

Fiscal 2015 Report – Procurement

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

Procurement Policy

- Enhance global procurement capabilities and cultivate purchasing staff members
- Strengthen cost reduction measures for direct materials with Design for Procurement (DFP)
- Strengthen cost reduction measures for indirect materials through Groupwide activities
- Promote CSR in procurement



Procurement training at a production base in Thailand

Major Initiatives in Fiscal 2015

Enhancement of Global Procurement Capabilities

We aim to build a global procurement system to develop relationships with optimal suppliers around the world. In fiscal 2015, we took steps to thoroughly enhance global procurement capabilities, including the establishment of an international procurement office in Asia and the implementation of

compliance, procurement risk management, and negotiation technique training sessions at production bases in Thailand. Looking ahead, we will expand global procurement by constructing a procurement information database that can be used by every base in the world.

Strengthening of Cost Reduction Measures for Direct and Indirect Materials

We are working to strengthen cost reduction measures for both direct and indirect materials on a global scale. In fiscal 2015, we strengthened DFP initiatives, which entail procurement departments becoming involved from the development and design phases, and expanded local procurement at production bases in Thailand as we worked to reduce direct costs. Moreover, we endeavored to achieve the maximum reduction effect with regard to indirect materials by sharing our extensive cost reduction expertise for them which was accu-

mulated through consumable parts, office equipment, and communication cost reduction initiatives conducted to be shared with overseas production bases. Looking ahead, we will target further cost reductions by strengthening our DFP initiatives for direct materials in the plant and system equipment fields while promoting centralized pool purchasing of indirect materials on a Groupwide basis.

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 2015 were as follows.

For suppliers	<ul style="list-style-type: none"> • Conducted CSR Questionnaire to grasp CSR activities status (300 suppliers) • Conducted seminars on CSR for suppliers (18 suppliers)
For Fuji Electric's employees	<p>Conducted training on compliance in procurement</p> <p>Japan: a total of 973 participants attended 31 sessions</p> <p>Overseas: a total of 49 participants attended sessions at two companies in Thailand</p>

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 2015, 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 bases in Japan (a total of 47 people attended the two 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.