

Corporate Governance



Sustainable Growth of the Maxell Group

Roundtable Discussion between Outside Directors

Left: Outside Director Shinobu Watanabe
 Center: Outside Director Wataru Kitao
 Right: Outside Director Tatsuhiko Izumi

The following is a chronicle of a discussion between three outside directors of the Maxell Group on their hopes for the sustainable growth of the Group and what challenges they believe need to be overcome to achieve such growth (held in July 2019).

What do you see as the role of an outside director?

Kitao: A clear divide between management and business execution is crucial to effective corporate governance. Management is tasked with overseeing a company in its entirety and expediting decision-making. Operating companies, meanwhile, have the responsibility of maximizing the benefits of the decisions made by management through their business activities. Accordingly, the Maxell Group needs frameworks that allow for business execution to be fully delegated to operating companies so that Maxell, as the holding company, can effectively exercise its function of monitoring the Group overall.

Izumi: In June 2019, an organizational restructuring was undertaken to reinforce the Maxell Group's management structure. This restructuring was a reflection of the policies of the Group's succession plan, which aim to have Chairman Yoshihiro Senzai supervise management and at the same time lead the entire industry while President Yoshiharu Katsuta executes operations within the Group. Going forward, it will be important for us outside directors to effectively monitor this new management structure.

Watanabe: A company cannot survive if it does not grow. Moreover, when a company falls into a crisis, it is not its shareholders that pull it back.

Shareholders may choose to sell their holdings or press that company to change management, but it is the management and employees of the company who actually work for its sake. The role of outside directors is thus to provide support from an objective, external point of view to contribute to the growth of a company.

Kitao: From that perspective, our job could be seen as conveying matters that management does not want to hear. To prevent management from colluding for its own benefit, we must voice opinions from various perspectives, including those of customers, business partners, shareholders, and employees. If decisions seem to be overly representative of the internal perspective, it is our duty to be honest in pointing this out.



Izumi: Perhaps the most important factor behind a company's ability to achieve sustainable growth is the extent to which employees feel

happy to work at that company. I want Maxell to be a company at which employees are proud to work, and I hope that management will empower employees with hopes and dreams in order to make Maxell into this type of entity. There are some people who only speak of their experiences, but experiences belong in the past. Rather than looking back, I hope that Maxell will become a more future-oriented company at which discussions on forward-looking visions are commonplace. To aid Maxell in becoming such a company, I intend to discuss more aspirational visions for the future of the Maxell Group from my perspective as an outside director.

What do you see as the Maxell Group's strengths?

Watanabe: I have visited a number of Maxell Group bases in Japan and overseas. On these visits, frontline employees spoke enthusiastically of their desire to introduce the new products they are creating to markets. The job of management is to link such enthusiasm to lucrative positions. The Maxell Group should be a company leading the industry with its technological prowess, but it is not at the moment. I try to always offer advice that is cognizant of this issue. The Maxell Group boasts extraordinary human resources and technological capabilities. Recognizing this fact, I continue to voice harsh opinions of the Group.

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Izumi: Maxell Group employees are fastidious and confident when it comes to their technologies, making the Group an organization that is firmly grounded. This gives rise to an amazing corporate culture that cannot be cultivated easily. Moreover, management has a keen understanding of the front lines and is thus persuasive in its conversations with us. There is also an atmosphere of openness to outside opinions, which makes our job incredibly easy.



Watanabe: Over the course of its history, the Maxell Group has fostered exceptional technological capabilities along with a strong market position and brand reputation. The Group's unwavering commitment to its principles is engrained on the DNA of management and employees alike. However, exploring new markets will no doubt be crucial in the future. It will be important for the Group to place emphasis on its human resources and technological capabilities as it goes about exploring markets. The combination of these two strengths will transform the Group as both the organization and its

people become enveloped in a positive cycle of profitability, enjoyable work, and contributions to society. This type of transformation will require that management chart a clear course and effectively lead employees down this course. For this reason, it may be necessary for management to engage in more exhaustive discussions on how best to utilize its human resources and technological capabilities to this end.

How should Maxell go about strengthening its brand?

Izumi: I think that Maxell has an amazing brand. However, circumstances have changed slightly from past decades when Maxell boasted a brand reputation for competitive products. Today, the Company is offering fewer consumer products, which has distorted its brand image a bit. In addition to strengthening the Maxell corporate brand, I believe that it is crucial for the Company to effectively advertise its products. It would be beneficial if something akin to a "Maxell Policy" existed that gave form to the Company's core principles—what it does and its stance toward products. I would like to see Maxell devote its efforts to communicating such a policy in order to reshape its brand image.

Kitao: It is just as Mr. Izumi says, a large portion of Maxell's current lineup consists of products for businesses, and this lineup is growing more diverse, making it difficult for people to

understand what exactly Maxell does. This situation presents a need for corporate branding activities. Corporate branding activities include those aimed outside of a company as well as those oriented toward people inside of a company. If Maxell were to engage in externally oriented branding activities that more clearly communicated its core competence to society, these efforts would also contribute to increased pride and motivation for employees, thereby doubling as internal branding activities.

Watanabe: Initiatives for strengthening a brand cannot only be about raising recognition, as these initiatives will have no meaning if they do not encourage customers to buy and consequently be satisfied with the Company's products. Conversely, if Maxell is able to continue developing unparalleled products a step ahead of the needs arising in niche markets, its brand will gain recognition as a matter of course. Accomplishing this task on a global scale, however, will require Maxell to further refine its



R&D capabilities, its ability to influence markets, and its sensitivity to market needs.

What are your hopes for the future of the Maxell Group?

Kitao: It is, of course, important for the Maxell Group to continue growing while improving its performance. If the Group performs well, it will energize its customers, business partners, shareholders, and employees. I therefore hope that the Group will accelerate its efforts to develop and succeed in its core business.

Watanabe: A company must be profitable. Being profitable means generating returns for all stakeholders. Generating such returns will make that company highly meaningful to society. Maxell must become such a company, and doing so will require hard work. However, if Maxell is able to become a company that is highly meaningful to society, its employees will no doubt become more highly motivated in their work. This is my hope for the Maxell Group.

Izumi: I have high hopes for the Maxell Group. From my outside perspective, I see extraordinary potential for the Group with its wealth of incredible human resources and unique technologies. With the other outside directors, I look forward to joining in the conversation on how the Maxell Group will leverage its resources to move in a promising direction.