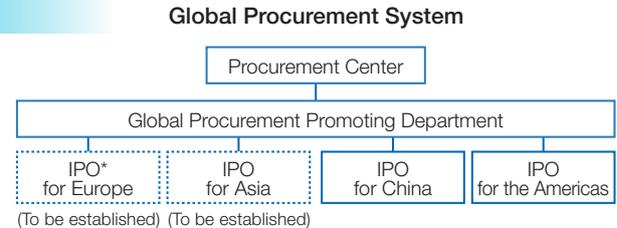


# Procurement

In order to increase earning power and reduce risks, Fuji Electric has built a global procurement system and strives to keep down the costs of the materials used in products as well as indirect materials. Also, in our procurement activities, we emphasize social responsibility in building partnerships with our suppliers.

## Procurement Policy

- Expand global procurement
- Reduce costs by promoting development purchasing activities
- Reduce all indirect material costs, including office supplies
- Promote CSR in procurement



\* International Procurement Office

A procurement base that discovers new leading suppliers in countries around the world and provides procurement services for Fuji Electric Group business sites.

## Major Initiatives in Fiscal 2013

### Expanding Global Procurement and Development Purchasing

With the aim of building an optimal procurement system on a global basis, Fuji Electric is working to expand its IPO function to Asia and Europe, following similar efforts in China and the United States.

In fiscal 2013, we put in place a development purchasing system that involves the procurement division from the development and design phase for new products. Furthermore, we cultivated new leading suppliers, and achieved the transition to local procurement in Thailand, where Fuji Electric is focused on increasing production in particular. We also increased the procurement of materials with specifications suited to each region, which helped to reduce costs.

Going forward, we will continue to use development purchasing to help lower costs and further strengthen each IPO function as we pursue optimal procurement on a global basis.



Members of the Procurement Division at Fuji Electric Manufacturing (Thailand) Co., Ltd.

### Promoting CSR in Procurement

Fuji Electric believes that it is important to aim to be a company with high social value by working with our suppliers to fulfill our corporate social responsibility (CSR). To this end, the procurement divisions carry out approaches aimed at preventing compliance violations or infringements on human rights (such as forced labor and child labor) throughout the entire supply chain.

Also, from the perspective of protecting the environment, we are proactively pursuing green procurement, whereby we procure materials with small environmental footprints from suppliers actively engaged in environmental protection.

In fiscal 2013, we enhanced our internal compliance with procurement-related laws and regulations. In Japan, we held

internal training sessions for the procurement division, as well as the sales, services, engineering and design divisions (a total of 1,372 people attended 41 sessions in all). Overseas, we established rules and standards to comply with the differing laws and regulations of each country.

We promoted understanding of CSR among our suppliers through procurement policy briefings and procurement seminars, which we hold at our business sites each year.

Going forward, we will continue to teach both employees and suppliers about CSR through training sessions and seminars, which we conduct globally. We will also expand the scope of the CSR Questionnaire for suppliers with whom we have large orders.

## Reduce Procurement Risk

As a part of our business continuity plan (BCP), we have formulated a procurement BCP which includes the following three aspects, 1) building a supplier damage information collection system, 2) securing multiple suppliers for key components; and 3) establishing alternate sites to carry out procurement operations.

In fiscal 2013, we built a supplier damage information collection system among procurement divisions in order to quickly comprehend the delivery status of procured materials in the event of a major disaster or other catastrophic event. Also, we are aiming to establish multiple suppliers for important components. When establishing multiple suppliers, we intend to select at least one overseas supplier in terms of reducing natural disaster risk and foreign currency risk. Furthermore, in order to receive the cooperation of suppliers of important components, we conducted a questionnaire of each supplier's business continuity plans and evaluated them.

Going forward, we will continue to enhance our procurement BCP by establishing sites that can take over procurement operations in the event of a disaster and achieving inventory flexibility across the Group, including suppliers.

\* Please refer to page 47 "Risk Management" for information on BCP initiatives.

## Conflict Minerals

Fuji Electric has agreed with the philosophy of the Japan Electronics and Information Technology Industries Association (JEITA) and has established a policy of not supporting acts that violate human rights through its suppliers. Based on this policy, we have worked to ban the use of minerals associated with the funding of armed insurgents, human trafficking, forced labor, child labor, abuse, war crimes, and other human rights violations. These minerals include tin, tantalum, tungsten, gold and its derivatives produced in the Democratic Republic of the Congo or areas of conflict in surrounding countries.

Based on the policies of the JEITA's Responsible Minerals Trade Working Group, in Fiscal 2013 Fuji Electric held training about human rights violations and conflict minerals for its procurement divisions, as well as the sales, services, technology, and design divisions at 12 sites in Japan (a total of 328 people attended the 12 training sessions).

Going forward, we will continue to work alongside our suppliers to fulfill our social responsibility by appropriately addressing the conflict minerals issue.

Voice

## A Message from a Supplier



**Takeshi Shinohara**  
Executive Officer, Sales Division  
**Akiko Yoshida**  
Sales Division, Sales Department 2  
DENKISEIKOSHA CO., LTD.

### CSR Training for Suppliers

DENKISEIKOSHA CO., LTD. is a manufacturer that provides peripheral devices for electric power supply equipment, mainly transformers and reactors.

A lot of emphasis is being placed on environmental regulations and other CSR initiatives these days. As part of our efforts to bolster our CSR program, we participate in the seminars that Fuji Electric holds twice a year at its Kobe Factory.

In addition to topics such as Fuji Electric's business plans and procurement policies, the seminars cover issues based on society's demands, including compliance, CSR, and BCP. At a seminar about conflict minerals, we learned that using minerals originating from conflict areas may indirectly support the human rights violations that occur in those areas. It was a great opportunity for us to identify and figure out the issues that our company should address going forward.

As we move ahead, we will aim to be a company that is trusted by society and that grows alongside our stakeholders, as we continue to provide excellent products and services. Furthermore, we will strive to comply with laws and regulations, protect the environment, and contribute to society as part of our corporate social responsibility.