

# CSR Activities

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

We hope that through our promotion of CSR practices, we can continue to build strong relationships of trust with all of our stakeholders.

## CSR Policies

To promote CSR on a global basis, we have also established and are implementing the Fuji Electric Code of Conduct, a guideline for all employees that encourages them to share the principles of the corporate philosophy and management policies and act accordingly.

### Fuji Electric Code of Conduct

Fuji Electric and its employees, from a global perspective always strives to meet our corporate mission of “We, Fuji Electric, pledge as responsible corporate citizens in a global society to strengthen our trust with communities, customers and partners.”

1 Respect and value our customers	2 Respect and value all people	3 Respect and value the global environment
4 Respect and value our shareholders and investors	5 Respect and value interaction with society	6 Respect, value and conform with all applicable laws and regulations

### Sustainability Initiatives

Fuji Electric has declared its support for the United Nations Global Compact.

Through its business, Fuji Electric endeavors to contribute to the achievement of the Sustainable Development Goals, which consist of 17 goals and 169 targets that were adopted by the UN General Assembly in September 2015, and is thereby striving to help realize a sustainable society.



More detailed information on Fuji Electric's various CSR activities can be found on the Company's corporate website. <http://www.fujielectric.com/company/csr/>

## ESG Initiatives

Fuji Electric acts from a perspective focusing on environmental, social, and governance (ESG) issues with the aim of realizing ongoing improvements in corporate value. Accordingly, the Company has defined key ESG issues, which it is actively working to address.

### Key ESG Issues

ESG Areas	Key Issues	Priority Measures	Associated Pages	
Environment	Prevention of global warming	<ul style="list-style-type: none"> <li>Reduce society's CO<sub>2</sub> emissions through provision of energy-saving products</li> <li>Reduce CO<sub>2</sub> emissions during production</li> </ul>	P29–P34	
	Creation of a recycling-oriented society	<ul style="list-style-type: none"> <li>Promote 3Rs in relation to products and production activities</li> </ul>		
Social	Human resources	Human rights	<ul style="list-style-type: none"> <li>Entrench awareness of Policy for Human Rights of the Employees among all employees</li> <li>Conduct ongoing human rights training</li> </ul>	P35
		Safe and healthy workplaces	<ul style="list-style-type: none"> <li>Conduct ongoing occupational health and safety training to prevent occupational accidents</li> <li>Carry out safety patrols to prevent serious accidents and frequently occurring accidents</li> </ul>	
		Diversity	<ul style="list-style-type: none"> <li>Employ a diverse range of human resources</li> <li>Reform awareness of management and female employees</li> </ul>	P36–P37
		Work-life balance	<ul style="list-style-type: none"> <li>Develop comfortable workplace environments</li> </ul>	
		Human resources development	<ul style="list-style-type: none"> <li>Cultivate globally competent employees regardless of work locations and nationalities</li> </ul>	
	Contributions to communities	Community outreach	<ul style="list-style-type: none"> <li>Contribute to communities through activities for protecting the natural environment and promoting youth development</li> </ul>	P38
Governance	Compliance	<ul style="list-style-type: none"> <li>Establish compliance promotion systems and effectively implement the Fuji Electric Compliance Program</li> <li>Cultivate mind-set of strict compliance among employees</li> </ul>	P41	
	Risk management	<ul style="list-style-type: none"> <li>Identify projected risks, set priorities, and formulate countermeasures for high-priority risks</li> <li>Establish and continually improve BCPs for head office and production bases</li> </ul>	P42–P43	

### External Recognition

Domestic and overseas socially responsible investment (SRI) rating institutions have selected Fuji Electric as a component of the following SRI indexes out of recognition of its being a company with outstanding CSR performance.



Dow Jones Sustainability Indices



FTSE4Good Index Series



Ethibel Sustainability Index (ESI)



Morningstar Socially Responsible Investment Index

# Environment

Efforts to protect the global environment are a key management issue for Fuji Electric, and, following the establishment of our Basic Environmental Protection Policy, we continue to promote environmental management with the goal of contributing to global environmental protection through our business activities.

In fiscal 2016, the Energy Conservation Center, Japan awarded Fuji Electric with the highest honor of its FY2016 Energy Conservation Grand Prize: the Grand Prize of Minister of Economy, Trade and Industry. This award was received out of recognition of the energy conservation and risk management measures implemented by using a factory energy management system at the Yamanashi Factory, measures that were part of our Companywide Smart Factory Initiative. The technologies used at this factory will be deployed both inside and outside of the Company going forward.



Yamanashi Factory at which Smart Factory Initiative is being advanced

## Basic Environmental Protection Policy

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

## Environmental Vision 2020

In 2009, Fuji Electric formulated Environmental Vision 2020 to guide its medium-to-long-term environmental activities.

This vision is centered on three specified material issues of stopping global warming, creating a recycling-oriented society, and meeting our corporate social responsibilities. In addition to reducing the environmental footprint of our own production activities, we seek to help achieve sustainable societies by providing products and technologies that leverage our strengths in electrical and thermal energy technologies.



## Rolling Updates to Environmental Targets

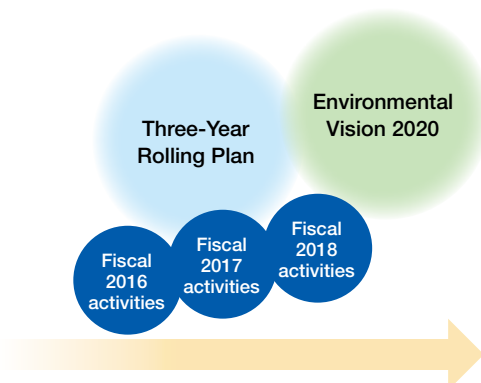
To achieve the goals of Environmental Vision 2020, Fuji Electric has formulated an Environmental Management Three-Year Rolling Plan, designed to promote ongoing efforts.

In this initiative, we verify each year that the environmental management strategy is addressing societal changes and establish detailed targets in various areas, such as the enhancement of environmental management governance, measures to prevent global warming, and measures to address the use of chemical substances.

At the same time, we monitor progress toward targets and circumstances regarding additional items in order to adjust targets and action plans to ensure we have set the right course for the next three years.

In fiscal 2016, the target of reducing society's CO<sub>2</sub> emissions by expanding sales of energy-saving and energy-creating products,

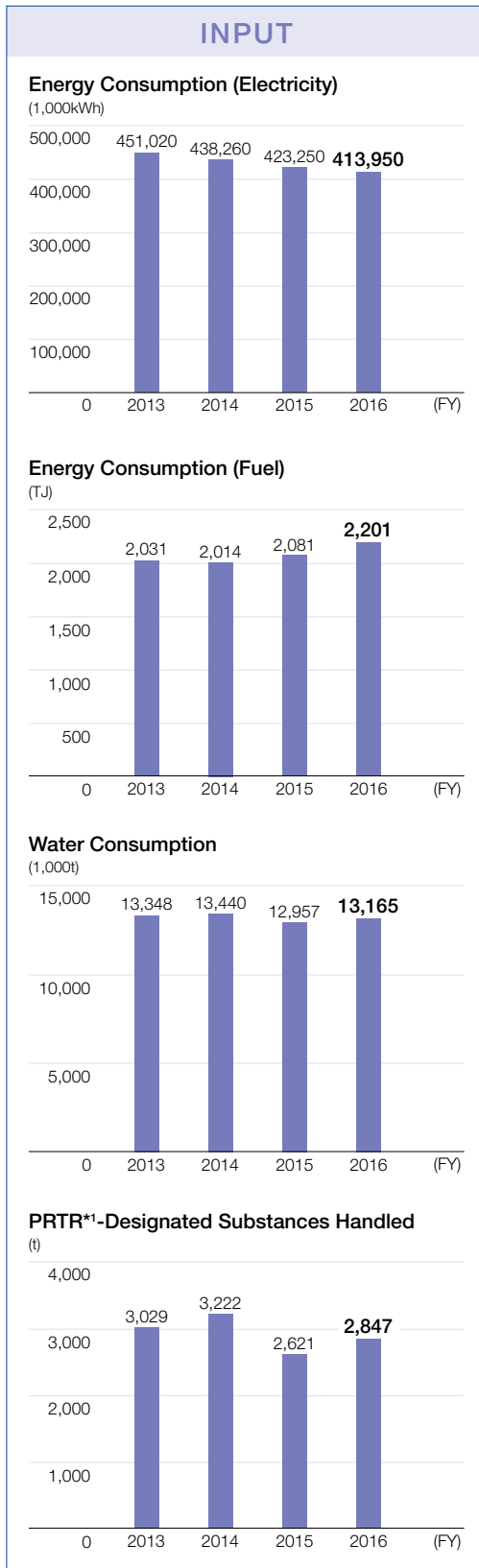
a key indicator for stopping global warming, was raised from the previous 17 million tons to 30 million tons.



## Mapping of the Interplay between Business Activities and Environmental Impact

Fuji Electric is constantly working toward more efficient use of resources and energy and the reduction of waste throughout all of its business activities, particularly those related to design, manufacturing, and disposal. We are also proactive in our efforts to be more environmentally conscious across the entire product and service life cycle.

Scope of data collection: Bases worldwide

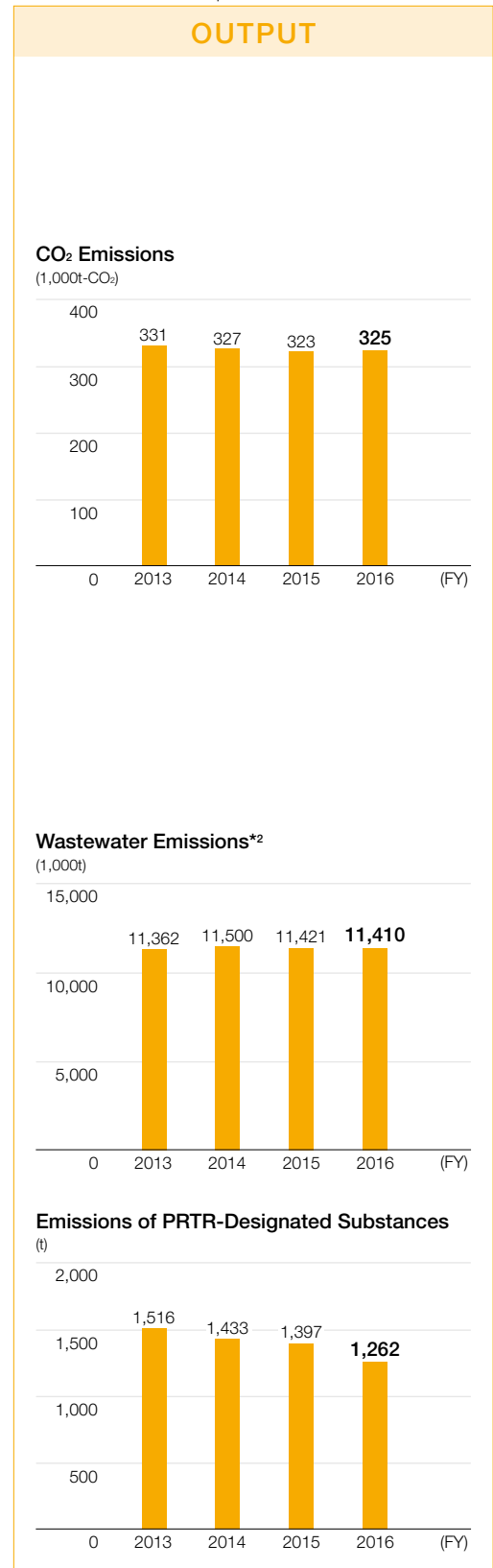


Fuel usage and emissions volumes increased due to higher production volumes at factories and the move toward in-house production. However, we were able to decrease electricity purchase volumes through energy conservation measures.



We have sustained a long-term reduction trend in water usage volumes as a result of water recycling initiatives.

Increased production volumes led to higher usage of PRTR-designated substances, but we prevented emissions of these substances from rising through elimination and treatment.



\*1 Pollutant Release and Transfer Register Law

\*2 Wastewater emissions refer to volume of water discharged into rivers and other natural environments.

# Environment

## Efforts to Stop Global Warming

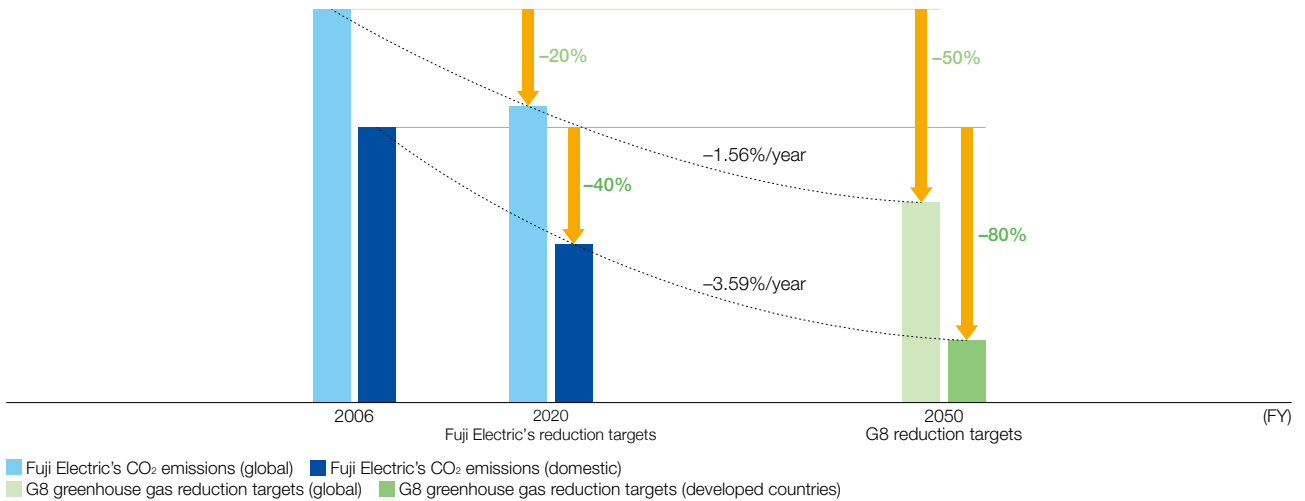
Fuji Electric endeavors to help stop global warming by reducing CO<sub>2</sub> emissions around the world through the supply of energy-saving and energy-creating products and services and through energy conservation activities at factories and offices.

Priority Area	2020 Target	Reasoning Behind Target
Reduction of society's CO <sub>2</sub> emissions through products	Reduce society's CO <sub>2</sub> emissions by 30 million tons* <sup>3</sup> through the expansion of sales of energy-saving and energy-creating products	In light of the increase in the number of energy-saving and energy-creating products as well as the new inclusion of biomass, inverter, and other products in the scope of calculation for this goal, the Company's reduction target for 2020 was raised from 17 million tons to 30 million tons. This new reduction target is 100 times greater than the 2020 emissions reduction target of 300,000 tons for Kanagawa Prefecture, which ranked 9th in total emissions from specified business operators under the Act on Promotion of Global Warming Countermeasures* <sup>4</sup> by prefecture in 2013, with total applicable emissions of 29.5 million tons.
Reduction of CO <sub>2</sub> emission during production	Reduce global CO <sub>2</sub> emissions by 20% and domestic CO <sub>2</sub> emissions by 40% in comparison to fiscal 2006 levels	At the 2009 G8 Summit in L'Aquila, Italy, an official declaration was made in support of the goals of realizing a 50% reduction in greenhouse gas emissions on a global basis by 2050 and an 80% reduction in developed countries by 2050. Achieving these targets will require annual reductions of 1.56% (for the global target) and 3.59% (for the target for developed countries). The 2020 targets set in the Environmental Vision 2020 in fiscal 2016 call for reductions that are in line with those required by the G8 long-term target for global emissions reductions as shown in the graph below.

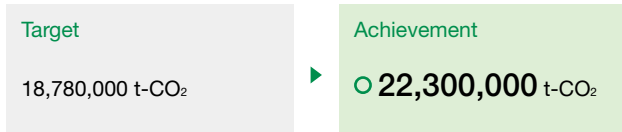
\*<sup>3</sup> Calculated by converting, into CO<sub>2</sub> emission volumes, the energy-creating and energy-saving benefits that would be realized by products sold after fiscal 2009 (that have not reached the end of their usable life) if they have been operational for one year

\*<sup>4</sup> Law Concerning the Promotion of the Measures to Cope with Global Warming

### Relationship between G8 Greenhouse Gases Emission Reduction Targets and Fuji Electric's CO<sub>2</sub> Emission Reduction Targets



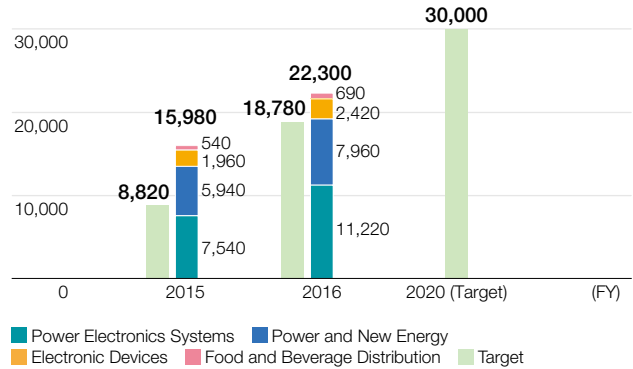
## Reduction of Society's CO<sub>2</sub> Emissions through Products



Fuji Electric aims to contribute to reductions in CO<sub>2</sub> emissions across society through increased supply of renewable energy generation equipment as well as through innovations in electrical and thermal energy technologies.

In fiscal 2016, the contribution to CO<sub>2</sub> emission reductions from products was 22,300,000 t-CO<sub>2</sub>, up 6,320,000 t-CO<sub>2</sub> year on year and higher than the target of 18,780,000 t-CO<sub>2</sub>. This accomplishment was a result of increased sales of inverters and power conditioning systems (PCSs) for stabilizing electricity supplies from wind power systems as well as increased shipments of geothermal and hydro power and other renewable energy generation equipment. This amount of 22,300,000 t-CO<sub>2</sub> is equivalent to 68.6 times the Company's total CO<sub>2</sub> emissions of 325,000 t-CO<sub>2</sub>.

**Reduced CO<sub>2</sub> Emissions through Products\*<sup>5</sup>**  
(1,000t-CO<sub>2</sub>)



\*<sup>5</sup> Amount of CO<sub>2</sub> reduction based on one year of operation of products shipped for each fiscal year after fiscal 2009. Calculated making reference to the quantification method of GHG emission reductions stipulated in the Electrical and Electronics industries' "Action Plan for Commitment to a Low-Carbon Society."

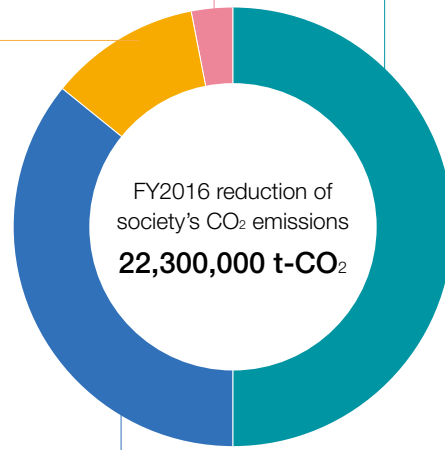
## CO<sub>2</sub> Emissions Reduction Contributions by Business and Major Contributing Products

### Food and Beverage Distribution 3%

Energy-saving products in this business include vending machines, showcases, and currency handling equipment. Although the contributions to CO<sub>2</sub> emissions reductions are small on the Group scale, our cutting-edge vending machines use 73% less electricity than models from 2006.

### Electronic Devices 11%

In this business, contributions to CO<sub>2</sub> emissions reductions are made by supplying low-loss components, such as IGBT modules, intelligent power modules, SiC diodes, and switching integrated circuits and elements. Among these, switching integrated circuits helps reduce idle electricity consumption by electric appliances.



### Power Electronics Systems 50%

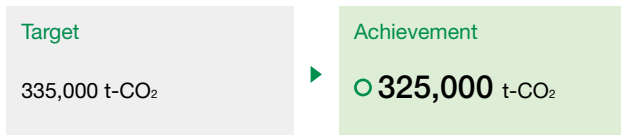
This business contributes to reductions in CO<sub>2</sub> emissions with energy-saving products including inverters, servo systems, uninterruptible power systems (UPSs), PCSs, compact power supplies, ED&C components, high-efficiency motors and transformers, and measurement instruments.

### Power and New Energy 36%

Contributions to reducing CO<sub>2</sub> emissions in this business are made through renewable energy generation equipment (geothermal, hydro, photovoltaic, wind, biomass) as well as through high-efficiency thermal power generation systems and fuel cells. In fiscal 2016, there was a particularly large increase in shipments of geothermal and hydro power renewable energy generation equipment.

# Environment

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

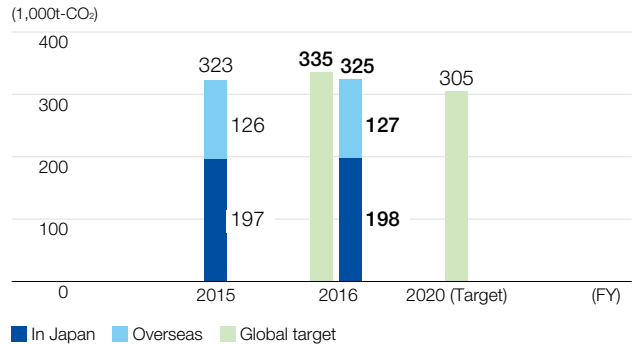


Fuji Electric strives to limit energy costs and reduce CO<sub>2</sub> emissions through energy conservation activities.

CO<sub>2</sub> emissions from production activities in fiscal 2016 increased above the level of 323,000 t-CO<sub>2</sub> from fiscal 2015. This increase was a result of the rise in production at Company factories that stemmed from efforts to bring manufacturing operations back to Japan and promote in-house production. However, at 325,000 t-CO<sub>2</sub>, total emissions in fiscal 2016 were still lower than the target of 335,000 t-CO<sub>2</sub>, an accomplishment owed to initiatives including implementing top level energy-saving building management practices, upgrading air-conditioning equipment and LED lighting, and consolidating clean rooms. Looking ahead, Fuji Electric will advance further energy conservation activities to move toward the achievement of its 2020 targets.

Furthermore, third-party verification was received for CO<sub>2</sub> emissions data from six major factories in Japan and overseas with the aim of increasing the reliability of this data. Adding to the two domestic factories (Tokyo and Fukiage) already requiring third-party verification under emissions trading systems, we now receive verification for 75% of the Company's total CO<sub>2</sub> emissions (based on fiscal 2015 figures).

### Global CO<sub>2</sub> Emissions



## Case Example: Energy Savings through the Smart Factory Initiative

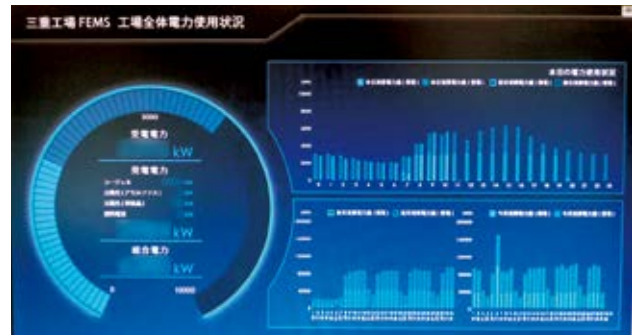
(Mie Factory)

Fuji Electric is advancing the Smart Factory Initiative at the Mie Factory, a principal factory in the Food and Beverage Distribution segment.

This initiative involves pursuing “smarter” operation through the improvement of efficiency of inverter-equipped production and drive facilities, the supply of clean energy via solar power generation and fuel cell systems, and the utilization of a factory energy management system that ensures optimal energy usage throughout the entire factory. In fiscal 2016, these efforts contributed to a 28% reduction in energy consumption from fiscal 2010 levels.

In addition, given the recent increase in energy used in lighting and air-conditioning equipment, we have installed a system for collecting data via internal LAN networks through points established to measure factory lighting and temperature. Utilizing this system, we are monitoring the environment within factory buildings while controlling energy. The collected data is made available for viewing by employees on a specialized website to facilitate educational activities.

In the future, recorded data will be used to realize automated control in order to create systems that improve workplace environments while conserving energy.



Energy data tracking monitor (energy consumption by area)



Energy data tracking monitor (total electricity consumption)

## Initiatives to Create a Recycling-Oriented Society

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

Priority Area	2020 Target	Reasoning Behind Target
Efficient use of water resources	Reduce water usage by 20% in Japan	The domestic water usage reduction target for fiscal 2020 has been increased to 20% from the prior target of 10% in comparison to the fiscal 2010 level. As for overseas water usage, previously the only target was reducing water consumption per unit of production by 25% from fiscal 2011 in fiscal 2020. However, as these yen-basis production volumes can vary greatly due to foreign exchange rate movements, we established the new target of achieving a 25% reduction in water usage volume from fiscal 2011 in fiscal 2020.
	Reduce water usage by 25% overseas	
Waste reduction	Achieve zero waste emissions	The Company will strive to achieve zero waste emissions by recycling industrial waste from production processes and reducing the amount of waste sent to landfills.

### Efficient Use of Water Resources

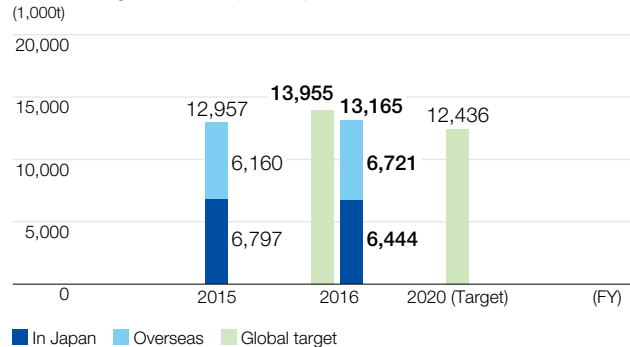
#### Water Usage Volumes

Target		Achievement	
In Japan	7,645,000 tons	○ In Japan	<b>6,721,000 tons</b>
Overseas	6,309,000 tons	✕ Overseas	<b>6,444,000 tons</b>

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

In fiscal 2016, domestic and overseas water recycling initiatives led to a reduction of 1,117,000 tons in water usage. Total water usage was 13,165,000 tons, even less than the target of 13,955,000 tons.

#### Water Usage Volumes (Global)



### Waste Reduction

#### Ratio of Waste Sent to Landfills

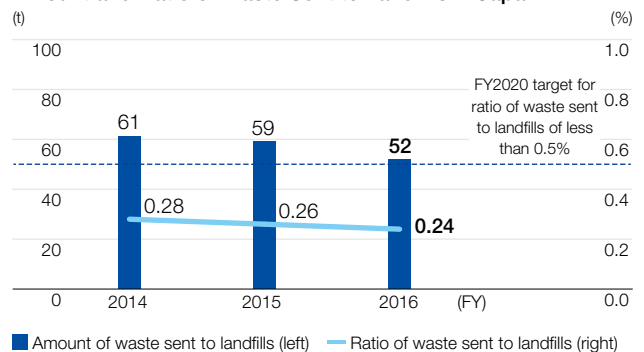
Target		Achievement	
In Japan : Less than 0.5%		○ In Japan	<b>0.24 %</b>
Overseas: Less than 15%		✕ Overseas	<b>14.3 %</b>

In an effort to curb waste and promote resource recycling, Fuji Electric has established a goal of zero waste emissions—a ratio of waste sent to landfills to total waste of no more than 1%. This goal is being pursued by making products more compact and lighter weight, employing designs that do not use regulated substances, and implementing quality control measures at the manufacturing stage to lower the number of defective products created.

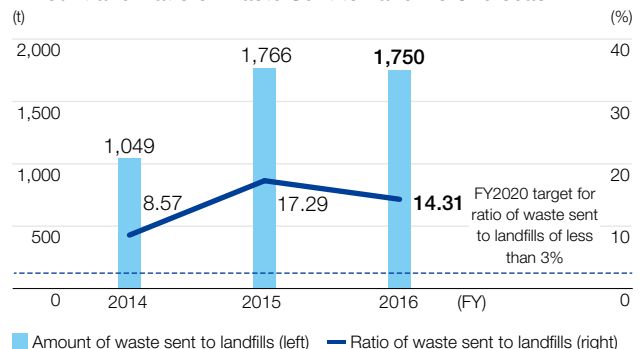
In Japan, Fuji Electric has achieved its goal of zero waste emissions every year since fiscal 2004. In fiscal 2016, we once again achieved our target of reducing the ratio of waste sent to landfills to below 0.5% with a ratio of 0.24%.

Overseas, a change to production processes implemented in fiscal 2015 resulted in us no longer being able to recycle certain sludge, and the ratio of waste sent to landfills consequently increased to 17.29% in this year. Through internal efforts, we were able to reduce this ratio to 14.31% in fiscal 2016. We plan to begin recycling sludge in cement in fiscal 2018.

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



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





# Social (Human Resources)

Fuji Electric focuses on creating workplace environments in which human rights are respected and occupational health and safety are assured. In addition, we acknowledge that diversity is important to the Company's global growth. We therefore aim to incorporate an array of values and perspectives so we can strengthen our competitiveness. Furthermore, recognizing that human resources are the prime driver of our competitive edge and placing diversity as a top priority in our personnel strategy, we will actively cultivate each of our people to fully harness their potential.



Safety patrol

## Respect for Human Rights

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

## Training and Education

Recognizing workplaces that respect human rights and are free of discrimination and harassment as the basis for all business activities, we continued to implement e-learning programs on harassment for all domestic employees that have not yet undergone this training.

In training for management-level employees, we held group discussions that used case studies to promote understanding with regard to human rights risks from the perspective of human rights needing to be considered during the course of business activities.

### Numbers of Employees Undergoing Human Rights Training (FY2016)

Level-specific training (new employees, supervisors, managers)	574
Harassment training (e-learning)	3,639
Training held by human rights organizations and municipal government agencies	43

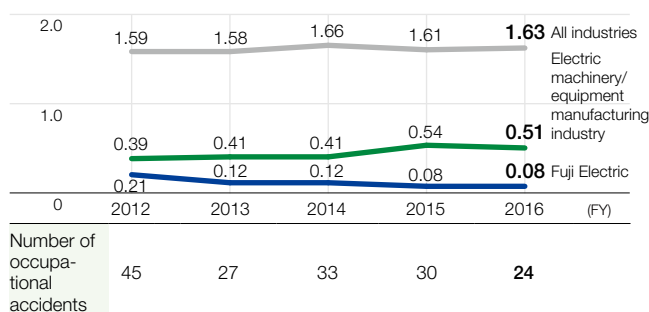
## Occupational Health and Safety

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

## Ongoing Health and Safety Education and Workplace Safety Patrols

The Company plans and implements occupational health and safety education programs that utilize a practical curriculum throughout each fiscal year. In fiscal 2016, in addition to the regular occupational health and safety education program, a seminar on transportation-related issues was held for managers and drivers, and an aggregate total of 2,956 individuals participated in this seminar. Furthermore, we provided opportunities for occupational health and safety representatives from different fields to inspect each other's factories while also actively conducting safety patrols at domestic and overseas construction sites as well as at overseas bases in China, Southeast Asia, and other areas. As a result, the number of occupational accidents decreased for the second consecutive year.

### Frequency Ratio of Occupational Accidents (in Japan)



## Health Management and Mental Healthcare

At Fuji Electric, 100% of employees undergo legally mandated regular health examinations. In addition, we provide examinations using state-of-the-art tests and procedures and offer

health guidance to those employees for which health concerns have been pointed out. In this manner, the Company seeks to help employees prevent lifestyle diseases.

## Promotion of Diversity

Expanding our business on a global scale will require that we bolster our competitiveness by building a team that is diverse not only in terms of nationalities and genders but also in terms of sensibilities by incorporating individuals with differing beliefs and manners of thinking. For this reason, promoting diversity has been made a top priority in our personnel strategy.

### Hiring of Local Employees Overseas

As the Company globalizes its operations to grow and expand its business, Fuji Electric is cultivating locally hired employees and promoting them to management positions so that they can support operations at overseas bases. Local hires fill top management positions at Fuji Electric Corp. of America and Fuji Electric India Private Ltd., and we are currently increasing the number of local hires in management positions in China and

other parts of Asia. These practices help us develop businesses that are closely tailored to the countries and regions in which we operate.



Locally hired staff at Fuji Electric India Private Ltd.

### Employment of People with Disabilities

The Company encourages lifetime employment for people with disabilities. We therefore promote hiring and ongoing employment of people with disabilities. In fiscal 2016, we commenced hiring of people with disabilities at the Yamanashi Factory and otherwise continued to expand the scope of duties that can be performed by such individuals in manufacturing, back-office, and other divisions of operating sites across Japan. As a result, 11 people with disabilities were hired (eight new graduates, three mid-career hires).

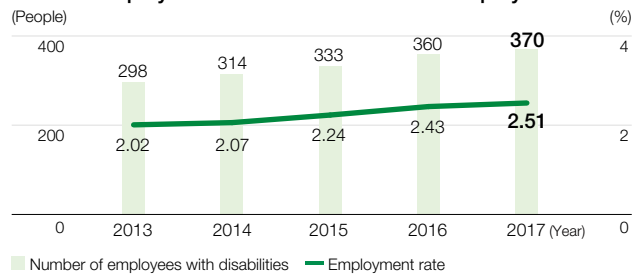


Forklift operation

#### Major Initiatives

- Ongoing expansion of the scope of duties that can be performed by people with disabilities
- Training for supporting independence

#### Ratio of Employees with Disabilities to Total Employees



### Empowerment of Female Employees

The Company deployed a project for promoting hiring of women with educational backgrounds in science and engineering and also offered internships to help it secure such employees.



Meeting held as part of the mentor system for women employees

In addition, we supported the career development of female employees by holding meetings with new and mid-level female employees that were potential management candidates and determining who among these would be applicable for additional career development support.

Going forward, we will formulate career development plans for all applicable individuals to help them move ahead in their careers.

#### Major Initiatives

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

#### Female Employees and Managers

	FY2015	FY2016	FY2017	FY2020 Target
Number of full-time employees	14,260	14,057	<b>13,907</b>	—
Number of female employees	1,764	1,737	<b>1,725</b>	—
Ratio of female employees	12.4%	12.4%	<b>12.4%</b>	—
Number of newly hired female employees*	36	31	<b>31</b>	—
Ratio of female employees among newly hired employees	23.4%	16.9%	<b>14.2%</b>	20%
Number of female employees in management positions*	46	48	<b>48</b>	—
Ratio of female employees in management positions	1.7%	1.9%	<b>1.9%</b>	3.0%
Number of female employees in supervisory positions*	172	192	<b>215</b>	300

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

### Inclusion in the Nadeshiko Brand for Two Consecutive Years

In 2017, Fuji Electric was selected for inclusion in the Nadeshiko Brand for the second consecutive year.

Conducted jointly by METI and the Tokyo Stock Exchange, this program recognizes companies that exhibit excellence in empowering female employees and that are pursuing medium-to-long-term improvements in corporate value.



# Socail (Human Resources)

## Promotion of Work-Life Balance

We are strengthening initiatives to help employees achieve work-life balance by creating workplace environments that are more conducive to the efforts of diverse employees and that enable people to fulfill their potential. We encourage a workstyle of focusing on one's job while at work and resting properly outside of work. Accordingly, we have defined workstyle reforms and support for work-life balance as priority issues, and we are seeking to address these issues by improving upon systems and the corporate culture while promoting collaboration between labor and management.

## Workstyle Reforms and Work-Life Balance Support

In fiscal 2016, the Company analyzed workstyles on the workplace and individual levels with the aim of addressing the issue of excessive work hours. Follow-up activities were conducted on a monthly basis after analyzing issues to ensure overtime work was handled appropriately. We have also introduced the following new systems for enabling employees to exercise flexibility in their work hours and location.

- Location Flexible working systems (enable work in satellite or home offices)
- Rehiring request registration system

### ■ Platinum “Kurumin” Certification

Fuji Electric has acquired Platinum “Kurumin” certification from the Ministry of Health, Labour and Welfare. This certification is bestowed upon companies that already possess standard “Kurumin” certification, have since made progress in introducing and promoting use of work-life balance systems, and are implementing superior initiatives.



### Major Initiatives

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

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

	FY2014	FY2015	FY2016
Paid vacation days acquired annually	13.9	13.8	14.3
Average overtime work hours	23.08	23.11	22.07

### Numbers of Employees Using Childcare and Long-Term Care Support Systems in Japan

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2020 (Target)
Childcare leave (of which, male)	111 (1)	123 (3)	105 (3)	105 (2)	<b>117 (9)</b>	–
Shortened hours for childcare (of which, male)	173 (0)	183 (1)	189 (2)	211 (1)	<b>219 (1)</b>	–
Long-term care leave (of which, male)	2 (1)	3 (2)	4 (2)	3 (1)	<b>7 (3)</b>	–
Leave for childbirth by spouse (% of total applicable employees)	–	141 (54.0%)	173 (57.9%)	168 (59.8%)	<b>189 (66.1%)</b>	– (90.0%)

Data collected from: Fuji Electric, Fuji Electric FA Components & Systems, Fuji Office & Life Service, Fuji Electric IT Center, Fuji Electric Finance and Accounting Support, Fuji Architect and Engineering, Fuji Electric Frontier

## Human Resource Development

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

### Training and Education Systems

A wide range of education and training opportunities are provided to employees. In addition to on-the-job training at workplaces and the unique education programs of specific business divisions and bases, we also offer level-based programs on a cross-Company basis and for specialized fields. In fiscal 2016, we took steps to cultivate globally competent employees in order to further the growth of overseas operations. Promising young employees working in the fields of engineering, sales, and production with the potential to become central figures in the future were selected from among the domestic employee base. These individuals were dispatched to bases in Europe, the United States, or Asia for one-year stays during which they acquired overseas operating skills. Furthermore, those employees to be sent overseas from Japan for the first time were given preparatory training. This training focused on the importance of appreciating and cooperating with others regardless of cultural differences as well as on compliance issues.

### Major Initiatives

- Level-specific training (when receiving promotions or joining the Company, during 3rd year, etc.)
- Selective training (future management candidates)
- Specialized field training (engineering, business skills, etc.)
- Preparatory training for overseas dispatch

### Numbers of Employees Undergoing Training (Fiscal 2016)

Level-specific training	<b>929</b>
Selective training	<b>27</b>
Specialized field training	<b>3,482</b>
Preparatory training for overseas dispatch	<b>73</b>

# Social (Contributions to Communities)

Striving to further strengthen its bonds of trust with society, Fuji Electric uses the human resources and technologies nurtured through the Company's business activities to contribute to the resolution of social issues faced around the world. We are advancing various activities in accordance with this basic stance.



Picture books donated through Christmas project for supporting children in regions impacted by the Great East Japan Earthquake (a total of 430 books were donated)

## Basic Policy Concerning Local Community Contribution Activities

- 1 Meet the expectations of each era and region using the human resources and technologies nurtured through the Company's business activities
- 2 As a basic principle, engage in activities in areas where the Company maintains business operations
- 3 Coordinate efforts on a global scale to ensure the largest possible number of employees participate in the Company's local community contribution activities

## Local Community Contribution Activity Priority Fields

- 1 Protecting the natural environment
- 2 Promoting youth development
- 3 Communicating with local communities
- 4 Supporting Disaster Recovery and Reconstruction Efforts

### Case Example: Protecting the Natural Environment –Community Outreach through Dam Building

(Fuji Electric Manufacturing (Thailand) Co., Ltd.)

#### Protecting Aquatic Organisms by Slowing River Flow

Roughly 100 employees joined members of the local community in building dams in the Nakhon Nayok province of Thailand. The dams built will slow the flow of rivers when water levels rise during the rainy season while maintaining consistent water levels and enabling accumulated water to flow smoothly downstream. As such, the dams will help protect the habitats of the aquatic organisms living in the rivers.



Employees helping build dams



Dam building project

### Case Example: Promoting Youth Development –Science Classes

(Otagawa Factory)

#### Promoting Skillful Use of Energy

Sciences classes were held on the theme of energy and the environment for around 70 sixth graders at elementary schools in Otagawa City, Tochigi Prefecture. Using water to represent energy and waterwheels to represent motors, students learned the importance of designing products with high levels of performance and of proper product usage. This lesson thus taught students that energy savings can be realized by skillfully using high-performance products.



Experiment in which students tried to spin waterwheels with as little water as possible



Water model experiment kit

### Case Example: Communicating with Local Communities –Visit to Special Needs Childcare Centers

(Fuji SMBE Pte. Ltd.)

#### Sharing a Joyous Time with Children with Disabilities

As one facet of our community outreach activities, a total of 25 volunteers, consisting of employees and their families, visited a facility for children with physical and mental disabilities in Johor State, Malaysia. These employees came bearing donations of rice, cooking oil, detergent, toilet paper, and other daily necessities as well as presents that they had prepared personally. These gifts were handed directly to the children. A joyous time was had by all during a performance in which employees sang and danced together with the children.



Donated items



Song being performed with children

# Corporate Governance

Fuji Electric is reinforcing its corporate governance toward the betterment of the management transparency and the oversight function. Furthermore, the Company has prepared its response measures to Japan's Corporate Governance Code, which was instituted by the Tokyo Stock Exchange in June 2015. These measures have been compiled into the Company's *Corporate Governance Report*.

## Corporate Governance Framework

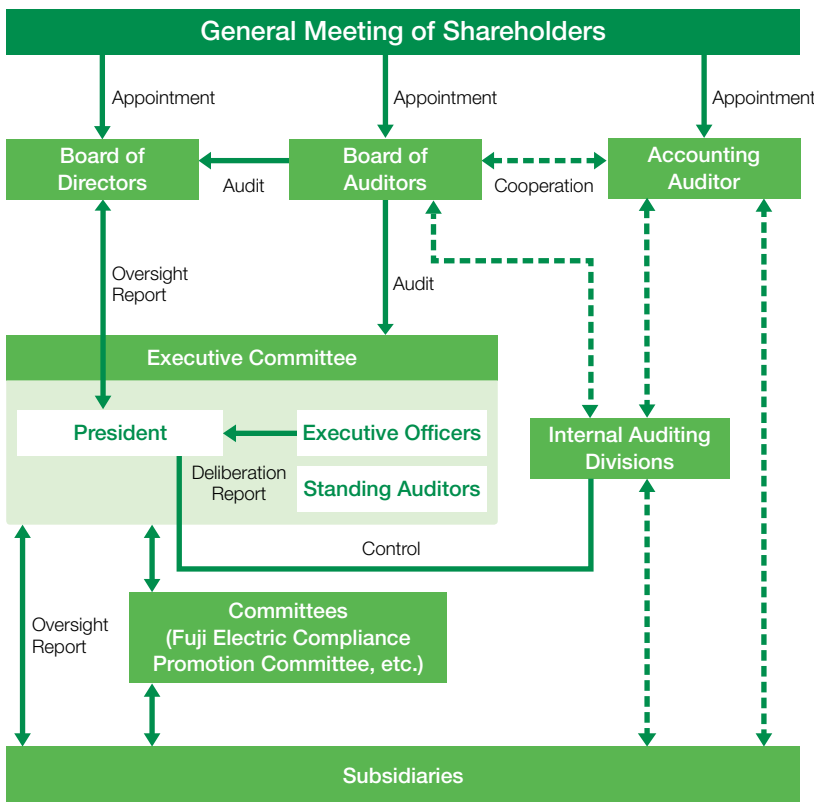
Fuji Electric's corporate governance framework consists of a Board of Directors, which performs the functions of management supervision and making important decisions, and Auditors and the Board of Auditors, which are in charge of the management audit function.

Comprising eight Directors (including three Outside Directors)

and five Auditors (including three Outside Auditors), the governance framework is designed to reinforce the Company's management supervision and audit functions. To this end, the system actively calls on Outside Officers.

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

### Corporate Governance Framework



### Directors and Board of Directors

The Board of Directors conducts decision making and oversight of the management of Fuji Electric and the execution of its important business. Fuji Electric proactively appoints Outside Directors with a view to strengthening the management supervisory function from an objective perspective and maintaining the validity and propriety of business decisions.

### Auditors and Board of Auditors

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

### President, Executive Officers, and Executive Committee

The president has ultimate responsibility for execution of business and makes decisions on matters of business execution other than those decided upon by the Board of Directors. The Executive Committee is composed of Executive Officers and Standing Auditors and functions as a consulting system for the president. It fulfills such functions as deliberation of important matters and makes reports to enable monitoring of the status of management. Executive Officers control the execution of the business of which they are in charge.

## Outside Officers

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

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

In fiscal 2016, business site inspections took place at three locations: the Suzuka Factory, Kawasaki Factory, and Mie Factory. During these inspections, Outside Officers were given explanations

of the factories after which they toured the actual production floors and engaged in discussions with factory managers.

In fiscal 2016, the rates of attendance of Outside Officers at meetings of the Board of Directors (which were held 13 times) and meetings of the Board of Auditors (which were held 10 times) were 98% and 95%, respectively.



Inspection taking place at the Suzuka Factory

**Outside Directors (Attendance at Board of Directors)\*1**

<b>Toshihito Tamba</b> (10/10)	Mr. Tamba offers useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as a manager of listed companies.
<b>Naomi Tachikawa</b> (10/10)	Mr. Tachikawa offers useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as a manager of listed companies.
<b>Yoshitsugu Hayashi</b> (Appointed in June 2017)	Mr. Hayashi is expected to offer useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as an environmental engineer.

**Outside Auditors (Attendance at Board of Directors / Board of Auditors)\*1**

<b>Yoshiki Sato</b> (10/13 / 8/10)	Mr. Sato offers useful advice and opinions concerning the business management of Fuji Electric in general, based on his extensive experience and considerable insight as a manager at financial institutions.
<b>Akiko Kimura</b> (13/13 / 10/10)	Ms. Kimura offers useful advice and opinions concerning the business management of Fuji Electric in general, based on her expert knowledge as an attorney.
<b>Tetsuo Hiramatsu</b> (10/10 / 7/7)	Mr. Hiramatsu offers useful advice and opinions on all areas of Fuji Electric's management based on his professional standpoint and considerable insight as an individual with experience managing financial institutions.

\*1 Ratios below the names represent the number of meetings of the Board of Directors and the Board of Auditors over the period from April 1, 2016, to March 31, 2017, attended by that officer.  
Notification has been submitted that these Outside Officers are Independent Directors / Auditors as required by financial instruments exchanges.

**Executive Remuneration**

Fuji Electric has established a remuneration system and remuneration levels for Directors and Auditors that are deemed appropriate for their respective duties and in accordance with the shareholders' mandate, giving due consideration to the aims of securing and maintaining competent personnel and providing incentives for the improvement of business performance.

**■ Standing Directors**

As Standing Directors are charged with the responsibility of improving consolidated operating performance for each fiscal year and realizing improvements in corporate value over the medium-to-long-term, their remuneration is structured and managed in two categories: base remuneration and performance-linked remuneration.

**Base Remuneration**

Base remuneration is a predetermined amount that is paid to executives according to their position. A portion of the base remuneration is contributed to the Director shareholding association to share the economic interests of shareholders and as an incentive to make management aware of share value.

**Performance-Linked Remuneration**

Performance-linked remuneration is paid only in instances in which dividends are paid to all shareholders from retained earnings. The total amount of executive performance remuneration

shall be within 1.0% of consolidated net income for the fiscal year prior to the date of payment in order to make the link with consolidated results for each fiscal year more transparent.

**■ Outside Directors and Auditors**

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

**Total Amount of Remuneration Paid to Directors and Auditors (Fiscal 2016)**

	Number of Recipients	Amount of Payment (Millions of yen)
Directors [of which, Outside Directors]	13 [5]	269 [22]
Auditors [of which, Outside Auditors]	7 [4]	80 [22]

Notes: 1. The amount paid to Directors does not include performance-linked remuneration for fiscal 2016  
2. In addition to the above, ¥86 million was paid as performance-linked remuneration for fiscal 2015 to Standing Directors (six recipients).  
3. In addition to the above payment, the Company paid ¥17 million to employees who concurrently assumed the office of Director (2 employees) as salary for employees.

**Internal Control System**

The Fuji Electric Board of Directors determines basic policies concerning the establishment of an internal control system as stipulated in the Companies Act of Japan, and the Company discloses those policies. In conjunction with the revision to the Companies Act, in fiscal 2016, Fuji Electric began disclosing information on the implementation of its internal control system, thereby taking steps to respond promptly and accurately to the demands placed upon the Company by society. Such information included descriptions of provisions for ensuring that Directors and employees perform their duties in a matter that is compliant with laws and the articles of incorporation.

**Interactions with Investors**

The Company takes proactive steps to interact with shareholders and other investors. The feedback gained through these interactions is relayed to the Board of Directors, Executive Officers, and relevant divisions so that this information may be shared and reflected in corporate activities as necessary.

**Activities for Interacting with Investors (Fiscal 2016)**

Private shareholders and investors	<ul style="list-style-type: none"> <li>• Factory tours for shareholders: 4 (participants: 365)</li> <li>• Company briefings for private shareholders: 7 (participants: 237)</li> </ul>
Analysts and institutional investors	<ul style="list-style-type: none"> <li>• Financial results briefings: 4</li> <li>• Management plan briefing: 1</li> <li>• Business strategy briefing: 1 (Total participants in 6 briefings: 467)</li> <li>• Small meetings*: 2 (participants: 12)</li> <li>• Factory tour: 1 (participants: 17)</li> </ul>

\*2 Meetings held with a small number of analysts and other

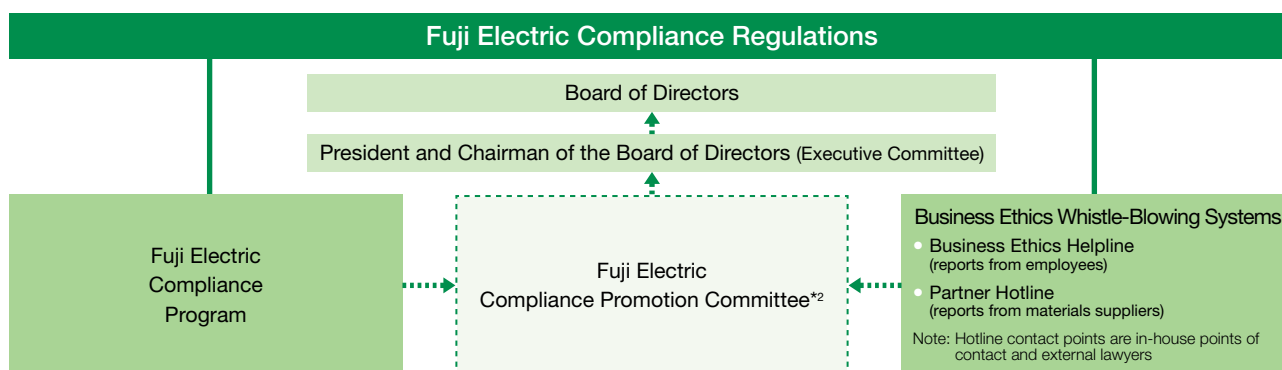
# Compliance

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

## Basic Compliance Policy

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

\*1 (1) Establishment, revision, abolition and dissemination of internal rules; (2) Constant monitoring of status of compliance with laws and internal rules; (3) Auditing of status of compliance with laws and internal rules; and (4) Compliance education regarding laws and internal rules



\*2 Meets twice each fiscal year to deliberate on compliance execution and planning with the goal of achieving full compliance with laws and social norms globally

## Compliance Promotion Structure

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

### Global Promotion of the Fuji Electric Compliance Program

Fuji Electric is enhancing the compliance of its overseas operations. At all overseas sites, in addition to globally common items that apply such as the prohibition of human rights violations and unfair dealings, including bribery and corruption, the Fuji Electric Compliance Program reflects the laws and regulations of each region where we conduct business. We practice compliance through the actions of all our subsidiaries in Japan and overseas on the basis of this program.

### Operation of Whistle-Blowing Systems in Japan and Overseas

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

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

### Conducting Compliance Training

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

#### Level-Specific Training

Level-specific training is tailored to newly appointed executives of consolidated subsidiaries in Japan, newly appointed managers, and new employees. Training lasts a half to one full day, with sessions focusing on the Fuji Electric compliance framework and the Fuji Electric Compliance Program.

#### Level-Specific Training Attended (Fiscal 2016)

Newly appointed executives	22
Newly appointed managers	153
New employees	186

#### Job-Specific Training

Divisions responsible for legal affairs conduct job-specific training that features items for consideration in practical business situations. In fiscal 2016, classroom-based training was conducted mainly for the sales and administrative unit personnel (2,372 in total) of domestic and overseas companies covering a variety of themes, including antimonopoly laws. Furthermore, we conducted e-learning programs for employees at all bases, including those overseas.



Sales unit training

# Risk Management

Fuji Electric is strengthening its risk management to maximize corporate value and minimize the potential losses that could result from various risks.

## Basic Policy on Risk Management

Based on the Fuji Electric Risk Management Regulations, which were formulated in May 2006, the Company manages risk in a coordinated, systematic manner.

We will appropriately manage to counteract all risks that could affect the Company's management, while working to prevent risks from materializing (crisis situations) and reduce losses. In doing so, we will maximize Fuji Electric's corporate value and minimize the impact on management in the event that risks materialize.

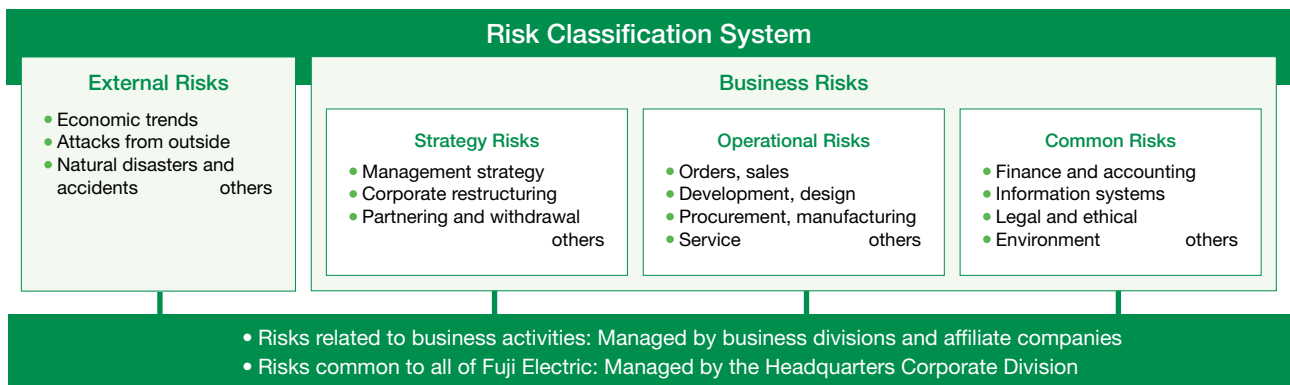
Note: For details about risk, please refer to the Company's *Annual Business Report* under Business Risks

## Types of Risk and Risk Management System

To strengthen risk management, Fuji Electric revised the types of risks it manages and its risk management system in fiscal 2015. The Company now focuses on the two risk categories of external risks and business risks, with business risks divided into the subcategories of strategic risks, operational risks, and shared risks, and conducts risk management optimized for each category.

For risks that are common to the whole of Fuji Electric, such as external risks and shared risks, the Headquarters Corporate Division determines the policies for countermeasures, prepares

appropriate manuals, disseminates the necessary information to manage the risks, conducts education, and takes other measures. Business divisions and affiliate companies develop risk management systems as part of their business responsibilities, through which they implement risk countermeasures for strategic risks, operational risks, and other risks that cover the entirety of their business activities. When business plans are formulated for each fiscal year, business risks are analyzed and factored in to the plans.



## Information Security Measures

### ■ Development of Security Policy and Regulations

To protect personal and confidential information properly, Fuji Electric has formulated and implemented a policy and regulations on information security, and institutes training programs for employees each year, and other measures to strengthen information security and prevent information leaks.

For overseas bases, each affiliate company has also drafted security regulations, based on our information security policy and regulations, and taking into account individual countries' laws and regulations. We stepped up our initiatives to educate employees about information security, distributing an information security handbook to employees at subsidiaries and ensuring that all employees are aware of the issues. We conducted overseas information security audits at 17 companies in fiscal 2016. Going forward, we will make ongoing improvements throughout Fuji Electric, including overseas bases.

### ■ Third-Party Certification Related to Information Security

Companies that handle customers' confidential and personal information, and who require a high level of information security management, acquire outside certification. As of April 1, 2017, five of our operations (at three companies) have acquired ISMS certification. Also, three companies—Fuji Electric Co., Ltd., Fuji Electric Information Technology Center Co., Ltd., and Fuji Electric IT Solutions Co., Ltd.—have acquired Privacy Mark certification.



Privacy Mark (JIPDEC)



# Risk Management

## Measures to Prevent Infringement of Intellectual Property Rights

As part of our intellectual property activities, we employ a system to monitor other companies' patents on a daily basis to prevent any inadvertent infringement of patents held by third parties.

To prevent infringement, we also conduct compliance program training.

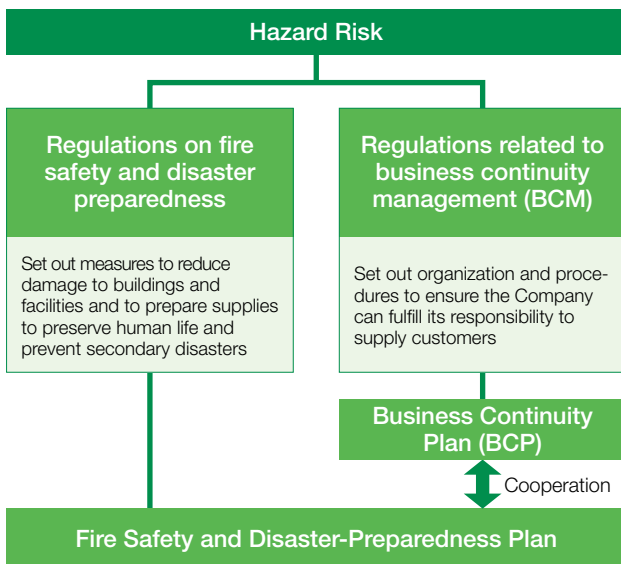
With respect to our own patents, we actively acquire patent

rights to protect our business. We also take measures against counterfeit products and take other steps to reduce risks related to intellectual property.

Note: Please see page 24 for further information about Fuji Electric's activities in intellectual property.

## Measure to Strengthen Business Continuity Capabilities

Fuji Electric aims to ensure that it can continue its core operations even if an unexpected event such as a natural disaster or accident occurs, continuing to uphold its social responsibilities as a company and providing a stable supply of high performance, high-quality products and services required by our customers. To this end, we are promoting the following initiatives.



### ■ Fire Safety and Disaster-Preparedness Initiatives

Based on our *Disaster Prevention and Procedural Manual*, we have created a disaster-preparedness headquarters system. Meanwhile, at operational sites and affiliates, we have put in place thorough measures to ensure that structures and facilities are earthquake resistant, stockpile emergency goods, and conduct regular drills, among other measures.

### ■ Business Continuity Initiatives

In addition to disaster-preparedness initiatives, Fuji Electric has formulated a business continuity plan (BCP) covering the head office, which acts as a command center during disasters, and its factories, which have a large number of key management resources that are required for supplying products, such as production facilities.

In fiscal 2016, we once again expanded the range of products covered under the BCP. In addition, we conducted major disaster simulation drills based on earthquake scenarios targeting business division managers and other business supervisors as well as base managers. In addition, domestic factory managers underwent public relations drills while all employees took part in safety confirmation drills. Through these efforts, we sought to improve our ability to respond to natural disasters.

In addition, the Company has acquired resilience certification under the program established by the Cabinet Secretariat's National Resilience Promotion Office in 2016 to certify companies and organizations that actively seek to ensure business continuity.

We will continue to promote wider awareness of the BCP at domestic and overseas subsidiaries while making ongoing improvements to enhance our ability to ensure business continuity.



Major disaster simulation drill participated in by business supervisors



Resilience Certification Mark

### Procurement Risk Reduction

To reduce procurement risks, we have established a procurement BCP based on the following measures:

- 1) building a supplier damage information collection system;
- 2) securing multiple suppliers for key components;
- 3) establishing alternate sites to carry out procurement operations.

In fiscal 2016, we continued working to secure multiple suppliers for key components while taking steps to reinforce our supplier damage information collection system, which extends to overseas bases.

Looking ahead, we will expand the scope of the procurement BCP to the procurement divisions of subsidiaries in and outside of Japan and strengthen the plan to effectively reduce procurement risks globally.

### IT Risk Reduction

We have formulated an IT-BCP comprising initiatives for restarting and recovering the IT systems we need to continue operations and administration in case of disaster, accident and so on, within the required time.

In fiscal 2016, Fuji Electric and its domestic affiliates implemented simulation drills for bolstering their ability to restore IT systems should their operation be halted due to some disaster. The outcomes of these drills were utilized to improve and ramp up system preservation measures.

In the future, we will extend these measures to overseas subsidiaries.