

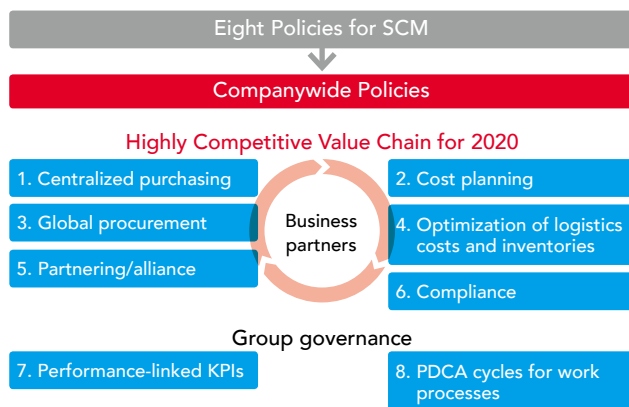
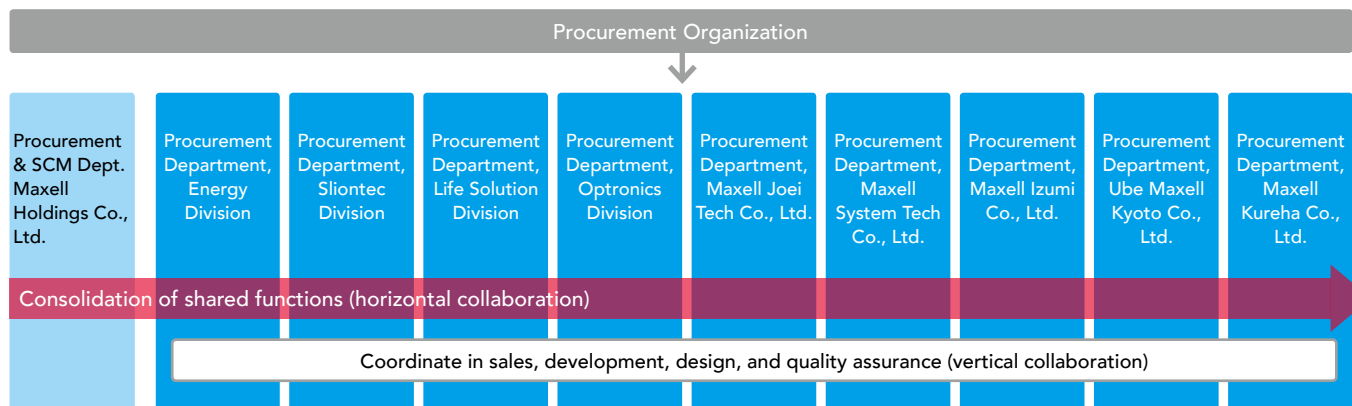


With Business Partners

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 mind-set, our businesses meet society’s expectations by advancing CSR initiatives in close collaboration with business partners.

System



Reinforcing Value Chain

▲ Pursuing Key SCM Measures

The Maxell Group has overhauled its procurement functions, which were previously conducted independently by each division. This realignment entailed establishing the Procurement & SCM Department as an organization tasked with implementing the Eight Policies for SCM (supply chain management) 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 also based on a unified Groupwide policy. We are also benefiting from being able to adjust procurement to reflect changes in market conditions.

1. Centralized purchasing

The Procurement & SCM Department is centralizing the procurement of indirect and common materials, which was previously conducted independently by each division. A particular benefit of this change is that it has allowed us to take advantage of the full deregulation of electric utilities. For example, we reduced the power suppliers of our manufacturing bases in Honshu and Kyushu from six to two in fiscal year 2017. Continuing this strategy, in fiscal year 2019 we have put our power supply contract out to tender, enabling us to conclude contracts with optimal suppliers.

2. Cost planning

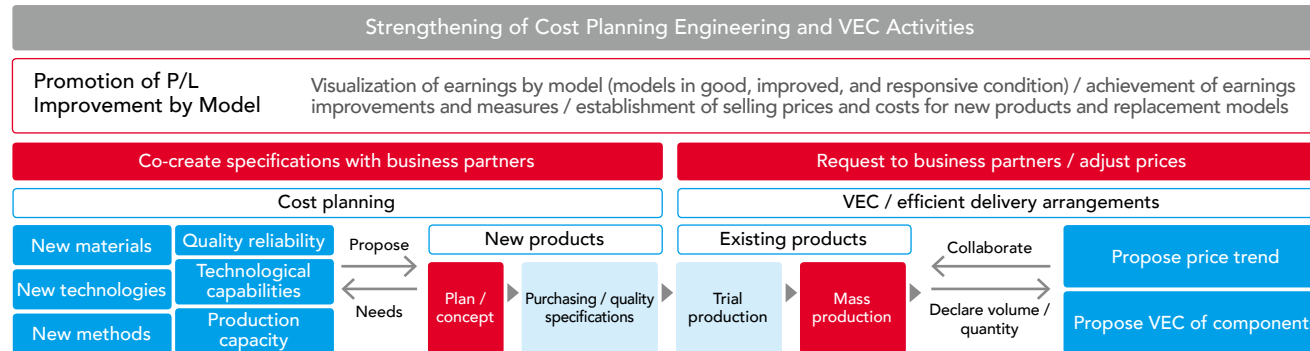
In fiscal year 2018, the Maxell Group launched its P/L Improvement by Model Project (PIPJ) to enhance earnings by model and began measures to improve products with low profitability. As part of these efforts, we are further evolving Value Engineering for Customers (VEC), which enhances the value of products 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.



With Business Partners



3. Global procurement

We are taking various steps to strengthen global procurement. Twice a year, procurement managers, including those from overseas operating bases, meet to share information and know-how related to reducing costs and selecting optimal suppliers. To hedge yen appreciation risk, have shifted the manufacture of shavers and dryers overseas, and are importing more original equipment manufacturer (OEM) products. Consequently, about half of our procurement is for overseas. With this in mind, we began conducting procurement training for procurement managers at overseas bases in 2018 with the aim of developing overseas procurement capabilities. The roles of such training will be to foster overseas procurement managers, acquire the latest information on business partners in Japan, and advance global procurement that leverages overseas trade channels.

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

5. Partnering/alliance

Also, we reinforce alliances with business partners by inviting suppliers—who help us on a day-to-day basis in relation to quality, prices, and lead times—to the annual Maxell Partners Day. At these events, we share our views on CSR as well as other stances and policies with our business partners.

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 year 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

▲ Advancing CSR-Oriented 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.

Through the Maxell Group Procurement Risk Management Committee, which was established in fiscal year 2017, we have sought the cooperation of business partners with initiatives aimed at reviewing the emergency preparation measures coordinated with business partners, identifying the chemical substances being used, and building a supply chain based on social responsibility in relation to conflict minerals.

* https://www.maxell.co.jp/procurement/pdf/csr_procurement_guideline.pdf (in Japanese only)



In October 2018, we invited 107 major suppliers to the FY2018 Maxell Partners Day.



We shared and confirmed our policy on co-creation and co-prosperity through the growth and brand strategies, and competitive value chain of the Maxell Group with business partners.