Corporate Governance

The basic policy of the Fuji Electric Group is to seek to maximize its corporate value and to fulfill the management responsibilities entrusted to it by shareholders. The Group is working to strengthen corporate governance by increasing Group management transparency and bolstering the oversight function.

Corporate Governance Promotion Framework

The Fuji Electric Group adopted a pure holding company system in October 2003 with the objectives of realizing autonomous management and establishing a business portfolio with a balanced mix of growth potential and profitability. Under this system, the holding company formulates strategies to optimize the entire Group's performance and provides oversight.

On the other hand, the core operating companies and other subsidiaries retain the necessary authority and responsibilities for conducting their own operations. The intent of this structure is to realize autonomous management, facilitate rapid decision making, and reinforce competitiveness in each business.

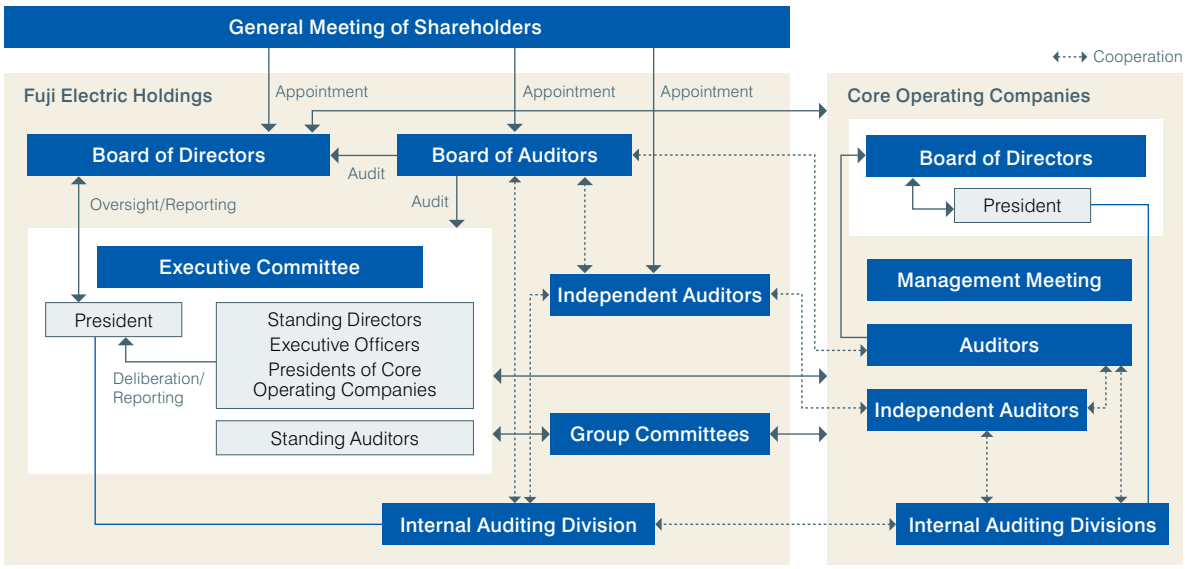
The Company has adopted the corporate auditor governance model, and the holding company has a board of directors, as do all other Group companies. In this way, the Company has clarified various authorities and responsibilities, and through the proactive use of outside directors the Company has established an orderly management system with enhanced management transparency and monitoring and oversight functions.

Directors and Board of Directors

Under the articles of incorporation, the holding company's Board of Directors has a maximum of 15 members. Currently, there are 10 directors, including three outside directors. The outside directors develop a deep understanding of business activities through such means as observation of Group plants and operational sites. On that basis, the outside directors actively provide opinions to the Board of Directors, thereby strengthening the Group management oversight function and transparency.

The term of office for members of the Board of Directors has been set at one year. This system clarifies management responsibility and allows for a rapid response to changes in the operating environment. In order to clarify the authority and responsibilities of the holding company and the operating companies, as a general rule, concurrent service as a director of the holding company and a director of an operating company is prohibited. However, to strengthen Group strategies and the supervision of business execution and to accelerate decision making, the Group also decided to elect presidents of the core operating companies as directors of the holding company after obtaining approval at the General Meeting of Shareholders.

The Fuji Electric Group Corporate Governance Framework



As a general rule, the Board of Directors meets once per month, and special meetings are held as needed. In fiscal 2008, the Board of Directors met 13 times, and the attendance rate of outside directors was 93%.

Executive Committee

The Fuji Electric Group has an executive committee to advise the president of the holding company. The committee deliberates and reports on business strategies and policies for the entire Group. It also formulates reports necessary for the regular monitoring of the status of the Group's management. The committee members are the holding company's standing directors and executive officers, and the presidents of the core operating companies. In addition, to bolster the auditing function, the holding company's standing auditors can regularly attend meetings of the Executive Committee.

As a general rule, the Executive Committee meets twice per month. In fiscal 2008, the committee met 23 times. The term of office of members of the Executive Committee is one year, the same as that of the Board of Directors.

Auditors and Board of Auditors

The holding company has five auditors, including three outside auditors. The auditors work to secure management transparency and enhance the management monitoring and oversight functions. In order to strengthen the holding company's auditing of Group companies, we have put in place a framework where one standing auditor from the holding company also serves as a part-time auditor of each of the core operating companies.

Furthermore, to implement auditing of Group consolidated management, we have established the Fuji Electric Group Board of Auditors, which is composed of auditors from the holding company and the core operating companies, and the Fuji Electric Group Auditor Council, which is composed of auditors from each company that are designated as a "large company" under the Companies Law.

We have also established the Auditing Liaison Committee, which is composed of auditors from the holding company and core operating companies as well as members of internal auditing divisions and the independent auditors. The committee works to strengthen collaboration among auditing functions and to secure the effectiveness of auditing on a Groupwide basis.

In fiscal 2008, the Board of Auditors met six times, and all of the meetings were attended by the outside auditors.

Group Committees

To implement Groupwide responses to various challenges, the Fuji Electric Group has established and operates specialist group committees that are focused on particular areas. These committees are composed of directors in charge and general managers of related divisions from the holding company and core operating companies. Specifically, these committees include the Compliance Promotion Committee, Global Environmental Protection Committee, Human Rights Advisory Committee, Health and Safety Promotion Committee, Production Technology Committee, Procurement Committee, Human Resources Advisory Committee, Technology Promotion Committee, and Profit7 Activities Committee.

Remuneration for Directors

Policies for Making Decisions Regarding Remuneration

Fuji Electric Group has established a remuneration system and remuneration levels for directors and auditors that are appropriate for their respective duties and are in accordance with the shareholders' mandate, giving due consideration to the aims of securing and maintaining competent personnel and providing incentives for the improvement of business performance.

Remuneration for standing directors comprises fixed-amount remuneration determined according to their position and performance-based remuneration. In regard to the fixed-amount remuneration, a predetermined amount is paid to the director ownership plan in accordance with position.

Outside Directors and Auditors (Fiscal 2008)

Outside Directors

Name	Attendance at Board of Directors Meetings (Number of meetings attended / Number of meetings held)
Eisuke Masada	12 of 13
Tadashi Kudo	12 of 13
Hiroaki Kurokawa	10 of 10*

Outside Auditors

Name	Attendance at Board of Directors Meetings (Number of meetings attended / Number of meetings held)	Attendance at Board of Auditors Meetings (Number of meetings attended / Number of meetings held)
Tsuyoshi Nagahama	13 of 13	6 of 6
Yuzuru Fujita	10 of 13	6 of 6
Hiroshi Wada	10 of 10*	5 of 5*

Note: Mr. Hiroshi Wada retired as of the end of the 133rd Ordinary General Meeting of Shareholders held on June 24, 2009.
*Meetings of the Board of Directors or Meetings of the Board of Corporate Auditors after taking office on June 24, 2008.

The performance-based remuneration is paid only in the event that dividends from retained earnings are paid to shareholders, and in order to establish a clear link with consolidated performance in each fiscal year, the total amount is limited up to 1.0% of consolidated net income in the previous fiscal year.

In regard to the presidents of core operating companies, who have executive responsibility in major segments, performance-based remuneration is paid by the operating company in accordance with the evaluation of the consolidated results, and the results in the segments for which they are responsible, in each fiscal year.

Remuneration for outside directors and auditors comprises a fixed amount determined according to position, as they bear the responsibility of supervising and auditing the execution of duties for the entire Group. Acquisition of the Company's stock is on a voluntary basis.

Also, from fiscal 2006 the holding company abolished the retirement benefits system for directors.

Remuneration for Officers (Fiscal 2008)

- Performance-based remuneration
  Because the Company recorded a net loss for the fiscal year, performance-based remuneration was not paid to the standing directors.
- Fixed-amount remuneration
  In accelerating structural reforms accompanying the declining results, such as the streamlining of personnel expenses, the Company has implemented the following reductions as a demonstration of leadership and to clarify management responsibility accompanying the announcement of the forecast that the Company would forgo the payment of year-end dividends for fiscal 2008.

January 2009 to February 2009

President and representative director: Reduction equivalent to 20%
Executive vice president and representative directors:
Reduction equivalent to 10%
Other executive directors: Reduction equivalent to 5%
Standing auditors voluntarily returned the equivalent to 5% of monthly remuneration.

March 2009

President and representative director: Reduction equivalent to 30%
Executive vice president and representative directors:
Reduction equivalent to 20%
Other executive directors: Reduction equivalent to 15%
Outside directors: Reduction equivalent to 10%
Standing auditors and outside auditors voluntarily returned the equivalent to 15% and 10%, respectively, of monthly remuneration.

Amount of Remuneration for Directors and Auditors (Fiscal 2008)

	Number of recipients	Amount of payment (Millions of yen)
Directors	14	300
of which, outside directors	3	19
Auditors	7	83
of which, outside auditors	4	20

Note: This includes the two directors (neither of whom was an outside director) and two auditors (one of whom was an outside auditor), who retired as of the end of the 132nd Ordinary General Meeting of Shareholders held on June 24, 2008.

● Internal Control System

The Fuji Electric Group adopted a resolution at a Board of Directors meeting on a fundamental policy related to the establishment of an internal control system regulated by the Companies Law, and the Group has disclosed this policy. Based on an ongoing review of the internal control system for the entire Group, we intend to respond swiftly and precisely to social requirements surrounding the Group and continually improve the system. The major components of this fundamental policy are as follows:

- Corporate governance system
- Compliance
- Risk management
- Internal control system for financial reporting (Financial Instruments and Exchange Act)
- Auditing system

Under the Companies Law, the establishment of a fundamental policy for companies designated as a "large company" is mandatory, and the Group has established policies for these companies as well as for all other Group companies.

● Compliance

Thorough-going Compliance

The Fuji Electric Group formulated the Fuji Electric Group Charter of Corporate Behavior in 1992 with the aim of ensuring that employees and staff comply with relevant laws and regulations and behave in a socially responsible manner. We have also established the Fuji Electric Group Compliance Promotion Committee, chaired by the president of Fuji Electric Holdings, which works to promote strict compliance with relevant laws and regulations as well as social norms.

In 2007, we established a fundamental policy for the reinforcement of our internal control system to ensure the proper conduct of operations, along with the Fuji Electric Group Compliance Regulations, which systematize compliance-related activities. Through compliance programs underpinned by these initiatives, we have strengthened our

efforts and further clarified roles and responsibilities in the areas of improving internal rules, monitoring and oversight, and education regarding all relevant rules and regulations.

Fuji Electric Systems Co., Ltd., a core operating company, received an administrative punishment (cease and desist order and surcharge payment order (amount: ¥12.85 million)) in regard to bidding for electric equipment construction in relation to sewage disposal facilities ordered by the city of Sapporo between October 1, 2003, and December 14, 2005. The entire Group will work together and take steps to prevent any recurrence of this situation, such as through the further strengthening of monitoring, auditing, and education.

Business Ethics Helpline System

As part of its compliance structure, the Fuji Electric Group set up the Business Ethics Helpline in October 2004 to prevent or detect at an early stage any violation of laws, regulations, or corporate rules. Under this system, Group employees in Japan and overseas who discover a violation of any laws or regulations, or internal rules related to the Company's operations, or the possibility thereof, and who for whatever reason find it difficult to report such violations through normal reporting channels, or face a situation in which the report will not be accepted, are able to easily communicate with the president of Fuji Electric Holdings (the chief executive officer of the Group) through channels independent from regular operational lines.

● Risk Management

In accordance with the Fuji Electric Group Risk Management Regulations, which were formulated in May 2006, the various risks that could affect management are recognized and evaluated in a coordinated and systematic manner and are appropriately managed and processed. Moreover, by preventing the occurrence of risk-related events and minimizing losses when they occur, the Group works to minimize the impact on its corporate value. In regard to the major risks that could affect the Group's operating results and financial position, please refer to the Consolidated Financial Review, Risk Factors section on page 56.

To respond in the event of a major natural disaster, a serious product-related incident or accident that causes severe personal injury, or other emergency situation, in 2005 the Fuji Electric Group formulated the Fuji Electric Group Contingency Plan for Emergency Situations, stipulating such details as the director in charge of crisis management, the communication channels, and the structure of the task forces.

● Accountability

The Company believes that the timely, appropriate disclosure of corporate and financial information to shareholders and investors and the fulfillment of its disclosure responsibilities is an important corporate governance issue. In information disclosure, the Company's fundamental policy is to provide timely, fair, accurate, continual disclosure of information to all stakeholders, and the Company is working to reflect stakeholder feedback in management.

In IR activities, the Company actively conducts presentation meetings regarding management policies and other matters as well as roadshow presentations to institutional investors, with top executives taking the lead role. Also, the Company conducts impartial information disclosure in Japan and overseas. In regard to quarterly results announcements, and financial reports and IR meeting presentation materials are made available on our website in Japanese and English, and we also provide Japanese and English video streaming of results presentations.

Evaluations of IR Web Site

Gomez Consulting Co., Ltd.
Received a Corporate Excellent Award in the Gomez IR Website Overall Ranking 2009 (Survey of 3,834 domestic listed companies)

Daiwa Investor Relations Co., Ltd.
Selected as one of 402 companies with superior Internet IR website content (Survey of 1,879 domestic listed companies)

Nikko Investor Relations Co., Ltd.
Received the Best Website Award in the Fiscal 2008 Website Completeness Ranking for All Listed Companies (Survey of 3,920 domestic listed companies)