

Risk Management

Fuji Electric is strengthening its risk management to maximize corporate value and minimize the potential losses that could result from various risks.

Basic Policy on Risk Management

Based on the Fuji Electric Risk Management Regulations, which were formulated in May 2006, the Company manages risk in a coordinated, systematic manner.

We will appropriately manage to counteract all risks that could affect the Company's management, while working to prevent risks from materializing (crisis situations) and reduce losses. In doing so, we will maximize Fuji Electric's corporate value and minimize the impact on management in the event that risks materialize.

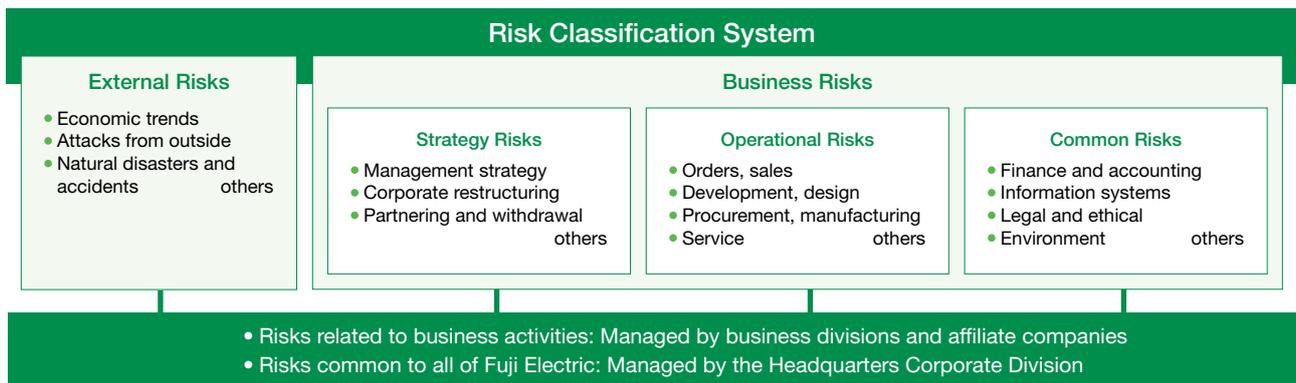
Note: For details about risk, please refer to the Company's *Annual Business Report* under Business Risks

Types of Risk and Risk Management System

To strengthen risk management, Fuji Electric revised the types of risks it manages and its risk management system in fiscal 2015. The Company now focuses on the two risk categories of external risks and business risks, with business risks divided into the subcategories of strategic risks, operational risks, and shared risks, and conducts risk management optimized for each category.

For risks that are common to the whole of Fuji Electric, such as external risks and shared risks, the Headquarters Corporate Division determines the policies for countermeasures, prepares

appropriate manuals, disseminates the necessary information to manage the risks, conducts education, and takes other measures. Business divisions and affiliate companies develop risk management systems as part of their business responsibilities, through which they implement risk countermeasures for strategic risks, operational risks, and other risks that cover the entirety of their business activities. When business plans are formulated for each fiscal year, business risks are analyzed and factored in to the plans.



Information Security Measures

■ Development of Security Policy and Regulations

To protect personal and confidential information properly, Fuji Electric has formulated and implemented a policy and regulations on information security, and institutes training programs for employees each year, and other measures to strengthen information security and prevent information leaks.

For overseas bases, each affiliate company has also drafted security regulations, based on our information security policy and regulations, and taking into account individual countries' laws and regulations. We stepped up our initiatives to educate employees about information security, distributing an information security handbook to employees at subsidiaries and ensuring that all employees are aware of the issues. We conducted overseas information security audits at 17 companies in fiscal 2016. Going forward, we will make ongoing improvements throughout Fuji Electric, including overseas bases.

■ Third-Party Certification Related to Information Security

Companies that handle customers' confidential and personal information, and who require a high level of information security management, acquire outside certification. As of April 1, 2017, five of our operations (at three companies) have acquired ISMS certification. Also, three companies—Fuji Electric Co., Ltd., Fuji Electric Information Technology Center Co., Ltd., and Fuji Electric IT Solutions Co., Ltd.—have acquired Privacy Mark certification.



Privacy Mark (JIPDEC)

Risk Management

Measures to Prevent Infringement of Intellectual Property Rights

As part of our intellectual property activities, we employ a system to monitor other companies' patents on a daily basis to prevent any inadvertent infringement of patents held by third parties.

To prevent infringement, we also conduct compliance program training.

With respect to our own patents, we actively acquire patent

rights to protect our business. We also take measures against counterfeit products and take other steps to reduce risks related to intellectual property.

Note: Please see page 24 for further information about Fuji Electric's activities in intellectual property.

Measure to Strengthen Business Continuity Capabilities

Fuji Electric aims to ensure that it can continue its core operations even if an unexpected event such as a natural disaster or accident occurs, continuing to uphold its social responsibilities as a company and providing a stable supply of high performance, high-quality products and services required by our customers. To this end, we are promoting the following initiatives.



■ Fire Safety and Disaster-Preparedness Initiatives

Based on our *Disaster Prevention and Procedural Manual*, we have created a disaster-preparedness headquarters system. Meanwhile, at operational sites and affiliates, we have put in place thorough measures to ensure that structures and facilities are earthquake resistant, stockpile emergency goods, and conduct regular drills, among other measures.

■ Business Continuity Initiatives

In addition to disaster-preparedness initiatives, Fuji Electric has formulated a business continuity plan (BCP) covering the head office, which acts as a command center during disasters, and its factories, which have a large number of key management resources that are required for supplying products, such as production facilities.

In fiscal 2016, we once again expanded the range of products covered under the BCP. In addition, we conducted major disaster simulation drills based on earthquake scenarios targeting business division managers and other business supervisors as well as base managers. In addition, domestic factory managers underwent public relations drills while all employees took part in safety confirmation drills. Through these efforts, we sought to improve our ability to respond to natural disasters.

In addition, the Company has acquired resilience certification under the program established by the Cabinet Secretariat's National Resilience Promotion Office in 2016 to certify companies and organizations that actively seek to ensure business continuity.

We will continue to promote wider awareness of the BCP at domestic and overseas subsidiaries while making ongoing improvements to enhance our ability to ensure business continuity.



Major disaster simulation drill participated in by business supervisors



Resilience Certification Mark

Procurement Risk Reduction

To reduce procurement risks, we have established a procurement BCP based on the following measures:

- 1) building a supplier damage information collection system;
- 2) securing multiple suppliers for key components;
- 3) establishing alternate sites to carry out procurement operations.

In fiscal 2016, we continued working to secure multiple suppliers for key components while taking steps to reinforce our supplier damage information collection system, which extends to overseas bases.

Looking ahead, we will expand the scope of the procurement BCP to the procurement divisions of subsidiaries in and outside of Japan and strengthen the plan to effectively reduce procurement risks globally.

IT Risk Reduction

We have formulated an IT-BCP comprising initiatives for restarting and recovering the IT systems we need to continue operations and administration in case of disaster, accident and so on, within the required time.

In fiscal 2016, Fuji Electric and its domestic affiliates implemented simulation drills for bolstering their ability to restore IT systems should their operation be halted due to some disaster. The outcomes of these drills were utilized to improve and ramp up system preservation measures.

In the future, we will extend these measures to overseas subsidiaries.