

Corporate Governance

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Fuji Electric Holdings' Corporate Governance Framework

The basic management policy of the Fuji Electric Group is to develop generation-leading, innovative technologies that incorporate cutting-edge environmental features, while at the same time deepening relationships of trust with stakeholders as a good corporate citizen of the global community. The Group also seeks to maximize its corporate value and fulfill the management responsibilities entrusted by shareholders.

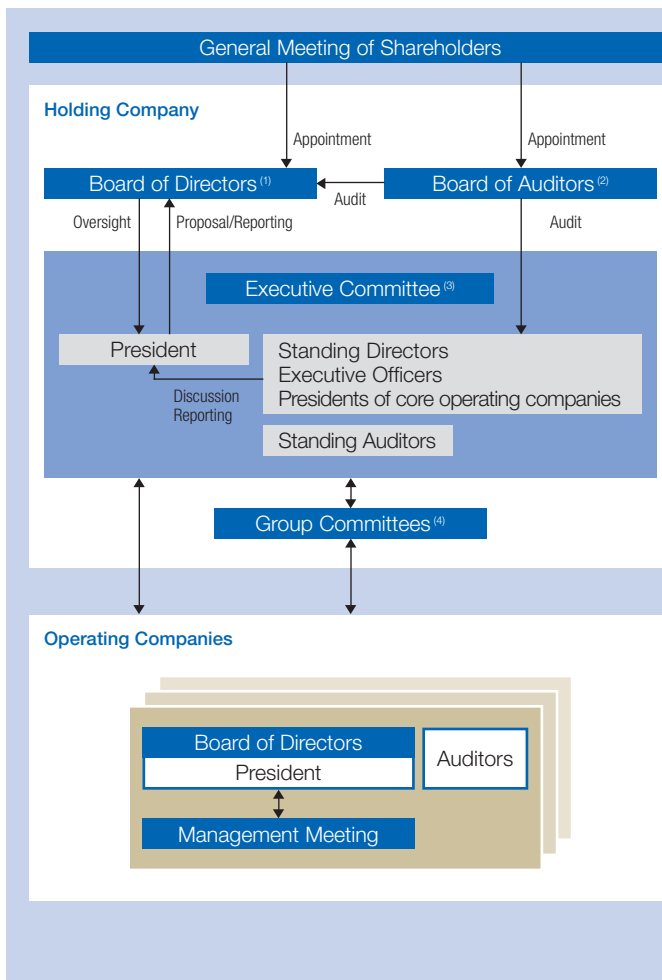
The Fuji Electric Group adopted a pure holding company system in October 2003. Under this system, the holding company formulates strategies to optimize the entire Group's performance and provides oversight of activities

at the consolidated level, while the three core operating companies retain the necessary authority and responsibilities for conducting their own operations.

The intent of this structure is to afford autonomous management at operating companies and facilitate rapid decision-making, as well as to reinforce the competitiveness of each business. The Fuji Electric Group has established the Board of Directors to carry out decision-making based on a consensus system and supervise the execution of directors' duties not only at the holding company but also at each Group company. This system clarifies the authority and responsibilities of each company and organization.

To ensure that directors carry out their duties appropriately and efficiently, Fuji Electric Group has established rules on administrative authority and decision-making by prescribing the work responsibility of directors in accordance with resolutions of the Board of Directors that define and determine executive duties for Directors, the "Regulations of the Board of Directors" and the "Fuji Electric Group Management Regulations." The Group is also working to strengthen corporate governance by making proactive use of outside directors to enhance management transparency and monitoring and oversight functions.

The Fuji Electric Group Corporate Governance Framework



(1) Directors and Board of Directors

To clarify management responsibility and to allow for a quick response to changes in the operating environment, the terms of directors of the holding company and the core operating companies has been set at one year, with Board of Directors' Meetings held once per month. Three of the eight members of the holding company's Board of Directors are outside appointments, while persons in charge of segments are concurrently elected as directors.

(2) Auditors and Board of Auditors

The Board of Auditors of the holding company comprises five individuals, including three outside appointments, and meets once monthly with the aim of enhancing 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.

(3) Executive Committee

The Fuji Electric Group has an Executive Committee to advise the president of the holding company, which meets twice monthly. The committee deliberates and reports on business strategies and policies for the entire Group, as well as optimization of Group synergies. It also makes reports necessary for the regular monitoring of the status of the Group's management.

(4) Group Committees

The Fuji Electric Group must address such issues as observing laws and compliance, labor practices and human rights, quality control and product safety, and the environment. To respond to these issues across the Group, Fuji Electric Group has established and operates specialist group committees, each focused on a particular area.

Executive Committee Supporting Business Strategies for Entire Group

In addition to the Board of Directors and the Board of Auditors, the Fuji Electric Group has also established an Executive Committee, which acts as an advisory body to the president of the holding company. The Executive Committee formulates and implements business strategies for the entire Group. Standing directors of the holding company (including the presidents of each core operating company), executive officers and standing auditors, as well as persons responsible for Group business strategy attend meetings of the Executive Committee. The committee deliberates on important matters pertaining to Group management, formulates reports, and conducts monitoring. The committee aims to share information within the Group regarding Group-wide management plans, while verifying, evaluating, and reviewing the progress status of the Board of Directors.

Creating an Enhanced Corporate Governance Framework

In order to achieve continuous development, the Fuji Electric Group needs to further increase the speed of its response to changes in the market environment. In the past, in order to clarify the authority and responsibilities of the holding company and the core operating companies, holding company directors were prohibited from holding concurrent positions as directors of the core company. However, starting from April 2008, 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. By increasing the unifying force of Group companies, Fuji Electric aims to further promote the reinforcement of Group strategies. In addition, the Group seeks to bolster endeavors related to internal control and environmental issues, strengthen the supervision of business execution, accelerate decision-making at the Board of Directors of the holding company, and reinforce accountability to shareholders and other stakeholders, thereby creating an enhanced corporate governance framework.

Remuneration for Directors

Fuji Electric Group has established a remuneration system and remuneration levels for directors and auditors that are appropriate for their respective duties, 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 a fixed amount determined according to their position, as well as a bonus equivalent to 1.0% or less of consolidated net income in the previous fiscal year, in order to establish a clear link with consolidated performance 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.

Fuji Electric abolished the retirement benefits system for directors from fiscal 2006.

Amount of Remuneration for Directors and Auditors (Fiscal 2007)

	Recipient	Amount of payment (¥ million)
Remuneration for directors	8	279
Amount paid to outside directors	2	14
Remuneration for auditors	5	86
Amount paid to independent auditors	3	21

- Notes: 1. Remuneration for directors does not include the compensation paid for services as an employee to directors serving concurrently as a director and an employee.
 2. Remuneration for directors does include anticipated bonuses paid for the term under review.
 3. Within the amount paid to directors and auditors, respectively, ¥24 million and ¥6 million are paid to the director ownership plan.

Amount of Remuneration for Independent Auditor (Fiscal 2007)

Category	Amount of payment (¥ million)
Amount of fees paid for independent auditor duties	47
Total amount of monies and other property benefit to be paid by Fuji Electric and its subsidiaries	303

Note: The auditing agreement between Fuji Electric and its independent auditor does not categorize the amount of audit fees for auditing based on the Company Law or for auditing based on the Financial Instruments and Exchange Act, and it is also practically impossible to categorize these amounts. Accordingly, the above "Amount of remuneration for independent auditor" shows the total amount for these categories.

Internal Control System

Internal Control Measures

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 holding company of the Fuji Electric Group has prescribed the standards below and intends to establish a framework to ensure the appropriateness of business operations across the entire Group.

(1) System for ensuring that directors and employees carry out their duties in accordance with the law and the Articles of Incorporation

- (i) The Fuji Electric Group's management system uses a pure holding company structure in order to completely divide Group management and oversight from business execution, clarify the authority and responsibilities of both functions, and reinforce corporate governance. The organizational structure consists of a holding company (the Company), which is responsible for management and oversight, and operating companies, which carry out the business execution function. Details on the structure follow below.
 - The holding company structure serves to separate the management/oversight function from the business execution function. Consequently, the Company has adopted the auditor governance model.
 - In order to clarify the authority and responsibilities of the holding company and the operating companies, holding company directors do not concurrently hold positions as core company directors in principle. However, presidents of the core operating companies can be elected as directors of the holding company after obtaining approval at the General Meeting of Shareholders in order to reinforce Group strategies, bolster endeavors related to internal control and environmental issues, strengthen the supervision of business execution, and accelerate the decision-making process.
 - In order to clarify management responsibilities and respond rapidly to changes in the operating environment, the term of office of Group company directors ends on the day of the Ordinary General Meeting of Shareholders corresponding to the final fiscal year ending within one year of appointment.
 - In order to ensure the effectiveness of audits of operating companies by the Company, the Company's full-time auditors are appointed to serve as auditors for core companies.
- (ii) Managers at the Company and Group companies are required to repeatedly explain and ensure full awareness of management principles applicable to the entire Fuji Electric Group as well as the spirit behind the Fuji Electric Group Charter of Corporate Behavior, which serves as a code of behavior for all executives and employees.
- (iii) The Company will establish and promote a compliance system as follows, based on the Fuji Electric Group Compliance Regulations and the Fuji Group Compliance Program.
 - The Group Compliance Promotion Committee is chaired by the Company's president and representative director. It strives to ensure full compliance with laws and social norms pertaining to the Fuji Electric Group.
 - The Fuji Electric Group Compliance Program, which clarifies roles and responsibilities in terms of internal rules, daily monitoring, auditing, education and other areas for each law and regulation connected with the business activities of the Fuji Electric Group, is implemented according to the annual plan.
 - All full-time executives of Group companies participate in compliance training and legal training for auditors.
 - The Business Ethics Helpline facilitates communication between Group company employees and the president of the Company, the Group's holding company, using a route that is independent of normal lines of communication. This is intended to prevent actions that violate the law, Articles of Incorporation, and Group or internal rules before they occur and aid early discovery of such actions.
 - By establishing and promoting the above framework, each group company takes organizational measures to eliminate antisocial groups that threaten the order and safety of people's life.
- (iv) Internal auditing divisions at the Company and core companies under the jurisdiction of their respective companies' presidents conduct audits of their own companies and their companies' subsidiaries. In addition, in order to ensure the effectiveness of internal auditing of the Group as a whole, information on various activities is shared at the Group Auditing Committee, which consists of members of internal auditing divisions at the Company and core companies, and the Fuji Electric Group Internal Auditing Subcommittee, which is made up of members of internal auditing divisions at principal Group companies.

(2) System for saving and managing information pertaining to director performance

The Fuji Electronic Group Document Management Regulations will be formulated in order to accurately save and manage records of important business execution by the Fuji Electric Group at Group companies and to ensure that directors and auditors acquire knowledge of the records. The regulations establish procedures for directors, auditors and managers involved in saving and storing records regarding access to the information. The Company's auditors are also consulted in advance with regard to formulating, amending, or eliminating regulations.

(3) Regulations for managing loss-related risk and other systems

- (i) The Fuji Electric Group Risk Management Regulations were formulated in order to systematically manage operational risks faced by the Fuji Electric Group. Based on these regulations, Group companies will establish appropriate risk management systems for their business divisions (including their subsidiaries). In addition, a system for managing specific Group-wide risks will be established for the Group as a whole. The system involves the creation of departments in the Company to manage each type of risk.
- (ii) The Company's internal auditing division audits risk management progress at core companies and reports the results to the Company's president.
- (iii) Based on the Fuji Electric Group Contingency Plan for Emergency Situations, directors in charge of crisis management are designated and a communication system and response headquarters are established for when emergency situations occur. These measures are intended to minimize the impact of emergency situations on the Group.

(4) System for ensuring effective business execution by directors

- (i) Decision-making authority and responsibilities with respect to business execution within the Group will be clarified in accordance with resolutions of the Board of Directors that define and determine executive duties for directors, Regulations of the Board of Directors and Fuji Electric Group Management Regulations.
- (ii) An Executive Committee has been established as a permanent corporate body to advise the Company's president. It is made up of the Company's full-time directors, the president of each core company and other individuals. The committee deliberates on important matters pertaining to Group management and formulates reports. The Company's Representative Director communicates the deliberations and reports of the Executive Committee to the Company's Board of Directors.
- (iii) In order to formulate annual and medium-term management plans for the Group as a whole and to share information within the Group, the Executive Committee and the Company's Board of Directors confirm, evaluate and review progress for each business division on a monthly basis.

(5) System to ensure trustworthy financial reporting

The Company has formulated "Internal control management regulations regarding the financial reporting of the Fuji Electric Group" to ensure the appropriateness of documents and other information related to financial settlements of the Company and the Fuji Electric Group as stipulated by the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended). Based on these regulations, each Group company has built internal controls regarding financial reporting, endeavors to appropriately conduct evaluations and reporting, and reports the results of evaluations to its Board of Directors.

(6) System for ensuring the proper administration of the Company and the Fuji Electric Group

- (i) The respective roles to be played by each Group company under the pure holding company structure are clarified in accordance with the Fuji Electric Group Management Regulations and efforts are made to optimize operations for the Group as a whole.
- (ii) As the holding company, the Company has responsibility for maximizing corporate value for the Group as a whole and works to enhance systems to ensure proper administration from the perspective of the entire Group for the items discussed above.

In order to appropriately comply with the requirements for internal control and evaluation systems for financial reporting, which are stipulated in the Financial Instruments and Exchange Law (formerly known as the Securities and Exchange Law), a project system will be organized with the Company's representative director serving as chief officer, and preparations will be made for its implementation.

(7) Matters pertaining to employees assisting auditors and their independence from directors

Auditors may request the assistance of employees from internal auditing divisions or management planning divisions as necessary. Employees carrying out this work may do so independently of instructions or orders from directors.

(8) System for reporting to auditors by directors and employees and other matters pertaining to reporting to auditors

The regulations on reporting to auditors by directors and employees will be established to ensure auditors acquire information sufficient for them to fulfill their duties. The regulations establish specific methods for ensuring auditors have opportunities to attend important meetings where decisions are made on business execution, for distributing regular reports and important documents to auditors, and for making it possible for auditors to otherwise collect information on directors' performance of their duties.

(9) Other systems to ensure audits by auditors are conducted efficiently

- (i) The Company actively recruits outside auditors and, as stated in 1) above, appoints the Company's full-time auditors to serve as auditors at core companies in order to ensure the effectiveness of audits by the Company as the holding company for the Group.
- (ii) The Fuji Electric Group Board of Auditors is made up of auditors affiliated with the Company and core companies. The Fuji Electric Group Auditor Committee is made up of auditors from large companies within the Group, as defined by the Companies Law. The board and the committee work to communicate auditing policies that pertain to the Group as a whole. The Auditing Liaison Committee comprises auditors from the Company and core companies, members of internal audit divisions, and accounting auditors. This committee is involved in strengthening communication among all auditing bodies and ensuring the effectiveness of auditing practices for the Group as a whole.

Compliance

Measures to Strengthen Compliance

The Fuji Electric Group formulated the Fuji Electric Group Charter of Corporate Behavior in 1992 in accordance with its corporate philosophy, and 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 for all relevant rules and regulations.

Business Ethics Helpline System

As part of its compliance structure, the Fuji Electric Group set up a 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 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 of the Group) through channels independent from regular operational lines. Such communication can be made with the guarantee that the person making the report will not be subjected to any prejudicial treatment, reprisal or discrimination.

Risk Management

Risk Management

The Fuji Electric Group manages the risks inherent in its business in a coordinated and systematic manner in accordance with the Fuji Electric Group Risk Management Rules, established in May 2006. To provide a response 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. We have also prepared the Disaster Guidelines, the Response Guidelines for International Emergency Situations, and other plans and procedures.

Protection of Intellectual Property

The Fuji Electric Group has formulated a strategy for creating and maximizing intellectual property that underpins its business. This intellectual property strategy is linked with the Group's business and R&D strategies. We also take appropriate steps to identify and improve patent portfolios and avoid infringing on the patents of other companies in the various stages of conducting R&D and carrying out business operations.

In order to put this strategy into practice, we conduct reviews of strategic areas and themes that require attention and implement policies such as effective acquisition of patents and enhancement of third-party patent reviews. To further strengthen our position in the field of strategic patent filings, we set a target of filing for 100 special strategic patents.

Information Management—Implementing IT Audits

In order to strengthen protection of personal and confidential information regarding customers and suppliers, the Fuji Electric Group has formulated internal regulations, conducted training for employees, and taken other measures to bolster its information management. In particular, Group companies that handle substantial amounts of personal and confidential information have acquired Privacy Mark or Information Security Management Systems (ISMS) certifications.

IT audits include items for confirmation in the area of IT risk management, including how the Group would respond in the event of damage to IT systems or a disaster. We have also created a Chinese-language version of our rules and standards for information security and protection of personal information. This document has been distributed to 26 affiliates in China.

Management

(As of July 1, 2008)



President and
Representative Director
Haruo Ito



Executive Vice President and
Representative Director
Katsushi Nakayama



Executive Vice President and
Representative Director
Michihiro Kitazawa



Director
Senior Executive Officer
Takamichi Hamada



Director
Executive Officer
Masanori Tsuji



Director
Executive Officer
Keiji Sato



Director
Mitsunori Shirakura
President and
Representative Director
Fuji Electric Systems
Co., Ltd.



Director
Hisao Shigekane
President and
Representative Director
Fuji Electric Device
Technology Co., Ltd.



Director
Hiroshi Nishigaki
President and
Representative Director
Fuji Electric Retail
Systems Co., Ltd.



Director (Outside Director)
Eisuke Masada
Chairman, Railway
Technical Research
Institute



Director (Outside Director)
Tadashi Kudo
Director, Mizuho Bank,
Ltd.



Director (Outside Director)
Hiroaki Kurokawa
Senior Executive
Advisor, Fujitsu Limited



Standing Auditor
Katsumi Yoshida



Standing Auditor
Keiichi Hirata



Auditor
Tsuyoshi Nagahama
Attorney-at-law, Partner,
Anderson Mori &
Tomotsune



Auditor
Yuzuru Fujita
Chairman, Asahi Mutual
Life Insurance Co.



Auditor
Hiroshi Wada
Special Advisor, The
Furukawa Electric Co.,
Ltd.