations. In November 2014 we obtained special general bulk license approval* for exports, and we pledge our ongoing commitment to responsible self-management going forward.

* A system under which a corporation submits its internal rules on export controls and related information to the Minister of Economy, Trade and Industry, which then provides bulk licenses for a combination of certain destinations and items that would previously have required individual approval.

Establishing an External Compliance Helpline

The Maxell Group has long maintained the Maxell Compliance Helpline, a whistle-blower system designed to facilitate the quick discovery of legal violations and unfair practices and thereby enhance its internal self-regulatory capabilities. Aiming to further strengthen compliance management, the Group has now established a whistle-blower system connected to a lawyer independent from management for reporting illicit behavior on the part of management or other problems that are difficult to investigate internally. In fiscal 2019, three internal reports were made, and have been resolved. However, no significant legal violations occurred.

Respect for Human Rights

The Maxell Group recognizes respect for human rights as an important management issue and established the Maxell Group Human Rights Policy in September 2013, based on the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO) and the International Bill of Human Rights.

Under the Group's employment rules, sexual harassment and power harassment are unequivocally prohibited. We continue to strengthen our internal anti-harassment system.

In the area of respect for human rights, including the perspective of diversity, we have been working to raise awareness of the issue throughout the Company through education in the form of rank-specific training as well as internal e-learning for all employees. We will continue to work assiduously to promote widespread awareness of human rights.

▲ Risk Management

The Maxell Group identifies and assesses Groupwide risks, assigns a division to manage each risk item, and sets and manages response policies for these risks.

The Risk Management Committee is convened once a year to identify important risk management matters related to strategies, finances, hazards, and operations, and reviews each risk management activity before reporting the results to the Internal Control Committee.

Information Security

The Maxell Group has formulated an Information Security Policy and strictly complies with relevant regulations, systems, and safety measures. We also focus on educational activities to raise the information security awareness of each employee.

In fiscal 2019, we provided courses on information security and personal information protection. Since acquiring privacy mark certification in May 2013, we have continued to get recertified to date.

Promotion of Business Continuity Plans

To reduce the risk of suspending operations due to large-scale natural disasters, such as earthquakes, as well as accidents and other incidents, the Group is working to reinforce its business continuity plans (BCPs).

Starting with the creation of systems to confirm the safety of employees, the Group has formulated an initial action plan and an operational recovery plan in the event of an emergency. From fiscal 2019, in order to steadily execute these plans, we have been implementing disaster training that assumes the occurrence of a large-scale natural disaster at each of our offices. Additionally, as a means to respond to unexpected incidents at our business partners, we are steadily establishing a database that includes information on the locations of our primary and secondary suppliers.

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We have formulated a manual for handling overseas crises and began implementing it at the Maxell Group's overseas sales and manufacturing bases. We mobilized crisis management in response to the unstable situation in Hong Kong and the COVID-19 pandemic.

We continue to remain vigilant and to minimize risks in the activities of Group employees throughout the world, while working to improve our responses when incidents occur.



Please refer to our Corporate Governance Report for details on the implementation status of the Corporate Governance Code and related information.

<https://www2.maxell.co.jp/ir/governance/>

▲ Global Tax Policy

As a global corporation, we believe that paying the right amount of tax at the right time is an important part of our contribution to society and local communities overseas.

The Global Tax Policy* comprises three topics: "Governance and risk management," "Compliance and reporting," and "Arranging our taxes." These topics have been publicly disclosed in order to enhance the transparency of the Group's tax governance as well as to meet any country-specific disclosure requirements.

* <https://www2.maxell.co.jp/corporate/taxpolicy.html>