

Environment

By deploying our strengths in energy and environment technology, we will help address environmental issues across the supply chain.

Michio Abe

Senior Managing Executive Officer
Corporate General Manager, Production & Procurement Group



The expanding efforts of the international community to fulfill the SDGs are making it increasingly important to engage in environmental activities such as mitigating global warming, efficiently using natural resources, and preserving biodiversity. In June 2019 we formulated the Environmental Vision 2050 to determine the direction of the Company's environmental activities. Guided by this vision, we continue to achieve steady results.

Meanwhile, countries around the world are taking major steps toward decarbonization, and this movement is spreading to the social and industrial sectors as a new growth strategy. With this in mind, we have decided to review our Environmental Vision 2050 in fiscal 2021 from the perspective of strengthening our business, and also to consider specific measures to realize the vision. We will clarify the environmental goals that we must actively address in the long term and strive to make our entire supply chain carbon neutral by 2050 in order to achieve a decarbonized society.

We are rigorously reinforcing measures related to the 3Rs (Reduce, Reuse, Recycle) to make effective use of limited resources. Amid increasing expectations to create a recycling-oriented circular economy, we will also pursue environmental load mitigation measures to reduce the ratio of waste sent to landfills and lessen the impact on the ecosystem from the perspective of decarbonization.

With respect to information disclosure, since declaring our support for the Task Force on Climate-related Financial Disclosures (TCFD) last year, we have been identifying the risks and opportunities that climate change poses to our business activities, while analyzing potential

Environmental Vision 2050

We aim to achieve a “Decarbonized Society,” “Recycling-Oriented Society,” and “Society in Harmony with Nature” by expanding use of Fuji Electric’s innovative clean energy technology and energy-saving products.

Realize a Decarbonized Society	Target carbon neutrality across the supply chain
Realize a Recycling-Oriented Society	Promote green supply chains and 3R activities to reduce environmental impact to zero
Realize a Society in Harmony with Nature	Aim for zero influence on the ecosystem by corporate activities contributing to biodiversity

Fiscal 2030 Target

To limit the temperature rise to 1.5°C above pre-industrial levels, reduce greenhouse gas emissions in production by more than 46% (compared to FY2013) and strive to reduce society’s CO₂ emissions through our products.*

* Our targets for reducing CO₂ emissions from our products will be disclosed in 2022.

countermeasures and associated financial impacts, and we will disclose details sequentially.

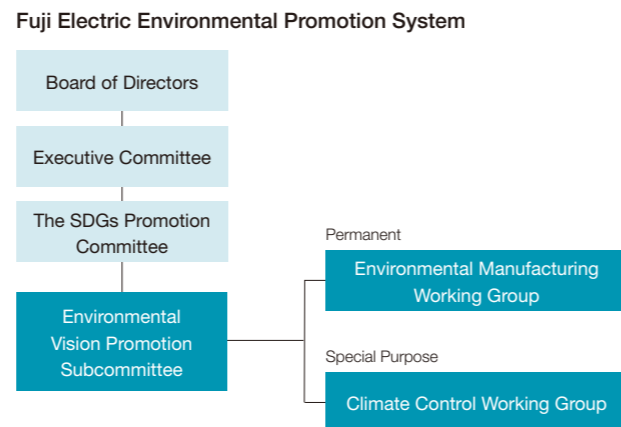
In fiscal 2020, the CDP certified Fuji Electric for the second consecutive year as an “A List Company” with excellent climate change initiatives and information disclosure. We will continue contributing to the creation of a sustainable society by utilizing energy and environment technology to resolve environmental issues.



Environmental Management Promotion System

To advance discussions about issues related to the SDGs, such as protecting the environment and tackling climate change, as well as to evaluate viable countermeasures, we established the SDGs Promotion Committee, a company-wide body consisting of executive officers, and its subordinate organization, the Environmental Vision Promotion Subcommittee. Under the umbrella of the subcommittee, we have set up specialized organizations for individual environmental management issues to formulate policies and action plans and to manage progress.

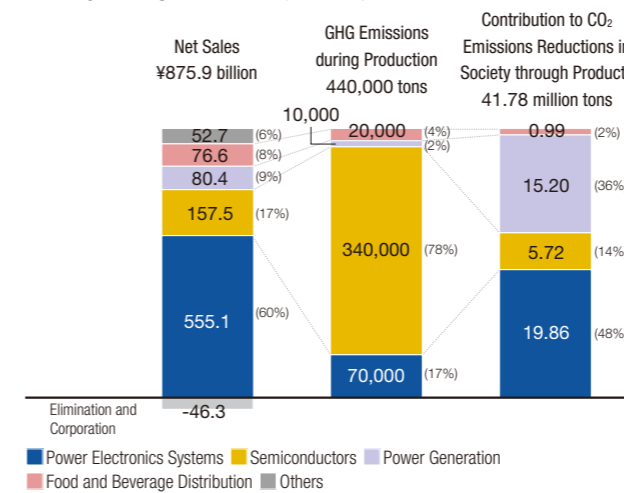
The policies and results of these initiatives are deliberated and evaluated by the SDGs Promotion Committee, then reported to the Executive Committee and the Board of Directors (for deliberation as necessary).



Performance against Key Environmental Indicators

Environmental Vision	Indicator	Fiscal 2019 Result	Fiscal 2020 Target	Fiscal 2020 Result	Fiscal 2021 Target
Realize a Decarbonized Society	Greenhouse gas emissions during production	460 (thousand tons)	480 or less (thousand tons)	440 (thousand tons)	460 (thousand tons)
	Contributions to CO ₂ emissions reduction in society through products	36,510 (thousand tons / year)	34,000 or more (thousand tons / year)	41,780 (thousand tons / year)	36,000 (thousand tons / year)
Realize a Recycling-Oriented Society	Ratio of waste sent to landfills	1.1%	2.0% or less	1.8%	Less than 1.5%
	Water consumption per unit of sales	1.5 (tons / ¥100 million)	1.8 or less (tons / ¥100 million)	1.5 (tons / ¥100 million)	1.8 or less (tons / ¥100 million)
Realize a Society in Harmony with Nature	Amount of emissions of volatile organic compound (VOC) atmospheric emissions	1,083 (tons)	1,694 or less (tons)	819 (tons)	1,694 or less (tons)

Net Sales, Greenhouse Gas (GHG) Emissions during Production, and Contribution to CO₂ Emissions Reduction in Society through Products (FY2020)



Sales of Our Products that Contribute to CO₂ Emissions Reductions in Society (FY2020)

(Unit: Billions of yen)

	Power Electronics Systems	Semiconductors	Power Generation	Food and Beverage Distribution	Total
Sales of Products that Contribute to CO ₂ Emissions Reductions	23.3	57.3	39.4	35.4	155.4
Net Sales	555.1	157.5	80.4	76.6	875.9
Composition Ratio	4%	36%	49%	46%	18%

* Contribution amounts are calculated based on the reduction of CO₂ emissions from products shipped in fiscal 2009 and thereafter that are in operation for one year.

FY2020 Calculation of Greenhouse Gas Emissions through the Supply Chain

In addition to greenhouse gas emissions from our own business activities (Scope 1 and 2), we calculate indirect emissions generated in our supply chain (Scope 3¹⁾ based

on the Greenhouse Gas Protocol. We aim to reduce emissions throughout the entire supply chain in order to realize a decarbonized society.

Scope: All global bases
Unit: 1,000 t-CO₂

Scope 1 and 2	Scope 3						
CO₂: 335 (Use of fuel and electricity) Non-CO₂ GHGs: 102 (Use of insulating gas, CFC substitutes, etc.)	<table border="1"> <thead> <tr> <th>Upstream</th> <th>Downstream</th> </tr> </thead> <tbody> <tr> <td> Purchased materials²: 1,794 <Calculation range> All purchased materials/parts/outsourced services • Materials: Iron, copper, plastic, etc. • Parts: Electronic parts, mechanical parts, etc. • Outsourced services: Processing, assembly, construction, utility work, etc. </td> <td> Product use: 3,612 <Calculation range> Consumer products³ • Power supply components for TVs and PCs • Vending machines, showcases, change dispensers • Compact UPSs • Document management systems </td> </tr> <tr> <td> Capital goods: 103 Fuel procurement: 53 Movement, transportation, etc.: 13 Waste: 6 Business travel: 4 Commuting: 14 Emissions from offices: 6 </td> <td></td> </tr> </tbody> </table>	Upstream	Downstream	Purchased materials²: 1,794 <Calculation range> All purchased materials/parts/outsourced services • Materials: Iron, copper, plastic, etc. • Parts: Electronic parts, mechanical parts, etc. • Outsourced services: Processing, assembly, construction, utility work, etc.	Product use: 3,612 <Calculation range> Consumer products ³ • Power supply components for TVs and PCs • Vending machines, showcases, change dispensers • Compact UPSs • Document management systems	Capital goods: 103 Fuel procurement: 53 Movement, transportation, etc.: 13 Waste: 6 Business travel: 4 Commuting: 14 Emissions from offices: 6	
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	Scope 1, 2, & 3 total: 6,042						

¹ Calculated in accordance with the Ministry of the Environment's "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 3.0)."
² Starting in fiscal 2020, we have included products and services procured from company-wide direct materials in our calculations.
³ Calculated to the extent that it affects the final product. The calculation method for industrial products is under development. By the end of fiscal 2021, we plan to expand the coverage to 80% or more of the total emissions of all products, and release the results to the public.

Realize a Decarbonized Society

We have expressed our commitment to help realize a decarbonized society. Going forward, we will work to achieve carbon neutrality throughout our supply chain by reducing CO₂ emissions generated during the operation of our products, in addition to production-related activities, including procurement and transportation.

Reducing GHG emissions during production

Our Fiscal 2030 Target includes efforts to reduce greenhouse gas (GHG) emissions during production. Based on this plan, we have created annual targets and are working to achieve them.

In fiscal 2020, our use of electricity and fuel increased in line with strong sales of semiconductors, resulting in an increase in CO₂ emissions from the relevant divisions. However, overall GHG emissions were pushed down thanks to various factors. These included ongoing production-related technological development at the semiconductor factory of Fuji Electric (Malaysia) Sdn. Bhd., and at the Fukiage Factory, which produces high-voltage circuit breakers, as well as our switch from sulfur hexafluoride (SF₆) and other high-potency GHGs to those with lower potency. In addition, the switch to energy-saving equipment throughout the Company helped us reduce GHG emissions during production to 440,000 tons, which exceeded our target.

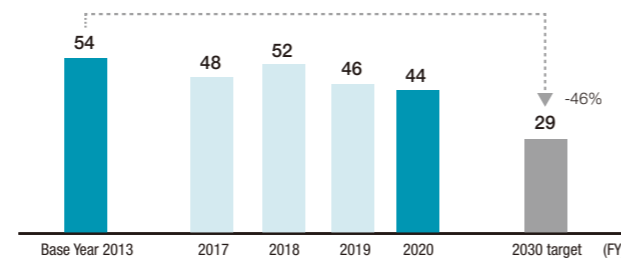
We have announced that we will raise our fiscal 2030 reduction target to over 46% (compared with fiscal 2013) and will study specific measures to achieve this going forward.

Contribution to CO₂ emissions reductions in society through products

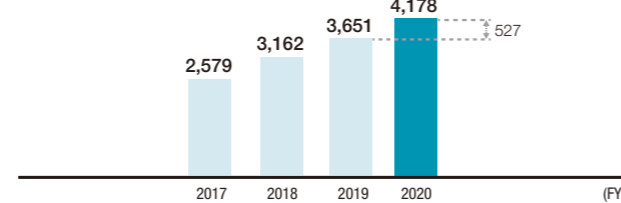
As part of our efforts to create environmental value through our business activities, we have set a target for contribution to CO₂ emissions reductions in society through products.

The use of our clean energy and energy-efficient equipment by our customers contributes to the reduction of CO₂ emissions during equipment operation.

GHG Emissions during Production (10,000 t-CO₂)



Contribution to CO₂ Emissions Reductions in Society through Our Products (10,000 t-CO₂)



Contribution to emissions reductions in FY2020 (compared with previous year) and main contributing products	
Power electronics systems : 179 Inverters (10 years) High-efficiency motors (10 years), etc.	Power generation : 258 Biomass-based power generation (20 years) Geothermal power generation (30 years), etc.
Semiconductors : 84 IGBT modules (7 years), etc.	Food and beverage distribution : 5 Vending machines (8 years), etc.

Figures in parentheses indicate number of years of operation used in calculation.

In fiscal 2020, the CO₂ emissions reduction effect of our products was 41.78 million tons*, which exceeded our target.

A significant contributor to this result was our power generation plant business, which took delivery of four clean biomass power generation systems that use heat from wood waste and agricultural waste as fuel. Our increased production of IGBTs in the semiconductor business also made a contribution.

* Contribution amounts are calculated based on the reduction of CO₂ emissions from products shipped in fiscal 2009 and thereafter that are in operation for one year.

Realize a Recycling-Oriented Society

We are committed to practicing the 3Rs (Reduce, Reuse, Recycle) throughout our supply chain, including through life cycle assessments at the design stage, green procurement, and reducing the ratio of waste sent to landfill. We have also set targets for the Fiscal 2030 Target to reduce the ratio of waste sent to landfill (less than 1.0%) and water consumption per unit of sales (less than 1.8 tons per ¥100 million).

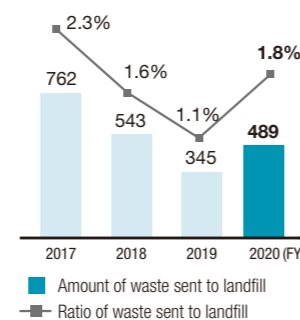
In fiscal 2020, the ratio of waste sent to landfill was 1.8%. With regard to sludge treatment at overseas semiconductor factories, sludge recycling was temporarily suspended due to COVID-19, and the sludge was sent to landfill. Although this caused the disposal rate to deteriorate by 0.7 percentage points (compared with previous year), our sludge reprocessing activities have now returned to pre-COVID levels.

We are focusing on reducing water consumption volumes through recycling, and we are installing recycling equipment in semiconductor factories, which use a lot of water. In fiscal 2020, the recycling rate for the entire company increased from

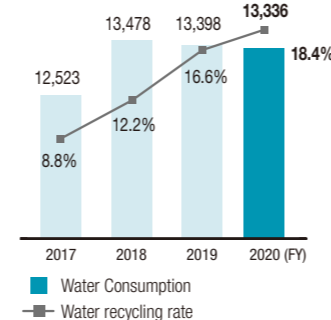
16.6% to 18.4%. At the Matsumoto Factory, we increased the recovery rate of recycled water by improving methods used for maintaining the filtration membranes.

We will continue promoting a transition from the traditional linear economy to a recycling-oriented economy in order to establish "green supply chains" as stated in our Environmental Vision 2050.

Amount and Ratio of Waste Sent to Landfill (t)



Water Consumption and Recycling Rate (1,000 t)



■ Amount of waste sent to landfill
■ Ratio of waste sent to landfill

■ Water Consumption
■ Water recycling rate

Realize a Society in Harmony with Nature

We aim to ensure that our products are designed and manufactured in a way that does not adversely affect the ecosystem so our customers can use them with peace of mind. We set indicators for reducing the use of volatile organic compounds (VOCs), which are chemical substances that lead to environmental degradation, and conduct

evaluations annually. To preserve biodiversity, meanwhile, each site engages in its own environmental protection activities to meet local needs. In the future, we study ways to foster greater coexistence with nature from the perspective of contributing to decarbonization.

Approach to Disclose Climate-Related Information in Accordance with TCFD Recommendations

In June 2020, we declared our support for the TCFD* recommendations and have since progressively disclosed climate-related information.

Among the TCFD disclosure request items, our efforts related to the Strategy section are being considered as below. Here, we analyzed climate-related risks and opportunities

using two temperature rise scenarios, below 2°C and 4°C for the entire value chain.

* The Task Force on Climate-related Financial Disclosures (TCFD) is an international framework that promotes the disclosure of climate-related risks, opportunities, and financial impacts. In 2017, it announced a proposal to require companies to disclose climate-related information.

	Overview	Adoption Scenario
Below 2°C Scenario	Scenario in which stringent measures are taken to limit the global average temperature rise as of 2100 to 2°C above the pre-industrial average.	World Energy Outlook 2020 Issued by the International Energy Agency (IEA)
4°C Scenario	Scenario in which a global temperature rise of around 4°C above the Industrial Revolution period is assumed unless measures exceeding the current level are taken.	IPCC Fifth Report Issued by United Nations Intergovernmental Panel on Climate Change (IPCC)

After identifying risks and opportunities for each business segment and value chain process, we pinpoint items of high importance and summarize them from a company-wide perspective.

The table below shows the main risks and opportunities that we should consider. Based on these, we will continue promoting disclosure of adaptation measures and financial impacts.

Scenario	Main External Factors to Consider	Risks	Opportunities
Below 2°C	Increase in power demand due to advances in electrification • Strengthening of energy saving • Dissemination of power storage • Strengthening of digital infrastructure etc.	• Loss of sales opportunities due to delay in adopting CO ₂ reduction technology	• Increase in demand for energy-saving products and environmentally friendly products
		• Increased costs associated with decarbonization of existing production equipment (capital investment, etc.)	• Increase in demand from RE100 customers through decarbonization of manufacturing processes
4°C	Shifts in the energy mix • Stricter regulations on fossil fuels • Increased use of renewable energy etc.	• Prohibition of use of solvents and refrigerants containing gases with high greenhouse effect	• Increase in demand due to development as a result of establishing production processes that do not use greenhouse gases
		• Soaring prices of currently used metals and materials (iron, silicon, etc.)	• Increased usage rate of recycled materials
4°C	Frequent occurrence of extreme weather events • Increasing frequency and severity of disasters • Sea level rise etc.	• Loss of business opportunities due to delay in establishing CO ₂ emission control technologies for thermal power generation facilities	• Increased demand for related products due to changes in power source composition (increased use of renewable energy)
		• Delays in parts delivery due to damage to suppliers and distribution warehouses • Delays in parts procurement, shipping and delivery due to disrupted distribution network • Shutdown due to damage to factories • Delays in plant works	• Increase in demand resulting from active investment in BCP measures by customers



Items other than Strategy are available on our website.

https://www.fujielectric.com/company/csr/global_environment/management_02_03.html

Human Resources

To reinforce operating foundations for sustainable growth, we will promote further revitalization and training of human resources.

Takeshi Kadoshima

Managing Executive Officer
General Manager, Human Resources and General Affairs Office



One of Fuji Electric's management policies states that we will "maximize our strengths as a team, respecting employees' diverse ambition," and respecting human rights, ensuring occupational health and safety, and protecting employee health are fundamental for everything. We are proactively working on initiatives that include promoting active employee participation, cultivating our human resources, and properly deploying our personnel for medium- and long-term development of our business.

We believe it is important that our human resource measures encompass a broad range of issues inside and outside the Company and that they are implemented in

a timely manner reflecting the responses in our annual employee awareness surveys.

To achieve sustainable growth, in addition to promoting the advancement of female employees, which is our focus, we are working continuously to develop environments and systems that enable employees over 60 years old and differently abled employees to play active roles. We are also actively working to foster future management candidates while striving to provide efficient and productive workstyles by developing environments and systems that allow for diverse and flexible workstyles.

Respect for Human Rights

Based on the United Nations Guiding Principles on Business and Human Rights, we are working to establish a sustainable corporate structure that is never involved in or complicit in human rights violations. We engage in human rights due diligence* to respect the human rights of all people working for our company and all people involved in our corporate activities.

In February 2020, we formulated the Policy for Human Rights of the Employees and the Guidelines on Employee Human Rights. Based on these, we conducted self-assessments of the status of respect for human rights at our operating sites and consolidated subsidiaries in

Japan and overseas. The latest assessment revealed that there were no issues that conflicted with our human rights policy, but we will continue working to make regular assessments and improvements. With respect to human rights training for employees, we provided human rights education as part of our level-specific training, which is conducted at each employee's career milestone, as well as harassment prevention training to line managers. Each of our operating sites and affiliated companies also conduct their own human rights training, and a total of 20,701 employees received such training.

* Human rights due diligence
Efforts to recognize, prevent, and deal with human rights violation risks in advance

Promoting Active Participation of Diverse Human Resources

Based on one of our management policies, which states that we will "maximize our strengths as a team, respecting employees' diverse ambition," we promote diversity as a priority element of our human resource strategy.

Promoting the advancement of female employees

Among our diversity initiatives, we place particular attention to stepping up efforts to promote the advancement of women. In a society with a declining birthrate, aging population, and diversifying values, it is essential as a company to demonstrate our comprehensive strengths in order to achieve sustainable growth, and further boosting the participation of women is a vital part of this.

To promote the advancement of female employees, we are pursuing three main initiatives: proactive

recruitment, provision of career advancement opportunities for motivated employees, and support in terms of environments and systems, such as balancing work and family obligations, improving workplace environments, and providing career continuity.

Ratio of Female Hired / Ratio of Female Managers / Number of Female Employees in Supervisory Positions

(FY)	2019	2020	2021	2023 (Target)
Ratio of female hired*1	21%	22%	20%	20%
Ratio of female managers*2	2.3%	2.5%	2.8%	3.0%
No. of female employees in supervisory positions*3	249	268	300	400

Data collected from Fuji Electric and consolidated subsidiaries that adopt the same personnel system (6 companies in total)

*1 Graduates from universities or technical colleges

*2 Managerial positions or above

*3 Assistant manager or above

Revising the treatment system for employees over 60

Promoting the active participation of employees aged 60 and above will become increasingly important in light of expectations of an aging future labor force. To this end, we established our Selective Retirement Age System, which allows regular employees to choose one of the various retirement ages between 60 and 65. We also introduced the Senior Task System in which management-level employees aged 60 and over receive treatment matched to the value of their work. The aim is to boost motivation of individuals who continuously show significant performance by paying as high compensation as when they were under age 60.

We also formulated the Employment Guidelines for Employees over 65 to create an environment where employees with advanced skills and expertise can continue to play an active role in the Company up to age 75.

Promoting the active participation of differently abled people

The Group established Fuji Electric Frontier in 1994 as a special-purpose subsidiary under the Act on Employment Promotion etc. of Persons with Disabilities. Since then, we have established bases in all of our major operating sites (12 in total) to actively secure and expand work areas for differently abled persons and to ensure stable recruitment.

We are also securing and expanding work areas for differently abled people. In addition to the existing internal document delivery and cleaning work, we are focusing on developing the skills of each employee and expanding work areas, including manufacturing sites. We continue to hire about 20 differently abled people each year, and the employment ratio of such people as of June 2021 was 2.92%, well above the statutory employment rate.

Workstyle reforms

We seek to provide a balanced approach to workstyles through the companywide Pro-7 activities aimed at

enhancing work efficiency and quality to improve productivity and by embracing a perspective on work-life balance characterized by focusing on one's job while at work and resting properly outside of work.

With the enforcement of the workstyle reform-related acts in April 2019, we have worked hard to reduce long working hours and encourage employees to use vacation time. We have made steady improvements by changing attitudes through steady awareness-raising and educational activities, and by visualizing actual working hours through the enhancement of IT-based management support systems.

We also have two systems to promote flexibility in working hours and locations: Flexible Location Work System*1 and Sliding Work Hours System*2. The use of these systems has steadily increased as they also help prevent the spread of COVID-19.

We have positioned our efforts to overcome the new constraints and obstacles caused by the COVID-19 pandemic as workstyle reforms. Here, we are proactively working on both Companywide themes, such as various work systems, as well as business-specific themes. We will continue promoting flexible workstyles with the aim of improving work efficiency through the best mix of physical attendance and teleworking.

Overtime Work Hours / Number of Paid Vacation Days Acquired Annually

(FY)	2018	2019	2020
Average monthly overtime work hours	24.04 h / month	23.83 h / month	18.90 h / month
Average number of paid vacation days acquired annually	14.5 days	16.5 days	17.3 days

Data collected from Fuji Electric Co., Ltd. and consolidated subsidiaries that adopt the same personnel system (6 companies in total)

*1 Flexible Location Work System

A system that allows employees to work from home or at an operating site other than the one to which they are officially assigned.

*2 Sliding Work Hours System

A system that allows employees to change their starting time to a pre-registered time without changing their scheduled daily working hours.

Fostering Next-Generation Management

We are also taking active measures to foster future management candidates who will lead our sustainable growth.

Our human resource development covers three main areas. The first focuses on carefully selected young employees. Here, we select talented young employees from the three levels of general manager, manager, and assistant manager and register them as management candidates. The second is effective on-the-job training. From early in their careers, these registered individuals are systematically trained through a job rotation plan designed for them to accumulate the required experience in multiple businesses and job categories, as well as

overseas businesses to learn required high viewpoint and comprehensiveness for management. The third is participation in selective training. Here, employees participate in training both inside and outside the Company in a program designed to provide experience and skills that are difficult to acquire through on-the-job training, such as learning management skills by experiencing different management styles and by working in teams to formulate business proposals. In addition to replacing registered members once a year, we share and discuss registered members, rotation results, and the status of selective training with the executive officers to run the PDCA cycle as an ongoing initiative.

Sustainable Procurement

We promote procurement activities with our business partners to ensure fair and equitable transactions and to create a supply chain that supports a sustainable society.

Basic Policies

With corporate activities increasingly globalized and supply chains complicated, companies are under strong pressure to extend their corporate social responsibility (CSR) to supply chains. The Fuji Electric Code of Conduct states that the Company, along with its business partners, "will promote procurement activities aimed at creating

a supply chain that supports a sustainable society." We ensure fair and equitable transactions that comply with laws and regulations in Japan and overseas, and engage in procurement activities that are compatible with the sustainability of the environment, society, and governance.

Fuji Electric Purchasing Policy

● Selection of Suppliers

Our procurement activities are based upon open and equitable trade. Our doors are always open to new partnerships with potential suppliers. To assure our suppliers with good business opportunities, we will respond to any quotations from suppliers, and are ready to release required corporate information that would help future partners meet their respective business needs. We will select suppliers objectively according to the results of our evaluations, regarding the product's quality, cost, delivery, supply stability, and considerations to the environment.

● Confidence in Information

Fuji Electric treats information from suppliers regarding products, estimates and purchasing records, equivalent to our own, thus keeping such information in strict confidence.

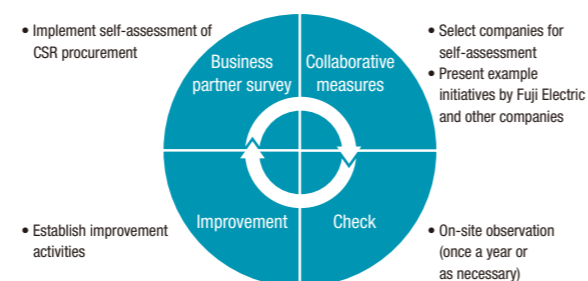
● Promotion of Procurement Activities Compatible with CSR

Fuji Electric works with its suppliers to promote procurement activities compatible with CSR. These activities encompass human rights and labor, health and safety, the environment, fair trade and ethics, quality and safety, information security, business continuity plans, establishment of management systems, and social contributions.

Sustainable Procurement Activities with Business Partners

Fuji Electric asks its business partners to conduct the self-assessment of CSR procurement in accordance with the Fuji Electric CSR Procurement Guidelines. This self-assessment helps us see a clear picture of CSR initiatives in our supply chain. Furthermore, in providing their answers to the questions in the assessment, our business partners gain a better understanding of Fuji Electric's CSR philosophy and what we would like them to comply with and practice. If any business partner seems to need more efforts in terms of CSR, we work with them so that they will achieve a higher level of CSR, thereby reducing risks involved in CSR in a supply chain.

PDCA for Self-Assessment of CSR Procurement



Fuji Electric CSR Procurement Guidelines

Fuji Electric has established the Fuji Electric CSR Procurement Guidelines, which summarize our requests to our business partners in order to reduce risks involved in CSR in a supply chain. We consulted the RBA Code of Conduct, which is published by the Responsible Business

Alliance (RBA) that promotes CSR in global supply chains, and the Guidelines for Responsible Business Conduct, which is published by the Japan Electronics and Information Technology Industries Association (JEITA), while creating the Guidelines.

Subjects in the Fuji Electric CSR Procurement Guidelines

1. Human Rights and Labor

Prohibition of forced labor, child labor, inhumane treatment, and discrimination, etc.

2. Health and Safety

Occupational safety, emergency preparedness, work-related accidents and occupational illnesses, etc.

3. Environment

Reduction in greenhouse gas emissions, management of water, waste, and chemical substances, etc.

4. Fair Trade and Ethics

Anti-corruption, prohibition of improper provision and receipt of advantages, and respect of intellectual property, etc.

5. Quality and Safety

Product safety, quality control, and provision of accurate information about products and services

6. Information Security

Defense against cyber-attacks, protection of personal information, and prevention of leakage of confidential information

7. Business Continuity Plan

Development and preparation of a business continuity plan

8. Establishment of Management Systems

Supplier guidelines, request for compliance, etc.

9. Social Contribution

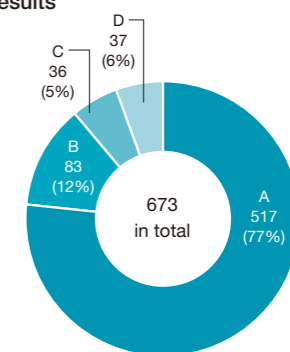
Engagement in social contribution activities

Status of the 2020 self-assessment of CSR procurement

In fiscal 2020, we expanded the target of our survey to include business partners of our consolidated subsidiaries in Japan and overseas. Of about 4,200 business partners in total, 673 major partners in Japan and overseas, which made up the top 80% of our subsidiaries' suppliers in fiscal 2019, cooperated in the self-assessment of their efforts based on the Fuji Electric CSR Procurement Guidelines. We gave them feedback based on their assessment results. The survey found that 37 business partners were rated D, which means they needed to work on improvements in their efforts to fulfill their CSR. We made sure that these partners were interviewed so they would have a deeper understanding of CSR initiatives, and that issues were successfully resolved. We will keep

communicating closely with our business partners so that we will continue to work together to create a supply chain that supports a sustainable society.

Assessment Results



Numbers of Companies That Conducted Self-Assessment

	FY 2019	FY 2020			
		Total	Fuji Electric	Consolidated Subsidiary in Japan	Consolidated Subsidiary Overseas
Business Partners	425	673	528	51	94
Japan	425	572	506	51	15
Overseas	0	101	22	0	79

Ratings

Rating	Description
A	The business partner considers CSR as an organizational challenge and takes specific actions.
B	The business partner considers CSR as an organizational challenge and is planning specific actions.
C	The business partner considers CSR as an organizational challenge.
D	The business partner should consider CSR as an organizational challenge and should work on improvements.

Corporate Governance

We continue our efforts to further improve the transparency and supervisory function of management for stronger corporate governance in order to realize our corporate philosophy.

Basic Policies

In strengthening our corporate governance, our basic policies are to protect shareholder rights and ensure their equal treatment, cooperate appropriately with

non-shareholder stakeholders, ensure proper information disclosure and transparency, execute the duties of the Board of Directors, and engage in dialogue with shareholders.

Corporate Governance Framework

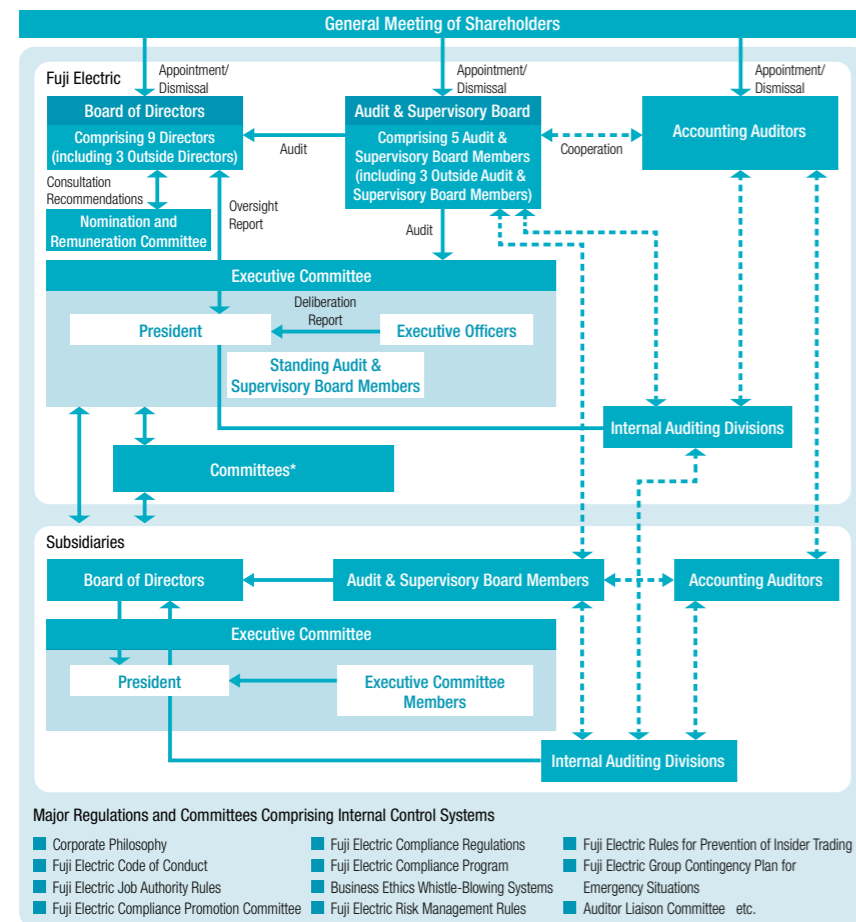
Fuji Electric's corporate governance framework consists of the Board of Directors, which performs the functions of management supervision and making important decisions, and the Audit & Supervisory Board, which is in charge of the management audit function. As a company employing the corporate auditor system, Fuji Electric's Audit & Supervisory Board suitably undertakes audits of the Company's Directors and Executive Officers and guarantees objectivity and neutrality.

The Company actively appoints Outside Officers that satisfy the requirements for Independent Directors / Audit & Supervisory Board Members, endeavors to strengthen management supervisory and auditing functions, and has established the Nomination and Remuneration Committee

comprising a majority of Outside Officers as an advisory body to the Board of Directors.

Also, in order to clarify the roles of management and execution, we have introduced an executive officer system in an effort to clearly define the responsibilities of each business and streamline business execution. We are endeavoring to build an effective corporate governance framework with the use of the Executive Committee, which discusses and reports on important matters related to management as an advisory body to the President and Chairman of the Board of Directors, as well as other committees tasked with planning and promoting key business strategy issues and key external issues, such as legal compliance.

Corporate Governance Framework



- * Committees**
- Key issues for Fuji Electric from an SDGs perspective**
 - SDGs Promotion Committee
- Legal compliance and other key external issues**
 - Fuji Electric Compliance Promotion Committee
 - Health & Safety Promotion Committee
- Key business strategy issues**
 - Skills Development Committee
 - Production Technology Committee
 - Technology Development Committee
 - International Standardization Committee

Nomination and Remuneration Committee

Fuji Electric has established the Nomination and Remuneration Committee as the advisory body for the Board of Directors in order to enhance the Company's corporate governance by reinforcing the fairness, transparency, and objectivity of procedures concerning the nomination of and remuneration for Directors and Audit & Supervisory Board Members.

The committee comprises at least three Directors as members, the majority of which are elected from among the Company's Outside Directors. The chairman is elected from among the Outside Directors that sit on the committee as members.

Nomination and Remuneration Committee (Fiscal 2020)		
The Committee Chairman	Outside Director	Toshihito Tamba
Committee Members	Outside Directors	Naoomi Tachikawa, Yoshitsugu Hayashi
	Standing Directors	Michihiro Kitazawa, Kenzo Sugai

In fiscal 2020, the Nomination and Remuneration Committee convened on two occasions to deliberate the matters and reported the results to the Board of Directors.

- Matters for Consultation**
- (1) Policy on the composition of the Board of Directors
 - (2) Policies and criteria regarding the appointment or dismissal of Directors, the President and Chairman of the Board of Directors, and Audit & Supervisory Board Members
 - (3) Appointment or dismissal of Directors, the President and Chairman of the Board of Directors, and Audit & Supervisory Board Members
 - (4) Matters regarding the formulation and implementation of a succession plan for the President and Chairman of the Board of Directors
 - (5) Policies and criteria regarding the remuneration of Directors and Audit & Supervisory Board Members
 - (6) Details of remuneration for Directors and Audit & Supervisory Board Members

Appointment of Directors and Audit & Supervisory Board Members

Fuji Electric's policy on nominating candidates for Directors and Audit & Supervisory Board Members is to decide on candidates by taking into account such factors as the overall balance of qualifications and experience on the Board of Directors, and other viewpoints such as diversity.

Persons with the qualifications, experience, and other attributes required to execute the Company's management policies are appointed as Standing Directors. In addition to the officers who supervise sales, manufacturing, management, and the power electronics systems business as our core business, we have appointed the officer responsible for our technology development division as Standing Director.

Persons equipped with the insight and experience required to make multilateral business decisions who also have an understanding of Fuji Electric's management are

appointed as Outside Directors. For instance, managers of listed companies or experts in academic fields closely related to Fuji Electric's business domains. Each Director's term of office is one year so that we maintain the management framework capable of making clear the responsibilities of management in each fiscal year and of responding quickly to changes in the business environment.

Persons familiar with the Company's operations in general who also possess expert knowledge and experience are appointed as Standing Audit & Supervisory Board Members.

Persons equipped with the expert knowledge and experience required to undertake audits who also have an understanding of Fuji Electric's management are appointed as Outside Audit & Supervisory Board Members. For instance, corporate managers, persons with experience as a standing auditor of a listed company, or legal experts.

Independence Criteria for Outside Officers

Fuji Electric 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 the criteria for 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 yen per year that is greater than 2% of its annual income from the Company for the past three fiscal years.

List of Officers (As of September 1, 2021)

Directors

 Michihiro Kitazawa Chairman of the Board of Directors President and Chairman of the Board of Directors President General Management	 Junichi Arai Director Senior Managing Executive Officer Corporate General Manager, Corporate Management Planning Headquarters General Manager, Export Administration Office In charge of compliance management and crisis management
 Kenzo Sugai Elected Corporate Director Nominations and Remuneration Committee member Executive Vice President Assistant to the President	 Shiro Kondo Director Managing Executive Officer Corporate General Manager, Corporate R&D Headquarters
 Toshihito Tamba Outside Director Nominations and Remuneration Committee chairman Director, Tokyo Century Corporation	 Yoshio Okuno Standing Audit & Supervisory Board Member Chairman of the Audit & Supervisory Board
 Naomi Tachikawa Outside Director Nominations and Remuneration Committee member	 Junichi Matsumoto Standing Audit & Supervisory Board Member
 Yoshitsugu Hayashi Outside Director Nominations and Remuneration Committee member Distinguished Professor and Director, Center for Sustainable Development and Global Smart Cities, Chubu University	 Tetsuo Hiramatsu Outside Audit & Supervisory Board Member President & Representative Director, Chuo-Nittochi Group Co., Ltd. President & Representative Director, Chuo-Nittochi Co., Ltd.
 Michio Abe Director Senior Managing Executive Officer Corporate General Manager, Production & Procurement Group In charge of Power Generation Business	 Hirohiko Takaoka Outside Audit & Supervisory Board Member
 Masatsugu Tomotaka Director Senior Managing Executive Officer In charge of Power Electronics Sales, Power Electronics Energy Business and Industry Business	 Yuko Katsuta Outside Audit & Supervisory Board Member Partner, ITN Partners

Audit & Supervisory Board Members

Executive Officers

Position	Name	Division
President and Chairman of the Board of Directors	Michihiro Kitazawa	General Management
Executive Vice President and Elected Corporate Director	Kenzo Sugai	Assistant to the President
Senior Managing Executive Officer	Michio Abe	Corporate General Manager, Production & Procurement Group, In charge of Power Generation Business
Senior Managing Executive Officer	Masatsugu Tomotaka	In charge of Power Electronics Sales, Power Electronics Energy Business and Industry Business
Senior Managing Executive Officer	Junichi Arai	Corporate General Manager, Corporate Management Planning Headquarters; General Manager, Export Administration Office; In charge of compliance management and crisis management
Managing Executive Officer	Toru Housen	Corporate General Manager, Semiconductors Business Group
Managing Executive Officer	Takeshi Kadoshima	General Manager, Human Resources and General Affairs Office
Managing Executive Officer	Shiro Kondo	Corporate General Manager, Corporate R&D Headquarters
Managing Executive Officer	Masashi Kawano	Corporate General Manager, Power Electronics Energy Business Group
Managing Executive Officer	Hiroshi Tetsutani	Corporate General Manager, Power Electronics Industry Business Group
Executive Officer	Kenji Goto	Deputy Corporate General Manager, Power Electronics Energy Business Group
Executive Officer	Masahiro Morimoto	President and Representative Director, Fuji Electric FA Components & Systems Co., Ltd.
Executive Officer	Tadao Horie	Corporate General Manager, Power Generation Business Group
Executive Officer	Yoshitada Miyoshi	General Manager, President's Office; In charge of SDGs Promotion; In charge of Public Relations and Investor Relations
Executive Officer	Masato Miyake	General Manager, Legal Office, Corporate Management Planning Headquarters
Executive Officer	Keiichi Asano	Corporate General Manager, Food and Beverage Distribution Business Group
Executive Officer	Takashi Obinata	Deputy Corporate General Manager, Production & Procurement Group; General Manager, Production Technology Center
Executive Officer	Hiroshi Ishii	Corporate General Manager, Power Electronics Sales Group

Activities of Outside Officers in Fiscal 2020

To strengthen our management supervisory and auditing functions, and to ensure the validity and appropriateness of our important decisions, the Officers play the proper roles as stated below.

Outside Directors

Name	Status of Attendance at Board of Directors Meetings Status of Attendance at Nomination and Remuneration Committee (Meetings Attended/Meetings Held)	Main Activities
Toshihito Tamba	13/13 2/2	Board of Directors Mr. Tamba offered opinions as necessary on all areas of Fuji Electric's management, including on the following matters, based on his professional standpoint and considerable insight as a manager of listed companies. • Formulation of a business plan taking into account changes in the market environment • Appropriate ways to carry out IR activities Nominations and Remuneration Committee Mr. Tamba led the supervisory function in appointment of candidates for Directors and Audit & Supervisory Board Members and the process of determining remunerations for Directors and Audit & Supervisory Board Members from an objective and neutral standpoint.
Naomi Tachikawa	13/13 2/2	Board of Directors Mr. Tachikawa offered opinions as necessary on all areas of Fuji Electric's management, including on the following matters, based on his professional standpoint and considerable insight as a manager of listed companies. • Managing the progress of management plans • Managing the progress of large-scale orders Nominations and Remuneration Committee Mr. Tachikawa carried out the supervisory function in appointment of candidates for Directors and Audit & Supervisory Board Members and the process of determining remunerations for Directors and Audit & Supervisory Board Members from an objective and neutral standpoint.
Yoshitsugu Hayashi	13/13 2/2	Board of Directors Mr. Hayashi offered opinions as necessary on all areas of Fuji Electric's management, including on the following matters, based on his professional standpoint and considerable insight about environmental engineering, a field that is closely related to the Company's management policies. • Initiatives aimed at reducing Fuji Electric's environmental footprint • Appropriate ways to carry out research and development Nominations and Remuneration Committee Mr. Hayashi carried out the supervisory function in appointment of candidates for Directors and Audit & Supervisory Board Members and the process of determining remunerations for Directors and Audit & Supervisory Board Members from an objective and neutral standpoint.

Outside Audit & Supervisory Board Members

Name	Status of Attendance at Board of Directors Meetings Status of Attendance at Audit & Supervisory Board Meetings (Meetings Attended/Meetings Held)	Main Activities
Tetsuo Hiramatsu	13/13 7/7	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 Audit & Supervisory Board, he confirmed and offered opinions on the legal compliance of the overall business activities of Fuji Electric.
Hirohiko Takaoka	9/9* 5/5*	Mr. Takaoka 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 an experienced Full-time Audit & Supervisory Board Member, etc. of listed companies. At meetings of the Audit & Supervisory Board, he confirmed and offered opinions on the legal compliance of the overall business activities of Fuji Electric.
Yuko Katsuta	9/9* 5/5*	Ms. Katsuta 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 Audit & Supervisory Board, she confirmed and offered opinions on the legal compliance of the overall business activities of Fuji Electric.

* Since Mr. Hirohiko Takaoka and Ms. Yuko Katsuta newly assumed the office of Auditor at the conclusion of the 144th Ordinary General Meeting of Shareholders held on August 6, 2020, the above status on attendance at the Board of Directors and the Audit & Supervisory Board meetings refers to those meetings held after their assumption.

Remuneration for Directors and Audit & Supervisory Board Members

Process of determining remuneration

Consulted by the Board of Directors, the Nomination and Remuneration Committee discusses policies and criteria concerning remuneration as well as the details of remuneration. The Board of Directors resolves on the policy for the final decisions respecting the details of the committee's report that the Board of Directors has received from the Committee.

The actual decision on individual remuneration amounts is left to the discretion of President and Chairman of the Board of Directors, but within the limit resolved at the General Meeting of Shareholders and with reference to the details of the committee's report.

Classification-Based Remuneration System

Classification	Remuneration System
Standing Directors	<p>The amount of performance-linked remuneration for Standing Directors is based on the payment level that pushes up the proportion of performance-linked remuneration when there is a rise in the consolidated ratio of operating income to net sales, which is set as a critical target in the medium-term management plan. The previous year's consolidated performance (e.g., net sales, operating income, net income, and dividends) is taken into account to make the final decision. The consolidated ratio of operating income to net sales for fiscal 2020 was 5.5%, and performance-linked remuneration accounted for about 35% of the remuneration.</p> <p>Base Remuneration Base remuneration is a predetermined amount that is paid monthly at a certain time 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.</p> <p>Performance-Linked Remuneration Performance-linked remuneration is paid annually at a certain time 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.</p>
Standing Audit & Supervisory Board Members Outside Directors and Outside Audit & Supervisory Board Members	A predetermined amount is paid monthly at a certain time to executives according to their position as base remuneration. Stocks in the Company may be acquired at their own discretion.

Remuneration by Classification (Fiscal 2020)

Classification	Total Remuneration (Millions of Yen)	Remuneration by Type (Millions of Yen)		Number of Recipients
		Base Remuneration	Performance-Linked Remuneration	
Standing Directors	384	243	140	5
Standing Audit & Supervisory Board Members	58	58	—	2
Outside Directors and Outside Audit & Supervisory Board Members	51	51	—	8

Amount of Contributions to Director Shareholding Association and Shares of the Company Acquired (Fiscal 2020)

Classification	Amount of Contributions to the Director Shareholding Association (Millions of Yen)	Shares of the Company Acquired (Hundreds of Shares)
Directors	20	60
Audit & Supervisory Board Members	4	12

Training Policy for Directors and Audit & Supervisory Board Members

Before taking office, Standing Officers undergo compliance training, which also encompasses legal and taxation matters. They are also provided opportunities after taking office to acquire necessary knowledge on an ongoing basis.

Before taking office, Outside Officers are briefed on the state of the Company and the roles they are expected to perform. After taking office, they have the chance to deepen their understanding of the Company's business by attending internal technology presentations and inspecting production sites.



Mr. Takaoka and Ms. Katsuta, Outside Audit & Supervisory Board Members, visiting the Kawasaki Factory

Policy regarding decisions on remuneration

We have established a remuneration system and remuneration levels 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.

We routinely verify that the system and levels are appropriate or whether they need reviewing in light of changes in the operating environment or objective external data.

Evaluation of Effectiveness of the Board of Directors

We conduct the evaluation of the effectiveness of the Board of Directors with the use of a third-party survey in order to verify whether the Board of Directors is properly fulfilling its expected roles and functions and to facilitate further improvements thereof. The results of the survey are reported to the Board of Directors, and issues that require improvement going forward are shared with everyone.

The issues that have been shared based on the results of this effectiveness evaluation are addressed in turn according to a schedule clearly defined for each, so that we continue working to enhance the functions of the Board of Directors.

Opinions, Issues Raised, and Actions as a Result of the 2019 Effectiveness Evaluation of the Board of Directors

Opinions and Issues Raised	Major Initiatives in Fiscal 2020
Further discussion of the medium- to long-term issues (e.g., medium-term management plan, ESG)	Discussed the following subjects: • Each segment's business plans and strategies • Research and development strategies
Report on dialogue with institutional investors	Reported the status of IR activities, opinions and requests from analysts and institutional investors

Scope of evaluation	Fiscal 2020 Board of Directors (13 meetings in total)
Subjects	All Directors and Audit & Supervisory Board Members (13 people in total)
Evaluation method	Anonymous survey conducted by a third party
Evaluation period	January to February 2021
Main question categories	(1) Board of Directors make-up, administration, discussions, and monitoring functions (2) Support structure and training for Directors and Audit & Supervisory Board Members (3) Dialogue with shareholders (4) Initiatives implemented by Directors and Audit & Supervisory Board Members themselves
Evaluation process	(1) Subjects answer a survey conducted by a third party (2) The third party identifies issues based on a results report and advice (3) Board of Directors analyzes, discusses, and assesses the findings
Summary of evaluation results	Every part of what the Board of Directors does, which includes discussions as well as support for Directors and Audit & Supervisory Board Members, earned mostly positive assessments, thereby assuring the overall effectiveness of the Board of Directors.
Issues to address	In light of the opinions in the survey calling for more in-depth discussions about further improvements in the administration of the Board of Directors and the medium- to long-term issues, it was recognized that challenges lie ahead in order to further improve the Board's functions and invigorate discussions.

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 has determined 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.

Main systems based on the internal control system

► Compliance system

(Please refer to page 41 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 43 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.

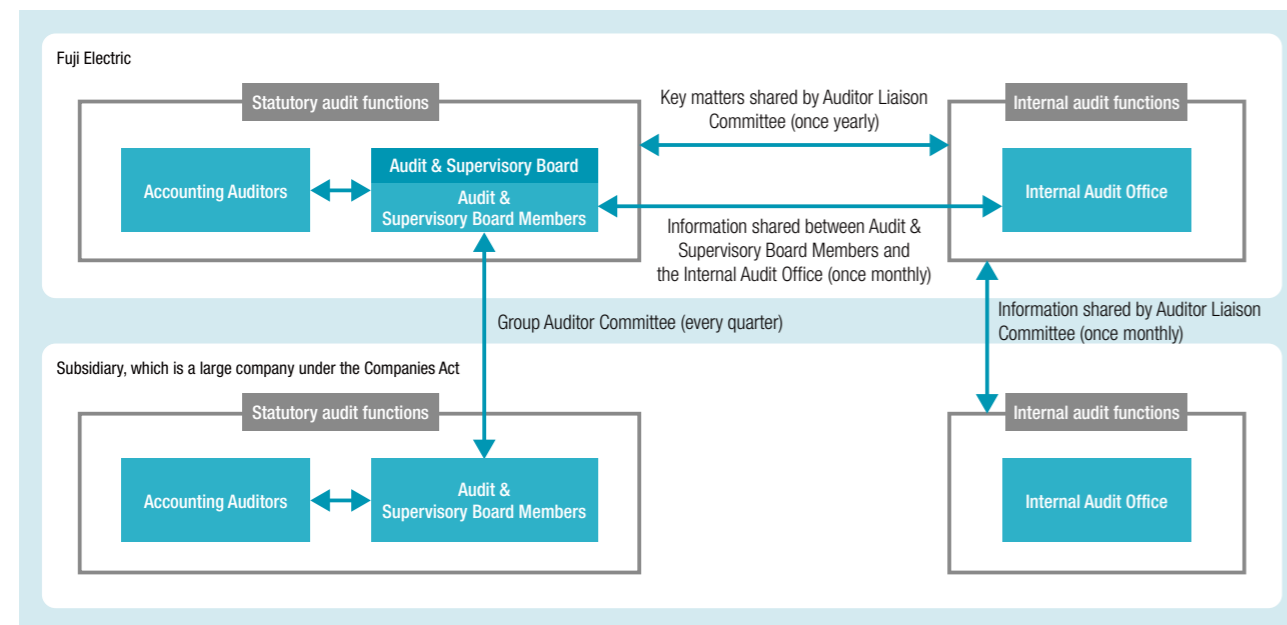
Audit & Supervisory Board Members and Internal Audits

Strengthening collaboration between audit functions

We ensure the effectiveness of Fuji Electric's audit functions by reinforcing collaboration between statutory audit functions (Audit & Supervisory Board Members, Accounting Auditors)

and internal audit functions (Internal Audit Office). We will continue to strengthen this collaboration going forward, with a particular focus on project management for large-scale projects, compliance audits, and audits at overseas subsidiaries.

Main Initiatives for Strengthening Collaboration



Audits by the Audit & Supervisory Board Members

Audit & Supervisory Board Members conduct audits in accordance with the audit policies and duties assigned and in compliance with the standards for audits established by the Audit & Supervisory Board. They report the details and results of their audits to the Audit & Supervisory Board.

In fiscal 2020, the Audit & Supervisory Board convened seven times in total. Every meeting was attended by all of the Company's Audit & Supervisory Board Members. During the meetings, the Audit & Supervisory Board mainly reviewed audit policies and plans, the appropriateness of auditing methods and results of the Accounting Auditors, and undertook an assessment of the Accounting Auditors. It also reported on and reviewed important matters that the Standing Audit &

Supervisory Board Members communicated to the Outside Audit & Supervisory Board Members.

Main tasks

- Attending and offering opinions at meetings of the Board of Directors, the Executive Committee, the Compliance Promotion Committee, and other important committees
- Reviewing documents pertaining to important resolutions
- Receiving explanations on the status of operational execution from Directors and internal auditing divisions
- Investigating the status of operations and assets at Fuji Electric, consolidated subsidiaries in Japan and overseas, and companies undertaking M&As (done remotely as necessary)

Internal audits

Every second year, the internal auditing divisions as bodies directly under the President perform the following audits on Fuji Electric's business divisions and subsidiaries in accordance with internal auditing standards and annual audit plans.

A total of 34 bases were audited in fiscal 2020, and many of the audits were done remotely, particularly those of overseas bases. No risks or inadequacies with the potential to seriously affect management were discovered.

Type of Audit	Main Tasks
Organizational management	Evaluating the appropriateness of management and administration (development of regulations, approval procedures, performance management, etc.)
Risk management	Evaluating the effectiveness of risk management systems and risk response
Compliance	Checking for compliance with laws and regulations based on the Fuji Electric Compliance Program and confirming legal compliance
Business execution	Evaluating the appropriateness, efficiency, and effectiveness of business execution (booking of sales and purchases, investments, cash flow, etc.)
Accounting	Evaluating the appropriateness of cost accounting and the soundness of assets and liabilities

Policy on Cross-Shareholding

Fuji Electric holds listed shares as a matter of policy in order to maintain and strengthen relations with its investee companies. We will sell these cross-shareholdings when the rationality of holding them is not recognized, and even if certain rationality is recognized, we will reduce them while paying attention to the impact on management and business. In fiscal 2020, we sold multiple listed stocks we held (as of March 31, 2021, we hold 74 listed stocks).

The Board of Directors periodically evaluates the rationality of shareholding in light of whether it is necessary to maintain and strengthen relations with the investee companies and of

the comparison of capital cost and return. The details of the review are disclosed.

The voting rights that come with cross-shareholding are exercised after considering all relevant factors, including whether the proposed action will help the issuing company to establish an appropriate corporate governance framework and to increase its medium- to long-term corporate value, and what impact the action will have on Fuji Electric. We also have dialogue regarding the details of the proposal, among others, with the issuing company as necessary.

Dialogue with Shareholders and Investors

Basic policies

We disclose information in accordance with various laws and regulations. Even if we are not required to do so by law, we also strive to disclose corporate information thought to have a significant impact on investment decisions in a timely, fair, and equitable manner, so that we might earn the trust of our shareholders and investors and ensure they have a proper understanding of the Company.

Major initiatives in fiscal 2020

We had to defer the public disclosure of the full-year financial results for fiscal 2019 and the management plan for fiscal 2020 due to the COVID-19 pandemic. Given this situation, we handled more media coverage on conference calls or online, provided more elaborate information than ever to disclose at the IR briefings, and published more detailed IR information on our website in order to ensure that our shareholders and investors have a clearer understanding of our business environment and business strategies.

Furthermore, we held an "ESG Small Meeting" for a discussion that focused on subjects of interest to ESG investors in order to enhance our action toward growing ESG investments.

Timely disclosure (examples)

- Notice of Postponement of Announcement of Financial Results for Fiscal Year Ended March 31, 2020 (April 2020)
- Losses Caused Due to Semiconductor Product Defect (November 2020)
- Announcement Concerning the Sale of Investment Securities (January 2021)
- Announcement Concerning the Result of the Sale of Investment Securities (March 2021)

Explanatory forums for analysts and institutional investors

- Financial results presentations (May, July, and October 2020; January 2021)
- Management plan presentations (October 2020)
- Business strategy presentations (October 2020)
- ESG Small Meeting (February 2021)

Opinions of analysts and institutional investors

We actively engage in dialogue with analysts and institutional investors, and the information shared at briefings and the principal feedback and requests we receive during private meetings are shared with the executive officers and Board of Directors, so that we discuss them as management issues. The main opinions and requests received from analysts and institutional investors in fiscal 2020 are as follows.

Main opinions and requests

► General management and business

- Publication of more information about business opportunities and growth strategies to achieve decarbonization
- Promotion of further growth investing in power semiconductors
- Promotion of measures to improve the profitability of the ED&C components and factory automation businesses
- More rigorous risk management for power generation projects

► ESG

- Review of the environmental protection policy to achieve decarbonization
- Disclosure of information related to the TCFD recommendations under discussion
- Promotion of more women to directors and managers
- Further reduction in cross-shareholding

Audit & Supervisory Board Initiatives to Help Improve the Effectiveness of Corporate Governance

Having the institutional design of a listed company, Fuji Electric has chosen to adopt the format of a company employing the corporate auditor system. This has various advantages. For example, the effectiveness of audits can be ensured by on-site audits by Standing Audit & Supervisory Board Members. Also, auditor independence is ensured. With this format, moreover, we can expect audits of substantial validity based on proper management decision-making principles while eliminating potential risks associated with self-audits. This round-table discussion among Audit & Supervisory Board Members took up the current status of that Board's efforts to further improve the effectiveness of corporate governance under this institutional design, as well as challenges being faced.



Activities of Audit & Supervisory Board Members: Evaluations and Issues

Key points

- Emphasis on close cooperation between Audit & Supervisory Board Members, internal auditing divisions, and accounting auditor, as well as on-site audits by Standing Audit & Supervisory Board Members to ensure the effectiveness of audits
- Importance of sharing awareness of risk at the audit planning stage in order to further improve effectiveness
- Consideration of opportunities for Standing Audit & Supervisory Board Members to accompany outside members on on-site audits to further improve the latter's understanding of the Company's business

Okuno

To ensure the effectiveness of audits, we place importance on strengthening each audit function through so-called "three-way audits" based on cooperation between Audit & Supervisory Board Members, internal auditing divisions, and the accounting auditor, as well as through on-site audits. Please tell us your opinion about this.

Matsumoto

With regard to three-way audits, we, Standing Audit & Supervisory Board Members, receive reports on audit

results and exchange opinions with the internal auditing divisions at annual Audit & Supervisory Board, as well as at monthly liaison meetings. In addition, we collaborate with the accounting auditor, receiving detailed explanations and exchanging opinions at each juncture of making audit plans, quarterly reviews, and annual audit reports.

As for on-site audits, Standing Audit & Supervisory Board Members basically visit each division of the Company and consolidated subsidiaries in Japan every year, as well as overseas consolidated subsidiaries every year or two, depending on the position of the relevant

base. In fiscal 2020, we visited a total of 83 divisions and bases, including through remote audits. We also endeavor to share information by sending monthly activity reports to outside Audit & Supervisory Board Members regarding the general status of visiting audit, including the main points of the three-way audits.

Hiramatsu

We believe that the activities of our Audit & Supervisory Board Members are quite faithful to our auditing standards and other norms. We are also gradually improving the auditing environment to enhance the effectiveness of audits. In fiscal 2020, for example, one person who is independent from Directors has joined the staff to assist the Audit & Supervisory Board Members on a full-time basis.

Of the three-way audits, the internal auditing divisions are the most important partners for Audit & Supervisory Board Members, from my standpoint as an Outside Audit & Supervisory Board Member, rather than focus in details of individual cases, I try to view things from the perspective of whether they are useful to management. On the other hand, we expect the accounting auditor to simply give us a fair and strict opinions. To this end, we carefully monitor how well the accounting auditor, which does not have any compulsory investigative powers, makes decisions with our close cooperation. I also believe that the current frequency of visiting audit by Standing Audit & Supervisory Board Members is appropriate, and the results are reported to us as needed, which is very helpful.

As an Outside Audit & Supervisory Board Members, when I receive various reports I pay attention to the hidden side—estimating the size of the iceberg, so to speak. As for visiting audit during the COVID-19 pandemic, I would like to see further improvements with respect to compensating for areas that cannot be handled properly by online inspections in order to increase effectiveness of audits.

Takaoka

I have only been an outside member for one year, but as mentioned before, I believe that the three-way audits,

on-site audits, and information sharing—which are important for a company employing the corporate auditor system—are being conducted appropriately as prescribed.

As we expand our business, especially overseas, one of our future issues will be to strengthen cooperation at the audit planning stage, especially in the three-way audits, in order to increase the effectiveness of audits by Audit & Supervisory Board Members with a limited number of personnel. In other words, it will become more important for members to communicate their requests, such as about areas that should receive close scrutiny and other matters, based on our risk awareness, to their partners—internal auditing divisions and the accounting auditor—in advance.

Katsuta

It's been a year since I became an Outside Audit & Supervisory Board Member. While our company's business covers a wide range of fields, our standing members are really energetic in conducting numerous on-site audits, and they share the results with us on a monthly basis. I have the opportunity to hear from the internal auditing divisions and accounting auditor on a regular basis, and I believe we have managed to conduct well-balanced three-way audits utilizing new methods, such as self-audit tools and data analysis based on digital audits. In the future, we need to continue striving to improve the efficiency, accuracy, and effectiveness of our audits, while also referring to case studies of other companies.

In terms of understanding our company's business, I receive business strategy explanations by relevant executive officers at Board meetings and join factory inspections. I also read the monthly company magazine, which introduces the technical details of new products, activities at each business site, and initiatives related to the SDGs, and I find it very meaningful. In the future, it would be helpful to get more information about the activities of the Fuji Electric Group Auditor Committee. I'd also like the opportunity to witness on-site audits by standing members in order to deepen my understanding.

Key Audit Matters to Address Diversified Management Risks

Key points

- Growing importance of compliance of overseas subsidiaries as our business expands overseas
- Need to pay more attention to supply chain risk, quality risk, etc.

Okuno

In addition to introducing a key audit matters (KAM) system last year, our Compliance Promotion Committee, which is run by the executive divisions, cited "strengthening compliance activities at overseas subsidiaries" as a new key

issue in its medium-term compliance policy, and the Audit & Supervisory Board is monitoring this closely. With the diversification of management risks, the number of issues that the Board needs to follow is increasing. Please tell us about your current perceptions and comment on issues.

Matsumoto

To audit the risk management system, we check the operational status of the risk management sheet (risk management PDCA cycle) prepared by the executive divisions in accordance with internal regulations. As for compliance, through the Compliance Promotion Committee and other bodies, we audit the status of addressing and progress of compliance programs for each law, as well as the status of our internal reporting system. Compliance at overseas subsidiaries will become increasingly important as we expand our overseas operations.

The most important aspect of compliance is education. For this reason, it is extremely important for executives and managers to repeatedly send out messages to employees so that every corner of the organization remains fully aware of the need to comply with laws and regulations.

Hiramatsu

Every time a major scandal occurs in Japanese companies, the legal authority of auditors is strengthened, and I believe that our “three lines of defense” form a solid control base when it comes to dealing with diversified risks. The first line of defense is day-to-day internal control by the front-line business execution divisions. The second line of defense is professional oversight by finance, legal, corporate management planning, and other appropriate internal control divisions. And the third line of defense is monitoring by the internal auditing divisions.

As an Outside Audit & Supervisory Board Member, whenever I hear reports of problems at other companies, I try to check frankly whether each line of defense is functioning properly, without preconceptions that it cannot happen at our company.

Takaoka

Given plans to expand our business globally in the future, I believe that strengthening compliance at our overseas subsidiaries will be a major priority. Overseas subsidiaries are more difficult to monitor than domestic ones, and

their legal systems and cultures are different from those in Japan. For subsidiaries in Southeast Asia, positioned as a focus region, perhaps it may be a good idea to create new systems and structures to strengthen the compliance monitoring function.

Among the various business risks, we are paying particular attention to supply chain risk. I understand that we are strengthening our assessments of suppliers, but a future challenge will be how to cover secondary and tertiary suppliers. In addition, the more core components you purchase from a single supplier, the higher the risk. I hear that we are working on multi-sourcing of purchased parts and materials in order to ensure stable procurement, and I hope we will forge ahead without omission.

As for information risk, I understand that various security measures have been taken to protect against cyber attacks, but I think we also need to pay attention to the risk of physical removal of information assets, especially at overseas subsidiaries.

Then there is quality risk, which is a major factor in our credibility as a manufacturer. In fiscal 2020, we posted a major loss due to the cost of corrective measures for product defects. I hope we will take all possible measures at the three lines of defense while being aware of the “tip of the iceberg” mentioned earlier.

Katsuta

Among the KAM items mentioned earlier, in fiscal 2020 we took a series of measures to appropriately address the problem with some of our power semiconductor products. In the process, I feel we have gained a certain level of understanding from our customers and shareholders.

In terms of compliance at overseas subsidiaries, I think the most likely place for fraud to occur is in the procurement process. Procurement fraud needs to be addressed in conjunction with the anti-corruption laws of each country, and extraterritorial application also should be considered.

Role of Outside Audit & Supervisory Board Members

Okuno

Finally, utilizing your expertise and experience from a neutral and objective standpoint as Outside Audit & Supervisory Board Members, please tell us how you would like to contribute to the Board and foster further improvements in the effectiveness of corporate governance.

Hiramatsu

Through my work experience at financial institutions, I have seen a great many companies, and as the current president of a company I have some understanding of the hardships faced by corporate managers. From those perspectives, I would like to offer opinions that will be useful in making management decisions. As an aid to

improving the effectiveness of corporate governance, I am reminded of the importance of audit reports by Audit & Supervisory Board Members. Failure to issue such reports in a prescribed manner can lead to a serious situation for the Company. I want to make sure that people in the Company do not forget this.

Takaoka

In addition to independence and expertise, Audit & Supervisory Board Members must also be ethical and say what they need to say to directors. However, extreme over-emphasis on risk and excessively conservative risk-taking are also problems. With this in mind, I hope to give advice on properly managing risk in a preventive manner. Personally, I have experiences of working in general affairs departments, being corporate management, and an auditor of companies. In the process, I've gained knowledge about corporate governance structure and risk management, and I hope to use this knowledge to fulfill my duties and meet the expectations of stakeholders.

Katsuta

The Audit & Supervisory Board is an independent body entrusted by shareholders, and its members are responsible for auditing the execution of duties by directors. In general, discussion topics tend to be brought up to the Board of Directors after they have been discussed and the policy has been formulated to a certain extent. In that sense, I try to ask questions and give opinions from the perspective of whether there is sufficient

information and materials to be considered in the decision-making process, and whether the existence of other options and associated risks have been fully discussed in light of their respective merits and demerits. I hope to contribute by confirming the validity of the decision-making process to ensure that the Board of Directors makes rational management decisions. Although there are still many aspects of our company's business that I do not fully understand, I would like to continue providing necessary advice by utilizing the knowledge and expertise I have gained through my experience as an in-house attorney and working in corporate legal affairs.

As for today's theme, “Helping Improve the Effectiveness of Governance,” I feel we still have some weaknesses in terms of diversity, including with respect to appointing women and foreign nationals as executives and managers. I understand that the Company is making various efforts to promote the advancement of women. Since this takes time to produce results, however, I think we should consider developing a medium- to long-term plan and disclosing it externally. I hope to contribute as an Outside Audit & Supervisory Board Member so our company can further meet the expectations of society.

Okuno

Thank you very much for your valuable comments and suggestions. Keeping in mind what you have pointed out, we would like to step up our activities as Audit & Supervisory Board Members and help further improve the effectiveness of corporate governance.



Measures to protect against COVID-19 were taken for the round-table discussion, and participants wore masks except when photographs were taken.

Compliance

Fuji Electric employs thorough measures to ensure compliance with laws and corporate ethics and always acts with the highest ethical standards to achieve sustained corporate growth.

Basic Policies

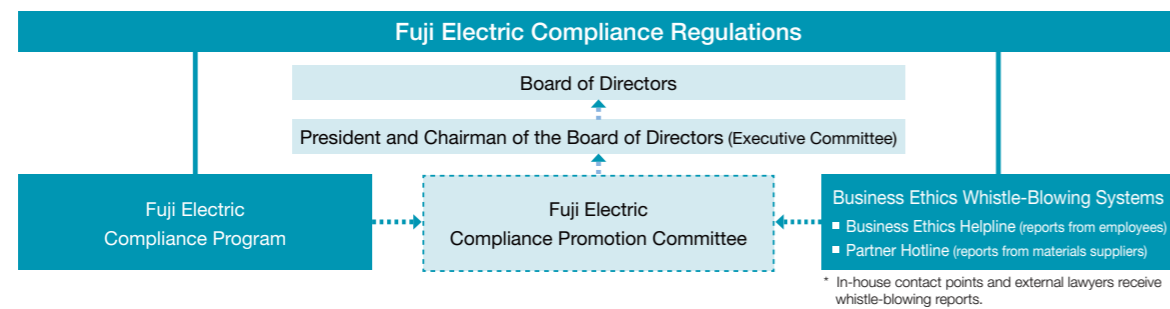
Fuji Electric has a basic policy that gives top priority to global compliance. Based on this policy, we established the Fuji Electric Compliance Regulations, which is a concrete

guideline for compliance. We also globally promote compliance through the Fuji Electric Compliance Program and the Fuji Electric Business Ethics Whistle-Blowing Systems.

Promotion System

We established the Fuji Electric Compliance Promotion Committee to ensure full compliance with laws and social norms globally. The Committee is headed by the Chairman of the Board of Directors and consists of the managers (managers of businesses and corporate department heads) responsible for regulating laws and acts, with Standing Audit & Supervisory Board Members and outside experts (attorneys) as observers. It meets twice each fiscal year

to deliberate on compliance execution and planning and reports the results of these deliberations, including matters related to preventing corruption, to the Board of Directors. In the event of a compliance infraction, the Committee has a system in place to take any necessary measures after deliberating on fact-finding investigations, corrective actions, recurrence prevention measures, internal punishments, and internal and external disclosures.



Status of Promotion

Fuji Electric Compliance Program

Fuji Electric established and implements the Fuji Electric Compliance Program bringing together four aspects (see numbers 1 to 4 below) of domestic and overseas laws (including those related to anti-corruption, fair competition, labor, human rights, product safety, the environment, taxation, accounting, information security, and export management) for the Company and other Group companies in Japan and overseas including ones that newly joined the Group. The Fuji Electric Compliance Promotion Committee continuously reviews the program and makes revisions. Moreover, as part of our efforts to verify and review the effectiveness of our compliance program, we continue our initiatives to acquire external certifications.

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 respect to 1 and 2
4. Compliance education

Compliance education

We promote wide-ranging compliance education and instruction through level-specific and job-specific group training and e-learning programs, as well as displaying posters internally and distributing pamphlets.

Examples of Training Conducted in Fiscal 2020

	Participants	Details
Level-specific training	Newly appointed executives	25 Important laws and regulations (e.g. competition laws and anti-corruption)
	Newly appointed managers	120 Points to consider when performing duties
	New employees	269 Overview of compliance and important laws and regulations (e.g. competition laws and anti-corruption)
Job-specific training	Sales and administrative division employees	2,316 Compliance framework and important laws and regulations (e.g. competition laws and anti-corruption)

Fuji Electric Business Ethics Whistle-Blowing Systems

To prevent infractions of laws and regulations and ensure early detection, we have introduced and are operating the Fuji Electric Business Ethics Whistle-Blowing Systems. Under these systems, internal and external parties can report real or suspected violations of laws, regulations, or internal rules including matters related to bribery and corruption to the president of Fuji Electric via contact points (anonymous reporting is also possible).

Business Ethics Helpline

The Business Ethics Helpline handles notifications from our employees in Japan and overseas (including dispatch employees). It is thoroughly promoted among employees through the publication of case examples of solutions on the Company magazine and the intranet.

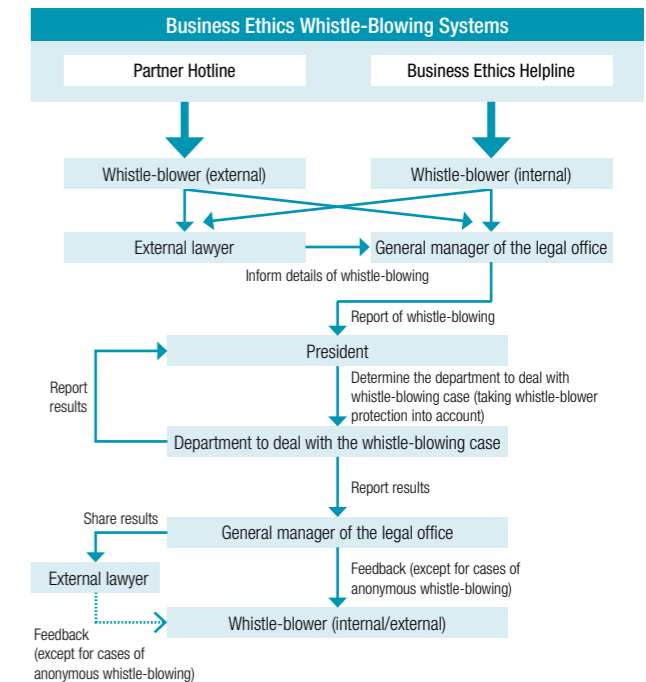
Partner Hotline

The Partner Hotline handles notifications from our suppliers about Fuji Electric's materials procurement operations. We spread awareness of the system among business partners through postings on the Company's website and at explanatory forums for subcontractors.

As a result of these initiatives, there were 47 reports made to the whistle-blowing systems in fiscal 2020 (25 in fiscal 2019).

We also work meticulously to protect whistle-blowers by keeping their personal information confidential and

prohibiting disadvantageous treatment and retaliatory or discriminatory acts on the grounds of whistle-blowing. In addition, we take all necessary steps to resolve issues raised by whistle-blowers, including fact-finding investigations, corrective actions, and recurrence prevention measures.



Results of Promotion

Anti-corruption

On the basis of the Fuji Electric Code of Conduct and a directive on the prevention of corruption, we established the policy that no employee is to offer or receive bribes to or from public- or private-sector officials in any country or region. Prevention of corruption is reinforced through thorough rules, daily monitoring, auditing, and training.

For officers and employees involved in corruption, our policy is to consider disciplinary action based on our work rules and take strict measures accordingly. In fiscal 2020, however, there were no incidents of officers or employees violating anticorruption rules, including notifications received through the Business Ethics Whistle-Blowing Systems, and no fines, surcharges, or settlements related to corruption were incurred.

Competition laws

Through our Antimonopoly Act Compliance Manual, the Foreign Competition Law Compliance Manual, and other regulations, we are enhancing measures to prevent the violation of competition laws. We also perform daily monitoring by confirming quotations and estimates via an extensive bidding information management system and extensive record-keeping. In addition, our auditing divisions perform audits in accordance with auditing guidelines, and we conduct extensive level-specific and job-specific training.

In fiscal 2020, there were no serious problems related to competition laws that warranted disclosure, including notifications received through the Fuji Electric Business Ethics Whistle-Blowing Systems.

Other

Other than the above, there were no compliance infractions with the potential to seriously impact management.

Risk Management

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

Basic Policies

Based on the Fuji Electric Risk Management Rules, the Company manages risk in a coordinated, systematic manner. We practice appropriate management and counter various risks that could affect the Company's management

in order to prevent risks from materializing (crisis situations), thereby minimizing the impact on management in the event that risks materialize.

Types of Risks and Risk Management System

Risk categories

Fuji Electric divides risks into categories and conducts risk management optimized for each category.

Given that recent years have seen natural disasters attributable to climate change (e.g., torrential rain) occur with increasing frequency, we established a new system to manage climate change risks and added "climate change" to the list of external risks in April 2021.

Risk management system

Fuji Electric's business divisions and affiliated companies are responsible for managing risk related to their business activities as a part of their business duty, developing appropriate risk management systems, and implementing risk countermeasures.

Significant risks, such as those related to business plans and large-scale investments, are reported at the Executive Committee as appropriate to facilitate the sharing of information. We also have manuals in place to ensure that risks are steadily managed. We provide training in handling each type of risk and inform the whole Company about our efforts to manage risks through company magazines and other appropriate means.

The internal auditing divisions conduct regular audits to confirm whether or not risk management is being properly performed at each business division and affiliated company.

Emergency response

If an emergency arises due to a large-scale disaster or any other serious causes, we need to act to prevent the situation from becoming any worse and resolve the situation as soon as



Details of the list of major risks can be found on our website.
https://www.fujielectric.com/ir/management/governance/risk_factors.html

possible. Hence, we have guidelines in place on preparations for possible emergencies, emergency calls and messages, and an emergency task force to set up.

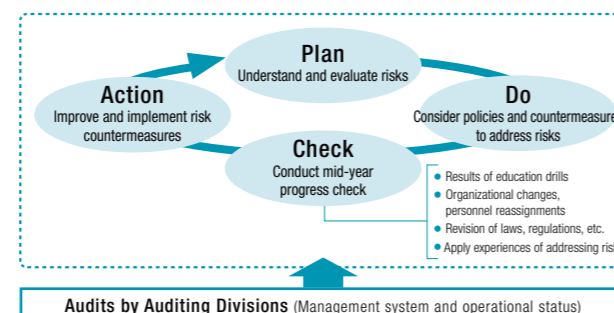
Risk Management Process

When annual budgets are formulated, business divisions and affiliated companies understand and evaluate risks related to their business activities.

Policies and countermeasures in response to risks (aversion, mitigation, relocation, retention, and so forth) are considered based on their impact on management and frequency of occurrence, and each division and affiliated company appoints a person in charge of policy and countermeasure execution.

We also conduct mid-year progress checks at the end of the second quarter of each fiscal year to improve and effectively implement risk countermeasures.

Annual Risk Management Process



Strengthening Our Business Continuity Capabilities

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

Based on the Disaster Prevention and Procedural Manual, all of Fuji Electric's bases have developed disaster-response systems and put in place comprehensive measures to ensure that structures and facilities are earthquake resistant. They also stockpile emergency goods, conduct regular drills, and take other preventive measures.

We have formulated business continuity plans (BCP*) at the head office, factories, and area operations that serve as contact points with customers. We have also established Companywide BCPs for our procurement sections, which manage our supply chain, and for IT sections, which manage our information systems. Fuji Electric also has Resilience certification.

In fiscal 2020, we again conducted safety confirmation training for all employees in order to strengthen our disaster response capabilities. Going forward, we will continue enhancing our BCP to strengthen our business continuity capabilities.

*Business Continuity Plan

Procurement BCP

By identifying, assessing, and addressing supply chain risks, we aim to build stable material procurement and production systems over the medium and long terms. If a natural disaster hits, our BCP system automatically identifies business partners located in the affected area. In fiscal 2020, we registered about 9,000 sets of data on our primary and secondary business partners in the system, which are 4,000 more than the previous fiscal year, so that we will be able to more quickly and accurately grasp the potential impact of a disaster on the safety and production operations of our business partners.

We also checked whether the 100,000-plus items of materials that our major production bases in Japan use are sourced from multiple vendors (multi-sourcing*). Some materials are purchased from a single vendor, and thus we urge the production bases to source these materials, especially those that are more critical than the others, from multiple suppliers. We also encourage them to explore alternative materials or reconsider the product design and specifications. In doing so, we work to reduce risks to material procurement and production.

*Multi-sourcing refers to a system in which materials are sourced from multiple business partners.

Our approach to quality improvement

The Quality Assurance, Design Technology, Technology Standardization, and Factory Digitization Promotion Working Groups (WGs) as well as Manufacturing Subcommittee have been set up under the Production Technology Committee, which is a Companywide body led by the President. The subcommittee and WGs work together to improve our production technologies and quality.

The Quality Assurance WG aims to achieve stable and uniform quality level in accordance with its High Reliability Activities Policy, promoting activities toward the goal across the Company. Each year, the WG collects all serious complaints received and continually provide recurrence prevention diagnosis that is intended to re-assess the effectiveness of recurrence prevention. The WG also reports any serious quality problem that has arisen promptly to the President and relevant staff in accordance with the rules and regulations to share what risks are involved, and quickly addresses the problem.

During fiscal 2020, we continued working to visualize production, quality information, and traceability using IoT at our factories. We also expanded our plan for the digitization and automation of tests and inspections to include more types of equipment, and phased in statistical quality management, as part of our efforts to further improve the accuracy, reliability, and speed of our quality management.

Implementation of information security measures

To protect confidential and personal information properly, Fuji Electric has formulated and is implementing a policy and regulations related to information security. We have also established information management systems at Fuji Electric and Group Companies in Japan and overseas and instituted various safety protocols, including operational site access and information access management systems. We also endeavor to prevent information leaks while maintaining and strengthening information security by instituting annual training programs for employees and conducting inspections and improvements through effective management and audits of workplaces.

In fiscal 2020, to address increasingly diversified and sophisticated cyber-security threats, we revised our information security policy, established an anti-cyber-attack manual, improved our computer security incident response team and security operation center (CSIRT/SOC), and monitored and controlled any attacks. We also continue to improve our defense and detection system and hold cyber security training to become more prepared for any new threats.

At the Group companies requiring high-level information security management, a total of five departments (in three of those Group companies) have acquired information security management system (ISMS) certification. In addition, Fuji Electric Co., Ltd. and four of its subsidiaries have acquired Privacy Mark certification.

Responding to COVID-19

Our basic policy is to take prompt and appropriate measures with top priority on respecting human life, preventing the situation from worsening, and minimizing damage. To prevent the spread of infections, we not only make sure that Three Cs (closed spaces, crowded places, and close-contact settings) are avoided, but have actively adopted telecommuting, sliding work hours, and online meetings.