

# Fuji Electric's CSR Activities

Fuji Electric's CSR is summed up precisely in its corporate philosophy and management policies. These principles entail contributing to the resolution of social issues through our energy- and environment-related businesses, effectively managing our business in a way that maximizes the positive impact of overall corporate activities on society and the environment while working to prevent or alleviate any negative impact.

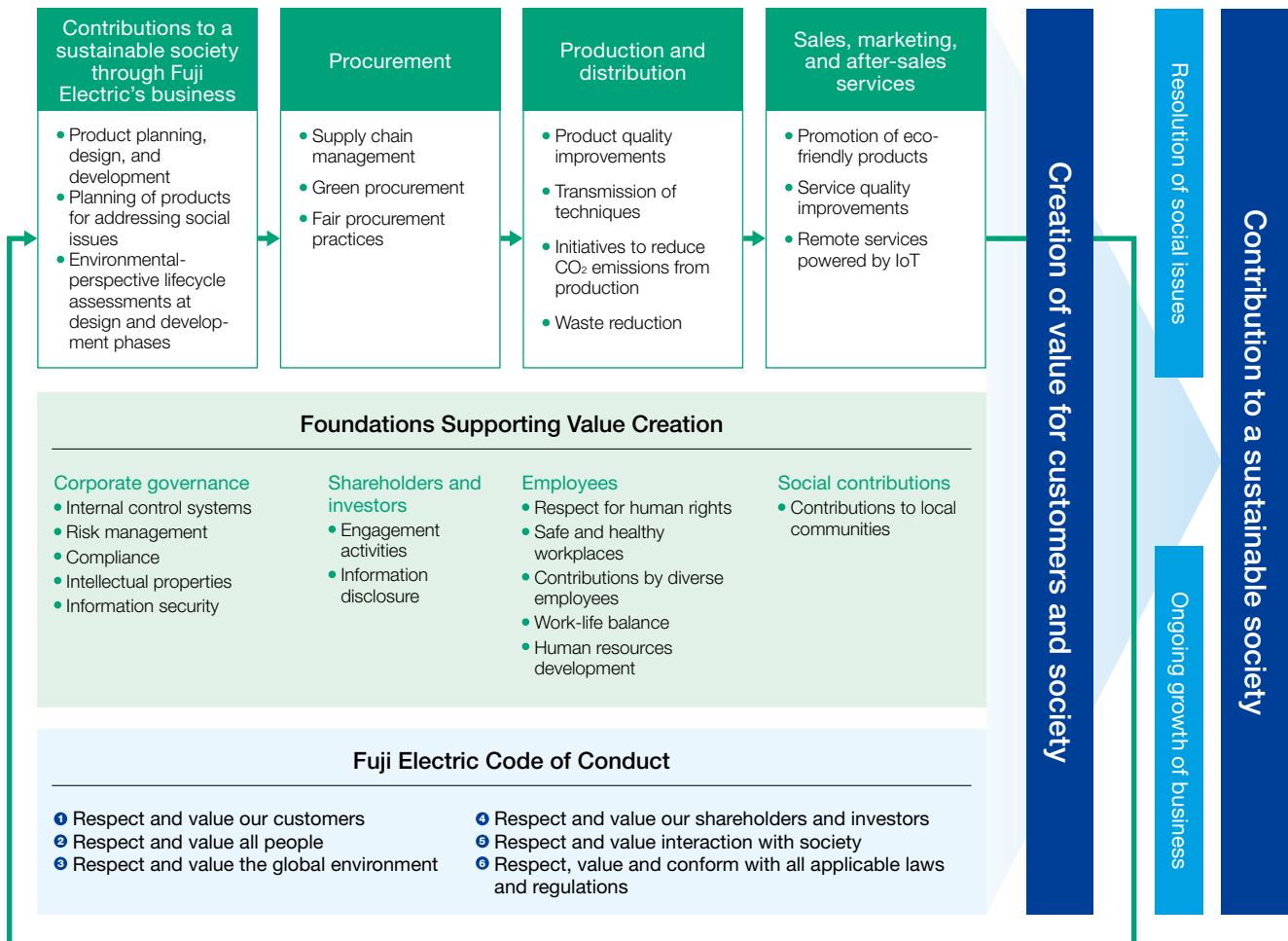
## Promotion of CSR

As a compass for the promotion of CSR, we have established the Fuji Electric Code of Conduct, a set of six principles for guiding concerted action based on a shared understanding between the Company and all of its employees. In addition, Fuji Electric has defined key environmental, social, and governance (ESG) issues in reflection of the Ten Principles of the United Nations Global Compact, which are arranged around four areas. Initiatives for addressing these issues are underway. Through its business, Fuji Electric endeavors to contribute to the achievement of the United Nations Sustainable Development Goals, which were adopted by the UN General Assembly in September 2015, and is thereby striving to help realize a sustainable society.



Sustainable Development Goals

## Contributions to a Sustainable Society Through Fuji Electric's Business



## Key ESG Initiatives

Fuji Electric acts from a perspective focusing on ESG issues with the aim of realizing ongoing improvements in corporate value. Accordingly, the Company has defined key ESG issues, which it is actively working to address. These issues relate to the preservation of the global environment, human rights, occupational health and safety, promotion of diverse workstyles and other workplace initiatives, compliance at subsidiaries and other Group companies, and fair and impartial engagement with shareholders and other investors. An end goal of these initiatives is to realize ongoing growth on a global scale.

ESG Area		Key Issues	Major Initiatives	Relevant Pages
Environmental	Global environment	Prevention of global warming	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions during production</li> <li>Reduce society's CO<sub>2</sub> emissions through provision of energy-saving products</li> </ul>	P.31–P.32
		Creation of a recycling-oriented society	<ul style="list-style-type: none"> <li>Promote 3Rs (reuse, reduce, recycle) in relation to products and production activities</li> </ul>	
Social	Customers	Improvement of customer satisfaction	<ul style="list-style-type: none"> <li>Enhance customer support and service systems</li> <li>Administer customer satisfaction surveys</li> <li>Provide safe, high-quality products and services</li> </ul>	P.27–P.28
		Promotion of CSR across the supply chain	<ul style="list-style-type: none"> <li>Enforce procurement policies</li> <li>Practice green procurement</li> <li>Support CSR activities of business partners</li> </ul>	
	Employees	Human rights	<ul style="list-style-type: none"> <li>Entrench awareness of Policy for Human Rights of the Employees among all employees</li> <li>Conduct ongoing human rights training</li> </ul>	P.33–P.34
		Safe and healthy workplaces	<ul style="list-style-type: none"> <li>Conduct ongoing occupational health and safety training to prevent occupational accidents</li> <li>Carry out safety patrols to prevent serious accidents and frequently occurring accidents</li> <li>Establish comfortable, healthy workplaces</li> </ul>	
		Diversity	<ul style="list-style-type: none"> <li>Employ a diverse range of human resources (non-Japanese people, people with disabilities, senior citizens)</li> <li>Reform awareness of management and female employees</li> </ul>	
		Work-life balance	<ul style="list-style-type: none"> <li>Promote flexible workstyles (allow for work in satellite or home offices)</li> <li>Cut back on excessive work hours</li> <li>Encourage leave acquisition</li> </ul>	
	Human resources development	<ul style="list-style-type: none"> <li>Cultivate globally competent employees regardless of work locations and nationalities</li> </ul>		
Contributions to communities	Community outreach	<ul style="list-style-type: none"> <li>Contribute to communities through activities for protecting the natural environment and promoting youth development</li> <li>Engage in community outreach at operating bases</li> </ul>	P.34	
Governance	Global compliance	Compliance with laws and corporate ethics	<ul style="list-style-type: none"> <li>Reinforce corporate governance framework</li> <li>Cultivate mindset of strict compliance among employees</li> </ul>	P.35–P.37
		Effective compliance program implementation	<ul style="list-style-type: none"> <li>Establish and revise internal rules and conduct oversight, monitoring, and education based on the Fuji Electric Compliance Program</li> </ul>	P.38
		Risk management	<ul style="list-style-type: none"> <li>Establish business continuity plans</li> </ul>	P.39
	Shareholders and investors	Shareholder and investor engagement	<ul style="list-style-type: none"> <li>Hold factory tours for private shareholders and investors</li> <li>Conduct financial briefings for analysts and institutional investors</li> <li>Disclose information through shareholder reports, etc.</li> </ul>	P.37



Please refer to Fuji Electric's corporate website for more information on ESG initiatives.  
<https://www.fujielectric.com/company/csr/index.html>



# Environment

One of Fuji Electric's management policies states "Through our innovation in energy and environment technology, we contribute to the creation of responsible and sustainable societies." This policy guides a united, Groupwide effort to address global environmental issues. Moreover, acting in accordance with the Basic Environmental Protection Policy, we aspire to help preserve the global environment through the reduction of CO<sub>2</sub> emissions from our factories and the provision of energy-saving and energy-creating products to society.

## Basic Environmental Protection Policy

- 1 Offering products and technologies that contribute to global environmental protection
- 2 Reduction of environmental burden throughout product life cycles
- 3 Reduction of environmental burden in business activities
- 4 Compliance with laws, regulations, and standards
- 5 Establishment of environment management systems and continuous improvements of the systems
- 6 Improvement of employees' environmental awareness and social contribution
- 7 Promotion of communication

## Environmental Vision

In 2009, Fuji Electric formulated Environmental Vision 2020 to guide its medium-to-long-term environmental activities, and we have been working toward the goals of this vision since.

This vision is centered on three specified material issues of stopping global warming, creating a recycling-oriented society, and meeting our corporate social responsibilities. In addition to reducing the environmental footprint of our own production activities, we seek to help achieve sustainable

societies by providing products and technologies that leverage our strengths in electrical and thermal energy technologies.

At the moment, Fuji Electric is in the process of formulating its new Environmental Vision 2050, a long-term vision based on the Paris Agreement, which was adopted by the United Nations to shape action against global environmental issues, as well as on Japan's plan for global warming countermeasures.

## Fuji Electric's Environmental Vision 2050



Paris Agreement adopted by the United Nations

### Japan's Plan for Global Warming Countermeasures

80% reduction in greenhouse gas emissions from FY2013 levels by FY2050  
26% reduction in greenhouse gas emissions from FY2013 levels by FY2030

## Fuji Electric's Environmental Vision 2020

### Stop Global Warming

- Reduce CO<sub>2</sub> emissions during production by 20% (compared with fiscal 2006 levels).
- Raise the energy efficiency of products, reducing CO<sub>2</sub> emissions by 30 million tons through energy-conserving and energy creating products.

### Create a Recycling-Oriented Society

- Increase our number of eco-products by promoting the 3Rs (reuse, reduce, recycle) in our products.
- Achieve zero emissions at operational sites by reducing waste and the use of energy and chemical substances.

### Meet Our Corporate Social Responsibilities

- Strive to enhance environmental awareness through environmental citizen movements, activities to protect the natural environment, and environmental education

## Prevention of Global Warming

Fuji Electric endeavors to help stop global warming by reducing CO<sub>2</sub> emissions around the world through energy conservation activities at factories and offices and through the supply of energy-saving and energy-creating products and services.

### Reduction of CO<sub>2</sub> Emissions During Production

In fiscal 2017, total CO<sub>2</sub> emissions from Fuji Electric's production activities amounted to 328,000 tons on a global basis. Emission reduction initiatives included the consolidation of clean rooms in Japan (Matsumoto and Tsugaru) and the installation of solar power generation facilities with a combined capacity of 92 kW overseas (Malaysia and Singapore). In addition, we utilized Fuji Electric products and technologies to introduce factory energy management systems capable of tracking and optimizing energy usage at the Suzuka Factory and the Fukiage Factory.

### Reduction of Society's CO<sub>2</sub> Emissions through Products

Fuji Electric contributes to reduced CO<sub>2</sub> emissions across society by supplying customers with products boasting high energy efficiency.

Contributions to CO<sub>2</sub> emission reductions from products totaled 25,790,000 tons in fiscal 2017, an increase of 3,490,000 tons over fiscal 2016. Particularly large contributions to emission reductions were made by inverters and other power electronics systems products (2,800,000 tons) and electronic devices, such as power semiconductors that limit heat production (540,000 tons).

## Creation of a Recycling-Oriented Society

By promoting initiatives focusing on the 3Rs (reuse, reduce, recycle) as part of its business activities, Fuji Electric is working to realize zero waste emissions at its operating sites and thereby contribute to the creation of a recycling-oriented society.

### Waste Reduction

In Japan, Fuji Electric has achieved its goal of zero waste emissions every year since fiscal 2004. In fiscal 2017, we once again achieved our target of reducing the ratio of waste sent to landfills to below 0.5% with a ratio of 0.17%.

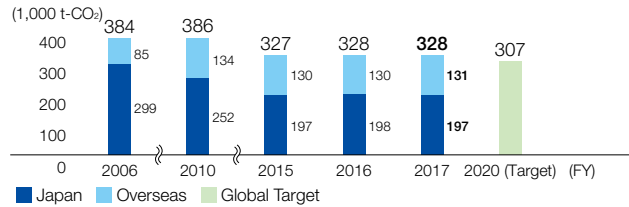
Overseas, the inability to recycle certain sludge (industrial waste) produced during water treatment processes at the Malaysia Factory caused the ratio of waste sent to landfills to increase to 17.29% in fiscal 2015. However, this ratio fell to 8.07% in fiscal 2017 as a result of efforts to recycle this sludge as material for use in making cement.

### Efficient Use of Water Resources

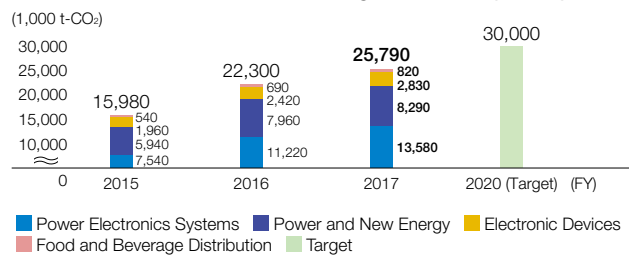
In view of the problem of global water resource depletion, Fuji Electric is advancing measures to comply with wastewater quality requirements, reduce wastewater, and achieve more efficient use of water resources.

In fiscal 2017, domestic and overseas water recycling initiatives led total water usage to amount to 12,523,000 tons, even less than the target of 13,575,000 tons.

### CO<sub>2</sub> Emissions from Production Activities (Global)



### Reductions to CO<sub>2</sub> Emissions through Products\* (Global)



\* Amount of CO<sub>2</sub> reduction is based on one year of operation of products shipped for each fiscal year after fiscal 2009. Calculated making reference to the quantification method of greenhouse gas emission reductions stipulated in the electrical and electronics industries' Action Plan for Commitment to a Low-Carbon Society

## Creation of a Recycling-Oriented Society

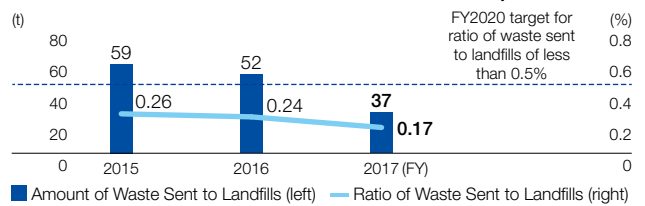
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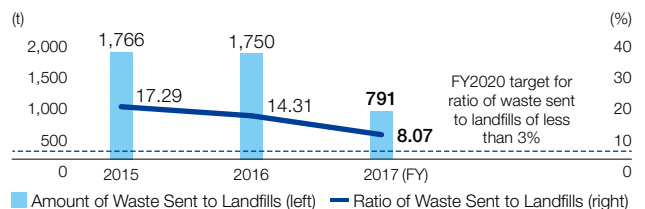
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### Amount and Ratio of Waste Sent to Landfills in Japan



### Amount and Ratio of Waste Sent to Landfills Overseas



### Water Usage Volumes (Global)



# Social (Employees)

Fuji Electric focuses on creating workplace environments in which human rights are respected, occupational health and safety are assured, and diverse workstyles are possible. In addition, we acknowledge that incorporating an array of values and perspectives to strengthen our competitiveness is important to the Company's global growth. The growth and diversity of our people is thus a top priority of our personnel strategy.

## Respect for Human Rights

### Global Human Rights Initiatives

The Fuji Electric Code of Conduct states that we should "respect and value all people." This statement makes clear Fuji Electric's commitment to respecting the basic human rights of everyone at the Group as well as those of all the people it interacts with. In addition, the Policy for Human Rights of the Employees, which expands upon the human rights-related policies of the Fuji Electric Code of Conduct, is being implemented at domestic and overseas subsidiaries and everywhere else throughout the Group to ensure human rights are respected.

We also observe global standards, such as those of the UN Global Compact and the UN Guiding Principles on Business and Human Rights, in our efforts to ensure respect for human rights with the aim of making Fuji Electric into a sustainable company that is never involved in or complicit in human rights violations.

#### Major Initiatives in Fiscal 2017

- Level-specific training (new employees, supervisors, managers)
- Human rights workshops (managers)
- Human rights promotion at temp agencies and subcontractors
- Training held by human rights organizations and municipal government agencies (human rights and hiring representatives)

## Occupational Health and Safety

### Improvement of Safety Awareness and Health Management

Fuji Electric's basic philosophy is that the "health and safety of workers takes precedence over everything else," positioning occupational health and safety as a top priority for the Company. In line with this philosophy, we actively communicate the principles of our Health and Safety Basic Policy both inside and outside of the Company and are advancing occupational health and safety initiatives based on this policy.

Our efforts in fiscal 2017 were not limited to assessing occupational health and safety levels at factories, but also included safety competitions at divisions across Japan aimed at eradicating occupational accidents and work-related automobile accidents. In addition, fiscal 2017 was the second year of implementing our stress check program designed to prevent mental health issues among employees. This program has been embraced by many employees.

#### Major Initiatives in Fiscal 2017

- Health and safety education programs
- Factory occupational health and safety assessments and workplace safety patrols
- Mental health education
- Stress check system promotion

## Diversity

### Support for Contributions by Diverse Human Resources

Expanding our business on a global scale will require that we bolster our competitiveness by building a team with diverse values. For this reason, promoting diversity has been made a top priority in our personnel strategy.

Our efforts to empower female employees, one facet of promoting diversity, have won the Company inclusion in the Nadeshiko Brand for three consecutive years. As another result of these efforts, we were recently awarded the highest rank of "Eruboshi" certification. Fuji Electric is also actively promoting increased employment of differently abled individuals. We thus endeavor to expand the range of duties performed by such individuals and encourage ongoing employment while inviting individuals to take part in facility tours and internships. Our goal in these efforts is to encourage as many people as possible to participate in society.



Highest rank of "Eruboshi" certification (Ministry of Health, Labour and Welfare)



Nadeshiko Brand (Ministry of Economy, Trade and Industry and Tokyo Stock Exchange)

#### Major Initiatives in Fiscal 2017

- Project for promoting hiring of women with educational backgrounds in science and engineering led by a team of female employees with similar backgrounds
- Mentor system in which more experienced female employees mentor newer employees
- Enhanced and systematic cultivation of female managers
- Level-specific educational programs (new employees, mid-career hires, newly appointed supervisors, newly appointed managers)
- Ongoing expansion of the scope of duties that can be performed by people with disabilities

#### Female Employees and Managers

(FY)	2016	2017	2018	2020 Target
Ratio of female employees among newly hired employees	17%	14%	20%	20%
Ratio of female employees in management positions	1.9%	1.9%	1.9%	3.0%
Number of female employees in supervisory positions	192	215	225	300

#### Notes:

1. Data collected from Fuji Electric, Fuji Electric FA Components & Systems, Fuji Office & Life Service, Fuji Electric IT Center, Fuji Electric Finance and Accounting Support, Fuji Architect and Engineering, and Fuji Electric Frontier
2. Companies hiring new female employees are Fuji Electric and Fuji Electric FA Components & Systems
3. Number of newly hired female employees refers to graduates from universities or technical colleges; Number of female employees in management positions refers to employees of manager rank or above; Number of female employees in supervisory positions refers to employees of assistant manager class or above



### Ratio of Differently Abled Employees to Total Employees

(FY)	2016	2017	2018	2018 Legally Mandated Ratio (From April 1, 2018)
Number of differently abled employees	360	370	378	2.2%
Employment rate	2.43%	2.51%	2.57%	

## Work-Life Balance

### Workstyle Reforms

We are strengthening initiatives to help employees achieve work-life balance by creating workplace environments that are more conducive to the efforts of diverse employees and that enable people to fulfill their potential.

Fuji Electric promoted flexible workstyles through the introduction of Location Flexible working systems that enable employees to work in satellite or home offices. At the same time, we sought to reduce excessive work hours and encourage employees to acquire consecutive days of paid leave in order to facilitate workstyles that achieve a better balance between work and private life.

### Location Flexible Working Systems

In June 2017, Fuji Electric introduced Location Flexible working systems that enable employees to work in locations other than the office at which they are posted. These systems help cut back on the amount of time devoted to transportation, whether for everyday work or for business trips, making it possible to reallocate the saved time to one's work. We therefore anticipate benefits including more meaningful use of time and improved work-life balance.

Initial usage numbers were low, but we have recently been witnessing monthly growth in usage. Improvements are being made to these systems with the goal of achieving further increases in usage.

### Major Initiatives in Fiscal 2017

- Acceleration of initiatives and enhancement of systems for reforming workstyles and promoting leave acquisition
- Encouragement of male employees to take leave for childbirth by spouses and establishment of consultation venues at bases
- Pair work training for employees returning to work after childcare leave and their supervisors
- Level-specific educational programs (new employees, mid-career hires, newly appointed supervisors, newly appointed managers)

### Paid Vacation Days Acquired Annually and Average Overtime Work Hours in Japan

(FY)	2015	2016	2017
Paid vacation days acquired annually	13.8	14.3	14.1
Average overtime work hours	23.11	22.07	23.34

## Human Resource Development

### Global Development of Human Resources

Fuji Electric views the development of employee skills as a top priority for management. Training at Fuji Electric is intended to give form to the corporate philosophy and management policies and to cultivate professionals that can contribute to increased global competitiveness. We are thus proactive in offering education and training opportunities for employees.

In fiscal 2017, we launched new global human resources development programs based on a review of the issues faced in prior programs.

### Major Initiatives in Fiscal 2017

- Level-specific training (when receiving promotions or joining the Company, during 2nd year, etc.)
- Selective training (future management candidates)
- Specialized field training (engineering, business skills, etc.)
- Manufacturing training (technical, engineering)
- Global employee training

## Social (Contributions to Communities)

Striving to further strengthen its bonds of trust with society, Fuji Electric enacts a basic policy concerning local community contribution activities that calls on us to (1) Meet the expectations of each era and region using the human resources and technologies nurtured through the Company's business activities; (2) As a basic principle, engage in activities in areas where the Company maintains business operations; and (3) Coordinate efforts on a global scale to ensure the largest possible number of employees participate in the Company's local community contribution activities. Based on this policy, we are protecting the natural environment and promoting youth development in Japan and overseas.

## Promotion of Youth Development

Fuji Electric holds science classes for elementary school and junior high school students at major factories in Japan in the hopes of encouraging them to take an interest in science. In addition to classes for children, we also conduct programs for informing elementary school and junior high school teachers about the Company and practical science teaching skills.

Overseas, we support prospective engineers by helping students enrolled in science and technology schools acquire electrical engineering skills. These activities are conducted in Asia, where Fuji Electric has operating bases.

### Major Initiatives in Fiscal 2017

- Science classes for elementary school and junior high school
- Company-related and practical science teaching skill programs for teachers
- Support for prospective engineers at vocational schools (Cambodia)
- Donations of educational supplies to Hanoi University of Science and Technology (Vietnam)



Science class (Saitama)



Support for prospective engineers at vocational school (Cambodia)

# Corporate Governance

Fuji Electric is reinforcing its corporate governance toward the improvement of its management transparency and its oversight function.

Furthermore, the Company has prepared its response measures to Japan's Corporate Governance Code, which was instituted by the Tokyo Stock Exchange. These measures have been compiled into the Company's Corporate Governance Report.

## Corporate Governance Framework

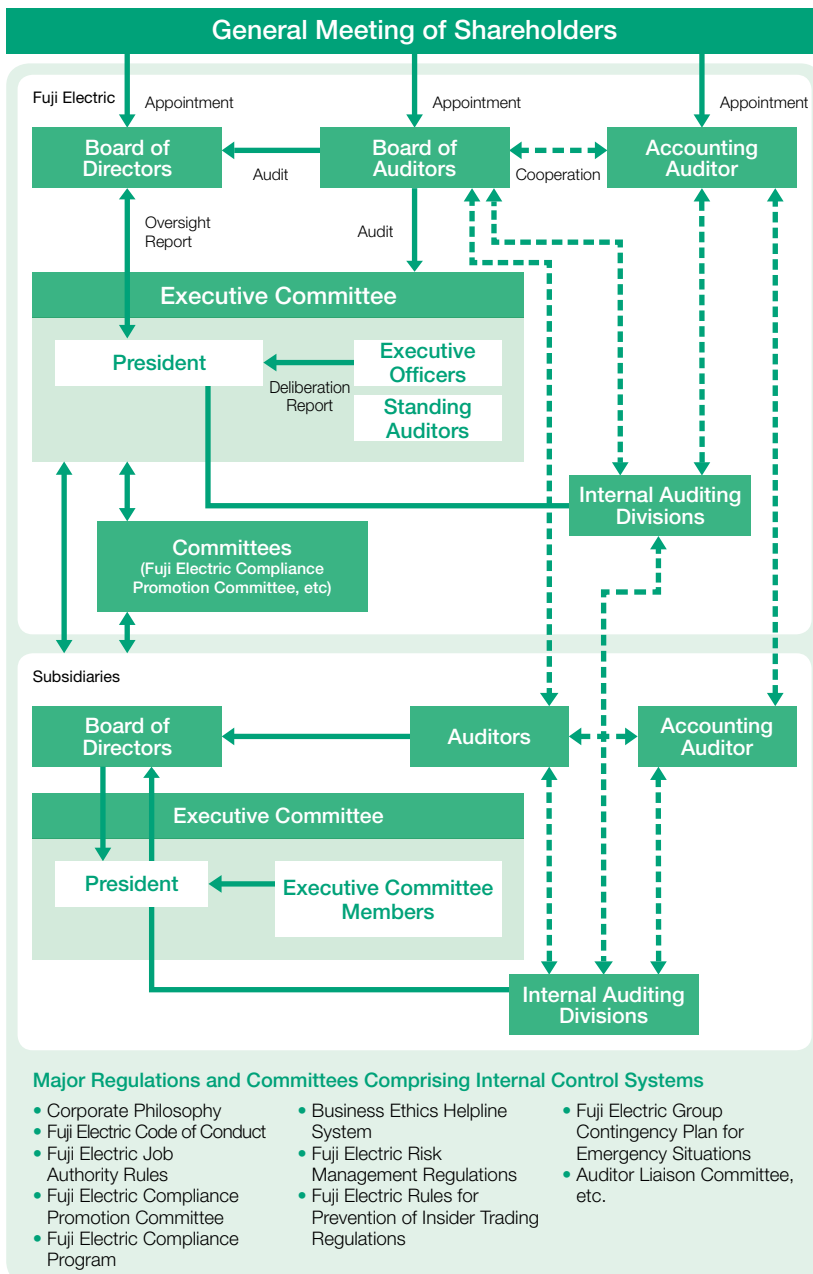
Fuji Electric's corporate governance framework consists of a Board of Directors, which performs the functions of management supervision and making important decisions, and the Board of Auditors, which is in charge of the management audit function.

Comprising eight Directors (including three Outside Directors) and five Auditors (including three Outside Auditors), the governance framework is designed to reinforce the Company's management supervision and audit functions.

To this end, Fuji Electric actively calls on Outside Officers. The Company considers independency based on criteria such as those detailed on the following page when selecting Outside Director and Outside Auditor candidates for the purpose of appointing Outside Directors and Outside Auditors that are sufficiently independent from the Company.

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

### Corporate Governance Framework



### Directors and Board of Directors

The Board of Directors conducts decision making and oversight of the management of Fuji Electric and the execution of important business activities. Fuji Electric proactively appoints Outside Directors with a view to strengthening the management supervisory function from an objective perspective and maintaining the validity and appropriateness of business decisions. The terms of Directors have been set as one year in order to clarify the management responsibilities of Directors for each fiscal year and create a framework that is conducive to flexible responses to operating environment changes.

### Auditors and Board of Auditors

The 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.

### President, Executive Officers, and Executive Committee

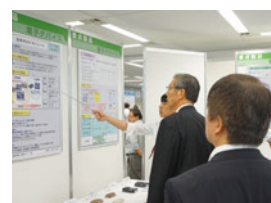
The president has ultimate responsibility for the execution of business and makes decisions on matters of business execution other than those decided upon by the Board of Directors. The Executive Committee deliberates important matters and makes reports to enable monitoring of the status of management as a consulting body for the president. Executive Officers control the execution of the business of which they are in charge.

## Outside Officers

Outside Officers fulfill the role of providing management supervision and management audits from an objective perspective. At the same time, they offer useful advice and instructions from various perspectives on all areas of Fuji Electric's management, helping to ensure the appropriateness of management decisions.

After their appointment, Outside Officers participate in internal technology presentations and business site inspections to deepen their understanding of Fuji Electric's management.

In fiscal 2017, business site inspections took place at Tokyo Factory and Mie Factory. During these inspections, Outside Officers were given explanations of the factories after which they toured the actual production floors and engaged in discussions with factory managers.



Internal technology presentation

### Outside Directors

Name	Attendance at Board of Directors Meetings in Fiscal 2017 (Meetings Attended / Meetings Held)	Type of Advice and Opinions Offered
Toshihito Tamba	13 / 13	Mr. Tamba offers useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as a manager of listed companies.
Naomi Tachikawa	13 / 13	Mr. Tachikawa offers useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as a manager of listed companies.
Yoshitsugu Hayashi	10 / 10 (Appointed in June 2017)	Mr. Hayashi offers useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as an environmental engineer.

### Outside Auditors

Name	Attendance at Board of Directors and Board of Auditors Meetings in Fiscal 2017 (Meetings Attended / Meetings Held)	Type of Advice and Opinions Offered
Yoshiki Sato	10 / 13 8 / 9	Mr. Sato offers useful advice and opinions at meetings of the Board of Directors concerning agenda items and the business of Fuji Electric. Based on his extensive experience and considerable insight as a manager at financial institutions, at meetings of the Board of Auditors, he offers useful advice and opinions and confirms the legal compliance of the overall business activities of Fuji Electric.
Akiko Kimura	12 / 13 8 / 9	Ms. Kimura offers useful advice and opinions at meetings of the Board of Directors concerning agenda items and the business of Fuji Electric. Based on her expert knowledge as an attorney, at meetings of the Board of Auditors, she offers useful advice and opinions and confirms the legal compliance of the overall business activities of Fuji Electric.
Tetsuo Hiramatsu	12 / 13 8 / 9	Mr. Hiramatsu offers useful advice and opinions at meetings of the Board of Directors concerning agenda items and the business of Fuji Electric. Based on his professional standpoint and considerable insight as an individual with experience managing financial institutions, at meetings of the Board of Auditors, he offers useful advice and opinions and confirms the legal compliance of the overall business activities of Fuji Electric.

Note: Notification has been submitted that these Outside Officers are Independent Directors / Auditors as required by financial instruments exchanges.

### Independence Criteria for Outside Officers

The Company judges the applicable candidate to be fully independent from the Company when he/she does not fall under any of the conditions listed below in addition to criteria of independence stipulated by domestic financial exchanges including the Tokyo Stock Exchange.

- (1) Major shareholder  
A major shareholder of the Company (who owns 10% or more of the voting rights) or its executor of business.
- (2) Major business partner  
A business partner (consultants such as lawyers, certified public accountants, and tax accountants, as well as consulting firms such as law firms, audit firms, and tax firms) or a person executing its business whose transactions with the Company exceed 2% of the annual consolidated net sales of the Company or the other entity in the past three fiscal years.
- (3) Major lender, etc.  
A financial institution, other major creditor, or a person executing the business of these institutions that are indispensable for the Company's funding and on which the Company depends to the extent that it is irreplaceable.
- (4) Accounting auditor  
A certified public accountant who belongs to an auditing firm that serves as the accounting auditor of the Company or employee, etc. of such auditing firm.
- (5) Donee  
A person executing the business of an organization which receives a donation exceeding 10 million yen per year that is greater than 2% of its annual income from the Company for the past three fiscal years.



## 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 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 clearly.

### ● Outside Directors and Auditors

Remuneration for Outside Directors and Auditors is paid as a predetermined amount 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 Amount of Remuneration Paid to Directors and Auditors (Fiscal 2017)

	Number of Recipients	Amount of Payment (Millions of yen)
Directors [of which, Outside Directors]	10 [4]	267 [27]
Auditors [of which, Outside Auditors]	6 [3]	80 [22]

Notes: 1. The amount paid to Directors does not include performance-linked remuneration for fiscal 2017.  
 2. In addition to the above, ¥83 million was paid as performance-linked remuneration for fiscal 2016 to Standing Directors (six recipients).  
 3. In addition to the above payment, the Company paid ¥3 million to employees who concurrently assumed the office of Director (1 employee) 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 Companies Act of Japan, and the Company discloses those policies. In conjunction with the Companies Act, Fuji Electric began disclosing information on the implementation of its internal control system, thereby taking steps to respond promptly and accurately to the demands placed upon the Company by society. Such information included descriptions of provisions for ensuring that Directors and employees perform their duties in a matter that is compliant with laws and the articles of incorporation.

## Audits by the Board of Auditors and Internal Audits

### ● Audits by the Board of Auditors

Auditors attend meetings of the Board of Directors and other important meetings based on the audit policies and duties assignment established in accordance with the standards for audits put forth by the Board of Auditors. Audits are performed by receiving explanations on the status of operational execution from directors, reviewing documents pertaining to important resolutions, investigating the status of operations and assets at major operating sites, and requesting reports on operations from subsidiaries as necessary. In addition, Auditors pursue increased coordination with the Accounting Auditor and with internal auditing divisions in order to ensure the effectiveness of audits across the Group.

### ● Internal Audits

Internal auditing divisions perform internal audits based on internal audit standards and annual audit plans. These audits look at areas such as organizational management, risk management, compliance, operational execution, and accounting from the perspectives of legal compliance in business activities, reliability of financial reporting, preservation of asset portfolios, and operational effectiveness and efficiency. A total of 39 bases were audited in fiscal 2017. No risks or inadequacies with the potential to seriously impact management were discovered.

Information on auditing activities is shared between the internal auditing divisions of the Company and its subsidiaries in order to ensure the effectiveness of internal audits across the Group.

## Investor Engagement

In June 2018, the Company consolidated and reorganized its internal compliance rules to create the Fuji Electric Disclosure Policy in conjunction with the introduction of the Fair Disclosure Rule following a partial amendment of the Financial Instruments and Exchange Act. Fuji Electric is committed to building upon trusting relationships with shareholders and other investors. To this end, we practice timely, fair, and impartial disclosure of information required by law and the regulations of the stock exchanges on which the Company is listed as well as of other information deemed to be of value to shareholders and investors. In addition, members of senior management take part in activities for engaging with shareholders and other investors.

We strive to make effective use of the input gained through these activities by relaying it to the Board of Directors, management, and relevant divisions through reports to committees or paper reports as deemed necessary.

### Activities for Engaging with Investors (Fiscal 2017)

Analysts and institutional investors	● Financial results briefings:	4
	● Management plan briefing:	1
	● Business strategy briefing:	1
	● Small meetings	
	● Factory tours	
Private shareholders and investors	● Factory tours for shareholders: (participants: 405)	4 factories

# Compliance

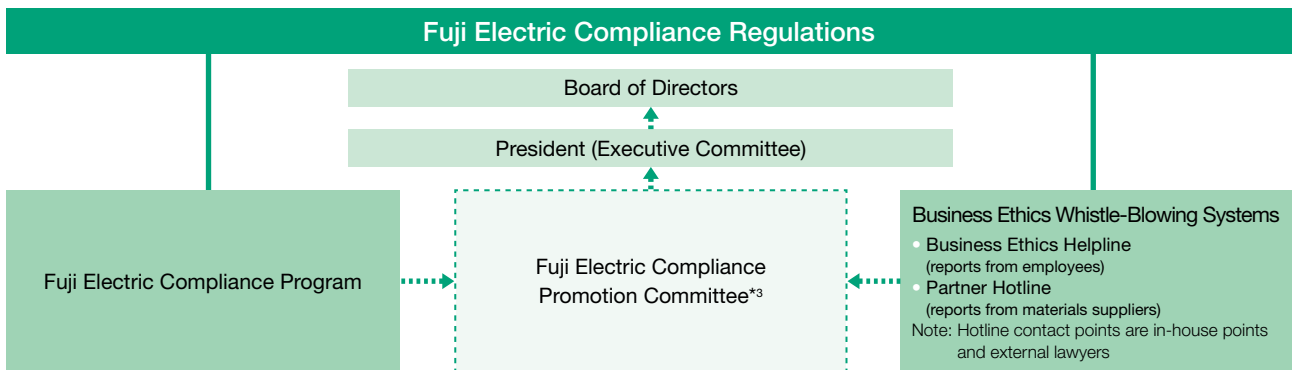
We employ thorough measures to ensure compliance with laws and corporate ethics and always act with a high degree of social conscience to achieve sustained corporate growth.

## Basic Compliance Policy

The Fuji Electric Code of Conduct\*1 states that we shall “respect, value and conform with all applicable laws and regulations,” and has been incorporated into our basic policy. Based upon this policy, we have established and have been implementing the Fuji Electric Compliance Regulations, which is a concrete guideline for compliance, and the Fuji Electric

Compliance Program, which brings together four aspects\*2 of domestic and overseas compliance.

- \*1 Please refer to Fuji Electric's corporate website for more information.
- \*2 (1) Establishment, revision, abolition and dissemination of internal rules;
- (2) Constant monitoring of status of compliance with laws and internal rules;
- (3) Auditing of status of compliance with laws and internal rules; and
- (4) Compliance education regarding laws and internal rules



\*3 Meets twice each fiscal year to deliberate on compliance execution and planning with the goal of achieving full compliance with laws and social norms globally. Composed of a representative director, compliance representatives, organization heads, the general manager of the Legal Office, Standing Auditors, and an external lawyer

## Compliance Promotion Structure

The Fuji Electric Compliance Promotion Committee, which is headed by a representative director and composed of the managers responsible for regulating laws and/or acts, with an outside expert (attorney) as an observer, has jurisdiction over compliance of Fuji Electric.

### Global Promotion of the Fuji Electric Compliance Program

Fuji Electric is enhancing the compliance of its overseas operations. At all overseas sites, in addition to globally common items that apply such as the prohibition of human rights violations 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 through the actions of all our subsidiaries in Japan and overseas on the basis of this program.

### 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, regulations, or internal rules to Fuji Electric's president via the department responsible for compliance or through an external lawyer.

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

## 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 comply with and/or encounter in the course of their business activities. This compliance training has two main thrusts: level-specific and job-specific courses.

### Level-Specific Training

Level-specific training is tailored to newly appointed executives of consolidated subsidiaries in Japan, newly appointed managers, and new employees.

Training lasts a half to one full day, with sessions focusing on the Fuji Electric compliance framework and the Fuji Electric Compliance Program.

#### Level-Specific Training Attended (Fiscal 2017)

Newly appointed executives	22
Newly appointed managers	137
New employees	215

### Job-Specific Training

Divisions responsible for legal affairs conduct job-specific training that features items for consideration in practical business situations. In fiscal 2017, classroom-based training was conducted mainly for the sales and administrative unit personnel of domestic and overseas companies covering a variety of themes, including antimonopoly laws and the prevention of corruption. Furthermore, we conducted e-learning programs for employees at all bases, including those overseas.



Training at an overseas base

# Risk Management

Fuji Electric is strengthening its risk management to maximize corporate value and minimize the potential impact 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.

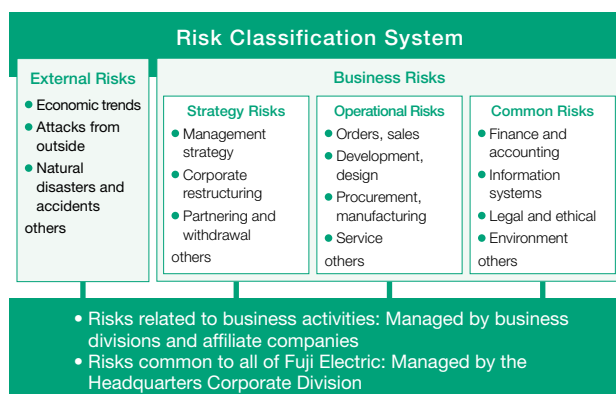
We will practice appropriate management and counter various risks that could affect the Company's management

## Types of Risk and Risk Management System

Fuji Electric has divided risks into "External risks" and "Business risks," with Business risks classified into "Strategy risks," "Operational risks", and "Common risks," and conducts risk management optimized for each category.

Countermeasures for risks that are common to the whole of Fuji Electric are implemented by the Headquarters Corporate Division while countermeasures for business risks are spearheaded by the relevant business divisions and affiliate companies. Business risks are analyzed each year and factored into business plans.

in order to prevent risks from materializing (crisis situations). At the same time, we will strive to minimize the impact on management in the event that risks materialize.



## Strengthening of Business Continuity Capabilities

Fuji Electric aims to continue core operations even if unexpected events such as natural disasters and accidents occur, continuing to uphold social responsibilities as a company and providing a stable supply of high performance, high-quality products and services required by our customers.

Fuji Electric received Resilience certification under the program established by the Cabinet Secretariat's National Resilience Promotion Office in recognition of active efforts to ensure business continuity.



## Fire Safety and Disaster-Preparedness Initiatives

Based on our *Disaster Prevention and Procedural Manual*, we have created a disaster-preparedness headquarters system. Meanwhile, at operating 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.

## Information Security

### Implementation of Security Measures

To protect confidential and personal information properly, Fuji Electric has formulated and implemented a policy and regulations related to information security with consideration for the laws of relevant countries. We seek to strengthen information security by instituting annual training programs for employees and endeavor to prevent information leaks. In addition, we have developed a countermeasure system, established a computer security incident response team (CSIRT) and a security operation center (SOC) to handle ever more diversified cyber security risks, and implement monitoring and defense measures to ensure preparedness for attacks.

## Prevention of 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.

## Business Continuity Initiatives

In addition to fire safety and disaster-preparedness initiatives, Fuji Electric has formulated a business continuity plan (BCP) at the head office, which acts as a command center during disasters, and at factories that house a large number of key management resources. We have also established Companywide BCPs for procurement sections, which manages the supply chain, and for IT sections, which manages the information systems.

In fiscal 2017, we once again expanded the range of products covered under the BCP. In addition, we conducted simulation drills based on earthquake and explosion scenarios targeting business supervisors and base managers. Furthermore, domestic factory managers underwent public relations drills while all employees took part in safety confirmation drills. Through these efforts, we sought to improve our ability to respond to natural disasters.



Simulation drill

## External Certification Related to Information Security

Companies that handle customers' confidential and personal information and require a high-level information security management have acquired external certification.

As of April 1, 2018, three departments at Fuji Electric Co., Ltd. and two subsidiaries have acquired information security management system (ISMS) certification. In addition, Fuji Electric Co., Ltd. and three subsidiaries have acquired Privacy Mark certification.

To prevent infringement, we also conduct compliance training for employees.

Note: Please refer to page 26 for more information on intellectual property initiatives.