

# Corporate Governance

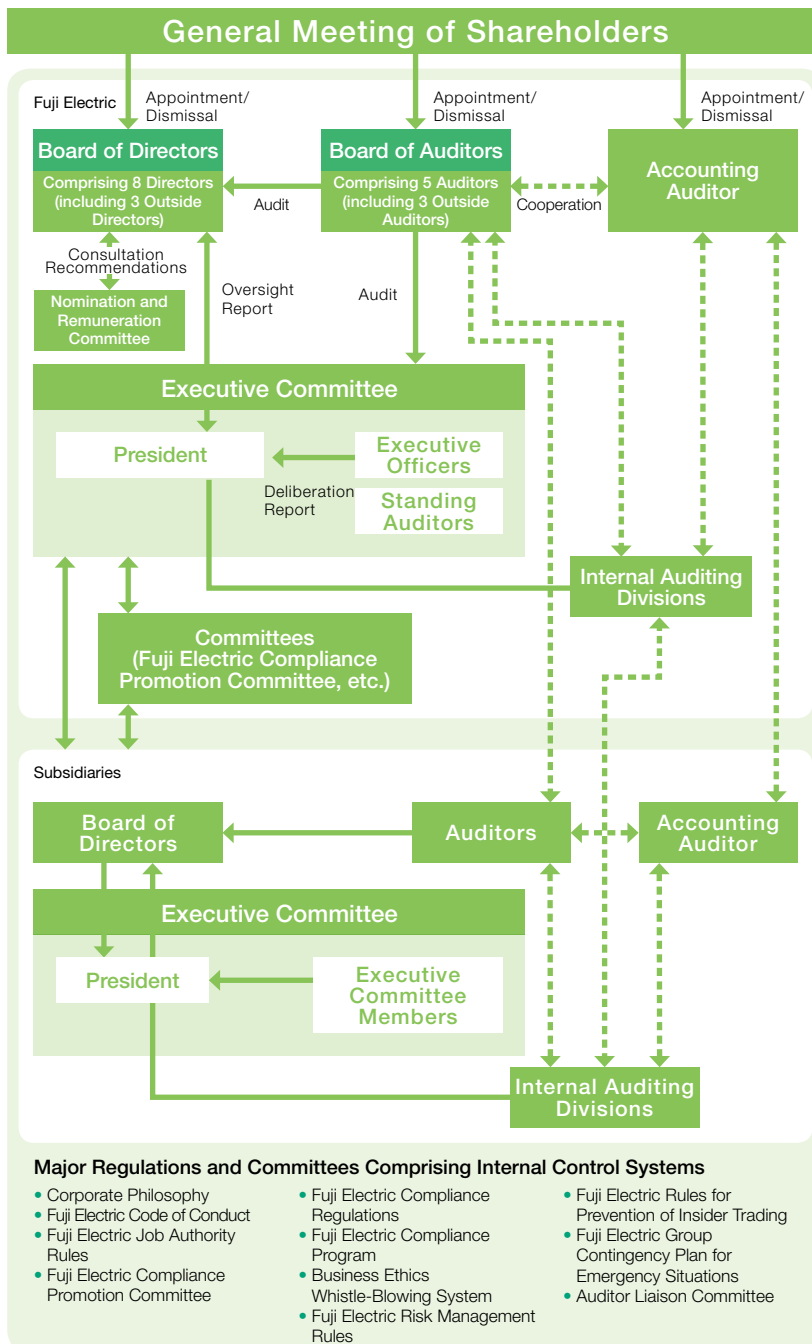
Fuji Electric is reinforcing its corporate governance toward the improvement of its management transparency and its oversight function.

## Basic Policies

To help realize our corporate philosophy, in which we pledge as responsible corporate citizens in a global society to strengthen our trust with communities, customers, and partners, Fuji Electric is enhancing management transparency and oversight functions, and reinforcing corporate governance while pursuing the following policies.

1. Protecting shareholder rights and ensuring their equal treatment
2. Conducting appropriate collaboration with non-shareholder stakeholders
3. Guaranteeing proper information disclosure and ensuring transparency
4. Executing the duties of the Board of Directors
5. Engaging in dialogue with shareholders

## 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. 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.

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee ensures the transparency and objectivity of the process for the nomination and remuneration of Directors and Auditors. The committee is composed of Standing and Outside Directors with a majority of Outside Directors, and the committee Chairman is an Outside Director. The committee began its activities in July 2019.

### Executive Committee

The Executive Committee deliberates important matters and makes reports to enable monitoring of the status of management as a consulting body for the president. The Executive Committee is composed of Executive Officers and is always attended by Standing Auditors.

### Executive Officers

Executive Officers conduct business execution functions and their terms have been set as one year. The duties of each Executive Officer are decided by a resolution of the Board of Directors, thereby clarifying responsibilities and improving the efficiency of business execution.

## Outside Officers

Fuji Electric proactively appoints Outside Officers with a view to strengthening the management supervisory function from an objective perspective and maintaining the validity and appropriateness of business decisions. Based on the following independence criteria, Fuji Electric ensures that Outside Officers remain independent of the Company, and notification has been submitted that these Outside Officers are Independent Directors / Auditors as required by domestic financial exchanges, including the Tokyo Stock Exchange.

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 2018, a business site inspection took place at Chiba Factory. Outside Officers were given explanations of the factory after which they toured the actual production floors and engaged in discussions with factory managers.



Tour of Chiba Factory

### Outside Directors

Name	Status of Attendance at Board of Directors Meetings (Meetings Attended/ Meetings Held)	Main Activities (Fiscal 2018)
Toshihito Tamba	13/13	Mr. Tamba offered opinions as necessary on all areas of Fuji Electric's management at the Board of Directors meetings, including on the following matters, based on his professional standpoint and considerable insight as a manager of listed companies. <ul style="list-style-type: none"> <li>■ Formulation of a business plan taking into account changes in the market environment</li> <li>■ Appropriate ways to conduct investor relations (IR) activities</li> </ul>
Naoomi Tachikawa	13/13	Mr. Tachikawa offered opinions as necessary on all areas of Fuji Electric's management at the Board of Directors meetings, including on the following matters, based on his professional standpoint and considerable insight as a manager of listed companies. <ul style="list-style-type: none"> <li>■ Management of progress for large-scale projects</li> <li>■ Necessity of paying attention to material procurement and human resources</li> </ul>
Yoshitsugu Hayashi	10/13	Mr. Hayashi offered opinions as necessary on all areas of Fuji Electric's management at the Board of Directors meetings, including on the following matters, based on his professional standpoint and considerable insight as an environmental engineer. <ul style="list-style-type: none"> <li>■ Appropriate ways to carry out research and development</li> <li>■ Initiatives aimed at reducing Fuji Electric's environmental footprint</li> </ul>

### Outside Auditors

Name	Status of Attendance at Board of Directors Meetings Status of Attendance at Board of Auditors Meetings (Meetings Attended/ Meetings Held)	Main Activities (Fiscal 2018)
Yoshiki Sato	13/13 7/8	Mr. Sato confirmed and offered opinions as necessary at meetings of the Board of Directors concerning agenda items and the status of Fuji Electric's business activities based on his extensive experience and considerable insight as a manager at financial institutions. At meetings of the Board of Auditors, he confirmed and offered opinions on the legal compliance of the overall business activities of Fuji Electric.
Akiko Kimura	13/13 8/8	Ms. Kimura confirmed and offered opinions as necessary at meetings of the Board of Directors concerning agenda items and the status of Fuji Electric's business activities based on her expert knowledge as an attorney. At meetings of the Board of Auditors, she confirmed and offered opinions on the legal compliance of the overall business activities of Fuji Electric.
Tetsuo Hiramatsu	13/13 8/8	Mr. Hiramatsu confirmed and offered opinions as necessary at meetings of the Board of Directors concerning agenda items and the status of Fuji Electric's business activities based on his extensive experience and considerable insight as a manager at financial institutions. At meetings of the Board of Auditors, he confirmed and offered opinions on the legal compliance of the overall business activities of Fuji Electric.

### 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 is 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 year 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

shareholder mandates, 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 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.

### Remuneration Paid to Directors and Auditors (Fiscal 2018)

Classification	Total Remuneration (Millions of Yen)	Remuneration by Type (Millions of Yen)		Number of Recipients
		Base Remuneration	Performance-Linked Remuneration	
Directors (excluding Outside Directors)	365	240	125	5
Auditors (excluding Outside Auditors)	58	58	—	2
Outside Officers	50	50	—	6

Notes: The above amount is the amount of performance-linked remuneration to be paid to Directors, which was determined in June 2019.  
The amount of performance-linked remuneration in fiscal 2017 was ¥115 million.

## Internal Control System

With the aim of complying with laws and regulations, managing the risk of loss, and securing the efficiency of the execution of duties, 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. Fuji Electric discloses

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 includes descriptions of provisions for ensuring that Directors and employees perform their duties in a manner that is compliant with laws and the articles of incorporation.

### Main Systems Based on the Internal Control System

#### Compliance System (Please refer to page 42 for details.)

Based on systems for ensuring that Directors and employees perform their duties in a manner that is compliant with laws and the articles of incorporation, Fuji Electric has established and promotes a compliance system in order to secure the transparency and soundness of business execution.

#### Risk Management System (Please refer to page 44 for details.)

Based on regulations and other systems pertaining to managing the risk of loss, Fuji Electric has developed an appropriate risk management system in order to manage business risks in a coordinated, systematic manner. In regard to specific cross-sectional risks, the Company determines departments to put in charge of each risk, thereby establishing a risk management system.

## 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 assigned 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. At the monthly meetings of the Auditor Liaison Committee, Auditors share information with internal auditing divisions as well as report on the results of the internal audits for the previous fiscal year and the internal audit plans for the current fiscal year. Through activities such as these, we are ensuring 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 44 bases

were audited in fiscal 2018. 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.

## Approach to Cross-Shareholdings

Fuji Electric holds shares in listed companies only when it determines that doing so is necessary from the standpoint of maintaining and strengthening business alliances and transactions for business activities. The Company regularly conducts com-

prehensive evaluations at meetings of the Board of Directors on the risks and returns that result from holding such shares and sells off cross-shareholdings in cases when it determines that there is no rationality for holding such shares.