

Risk Management

We are redoubling our management of a broad range of 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.

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

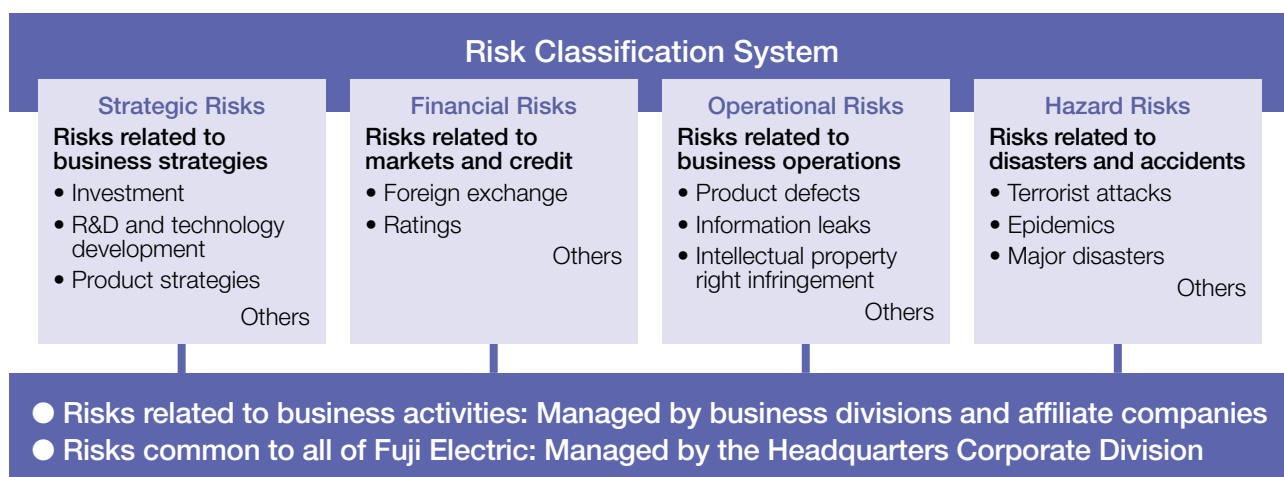
Types of Risk and Risk Management System

Fuji Electric classifies risks into four categories: strategic, financial, operational, and hazard risks; and conducts risk management optimized for each category.

For risks that are common to the whole of Fuji Electric, such as financial and hazard 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.

The business divisions and affiliate companies formulate risk management systems and implement risk countermeasures as part of their responsibility for strategic and operational risks associated with business activities. When business plans are formulated for each fiscal year, the 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, 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.

Based on our information security policy and regulations, each company has also drafted security regulations for overseas bases, taking into account individual countries' laws and regulations. We stepped up our initiatives to educate employees about information security, also distributing an information security handbook to employees at overseas subsidiaries and ensuring that all employees are aware of the issues. We conducted overseas information security audits at 35 companies in fiscal 2014. 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, 2015, six of our operations (at four companies) had 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.



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.

* Please see page 22 for further information about Fuji Electric's activities in intellectual property.

Initiatives for Strengthening 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

Learning lessons from the Great East Japan Earthquake, which struck in March 2011, we have produced a Disaster Prevention and Procedural Manual. Based on this 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 required for supplying products, such as production facilities.

In fiscal 2014, we expanded the range of products covered by our BCP and conducted simulation drills for a major disaster at the head office and factories to ensure that the plan can be used if a disaster does occur.

We will continue our initiatives to further expand the number of products covered by the BCP to include those of subsidiaries in Japan and overseas. Meanwhile, we will strengthen our disaster response capabilities by making ongoing efforts to promote wider awareness of the BCP through drills and other measures while continuing to make improvements.

Reducing Procurement Risk

To reduce procurement risk, 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; and 3) establishing alternate sites to carry out procurement operations.

In fiscal 2014, our internal procurement divisions held a simulation drill, and started BCP training for suppliers to share the procurement BCP with them.

Looking ahead, we will expand the procurement BCP to the procurement divisions of subsidiaries in and outside Japan, as well as strengthen the plan to effectively reduce our procurement risk globally.



A simulation drill to prepare for a large-scale disaster

Reducing IT Risk

We have formulated an IT-BCP comprising initiatives for restarting and recovering the IT systems we need to continue operations and administration if a disaster, accident or other event occurs, within the required time.

In fiscal 2014, Fuji Electric and its domestic affiliates took measures to preserve their IT systems, such as strengthening disaster countermeasures and moving facilities to safer locations.

Our next step will be to promote these measures at overseas subsidiaries too, as we continue our efforts to reduce IT risk.