

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 improve 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 quick 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.

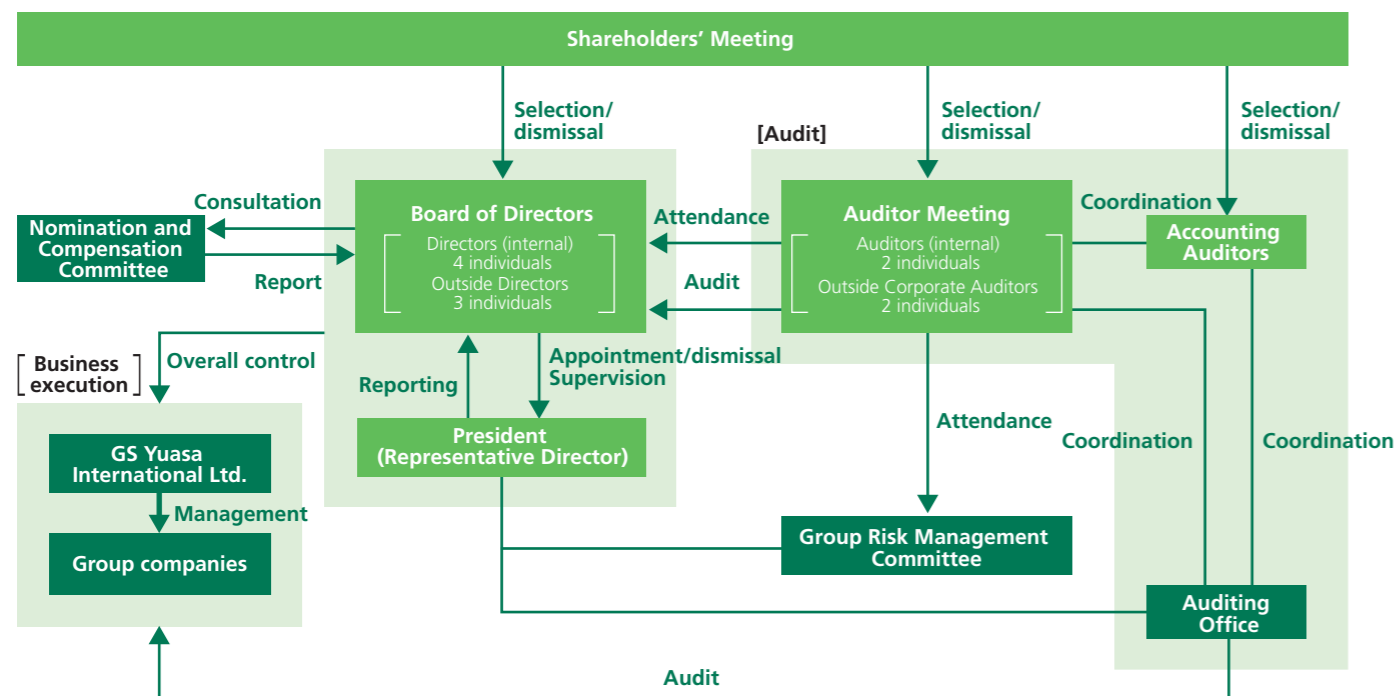
Evaluating the effectiveness of the Board of Directors

The effectiveness of the Board of Directors has been evaluated once a year since fiscal 2016. In fiscal 2019 as well, all directors and corporate auditors completed a questionnaire on the structure, management, agenda, and duties of the board.

As a result of analysis and evaluation of the questionnaire replies, it was deemed that the Board of Directors is operating effectively. However, constructive opinions and suggestions were made from the perspective of further strengthening Group governance, and we will continue to address these issues.

Evaluation and improvement measures in the most recent two years are shown on the right.

Governance structure (FY2020)



Evaluating the effectiveness of the Board of Directors

Evaluation items	FY2019 (evaluation of FY2018)	FY2020 (evaluation of FY2019)
Composition of the Board of Directors	There were opinions relating to increasing the number of outside directors and appointing female directors. We newly established the Nomination and Compensation Committee, which included two outside directors, and endeavored to enhance the objectivity and transparency of the selection process for candidate directors.	Similar opinions to the previous fiscal year were made. In the light of the results of discussions in the Nomination and Compensation Committee, we appointed a female outside director and increased the number of independent directors to more than one-third of the board. As a result, composition of the board has come to further reflect our diversity.
Management of the Board of Directors	While most evaluations were affirmative, there was also a request to ensure more discussion time. We therefore revised the time setting for meetings of the Board of Directors and other important meetings and made improvements so as to properly ensure discussion time.	Improvements made in the previous fiscal year were positively appraised. Overall evaluations were affirmative, but opinions were also given relating to further improvements so that efficient reports could be made. We therefore carried out a review of report time and eligible topics.
Agenda of the Board of Directors	A request was made regarding the follow-up of important matters resolved. We made changes so that designated important matters are reported regularly to the Board of Directors.	An opinion was given regarding the discussion of matters prior to their referral to the Board of Directors. We therefore carried out a review of the Group's decision-making process.
Duties of the Board of Directors	To further improve the supply of information to outside directors, among other things, we shared summaries of discussions in meetings prior to the Board of Directors with them and conducted inspections of important overseas sites by outside directors.	Interest was shown in the fostering of next-generation managers. We therefore confirmed the implementation of new training sessions, etc. for personnel, including corporate officers and officers.

Efforts to strengthen corporate governance

	2015	2016	2017	2018	2019	2020
Strengthening internal control	● 2004: Establishment of the Auditing Office ● 2005: Establishment of the GS Yuasa Group Corporate Ethics Hotline ● 2009: Start of employee compliance questionnaire by the president (once a year)					● Change of independent auditor
Enhancing the objectivity of managerial decisions		● Appointment of one outside director	● Number of outside directors increased to two		● Start of evaluating the effectiveness of the Board of Directors (once a year)	● Number of outside directors increased to three
Enhancing the diversity of the Board of Directors						● Appointment of female director
Clarification of management responsibility (nomination and remuneration of directors)			● 2013: Term of directors shortened to one year	● Introduction of performance-linked stock remuneration scheme		● Establishment of Nomination and Compensation Committee

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Establishment of Nomination and Compensation Committee

In February 2019 we established the discretionary Nomination and Compensation Committee, chaired by an independent outside director, as an advisory body to the Board of Directors with the aim of strengthening the independence, objectivity, and accountability of Board of Directors functions, such as director nominations and remuneration.

The nomination committee discusses proposals for nominating new directors and for selecting a new corporate president, as well as plans for successors (including human resource development) and other matters, and reports to the Board of Directors.

The compensation committee discusses policy for determining director remuneration, the remuneration of individual directors, and other matters and reports to the Board of Directors.

Nomination and Compensation Committee structure

Chairperson	Outside Director	Ikuo Otani
Committee member	Outside Director	Takayoshi Matsunaga
	Outside Director	Yoshiko Nonogaki
	President	Osamu Murao
	Senior Managing Director	Toshiyuki Nakagawa

Distribution of skills of directors and auditors (FY2020)

●: Indicates number of persons possessing the said skills.

Specialty/experience	●	●	●	●	●	●	●	●	●	●
Corporate management	●	●	●	●	●	●	●	●	●	●
Financial accounting	●	●	●	●	●					
Legal affairs	●									
IT	●	●	●							
International affairs	●	●	●	●						
Sales	●	●	●	●						
Manufacturing	●	●	●	●						
Technology	●	●								

Policy on the appointment of directors

To enable the Board of Directors to effectively fulfill its duties as the Board of Directors of the holding company, we select, in a well-balanced manner, persons with knowledge, experience, skills, and so on relating to the business of our Group as a whole and persons who can make statements and act from an objective standpoint and a long-term, wide-ranging perspective. In addition, we strive to achieve a size and composition that can reflect diverse opinions, including gender and international viewpoints.

*Reasons for the selection of individual internal directors and independent outside directors are available on our website: https://www.gs-yuasa.com/en/ir/pdf/GYC016ST_e.pdf

Policy on the independence of outside directors

We appoint several outside directors as persons with ample experience and knowledge who can make statements from an objective standpoint and contribute to the medium- to long-term enhancement of our corporate value without being restricted by corporate officers. When making such appointments, we also give consideration to their external independence, such as by ensuring that any company to which a candidate, or that candidate's close relative, belongs or belonged has no business ties, or just minor business ties, with our Group.

We report all outside directors as independent directors to the Tokyo Stock Exchange.

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 2019 is shown below.

Record of attendance by Outside Directors at Board of Director and Auditor Meetings (FY2019)

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	—
Takayoshi Matsunaga Outside Director	18 / 18	—
Katsuya Ohara Outside Corporate Auditor (Full-time)	18 / 18	15 / 15 times
Tsukasa Fujii Outside Corporate Auditor (Full-time)	18 / 18	15 / 15

Remuneration of directors

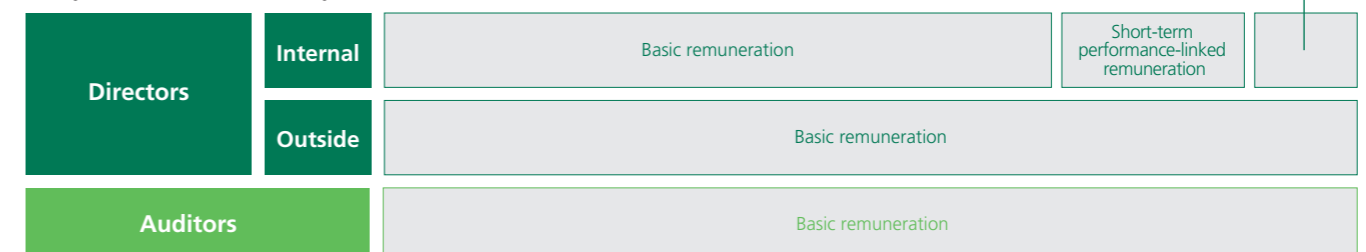
Remuneration paid to directors and auditors in fiscal 2019 is shown below.

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

Category	Total amount of remuneration, etc. (million yen)	Number of applicable persons
Directors (excluding outside directors)	242	5
Auditors (excluding outside auditors)	43	2
Outside directors/auditors	57	5

Note: The above figures are the total amount of remuneration, etc. paid to directors by GS Yuasa and our subsidiaries.

Composition of GS Yuasa Corporation's director remuneration



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.

Change of independent auditor

The term of Deloitte Touche Tohmatsu LLC as our independent auditor expired at the end of GS Yuasa's 16th Annual General Meeting of Shareholders on June 26, 2020. Since Deloitte Touche Tohmatsu had audited our accounts continuously for many years, we decided it was necessary to freshly evaluate and review our independent auditor. Prior to the expiration of Deloitte Touche Tohmatsu's term, therefore, we conducted a comparison of several auditing firms, including Deloitte Touche Tohmatsu, in accordance with GS Yuasa's independent auditor evaluation and selection criteria. As a result, we chose KPMG AZSA LLC as our new independent auditor. As well as this firm having the expertise, independence, and suitability required of an independent auditor, and also the capacity to audit the GS Yuasa Group's global business activities in a uniform manner, we judged that by changing the independent auditor, we could look forward to audits being carried out from a fresh perspective using different methods than in the past.

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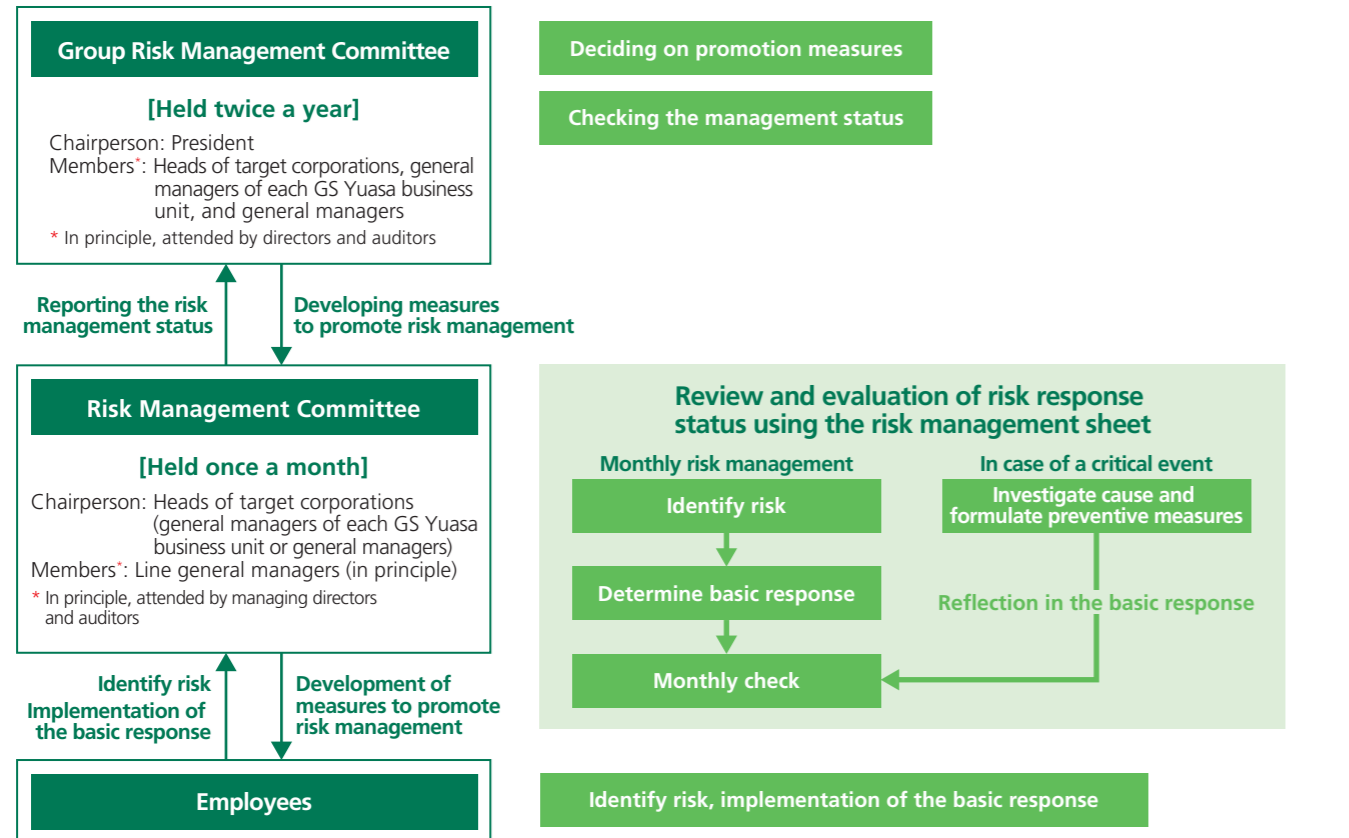
Risk management

Basic approach

Risk management is essential for the lasting growth of a company. The GS Yuasa 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.

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, our Group has formulated risk management rules that stipulate the responsibilities of employees and our risk management promotion setup.

The structure and functions of risk management



The Group Risk Management Committee

The Group Risk Management Committee, headed by the president and consisting of the chairs of departmental Risk Management Committees among others, holds semiannual meetings to promote group-wide risk management and to encourage the sharing of key information related to risk management. In addition to making decisions on measures to promote 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.

Risk management sheets

In accordance with the risk management rules, each department uses a risk management sheet. The methods of usage are as follows.

The departments and employees first fill in the measures

they are taking as a basic response to mitigate the risks they have 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 relevant events that occurred, as well as a summary of the response and the investigation into the cause, and measures to prevent a reoccurrence. Management is strengthened through the reflection of these preventive measures in the measures described in the “basic response” and by checking the status of their implementation each month.

The risk management sheets produced by the departments are compiled at the divisional level and the directors in charge of the divisions verify and assess the status of response through the Risk Management Committee. The deliberations by the committees are summarized and then fed back to each department and employee as required, to enhance the effectiveness of risk management.

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 from the Group Risk Management Committee will be appointed to organize a crisis management headquarters, under the president, to minimize corporate losses, and an effective response will be implemented swiftly and with appropriate care.

Response to the COVID-19 pandemic

In order to prevent the spread of the novel coronavirus infection, our Group has implemented the following initiatives giving top priority to the safety of our customers, local residents, concerned parties, and employees.

- Implementation of telecommuting and staggered office hours in workplaces where this can be implemented and not just in areas considered to be under declaration of a state of emergency
- Cancellation or postponement of meetings and events that are not urgent, along with Web and telephone conferencing alternatives
- Suspension of domestic and overseas business trips, in principle, along with Web and telephone conferencing alternatives
- Strict enforcement of health management including hand washing, gargling, alcohol disinfection, and wearing a mask
- Voluntarily refraining from going to work in case of poor health such as in the case of a fever

Note: Depending on the spread of the infection, this includes prevention measures that have been relaxed or partially lifted.

Compliance

Basic approach

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. Based on these guidelines, multifaceted compliance promotion activities are developed at every employee level, and each employee is encouraged to incorporate self-directed and proactive actions 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.

This manual clarifies the Group’s CSR policy. It outlines the behavioral standards that each employee must follow during business activities.

Furthermore, to enable employees to act as per the 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. In addition, the manual details how to use the internal whistleblower system and introduces an emergency contact system for use in a crisis to realize quick responses to compliance infringements.

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Workplace meetings on CSR

Workplace meetings on compliance were initiated in fiscal 2012 as a means of allowing compliance awareness to permeate to each and every employee, and have been conducted for eight consecutive years through till 2019.

Transitioning into “workplace meetings on CSR” from fiscal 2018, these meetings introduced various topics aligned with CSR policy and are now being expanded to 22 Group companies within Japan in addition to the 364 GS Yuasa workplaces.

The educational materials used in the meetings have been made by the division in charge for each topic and include content related to the circumstances of the Group. Vigorous debates have been conducted and 97% of the workplaces rate these as meaningful. We intend to continue running these meetings while constantly upgrading the content.

Examples of themes of CSR workplace meetings

- 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
- Promotion of supply chain CSR activities

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 2019, there were 7 reports relating to harassment and other matters (10 received in fiscal 2018). We conduct inquiries and take appropriate action on these matters, while remaining committed to protecting whistleblowers.

Elimination of antisocial forces

The GS Yuasa Group clearly disavows contact “with personnel or organizations of organized crime,” in its CSR Policy while its 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 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.

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

Furthermore, based on global 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.

Since fiscal 2019, we have been promoting efforts geared toward patent analysis and 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 including exposing and litigating against injurious overseas counterfeit products, to ensure the reliability of available products for our customers.

CSR management

Basic approach

“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, are the foundation of the Group’s CSR activities. In the GS Yuasa Group, all employees understand that CSR activities are business activities, and all participate based on our CSR Policy and Code of Conduct in order to ensure the sustainable development of society and business.

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 the global environment.

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

CSR promotion process

The GS Yuasa Group has established a process based on our CSR promotion plan and is committed to implementing CSR through business activities. The goal of this process is to enhance corporate value and stakeholder satisfaction by incorporating our corporate philosophy into the process.

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 and individual policies that clarify specific directions and concrete behavioral standards.

Furthermore, in order to incorporate our CSR policy in our business strategy process and put it into practice, we have formulated a corporate plan that takes into account stakeholder needs and expectations while addressing social issues. We are committed to achieving our plan through the application of multiple management systems based on existing business processes. Performance of operational processes is evaluated by the CSR Committee, chaired by the officer in charge of CSR, ensuring continuous improvements.

CSR promotion initiatives

Phase	Period	Target
First stage	FY2016–17	Create processes to deal with the CSR issues in relation to our business strategy (Fourth Mid-Term Management Plan)
Second stage	FY2018	Analyze and evaluate our performance using these processes and then make improvements
Third stage	FY2019	Establish business processes that incorporate CSR issues into our business strategy (Fifth Mid-Term Management Plan)
Fourth stage	FY2019 onward	Implement CSR activities in all of our business processes to ensure sustainable social and corporate growth

CSR promotion framework

