

# Corporate Governance

To realize its corporate mission, Fuji Electric is reinforcing its corporate governance by increasing management transparency and enhancing the oversight function. Furthermore, the Company is now considering its response to the Corporate Governance Code of the Tokyo Stock Exchange, which has been in effect since June 2015.

## Corporate 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.

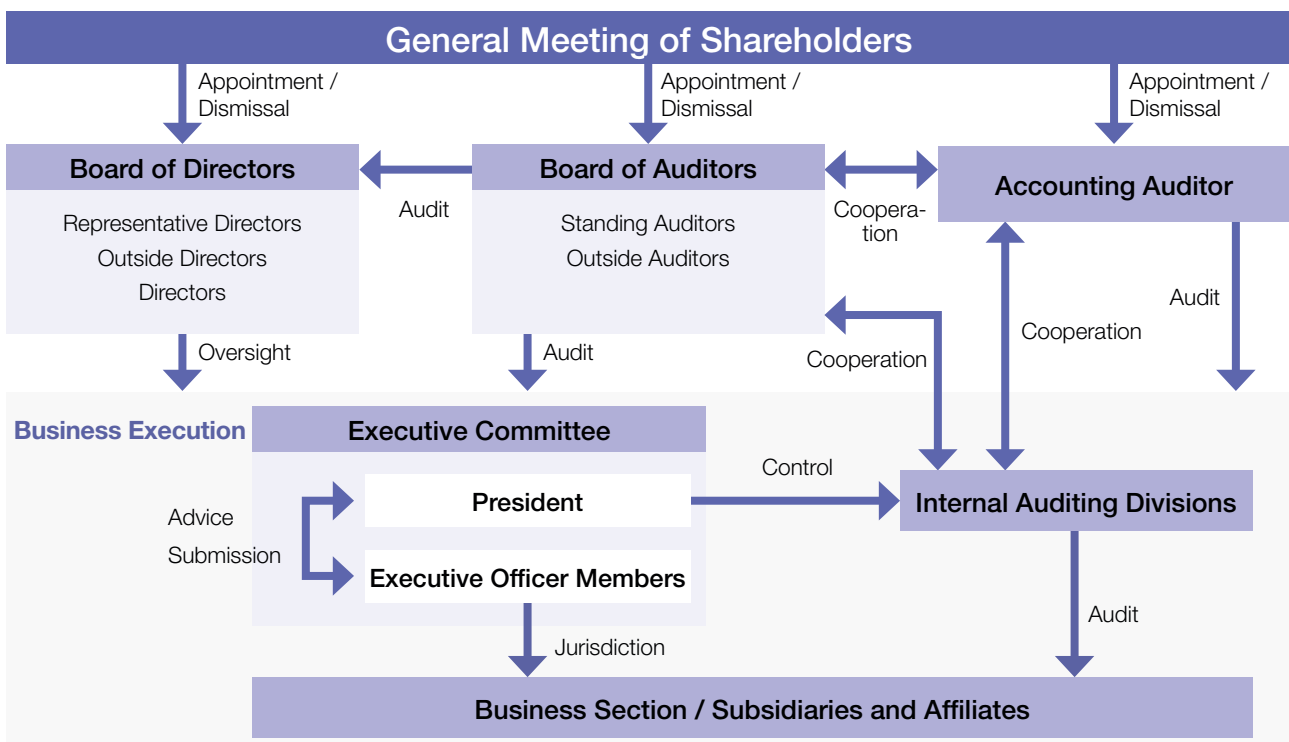
Comprising nine Directors (including three Outside Directors) and five Auditors (of whom three are Outside Auditors) the governance framework is designed to reinforce the Company's management supervision and audit functions. To this end, the system actively calls on outside officers,

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.

Fuji Electric uses the executive officer system to strengthen business execution functions.

### 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 validity and propriety of business decisions.

#### (2) Auditors and Board of Auditors

Board of Auditors inspects Fuji Electric's management and business execution. In addition to our proactive appointment of Outside Auditors, auditing functions are enhanced by having Standing Auditors attend the Executive Committee.

#### (3) President, Executive Officers and Executive Committee

The President has ultimate responsibility for execution of business and makes decisions on matters of business execution other than those decided upon by the Board of Directors. The Executive Committee is composed of executive officers and functions as a consulting system for the President. It fulfills functions such as deliberation and recommendation of important matters, and reports to enable monitoring of the status of management. Each executive officer controls the execution of the business of which he is in charge.

## Outside Officers

### (1) Outside Directors

To ensure that Outside Directors augment Fuji Electric's management supervisory 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. Candidates for Outside Directors are selected after taking all these factors into due consideration. The Company's three Outside Directors are as follows.

#### ■ Hiroaki Kurokawa

Mr. Kurokawa offers useful advice and opinions concerning the business management of Fuji Electric in general, based on his extensive experience and considerable insight as an experienced manager in the manufacturing sector for electronics and telecommunication equipment.

#### ■ Motoyuki Suzuki

Mr. Suzuki offers useful advice and opinions concerning the business management of Fuji Electric in general, based on his professional standpoint and considerable insight in environmental engineering.

#### ■ Mareto Sako

Mr. Sako offers useful advice and opinions concerning the business management of Fuji Electric in general, based on his extensive experience and considerable insight as a manager in financial institutions.

### (2) Outside Auditors

Candidates for 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 Company's three Outside Auditors are as follows.

#### ■ Takahiko Ito

Mr. Ito offers useful advice and opinions concerning the business management of Fuji Electric in general, based on his abundant expert knowledge as the Standing Auditor of a listed company and extensive experience and insight as an officer and member of upper management in the manufacturing industry.

#### ■ Yoshiki Sato

Mr. Sato offers useful advice and opinions concerning the business management of Fuji Electric in general, based on his extensive experience and considerable insight as a manager in financial institutions.

#### ■ Akiko Kimura

Ms. Kimura offers useful advice and opinions concerning the business management of Fuji Electric in general, based on her expert knowledge as an attorney.

\* Notification has been submitted that these outside officers are independent officers as required by financial instruments exchanges.

\* In fiscal 2014, the rates of attendance of outside officers at the Board of Directors meetings (which were held 13 times) and the Board of Auditors (which were held 9 times) were 95% and 85%, 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.

### (1) 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 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.

### (2) Outside Directors and Outside Auditors

Remuneration for Outside Directors and Outside Auditors is paid as a predetermined amount according to their rank, as Outside Directors and Outside Auditors are charged with the duty of supervising or auditing the execution of duties across Fuji Electric. Outside Directors and Outside Auditors may acquire stock in the Company at their own discretion.

### Total Amount of Remuneration Paid to Directors and Auditors (Fiscal 2014)

	Number of Recipients	Amount of Payment (Millions of Yen)
Directors (of which, Outside Directors)	12(3)	270(22)
Auditors (of which, Outside Auditors)	5(3)	80(22)

Notes 1. The above payees include three Directors (zero Outside Director) who retired at the conclusion of the 138th Ordinary General Meeting of Shareholders held on June 25, 2014.

2. The amount paid to Directors does not include performance-linked remuneration for fiscal 2014.

3. In addition to the above, ¥94 million was paid as performance-linked remuneration for fiscal 2013 to Standing Directors (seven recipients).

4. In addition to the above payment, the Company paid ¥23 million to employees who concurrently assumed the office of Director (2 employees) as salary for employees.

## 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 those policies. Fuji Electric's Company-wide 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.

# List of Officers

(As of July 1, 2015)

## Directors



**Michihiro Kitazawa**  
President and Chairman of the Board of Directors



**Yoshio Okuno**  
Representative Director



**Hiroaki Kurokawa**  
Outside Director



**Motoyuki Suzuki**  
Outside Director  
Emeritus Professor, The University of Tokyo; Visiting Professor, The Open University of Japan



**Mareto Sako**  
Outside Director  
Advisor, Nippon Tochi-Tatemono Co., Ltd.



**Michio Abe**  
Director



**Kenzo Sugai**  
Director



**Naoya Eguchi**  
Director



**Junichi Matsumoto**  
Director

## Auditors



**Toshio Shinozaki**  
Standing Auditor



**Toshihiko Ishihara**  
Standing Auditor



**Takahiko Ito**  
Outside Auditor  
Standing Auditor, Furukawa Electric Co., Ltd.



**Yoshiki Sato**  
Outside Auditor  
President and Representative Director, Asahi Mutual Life Insurance Company



**Akiko Kimura**  
Outside Auditor  
Advisor, Anderson Mori & Tomotsune

## Executive Officers

(As of April 1, 2015)

President	<b>Michihiro Kitazawa</b>	General Management
Executive Vice President	<b>Yoshio Okuno</b>	Assistant to the President; Corporate General Manager, Corporate Management Planning Headquarters; General Manager, Export Administration Office; In charge of compliance management and crisis management
Senior Managing Executive Officer	<b>Michio Abe</b>	Corporate General Manager, Production and Procurement Group
	<b>Kenzo Sugai</b>	Corporate General Manager, Sales Group
Managing Executive Officers	<b>Hidehiko Asahi</b>	Corporate General Manager, Food and Beverage Distribution Business Group
	<b>Kuniaki Yanagisawa</b>	Corporate General Manager, Electronic Devices Business Group
Executive Officers	<b>Motofumi Matsumura</b>	General Manager, Corporate Strategy Office, Corporate Management Planning Headquarters
	<b>Naoya Eguchi</b>	Corporate General Manager, Corporate R&D Headquarters
	<b>Takashi Kusaka</b>	Corporate General Manager, Industrial Infrastructure Business Group
	<b>Junichi Matsumoto</b>	General Manager, Corporate Finance Office, Corporate Management Planning Headquarters
	<b>Takeshi Kadoshima</b>	General Manager, Human Resources and General Affairs Office
	<b>Junichi Arai</b>	General Manager, Corporate Planning Office, Corporate Management Planning Headquarters
	<b>Masatsugu Tomotaka</b>	Corporate General Manager, Power Electronics Business Group
<b>Masahiro Fujiwara</b>	Corporate General Manager, Power and Social Infrastructure Business Group	
<b>Kenji Goto</b>	Deputy Corporate General Manager, Sales Group	

\* Please refer to our website for each officer's brief history.

# Compliance

**We employ thorough measures to ensure compliance with laws and corporate ethics and always act with a high degree of social conscience to achieve sustained corporate growth.**

## Basic Compliance Policy

The Fuji Electric Code of Conduct states that we shall “Respect, value and conform with all applicable laws and regulations,” and has been incorporated into our basic policy. We have established and been implementing 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, and education), based upon this policy.

## Compliance Promotion Structure

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 globally.

### Global Promotion of the Fuji Electric Compliance Program

Fuji Electric is bolstering the compliance of its overseas operations.

In addition to globally consistent items that apply at all overseas sites, 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. We practice compliance on this basis through the actions of all our subsidiaries in Japan and overseas.

### Conducting Compliance Training

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

#### ■ Level-Specific Training

Level-specific training is tailored to executives, newly appointed managers, and new employees of consolidated subsidiaries in Japan. Training lasts a half to one full day, with sessions focusing on the Fuji Electric compliance framework and the Fuji Electric Compliance Program. In fiscal 2014, the training was attended by 19 newly appointed directors, 124 newly appointed managers, and 151 new employees.

#### ■ Job-Specific Training

Job-specific training is conducted that features items for consideration in practical business situations. In fiscal 2014, classroom-based training was conducted for sales and administrative unit personnel (668 in Japan and 107 overseas) covering a variety of themes including the Antimonopoly Law. Furthermore, we also conducted e-learning programs for 1,216 employees at overseas subsidiaries.



### 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 violations or suspected violations of laws or Company rules to Fuji Electric's President via the department responsible for compliance or through an external lawyer.

We also operate a Partner Hotline, which handles notifications from business partners about Fuji Electric's materials procurement operations. Building more highly reliable trading relationships with our suppliers is part of fulfilling our social responsibility.

# 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

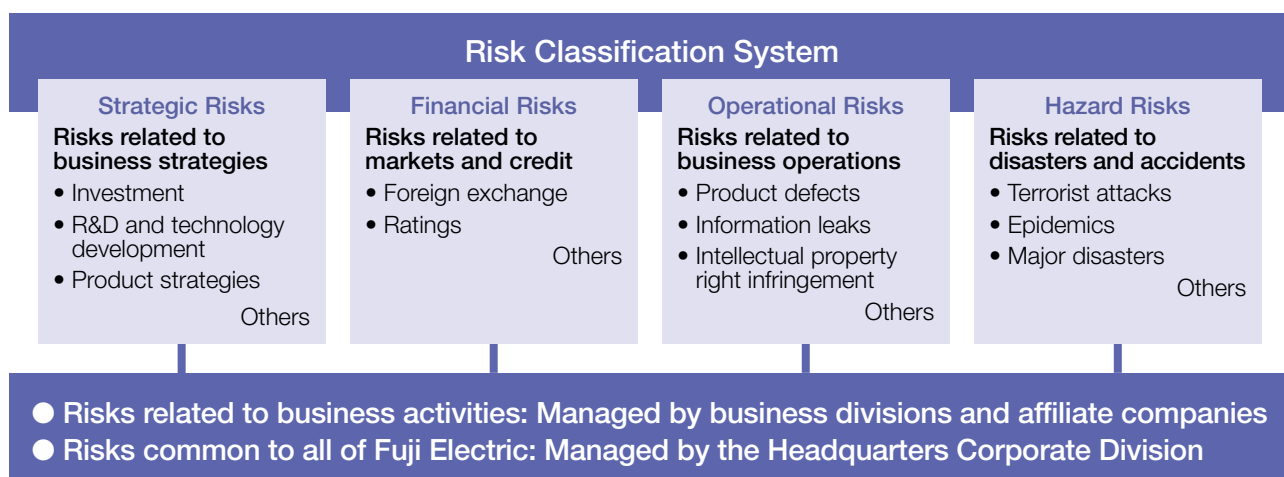
## Types of Risk and Risk Management System

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.