

# 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

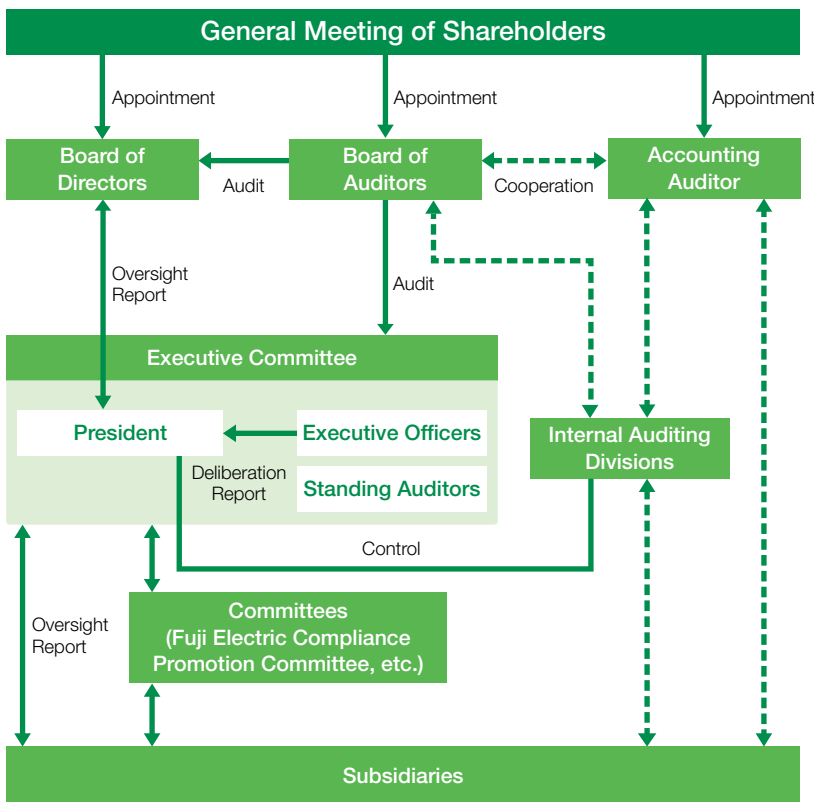
Fuji Electric's corporate governance framework consists of a Board of Directors, which performs the functions of management supervision and making important decisions, and Auditors and the Board of Auditors, which are in charge of the management audit function.

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