

Corporate Governance

Fundamental Policy

Fuji Electric's fundamental management policy is to contribute to society, shareholders and other investors by generating economic profit and maximizing the Group's corporate value. To realize this policy, Fuji Electric demerged all its in-house businesses and introduced the pure holding company system in October 2003. Through autonomous management at its operating companies, rapid decision-making and faster management, Fuji Electric will become a business group comprising the industry's strongest specialists. The enhanced competitiveness yielded by this will enable the Group to consistently raise its corporate value.

Establishing and strengthening corporate governance is vital to achieving this objective. Based on this thinking, Fuji Electric has established and is operating the management system described below, which was set up to separate management and oversight functions from business execution functions, thereby clearly defining lines of authority and responsibility.

Fuji Electric's Management System

1. The core concept of corporate governance in a holding company system is the separation of business oversight and execution functions. Corporate governance at Fuji Electric remains founded on the Board of Statutory Auditors System.
2. To ensure clear separation of the respective responsibilities and authority of the holding company and its operating companies, directors of the holding company are barred from holding directorships of core operating companies, and vice versa.
3. The term of directors of the holding company and operating companies was set at one year, not the customary two years, to clarify the responsibility of directors and create a management framework adaptive and responsive to change.
4. An executive committee has been established to advise the president (the individual responsible for overall management) of the holding company. The committee comprises standing directors of the holding company, presidents of operating companies, and the general managers of the strategy development divisions at the holding company. The committee operates as an arena for hearing operational reports and for discussing management strategy and policy and methods of optimizing Group synergy and cohesiveness.
5. The Company's board of auditors comprises five individuals. From fiscal 2004, three members, or more than half of the board, will be outside appointments. This will serve to ensure management transparency and further enhance management monitoring and oversight functions. In addition, Fuji Electric is putting in place a framework to audit consolidated operations with the creation of a Group board of auditors, comprising standing auditors of the holding company and core operating companies.
6. The Fuji Electric Group's operating environment is characterized by growing demands on companies for responsible and sincere business practices in line with corporate ethics in both a social and environmental context. Fuji Electric is responding to these demands across the Group with the reorganization, creation and operation of a number of Group committees such as the Compliance Promotion Committee, Global Environmental Protection Committee, Human Rights Advisory Committee, the Health and Safety Promotion Committee, and the Procurement Committee.
7. Fuji Electric operates an internal control system. An internal audit department under direct control of the president of the holding company, works closely with the respective audit divisions at each core operating company in formulating common audit policy and plans, and in other joint initiatives. Internal audits of the Group's entire business activities are conducted, including the holding company and core operating companies. Areas audited include compliance with laws, internal regulations and decision-making authorities, the efficiency and effectiveness of business operations, and the effectiveness of business risk management. These audits serve as the basis for recommending improvements to internal management systems and business operations.

Remuneration for Directors and Auditors

In fiscal 2003, remuneration paid to directors and auditors, as well as fees paid to independent auditors, were as follows.

Remuneration

Directors: ¥364 million

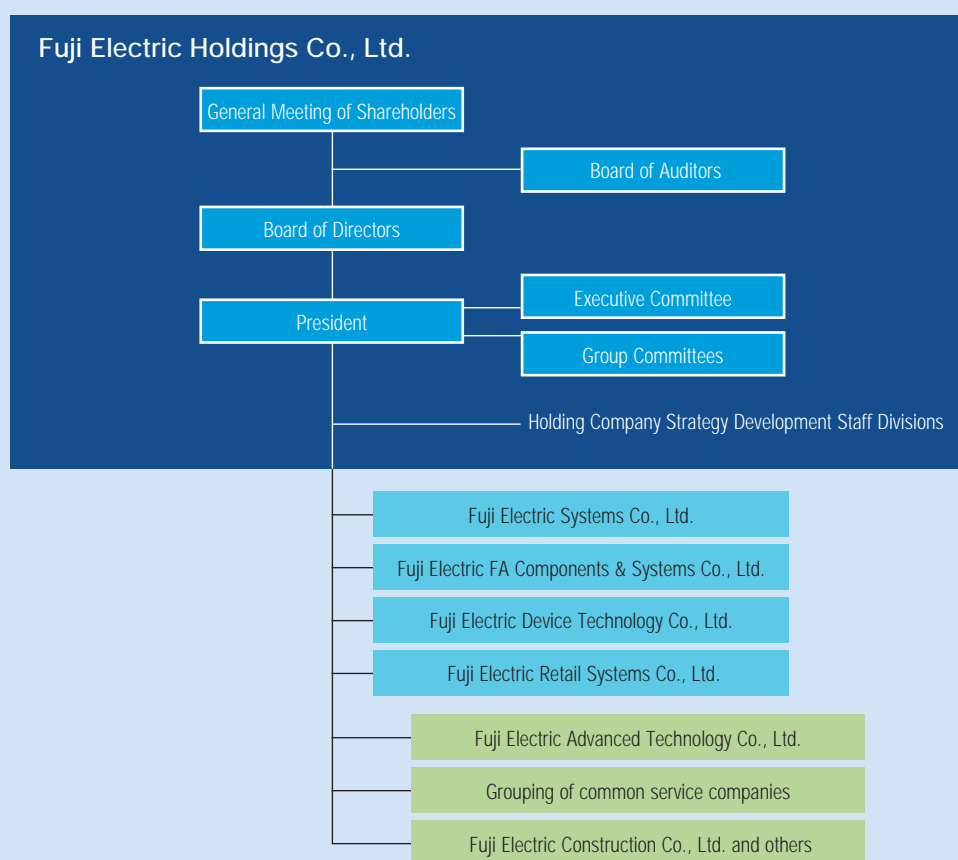
Auditors: ¥71 million

Audit fees

Audit certification based on audit agreement: ¥187 million

Other fees: ¥1 million

The Fuji Electric Group Corporate Governance Framework



Group Committees

Committee	Role
Compliance Promotion Committee	Ensure thorough compliance with all relevant laws and social standards
Global Environmental Protection Committee	Compliance with all applicable environmental laws and regulations; implementation and promotion of environmental protection activities
PL Committee	Ongoing observance and awareness of product liability (PL) law
Human Rights Advisory Committee	Careful adherence to human rights regulations; promotion of human rights training
Health and Safety Promotion Committee	Discussion and formulation of Groupwide health and safety policy; promotion of safety management
Procurement Committee	Sharing of useful purchasing information; fulfillment of social responsibility regarding applicable laws, green procurement and other areas
Quality Assurance Committee	Tangible reductions in costs resulting from quality issues and efforts to raise quality
Technology Standardization Promotion Committee	Formulation, improvement or elimination of regulations and guidelines related to Groupwide production technologies and environmental management
Electronic Technology Committee	Improvement of Group capabilities in electronic technology and sharing of expertise

Management (As of July 1, 2004)

Directors



President and Representative Director

Kunihiko Sawa



Executive Vice President and Representative Director

Tetsunosuke Ishibashi



Director

Tadashi Sekizawa

Senior Executive Advisor, Fujitsu Limited



Director

Eisuke Masada

Professor, Tokyo University of Science



Director

Tadao Noda

Corporate Auditor, Seiwa Sogo Tatemono Co., Ltd.



Director

Kuniyoshi Saito



Director

Koichi Harashima



Director

Masanori Iike

Auditors



Standing Auditor

Takeo Takaishi



Auditor

Zenta Morita



Auditor

Tsuyoshi Nagahama

Attorney-at-law, Anderson Mōri



Auditor

Takashi Takaya

Corporate Auditor, Fujitsu Limited



Auditor

Shiro Okuda

Director, Member of the Board,
Corporate Senior Executive Vice President,
THE FURUKAWA ELECTRIC CO., LTD.