

# Procurement

In order to increase profitability and reduce risks, Fuji Electric has built a global-scale procurement system and strives to keep down the costs of the materials used in products as well as indirect materials including expenses and so forth. Also, we are promoting CSR-oriented procurement activities, by emphasizing social responsibility in building partnerships with our suppliers.

## Procurement Policy

- ▶ Expand global procurement
- ▶ Strengthen cost reduction for direct materials through development purchasing
- ▶ Strengthen cost reduction for indirect materials through activities involving all employees
- ▶ Promote CSR in procurement

## Major Initiatives in Fiscal 2014

### Expand Global Procurement

We aim to build a global procurement system to develop relationships with optimal suppliers on a global scale.

In fiscal 2014, we held a Global Procurement Strategy Council for procurement officers in and outside of Japan, as well as a China Area Procurement Strategy Council, which was held by the IPO for China to share procurement policies.

### Strengthen Cost Reductions of Direct and Indirect Materials

We are working to reduce the costs of both direct and indirect materials in and outside of Japan.

In fiscal 2014, we strengthened development procurement, in which the procurement department becomes involved from the development and design phase in the component business. Through this initiative, we reduced direct material costs by sharing materials for new products between different businesses. Moreover, we worked to achieve the maximum

### Promote CSR in Procurement

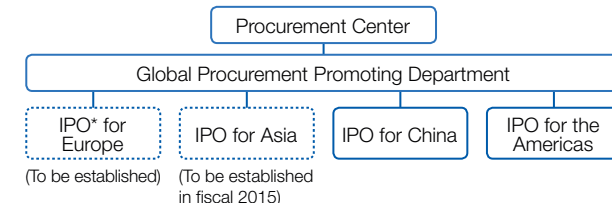
We are working with our suppliers to prevent compliance violations and human rights infringements throughout the entire supply chain, and actively promoting green procurement, where we procure materials with small environmental footprints.

Activities in fiscal 2014 were as follows.

|               |                                                                                                                                                                                                   |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Suppliers     | Conducted CSR Questionnaire to grasp CSR activities status (300 suppliers)                                                                                                                        |
| Fuji Electric | Conducted training on compliance in procurement<br>Japan: a total of 699 participants attended 30 sessions<br>Overseas: a total of 59 participants attended sessions at two companies in Thailand |

We will continue to ensure full awareness of our CSR policies by holding business policy briefings and training sessions for our suppliers as well as internally.

## Global Procurement System



\* International Procurement Office

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

We took steps to improve cost reductions at Chinese production sites, and to increased local procurement in Thailand to reduce costs as well as foreign exchange and logistics risks.

Looking ahead, we will nurture buyers at our overseas bases to further advance the bases' procurement capabilities.

reduction effect by exchanging actual frontline expertise with regard to indirect material cost reductions in all businesses, including consumable parts and administrative equipment and communication costs, throughout all production sites.

Looking ahead, we will achieve further cost reductions by strengthening our development procurement in the plant and systems equipment fields along with promoting shared procurement of indirect materials with other companies.

### Conflict Minerals

Fuji Electric 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.

Fuji Electric is a member of the Japan Electronics and Information Technology Industries Association (JEITA). In fiscal 2014, we participated in JEITA's Responsible Minerals Trade Working Group by gathering information. We held training about human rights violations and conflict minerals for the procurement divisions at our main sites in Japan (a total of 80 people attended the five training sessions).

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