

Governance

Corporate Governance

Approach and governance system

To drive sustainable growth and enhance corporate value over the medium and long terms, the GS Yuasa Group is committed to establishing an organization and systems that enable fast, efficient responses to a changing business environment. At the same time, our basic policy on corporate governance is to make every effort to thoroughly implement and strengthen compliance and enhance the soundness and transparency of management.

A new governance structure began in fiscal 2017 based on this philosophy. GS Yuasa Corporation, the holding company, is responsible for formulating management strategies for all of the Group's businesses, as well as management for the entire Group and oversight of the Group's business execution. GS Yuasa International Ltd., the Group's core operating company, is the key decision-making body for business execution, consolidating and strengthening business execution and making swift business-related decisions.

The Board of Directors makes fast and effective decisions

related to the Group's management by prioritizing strategic decision making and supervisory functions for management policy. In addition, monitoring has been reinforced by appointing multiple independent outside directors.

Evaluating the effectiveness of the Board of Directors

The effectiveness of the Board of Directors has been evaluated once a year since fiscal 2016. All directors and corporate auditors fill out a questionnaire on the structure, management, agenda and duties of the board. As a result of analysis and evaluation of the content, it has been deemed that the Board of Directors is operating effectively.

Countermeasures identified for improvement in fiscal 2017 were evaluated in fiscal 2018 and found to have been largely achieved. However, as some suggested further improvement was needed vis-a-vis the frequency and content of follow-up reports pertaining to important agenda items, re-evaluation of these areas was discussed. Going forward, we will continue to assess the effectiveness of the Board of Directors and strive to make further improvements.

Establishment of Nomination and Compensation Committee

On February 26, 2019, the Board of Directors voted to establish a discretionary Nomination and Compensation Committee, chaired by an independent outside director, and serving as an advisory body to the Board of Directors. The goal of the committee will be to strengthen the independence, objectivity and accountability of Board of Director functions such as director nominations and compensation.

Nomination committee functions include consulting on proposals for nominating new directors and for selecting a new corporate president and plans for successors (including human resource development), in addition to reporting findings to the Board of Directors.

Meanwhile, the compensation committee will consult on policy determinations for director compensation as well as for individual director remuneration, and reporting findings to the Board of Directors.

Nomination and Compensation Committee structure

Chairperson	Outside Directors	Ikuo Otani
Committee member	President	Osamu Murao
	Executive Vice President	Kei Nishida
	Outside Directors	Takayoshi Matsunaga

Reasons for appointing internal directors

To provide control over the Group as the holding company, GS Yuasa Corporation applies a balanced approach to appointing directors who possess knowledge and experience covering the business and functions of the entire Group and the necessary aptitude and competence to ensure speedy decision making.

At present there are no female directors, but GS Yuasa positively recruits female graduates and promotes measures to encourage women to be active at work, including next-generation training, and the ratio of women in managerial positions is gradually increasing.

* Reasons for the appointment of individual internal directors and independent outside directors are given on our website: https://www.gs-yuasa.com/en/ir/pdf/GYC015ST_e.pdf

Policy on the independence of outside directors

Candidates selected as outside directors must meet the requirements for independence set out in the Companies Act and possess the experience and insight to objectively and fairly judge the legality and appropriateness of the execution of the company's duties from the shareholders' perspective without being limited by being in charge of business implementation. Also, we believe in the importance of employing people who are outwardly independent and use the Tokyo Stock Exchange's independence standards as their reference.

Record of attendance by outside directors at Board of Directors and Auditor Meetings

The record of attendance by outside directors at meetings of the Board of Directors and auditors in fiscal 2018 is shown below.

Record of attendance by Outside Directors at Board of Director and Auditor Meetings

Names	Board of Directors	Auditor Meeting
	No. of attendances / No. of meetings	No. of attendances / No. of meetings
Ikuo Otani Outside Director	18 / 18 times	— times
Takayoshi Matsunaga Outside Director	13 / 13	—
Shinji Ochiai Outside Corporate Auditor (Full-time)	18 / 18	13 / 13
Katsuya Ohara Outside Corporate Auditor (Full-time)	18 / 18	13 / 13
Tsukasa Fujii Outside Corporate Auditor (Part-time)	18 / 18	13 / 13

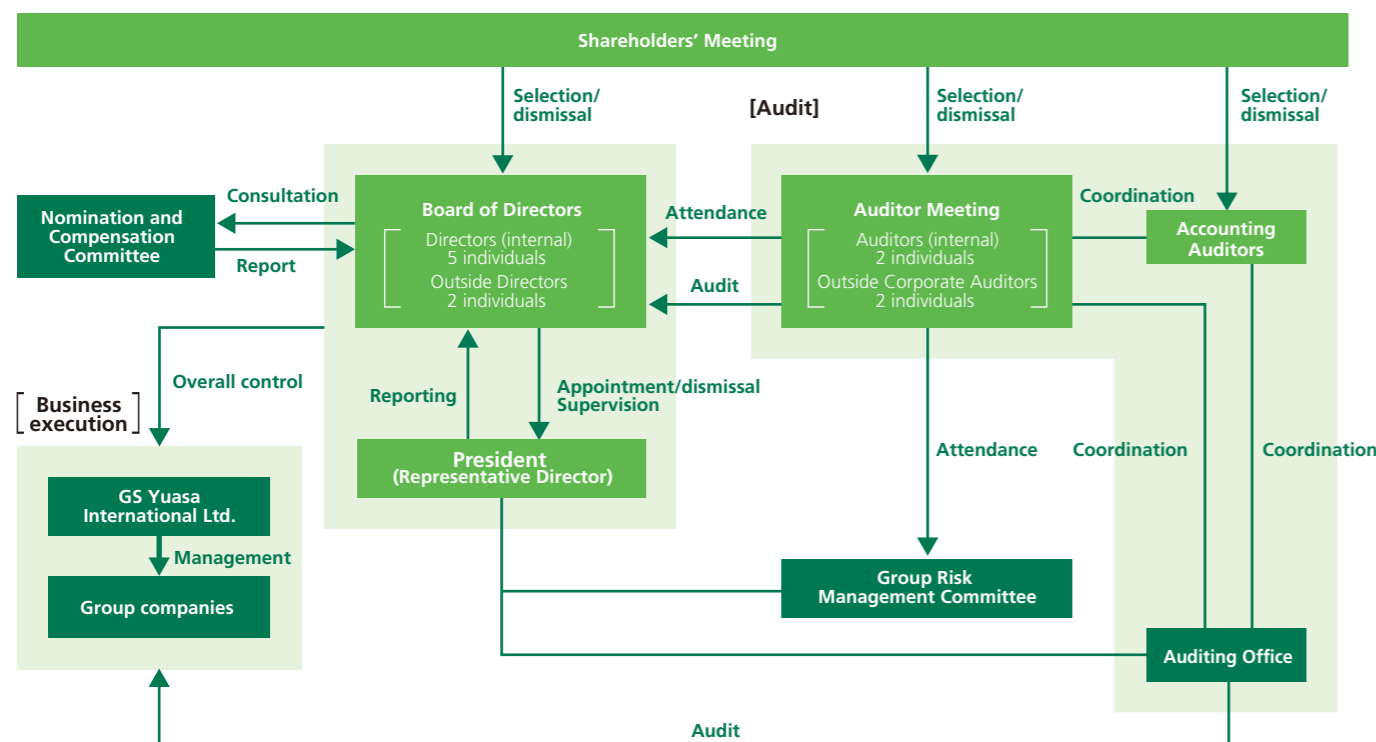
Remuneration of directors

Remuneration paid to directors and auditors in fiscal 2018 is shown below.

Total amount of remuneration, etc. by category and by type, and number of applicable persons

Category	Total amount of remuneration, etc. (Millions of yen)	Number of applicable persons
Directors (excluding outside directors)	102	6
Auditors (excluding outside corporate auditors)	12	1
Outside directors/auditors	54	6

Governance structure (FY 2019)



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Internal control system

To strengthen the management foundation, the GS Yuasa Group has improved the system and relevant rules to ensure the maintenance of ethical business practices based on the Companies Act. This system includes mechanisms to ensure effective auditing, information management, and risk management throughout the Group.

To comply with the internal control reporting system required under the Financial Instruments and Exchange Act, we are maintaining an internal control system and financial reporting mechanisms to meet all requirements. Our international subsidiaries and other consolidated Group companies evaluate the status of the improvement and implementation of internal controls. Following external audits, reports on these internal controls are publicly disclosed.

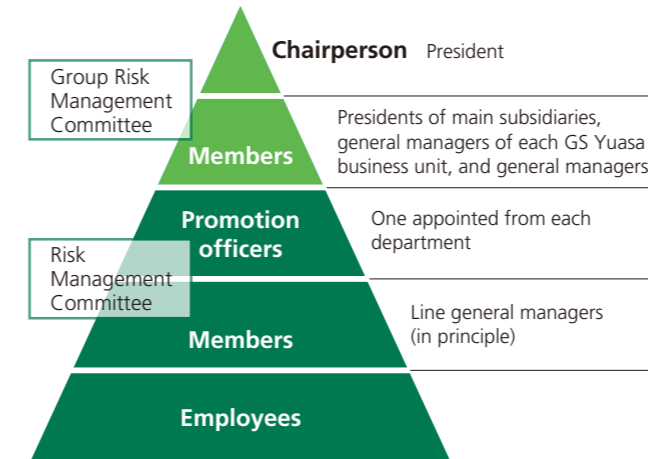
Risk Management

Basic approach

The GS Yuasa Group believes that risk management is essential for the lasting growth of the company. As our basic approach, the Group thinks that the following two points are important so that crises stemming from the escalation of risks do not exert a serious impact on the Group or on society in general.

First, by predicting and understanding risks and adopting appropriate preliminary measures, the escalation of risks (outbreak of crises) can be prevented. Second, effective measures can be taken beforehand so that even if a crisis does occur, the loss is kept to a minimum. Based on this approach, to properly promote risk management, our Group has formulated risk management rules that stipulate the responsibilities of employees and our risk management promotion setup.

Risk management structure



Risk management under the Group Risk Management Committee

The Group Risk Management Committee, headed by the president and consisting of the chairs of departmental Risk Management Committees, holds semiannual meetings to promote groupwide risk management and to encourage the sharing of key information related to risk management. The Risk Management Committee confirms that the appropriate risk management measures have been implemented, and the committee chairs report on progress in this area. We also actively exchange opinions and share information on the different styles of risk management.

Outside director's comment



Further strengthening and deepening of board of directors functions

Ikuo Otani
Outside Director

of Directors. In the fiscal year under review, upon request, I inspected two major affiliates in China and Turkey. When I reported on points that I had noticed as an outside director, they quickly adopted countermeasures. Such inspection of affiliate companies by outside directors is meaningful, but it is no more than complementary. From now on, in the management of the Board of Directors, I think we need to take steps to strengthen continuous monitoring functions.

Furthermore, there is a tendency for specific projects to be discussed individually in the Board of Directors, and checking of a project's position vis-à-vis the mid- to long-term business strategy in the background, as well as discussion of coordination with future mid- to long-term strategy, is often inadequate. By sharing a roadmap of mid- to long-term business strategy that takes account of GS Yuasa's strengths and weaknesses and deepening consideration of individual cases in line with the roadmap, I hope that the management team will further upgrade the accuracy of our strategy.

In recent years GS Yuasa has been steadily enhancing its governance setup through such measures as establishment of the Nomination and Compensation Committee, and the president and other directors are genuinely determined to address the issue of improving governance.

In the Group as a whole, however, efforts to improve monitoring functions are still at the halfway stage. For example, regarding important affiliate companies, I think it is necessary to create opportunities for officers in charge at each company to report on their management conditions to the Board

Outside auditor's comment



Emphasis on monitoring from a global perspective

Katsuya Ohara
Outside Corporate Auditor (Full-time)

After entering the Bank of Tokyo (currently MUFG Bank), I became involved for a long time in market operations and site management overseas. I had frontline experience of major changes and financial crises, from the Plaza Accord to the collapse of Lehman Brothers. Subsequently I supervised the international division in a financial group's consultant company. That rich experience of diligently working with people of differing nationalities and cultures is proving useful in my present work. While attending major meetings to keep an eye on the situation is important, it is also essential to actively listen to raw voices on the ground. Therefore, I make a point of

visiting overseas sites, which tend to be off the radar, to learn about often hidden facts and hear candid onsite feelings, which I then report to the top management.

GS Yuasa is a company with a long history and strong presence backed by technology and product quality, but we are now in an age when complacent thinking and a desire to stick with the status quo are impermissible. I am concerned that such thinking might lead to a lack of speed in management, a fall into an emphasis on in-house logic and mechanics, and a form of governance that forgets the reality that we are already a wide-area global enterprise and instead talks archaically in terms of "Japan knows best" or "leave it to local sites." In addition, from a separate mid- to long-term perspective, since it is human beings who constitute and steer an organization, I think it is also important for us as a company to develop independent and autonomous-minded human resources.

I will continue to make efforts so that we can improve our overall corporate value, which includes fulfilling our social responsibility, rather than simply corporate value backed by good business results.

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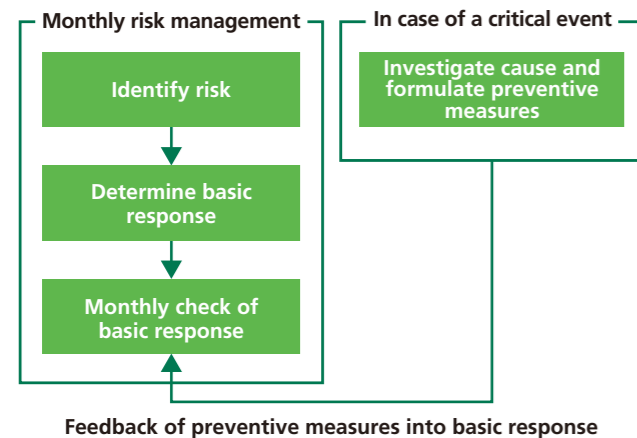
System for dealing with crises

To prepare for the possibility that a risk materializes, we have established a system that includes an emergency contact network to swiftly implement crisis management. If a serious crisis occurs, members of the Group Risk Management Committee will be appointed to organize a crisis management headquarters, under the president, to minimize corporate losses. The system we have set up enables us to implement an effective response swiftly and with appropriate care.

Risk management based on risk management sheets

In accordance with the risk management rules, each department assesses risk every month using a risk management sheet. On this form, the department first fills in the measures it is taking as a basic response to mitigate the risks it has identified and to avoid any critical events, as well as the policies to minimize loss if a critical event does occur. Each department confirms the status of implementation of these measures and related policies each month. The department also fills in the details of any critical events that occurred, as well as a summary of the response and the investigation into the cause and measures to prevent a reoccurrence. These preventive measures are fed back into the “basic response” and the status of implementation is checked each month to provide a framework that ensures that similar events do not happen again.

Risk management sheet



The risk management sheets produced by the departments are compiled at the divisional level with the director in charge of the division verifying and assessing

the status of response through the Risk Management Committee. The deliberations by the committees are summarized and then fed back to each department as part of a mechanism to improve the effectiveness of risk management.

Compliance

Basic philosophy on promoting compliance

By training our personnel according to our philosophy of innovation and growth while manifesting our commitment to society and preserving the global environment, we are ensuring that all employees are guided in their behavior focusing on compliance with laws, company regulations and ethical standards.

The Compliance Declaration made by the President states that success must never be achieved through legal and moral infringements and that “establishing rules and structure” and “developing a strong sense of commitment to realize compliance” are essential to becoming a corporate leader in compliance. Following these guidelines, multifaceted compliance promotion activities should be developed at every employee level, and each employee should incorporate self-directed and proactive actions into his/her basic approach to yield an effective improvement in compliance awareness.

Permeation of compliance awareness

The CSR Manual which delineates rules for adherence by every corporate Group member is distributed to all employees to facilitate permeation of compliance awareness.

The manual clarifies Group CSR policy and outlines behavioral standards which each employee must follow during business activities. To facilitate its usage as a tool for employees in gauging behavioral criteria, the manual delineates concrete examples of compliance and risk actualization and provides a diagnostic checklist to help employees assess their own adherence to corporate behavioral standards.

The manual further details how to use the internal whistleblower system for simple risk detection and introduces an emergency contact system for use in a crisis to realize quick responses to compliance infringements.

Workplace meetings on CSR

Workplace meetings on compliance, initiated in fiscal 2012 as a means of allowing compliance awareness to permeate to each and every employee, have been conducted for seven consecutive years.

Transitioning into “workplace meetings on CSR” from fiscal 2018, these meetings introduced 14 topics aligned with CSR policy, and are now being expanded to 22 Group companies within Japan in addition to the 331 GS Yuasa workplaces. Some 96% of workplaces have reported these activities to be effective, resulting in vigorous debate. The 14 topics of discussion include: defining CSR, preventing intentional wrongdoing, handling confidential information, subcontracting laws, personal information protection, security trade controls, intellectual property, respect for human rights, sexual/power harassment, management of working hours, occupational health and safety, product safety, waste management and promotion of supply chain CSR activities. The meetings use educational materials made by the division in charge on each topic and including content related to the circumstances of the Group. We intend to continue running these meetings and upgrading the content to ensure that it is both up-to-date and educational.

GS Yuasa Group corporate ethics hotline

We established GS Yuasa Group corporate ethics hotline regulations and set up a corporate ethics hotline. Accessible both internally and externally, the hotline enables employees, temporary workers, business partners and others to provide information anonymously if they become aware of behavior by a Group employee that violates the law or company regulations or is unethical or otherwise inappropriate or any matter that is at risk of becoming a violation.

In fiscal 2018, we received 10 reports relating to harassment and other matters (6 received in fiscal 2017). We conduct inquiries and take appropriate action on these matters, while remaining committed to protecting whistleblowers.

Elimination of antisocial elements

The GS Yuasa CSR Group clearly disavows contact “with personnel or organizations of organized crime,” in our CSR Policy while our CSR Code of Conduct similarly stipulates “separation from organized crime,” stating a specific policy that, “we will not provide any form of benefit in excess of

the normal shareholder’s right to any person or company associated with organized crime” and “we will cut off business or any other relationships with individuals and organizations having an indication of support for organized crime.” This policy and the Code of Conduct have been shared with all Group employees.

Information Security

Our Group places importance on global efforts to ensure information security. Through the regular monitoring of communications by an outside security service, the introduction of an illegal connection detection system and other measures, we endeavor to prevent illegal access to our in-house network and forestall damage.

To prevent the outflow of confidential information, we conduct the encryption of personal computer data taken outside the company and promote awareness-raising activities so that employees follow our procedures for the management of information system use, including the distribution of an information security handbook and the implementation of e-learning.

Furthermore, based on Japanese security standards, we conduct surveys of security measures in overseas Group companies and give guidance to address vulnerabilities.

Intellectual Property

We see intellectual property, the result of technological development, as one of our important assets. Every year we file about 200 to 300 patent applications in Japan and about 100 to 150 overseas. Our basic policy is to protect our Group’s outstanding technology through aggressive patent applications and to maintain the trust of our customers by eliminating imitation products.

In fiscal 2019, we are promoting efforts geared toward AI/IoT patents to supplement our ongoing slate of activities. We are also focusing on intellectual property risk aversion activities in our overseas Group companies and are affording intellectual property support to business promotion in our forefront and overseas divisions. We are also pursuing ongoing countermeasures, exposing and litigating against injurious overseas counterfeit goods, to ensure the reliability of available products for our customers.

Governance

CSR Management

GS Yuasa Group's CSR

"Innovation and Growth," our corporate philosophy, is the basis of the GS Yuasa Group's CSR. By developing new technologies and reforming our business processes without being bound by convention, we aim to generate innovation and, as a result, drive sustainable growth by expanding earnings and contributing to people, society and the global environment. This is the basis of our CSR. Furthermore, by responding swiftly through our business to global social issues and the needs and expectations of interested parties, we aim to become a company in which society places long-term trust and hopes for us to remain a presence into the future.

CSR Policy and Code of Conduct

The GS YUASA CSR Policy and Code of Conduct, formulated in May 2017 as the President's Policy, have become the foundation of the Group's CSR activities. In the GS Yuasa Group, all employees understand that CSR activities are business activities, and we encourage everyone to take part based on our CSR Policy and Code of Conduct in order to ensure the sustainable development of society and business.

CSR promotion framework

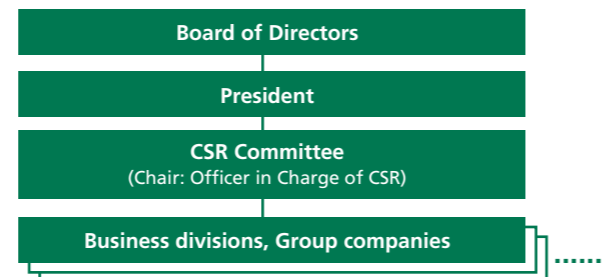
Our Group has established an organizational framework to promote CSR through our business and to make continuous improvements.

In order to supervise the CSR activities of the entire Group, including related companies both in Japan and overseas, we have designated the company President as the chief commanding officer for the promotion of CSR and set up the post of officer in charge of CSR, who is appointed by and works directly under the president.

In addition, the CSR Committee, which is chaired by the officer in charge of CSR and comprises persons responsible for CSR in business divisions, Group companies, etc. as members, discusses, promotes and plans CSR activities throughout the Group as a whole.

After important matters relating to the promotion of CSR in the Group, including CSR Policy, have been discussed in the CSR Committee, they are decided by the Board of Directors and management meetings.

CSR promotion framework



CSR promotion process

The GS Yuasa Group has established a process based on our CSR promotion plan that advances CSR-related initiatives through business activities. The goal of this process is to achieve enhanced corporate value and stakeholder satisfaction through development of a corporate philosophy which reflects the Group's enduring corporate values.

We have formulated management and CSR policies to serve as evaluation criteria for decision-making to facilitate realization of our corporate philosophy. Regarding the major areas of CSR policy, we have compiled the CSR Code of Conduct, which clarifies the specific direction of CSR activities, and individual policies clarifying concrete behavioral standards in CSR activities.

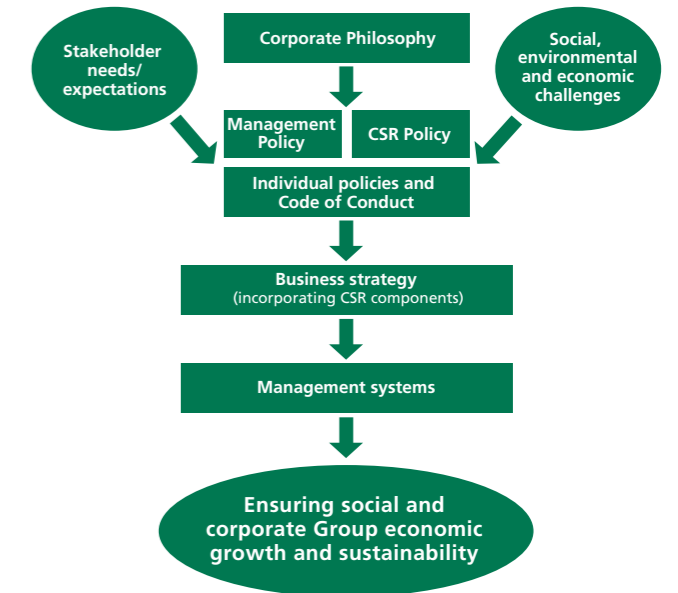
Our business strategy process incorporates planning designed to realize CSR policy. Corporate planning is formulated to ensure social and corporate Group economic growth and sustainability which fulfills stakeholder needs and expectations while addressing social issues. Achieving this planning requires application of multiple management systems based on existing business processes. Performance of operational processes relies on reevaluation by the CSR Committee, chaired by the officer in charge of CSR, with continuous improvements as necessary.

Meanwhile, our CSR Manual, detailing the Group's CSR Policy, is distributed to each employee to ensure Company-wide CSR promotion. Behavioral standards underpinning the CSR Policy are clarified for employees in Q&A sections and columns covering key topics, along with a checklist for employee self-assessment of behavioral conformity with CSR Policy. The CSR Manual is translated into 6 languages for use among local-hire employees in our overseas Group companies to ensure full comprehension of Group policy. Our goal is to promote CSR directionality and to implement CSR through our business activities based on a common understanding of CSR shared by all Group employees in Japan and overseas.

CSR promotion initiatives

Phase	Period	Target
First stage	FY 2016-17	Create processes to deal with the CSR issues in relation to our business strategy (Fourth Mid-Term Management Plan)
Second stage	FY 2018	Analyze and evaluate our performance using these processes and then make improvements
Third stage	FY 2019	Establish business processes that incorporate CSR issues into our business strategy (Fifth Mid-Term Management Plan)
Fourth stage	FY 2019 onward	Implement CSR activities in all of our business processes to ensure sustainable social and corporate growth.

Overview of CSR promotion process



Incorporating materiality (key CSR issues) into Group business strategy

To reflect CSR issues in our business strategy, the GS Yuasa Group analyzes and assesses the impact on business and the impact of our business on society and then clarifies the Group's materiality for items that need to be addressed. Regarding the specified materiality, as necessary we have set targets relating to our business strategy and, to achieve those targets, have formulated concrete activity plans and key performance indicators (KPIs) to gauge progress in achieving the goals.

Materiality is periodically revised by the GS Yuasa Group CSR Committee in accordance with evolving stakeholder needs/expectations and social issues. When incorporating materiality into business strategy, the CSR Committee formulates plans that will lead to enhanced stakeholder satisfaction through the strengthening of our corporate infrastructure and enhancement of corporate value.

The GS Yuasa Group aims for enhanced management of financial and non-financial operations, as well as for sustainable corporate and social growth through execution of business processes that incorporate materiality in the Mid-Term Management Plan.

*An overview of CSR issues impacting sustainable growth in our Fifth Mid-Term Management Plan may be found on p. 30 (ESG Initiatives).

CSR Policy

Besides legal compliance, we respect international norms, guidelines, and initiatives related to social responsibility, work on sustainable development of our business through developing energy storage technologies, and contribute to people, society, and global environment.

1. Developing fair, transparent, and sound business, and anti-corruption
2. Respect for human rights
3. Conservation and improvement of adequate working environment
4. Fulfillment of our responsibilities to provide safe and secure products and services
5. Global environmental conservation
6. Building better relationships with local communities
7. Ensuring social responsibility within our supply chain

*Our CSR Policy and CSR Code of Conduct are available on our website: <https://www.gs-yuasa.com/en/csr/policy.php>