

Corporate Governance

To realize its corporate mission, Fuji Electric is reinforcing its corporate governance by increasing management transparency and enhancing the oversight function. Furthermore, the Company is now considering its response to the Corporate Governance Code of the Tokyo Stock Exchange, which has been in effect since June 2015.

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.

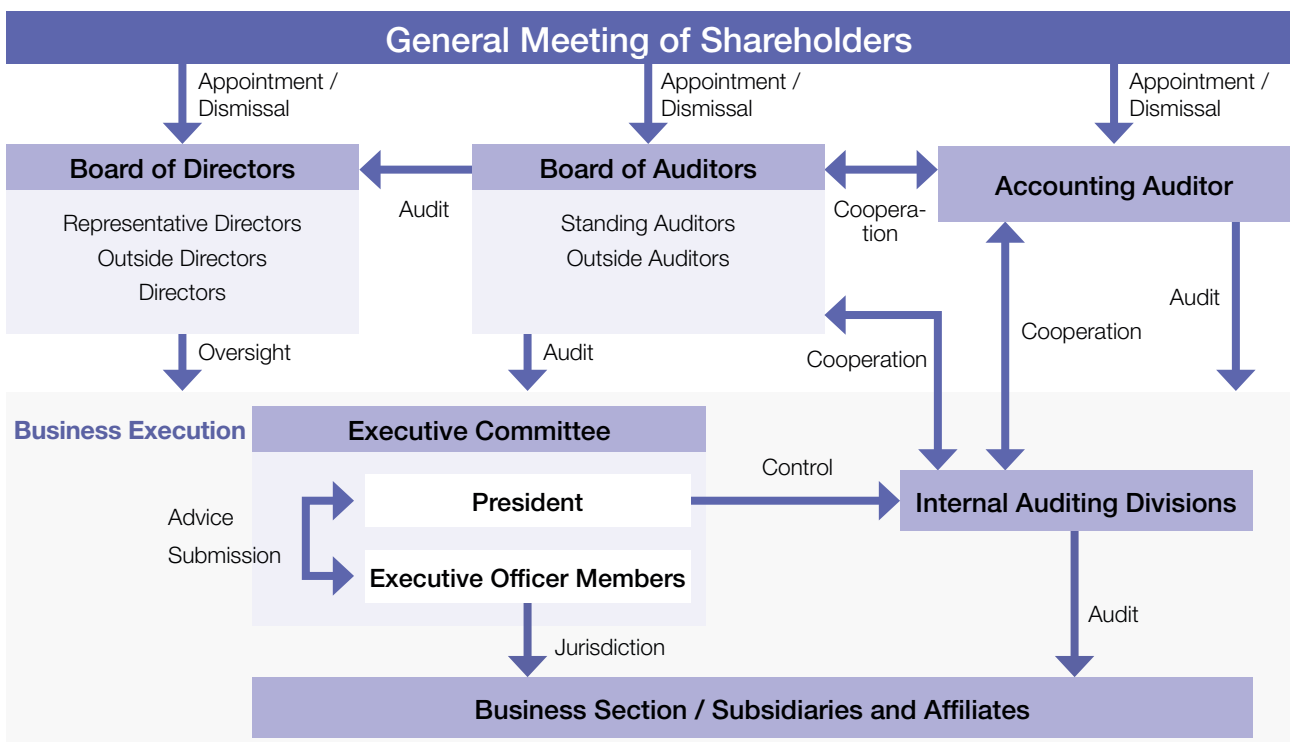
Comprising nine Directors (including three Outside Directors) and five Auditors (of whom three are Outside Auditors) the governance framework is designed to reinforce the Company's management supervision and audit functions. To this end, the system actively calls on outside officers,

making them an essential part of the system.

Outside officers fulfill the role of providing management supervision and management audits from an objective perspective. At the same time, they provide useful advice and instructions across the entire spectrum of Fuji Electric's business, helping to ensure the appropriateness of management judgments.

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

Corporate Governance Framework



(1) 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.

(2) Auditors and Board of Auditors

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.

(3) 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 functions as a consulting system for the President. It fulfills functions such as deliberation and recommendation of important matters, and reports to enable monitoring of the status of management. Each executive officer controls the execution of the business of which he is in charge.

Outside Officers

(1) Outside Directors

To ensure that Outside Directors augment Fuji Electric's management supervisory function and assure the adequacy and appropriateness of important decisions, the standards for outside officers are that they have the insights and experience necessary for making multifaceted management decisions, understand Fuji Electric's management, and are independent from the Company. Candidates for Outside Directors are selected after taking all these factors into due consideration. The Company's three Outside Directors are as follows.

■ Hiroaki Kurokawa

Mr. Kurokawa offers useful advice and opinions concerning the business management of Fuji Electric in general, based on his extensive experience and considerable insight as an experienced manager in the manufacturing sector for electronics and telecommunication equipment.

■ Motoyuki Suzuki

Mr. Suzuki offers useful advice and opinions concerning the business management of Fuji Electric in general, based on his professional standpoint and considerable insight in environmental engineering.

■ Mareto Sako

Mr. Sako 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 in financial institutions.

(2) Outside Auditors

Candidates for Outside Auditors are chosen after taking into overall account such aspects as their ability to reinforce Fuji Electric's management audit function, whether they have the insights and experience necessary to make management judgments, their understanding of Fuji Electric's management, and their independence from the Company. The Company's three Outside Auditors are as follows.

■ Takahiko Ito

Mr. Ito offers useful advice and opinions concerning the business management of Fuji Electric in general, based on his abundant expert knowledge as the Standing Auditor of a listed company and extensive experience and insight as an officer and member of upper management in the manufacturing industry.

■ Yoshiki Sato

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 in financial institutions.

■ Akiko Kimura

Ms. Kimura offers useful advice and opinions concerning the business management of Fuji Electric in general, based on her expert knowledge as an attorney.

* Notification has been submitted that these outside officers are independent officers as required by financial instruments exchanges.

* In fiscal 2014, the rates of attendance of outside officers at the Board of Directors meetings (which were held 13 times) and the Board of Auditors (which were held 9 times) were 95% and 85%, respectively.

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.

(1) 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.

(2) Outside Directors and Outside Auditors

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

Total Amount of Remuneration Paid to Directors and Auditors (Fiscal 2014)

	Number of Recipients	Amount of Payment (Millions of Yen)
Directors (of which, Outside Directors)	12(3)	270(22)
Auditors (of which, Outside Auditors)	5(3)	80(22)

Notes 1. The above payees include three Directors (zero Outside Director) who retired at the conclusion of the 138th Ordinary General Meeting of Shareholders held on June 25, 2014.

2. The amount paid to Directors does not include performance-linked remuneration for fiscal 2014.

3. In addition to the above, ¥94 million was paid as performance-linked remuneration for fiscal 2013 to Standing Directors (seven recipients).

4. In addition to the above payment, the Company paid ¥23 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 Company Act, and the Company discloses those policies. Fuji Electric's Company-wide internal control system is designed to respond promptly and accurately to the demands placed upon the Company by society, and improvements are continuously made to it.