

Procurement

The high-value manufacturing that the Tokyo Electron Group strives for is based on the functions of all materials and components that make up the products and the pursuit of high quality. We value communications with suppliers and seek to grow manufacturing on a global scale with our suppliers based on ongoing trusting relationships.

Supply Chain Communication

In addition to daily communications, the TEL Group holds the Production Update Briefing and TEL Partners Day as platforms for enhancing relationships with suppliers. At these events, we introduce CSR initiatives and honor outstanding suppliers. In our procurement policy, meanwhile, we call for the cooperation of our suppliers regarding compliance with labor-related laws, such as prohibitions against child labor and forced labor, and respect for fundamental human rights. This policy is published on our website.

Our specific activities include regularly conducting Supplier Total Quality Assessment (STQA) audits with critical suppliers. In fiscal year 2015, we conducted our second supplier CSR survey, with key suppliers accounting for more than 80% of our procurement by amount. The survey, which conforms with the EICC® Code of Conduct, identified improvements made in 25% of suppliers' CSR activities compared to the previous year. We provided the suppliers with feedback on the survey results to make two-way improvement efforts.

In June 2015, the TEL Group joined the EICC® to continue to promote EICC®-compliant supply chain CSR.



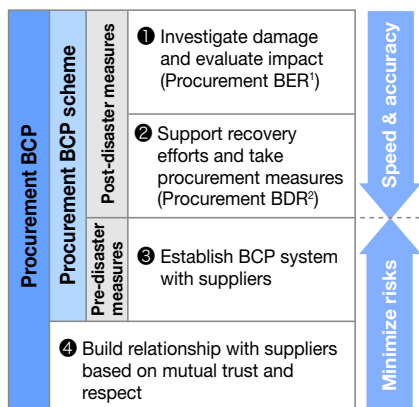
TEL Partners Day held in fiscal year 2015

Procurement BCP

Together with suppliers, the TEL Group has prepared a disaster protocol on an ongoing basis. A database of the location map of procurement sources plays a major role when crises arise. Every year we update the database so that we can promptly identify damage and quickly take steps for recovery following a disaster. In fiscal year 2015, we updated about 14,000 locations and checked on the impact caused by the three disaster cases that occurred during the year.

We have also conducted an annual survey on BCP system readiness to reduce risk in business continuity with our suppliers. In fiscal year 2015, we conducted a procurement BCP survey with key suppliers, who together account for more than 80% of our procurement by amount, and identified that 41% of them had improved from the previous year. We provided the suppliers with feedback on survey results for future improvement activities.

Initiatives for procurement BCP



¹ BER: Business Emergency Response. First response taken immediately after a disaster.

² BDR: Business Disaster Recovery. Recovery effort that is made according to the findings of the damage investigation.

Conflict Minerals

The TEL Group plans to eliminate the use of raw materials and components containing conflict minerals from the Democratic Republic of the Congo, or its neighboring countries, which form a source of funds for armed groups and give rise to human rights violations and poor working conditions.

In fiscal year 2015, we conducted a survey on countries of origin and smelters of conflict minerals in CFSI³ format. The survey identified 117 CFSP⁴-certified smelters related to products that we procure. We will conduct the survey every year to make joint efforts with our suppliers to improve the response rate, survey method, and data accuracy.

³ CFSI: Conflict-Free Sourcing Initiative. Founded by members of the EICC® and GeSI (Global e-Sustainability Initiative) to inspect and certify conflict material smelters to see whether or not they are being used for the benefit of the Democratic Republic of the Congo or its neighboring countries, which provide funds for armed groups.

⁴ CFSP: Conflict-Free Smelter Program. The CFSP is promoted and led by the CFSI.

Conflict mineral type

Conflict mineral name	Usage example
Tantalum	Electrolytic capacitor, IC, and refractory metal
Tin	Solder, plating, and reducing agents
Tungsten	Cemented carbide and electronic components and mechanisms
Gold	IC, plating and connectors