

# Corporate Governance

## Basic Policy

### Basic Approach to Corporate Governance

Fujitec's global mission statement is "Respecting people, technologies and products, we collaborate with people from nations around the world to develop beautiful and functional cities that meet the needs of a new age." To accomplish this mission, we believe that it is essential to gain stakeholders' trust and fulfill our social responsibilities. With our steadfast reputation, we will work to meet the expectations of all our stakeholders and to increase their trust in us. To this end, we will construct and establish the corporate governance structure we require to ensure sound and transparent group management.

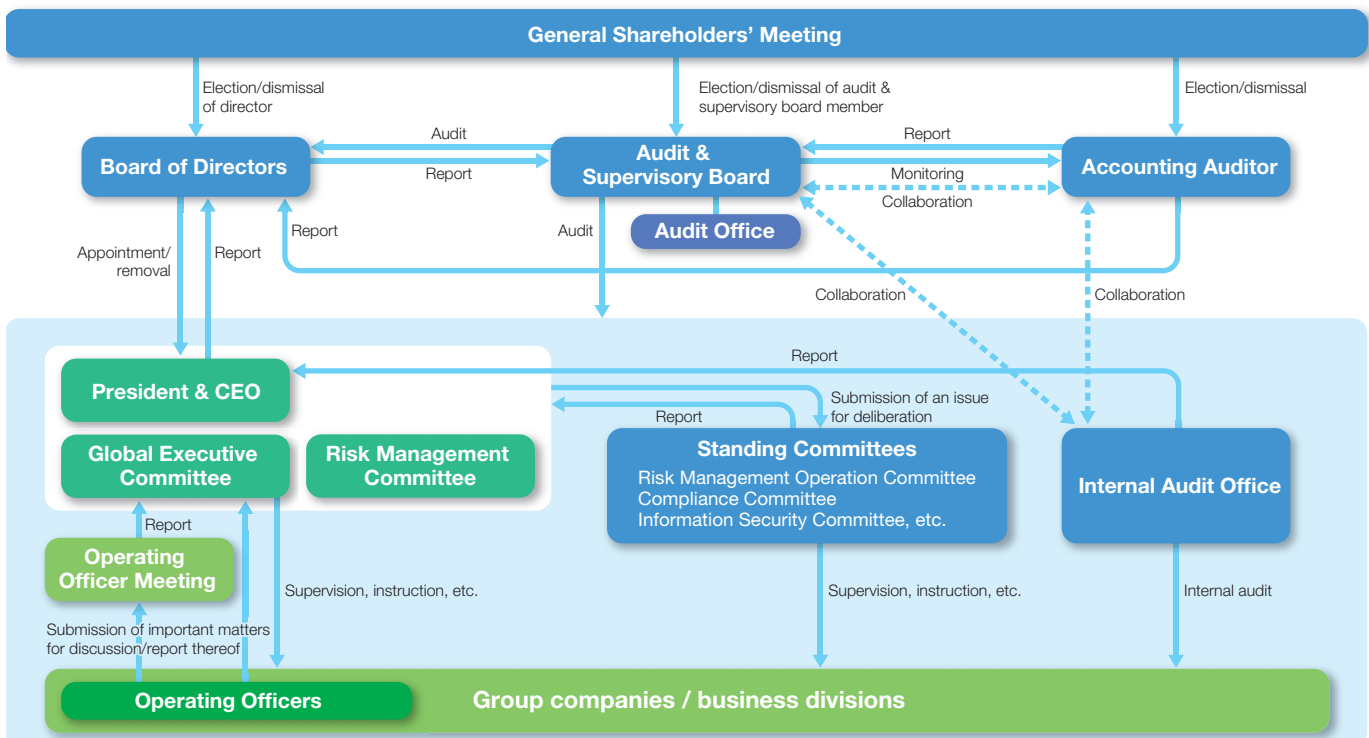
## Management Structure

### Matters Related to Functions of Business Execution, Audits and Oversight, Nominations and Determination of Compensation (Overview of Current Corporate Governance Structure)

Fujitec is a company with a Board of Directors and an Audit & Supervisory Board. The Board of Directors is comprised of seven directors (including three outside directors) and is responsible for deciding on important matters relating to business management and overseeing directors' performance of their duties. At the same time, the Audit & Supervisory Board comprised of four audit & supervisory board members (including three outside audit & supervisory board members) audits the directors' performance of their duties.

The business execution framework of the company and its subsidiaries is the subject of the important conferences of the Global Executive Committee, which meets on a quarterly basis to deliberate on important issues in group management, including business promotion in Japan and abroad, and the Operating Officer Meeting, which is held on a monthly basis to deliberate on important issues regarding business in Japan. All operating officers serving concurrently as directors attend the Global Executive Committee, including the CEO, the executive vice president and the standing audit & supervisory board members. At the Operating Officer Meeting, all directors in Japan concurrently serving as operating officers attend, including the CEO and the executive vice president. In addition, the proceedings and results of these important conferences are reported to outside directors following each meeting.

## Corporate Governance Structure



## Reason for Selecting the Current Corporate Governance Structure

In line with the company's basic approach to corporate governance, the company seeks to strengthen guidance and management through Standing Committees, such as the Risk Management Committee, while overseeing the status of business execution through the attendance of directors serving concurrently as operating officers in important meetings and other means. Moreover, the proceedings and results of important meetings are reported to the outside directors so that they can give appropriate advice. The company also promotes the sharing of information of audits by the audit & supervisory board members, accounting audits and internal audits, which are undertaken independently of business execution, and strives to optimize the governance structure so that each of these can perform its role and function effectively.

## Internal Control

### Basic Approach and Status of the Internal Control System

The Fujitec Group has enacted the Basic Policy on Internal Control by a resolution of the Board of Directors based on the Global Mission Statement, the Fujitec Philosophy of Human Resource Management and the Fujitec Corporate Action Rules. Based on this

policy, Fujitec has an Internal Control Department to promote related activities. That Department also responds to evaluations and audits of the internal control system by working to understand the operation processes of each business execution division and upgrading the internal control system. We have also established dedicated committees for compliance, risk management and information management systems, and these provide the necessary guidance and management for effective business execution.

## Risk Management

To reduce various operating risks, the company has established the Risk Management Committee, chaired by the CEO. The Committee works to promote compliance, including risk management at all group companies, and information security measures, as well as to achieve early detection of risk factors that could have a major social impact, such as ensuring product safety, and countermeasures for those factors. Underneath the Committee there are standing committees that investigate and study each risk factor. The Risk Management Operation Committee collects information swiftly and accurately and ensures proper direction and the management of business execution to ensure that risk management functions effectively throughout the company.

### Internal Control Structure

1. Structure for assuring that directors and employees of Fujitec Co., Ltd. as well as directors, executives and employees of Fujitec Co., Ltd.'s subsidiaries execute their duties in compliance with laws and regulations as well as the Articles of Incorporation
2. Structure concerning storage and management of information related to execution of duties by directors
3. Structure for rules and other matters related to management of risks for exposure to losses of Fujitec Co., Ltd. and its subsidiaries
4. Structure for assuring that directors of Fujitec Co., Ltd. as well as directors and executives of Fujitec Co., Ltd.'s subsidiaries execute their duties efficiently
5. Structure concerning reporting to Fujitec Co., Ltd. matters related to execution of duties by directors and executives of subsidiaries as well as other structures for assuring the appropriateness of business operations of the corporate group comprising Fujitec Co., Ltd. and its subsidiaries
6. Matters concerning employees assigned to assist audit & supervisory board members; matters concerning the independence of such employees from directors; and matters for assuring the effectiveness of instructions from audit & supervisory board members to such employees
7. Structure for reporting by directors and employees to audit & supervisory board members; structure for reporting to audit & supervisory board members of Fujitec Co., Ltd. by directors, audit & supervisory board members, persons who perform work duties such as employees and persons who are assigned to positions equivalent to these of Fujitec Co., Ltd.'s subsidiaries as well as by Fujitec Co., Ltd.'s employees and persons who receive reports from these persons; other structures concerning reporting to audit & supervisory board members; and structure for assuring that audits carried out by audit & supervisory board members are performed effectively
8. Structure for assuring that persons who made reports to audit & supervisory board members are not unjustly treated as a result of making such reports
9. Matters concerning the advance payment of expenses that arise from the execution of duties by audit & supervisory board members; matters concerning expenses that arise from reimbursement procedures and the execution of such procedures; and matters concerning policies related to the disposal of liabilities

## Compliance

The Compliance Committee promotes compliance with the laws, regulations and corporate ethics necessary for promoting appropriate corporate activities and disseminates these to group employees and other concerned persons as cohesively as possible. The Committee formulates the Compliance Action Plan every year and promotes compliance activities. As part of these activities, in addition to group training for all employees or on-demand education through e-learning, the company holds seminars for employees according to their position and department as deemed necessary to ensure that laws and regulations are made known to employees together with carrying out activities to raise employee awareness. The company has also established an internal reporting system to curb fraud. This includes a Compliance Consultation Desk as an internal reporting system related to compliance that allows all employees to consult directly regardless of organizational lines and which will receive employee reports.

## Information Management (Information Security)

To protect information assets with a view toward maintaining and improving security, the Information Security Committee formulates the security policy and countermeasure standards. Also, upon deliberating and discussing the use, handling and management of information networks, systems and devices, the Committee provides instruction and promotes educational activities in these areas.

## Auditing System

### Internal Auditing

To raise the effectiveness of the internal control system, the Internal Audit Office, which is composed of internal auditors with an appreciable level of knowledge on finance and accounting, formulates the auditing plan for each fiscal year based on the Internal Audit Basic Regulations decided by a resolution of the Board of Directors and implements internal audits centered on the examination and assessment of risk at group companies.

### Audit & Supervisory Board Members

Audit & supervisory board members determine audit standards, policies and plans at the Audit & Supervisory Board. Full-time audit & supervisory board members properly audit the execution of business duties by directors by attending the Global Executive Committee as well as by getting reports on the status of the execution of business duties.

As the secretariat for audit & supervisory board members and the Audit & Supervisory Board, we have set up the Audit Office, which is independent from business execution departments and

exclusively plays an ancillary role in audit operations, and established a structure for promoting smooth audit operations.

### Mutual Collaboration among the Internal Auditors, Audit & Supervisory Board Members and Accounting Auditors and Relationship with Internal Control Department

The audit & supervisory board members, accounting auditors and Internal Audit Office regularly hold liaison meetings for formulating audit policies and plans for each fiscal year to share auditing information with audited departments and implement activities for carrying out effective audits.

The results of the internal audit are reported to the Board of Directors as well as the Audit & Supervisory Board and the Internal Control Department. The Internal Control Department cooperates with the Internal Audit Office and the accounting auditors, while undertaking activities to raise the level of internal control. Each half year, it reports on plans and the status of these efforts to the Board of Directors, in which outside directors and outside audit & supervisory board members participate.

### Outside Directors and Outside Audit & Supervisory Board Members

The company has three outside directors and three outside audit & supervisory board members. The outside directors possess a wealth of experience and knowledge in corporate management and provide useful advice and recommendations from objective perspectives to the company's management. We also believe the outside audit & supervisory board members can utilize their abundant experience and knowledge in legal matters, finance and accounting in the company's audits and execute proper audits from objective and specialist perspectives.

Additionally, the company reports to outside directors on the proceedings and results from the Global Executive Committee and the Operating Officer Meeting that deliberate on important matters concerning management and the implementation of businesses in Japan and overseas. The company reports to outside audit & supervisory board members on the proceedings of liaison meetings held by the full-time audit & supervisory board members, accounting auditors and Internal Audit Office for the purpose of sharing audit-related information. In this manner, we collaborate with and support outside directors and outside audit & supervisory board members by providing them with information on the company and its group companies that is necessary for oversight and audits.

Mr. Hisao Shigekane is Fujitec's outside director and serves as counselor for Fuji Electric Co., Ltd., one of Fujitec's major shareholders. Fuji Electric holds 2,889 thousand shares of Fujitec's total shares, while Fujitec holds 1,570 thousand shares of Fuji Electric's total shares. Fujitec also has business dealings with Fuji Electric and its subsidiaries in the areas of receiving orders for installation and maintenance of Fujitec's elevators and other

products as well as procurement of materials and equipment. Mr. Shigekane also serves as an outside director for Tsukishima Kikai Co., Ltd., which has business dealings with Fujitec in the areas of receiving orders for installation and maintenance of Fujitec's elevators and other products.

Mr. Terumichi Saeki, Fujitec's outside director, is a partner/attorney at Kitahama Partners (a foreign law joint enterprise). Fujitec commissions its legal business for individual matters to the law firm.

Mr. Kenichi Ishikawa, Fujitec's outside audit & supervisory board member, worked for Resona Bank Limited, which is one of Fujitec's shareholders and deals with Fujitec's financial transactions, and retired from the bank on June 23, 2014. The Resona Bank holds 4,051 thousand shares of Fujitec's total shares, while Fujitec holds 258 thousand shares of Resona Holdings Inc.'s total shares. Fujitec also has business dealings with Resona Holdings and its subsidiaries in the areas of receiving orders for installation and maintenance of Fujitec's elevators and other products as well as borrowing funds.

Mr. Tatsuo Ikeda, Fujitec's outside audit & supervisory board member, is a professor at a graduate school of Osaka University. Fujitec also has business dealings with the university in the areas of receiving orders for installation and maintenance of Fujitec's elevators and other products.

Outside Directors Yasuo Hanakawa and Terumichi Saeki as well as Outside Audit & Supervisory Board Members Masanobu Nakano and Tatsuo Ikeda are designated as independent members of management as stipulated by the regulations of Tokyo Stock Exchange, Inc. and registered with the securities exchange accordingly.

## Compensation for Executives

### Policy Regarding the Determination of Amounts of Compensation for Executives

Fujitec determines the compensation and other benefits for directors based on the compensation rules resolved by the Board of Directors within the limit for compensation approved at the General Shareholders' Meeting. The amount of compensation for each director is deliberated based on these rules by a committee consisting of directors and other executives (excluding the CEO appointed by the Board of Directors) and determined by taking into account such factors as each director's performance, the standard level at other companies and employees' salaries. In addition, in order to instill management awareness and raise the motivation of directors toward enhancing and expanding business performance, a portion of the compensation is contributed to the Director Shareholding Association. Fujitec determines the compensation and other benefits for audit & supervisory board members within the limit for compensation approved at the General Shareholders' Meeting. The amount of compensation is deliberated by audit & supervisory board members by taking into account such factors as whether or not he/she is a standing audit & supervisory board member and assigned duties.

### Measures Related to Granting of Incentives to Directors

Fujitec has introduced a performance-based remuneration system and a stock option system. In the stock option system, Fujitec issues subscription rights to new shares to internal directors in the amount of up to ¥100 million per fiscal year. The unit per stock is set at 1,000 shares and a maximum of 400 units is allocated.

## Anti-Takeover Measures

### Request for Provision of Information and Setting of Waiting Period for Large-Scale Purchase of Fujitec's Shares

To ensure and improve Fujitec's corporate value and the common interest of shareholders, the Large-Scale Purchase Rules lay out the procedures for the Board of Directors to proceed with negotiations with large-scale purchasers. Specifically, the rules require that when a large-scale purchase is initiated, the Board of Directors requests that (1) a large-scale purchaser provide necessary and sufficient information related to the large-scale purchase beforehand and (2) a large-scale purchaser give sufficient time for the Board of Directors to collect and assess information on the large-scale purchase, after which (3) the Board of Directors provides shareholders with Fujitec management's plan or alternative plan. At the same time, the Board of Directors requests that a large-scale purchaser and its shareholder groups commence a large-scale purchase after all the procedural transactions prescribed in the Large-Scale Purchase Rules are complete in order to achieve the purpose and goals of the large-scale purchase.

### Establishing and Consulting with an Independent Committee

In order to appropriately operate the Large-Scale Purchase Rules and eliminate the risk of the Board of Directors making arbitrary judgments, Fujitec has established an independent committee comprised of outside directors, outside audit & supervisory board members or outside experts (company managers, attorneys, certified public accountants, academics and others) who are independent from Fujitec's top management. The Large-Scale Purchase Rules stipulate that countermeasures will not be set forth unless predetermined objective conditions are not complied with. In addition, the rules prescribe that in cases when requesting a large-scale purchaser to provide additional information, when making resolutions to extend the consideration period of a large-scale purchase by the Board of Directors, when adopting a countermeasure through the gratis allotment of the stock acquisition rights or when making other important decisions regarding a large-scale purchase, the Board of Directors will consult with the independent committee and pay the highest degree of respect to its recommendations. In this way, Fujitec has a mechanism in place to ensure the transparent operation of the Large-Scale Purchase Rules within the scope that serves to protect Fujitec's corporate value and the common interest of shareholders.