

With Business Partners

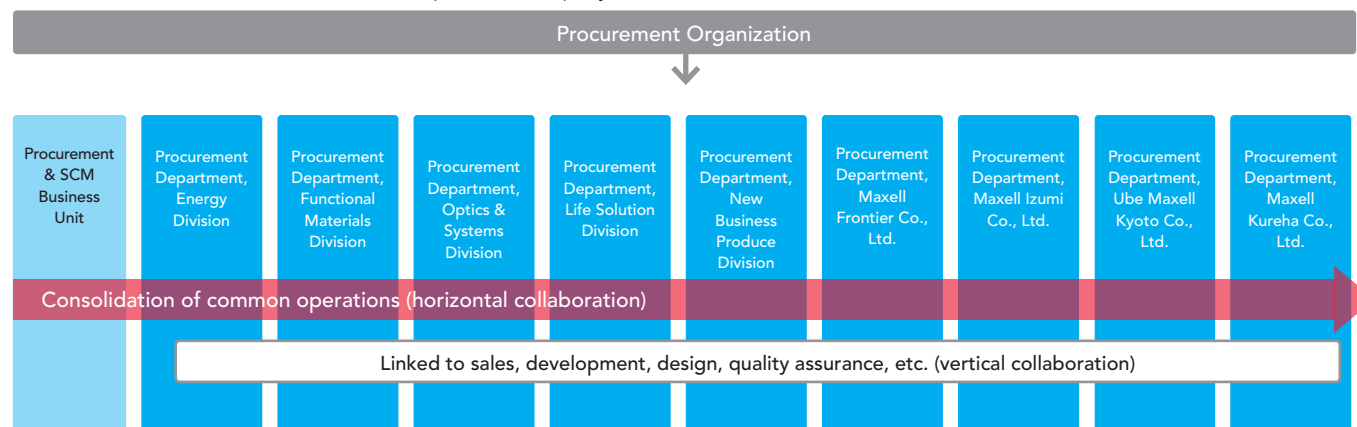


Basic Policy

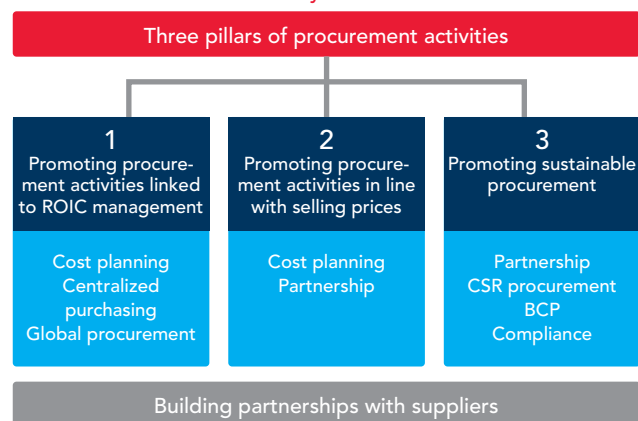
Suppliers of raw materials and parts, indirect materials, facilities, etc., subcontractors for production of products, and business partners that are contractors for distribution are indispensable to our business activities, as well as partners that together fulfill our responsibilities to society.

Based on this recognition, Maxell Group will develop CSR activities in concert with its business partners and implement activities that sincerely respond to the expectations and demands of each business activity.

▶ **Structure** Procurement departments in each business division and horizontal collaboration and vertical collaboration between business divisions will be established to promote company-wide activities.



▶ Outline of Procurement Policy



Fiscal 2021 Procurement Policy

■ Key Measures in the Three Pillars of Procurement Activities

Based on MVSS, which is the company-wide basic management policy, we have reorganized our procurement activities into the Three Pillars of Procurement Activities. We will achieve results by promoting activities in line with this procurement policy (see the left chart) through collaboration with business partners while responding to changes in the market environment.

1 Procurement activities linked to ROIC management

We will promote procurement measures in conjunction with the P/L Improvement by Model Project (PIPJ) and P/L management

by business (ABC-XYZ management). Specifically, we are strengthening cost planning engineering and global procurement activities as measures and improvement activities for unprofitable products.

In addition, we are continuing our efforts to streamline operations by promoting the consolidation of indirect materials and common products, which had been independently procured by business divisions, into Procurement & SCM Business Unit.

2 Procurement Activities in Line with Selling Prices

We will set and implement cost targets that follow the reduction in selling prices through actual budget management of the ratio of material costs to sales.

Specifically, through corporate procurement and activities in collaboration with business divisions and related departments, we will incorporate the added value, improvements, and new ideas of our business partners while predicting and analyzing market trends, and take measures against cost targets.

In addition, we will provide new proposals (original technologies, advanced development, new materials, etc.) to our business partners, which will lead to mutual co-creation and co-prosperity activities.

3 Sustainable Procurement

• CSR procurement

We will promote supply chain CSR-based procurement activities based on the revised 2020 CSR Procurement Guidelines. Since June 2021, we have been participating in the Supply Chain Subcommittee of the United Nations Global Compact and will strive to further raise the level of our activities.

• Strengthening BCP*

Procurement risks are rising due to natural disasters, soaring raw material prices, and a shortage of electronic devices, and we are strengthening our supplier BCP management. In fiscal 2021, we are also conducting BCP surveys at overseas Group companies.

*BCP: Business continuity planning



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• Strengthening Compliance

Regarding compliance, we continue to conduct compliance education within the Company and strive to ensure appropriate transactions with suppliers.

• **Announcement of endorsement of the “White Logistics” movement**
In Japan, the “White Logistics” movement began in 2019 with the aim of stabilizing logistics and contributing to the growth of the Japanese economy in order to respond to the shortage of drivers in the transportation and logistics industries, which are continuing to face serious conditions.

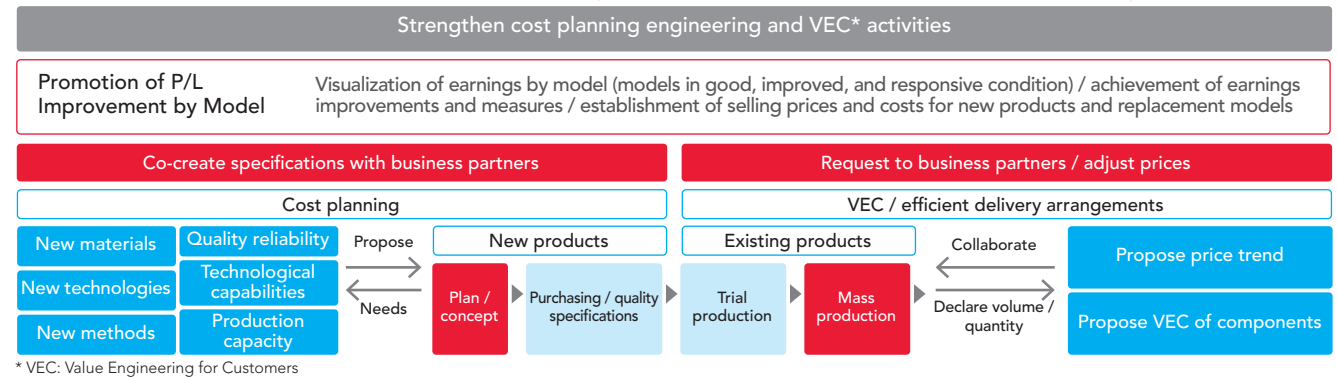
From the perspectives of sustainable growth, compliance, and ESG, we consider logistics improvement to be one of our management issues, and express our endorsement of the objectives of the campaign and participate in it.

In addition to improving the transportation methods we are currently working on, we will shorten the waiting time for

shipments by carrying out production and packing in line with shipments, and we will secure sufficient lead times by allowing shippers time to arrive with a wide range of time. In this way, we

will continuously strive to improve the working environment for drivers and improve logistics productivity. We will continue to promote efficiency throughout the supply chain.

▶ Outline of 1 Procurement Activities Linked to ROIC Management and 2 Procurement Activities in Line with Selling Prices



Responsible Mineral Procurement

Due to the growing international interest in responsible mineral procurement, the procurement of minerals from conflict areas and high-risk areas requires responsible responses not to be a source of funds for conflict through mining and trading or to be involved in human rights infringement or child labor.

Maxell Group is engaged in responsible mineral procurement activities with a policy of not purchasing minerals that could cause social problems such as human rights. We will also conduct and continue to conduct surveys in accordance with the Due Diligence Guidance for Responsible Supply Chains for Minerals from Conflict Areas and High-Risk Areas issued by the Organisation for Economic Co-operation and Development (OECD).

In the past, we conducted an independent survey of smelters across the supply chain of materials and components, including 3TG (tantalum, tin, tungsten, gold) and cobalt, in our

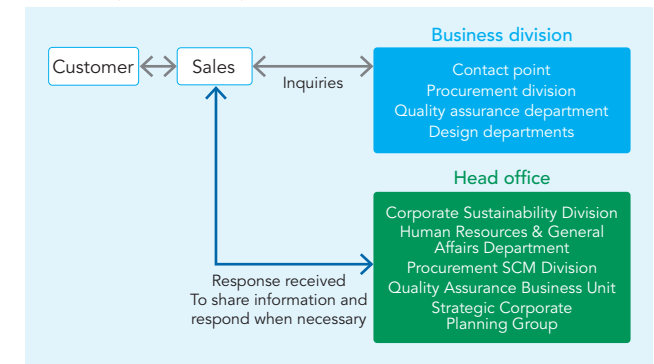
business divisions. In fiscal 2019, we changed to a system for sharing information in parallel with the head office organization (environmental, general affairs, procurement, legal, and quality assurance), and strengthened management.

In response to requests from customers, we submitted 122 Conflict Minerals Reporting Template (CMRT) and 11 Cobalt Reporting Template (CRT) forms issued by RMI*. There were no cases of using minerals from problematic smelters, as a result of fiscal 2020(company-wide).

* RMI (Responsible Minerals Initiative): Body that is leading conflict minerals efforts with more than 300 companies and organizations worldwide

* Please refer to the URL below for the latest version of the Supply Chain CSR Procurement Guidelines.
https://www.maxell.co.jp/procurement/pdf/csr_procurement_guideline_eng.pdf

▶ Structure for Information-Sharing on Conflict Minerals Survey Forms (CMRT, CRTs)





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CSR Procurement

Supply Chain Management

Maxell considers its business partners to be important business partners in its business activities, and conducts procurement activities aimed at building mutually trusting relationships and fostering mutual development based on the principle of fairness and co-existence and co-prosperity.

CSR Procurement Promotion Program

In fiscal 2019, we launched a CSR-based procurement promotion program. The program calls for compliance with the Procurement Guidelines, supplier self-evaluations, on-site surveys, and PDCA cycles for improvement activities. Through this initiative, we are conducting improvement activities in cooperation with our business partners to raise the level of CSR procurement.

CSR Self-Assessment*

Since fiscal 2019, the CSR Self-Assessment Questionnaire has been used to confirm the status of CSR procurement and make improvements to important suppliers in Japan. CSR self-assessment is conducted using Maxell's own questionnaire (SAQ: Self-Assessment Questionnaire) formulated based on the on-site auditing standards of the RBA (Responsible Business Alliance) for key suppliers of direct materials (80% of procurement value and parts suppliers that do not have the effect of alternative procurement).

If the SAQ evaluation results indicate a rating of D grade, we conduct on-site surveys and provide support for improvement activities. If a rating of C grade is determined, we receive a written response to the improvement plan and follow up, which leads to improvement activities, and we promote them to be B grade or higher.

This initiative is being pursued in a three-year plan with a three-year period starting in fiscal 2019. In fiscal 2020, the second year of the plan, we received SAQ responses from 357 of

Self-Assessment Evaluation Rank

Rank	Evaluation points	Explanation
A grade	85% or more	<ul style="list-style-type: none"> Actions are being taken at the required level of the CSR Procurement Guidelines. Items requiring improvement can be improved voluntarily.
B grade	65–84%	<ul style="list-style-type: none"> There are items that are not able to respond with the necessary level of the CSR Procurement Guidelines, and improvements are required. Items requiring improvement can be improved voluntarily.
C grade	50–64%	<ul style="list-style-type: none"> There are items for which action is not being taken at the required level in the CSR Procurement Guidelines, and improvement is necessary. An action plan should be prepared to improve items that need improvement, and improvements should be checked and reported based on this plan.
D grade	49% or below	<ul style="list-style-type: none"> There are items for which action is not being taken at the required level in the CSR Procurement Guidelines, and improvement is necessary. It is necessary to prepare an action plan to improve items that need improvement, and to confirm the status of improvement based on it. The status of the improvement should be audited.

our important suppliers of direct materials. Compared to the results in fiscal 2019, the ratio of large companies to the respondent suppliers has increased, resulting in an increase in A grade. There are 10% (36 companies) of C grades, and we are continuing to follow up on the improvement plan. In addition, as a topic for fiscal 2020, we have begun expanding the program to overseas suppliers and are expanding CSR procurement activities on a global basis.

* CSR self-assessment: Self-assessment of compliance with Maxell Group Supply Chain CSR Procurement Guidelines Evaluation items: Labor, safety and health, environmental, ethics, quality and information security, management systems

Evaluation Results of Primary Suppliers

	FY2019	FY2020
Target	Direct material suppliers	
Survey supplier	253 companies	357 companies
Medium-term target	Reduce C grade or lower to 0% by fiscal 2023	
A grade (85% or more)	34%	61%
B grade (65–84%)	56%	29%
C grade (50–64%)	10%	10%
D grade (49% or below)	0%	0%