

# Management Structure

## CORPORATE GOVERNANCE

To realize its corporate mission, Fuji Electric is reinforcing its corporate governance by increasing management transparency and enhancing the oversight function.

### The Fuji Electric Governance Framework

Fuji Electric’s corporate governance framework consists of a Board of Directors, which performs the functions of management supervision and making important decisions, and auditors and the Board of Auditors, which are in charge of the management audit function.

Comprising nine directors (including three outside directors) and five auditors (of whom three are outside auditors), the governance framework is designed to reinforce the Company’s management supervision and audit functions.

To this end, the system actively calls on outside officers, making them an essential part of the system.

Outside officers fulfill the role of providing management supervision and management audits from an objective perspective. At the same time, they provide useful advice and instructions across the entire spectrum of Fuji Electric’s business, helping to ensure the appropriateness of management judgments.

### Clarifying the Management and Execution Functions

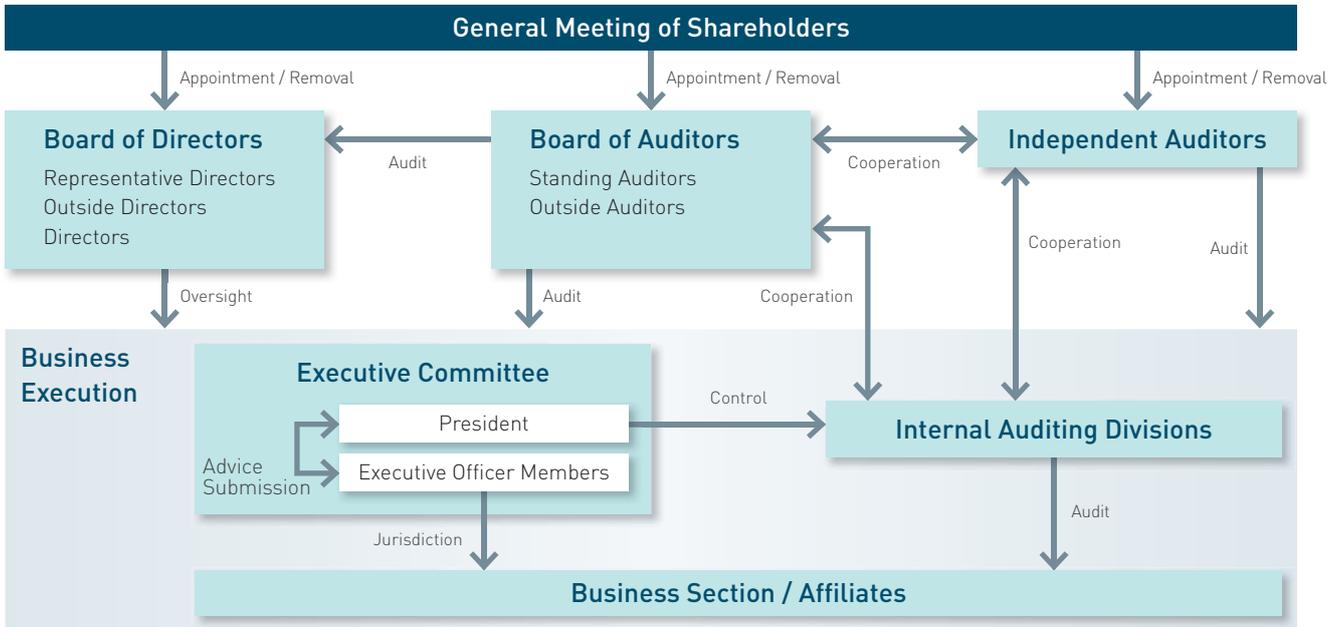
In April 2011, we launched the “New Fuji Electric” by consolidating our operating subsidiaries and integrating the management and business execution functions.

Under the new structure, we have introduced an executive officer system that has been implemented across the Company, including our affiliates. The management and execution roles have been made clear, as has executive responsibility for each business. In accordance with the

Company Act, directors execute business personally and are responsible for supervising the execution of business. To enhance the business execution function, we have also introduced an executive officer system and appointed 15 officers.

The officers, who are appointed by the representative director for one-year terms of office, have the same management duty of care as directors.

#### Corporate Governance Framework



**(1) Directors and Board of Directors**  
The Board of Directors conducts decision-making and oversight of the management of Fuji Electric and the execution of its important business. Fuji Electric proactively appoints outside directors with a view to strengthening the management supervisory function from an objective perspective and maintaining the rationality and propriety of business decisions.

**(2) Auditors and Board of Auditors**  
The auditors inspect Fuji Electric’s management and business execution. In addition to our proactive appointment of outside auditors, we shore up our auditing functions by having standing auditors to attend Executive Committee.

**(3) President, Executive Officers, Executive Committee**  
Led by the president, the Executive Committee rules on the execution of business other than that decided upon by the Board of Directors. The Executive Committee is composed of executive officers and serves to advise the president, and fulfills functions such as reporting to enable deliberation, recommendation, and monitoring of important matters. Each executive officer controls the execution of the business of which he is in charge.

## Outside Officers

To ensure that outside directors augment Fuji Electric's management supervision function and assure the adequacy and appropriateness of important decisions, the standards for outside officers are that they have the insights and experience necessary for making multifaceted management decisions, understand Fuji Electric's management, and are independent from the Company. Outside directors are selected after taking all these factors into due consideration.

Outside auditors are chosen after taking into overall account such aspects as their ability to reinforce Fuji Electric's management audit function, whether they have the insights and experience necessary to make management judgments, their understanding of Fuji Electric's management, and their independence from the Company.

The three outside directors are Mr. Hiroaki Kurokawa, who has experience as a manager in the manufacturing sector; Mr. Motoyuki Suzuki, who is an expert in environmental engineering; and Mr. Takashi Okimoto, who is experienced

in the management of financial institutions. These members provide Fuji Electric with useful advice and instructions in every aspect of its business.

Our three outside auditors are Mr. Takahiko Ito, who has experience as a standing auditor at a listed company; Mr. Yoshiki Sato, who is experienced in the management of financial institutions; and Ms. Akiko Kimura, an attorney. In addition to the responsibility of augmenting the management audit function, the outside auditors provide Fuji Electric with useful advice and instructions in every aspect of its business.

These outside officers have been appointed as independent directors as required by financial instruments exchanges.

In fiscal 2011, outside officers attended the Board of Directors (which was held 13 times) and the Board of Auditors (which was held nine times). Their rates of attendance were 95% and 96%, respectively.

## Executive Remuneration

Fuji Electric has established a remuneration system and remuneration levels for directors and auditors that are deemed appropriate for their respective duties and 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.

### ● Standing Directors

As standing directors are charged with the responsibility of improving consolidated operating performance for each fiscal year and realizing improvements in corporate value over the medium to long term, their remuneration is structured and managed in two categories: base remuneration and performance-linked remuneration.

#### ● Base Remuneration

Base remuneration is a predetermined amount that is paid to executives according to their position. A portion of the base remuneration, depending on rank, is contributed to the director shareholding association to share the economic interests of shareholders and as an incentive to make management aware of share value.

#### ● Performance-Linked Remuneration

Performance-linked remuneration is paid only in instances in which dividends are paid to all shareholders from

retained earnings. The total amount of executive performance remuneration shall be within 1.0% of consolidated net income for the fiscal year prior to the date of payment in order to make the link with consolidated results for each fiscal year more transparent.

### ● Outside Directors and Auditors

Remuneration for outside directors and auditors is paid as a fixed sum determined in advance, according to their rank, as outside directors and auditors are charged with the duty of supervising or auditing the execution of duties across Fuji Electric. Outside directors and auditors may acquire stock in the Company at their own discretion.

#### Total Remuneration for Directors and Auditors (Fiscal 2011)

|  | Number of recipients | Amount of payment<br>(Millions of yen) |
|--|----------------------|--|
| Directors<br>(of which, outside directors) | 14<br>(3)            | 366<br>(22)                            |
| Auditors<br>(of which, outside auditors)   | 5<br>(3)             | 80<br>(22)                             |

- Notes
1. Includes three directors who retired as of the end of the 135th Ordinary General Meeting of Shareholders, held on June 24, 2011.
  2. The amount paid to directors includes performance-based remuneration for FY2010.
  3. In addition to the above, ¥36 million was paid as employee bonuses to directors who are also employees (four people).

## Internal Control System

The Fuji Electric Board of Directors determines basic policies concerning the establishment of an internal control system as stipulated in the Company Act, and the Company discloses that policy. Fuji Electric's companywide internal control system is designed to respond promptly and accurately to the demands

placed upon the Company by society, and improvements are continuously made to it.

Note: For details please refer to the "Corporate Governance" section under "Investor Relations" of our website.