

Governance: Messages from Outside Directors



Utilizing various information-sharing forums to bolster discussions with executives

We hold monthly meetings with the directors of GS Yuasa International Ltd., which is the GS Yuasa Group's core operating company, with the aim of exchanging opinions. As well as issues discussed in the Board of Directors, we can hear about such matters as conditions in the market and rival companies and issues concerning business execution, which is useful for our understanding of the situation.

In fiscal 2021 I feel that by promoting the analysis of detailed items on the agenda and information sharing beforehand, the operation of the Board of Directors became more efficient and discussion points were made clearer. Many issues cut across organizations, so going forward, I think it is necessary also to strengthen coordinating functions and bolster cross-section links among organizations.

From fiscal 2022, the three outside directors are scheduled to hold regular meetings as well. Outside directors have an administrative and supervisory position, but we see these meetings as opportunities to discuss matters that the company should change, including issues on the executive management side too. We will convey the results of these discussions to the president.

Important to continue strengthening monitoring function over overseas subsidiaries

Although the briefings by overseas sites constitute a monitoring function to an extent, further countermeasures are necessary, especially in regions where market changes are rapid. In fiscal 2021 a site in China registered an impairment loss. To avoid such a situation, it is necessary to continue strengthening the monitoring function of overseas subsidiaries. The COVID-19 pandemic poses some difficulties, but I hope that we can strengthen monitoring as much as possible by conducting onsite inspections and creating opportunities for discussions with subsidiary management.

Achievement of ESG targets essential for gaining the trust of society

Our Fifth Mid-Term Management Plan includes targets for ESG factors. Some items will require considerable effort to achieve the goals, but these targets are promises to society. I hope that activities will be conducted throughout the Group with a strong determination to definitely reach the goals.

To promote sustainability initiatives, I think it is necessary to strengthen the Board of Directors' involvement in sustainability issues through the CSR Committee. In addition, in response to the revision of Japan's Corporate Governance Code, investors and evaluation bodies are calling for ESG factors to be included in director remuneration schemes. In the Group too, I hope that we can discuss in the Nomination and Compensation Committee how the status of efforts to tackle sustainability issues can be reflected in the remuneration scheme, which would lead to the enhancement of our corporate value.



Clarifying roadmaps to building second and third pillars of business

At present considerations are proceeding on the Long-Term Vision and Sixth Mid-Term Management Plan of the Group. In the Long-Term Vision, we need to outline the company's future image of itself, the main directions of our business, our environmental initiatives, and so on from a long-range perspective. In the next three-year Mid-Term Management Plan, we need to show more specific measures, such as targets, directions, and roadmaps, to address the issues facing us. It is important to indicate the company's strong determination to solve them. We need to clearly show roadmaps for solving the major challenges that must be overcome to enhance our corporate value, such as improving the profitability of the lead-acid batteries business, which is our core business at the moment; the establishment of second and third business pillars; and the strengthening of governance of overseas business. It is also necessary to send a strong message that raises the expectations of stakeholders in the company's future. I think the opportunities for outside directors to make proposals will increase as well.

Risk management and the speeding up of business operations

I feel that the speeding up of decision making and delegation of authority, which I have been proposing before, are getting better year by year. However, in the lithium-ion batteries business and other fields that the Group will be focusing on going forward, the company's sense of speed is inferior to that of domestic and international rival manufacturers. Hopefully we can further speed up business operations by delegating authority to make faster decision making, improving organizational and corporate culture, clarifying authority and responsibility, and quickly rotating the PDCA (plan-do-check-act) cycle to solve issues.

In fiscal 2021 the Group launched the Business Assessment Committee as a forum to discuss important matters, such as M&A and the acceptance of large orders, thereby endeavoring to substantiate the content of discussions and identify multisided business risks. Improvements can be seen. I appreciate the efforts to tackle risks, but sometimes considerations can become too detailed. It is necessary to align matters that should be discussed with the management point of view.

Strategic HR development to contribute to the strengthening of governance overseas

Overseas business in the Group, where market growth can be expected, involves many joint ventures that are difficult to control, and I always feel that the strengthening of governance is needed to properly administer the business. For this purpose, the development of human resources who can undertake management overseas is an urgent matter. The company is an agglomeration of organizations. If the power of each organization increases, corporate strength will expand as well. Firstly, I think it is important to enhance the capabilities of individual human resources steering the organizations. I make a suggestion that the Group should implement strategic HR development, selecting future candidate leaders from among young employees and setting job rotation so that they can accumulate various experiences. While making do in the short term by assigning outstanding human resources in Japan to management overseas, in the medium to long term I believe such HR development is sure to lead to stronger organizations and the enhancement of governance, business competitiveness, and corporate value.

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Further visualization of overseas operation risks and improved speed of risk response

Regarding the visualization of overseas operation risks, outside directors also attend the annual briefings by overseas sites, and results are evident to an extent. However, it is necessary to further speed up the process from gathering information to taking action. Amid the existence of a host of risks, including damage to the supply chain due to the COVID-19 pandemic and geopolitical risks, GS Yuasa needs to build a framework for the real-time sharing of information and to hold discussions at the management level and swiftly adopt countermeasures.

I can appreciate the progress that has been made in delegating authority so that speedy decisions can be made, such as the acceptance of new large-scale business orders. Going forward, I think it is important to properly check results after the delegation of authority has progressed and to rotate the PDCA (plan-do-check-act) cycle for checking and making improvements.

Enlivening discussions toward optimization of the business portfolio; consideration of human capital in view of future business plans

Regarding optimization of the business portfolio, in fiscal 2021 the Board of Directors also devoted a considerable amount of time to discussing this matter, and I feel that the stance of challenging new fields is taking shape. In response to moves in society toward the realization of carbon neutrality, in addition to lithium-ion batteries for hybrid electric vehicles (HEVs) and plug-in hybrid vehicles (PHEVs), the Group has indicated its stance of addressing battery electric vehicles (BEVs), as well as its clear policy beyond that of developing all-solid-state batteries. Furthermore, in its industrial batteries and power supplies business, the Group is working on a strategy for developing new products and supplying services, such as remote monitoring, in the field of energy management toward promoting the diffusion of renewable energy.

In discussing the business portfolio, the perspective of how to secure human resources to promote business 10 or 20 years down the road is important too. We might acquire human resources from outside, or utilize our current human resources, or engage in reskilling. It is necessary to clarify required skills and visualize how we are going to secure the human capital to sustain our business. For example, in the lead-acid batteries business, the transfer of skills utilizing experienced personnel with expert skills is going to be an issue. In the industrial batteries and power supplies product and service creation business, we will need human resources with a knowledge of IoT and DX. We may also need human resources capable of doing business with software. We must consider the establishment of diverse employment patterns too, including the partial introduction of job-focused employment. Going forward, I intend to continue making suggestions concerning the utilization of human capital, including from the perspective of diversity and inclusion.



Monitoring the Board of Directors and executive management based on productive information sharing

One year has passed since my appointment as an outside corporate auditor, and my impression is that GS Yuasa's Board of Directors sincerely listens to the suggestions of outside directors. In addition, I feel that communication is being conducted smoothly; discussions between the corporate auditors and the president take place regularly and are lively. Support for outside corporate auditors is extremely generous. For example, there is an in-house database, so much information, such as the minutes of meetings, is shared. In addition, monthly meetings with the internal auditing section enable us to understand the state of internal auditing, and the corporate auditors, including myself, compile monthly audit reports, which are useful in the sense that we can share notes.

As an outside corporate auditor, capitalizing on my experience so far, gained in an auditing company, of studying the governance regimes of many companies and coming into contact with many company managers through account auditing, I want to positively point out matters that I feel may be dubious and wrong.

High level of governance befitting the Prime Market listing

Regarding evaluation of the effectiveness of the Board of Directors in governance, all directors and corporate auditors reply to questionnaires, and the president holds discussions with outside directors. As a result of these discussions, matters that should be improved are taken up and efforts made to enhance the effectiveness of the Board of Directors.

In April 2022 GS Yuasa moved to listing on the Prime Market of the Tokyo Stock Exchange. As world-leading enterprises, companies listed on the Prime Market are required to exercise an even higher level of governance. To upgrade to the rank of a truly global enterprise, it is important to have a governance function embracing the entire GS Yuasa Group. In particular, I think it is necessary to strengthen the mechanism for understanding the situation of overseas subsidiaries in a timely manner.

Expectations of a future outlook compiled in a period of major transition

GS Yuasa was founded more than a century ago. In the fields of lead-acid batteries, which have a long history, and lithium-ion batteries, which use state-of-the-art technology, the company supplies products and services for automotive and industrial use.

Today society is facing various issues, such as the realization of carbon neutrality and confusion in the supply chain, and it is standing at a major turning point. Like others, we are being required to make important management decisions regarding future efforts toward batteries for EVs and batteries for clean energy. At present the company is going ahead with formulation of the Sixth Mid-Term Management Plan and Long-Term Vision, which will be announced in 2023. In doing so, it is necessary to firmly seize business chances and to indicate clearly how the Group is going to contribute to society. I hope a future outlook is compiled that balances both the solution of social issues and corporate growth.