

# Corporate Governance

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

Furthermore, the Company has prepared its response measures to Japan's Corporate Governance Code, which was instituted by the Tokyo Stock Exchange. These measures have been compiled into the Company's Corporate Governance Report.

## Corporate Governance Framework

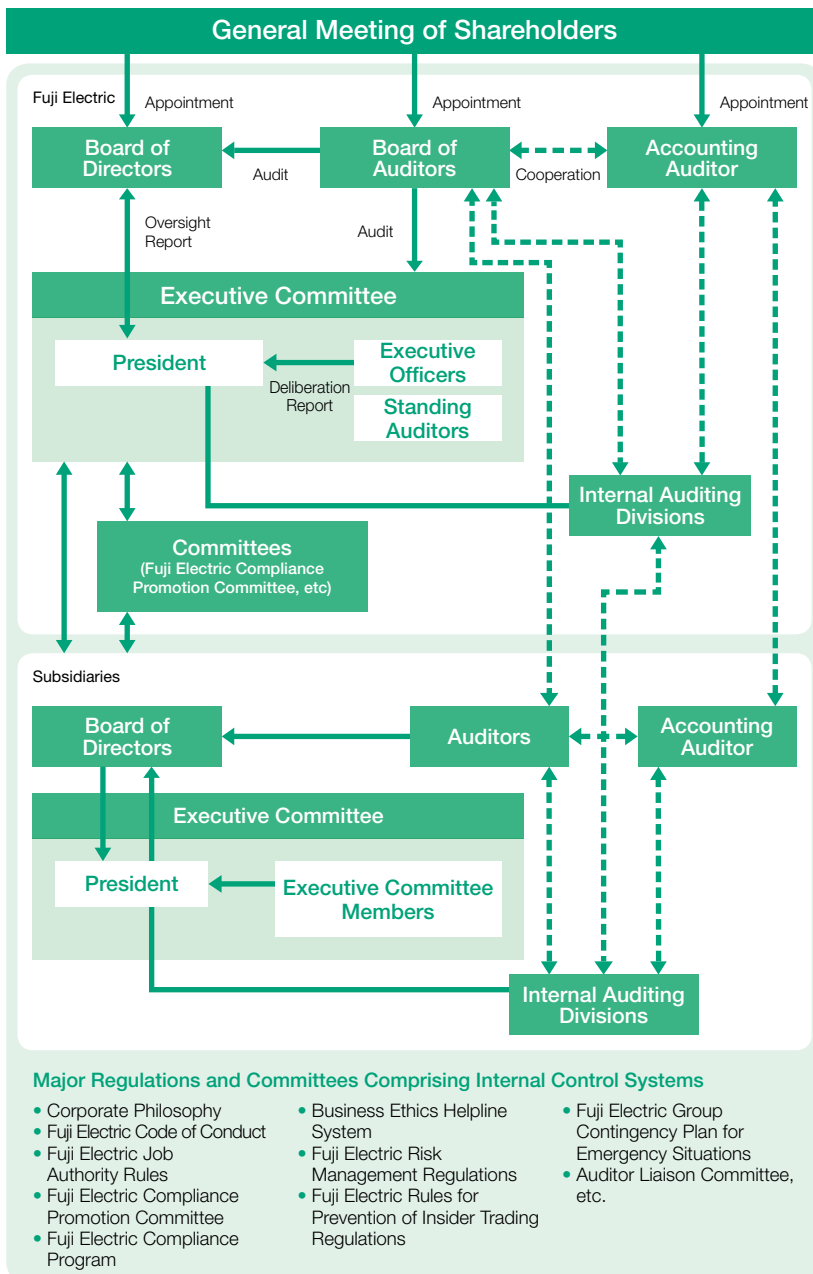
Fuji Electric's corporate governance framework consists of a Board of Directors, which performs the functions of management supervision and making important decisions, and the Board of Auditors, which is in charge of the management audit function.

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, Fuji Electric actively calls on Outside Officers. The Company considers independency based on criteria such as those detailed on the following page when selecting Outside Director and Outside Auditor candidates for the purpose of appointing Outside Directors and Outside Auditors that are sufficiently independent from the Company.

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 important business activities. Fuji Electric proactively appoints Outside Directors with a view to strengthening the management supervisory function from an objective perspective and maintaining the validity and appropriateness of business decisions. The terms of Directors have been set as one year in order to clarify the management responsibilities of Directors for each fiscal year and create a framework that is conducive to flexible responses to operating environment changes.

### Auditors and Board of Auditors

The Board of Auditors inspects Fuji Electric's management and business execution. 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

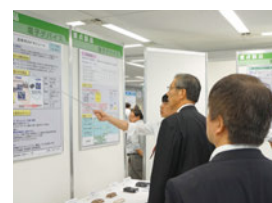
The president has ultimate responsibility for the execution of business and makes decisions on matters of business execution other than those decided upon by the Board of Directors. The Executive Committee deliberates important matters and makes reports to enable monitoring of the status of management as a consulting body for the president. 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 2017, business site inspections took place at Tokyo 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.



Internal technology presentation

### Outside Directors

Name	Attendance at Board of Directors Meetings in Fiscal 2017 (Meetings Attended / Meetings Held)	Type of Advice and Opinions Offered
Toshihito Tamba	13 / 13	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.
Naomi Tachikawa	13 / 13	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.
Yoshitsugu Hayashi	10 / 10 (Appointed in June 2017)	Mr. Hayashi offers 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

Name	Attendance at Board of Directors and Board of Auditors Meetings in Fiscal 2017 (Meetings Attended / Meetings Held)	Type of Advice and Opinions Offered
Yoshiki Sato	10 / 13 8 / 9	Mr. Sato offers useful advice and opinions at meetings of the Board of Directors concerning agenda items and the business of Fuji Electric. Based on his extensive experience and considerable insight as a manager at financial institutions, at meetings of the Board of Auditors, he offers useful advice and opinions and confirms the legal compliance of the overall business activities of Fuji Electric.
Akiko Kimura	12 / 13 8 / 9	Ms. Kimura offers useful advice and opinions at meetings of the Board of Directors concerning agenda items and the business of Fuji Electric. Based on her expert knowledge as an attorney, at meetings of the Board of Auditors, she offers useful advice and opinions and confirms the legal compliance of the overall business activities of Fuji Electric.
Tetsuo Hiramatsu	12 / 13 8 / 9	Mr. Hiramatsu offers useful advice and opinions at meetings of the Board of Directors concerning agenda items and the business of Fuji Electric. Based on his professional standpoint and considerable insight as an individual with experience managing financial institutions, at meetings of the Board of Auditors, he offers useful advice and opinions and confirms the legal compliance of the overall business activities of Fuji Electric.

Note: Notification has been submitted that these Outside Officers are Independent Directors / Auditors as required by financial instruments exchanges.

### Independence Criteria for Outside Officers

The Company judges the applicable candidate to be fully independent from the Company when he/she does not fall under any of the conditions listed below in addition to criteria of independence stipulated by domestic financial exchanges including the Tokyo Stock Exchange.

- (1) Major shareholder  
A major shareholder of the Company (who owns 10% or more of the voting rights) or its executor of business.
- (2) Major business partner  
A business partner (consultants such as lawyers, certified public accountants, and tax accountants, as well as consulting firms such as law firms, audit firms, and tax firms) or a person executing its business whose transactions with the Company exceed 2% of the annual consolidated net sales of the Company or the other entity in the past three fiscal years.
- (3) Major lender, etc.  
A financial institution, other major creditor, or a person executing the business of these institutions that are 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.

## 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 clearly.

### ● 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 2017)

	Number of Recipients	Amount of Payment (Millions of yen)
Directors [of which, Outside Directors]	10 [4]	267 [27]
Auditors [of which, Outside Auditors]	6 [3]	80 [22]

Notes: 1. The amount paid to Directors does not include performance-linked remuneration for fiscal 2017.  
 2. In addition to the above, ¥83 million was paid as performance-linked remuneration for fiscal 2016 to Standing Directors (six recipients).  
 3. In addition to the above payment, the Company paid ¥3 million to employees who concurrently assumed the office of Director (1 employee) 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 Companies Act, 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.

## Audits by the Board of Auditors and Internal Audits

### ● Audits by the Board of Auditors

Auditors attend meetings of the Board of Directors and other important meetings based on the audit policies and duties assignment established in accordance with the standards for audits put forth by the Board of Auditors. Audits are performed by receiving explanations on the status of operational execution from directors, reviewing documents pertaining to important resolutions, investigating the status of operations and assets at major operating sites, and requesting reports on operations from subsidiaries as necessary. In addition, Auditors pursue increased coordination with the Accounting Auditor and with internal auditing divisions in order to ensure the effectiveness of audits across the Group.

### ● Internal Audits

Internal auditing divisions perform internal audits based on internal audit standards and annual audit plans. These audits look at areas such as organizational management, risk management, compliance, operational execution, and accounting from the perspectives of legal compliance in business activities, reliability of financial reporting, preservation of asset portfolios, and operational effectiveness and efficiency. A total of 39 bases were audited in fiscal 2017. No risks or inadequacies with the potential to seriously impact management were discovered.

Information on auditing activities is shared between the internal auditing divisions of the Company and its subsidiaries in order to ensure the effectiveness of internal audits across the Group.

## Investor Engagement

In June 2018, the Company consolidated and reorganized its internal compliance rules to create the Fuji Electric Disclosure Policy in conjunction with the introduction of the Fair Disclosure Rule following a partial amendment of the Financial Instruments and Exchange Act. Fuji Electric is committed to building upon trusting relationships with shareholders and other investors. To this end, we practice timely, fair, and impartial disclosure of information required by law and the regulations of the stock exchanges on which the Company is listed as well as of other information deemed to be of value to shareholders and investors. In addition, members of senior management take part in activities for engaging with shareholders and other investors.

We strive to make effective use of the input gained through these activities by relaying it to the Board of Directors, management, and relevant divisions through reports to committees or paper reports as deemed necessary.

### Activities for Engaging with Investors (Fiscal 2017)

Analysts and institutional investors	● Financial results briefings:	4
	● Management plan briefing:	1
	● Business strategy briefing:	1
	● Small meetings	
	● Factory tours	
Private shareholders and investors	● Factory tours for shareholders: (participants: 405)	4 factories