



With Business Partners

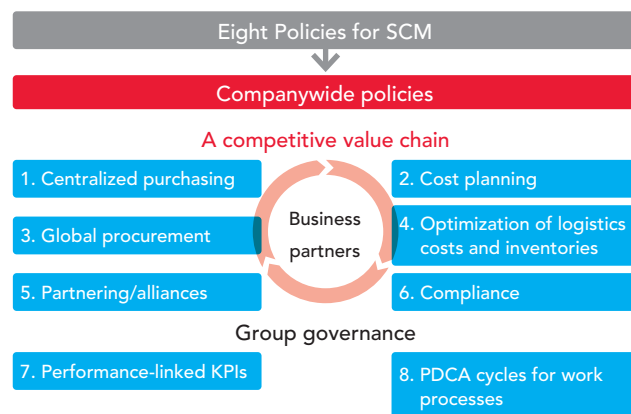
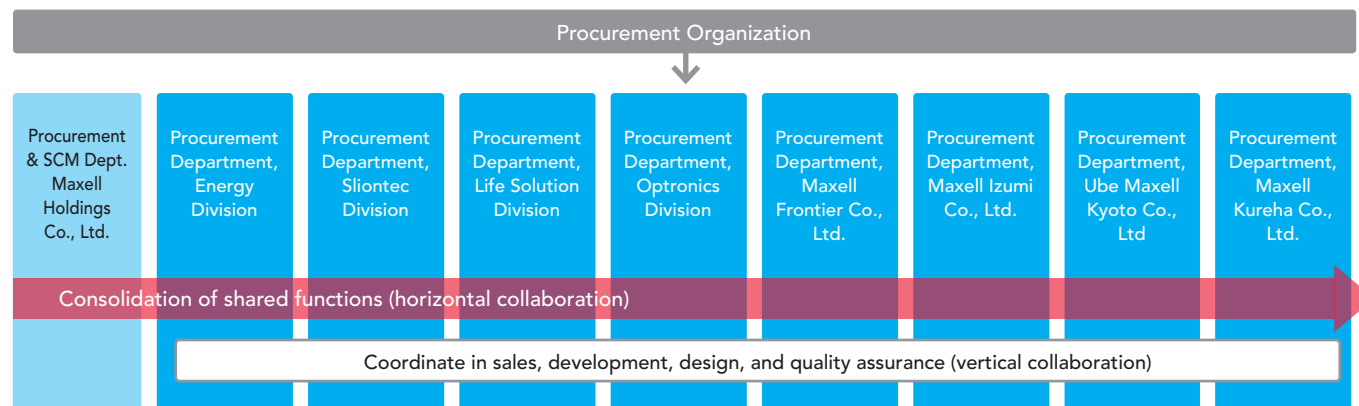
Basic Policy

Our business partners include suppliers of raw materials, components, indirect materials, and equipment; contract manufacturers; and logistics providers.

In addition to recognizing their importance to our operations, we also view business partners as our allies in efforts to meet social responsibilities.

Reflecting this mindset, our businesses meet society's expectations by advancing CSR initiatives in close collaboration with business partners.

System



Reinforcing the Value Chain

▲ Pursuing Key SCM Measures

The Maxell Group has overhauled its procurement functions, which were previously conducted independently by divisions in each company. This realignment entailed establishing the Procurement & SCM Department as an organization tasked with implementing the Eight Policies for supply chain management (SCM) across all divisions. As a result, we are benefiting from utilizing the procurement activities that are directly linked to the products of each division but based additionally on a unified Groupwide policy. We are also benefiting from being able to adjust procurement to reflect changes in market conditions.

1. Centralized purchasing

Indirect materials and common components were previously purchased independently by divisions, but we are now centralizing the purchasing function for these in the Procurement & SCM Department. From this fiscal year, we have also centralized arrangements for indemnity insurance and property insurance for Group companies in Japan in order to change to the most suitable policy details.

2. Cost planning

In fiscal 2018, the Maxell Group launched its P/L Improvement by Model Project (PIPJ) to enhance earnings by model and began measures to improve products with low profitability. As part of these efforts, we are further evolving Value Engineering for Customers (VEC), which enhances the value of products from the viewpoints of customers. This involves promoting activities that take into account procurement at the concept design stage, where we analyze demand for new products, a process which is carried out in cooperation with personnel responsible for cost planning engineering in each business division.

Through collaboration between related divisions, which includes corporate procurement and procurement for business divisions, we are then able to realize appropriate sales prices and costs by simulating market trends and incorporating added value, improvements, and new ideas from business partners.

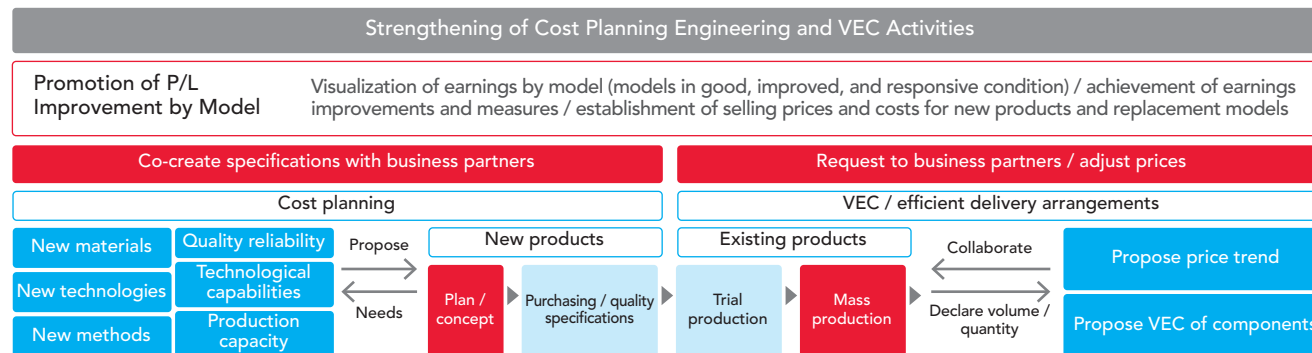
Moreover, through new proposals (original technologies, early development, new materials, etc.) from business partners, we will improve our "cost planning engineering" and thereby promote co-creation and co-prosperity.

3. Global procurement

We convened a global procurement council for personnel responsible for procurement at overseas business sites to share information and expertise on how to reduce costs and find optimal suppliers. Recently in particular, bottlenecks have occurred for certain supplies due to the impact of COVID-19. We identified troubled suppliers around the world and took measures with regard to suppliers. For business partners in



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China, we strengthened our risk countermeasures by using local credit research companies.

are recovered through sales. We are working to improve collaboration with personnel in each business division.

4. Optimization of logistics costs and inventories

We are lowering logistics costs as a percentage of net sales by improving logistics and visualizing inventories. This involves analyzing our supply chain to shorten the cash conversion cycle, wherein funds invested in raw materials and other goods

5. Partnering and alliances

The Maxell Group aims to conduct business activities together with its business partners to increase corporate value, sharing a common theme of contributing to the SDGs. We ask key business partners to complete a CSR self-assessment and regularly

assess the status of their CSR activities, providing assistance where necessary. A shared awareness of CSR with our business partners helps to strengthen our partnerships.

6. Compliance

We rigorously inform employees about and emphasize the importance of guidelines for conducting material procurement as well as compliance with fundamental principles (basics) and ethical practices (ethics). In fiscal 2017, we established the Maxell Group Procurement Risk Management Committee, which conducts training and provides guidance aimed at ensuring compliance with respective laws and regulations.

To coordinate procurement with business partners based on the six Companywide Policies above, the Maxell Group's procurement departments conduct anticipatory management of "7. Performance-linked KPIs (key performance indicators)" and "8. PDCA (plan-do-check-act) cycles for work processes." We focus on seeking the cooperation of business partners in a timely manner to reflect changes in market conditions.

Reinforcing Alliances with Business Partners

▲ Promoting CSR Procurement

The Maxell Group promotes CSR-oriented procurement across its entire supply chain in accordance with the Supply-Chain CSR Procurement Guidelines.* In advancing initiatives, we strengthen partnerships by using a range of different methods to share with business partners our views on CSR as well as other stances and policies. These include direct communication through day-to-day procurement activities, business policy briefings at the beginning of each fiscal year, and the Maxell Partners Day, as well as notification via dedicated procurement websites.

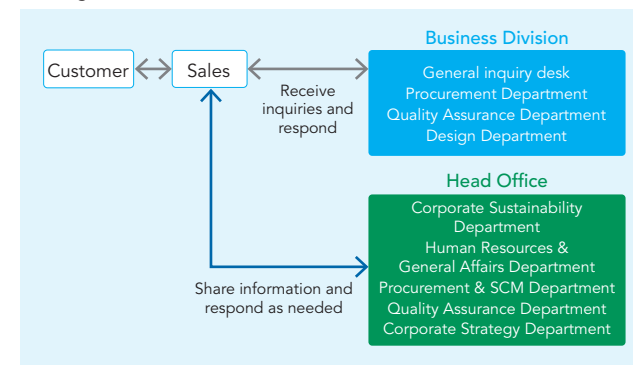
However, as CSR-related requirements of corporations continue to change daily, in January 2020 we revised our guidelines for contribution to the SDGs. Up until now, we have been

asking our business partners to promote CSR activities, and we will now work to promote CSR procurement activities even further by asking certain business partners to cooperate by conducting self-assessments of their CSR activities.

With regard to responsible procurement of minerals, our divisions have been conducting surveys back up the supply chain to the smelters and refiners for materials including tantalum, tin, tungsten, and gold (3TG), and cobalt. From fiscal 2019, however, we adopted a system in which the head office functions (Environment, General Affairs, Procurement, Legal Affairs, and Quality Assurance) also provide information. In fiscal 2019, in response to customers' requests, we submitted 86 reports using the Conflict Minerals Reporting Template (CMRT) issued by the Responsible Minerals Initiative (RMI) and eight reports based on the Cobalt Reporting Template (CRT). There were no instances of using minerals from problematic smelters or refiners.

* The latest version of Maxell's CSR Procurement Guideline can be viewed at the following URL.
https://www.maxell.co.jp/procurement/pdf/procure_csr_guideline200820eng.pdf

Conflict Minerals Reporting Template (CMRT, CRT) Information Sharing Structure





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CSR Procurement Initiatives

▲ Supply Chain Management

Maxell sees its suppliers as important business partners in its business activities. Through our procurement activities, we aim to build relationships of mutual trust based on equality, fairness, and mutual prosperity, and to develop together.

▲ CSR Procurement Program

Since fiscal 2019, we have been promoting a CSR procurement program, requiring observance of the procurement guidelines and using a PDCA cycle of self-assessments by suppliers, visiting inspections, and improvement activities. Through these initiatives, we have conducted improvement activities with the cooperation of our suppliers, and raised the level of our CSR procurement.

▲ CSR Self-Assessment*

In fiscal 2019, we confirmed the status of CSR procurement by our suppliers using a CSR self-assessment questionnaire (SAQ) issued to key suppliers in Japan to grasp the situation and implement improvements. The CSR self-assessment is an original questionnaire created by Maxell based on on-site inspection criteria of the Responsible Business Alliance (RBA). The questionnaire is aimed at our key suppliers of direct materials (parts suppliers who account for 80% of the procurement amount and for whom there are no alternative suppliers). For suppliers who score an assessment rank of D in the SAQ, we conduct on-site assessments, which lead to improvement activities. Furthermore, as this is the first time Maxell has tried this initiative, we are implementing it using a three-year plan.

* CSR Self-Assessment
A self-assessment of the status of compliance with the Maxell Group Supply-Chain CSR Procurement Guidelines
Self-evaluation items: labor, health and safety, environment, ethics, quality and information security, and management system

CSR Self-Assessment

Rank	Score	Explanation
A grade	85% or higher	<ul style="list-style-type: none"> Meets the level of activities required by the CSR Procurement Guidelines. Able to autonomously improve items that require improvement.
B grade	65–84%	<ul style="list-style-type: none"> Some items do not meet the level required by the CSR Procurement Guidelines and require improvement. Able to autonomously improve items that require improvement.
C grade	50–64%	<ul style="list-style-type: none"> Some items do not meet the level required by the CSR Procurement Guidelines and require improvement. The supplier needs to draw up an action plan for improving the items, check on the improvement status versus the plan, and make a report.
D grade	49% or below	<ul style="list-style-type: none"> Some items do not meet the level required by the CSR Procurement Guidelines and require improvement. The supplier needs to draw up an action plan for improving the items, check on the improvement status versus the plan, and make a report. The status of improvement should be audited.

Fiscal 2019 was the first year. We received SAQ responses from 253 key suppliers of direct materials. In cases where the primary supplier was a trading company, we asked the secondary supplier to respond to the SAQ. In cases where the SAQ assessment result was a D grade ranking, we conducted on-site assessments and provided support for improvement activities. Suppliers who received a C grade were asked to submit an improvement plan and a written response, which was followed up continuously to help them achieve a B grade or higher.

Assessment Results for Primary Suppliers

	Fiscal 2019
Target	Direct material suppliers
Assessed suppliers	253 companies
Medium-term target	Reduce the proportion of C grade or lower to 0% by fiscal 2023
A grade (85% or higher)	34%
B grade (65–84%)	56%
C grade (50–64%)	10%
D grade (49% or lower)	0%