

Risk Management

Basic Policies

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

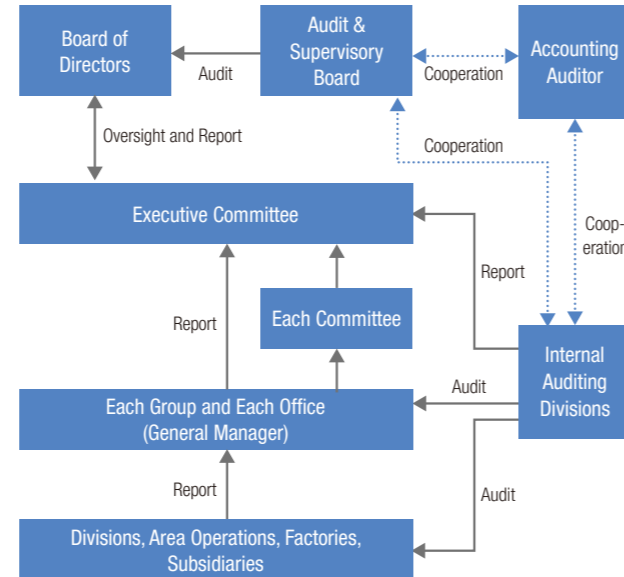
order to prevent risks from materializing (crisis situations), thereby minimizing the impact on management in the event that risks do materialize.

Risk Management System

The Company's business divisions and affiliated companies are responsible for managing risks 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 check whether each business division and affiliated company identifies and evaluates risks based on the Fuji Electric Risk Management Rules, defines countermeasure policies, and properly builds and operates management systems.



as soon as possible. Hence, we have guidelines in place on preparations for possible emergencies, an emergency contact network, and setting up an emergency task force.

Emergency response

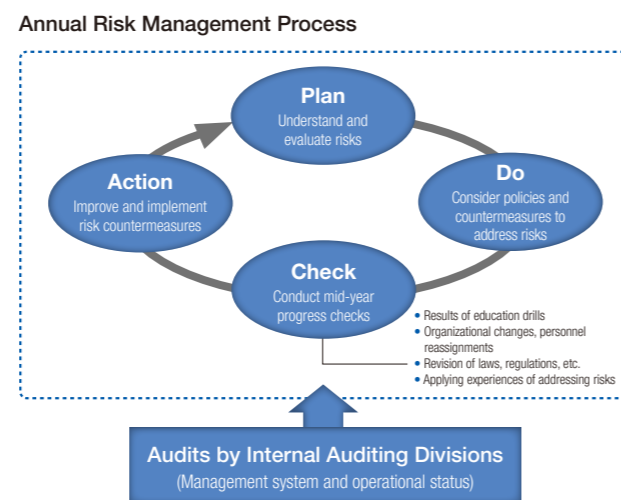
If an emergency arises due to a large-scale disaster or any other serious cause, we need to act to prevent the situation from becoming any worse and resolve the situation

Risk Management Process

When annual budgets are formulated, the Company's business divisions and affiliated companies gain an understanding of 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 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 carry out fiscal year evaluations of risk countermeasures and the countermeasures for the next year.



Major Risks

The current major risks that could impact Fuji Electric's results or financial situation are shown below.

| Risk Items | Risk Details |
|-------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Management Strategy Business Strategy Business Environment | <ul style="list-style-type: none"> We concentrate our management resources on business that is expected to grow and pursue capital investment and R&D investment accordingly. Regarding semiconductor capital investment in particular, we make investment decisions based on our volume and price negotiations with customers, and regarding R&D investment, we emphasize factors that include consistency with our business strategy, and we promote fundamental and advanced technology R&D to support our future based on our roadmap. Be that as it may, the semiconductor field has a short product cycle, fluctuations in the product supply-demand balance, and fierce competition, and there is still a risk of not being able to recover investments. We consider the protection of the global environment to be an important management issue, and we continuously communicate our efforts to achieve a more sustainable society through our business, including declaring our support for the TCFD and establishing our Environmental Vision 2050. However, if our coal-fired thermal power business becomes the subject of increased criticism due to the strengthening of environmental regulations or initiative evaluations by ESG evaluation bodies, there is still a risk of this impacting Fuji Electric's reputation. |
| Corporate Governance | <ul style="list-style-type: none"> By constantly striving to improve our management transparency and auditing functions, we work on strengthening our corporate governance, but there are still risks, such as our management falling into disorder as a result of our corporate governance failing to function when internal control and other inadequacies occur due to unforeseen situations. |
| Business Reorganizations, Alliances, and Withdrawals | <ul style="list-style-type: none"> We strive to strengthen our competitiveness by collaborating with third parties, thereby building good relationships with them as we share our corporate philosophy, etc. and endeavor to achieve close communication, but there is still a risk of us not being able to achieve sufficient results due to differences in systems and cultures. |
| Orders, Marketing, and Sales Promotion | <ul style="list-style-type: none"> We work on avoiding opportunity loss as we strive to keep costs down and reduce our total expenses in order to minimize the impact of Japanese and overseas market trends on our results, but there is still a risk of the market environment worsening, the product supply-demand balance suddenly fluctuating, competition becoming fiercer, and the price level falling significantly as a result of the above. For large plant projects, we strive to improve the accuracy of our quotations when we receive orders and strengthen our project management after orders are received in order to ensure the appropriate level of profit, but there is still a risk of our profitability worsening as a result of unforeseen specification changes after orders are received, process delays, natural disasters, etc. |
| Development and Design Engineering | <ul style="list-style-type: none"> We focus on R&D aimed at creating competitive components and systems as well as R&D that provides higher value solutions to customers by combining underlying technologies, but there is still a risk of us failing to market our products at the right time due to us losing our superiority to other companies as a result of rapid technological progress or failing to achieve development as planned. |
| Procurement | <ul style="list-style-type: none"> We deploy various means, including product swaps, to deal with the risk of the prices of raw materials soaring, but there is still a risk of the prices of raw materials, etc. significantly rising due to yen depreciation, demand increases, and similar factors. |
| Production & Manufacturing Shipping & Distribution Installation & Delivery Services | <ul style="list-style-type: none"> We constantly strive to understand the latest volume trends while building production management systems that are optimal for responding to volume fluctuations, but there is still a risk of excessive or deficient inventory if there are delays in responding to changes in volume trends due to unforeseen situations. We strive to promote community-based manufacturing, global procurement, but there is still a risk of delivery delays and similar problems due to the distribution network being disrupted by limitations on the movement of goods and people. |

| Risk Items | Risk Details |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Quality Assurance | <ul style="list-style-type: none"> We have developed a quality control system, we strive to ensure a high level of quality, and we have the necessary insurance, but there is still a risk of quality problems due to unforeseen situations impacting our results. |
| Human Resources and Labor | <ul style="list-style-type: none"> We actively educate and train our employees and are expanding our mid-career hiring to ensure that we have outstanding personnel, but there is still a risk of us not being able to secure or train the necessary personnel. |
| Finance and Accounting | <ul style="list-style-type: none"> We constantly verify the optimal mix of corporate bonds, commercial paper, and short-term and long-term borrowings, thereby striving to ensure that flexible, stable funding is possible, but there is still a risk of our interest rate burden with respect to interest-bearing debt increasing due to interest rates rising more than expected. We strive to enhance our collection of trade receivables by trying to strengthen our credit management, but there is still a risk of not being able to recover debt due to the cash flows of our business partners worsening as a result of economic stagnation and similar factors. |
| Legal Affairs and Ethics | <ul style="list-style-type: none"> We strive to ensure compliance with laws through our Fuji Electric Compliance Promotion Committee and have developed compliance systems that include our compliance program and internal whistleblowing systems, but there is still a risk of society's trust in us or our results being impacted if violations of laws and regulations occur. We are building systems to quickly handle necessary processes in preparation for lawsuits and other legal disputes (including fact-finding investigations, corrective actions, recurrence prevention measures, internal disciplinary actions, and disclosure), but there is still a risk of us being ordered to pay an unforeseen, large amount of compensation. We strive to effectively protect intellectual property rights and develop products and technologies that respect the rights of other companies, but there is still a risk of disputes that could impact our results. |
| Political and Socioeconomic Trends | <ul style="list-style-type: none"> We implement currency exchange contracts according to certain standards, but there is still a risk of exchange rates to the yen fluctuating. To prepare for unexpected risks, we are trying to decentralize our production and sales bases, but there is still a risk of our results being impacted by changes in overseas laws and regulations, political factors, social disorder, and similar issues. |
| Trends of Shareholders and Other Investors | <ul style="list-style-type: none"> We strive to deepen everyone's understanding of the Company's management by emphasizing active disclosure and communication with our shareholders and institutional investors while also disclosing honest, accurate information, but there is still a risk of votes against executive-appointment agenda items, etc. due to differences between the intentions of investors and shareholders on the one hand and the Company's management on the other. |
| Natural Disasters and Accidents | <ul style="list-style-type: none"> We strive to "strengthen our business continuity capabilities," by setting up a specialized crisis management division involved in spearheading fire safety and disaster-preparedness activities and formulating the business continuity plans (BCPs), but there is still a risk of damage to production facilities, operations being suspended, product shipping delays, or similar problems due to large-scale disasters and accidents. |
| External Attacks | <ul style="list-style-type: none"> To respond to cyber-security threats, we implement attack monitoring and control, enhance our defense and detection systems, and continuously strengthen our ability to respond through cyber drills and similar measures, but there is still a risk of us losing the trust of society in cases where our systems fail to function due to attacks from outside (cyberterrorism, etc.) and lead to problems such as information leakage. |

C L O S E U P !

Efforts to improve quality


● Promoting quality assurance activities

Under its Production Technology Committee—which is headed by the Corporate General Manager of the Production & Procurement Group and consists of Corporate General Managers of Business Groups—we strive to improve our production technologies and quality throughout the Company.

The High Reliability Working Group, a subordinate organization of the Production Technology Committee, aims to achieve a stable, uniform level of quality by formulating a High Reliability Activities Policy every year and then applying it to business divisions and factories to promote activities. Every year, the working group identifies all the serious complaints received and continually conducts recurrence prevention diagnosis to reassess the effectiveness of recurrence prevention measures. The working group also promptly reports any serious quality problem that has arisen to the President and COO, the Production Technology Committee members, and other stakeholders in accordance with the rules and regulations to share which risks are involved and quickly promote countermeasures.

At our factories, we are also working on further improving the accuracy, reliability, and speed of our quality control by utilizing the IoT to promote the visualization of production, quality information, and traceability, expanding the range of equipment for which we can digitize or automate tests and inspections, and phasing in statistical quality control.

Furthermore, as activities to increase the quality soundness, in addition to the internal auditing we normally conduct, we are implementing initiatives that have employees of different bases mutually diagnose the health of our quality control system. In addition to diagnoses of whether the quality data satisfies external required specifications and whether there are any problems with the quality data creation process, since fiscal 2022 they have been mutually diagnosing the systems for the selection, evaluation, and auditing of our business partners. The realizations obtained through these activities are shared throughout the company to connect to instructional activities, such as efforts to promote a mindset leading to increased quality soundness, and they are reflected in the quality management system and manuals in an effort to further reduce risk.

 Product quality assurance
https://www.fujielectric.com/company/csr/with_customer/quality.html

Responding to natural disasters and accidents (BCP efforts)

In order to resume and continue the important businesses within the required time even when unforeseen situations such as large-scale natural disasters and accidents occur, we have formulated business continuity plans (BCPs), and are making efforts companywide for continuous improvement, based on the Fuji Electric Business Continuity Management (BCM) Rules.

We have formulated BCPs at the head office, factories, and

area operations, which serve as contact points with customers, and we have also formulated Company-wide BCPs for our procurement sections and for our IT sections. Furthermore, we implement education and training based on the formulated BCPs and we are working to strengthen our business continuity capabilities by regularly evaluating the effectiveness of the BCPs and their management system in order to make improvements.

In fiscal 2022, we built a mechanism enabling us to share the BCPs of each base throughout the company, in order to ascertain the BCPs companywide in a timely manner and strengthen the management system. Based on the identified issues, we are working to further strengthen education and training.

Fuji Electric has also been positively evaluated for its active business continuity efforts, and we have therefore acquired Resilience certification.



Efforts to maintain and strengthen information security

To properly manage as confidential information all asset value such as management, commercial and technical information and personal information held by Fuji Electric, the Company has redeveloped and rolled out policies and regulations related to information security based on the National Institute of Standards and Technology (NIST) Cybersecurity Framework.

Furthermore, we have also established management systems at Fuji Electric as well as Group companies in Japan and overseas, and we provide regular training to all of our employees, manage access to operating sites and offices, implement Internet device and computer security measures, and conduct annual inspections regarding the status of efforts taken by each workplace.

In addition, to respond to increasingly diversified and sophisticated cyber-security threats, we endeavor to strengthen our computer security incident response team and security operation center (CSIRT/SOC), our monitoring of signs and information related to new cyber attacks, and our information-system defense and attack monitoring functions.

At our bases as well, we strive to improve our information security countermeasures based on the requirements of our business partners, related industry organization guidelines, market trends, and other factors, and in businesses for which public certification of information security management is required, three departments and two subsidiaries of Fuji Electric Co., Ltd. have acquired information security management system (ISMS) certification. Furthermore, concerning personal information protection, Fuji Electric Co., Ltd. and four of its subsidiaries have been granted the Privacy Mark.