

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

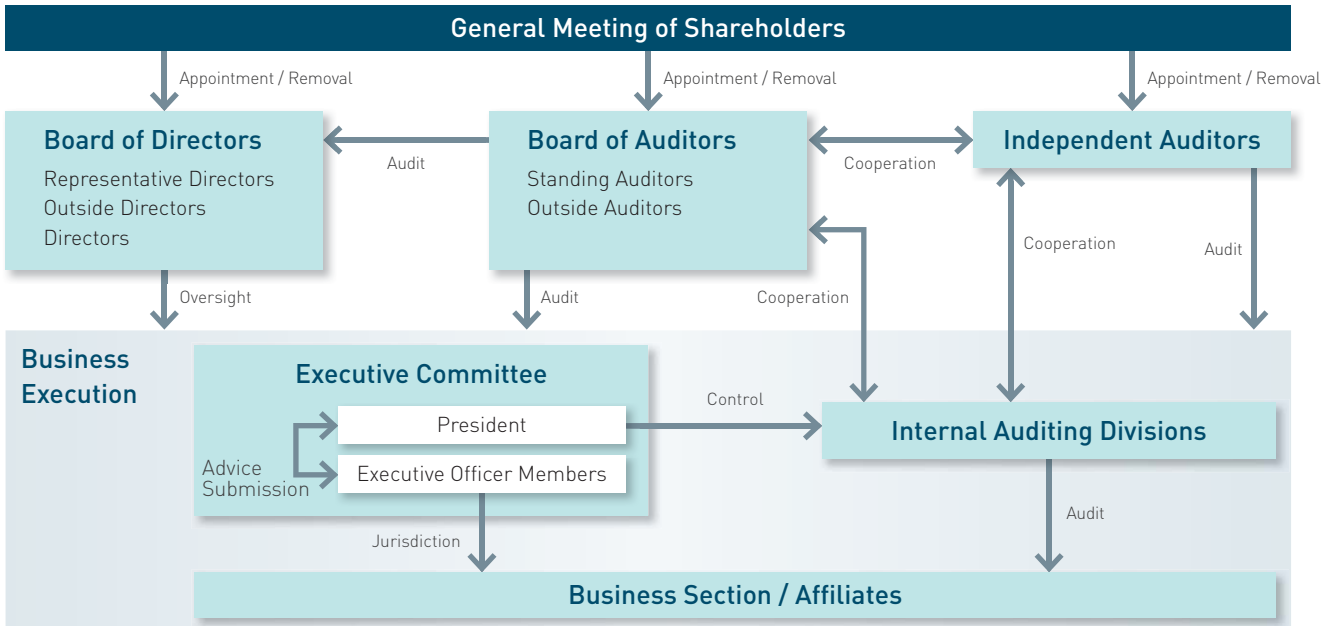
In April 2011, we launched the “New Fuji Electric” by consolidating our operating subsidiaries and integrating the management and business execution functions.

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 (Millions of yen)
Directors (of which, outside directors)	14 (3)	366 (22)
Auditors (of which, outside auditors)	5 (3)	80 (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.

COMPLIANCE

We employ thorough measures to ensure compliance with laws and corporate ethics and always act with a high degree of social conscience, because achieving sustained corporate growth is premised upon doing so.

Basic Compliance Policy and Framework

● Basic Compliance Policy and Individual Regulations

The Fuji Electric Code of Conduct, which was revised in October 2010, states that we shall "Respect, value and conform with all applicable laws and regulations." We have established the Fuji Electric Compliance Regulations and the Fuji Electric Compliance Program, which bring together four aspects of domestic and overseas compliance (internal rules, oversight, monitoring, education), based upon this policy, to achieve sustained growth.

● Fuji Electric Compliance Promotion Committee

The Fuji Electric Compliance Promotion Committee, which is headed by the president and composed of the managers responsible for compliance, with outside experts (attorneys) as observers, has jurisdiction over compliance.

The committee meets twice each fiscal year to deliberate compliance planning and execution with the goal of achieving full compliance with laws and social norms.

● Compliance Program

Amid its efforts to promote the localization of management and construct partnerships with offshore entities, Fuji Electric is bolstering the compliance of its overseas operations.

In addition to globally consistent items such as the prohibition of discriminatory acts and unfair dealings, including bribery and corruption, the Fuji Electric Compliance Program reflects the laws and regulations of each region where we conduct business. In addition to Fuji Electric itself, we practice compliance on this basis through the actions of all our subsidiaries in Japan and overseas.

● Operation of Whistle-Blowing Systems in Japan and Overseas

To prevent infractions of laws, regulations and internal rules and ensure early detection, Fuji Electric has introduced the Business Ethics Helpline System. Under this system, employees in Japan and overseas can report to Fuji Electric's president via the department responsible for compliance.

In fiscal 2012, we plan to initiate a Partner Hotline, which will handle notifications from business partners about Fuji Electric's materials procurement operations.

Conducting Compliance Training

Fuji Electric has created a compliance training program for officers and employees of the Company and its affiliates that addresses matters they encounter in the course of their business activities. This program is conducted year-round. Compliance training has two main thrusts: level-specific and job-specific courses.

In March 2012, we conducted group training at Fuji Electric (China) Co., Ltd., to communicate information concerning the prohibition of bribery. This training brought to attention the United Kingdom Bribery Act that went into force in July 2011 and that assigns penalties for bribery occurring even among private-sector firms and for acts that occur outside the United Kingdom.



RISK MANAGEMENT

We are redoubling our management of a broad range of risks, including disaster preparedness measures, information security, and protection of intellectual property.

Thorough Risk Management

● Organizational and Systematic Risk Management

Based on the Fuji Electric Risk Management Regulations, which were formulated in May 2006, the various risks that could affect the Company (strategic, financial, operational, and hazard risks) are recognized and evaluated in a coordinated, systematic manner and are appropriately managed and processed.

The Company formulates business plans each fiscal year. After evaluating the risks related to each operational site, the Company incorporates them into its plans.

● Crisis Management in Preparation for Large-Scale Disasters

Learning lessons from the Great East Japan Earthquake, which struck in March 2011, we have revised our disaster response rules and regulations and produced a Disaster Prevention and Procedural Manual.

Based on this manual, we have created a disaster preparedness headquarters system that appoints the vice president as the officer in charge of crisis management and assigns overall responsibility to the president. We have also revised our fire safety and disaster preparedness systems, put in place thorough measures to ensure that structures and facilities are earthquake resistant and renewed our cache of emergency stores at operational sites and subsidiaries.

At least once each year, we conduct training on preparedness for large-scale disasters at each operational site, including overseas bases.

Enhancing Information Security

● Third-Party Certification Related to Information Security

To protect personal and confidential information, Fuji Electric has formulated internal rules, instituted training programs for employees and implemented various other measures.

These measures include acquiring outside certification for companies demanding a high level of information security. As of April 1, 2012, six of our operations (at four companies) had acquired ISMS certification.

Also, currently two companies—Fuji Electric Co., Ltd., and Fuji Electric IT Center Co., Ltd.—have acquired Privacy Mark certification.

● Extending Information Security Overseas

As part of our aggressive rollout of information security initiatives overseas, we have translated our information security policy and regulations into English and Chinese. Based on it, each overseas company has also drafted security regulations for overseas bases, taking into account individual countries' laws and regulations.

In 2011, we also translated the information security handbook distributed in Japan into English and Chinese. In November 2011, this handbook was distributed to all employees at each subsidiary except Japan.

We conducted overseas information security audits at 29 companies in fiscal 2011. Going forward, we will work to entrench related activities throughout Fuji Electric, including overseas bases, and strive for ongoing improvement.

Promoting the Protection of Intellectual Property

● Promotion of Activities to Prevent Patent Infringement

As part of our intellectual property activities, we employ a system to monitor other companies' patents on a daily basis to ensure against the inadvertent infringement of third-party (other companies') patents.

In addition to patents, we conduct prior surveys to prevent infringements pertaining to such intellectual property as utility models, designs, and trademarks.

To prevent infringement, we also conduct compliance program training concerning other intellectual property rights, such as industrial property rights. To protect our own intellectual property, we take proactive measures to acquire and protect rights. In fiscal 2011, the Company formulated guidelines against brand imitation and on the protection of expertise, creating a framework for such protection.