

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

Transition to a Holding Company Structure—A Governance System Suited to Growth

The Maxell Group transitioned to a holding company structure on October 1, 2017 with the conviction that the Group requires an expansion of its business scale to achieve sustainable growth and a management framework suited to realizing swift growth.

At the annual General Meeting of Shareholders held in June 2019, Maxell Holdings, Ltd. (the Company) increased its number of directors by one. Accordingly, our management framework consists of six directors, and three directors who serve as Audit and Supervisory Committee Members. 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 three independent outside directors, and the chairman 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 said 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 a majority of its members being independent outside directors.

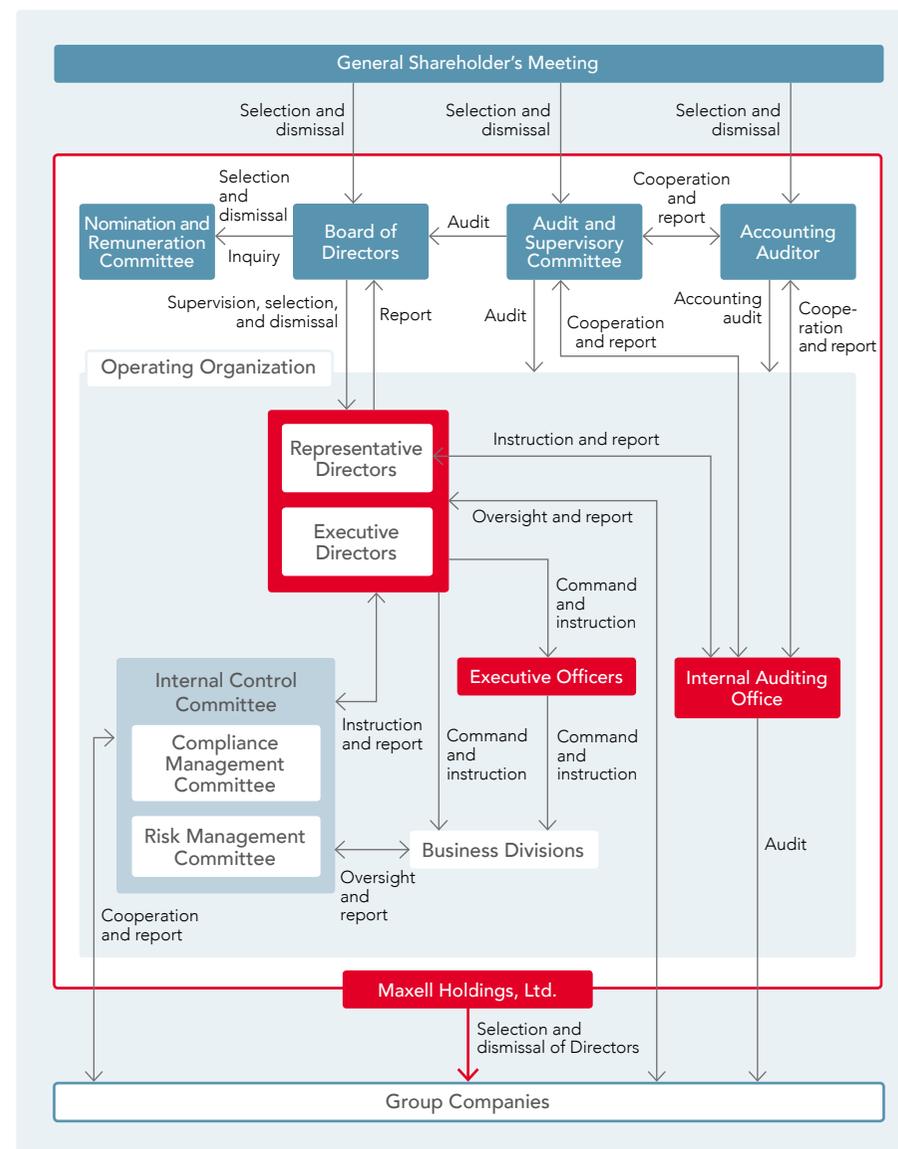
Moreover, the Company has adopted an executive officer system in an effort to make management more efficient and accelerate decision-making related to the execution of operations.

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/>

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▲ Appointment of Outside Directors

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

Reasons for Appointing Outside Directors

Name	Reason for Appointment
Tatsuhiko Izumi	He has experience in management at Clarion Co., Ltd. and other companies as well as an extensive track record in automotive-related businesses. He is expected to contribute to the promotion of global business strategies and sustainable enhancement of corporate value of the Company.
Wataru Kitao	He is expected to contribute to the sustainable growth of the Company and the enhancement of its medium- to long-term corporate value due to his extensive experience at Nitto Denko Corporation in the management strategy field.
Shinobu Watanabe	He is expected to contribute to the sustainable growth of the Company and the enhancement of its medium- to long-term corporate value due to his extensive management experience at Ube Industries, Ltd. and its group companies as well as at overseas operating companies.

- Notes: 1. The Company has entered into agreements with outside directors Tatsuhiko Izumi, Wataru Kitao, and Shinobu Watanabe wherein their liability is limited to the minimal amount provided for in Article 427, Paragraph 1, and Article 425, Paragraph 1, of the Companies Act of Japan.
 2. The Company has appointed Tatsuhiko Izumi, Wataru Kitao, and Shinobu Watanabe as independent directors in accordance with the standards defined by the Tokyo Stock Exchange.

Activities of Outside Directors (April 1, 2018–March 31, 2019)

Name	Activities
Tatsuhiko Izumi	<ul style="list-style-type: none"> Attendance at Board of Directors Meetings: 14 of 15 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 Board of Directors Meetings: 17 of 17 meetings Attendance at Audit and Supervisory Committee: 17 of 17 meetings Statements at the Board of Directors Meetings: He has made appropriate statements based on his specialized knowledge of general management.
Shinobu Watanabe	<ul style="list-style-type: none"> Attendance at Board of Directors Meetings: 15 of 15 meetings Attendance at Audit and Supervisory Committee: 13 of 13 meetings Statements at the Board of Directors Meetings: He has made appropriate statements based on his specialized knowledge of general management.

Remuneration for Directors and Audit and Supervisory Committee Members (Fiscal Year 2018)

The Company's directors (excluding those who serve as Audit and Supervisory Committee Members) receive both fixed remuneration and performance-based remuneration.

Classification	Remunerated Individuals	Total Remuneration (Millions of yen)
Directors (excluding Audit and Supervisory Committee Members and outside directors)	5	188
Directors (Audit and Supervisory Committee Members; excluding outside directors)	1	20
Outside executives	4	24

- Notes: 1. The amounts of remuneration for directors reflect the differences between the total amounts of executive bonuses paid in June 2018 and the amounts of executive bonuses that were expected to be paid in June 2018, which the Company disclosed in the previous fiscal year.
 2. The amounts of remuneration for directors (excluding Audit and Supervisory Committee Members) include executive bonuses for the fiscal year under review for four directors (excluding Audit and Supervisory Committee Members) of ¥60 million that are expected to be paid in June 2019.
 3. Performance-linked remuneration includes a bonus, which is distributed as a short-term incentive, and share-based remuneration, which is distributed as a long-term incentive.

▲ 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



Corporate Governance

▲ 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 heightening corporate value.

The analysis and evaluation of the effectiveness of the Board of Directors in fiscal year 2018 was conducted as follows.

1. Method for the analysis and evaluation related to the effectiveness of the Board of Directors

The Company carried out an anonymous survey among its directors containing the following items.

The Company sought the assistance of an outside consultant in calculating and analyzing the survey's results in order to ensure anonymity and objectivity. Based on the survey's results and the opinions of the outside consultant, the Board of Directors analyzed and evaluated its effectiveness as well as examined ways to make improvements going forward.

- Board of Director's structure
- Board of Director's effectiveness
- Effectiveness of appointment and remuneration systems for directors and executives
- Board of Director's management
- Personal evaluation
- Structure of support and cooperation for outside directors
- Roles of 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

At the annual General Meeting of Shareholders held in 2018, the Company increased its number of outside directors, and the evaluation confirmed the appropriateness of the structure of the Board of Directors, and of the communication and cooperation between outside directors as well as between outside directors and members responsible for business execution. On the other hand, as was the case in the previous year's evaluation results, the evaluation confirmed that the Company must continue to enhance its holding company structure and enrich its successor training plan. Also, as new issues, the evaluation confirmed the need to make management control more sophisticated in such ways as implementing appropriate measures for unprofitable business and devising methods to follow up on investments.

3. Future measures based on the analysis and evaluation related to the effectiveness of the Board of Directors

Based on the above analysis and evaluation, the Company will further enhance the effectiveness of the Board of Directors by implementing the following improvements in fiscal year 2019.

- The Company will accelerate management and strengthen corporate governance through the further clarification of responsibility and authority for both the holding company and its operational subsidiaries, including the clarification of matters that should be discussed at Board of Directors meetings.
- The Company will steadily enhance and implement successor training plans with more proactive involvement from the Nomination and Remuneration Committee and the Board of Directors.
- The Company will strengthen its follow-up system for investments while reviewing investment criteria and steadily implementing follow-up activities.

▲ Strengthening Compliance

The Maxell Group has continuously engaged in building an appropriate management structure, enhancing its internal control systems, and developing its compliance structure. 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 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 the Minister of Economy, Trade and Industry certifies a corporation with an appropriate internal management system and track record to act on behalf of the national government with regard to some export licensing operations.

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. Further, no significant legal violations occurred within the Group in fiscal year 2018.

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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, we have been working to raise awareness of the issue through rank-specific training as well as Groupwide training. 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 year 2018, we provided courses on "Information Security Education" and "Personal Information Protection Measures." 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 (BCP).

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 year 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.

Going forward, we will formulate a manual for handling overseas crises and extend our disaster training to overseas Group companies, thereby improving the level of our crises management outside of Japan.



Please refer to our Corporate Governance Report for details on the implementation status, etc. of the Corporate Governance Code.

<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>