

Risk Management

Fuji Electric is strengthening its risk management to maximize corporate value and minimize the potential impact of risks.

Basic Policies

Based on the Fuji Electric Risk Management Rules, the Company manages risk in a coordinated, systematic manner. We practice appropriate management and counter various risks that could affect the Company's management

in order to prevent risks from materializing (crisis situations), thereby minimizing the impact on management in the event that risks materialize.

Types of Risks and Risk Management System

Risk categories

Fuji Electric divides risks into categories and conducts risk management optimized for each category.

Given that recent years have seen natural disasters attributable to climate change (e.g., torrential rain) occur with increasing frequency, we established a new system to manage climate change risks and added "climate change" to the list of external risks in April 2021.

Risk management system

Fuji Electric's business divisions and affiliated companies are responsible for managing risk related to their business activities as a part of their business duty, developing appropriate risk management systems, and implementing risk countermeasures.

Significant risks, such as those related to business plans and large-scale investments, are reported at the Executive Committee as appropriate to facilitate the sharing of information. We also have manuals in place to ensure that risks are steadily managed. We provide training in handling each type of risk and inform the whole Company about our efforts to manage risks through company magazines and other appropriate means.

The internal auditing divisions conduct regular audits to confirm whether or not risk management is being properly performed at each business division and affiliated company.

Emergency response

If an emergency arises due to a large-scale disaster or any other serious causes, we need to act to prevent the situation from becoming any worse and resolve the situation as soon as



Details of the list of major risks can be found on our website.
https://www.fujielectric.com/ir/management/governance/risk_factors.html

possible. Hence, we have guidelines in place on preparations for possible emergencies, emergency calls and messages, and an emergency task force to set up.

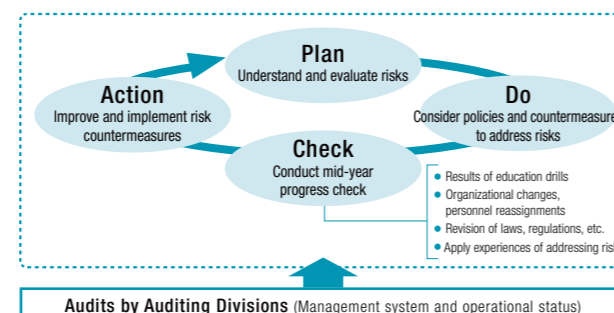
Risk Management Process

When annual budgets are formulated, business divisions and affiliated companies understand and evaluate risks related to their business activities.

Policies and countermeasures in response to risks (aversion, mitigation, relocation, retention, and so forth) are considered based on their impact on management and frequency of occurrence, and each division and affiliated company appoints a person in charge of policy and countermeasure execution.

We also conduct mid-year progress checks at the end of the second quarter of each fiscal year to improve and effectively implement risk countermeasures.

Annual Risk Management Process



Strengthening Our Business Continuity Capabilities

In order to uphold its social responsibilities as a company, Fuji Electric aims to continue core operations even if natural disasters, accidents, and other unexpected events occur by providing a stable supply of high-performance, high-quality products and services required by its customers.

Based on the Disaster Prevention and Procedural Manual, all of Fuji Electric's bases have developed disaster-response systems and put in place comprehensive measures to ensure that structures and facilities are earthquake resistant. They also stockpile emergency goods, conduct regular drills, and take other preventive measures.

We have formulated business continuity plans (BCP*) at the head office, factories, and area operations that serve as contact points with customers. We have also established Companywide BCPs for our procurement sections, which manage our supply chain, and for IT sections, which manage our information systems. Fuji Electric also has Resilience certification.

In fiscal 2020, we again conducted safety confirmation training for all employees in order to strengthen our disaster response capabilities. Going forward, we will continue enhancing our BCP to strengthen our business continuity capabilities.

*Business Continuity Plan

Procurement BCP

By identifying, assessing, and addressing supply chain risks, we aim to build stable material procurement and production systems over the medium and long terms. If a natural disaster hits, our BCP system automatically identifies business partners located in the affected area. In fiscal 2020, we registered about 9,000 sets of data on our primary and secondary business partners in the system, which are 4,000 more than the previous fiscal year, so that we will be able to more quickly and accurately grasp the potential impact of a disaster on the safety and production operations of our business partners.

We also checked whether the 100,000-plus items of materials that our major production bases in Japan use are sourced from multiple vendors (multi-sourcing*). Some materials are purchased from a single vendor, and thus we urge the production bases to source these materials, especially those that are more critical than the others, from multiple suppliers. We also encourage them to explore alternative materials or reconsider the product design and specifications. In doing so, we work to reduce risks to material procurement and production.

*Multi-sourcing refers to a system in which materials are sourced from multiple business partners.

Our approach to quality improvement

The Quality Assurance, Design Technology, Technology Standardization, and Factory Digitization Promotion Working Groups (WGs) as well as Manufacturing Subcommittee have been set up under the Production Technology Committee, which is a Companywide body led by the President. The subcommittee and WGs work together to improve our production technologies and quality.

The Quality Assurance WG aims to achieve stable and uniform quality level in accordance with its High Reliability Activities Policy, promoting activities toward the goal across the Company. Each year, the WG collects all serious complaints received and continually provide recurrence prevention diagnosis that is intended to re-assess the effectiveness of recurrence prevention. The WG also reports any serious quality problem that has arisen promptly to the President and relevant staff in accordance with the rules and regulations to share what risks are involved, and quickly addresses the problem.

During fiscal 2020, we continued working to visualize production, quality information, and traceability using IoT at our factories. We also expanded our plan for the digitization and automation of tests and inspections to include more types of equipment, and phased in statistical quality management, as part of our efforts to further improve the accuracy, reliability, and speed of our quality management.

Implementation of information security measures

To protect confidential and personal information properly, Fuji Electric has formulated and is implementing a policy and regulations related to information security. We have also established information management systems at Fuji Electric and Group Companies in Japan and overseas and instituted various safety protocols, including operational site access and information access management systems. We also endeavor to prevent information leaks while maintaining and strengthening information security by instituting annual training programs for employees and conducting inspections and improvements through effective management and audits of workplaces.

In fiscal 2020, to address increasingly diversified and sophisticated cyber-security threats, we revised our information security policy, established an anti-cyber-attack manual, improved our computer security incident response team and security operation center (CSIRT/SOC), and monitored and controlled any attacks. We also continue to improve our defense and detection system and hold cyber security training to become more prepared for any new threats.

At the Group companies requiring high-level information security management, a total of five departments (in three of those Group companies) have acquired information security management system (ISMS) certification. In addition, Fuji Electric Co., Ltd. and four of its subsidiaries have acquired Privacy Mark certification.

Responding to COVID-19

Our basic policy is to take prompt and appropriate measures with top priority on respecting human life, preventing the situation from worsening, and minimizing damage. To prevent the spread of infections, we not only make sure that Three Cs (closed spaces, crowded places, and close-contact settings) are avoided, but have actively adopted telecommuting, sliding work hours, and online meetings.